



## Center for Strategic & International Studies Washington, DC

### SUMMARY

A Conversation with Economist Paul Collier: *The Bottom Billion*

June 26, 2007

CSIS B1 Conference Center

1800 K St. NW

Washington, DC

On June 26, 2007, the Center for Strategic and International Studies (CSIS) Simon Chair in Political Economy and Post-Conflict Reconstruction Project hosted a conversation with Oxford University professor and former World Bank economist Paul Collier, author of *The Bottom Billion: Why the Poorest Countries are Failing and What Can be Done About It*, the book the New York Times is calling “the best book on international affairs so far this year.” Johanna Mendelson Forman, Senior Associate with the Office of the Chief of Staff, introduced Professor Collier, after which he spoke about the central points of *The Bottom Billion*.

*The Bottom Billion* argues that the main failure of today’s international development efforts is that the problems involved have been defined too broadly, while the agenda for solving those problems has been defined too narrowly. According to Collier, efforts must be redirected at focusing exclusively on the “bottom billion” in world income distribution, particularly on the African Continent. These countries have “missed the boat” of globalization, which sailed in the early 1990s with the tiger economies of South East Asia. The only fast track to development now will depend on Africa’s ability to catch up. Industrialization, specifically with an emphasis on labor-intensive manufacturing industries, represents a magic bullet solution for economic development. Significantly, diminishing marginal returns do not thwart the growth potential of this type of industry; on the contrary, economies of scale arise as unit costs fall with rising production volumes. Furthermore, an export-oriented approach is the only way forward where domestic purchasing power is constrained.

But manufacturing is an all-or-nothing game. Unless Africa can cross the “threshold of competitiveness” a strategy of export-led growth is untenable. Market forces alone will not induce the catching up process—not until the wage gap between African countries and their Asian counterparts widens to the same level observed between developed countries and Asia when globalization began. This is where international assistance comes in. Collier forcefully pointed out that the international development agenda today is heavily weighted towards an overly narrow focus on “aid, aid, aid” due to popular media hype or what he calls the “*Vanity-Fair-ization*” of Africa. Although he explicitly distanced himself from aid’s critics, recognizing its role within a comprehensive development “package,” he stressed the aspects trade, governance, and security as more urgent priorities.



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Collier's solutions are unambiguous. What is needed is a liberalization of trade policies on the part of developed countries. Namely, Collier cited overly restrictive rules of origin imposed on African imports by the EU as a major culprit. On the governance front, *The Bottom Billion* calls for the establishment of a clear code of standards for the trade and management of natural resource extraction industries, to combat the corruption and rent-seeking practices endemic to African political structures. Under such a code, deals would be conducted by way of international public auctions verified by an independent certification process. Deals not conforming to these standards would not be recognized by international law. Similarly, security in problem areas must also be ensured through foreign assistance. However, Collier stressed that security guarantees should be conditional on a system of "democratic red lines" to avoid strengthening destructive regimes and further perpetuating the cycle of poverty, poor governance and insecurity.

Professor Collier's talk was followed by several rounds of questions.