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IMPROVING THE RESOURCES TRADE

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H. ANDREW SCHWARTZ: Good afternoon. Welcome to the Center for Strategic and International Studies. My name is Andrew Schwartz and I’m our vice president for external relations here.

I’d like to welcome you on behalf of not just the Center for Strategic and International Studies but also the University of Miami and particularly the Knight Center for International Media.

We have this wonderful partnership with the University of Miami that explores these Millennium Development Goals and issues associated with the Millennium Development Goals. Many of you have been to our series before; many of you have watched them on the Web. I can also tell you that this will be a living archive – you’ll be able to find full video and audio and a transcript of this event at www.csis.org. If you’re an iTunes user, you can find it on the CSIS page on the iTunes U platform as well. You can also find us at Facebook – we’re very connected. (Laughter.)

But again, I want to welcome you and I also again want to thank the Knight Foundation and the University of Miami for making this great series possible and really allowing us to be the only think tank in Washington that is able to explore and dissect the Millennium Development Goals and the issues associated with in a very thorough way and a comprehensive way and in an ongoing way.

I’d like to introduce – before we get to our panel, I’d like to introduce Under Secretary of State for Economic Policy Robert Hormats. Secretary Hormats serves as the senior economic official of the State Department. He advises the secretary of state on international economic policy and leads the work of the department on issues ranging from trade, agriculture and aviation to bilateral relations with America’s economic partners.


He also served as a senior staff member for the international economic affairs of the National Security Council from 1969 to 1977, where he was a senior economic advisor to Dr. Henry Kissinger, Gen. Brent Scowcroft and Dr. Zbigniew Brzezinski, all CSIS trustees.

Without further ado, I’d like to introduce Secretary Hormats, who’s going to deliver some opening remarks, and then we’ll get to our panel.
ROBERT D. HORMATS: Well, thank you very much, Andrew, for that very warm introduction and thank all of you for coming. I really appreciate the opportunity to speak before you.

CSIS is a group that I’ve known and worked with and visited for many, many years when I was in Washington the first time, which, as Andrew has indicated, was about 25 years ago. The kind of conversations and the kind of meetings and discussions you have here really are a very important part of political life in Washington because a lot of the ideas that we need in order to do our jobs in the federal government come from discussions of the kind we’re having today.

I also want to pay special tribute to my predecessor, Reuben Jeffery, who not only was in the job I have just before me, but we worked together for a number of years at Goldman Sachs as well. He’s a very close friend so I’m very pleased that he is on the panel today.

Today’s topic of discussion, responsible trade in natural resources, is one that deserves a great deal of attention and so I’m very pleased that this forum could take place and particularly the role of the University of Miami’s Knight Center for International Media, because it’s important to have these discussions but it’s also important to get the word out to people throughout the country – indeed, throughout the world – about the kind of challenges we face in areas that – particularly I’m going to focus on what are the eastern parts of the Congo – but also some of the broader issues that relate to the question of responsible use of natural resources around the world.

At no other time has the world been so invested in the growth of a knowledge-based global economy, and with good reason. New technology, new ideas and new means of production have had a dramatic effect on economic growth and job creation, in spreading the benefits of globalization to more and more communities and more and more countries around the world.

But even so, our growth, our progress, even in the knowledge-based economy, is supported by natural resources. Oil and gas fuel our cars and heat our homes; wood, iron and many other metals are worked and forged into many of the products we take for granted today. Computers, cell phones: Many other modern products of the information era are based to a substantial degree on products produced by extractive industries.

And in the developing world, these extractive industries – energy, mining, timber or otherwise – play an overwhelming role in the economies of many countries. Such resources can provide enormous benefits to countries in helping them to achieve economic growth, helping provide resources to improve the lives of their people and indeed increasing opportunities for productive employment in various parts of the world.

But in cases where governance is absent or is ineffective or corruption is rampant, there are enormous problems. Where accountability is weak, profits will inevitably trump principle. Where oppression smothers the seeds of opportunity, no investment in development can effectively bear fruit.
We all know what can happen in the worst-case scenario. In some countries, proceeds from the sale of unregulated diamonds, for example, have been used by armed groups to fund their murderous rebellion against their governments and against other people in their countries.

Today, arguably the most pressing concern is the ongoing crisis in the eastern part of the Democratic Republic of the Congo. The illicit exploitation of trade and natural resources has financed armed groups that target civilians and perpetuate widespread human rights abuses in the eastern part of the Congo.

These devastating attacks have cost millions of lives, prolonging the world’s deadliest conflict since World War II. It is not commonly known, but more people have died in the conflict in the Eastern Congo than in any conflict since the Second World War: roughly 5 million people.

Therefore this is an issue that requires our attention from a moral point of view as well as from the point of view of the issues of instability – social and political and economic instability in that region. Even though in some parts of the Eastern Congo, the conflict has subsided, the crisis itself has undermined the ability of the Congolese people to benefit from that country’s vast mineral resource wealth and destroyed large swaths of fertile land once used for agriculture.

I’m reminded of Gandhi’s prescient statement that poverty is the worst form of violence. The more this conflict, the longer this conflict lasts and the more people whose lives are disrupted, the greater the degree of suffering in that region – both human suffering and economic suffering – and the less likely it is that they will be able to achieve the kind of growth that will help them to relieve the kind of poverty that you see in that region.

So the question we have to ask ourselves is, what is to be done? How do we support extractive industries that can lift people out of poverty and put them on the path to prosperity? How do we ensure that the desire for economic growth is balanced by the need to affirm social, political, human and economic rights?

