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Monthly e-Paper

DEVELOPMENT
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ENTWICKLUNG
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International
Journal

December 2015

Migration

Why diaspora
communities tend to
breed entrepreneurs

German government

How development policy
has changed – and what
should come next

Sovereign debt

Why Ghana is once
again ensnared in
serious problems



Multinationals from emerging markets

Focus: Multinationals from emerging markets

Cheap cement

Cemex is one of Mexico's largest corporations and is considered the world's third most important cement producer. Cemex managers are not only very effective, but also take interest in social issues, for instance by supplying poor communities with building materials.

Virginia Mercado, a Mexican social scientist, reports. **Page 16**

Corporate social responsibility

The Tata group is among India's most impressive enterprises. It has a long history of excellence. It introduced the eight-hours working day and free medical care for staff in the early 20th century. As journalist

Aditi Roy Ghatak writes, the ambition today is to become one of the world's 25 most important corporations. **Page 19**

China's underestimated giants

Several Chinese companies have become corporate forces of global relevance in recent years. Nonetheless, consumers in rich nations tend not to be aware of them.

Doris Fischer, a China scholar at Universität Würzburg assesses matters in an interview. **Page 22**

Entrepreneurial genius

Bill Heinecke started Minor International in 1978, running only a small hotel at first. He has since become a citizen of the country and is now running a business empire of 150 hotels and 1700 restaurants in Asia, Africa, Australia and Europe. Journalist **Cod Satrusayang** and business consultant **Chayut Setboonsarng** sum up Heinecke's story. **Page 26**

Manila's Pils conquers the world

Most Europeans think San Miguel is a Spanish beer. It is not. San Miguel is a Filipino company with headquarters in Manila. It has diversified into many industries that are unrelated to beverages. Manila-based journalist **Alan Robles** outlines San Miguel's history. **Page 28**

Growing ambitions

Africa is still an underestimated continent, and that is true of its private-sector companies as well. Some of them, however, are increasingly thinking in continental dimensions and operating across borders. Their international relevance will keep growing, as

Josef Boven of DEG, the KfW subsidiary that finances private-sector investments in developing countries and emerging markets, told D+C/E+Z in an interview. **Page 30**

Editorial

Forces to be reckoned with

➔ Multinational corporations are business giants that have an impact far beyond their home nation's borders. It is a fantasy, however, that they would not care about borders anymore. Even in the financial industry, one of the world's most globalised, it matters very much which government steps in when a huge bank gets into trouble. That was evident in the global financial crisis.

In past decades, it was pretty much self-evident that multinationals came from rich nations. It was assumed that competitors from developing countries would not catch up. The challenges looked too daunting.

That was then. Corporate powerhouses from emerging economies increasingly have impacts on the global economy, proving that liberalisation, especially in the context of the World Trade Organization (WTO), has made a difference. Clever business leaders in Asia, Latin America and Africa are eager to grasp opportunities – and know how to do so. There are different kinds of emerging-market multinationals. Some have been around for decades. Others are quite young. Many, though not all, have built a culture of corporate excellence, not only in terms of profits, but also customer service and labour relations. All are adept at bridging cultural divides.

Political context still matters however. Though not steered by their governments, emerging-market multinationals benefit from state support in several ways. The older grew big in the era when governments of developing countries shielded their markets from international competition. Many companies became lazy and stopped innovating. But those that strived for excellence were able to expand fast when liberalisation set in.

It is no coincidence that most emerging-market multinationals are based in comparatively big markets. Thriving at home is a precondition for succeeding abroad. If governments act prudently, regional trade organisations can improve matters for enterprises in small economies. Other ways of state support matter as well, such as cheap credit granted by public-sector banks or the provision of relevant public infrastructure. A corporation will find competent staff if state universities educate students in the right subjects. Government agencies can supply valuable information and advice, and ambassadors to foreign countries can speak up for private-sector companies. All summed up, emerging markets are supporting corporations that do business abroad in the same ways as established economic powers do.

Some people point out that corporate newcomers from foreign countries must be benefitting from corruption and loose interpretation of laws. The truth is that, while shady deals may sometimes help, a company must get a lot of things right to succeed in global competition. Oh, and established multinational giants sometimes cheat too, as the recent case of Volkswagen and numerous banking scandals proved.

The rise of emerging-market multinationals matters even though they are similar to their longer-established competitors from rich nations. Big corporations set standards, have an impact on policy-making at the national level and contribute to shaping globalisation.

It now looks as if emerging markets are heading for recession. Crisis should prove painful, but will not block the rise of some big corporations. They are forces to be reckoned with long term.



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Monitor

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tribune/picture-alliance/dpa



Countering the media strategy of ISIS

Without digital media, the terror militia ISIS would be much weaker. Some 7,000 Salafis currently live in Germany, and more than 700 have left to join forces with ISIS. The militia's propaganda machine is aiming to attract many more. The media should thwart such efforts, demands Ute Schaeffer of Deutsche Welle Akademie. You'll also find a comment on western responses to the ISIS atrocities in Paris in our Debate section. **Page 36, 43**

Building bridges

Members of migrant diasporas have a greater impact on business development than is generally assumed. Governments should support entrepreneurs, argues Abdou Rahime Diallo, a Berlin-based consultant. **Page 32**

Debate



BMZ

Let's talk!

The garments industry in Bangladesh is making progress. Representatives of companies, trade unions and government agencies are discussing matters in tripartite meetings. Germany's Federal Ministry for Economic Cooperation and Development supports the approach. Hans-Joachim Fuchtel, the parliamentary state secretary, explains why. **Page 40**

Next wave of refugees looming

After a major refugee crisis in South-east Asia made international headlines in May, several high-level international meetings took place, and regional governments promised to address the problems. However, neither the Rohingya's situation in Myanmar nor international responses have improved since then, a recent report finds. "The next wave of refugees is coming," it predicts.

→ While Myanmar will soon have a new government and its people dream of a new era of democracy and political freedom, many Rohingya are heading to the sea. It's sailing season again: the dangerous monsoon is

over, the sea calm. In the coming months, thousands of desperate members of Myanmar's most persecuted minority are expected to take their chance to flee hopelessness.

Even after the landslide victory of the opposition National League for Democracy (NLD), things aren't set to improve for the Muslim minority whose members primarily live in western Rakhine State near the border to Bangladesh. Aung San Suu Kyi, NLD party leader and Nobel peace laureate, did not speak up for their cause ahead of November's historic vote, and most people doubt she will do so now. It could mean risking her immense popularity.

Political exclusion

Anti-Muslim sentiment is very strong in the predominantly Buddhist country. The nationalist narrative regards Rohingya as illegal immigrants from Bangladesh. Accordingly, they are called "Bengali". In the 2014 census, they were denied self-identification and were thus not counted properly. Myanmar denies the Rohingya citizenship and has now excluded them from voting – unlike in 2010, when they could register with temporary identification documents, so called "white cards". The election commission did not accept a single Rohingya candidate for parliament.

The election was symptomatic of the political exclusion, grave discrimination and marginalisation that about one million Rohingya people suffer in Myanmar. In a recent report, ASEAN Parliamentarians for Human Rights (APHR), a human-rights intervention force of lawmakers and other influential persons, warns of a major regional crisis. The document's title is "Disenfranchisement and desperation in Myanmar's Rakhine state: Drivers of a regional crisis". The authors state that

refugee camps. The situation in Rakhine worsened in 2012, when violence displaced an estimated 140,000 people, most of whom are Rohingya. They are now confined to camps for internally displaced persons (IDPs) and live in inhumane conditions.

According to APHR, human-rights abuses include limits on movement and denial of humanitarian aid. IDPs have very limited access to schools, clinics and jobs.



Suspects, allegedly involved in human trafficking of Rohingya migrants, are escorted by prison officials as they arrive at a criminal court in Bangkok on 10 November 2015. More than 150 warrants have been issued against officials suspected of their involvement in the trafficking ring.

catastrophe is "impending" and warn that the leaders of ASEAN (the Association of Southeast Asian Nations) are "woefully ill prepared to cope".

Systematic persecution and exodus of Rohingya people have been going on for six decades. Several hundred thousand Rohingya live in exile, many of them in

They have no decent livelihoods. Some families are even threatened by starvation because they are not registered with the World Food Programme and thus not eligible to receive food aid, or because rations don't arrive in time.

The report highlights severe human-rights abuses in Rakhine, including extra-

judicial killings, arbitrary arrests, physical and sexualised assault, extortion, severe restrictions on movement as well as land confiscation and forced relocation.

No future in Myanmar

In these circumstances, Rohingya see no future in Myanmar. Desperation makes them flee, knowing that they risk death and slavery. They are aware that they are likely to lack legal documents and employment, depending on governmental or UNHCR aid in refugee camps in third countries. Nevertheless, IDPs told APHR that “if they could survive the voyage to Thailand, Malaysia or Indonesia, they felt their lives would be improved.”

In May, Rohingya made international headlines after more than 4000 refugees were left stranded on fishing boats in the Andaman Sea, abandoned by traffickers. Following intense international pressure,

Indonesia and Malaysia finally accepted some of them temporarily as asylum seekers. They live in camps, sometimes separated from their family members. Media reports suggest that some of the refugees have fled the camps in the meantime, possibly with the help of traffickers.

Despite several high-level international meetings since the human tragedy in May, neither the situation in Myanmar nor ASEAN countries' stance have improved. As the report states, “regional governments have so far failed to undertake meaningful initiatives in law, policy or practice to adequately prevent or prepare for the next large-scale exodus of asylum seekers.”

First and foremost, the APHR authors want the ASEAN member countries to put pressure on the Myanmar government to end rights abuses that stifle Rohingya lives and livelihoods. In their eyes, ASEAN's commitment to non-interference

is misguided in this case. At the same time, they argue that ASEAN member states must prepare for more refugees and put measures in place to ensure safe and legal means for seeking asylum. Finally, the regional lawmakers call for a binding ASEAN convention on refugees.

Obviously, the Myanmar government carries the greatest responsibility. Among other things, the APHR authors demand that the authorities provide a safe space for Rohingya, to end the abuse and to establish a process for registration and citizenship. In Myanmar, the new NLD government could take an important first step to a new democratic and rights-based future simply by recognising the Rohingya minority.
Katja Dombrowski

Link:

APHR report: Disenfranchisement and desperation in Myanmar's Rakhine state.

http://aseanmp.org/wp-content/uploads/2015/10/APHR_Rakhine-State-Report.pdf

Trade

EPAs at risk

According to a recent study published by the Heinrich Böll Foundation (HBF), the Transatlantic Trade and Investment Partnership (TTIP) puts at risk Economic Partnership Agreements the EU has reached with countries in Africa, the Caribbean and Pacific (ACP). The author calls for a modification of TTIP.