First, we must accept one simple proposition, a simple, uncompromising truth: There are no quick fixes. Lasting solutions require long-term investments of time, of energy and of resources.

Second, we must note that the challenge posed by illegal or unregulated extraction of natural resources touches upon a wide range of issues: human rights; economic stability; good governance; development; trade; state authority and national security. Therefore, our response must be equally extensive.

We have to promote transparency, accountability and the rule of law within state authorities so that people can trust governments to affirm their rights. We have to build the capacity of civil society to demand a future without corruption, one that cements the gains of meaningful democracy. And we must strengthen the infrastructure for legitimate trade, investment and economic growth.
This is an enormous task. But it is a very important one. The State Department, in an effort led by Secretary Clinton, Under Secretary Maria Otero, Assistant Secretary for African Affairs Johnnie Carson and myself – we are playing very active role in working with all the stakeholders to create a global architecture of cooperation for the responsible trade in natural resources.

At its core, this is a global problem and it will require a global solution. But this is not the first time we have secured the support of the international community and of government stakeholders, of the private sector and civil society to promote sustainability in extractive industries. Since the year 2002, the United States has been a strong supporter of the Extractive Industries Transparency Initiative – EITI – an international coalition of nations, of companies, of NGOs and of representatives from civil society which have called for full public disclosure and verification of oil, gas and mining company payments to host governments.

We’ve already seen considerable progress. Last year, for example, Liberia became the first African nation to attain EITI compliance and has done an extensive review of its forestry sector, setting a great example for other countries working to promote revenue transparency. But EITI is only one part of our efforts to improve governance.

We also support a multilateral and collaborative approach to creating due diligence guidelines, adopted by the Organization for Economic Cooperation and Development – the OECD – and the U.N. Security Council-mandated group of experts in the DRC. The new OECD due diligence guidelines will provide practical guidance for mining companies doing business in conflict-affected and high-risk areas like the DRC.

Another recent USG effort is the Energy Governance and Capacity Initiative – EGCI – which is a flexible, dynamic program that complements a number of our reform efforts. The EGCI aims to strengthen energy sector governance by providing technical support to governments of developing countries that are on the verge of receiving sizeable financial windfalls.

As many of you now know, the United States has been a key participant in the development of the Kimberley Process, another multi-stakeholder initiative that certifies the origins of rough diamonds from conflict zones. Last year, the United States became chair of the KP’s working group on statistics. By taking on this role, the United States has assumed responsibility for the transparency and accuracy of rough diamond trade statistics, which are a linchpin of the KP’s ability to ensure conflict-free trade.

Since its inception, the Kimberley Process has reduced the trade in conflict diamonds to less than 1 percent of the world’s total of rough diamond trade. With 49 members representing 75 countries, the Kimberley Process shows what can happen when the international community exercises the political will to halt the trade of resources that fuel the cycle of violence.

We are also exploring ways to dovetail our efforts with those of Promines. Promines is a project that is based on the integration of World Bank- and U.K. Department for International
Development-funded programs, which seeks to provide a wide range of technical assistance to build much-needed capacity throughout the DRC’s mining sector.

In order to protect the fundamental need shared by all individuals working in extractive industries, the United States, the United Kingdom and others have developed the voluntary principles of security and human rights to strengthen human rights safeguards in energy and mining company security arrangements.

So we’re taking the lessons we’ve learned from EITI, the Kimberley Process, the voluntary principles and other programs and applying them towards the issues of conflict resources, especially in the DRC.

But the State Department is also moving forward with a new strategic action plan on conflict minerals, as part of our larger strategy on the DRC. It builds on our past and ongoing activities and has six areas of focus: one, raising the public profile on this issue; two, enhancing diplomatic efforts to target the conflict minerals trade; three, encouraging responsible natural resources trade; four, supporting the U.N. mission in the DRC; five, building DRC capacity and six, protecting small-scale artisanal miners and mining communities.

Two weeks ago, a team of staffers from the State Department, including a member of my own staff, went to the DRC to meet with representatives from the mining industry, civil society and the private sector and the Congolese government. What they found was that artisanal or small-scale mining touches the lives of hundreds of communities in the eastern part of the country.

If we can promote transparency, accountability, security and professionalization of the industry, it can enhance the well-being and self-sufficiency of several thousand men, women and children. That means that more miners will be able to exercise their right to work without coercion. That means more parents will be able to provide for their children without succumbing to debt and indentured servitude, which is an enormous problem there now, and more boys and girls will be able to go to school and live up to their full potential.

More than anything else, we are working with all of our partners to set up an infrastructure that can withstand external forces which lead to corruption, rape, murder, exploitation of children, debt bondage and forced prostitution. These scourges characterize many parts of this region and these are the kinds of things that we must aim to eradicate and eradicate as quickly as possible.

If our efforts work, if we can succeed, we can do this not only in the eastern part of the Congo, but we can use this process and use many of the things we’ve learned in other parts of the world. It can be replicated in other areas of the world that suffer from the kinds of problems that the Eastern Congo currently suffers from.

That’s why we’re fashioning cross-cutting relationships here at home and abroad with lawyers, academics, development activists, NGOs, economists and the private industry. Every sector of our society has a role to play: Unions or organizations like the Solidarity Center are
helping to teach mine workers their rights under Congolese law; independent media outlets and international NGOs are raising the issue and highlighting the various problems that are faced in this part of the world, demanding accountability from foreign governments and from our own government; lawyers and law students are taking up pro bono cases on behalf of the poor and the dispossessed, working to fight the culture of impunity that sustains abuses by the Congolese military and by armed militias.