→ The Economic Partnership Agreements (EPAs) have been on the agenda for twelve years. Now, they are being concluded. They remain contested, but according to HBF-author Helmut Asche they look reasonable as, in his eyes, countries of the global south have regained policy space.

The EPAs are meant to boost trade between the EU and several regional economic communities that are made up of ACP nations. However, these regional communities are loose and superficial. They often have not achieved more than customs reductions. Making matters more complex, some countries are mem-

bers of more than one regional community. Asche, nonetheless, rules out that the EPAs will undermine regional integration.

This statement is not trivial. For example, the agreement the EU was negotiating with the ECOWAS (Economic Community of West African States) was close to splitting up ECOWAS itself. When negotiations were stuck in 2014, Ghana and the Ivory Coast signed an interim-EPA to promote cocoa-exports. According to Asche, such risks were evident in different world-regions, but that is no longer the case.

By making various trade-offs, the parties have agreed to a kind of “gradual” liberalisation. Asche argues that the EPA debate has thus become less explosive. He sums up the outcomes of the most contested points:

Market access: The EU will allow goods 100 % customs-free access to the EU whereas African partners must open up 85 % of their markets.

Safeguard clauses: Developing countries can protect agriculture, but doing so is cumbersome in practice.

Export duties: ACP members can levy duties on commodity exports in order to promote local processing.

Subsidies: ACP governments are allowed to subsidise national manufacturers.

Local content rules: African governments tend to compel foreign companies to source supplies at the national level, but this does not apply to EU-based companies.

Most favoured nation treatment (MFN): African states are allowed to favour other developing countries, but not China, over the EU in trade policies.

The author sees putting the EPAs into practice as the next big hurdle. On completion of his study, only 32 of 49 countries in Sub-Saharan Africa had signed,



Ciling/Unear

Ghana and Ivory Coast were ready to strike a separate trade deal for the sake of cocoa exports.

and the perspectives for Central Africa, Angola, the Democratic Republic of the Congo, Malawi and Zambia were still unclear. Three important topics remain untouched moreover: industrial policy, good management of mineral resources and deep regional integration geared to sustainable growth.

The author appreciates that African countries regained policy space for their agro-industrial strategies. They are, moreover, equipped with tools to protect industries. This is an outcome, which the European NGO-association CONCORD should appreciate, writes Asche, especially as the EPAs will not threaten further regional integration.

Transatlantic risks

Whereas the EPAs were narrowed down to the trade in goods, the EU is moving towards "deep" economic integration in talks with the USA (TTIP) and Canada (CETA). "Deep" integration goes beyond customs-reductions and the like. It is geared to shared rules for investments, services and free movement of capital. According to Asche, TTIP and CETA would

lead to a deregulation "in an unprecedented scale" in all spheres of daily life.

In his view, TTIP is relevant for ACP countries because it will inspire future EPA talks. The EU Commission has commissioned a series of studies to assess the impacts of TTIP-spurred economic growth between the EU and North America. The projections are generally positive, but the methods used are debatable, to put it mildly. In a similar sense, Asche challenges expert rhetoric that dismisses impacts on third countries as "not dramatic". In contrast, Asche warns that deep economic integration between the EU and North America will happen at the expense of developing countries.

Asche states that African countries are set to lose the competitive advantage they now have thanks to duty-free access to EU. Moreover, he points out that none of the positive trickle-down effects some EU experts forecast will occur automatically. The weak bond of trust between the EU and African partners is likely to be strained even more, he argues.

Asche admits, however, that it does not make sense to maintain old trade bar-

riers between North America and the EU just for the sake of developing countries. Asche calls for "flat" TTIP-negotiations that ensure positive effects on third countries. Two German think tanks, Deutsches Institut für Entwicklungspolitik (DIE) and Stiftung Wissenschaft und Politik (SWP), have made similar demands. Asche proposes an institutional platform such as an ACP TTIP Advisory Council. In such a setting, developing countries could bring forward their arguments. The UN Conference on Trade and Development (UNCTAD) could become involved as well.

In order to prevent negative TTIP-effects on developing countries, Asche proposes following two principles:

- "do good" by assessing the impacts of TTIP on developing countries beforehand and during the negotiations, and
- "do no harm" by ensuring that EU-US harmonisation of standards is acceptable to third countries. *Theresa Krinninger*

Link:

Heinrich Böll Foundation: Europe, Africa, and the Transatlantic. The north-south challenge for development friendly trade policy.

https://www.boell.de/sites/default/files/web_151022_e-paper_europe_africa_transatlantic.pdf



French President François Hollande (third from right) met African leaders to prepare for the UN climate summit. From left: Ethiopian Prime Minister Hailemariam Dessalegn, Guinean President Alpha Conde, Benin's President Thomas Boni Yayi, Gabon's President Ali Bongo and Ghana's President John Dramani Mahama.

United Nations

New challenges

After adopting the Sustainable Development Goals (SDGs) in September, the UN hopes to conclude this year with a strong agreement on climate change. A revision of multilateral approaches is crucial to sustain the intergovernmental organisation's credibility.

→ The UN is celebrating its 70th birthday this year. Originally established as a security organisation, the UN is now a development organisation. Despite its extensive experience, criticism is growing about bureaucracy hampering the organisation's effectiveness.

Jakob Rhyner of the United Nations University (UNU) acknowledges that many positive developments have resulted from crises situations. Especially in disaster-risk reduction, which is becoming more and more important due to global warming, there has been tremendous technical progress. Early-warning systems were established thanks to the innovation power of the private sector. However, there was only very little progress in political procedures to limit vulnerability. Rhyner bemoaned at a podium discussion at Bonn University in early November.

Slow progress seems to be a general problem when it comes to the political aspiration of UN programmes. Jürgen

Zattler of the German Federal Ministry for Economic Cooperation and Development (BMZ) attributes this to the UN's inadequate funding mechanisms. Germany for example would like to increase so-called core funding, which are regular reliable contributions and serve to ensure the UN can serve its core functions. However, slowed negotiations have hampered adequate financing programmes.

The SDGs, which were adopted this year, are seen as very positive by Lutz Möller of UNESCO, the UN Educational, Scientific and Cultural Organization, because they address both developing and developed countries and incorporate a holistic approach. He expects the SDGs to have an impact on national policies as they force governments to consider global perspectives. In Möller's view, the UN climate summit in Paris "will reveal the state of multilateralism".

Richard Kinley of the UN Climate Change Secretariat (UNFCCC) agrees. Looking back at previous attempts, Kinley observes an evolution in the way the international community is tackling climate change. Previous conferences yielded only weak, unsatisfactory agreements, so the UN had to undergo a learning process. Kinley expresses confidence "that we will

have an agreement on the table by the end of the negotiations" in Paris.

He hopes to build a system of pledges that allows countries to decide individually what to do. This is better than setting norms on the basis of the lowest common denominator, as was done at previous conferences. "Governments will not do things only because international organisations tell them to do so," Kinley argues, "they will only do so if it is in their own interest." In his view, multilateral progress is crucial: the weakest member states should not feel dictated by richer countries. Potential agreements have to be drafted in a flexible way that leaves room for adaption to changes, Kinley says.

Richard Dictus of United Nations Volunteers (UNV) says that if we want to live within the climate boundaries, volunteers are crucial because they bridge the gaps between high-level policy-making and actual people. In his view, "the UN needs to always show-case the human dimensions" of its programmes. Volunteers are important in mobilising people and making them heard by politicians, especially in places where people lack democratic rights. However, volunteer programmes tend to be underfunded at local levels, he says.

Floreana Miesen

A better outlook

Martin Aufmuth, the founder of OneDollarGlasses, has invented a robust and economical visual aid for people in developing countries. The project gets its name from material costs for one unit. They add up to about one dollar.

➔ In Southern Africa and Latin America, there are many people who cannot afford a pair of glasses. There are also supply problems and too few opticians. The World Health Organisation WHO believes that around 700 million people worldwide live with uncorrected vision. The consequences are profound: children have learning difficulties, adults are excluded from skilled employment and struggle to feed their families.

Aufmuth's organisation is already active in eight countries. It recently launched a pilot project with the Else Kröner Fresenius Stiftung (EKFS) in Malawi, where more than a million people are estimated to need glasses. The target for the first year is to meet 10,000 of them.

Generally speaking, Aufmuth believes that projects that recycle spectacles by passing them on to other persons have failed. This is because they provide only short-term benefit for recipients. It is almost impossible, he says, to find the right pair of used glasses for all the different forms and degrees of visual impairment. What is more, second-hand glasses are too sensitive to dust; they get scratched so quickly that they are practically unusable within a year. "People see clearly for few months, and then it's all over. I felt that was cynical," says Aufmuth, who took time out from work as a maths and physics teacher to focus on the OneDollarGlasses project.

The social entrepreneur has developed a sustainable concept that includes not just the production of the glasses but also a training programme for what he calls "good-vision agents". They are local people who take a two-week course to learn how to make the glasses and how to conduct eye tests so they choose the right lenses. Regular opticians require three



Martin Aufmuth, the founder of OneDollarGlasses, with one of his clients in Malawi.

years of training, but special authorisation can reduce the time span for paramedics.

The OneDollarGlasses agents produce the spectacles on the spot, using a portable bending machine to bend a metal wire into the right shape for the frame. All they need to do is click lenses of the right power into the frame – and the glasses are finished. The lenses are manufactured at low costs in advance in Germany with the support of an optician. In theory, they could be manufactured locally but attempts to do so have failed so far because of practical hurdles such as a reliable power supply.

It takes only around ten minutes to make a pair of one dollar glasses. Agents earn money for each pair they make and can make as many as 500 pairs a month. Over time, the opticians become increasingly skilled and can tailor glasses even more closely to patients' needs. They document their work in a patient book, which enables Aufmuth and his colleagues to keep track of developments and successes.

One of the greatest challenges is sensitising people to vision problems in the first place. "Many people do not realise that their vision is impaired," Aufmuth reports. "They are unaware of what can be done about it as well." He believes "outreachers" are just as important as opticians.

Outreachers, he explains, "are local workers who provide information about the glasses available and encourage people to come forward".

In Malawi and many other African countries, one dollar glasses cost only a fraction of the price of similar models sold in local shops. Because city dwellers generally have a substantially higher income than people in rural areas, pricing is sometimes difficult. The price is about three days' wages of the poorest earners. Aufmuth is considering a cross-subsidy, charging urban people more in order to make the glasses even more affordable in rural areas. The organisation needs around €4 million to provide spectacles for everyone with impaired vision in Malawi.

The OneDollarGlasses organisation still depends on start-up donations to cover material and preparatory costs. Part of that funding is provided by EKFS in Malawi. "In the long run, though, the project is intended to be self-supporting," Aufmuth says. His primary goal is to solve social problems; he does not speculate on high profits.