We’re seeing more and more companies doing well by doing good in this region. Just last week, I had the opportunity to meet with representatives from the electronics, automotive, jewelry and manufacturing industries. First and foremost, they expressed a willingness to tackle this issue head-on and I want to acknowledge their efforts to increase transparency in supply chains. Companies from the Electronic Industry Citizenship Coalition and the Global e-Sustainability Initiative are developing new techniques to verify and audit smelters, industrial plants which transform the raw material ore into metal for the sale or export of the products.

So a lot is going on in the private sector and we’re attempting to work with the private sector because none of these solutions will work without cooperation between the private sector, NGOs, the federal government and other groups that are involved.

A new joint operation between USAID and the members of the mining industry in the Great Lakes region of Africa has secured a new $5 million funding: a line of credit which is aimed at strengthening micro-lending. Firms are increasing access to education by building schools and supporting teacher training. All of these are going to be helpful in creating new opportunities and creating greater stability in the region.

A number of federal agencies, including the U.S. Department of Agriculture, are providing technical assistance in agricultural research to promote sustainable agribusiness in areas once ravaged by conflict and war.

The Obama administration is working to reinforce Congolese leadership and oversight at all levels of government. We are building the capacity of local civil society groups and media to work toward increasing accountability, encouraging responsible natural resources trade, enhancing diplomatic efforts to target the conflict minerals trade and supporting the United Nations mission to the DRC.

But we have a lot more work to do. This is an issue that calls for moral leadership, extensive public and private sector cooperation and concerted efforts to do more to address this complicated and serious set of problems. This is also an issue that transcends partisanship and profession, which is why I’m delighted that this event has drawn such a large cross-section of professionals, of concerned individuals from around Washington.

We all share a responsibility to come to the table to help find solutions. I look forward to what will be a stimulating conversation in this room and I look forward to working with you in the future to deal with a problem that raises important moral, important economic and important security issues for all of us in this country, in the Congo and other parts of the world.
Thank you very much. (Applause.)

MR. SCHWARTZ: Thank you, Secretary Hormats. I’d like to introduce, now, the rest of our panel. To my immediate left, Jennifer Cooke, my colleague at CSIS, is director of the CSIS Africa Program, which she joined in the year 2000. She works on a range of U.S.-Africa policy issues, including security, health, conflict and democracy.

She’s written numerous reports, articles and commentary for a range of U.S. and international audiences. She’s also coeditor of “U.S. Africa Policy Beyond the Bush Administration: Critical Challenges for the Obama Administration,” which you can find online at csis.org.

To my right, we have Dr. Kenneth Goodman, co-director of the University of Miami’s Ethics Programs, including its business ethics programs. Ken is the founder and director of the university’s bioethics program and its Pan American Bioethics Initiative. He also directs the Ethics Program’s World Health Organization Collaborating Center in Ethics and Global Health Policy.

Ken has coauthored a book on ethics and public health, one on artificial intelligence, edited a book on ethics and medical computing and co-edited a book on artificial intelligence. His articles and op-eds have appeared in numerous journals and also mainstream publications, including The New York Times and The Miami Herald and Chicago Tribune.

I’m also delighted to say, here, that we have my colleague Reuben Jeffery III, who most recently served in Bob’s current position as the U.S. under secretary of state for economic, energy and agricultural affairs, which was the senior economic position at the State Department.

Reuben is a CSIS counselor. He adds tremendous value to our center and he also represents a real continuum in this policy that Secretary Hormats just spoke of. In fact, policies that we’re talking about here have been under bipartisan discussion dating back to the previous administration and also to the administration before that.

One of the things I wanted to start out with, though, is I just wanted to ask Undersecretary Hormats, last week you alluded that you met with industry representatives from consumer electronics, jewelry, manufacturing industries regarding their efforts to ensure that the minerals they use do not come from conflict regions, with an emphasis on the Democratic Republic of the Congo.

What steps are you now – have you seen them take to ensure this? What steps can the United States and the State Department take to enable companies to ensure that their minerals don’t come from conflicted regions, such as the DRC?

MR. HORMATS: Well, first of all, I’m very glad you mention that this is and should be and will continue to be bipartisan. This is not a partisan issue – this is a moral, a very compelling moral issue and Reuben and his colleagues have worked very hard on this. Reuben and I actually had breakfast just yesterday to talk about this and many other things.
This has to be a full-court press by our entire country and every facet of Washington and of our civil society and our business community has to be involved in this. I think when you look at what’s going on in the Congress, you see a lot of bipartisan interest in this.

What are the companies doing? They’re, in many cases, adopting due diligence guidelines to ensure that their supply chains do not include minerals that have fueled the conflict. This is not so easy to do.

Those of you who are familiar with this know that what happens with these mining products is that – particularly the ones that come out of small mines – they go through a series of distributors. The person who mines it might sell it to someone else and that person sells to someone else and someone else – of course the Congo doesn’t have a water – doesn’t have ports so it has to go out through Uganda, Rwanda or Burundi or – and then Kenya or Tanzania.

So a lot of transfer of the products takes place before it even gets to the port. Then these things get smelted together so you can have minerals from one region mixed with minerals from another. Then they are combined in countries like Malaysia or Thailand or elsewhere into the final product.