Jana Jagalski

Link:

OneDollarGlasses organisation:
<http://www.onedollarglasses.org>

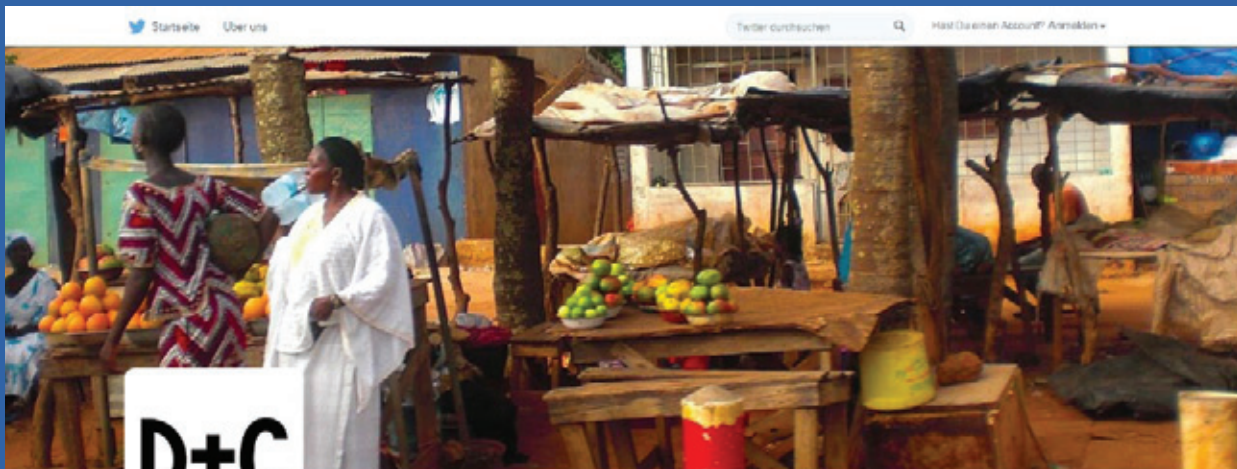


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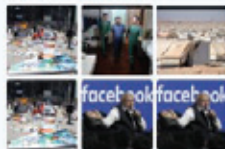
Editorial office D+C

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D+C Development and Cooperation is a monthly magazine with a website and the identical German twin E+Z. RTs are not always endorsements.

📍 Frankfurt, Germany
🌐 dandc.eu
📅 Begonnen Januar 2010

📷 37 Fotos und Videos



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Fight human trafficking

Poor migrant women from Bolivia and other Latin American countries are easy prey for human traffickers. There are many initiatives that try to tackle the problem and its root causes. They need to become better coordinated.

➔ Ninety percent of the Bolivian women and youngsters who migrate to Argentina, Chile or Spain do so primarily because they want to improve their economic situation, but more than half of them cite domestic violence as the second main reason. That was reported by social worker Sandra Condori at the 4th Latin American Conference on Human Trafficking in La Paz. She herself migrated from Bolivia to Argentina 20 years ago and now works there helping fellow Bolivians.

Condori points out that many migrants fall victim to human traffickers. She warns of the dangers of generalisations, such as the cliché that all Bolivians who set up

dressmaking workshops in Buenos Aires exploit their compatriots. But women who have suffered domestic violence are particularly at risk of being duped by human traffickers, she says. So she sees tackling intra-family violence as a major step in the prevention of human trafficking.

Jhoel Ibarra works for the non-governmental organisation CEADL, a member of the Bolivian Human Trafficking Observatory that has conducted studies on the issue in rural and border areas. Ibarra points to the connection between a patriarchal culture and trafficking in women. The phenomenon is particularly pronounced, he notes, in areas where natural resources are exploited, for instance in the mining and gas sectors. Those industries employ mostly men, and the women suffer the environmental impacts such as water shortage and disease.

Ibarra cites the case of Guaraní women who were affected by gas explo-

ration in Chaco. Indigenous groups were been denied access to ancestral lands that used to provide their source of food. In the lack of alternative livelihoods, many Guaraní women ended up in prostitution. According to Ibarra, Guaraní women have now formed groups to fight for the return of their land, which, they argue, is key to regaining control over their body.

Ibarra says that political leaders must accept some of the blame for the situation because they prioritised profitable exploitation of natural resources over human development. He wants policy makers to do better.

Human-rights experts now consider the legal situation in Bolivia to be good, he says, and special services and institutions have been introduced to fight human trafficking. In his eyes, however, government agencies still lack staff and determination to enforce the law.

The Cochabamba-based NGO Infante leads the fight against intra-family violence and the commercial sexual exploitation of children. As Bolivian coordinator of the International Campaign against Child Trafficking (ICaCT), Infante was the first organisation to raise the issue of human trafficking in the country some 15 years ago.

Today, its director, Miguel Gonzalez, considers lack of professionalism a major problem. Training programmes for government agencies have proved ineffective, he says, because staff was transferred to other offices too often, sometimes even every three months. Transfers, moreover, were motivated by party politics, not by policy requirements.

The conference in La Paz revealed that there are many state and non-state initiatives to stem human trafficking, but they are insufficiently coordinated at national and international levels. One Argentinian participant called for a directory of Latin American countries with contact information, listing relevant partners' topics and areas of activity. Such a directory could facilitate better cross-border cooperation.

Peter Strack



Human trafficking in Latin America is promoted by patriarchal culture: prostitutes in Guatemala.