Many of these products are used, by the way, in your cell phones. So mapping out that supply chain is very difficult and we’re trying to get countries and companies to do this due diligence and come as close as they can to identifying where these minerals come from: Do they come from mines that are involved in this conflict? Do they not?

If we can do that, at least we can get some better sense from them as to what’s happening and then working back on the supply chain, identify ways of ensuring that when they use these supplies, they come from mines where the money is not going into fueling the conflict.

It’s not easy to do and I think these companies want to do it. I think they understand there are reputational issues here. Conversations we’ve had have been very constructive. They’re working on this. Is it perfect? No. But is the process underway? I think the answer is yes and we’re going to continue to have these conversations also.

MR. SCHWARTZ: Along those lines, I’d like to put the question to both Reuben and Jen. How do you help when government institutions in places like the Democratic Republic of Congo are virtually nonexistent? How do you help the people?

JENNIFER COOKE: Well, that’s a good question. I think, first of all, I think this gets to one aspect of the conflict, that it’s certainly not the sole driver but it takes away one complex level that has fueled, on both sides – both the rebel side and the government side – provides means and motives for further conflict.

To me, importantly, the initiative kind of raises the issue in the U.S. public’s mind and really takes U.S. consumers and U.S. industry out of the equation but perhaps more importantly builds a public constituency here in the United States that pushes for more robust policy towards
Congo because the impact of this on the conflict itself is pretty uncertain, in fact. I think that the key is taking U.S. consumers out of it.

Part of that bigger comprehensive strategy, in my mind, has to be pushing the government of the DRC and President Kabila to make peace in the East a priority. I think that’s debatable right now whether it is. There’s an election coming up next year – it’s going to be a very contentious issue. There’s a lot of political wrangling.

Make peace that priority. Fulfill the government’s sovereign duties as a government. He claims the mantle of sovereignty – he needs to perform those functions with adequate security sector reform, with services provision, working cooperatively with these communities and being accountable to Congolese citizenry as a whole.

So I would start first with finding the pressures – and the technical help, but also the pressures – to push the political will because without this, without that political will, it’s going to be very hard to get a handle on it, not just in Congo but in the neighboring countries as well, where there are pretty significant vested interests, politically connected, who are benefiting from the trade as well.

So I appreciate the under secretary’s depiction of this as very complicated and a very long process that’s not going to work overnight.

MR. SCHWARTZ: Secretary Jeffery?

REUBEN JEFFERY, III: Andrew, I would echo Jennifer’s comments by my response to your question and say that this very effort is designed to help the people of the Congo. I think it’s a classic version of at least what I as a layperson think of as the astute exercise of smart or soft power in parallel to other diplomatic security efforts the U.S., the international community, the other countries acting bilateral in the Congo and the Eastern Congo in particular are doing along the way.

So it’s very much supplementary to, not an overall effort, which is highly complex, very problematic long-term but has been lacking heretofore. There have been bits and pieces of the effort but there hasn’t been the same degree of international focus, the same degree of U.S. focus on this one particular problem.

But the problem and the approach outlined by Secretary Hormats – there’s not a person in here, I can’t speak to them, who wouldn’t applaud the effort conceptually – is very much, in its substance, is very much dependent upon other pieces of the overall political, security, economic, civil society picture of the Congo coming together and also working constructively multilaterally with not just multilateral institutions like the U.N. but other like-minded countries.

MR. SCHWARTZ: Great. Dr. Goodman and I are both recovering journalists. (Laughter.) So I’d like to ask Ken, what is the role of the news media in this?
KENNETH W. GOODMAN: I was going to say, when Undersecretary Hormats gave his remarks, I hope you all appreciate that you received a talk about ethics, at least as much as anything else, and specifically about the relationship between ethics and public policy.

So one of the ways that the news media can contribute to this – not that we want the news media to contribute in a way that would be offensive to someone sitting in a newsroom – but one of the ways that you could identify this as a moral responsibility of the news media is to say, why do we care about the people of the Congo?

And the answer is generally speaking, we care about people around the world. Why do we care about the extraction of certain minerals that cause social upheaval? And the answer is, well, but for us hither and yon they wouldn’t be doing it. We have some moral responsibility to use what good offices we have to mitigate some of the consequences of our diet.

This used to be called in other – you know, there’s a wonderful cartoon of these two gents walking down the street in a terrible snowstorm and the snow is coming and the sleet and the newspaper rack there says, terrible snowstorm. And one turns to the other and says, every year we get this unpredictable weather.

We used to call these the after dinner economies in Latin America and elsewhere, where land that had been used for growing crops that produced protein were given over to sugar and tobacco and to certain kinds of fruit products and so forth. In a similar way – and we identified our moral responsibilities – say that’s not the way we want development to go. We want to be able to share in these natural resources.

But surely we have a responsibility to support and foster the responsible development of these natural resources. Now, obviously it’s complicated now. And the news media has its hands full. I mean, suppose hypothetically the United States has solved the problem of safe extraction of minerals from the Earth. (Laughter.) So our challenges are – there is a lensing effect here that makes the challenge all the greater.

What I would hope for is that that relationship between ethics and public policy that includes civil society, it includes the news media, it includes the people of the North – North America, Europe and so forth – would allow us to rise to the effective occasion and say, this is not simply that we’re watching from a distance wringing our hands over, but in fact, we have a direct and immediate moral response (sic) to act.

I think that’s, by the way, that’s good news. I mean, it’s good – it’s juicy news. It’s stuff that raises difficult issues in the same way that great literature is great in part because it addresses great moral tensions, I’d want to make the case in the news media as well. Great journalism addresses big issues and may, I think, now include the relationship between ethics and public policy.

MR. SCHWARTZ: And this speaks to a larger issue. Currently, you know, the United States is fighting two wars. We’re fighting a larger war on terror. We’re faced with a crippling economic crisis for the last several years. We’re dealing with sweeping legislation in this
country on health-care reform and tough issues like immigration. I’d like to put it to the entire
panel but first to Secretary Hormats: Why is this particular initiative a national security priority
and a foreign policy priority for the United States right now?

MR. HORMATS: Well, it not only is one right now, it’s been one for quite some time.
And the reason is that if – and I’ll go back to the point, the morality point. And let me just –
there’s a moving story if you read the story of Albert Einstein when he decided to become an
American citizen.

He was asked, Dr. Einstein, why do you want to become an American citizen? What
does America – what causes America to stand out in your mind as a place where you wanted to
be a citizen? He said, because its policy is based on a very compelling morality. And you know,
and this was in the time when the world was very chaotic and it was prior to World War II.

The basic point here is that the United States – one of – and some would argue, the most
important factor, the most important characteristic the U.S. can bring to its worldview and to the
way others see the United States is a compelling morality, is that we stand for something bigger
than just immediate power politics or the strength of our military. We stand for something in the
world that is very attractive to other people when we practice it properly. And that is that we
need to have a policy which is based on morality.

And when we do that other countries around the world see this. It becomes a very
attractive part of what’s known as soft power. In fact, probably the most important part of soft
power is that we stand for something around the world. And that, I think, is – that’s the key
element here. If we don’t – if we’re not seen by the rest of the world as standing for something
of this nature and dealing with a problem of this sort, where people are dying at a very rapid rate
and large numbers have died, it takes quite a bit away from how we want to project ourselves to
the rest of the world.

So I would say – and the fact that it’s bipartisan is very important. And the fact that
American business is involved in it is very important. The business community doesn’t want to
just be seen as bottom line. It wants to be seen as being good citizens, good social citizens, being
good corporate citizens of the world. So I would say that’s the important part.

And let me just address one other thing that – a point that Reuben made a moment ago
and that is that this is something that we’ve got to project in the eastern part of the Congo, but
also bring other countries into this. As I mentioned, this has to be done multilaterally.

And one of the things we’re attempting to do – I’m involved in the planning for the G-8
and the G-20 summits that are going to be held in Canada in a very few weeks – three weeks.
And one of the points that I’ve tried to make as a sherpa for the G-8 is to bring other countries
and say, look, this is an issue – we may not be able to resolve this issue at this summit, but we
can focus international attention on the need to resolve it. And if you do that, you really create a
very strong set of pressures on companies and other governments and particularly governments
of the region.
And I totally agree with you, Kabila – bringing Kabila around is very important and the more international attention focused on it, the better it will be. So if we can do this – I mean, we tend to forget the Helsinki process. People say, what’s the Helsinki process about? It put a lot of pressure for change on the Soviet Union. And I think if we do the same kinds of things here, we can put a lot of pressure on President Kabila and the heads of state of other countries in the region, the business community.

And by the way, ourselves. You should hold us accountable because that’s what civil society is all about, just working with the federal government and making sure we do the kind of things that respond to these sorts of concerns as well. So we have a responsibility to all of you who are interested in this to work with you.

And this came up in my confirmation hearings and a number of NGOs were there just focusing on whether we were going to do the right thing. And the answer is we’re trying to and if there are suggestions you have or criticisms, we should be open to them because it’s a very compelling moral issue and we do not have all the answers, I assure you, although we’re trying.

MS. COOKE: Well, on the U.S. interests, I think the undersecretary’s laid it out very well. First of all, there’s huge opportunities too in Congo. If they are able to regulate their economy and the mineral trade, there’s big business opportunities for us and for the Congo and so on. So there’s upside to this down the line as well.

But importantly, you know, this is a bipartisan issue and it has really found resonance with the American people as well. Congo was neglected for a very long time because it’s remote, there’s no good guys and bad guys. Except for innocent civilians who suffer from all sides, you can’t distinguish it. Media didn’t get in there that often. Darfur and Sudan were really preoccupying us.

And as people know more and more, that, you know, four to 5 million have died since 1998, the horrific abuses that civilians endure, the levels of rape and depredation and predatory behavior by armed forces on all sides – I think American people want to respond and so it’s less a question almost of hard U.S. interests; it’s the American people, a reflection of the American people’s desire to do more.

MR. HORMATS: And I, just taking over there for one other thing, the upside is exactly what you said, that that is if you can take these mineral profits and use them properly, you will create a lot of jobs for a lot of people in this region. It will help economic development in Eastern Congo and other countries in the neighborhood in the Great Lakes area and it creates prosperity, reduces our need to provide development assistance because they’ve got money themselves and will produce jobs.

One of the initiatives that I mentioned earlier to help countries that are on the verge of being able to tap new oil resources in particularly like Uganda, for instance, is to help them utilize this big windfall in Lake Albert. And there are many countries of the world like this – Guyana – many countries have found new sources of oil.
And we’re trying to help them to develop means of economic governance, of proper accounting and a number of other things that will enable that money to be used for the benefit of their citizens rather than skimmed off and used for purposes that are not only nonsupportive of development but can be used for a lot of nefarious purposes also. We want to avoid that.

MR. SCHWARTZ: Reuben, do you want to weigh in?