Nowadays: Journalism as crime

If you are Egyptian, holding a camera and simply doing your job as a photojournalist you may land in prison. This is now a land where journalism is a crime.

The international community was shocked by the 3-years jail sentence for three Al Jazeera journalists. But not all Egyptian verdicts against media workers get the attention of the international press. For example, 28 year old photojournalist Mahmoud Abu Zeid, called Shawkan, has spent more than two years in a provisional detention centre.

In July 2013, the Rabaa Al-Adawiya Mosque and the adjacent square in Cairo became a sit-in protest area for supporters of President Mohamed Morsi, after he had been toppled by

Abdel Fattah el-Sisi, who was minister of defence at the time. In August 2013, the police force violently dispersed the protesters, causing at least 638 deaths. This event is notoriously known as the Rabaa massacre.

Shawkan was there to cover the clashes for the Demotix and Corbis photo agencies. He was arrested along with two foreign journalists, who were released after a couple of hours. Shawkan, however, has now been held in jail for more than two years, without any formal charges being brought against him. According to Amnesty International, he has been referred to Cairo's Criminal Court to face trumped-up charges in a mass trial of 738 defendants. The first court ses-



sion is due on 12 December, and Amnesty reports that Shakwan's lawyer has not yet been given access to the full casefile.

Shawkan's photos have been published in Time Magazine as well as in Die Zeit and Bild, two German newspapers. He states: "Photography is a way of life. It's not just how you hold a camera and snap a picture. It's the way you see life and everything around you."

In the past two years, Shawkan's friends and colleagues have demanded that he be released. Confronted with international calls to release the imprisoned journalists, Egyptian officials keep denying any media workers are in prison. Sameh Fahmy, Egypt's minister of foreign affairs, declared that "no journalist is arrested because of his

opinion" when he met his US counterpart, John Kerry, in June.

In contrast, the non-governmental Egyptian Commission for Rights and Freedoms (ECRF) reported that the rights of 110 journalists were violated during work assignments in the first quarter of 2015. More than a dozen journalists are currently in detention.

Two of the Al Jazeera journalists have recently been pardoned, but Shawkan will stay in detention. He currently is in a partial hunger strike. His health condition is critical.

Links:

<https://www.facebook.com/FreedomforShawkan>

<https://www.amnesty.org/en/get-involved/take-action/journalism-is-not-a-crime-free-shawkan/>

In our column "Nowadays", D+C/E+Z correspondents write about daily life in developing countries.

Basma El-Mahdy

is a Cairo-based journalist who specialises in human-rights issues. This article was initially posted under a different byline, but Basma has assured us that she does not need a pseudonym for security reasons.

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Imprint

D+C Development and Cooperation

Vol. 42, 2015

D+C is published together with the German edition E+Z
Internet: <http://www.DandC.eu>

Published on assignment from:



D+C Development and Cooperation is funded by Germany's Federal Ministry for Economic Cooperation and Development and commissioned by ENGAGEMENT GLOBAL. D+C does not serve as a governmental mouthpiece. Our mission is to provide a credible forum of debate, involving governments, civil society, the private sector

and academia at an international level. D+C is the identical twin of E+Z Entwicklung und Zusammenarbeit, the German edition.

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Publisher:

Frankfurter Societäts-Medien GmbH

Executive director:

Oliver Rohloff

Address of the publisher and editorial office:

Frankenallee 71-81
D-60327 Frankfurt am Main, Germany

This is also the legally relevant address of all indicated as responsible or entitled to represent them in this imprint.

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Disclaimer according to § 5.2 Hessian Law on the Freedom and Rights of the Press: The shareholder of the company is Frankfurter Societät GmbH.

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Prices for print edition (incl. mailing charges):
single issue: € 2.20
annual subscription, Germany: € 14.00
annual subscription, world: € 18.00

Printing:

Westdeutsche Verlags- und Druckerei GmbH
Kurhessenstraße 4-6
64546 Mörfelden-Walldorf, Germany

Lower subsidies, more renewables

To create a level playing field for renewable energies, the International Energy Agency (IEA) calls for a cut in fossil fuel subsidies and a tax on carbon emissions. It warns of the dangers of excessively low oil prices and appeals to governments to take countermeasures.

➔ Fossil-fuel subsidies amounted to just under \$ 500 billion worldwide in 2014. For the first time ever, that was a small decline. Nevertheless, the remaining subsidies still harm the transition to renewable energies and energy efficiency, as Fatih Birol, IEA executive director, warned when he presented this year's World Energy Outlook (WEO) ahead of the UN climate summit in Paris. In more general terms, Birol applauds the current dynamism of the development of renewable energies.

According to the WEO, renewables accounted for nearly half of the world's new power-generation capacity last year. Over the coming five years, the IEA expects global renewable capacity to increase by more than 700 gigawatts. That is more than twice the output of all Japanese power stations. The trend is driven by the fast dropping costs of photovoltaic and wind power generation. The WEO forecasts that renewable energies will overtake coal as the largest source of electricity in the early 2030s and will become the leading source of new energy supply by 2040. Experts anticipate that 60% of all investments will then flow into the renewables sector, especially in emerging and developing economies.

The IEA also sees positive trends in energy efficiency. According to the WEO, total global energy demand will increase by around a third by 2040, with net growth being driven entirely by developing and emerging economies. However, the IEA forecasts a less energy-intensive growth phase for the world's biggest carbon emitter, China, in line with trends in Europe, Japan and the USA. Relevant issues include the rolling back of heavy



China plans to increase wind power generation: turbines on the Mongolian steppe.

industries, the shift towards services and related policy measures.