MR. JEFFERY: Yeah, I think you covered it nicely, Bob. I’m thinking that’s completely it. Once you get beyond the, I think, the overarching moral principle at stake here and not just in the Eastern Congo but in other such affected regions and you get down to the realpolitik of what’s happening there and in so many other places.

And one tries to widen the aperture of the subject matter area that Bob’s talking about, what you’re really talking about as a matter of U.S. national interest and world national interest is helping distressed populations in failed or failing or troubled states build civil society, develop the institutional infrastructure to allow some modicum of governance, which then, if one believes the analysis, which certainly I do. And I think this has been demonstrated successfully in other contexts, create the conditions for people to improve their lives. It’s very simple. It’s simple to articulate – very, very difficult to do.

And in terms of, again, in terms of U.S. national interest, it’s very much in our interest. One of the reasons why we signed up for the Millennium Development Goals – we’re supportive of the Millennium Development Goals – to see that kind of development in these most distressed of areas in the world and which – sadly, a disproportionate number of those reside in sub-Saharan Africa.

MR. SCHWARTZ: Dr. Goodman, you know, in order for us to do all this, we certainly need the buy-in of multinational companies and U.S. companies. They’d be subject to new rules, audits and all sorts of things that may indeed hurt their bottom lines. How do we encourage them to take a moral and ethical responsibility as good corporate citizens to help this process?

MR. GOODMAN: Actually, I believe there’s pretty good evidence, good reason to believe that the interests of U.S. security and the interests of multinational corporations have never been served and will never be served by a lack of accountability, a lack of transparency, a lack of veracity. I mean, those are the core values and think they’re universal values and I think that we share them.

Enlightened self-interest is really quite effective for this. We actually, working with our colleagues to give an example in terms of the need to gather more information to identify the best approaches to this, I mean, these are data-driven questions in many respects. And working with our colleagues in Jamaica, for example, at the University of the West Indies, we coined a motto having to do with the need to gather data, an evidence-based approach to policy and to the ethical application of different tools of policy. It was, “No ethics, no research; no research, no health; no health, no development,” that we cannot tease these things apart.
If someone were to say, well, we believe we’ll be able to improve development in the Congo or in Indonesia or in Latin America or anywhere else if only we could just fudge a little on the accountability, transparency and veracity, they’d be mistaken. And that’s not because – out of sentiment.

There’s really good reason to believe that those engines – which work quite well in civil society as is documented in democracies thriving around the world – actually works. No sentiment here; this is not – some people are of the unhappy belief that when we do ethics, we hold hands in a circle and get in touch with our feelings. (Laughter.) We can do that later perhaps if you’d like. (Laughter.)

But in fact, the real heavy lifting is done having identified the values and say, here, given the practical realities on the ground, is how we can manage to improve the health, support development and do our moral duty in terms of the kinds of issues we’re talking about today in terms of extraction of minerals that fuel conflict. Now ethics does its job and we say, here’s how we can do this in a way that supports, serves, pays homage to our core values which have been so successful.

MR. HORMATS: And I think you put it very well. And I would just add one thought and that is that the kind of instability that goes on in this region, the kind of horrible human rights violations does not improve the profitability of any company at all. They have to operate in the most difficult and dangerous and socially tumultuous environment. And that could not be good.

And there’s a very interesting example in history and that is the initial talks in London to end apartheid in South Africa were actually initiated by a South African gold company. Now, one could have said, well, why would a gold company in South Africa do this? They were operating very well under the national government, the apartheid government.

And the answer was because they understood they would do better in an environment where there was social tranquility that didn’t have apartheid, that didn’t have the kind of turmoil that was going on in South Africa. So they actually engineered the talks between the nationalist government and the ANC.

If any of you read the book, “Endgame,” it describes this in very vivid detail. They did it for moral reasons, but they also did it because they knew that if they achieved this objective of ending apartheid and having a democratic government, their own interests would be better served by a more tranquil economic and social and political environment.

So companies themselves want to find a way of improving this and working with them to find a way of doing it, I think, serves the broader interests that I’ve described, but it’s also very sound economics. And you know, this is not sort of a kumbaya kind of thing. This is going to be very tough and very hard.

A lot of political pressure is going to have to be applied and we’re going to do a lot of hard lifting and it’s dangerous. But in the end, it serves our – the moral objectives, but it also
serves economic objectives and more political stability in this region is good for everyone. And if you have instability in Eastern Congo, it could affect a lot of other countries in the region and that’s not good for us or anyone else.

MR. GOODMAN: Instability is bad business. (Laughter.) And we’ve learned that repeatedly.

MS. COOKE: But one of my concerns, though, if this is – if the onus really is on the private companies and we don’t hold the government of Congo responsible for really enforcing it, there are companies who don’t have the shareholders and the consumers who are sensitive to these kinds of issues back here. There are companies that don’t have that enlightened, long-term view who are perfectly happy or take the risk of operating in these very unstable environments.

And I think one of the risks is if this becomes too onerous and it isn’t driven by the government of Congo itself, it becomes that those companies with a conscience walk away from Congo. There’s other sources of coltan and tungsten and the rest of it. And this is why the standards have to be set within Congo so that they can enforce it on all investors who come in and this isn’t simply a voluntary –

MR. HORMATS: Absolutely. No, it can’t – there are things that the companies need to do, but there are some very tough things that the government of the Congo needs to do. And in particular, it’s to enforce their governance in this part of the country. But it’s not so easy for them to do either, so we need to provide programs that help them do.