Today, half of Chinese energy consumption is subject to mandatory efficiency standards. Ten years ago, the share was a mere three percent. China wants to curb coal consumption by introducing an emissions trading system in 2017. It will apply to the power sector and heavy industry. A major increase in wind, solar and nuclear power generation is planned as well. Even so, the IEA expects that total Chinese energy demand will be nearly twice as high as that of the USA.

Brief stimulus

The IEA sees a problem in the currently low price of fossil fuels. For one thing, it reduces the incentive for improving energy efficiency and expanding the renewables sector; for another, it harms the global economy by exacerbating humankind's dependence on a small number of oil exporting countries in the Middle East. "It is short-sighted to see low oil prices as a positive stimulus for the economy and a benefit for consumers,"

Birol says. Low gas prices, he adds, jeopardise vital investment in infrastructure.

The IEA forecasts that market adjustments will push the oil price to \$ 80 a barrel by 2020. At present, it stands at less than \$ 50 a barrel. Birol appeals to IEA member countries to adopt policies to decarbonise energy supply. In his eyes, major challenges include achieving the transition to clean energy in India and Southeast Asia, where coal and gas growth rates are currently the sharpest.

"A significant course correction will be needed to meet the two degree target for global warming," Birol says. If energy consumption and carbon cuts occur as forecast by the WEO, the two-degree target will be missed and mean global temperatures will rise by 2.7 degrees by 2100. Birol insists that "the world's heads of state and government need to provide clear guidance in Paris to step up the pace of change in the global energy sector." The framework for climate-change mitigation agreed at the summit, he says, needs to define a commitment that will enable the two-degree target to be met.

Hans-Christoph Neidlein

Don't neglect the poorest

Germany's budget for ODA (official development assistance) is bigger than ever before. The OECD praises the commitment of the Federal Government in its new evaluation report, but it also admonishes Germany not to leave the world's poorest countries behind.

In 2014, the Federal Government spent more than the equivalent of \$ 16 billion on ODA – 12 % more than in the previous year. Annual increases are planned until 2019. This is a success according to the latest peer review of the Organisation for Economic Co-operation and Development (OECD). Every five years, the OECD's Development Assistance Committee (DAC) evaluates the effectiveness of the development aid of its mostly prosperous member countries.

Germany is currently the fourth biggest economy in the world, as the authors write. It has taken the lead in the Euro zone in promoting international development. In late 2014 Chancellor Angela Merkel and Development Minister Gerd Müller launched the Charter for the Future, which is an important contribution to the UN's 2030 Agenda for sustainability, according to the OECD.

The authors appreciate that Germany is at the forefront of climate protection. The issue is at the core of domestic initia-

tives as well as ODA policies. For instance, the Federal Government spends 28 % of its ODA-budget on climate protection compared with an average 16 % for all DAC-countries. But the peer review also identifies room for improvement. The Charter for the Future's agenda is too broad and lacks clear priorities, it states. The authors suggest Germany should adopt an operational framework to implement it.

Furthermore, the authors note discrepancies between Germany's official criteria for allocating ODA-funds and its political commitment to focus on fragile states. The problem is that good governance is a precondition for German ODA, but fragile states typically cannot deliver such governance. Accordingly, the OECD argues that Germany should reconsider the allocation criteria.

The reviewers applaud the fact that German ODA spending has risen to \$ 16.3 billion, but they are uncomfortable with how the money is spent. Emerging markets received the most German ODA-funds in 2012 and 2013. The top-recipient was China with almost \$ 700 million followed by India with about \$ 600 million. Only 27 % of ODA-money went to the least developed countries (LDCs), which, as the OECD report notes, contradicts Germany's political pledge to focus strongly on support for LDCs. The OECD recommends that Germany should channel 0.2 % of gross

national income (GNI) to LDCs until 2030. Furthermore, the UN target for all DAC-member is to allocate 0.7 percent of GNI to ODA, and the OECD experts propose that Germany should set a timeframe for achieving that share.

Findings of the review indicate that the merger of three technical-cooperation agencies into GIZ has borne fruit, with instruments now delivering better results. Likewise, reforms are said to have made the work of the German development bank KfW more efficient. However, the experts want the bank to decentralise operations and give its country offices more say.

Monitor

The Federal Ministry for Economic Cooperation and Development (BMZ) has started to post more of its staff in embassies. This is a positive step according to the OECD authors, as embassy-postings form a link between GIZ-programmes and projects of non-state actors. However, decision-making within the BMZ is still slow and the ministry seems unable to speed up the flow of information between itself, other ministries and ODA implementing agencies.

The BMZ appreciates the activities of German civil society. Non-Governmental Organisations (NGOs) receive about eight percent of ODA funding. The money mainly goes to party-political foundations and church-based organisations. Engagement Global is commissioned to support all other NGO projects, but transaction costs are high, according to the OECD. To reduce costs, the authors propose to increasingly finance long-term projects.

Despite various points of criticism, the OECD acknowledges that Germany has fully implemented almost 40 % of the recommendations made in the peer review five years ago, and the remaining 60 % have been implemented at least partially. Hence, the authors assume that the Federal Government will take the new report seriously too.

Theresa Krininger

Link:

DAC peer review 2015:

<http://www.oecd.org/development/peer-review-germany.htm>



The OECD praises Germany's commitment for climate protection in developing countries. This solar-powered battery charging station is part of a project that was funded by BMZ and implemented by GIZ.