The World Bank has a new program and there are very substantial new loan – there are lot of programs that are designed to help the Congo to develop its own governance process. But the government has to assume a greater degree of responsibility and to be able to govern this region in a more effective way and there’s no avoidance of that. And other governments in the region have to weigh in also.

MS. COOKE: You talked about the Helsinki process. And you might think of the African Union process that way as well and engaging the African Union, not just on Congo but in setting these kinds of standards for investment and conflict minerals and resources and so forth.

MR. HORMATS: That’s a good idea.

MS. COOKE: Getting it to – because it will take time, but changing the norm and it’s possible through the African Union to do that. But getting African stakeholders more engaged on this as well, I think, over the long term will be important.

MR. HORMATS: The Great Lakes project is part of that, but I think the AU is a very good way of looking at it also.

MR. SCHWARTZ: I’m going to open it up to audience questions in just a minute and if you could come forward, we have two microphones here and if you could identify yourselves
before you ask your question, that would be very helpful. But along the lines of what we were just talking about, how does the United States encourage large partners in Asia, for instance, to cooperate and sign on to our policies and ethical obligations?

MR. GOODMAN: So when you exert leadership economically and politically and strategically and morally, you, I mean, I will defer to our colleagues here who actually know how the engines of state do that. But in fact, when you have businesses and you have governments that say, here are the values by which we’re navigating. We’ve discovered that we’re not doing this out of warm fuzziness. We have an enlightened self-interest. One, you have the moral responsibility to have the same insight we do. And two, if you get onboard, this will ultimately serve the values that you otherwise embrace.

There’s no good reason to object to the kind of bipartisan international accord that we had described so far this afternoon, that the best arguments for improving development – for supporting development, improving the lives of people, especially in desperately poor regions of the world, in fact begin with just the sort of strategies that we’re talking about. So if any business in Asia or any business in Europe or any business elsewhere in the world doesn’t see that they too share the interests that are fostered by improved security, then they didn’t get the memo.

MR. SCHWARTZ: I’d like to open it up to your questions. Sir?

Q: Thank you. Norman Bailey, Institute of World Politics. It’s a pleasure to be here with my former colleague, Bob Hormats. This is a question for any or all of the panelists: Would you support direct individual or organizational actions such as boycotts?

Let me give a concrete example: Oil revenues to Venezuela we know go to the FARC and the ELN in Colombia. They go to Hezbollah and Hamas. Citgo is the U.S. subsidiary of the Venezuelan oil company. Would boycotting Citgo gas stations be something that would be acceptable? I use that only as an example because there are many other examples that could be used, whether it’s diamonds or anything else.

MR. GOODMAN: (Laughter.) So one way to think about that is to think about under what circumstances is a boycott or an embargo morally either defensible or morally required? And the people who’ve thought about this have said that one of the places you need to begin with is whether or not the country of the source of the problem, whether the people there support it. And so for example in South Africa during apartheid, many South Africans supported embargoes. There are other countries where we have introduced various kinds of economic restraints or embargoes which are not supported by the people in that country. Obviously you don’t want it to backfire.

Q: A boycott and an embargo are two different things.

MR. GOODMAN: Beg your pardon?

Q: A boycott and an embargo are different things.
MR. GOODMAN: I understand. I understand, but ultimately if what you’re – they’re two different things, but the goal is somewhat the same: It’s to use economic pressure to try and drive policy. And it would be nice if there’s alignment between the interests of the embargoers and boycotters and the citizens in the country that’s culpable.

MS. COOKE: I’m not sure how effective it would be in this case. There’s legitimate trade that goes on from Congo as well and so it’s distinguished between the legitimate and the conflict-affected areas. That’s part of the problem. In Sierra Leone, pretty much all the diamonds were controlled by the RUF, so you could say, look, no – I’m not taking diamonds from Sierra Leone.

In Congo, it is a little more difficult. You’d also be cutting off people from legitimate livelihoods, I think. So I don’t think in this – furthermore, the demand for these minerals is not just coming from the United States who would be presumably the only ones that might sign on to a boycott. Big Asian market as well, where these issues play less in popular debates. So there’d be those who’d fill the vacuum I believe.

MR. HORMATS: Yeah, I think Jen is right. And then I also would – I think that’s exactly right. And the other point, first of all, some of it is legitimate and these people wouldn’t have jobs if you boycotted it. Second, you really wouldn’t know what to boycott if you tried because all the stuff gets mixed together somewhere else and you wouldn’t be able to do it in an effective way. And third, our real answer is to get to the bottom of this for the methods we’ve described. I don’t think that would be a useful way of doing it and I don’t think it would work anyway because I don’t think it is doable, it would be doable.

MR. SCHWARTZ: Questions. Come to the microphone please.

Q: Hi, I’m Julia Fromholz from Human Rights First. Thanks very much for the presentation. When the question about national security was asked, I was surprised that no one – or a little bit disappointed that no one talked about the criminal networks that some of these play into because I would actually – working for a human rights organization, I would like to hear that our government has – really sees a robust national security problem – or robust national security priority here, not just a moral one because, sadly, when push comes to shove, that does get shoved aside.

And if there’s a stronger national security priority such as some of the players in mineral extraction are part of networks that may have some overlap with other networks that we’re interested in – money laundering or things like that – I think that it makes the policy stronger.

MR. HORMATS: Can I address that? I think you’ve made a very compelling point. In this particular trade, we pretty well know in general about the money flow. But you’ve raised a broader and a very compelling point and that is: A lot of what’s going on, there’s a very close relationship between illegal receipts from extractive industries, from the drug trade, from the arms trade and they – a lot of these go into either organized crimes, in some places, the terrorist
groups. There’s not a lot of documented evidence that this is the case. It goes to the terrorist groups or groups that are disruptive in Eastern Congo.

But the bigger issue is the one you’ve described and that is that we’re seeing increasing links between illegal production of pirated goods, pirated software, pirated movies, a whole range of other things – pirated drugs and money going into terrorist groups between – increasingly narcoterrorism is becoming a real problem, not just in Latin America but increasingly it’s going over to Western Africa and then it goes into Western Europe.

So there is – in areas that are difficult to govern or where there is no governance at all and there are pockets of total instability, you get a whole range of activities that lead to illicit trade, illicit mining of various sorts. And a lot of that money goes into groups that are supporting terrorism around the world or supporting armed gangs that cause instability in countries. You have that in parts of Latin America, that in parts of Africa. All of that is a big problem.

This, it turns out, is not as big a problem as some of these other areas can be. But there is certainly a link between pirated products, between illicit mining, between ungovernability of various parts of the world and money that goes into these groups that are causing instability and in some cases goes right to terrorist groups. And if there are pockets of nongovernance – I mean, Somalia is a good example, but there are others – it really causes – does have a national security impact on the United States, no question about that. And that’s one of the reasons we have to deal with it.

MR. SCHWARTZ: Question.

Q: Laurie Sherman, Transparency International. I was just hoping that Secretary Hormats could tell a little bit more in detail how you’re involving the NGOs and the private sector so that we could get involved.

MR. HORMATS: Sure. Well, we actually had a number of conversations with NGOs and we will be having many more. We would like – and a lot of things – like John Prendergast, for instance, is someone we talked to on a number of occasions. But we’re very happy to talk to any NGOs and get the views of NGOs, in part, because a lot of NGOs have people on the ground who are very familiar with this in this – in Eastern Congo, Sudan, many other parts.

So I think you – the answer is, we’re not only eager to talk to NGOs, we’re eager to get the input because your sense of what’s happening on the ground is very important to helping us to undertake the kinds of measures that we would like to undertake. And also, we’d like to have a chance to test ideas with you as to what you think would work and what would not work because there’s a lot of knowledge in the NGO community on this very tragic situation.

So if you would like to get together, we’ve had some meetings; we’re going to have more. And just count this as an invitation to have a discussion with us; if we haven’t had conversations, we will. We’ve had some already, but we will certainly have more. And you can – we need that input.
MR. SCHWARTZ: Changing gears just a little bit, Secretary Hormats, you mentioned the G-8 and G-20 in Canada in the next several weeks and that the Millennium Development Goals, such as maternal health, child health, things like that are of paramount importance to you and to this government. Can you tell us a little bit about that going forward?

MR. HORMATS: Sure. Sure, well, one of the things I raised at the last, what we call “sous-sherpa” meeting, which was held in Vancouver, was to try to get the G-8 to go along with some language on Eastern Congo and helping to deal with the problems that I’ve outlined. You can’t go into great detail, but you can certainly shine a very sharp light on this topic by using the heads of state to do it.

The second element is the broader question of the Millennium Development Goals. The that we’re focusing on are maternal and child health care. These are the – of the Millennium Development Goals, these are two where the world is perhaps furthest behind or farthest from meeting the targets that have been set.

So what we’re working – we’re trying to do with the G-8 countries is, first of all, identify why, first of all, how far we’ve come from meeting the goals. And it’s not just us. There’s a responsibility on the part of donor countries; there is also a responsibility on the part of recipient countries. Governance is very important. The kind of programs they pursue are very important, so this is supposed to be done on the basis of mutuality. The industrialized – the developed countries have important responsibilities; so do the recipient countries, so do the developing countries.

So we’re trying to find out how far we’ve come collectively from achieving these goals and then what needs to be done in order to get us closer to these goals by 2015, which is the target here. So there are a wide range of programs. A number of countries are providing very substantial sums for maternal and child health care. We’re going to be supporting a number of specific programs that will advance this goal. And we see this as vitally important. Secretary Clinton has been, you know, focusing on this. The president has focused on this in a number of speeches. We think this is important.

And again, you’d think – this goes to the point we were discussing earlier – you would think the G-8, they discuss sort of lofty issues of state and financial issues, but to the extent that we in the industrialized countries can identify goals of this sort, it’s not just that they’re morally important.

It is that to the extent you can provide for opportunities in these countries, help them achieve greater social and political and economic stability, you can improve opportunities for our countries to export to these countries. They will have more stability, so they won’t need as much support from the rest of the world once they attain a higher rate of economic growth.

And helping women and children is a huge investment in productivity and in future growth in these countries. So we really see this as an investment in the future, not only of the countries that are going to be assisted that are primarily in Africa, but to our own well-being in five, 10 years, 15 years down the road.
MR. SCHWARTZ: Great. With that, I’d like to thank our panelists today. It’s been a terrific session. I’d like to also thank, again, the University of Miami Knight Center for International Media for making this possible. I’d like to recognize Dr. Kenneth Goodman for being here with us, representing the University of Miami; Secretary Bob Hormats for his time; my colleague Jennifer Cooke, director of our Africa program; and Secretary Reuben Jeffery, CSIS counselor.

Thank you for coming. Again, this will be on – (applause). You can watch this and see a transcript of this at csis.org. Thanks again.

(END)