Multinational corporations from emerging markets

In past decades, experts used to argue that companies from Asia, Latin America and Africa could not catch up with western competitors because the global economy was skewed against them. In spite of serious challenges, however, some corporations from emerging markets have become global players. In many cases, their rise began before the western public even became aware of the growing clout of emerging markets.



*The Mexico-based corporation Cemex
produces cement in East Germany.*

An international success

Cemex, one of Mexico's largest corporations, is considered to be the third-largest cement manufacturer in the world. The company is so well known in part because of its dedication to social responsibility and sustainability. It hopes to play an important role in planning cities of the future.

By Virginia Mercado

➔ Cemex has one of the largest international reaches of any Mexican company. Its history began in 1906 in the city of Nuevo León with the foundation of the Cementera Hidalgo cement factory, which was rebranded as CEMEX (Cementos Mexicanos S.A.) in 1931 after merging with Cementos Portland Monterrey.

The company's geographical location – in particular its proximity to the USA – helped to spur its fast growth and successful entry into the export business. Even before the expansion, the owner family was able to amass a large fortune through cross-border trade.

Unlike other cement producers, Cemex invested in modernisation from the very beginning in order to increase production. As a result, the company made very good profits quite early in its history and quickly became a nationwide market leader. Cemex recorded continuous growth in the first decades after its foundation.

From national to global markets

Two factors contributed to Cemex's global expansion in the mid-1980s. First, Lorenzo Zambrano became chief executive officer in 1985. His personality and vision shaped the company profoundly. Without him, Cemex would not be what it is. Accordingly, his death last year created such a big dilemma for the company.

Zambrano, who was also Cemex's chairman, played a vital role in the company's global rise and in its decision to position itself as a socially responsible corporation (see box, p. 18). As an important personality in Mexico's business sector, he always felt a commitment to achieving social goals. He supported projects that aimed to give people new opportunities in fields as diverse as publishing, education, the environment and even sports.

Zambrano's corporate philosophy – and possibly the key to Cemex's success – was based on not making the simple sale of cement the focus of the company's activities. Instead, Zambrano felt that Cemex's goal should be to help customers make ideas come true. "Nobody wants to buy cement – our customers want to build a house, a bridge or a street," he liked to say. "That's why we're working to find new ways to help them achieve their goals more efficiently and effectively." That attitude is reflected in the corporation's pledge to deliver freshly-mixed cement at any time to as many places in the world as possible.

The second important factor was that Mexico joined the GATT (General Agreement on Tariffs and Trade), the precursor to the World Trade Organization (WTO), in 1986. This step triggered fears across Mexico that the country's companies would not be able to compete at an international level. People also worried that the market would be flooded with imported goods – which did in fact happen to a certain extent.

At the same time, however, GATT opened up new opportunities for companies like Cemex. Cemex took advantage of both new export options and tax breaks the Mexican government gave to companies that wanted to expand abroad.

The "Cemex Way"

Cemex's business model, the so-called "Cemex Way", has also set a precedent far beyond Mexico's borders. The enterprise initially invested in up-to-date technology and built a strong network of partners with the ultimate goal of acquiring and transforming local companies. Cemex's ability to protect itself from external shocks was also important.

One of Cemex's greatest achievements is surely its ability to produce cement at a very low cost, making it one of the most profitable companies in the indus-



Cemex road tanker on a German Autobahn.

try. Diversification was another good move. Cemex is considerably less dependent on income from the sale of cement than for instance its direct competitors, the Swiss Holcim group and the French Lafarge.

Rodolfo Rubio Etcharren, who is the vice chairman of the consulting group “Vértice Comunicación”, recently spoke about Mexico’s three most successful companies worldwide: Cemex, Corona and Señor Frog’s. According to Etcharren, the secret to Cemex’s success is that “it operates like a local player in every country it is active in”. He also emphasised Cemex’s authenticity, resistance to external shocks and prox-

imity to the customer, which has always been one of its defining features. For Etcharren, Cemex is the most global Mexican company at the moment.

A varied history

Of course, the company had to cope with difficulties over the course of its history. For example, the nationalisation of Venezuela’s cement industry in 2008 resulted in a long legal battle that wasn’t settled until after the death of Venezuela’s President Hugo Chávez. The most contentious issue was compensation. There

was little room to negotiate, so instead of the \$ 1.3 billion it requested, Cemex got only \$ 600 million from the Venezuelan government. Given the difficult circumstances, that was considered a victory.

Another difficult situation, which ended well for Cemex, was when the EU started proceedings for possible cartel activity. According to the Mexican daily newspaper La Jornada, the proceedings went on for seven years until the investigation was ultimately dropped in 2015 due to a lack of evidence. The upshot was simply an EU recommendation to monitor the activities of the largest cement manufacturers.

Despite setbacks of this kind, Cemex is extremely successful: in 2014, the corporation was given first place in a ranking of the most global companies in Latin America. The ranking is compiled by Miami-

based Foro Multilatinas and honours prominent companies in the region. In Mexico, Cemex's role of leadership is indisputable. The company owns the most cement plants in the country, covering about half of the national market. Having survived a variety of external shocks over the course of its history, Cemex now enjoys a certain security and stability in its home country. The company's most difficult challenge was probably the death of its strategist, Lorenzo Zambrano. Nevertheless, Cemex appears strong and competitive one year after his death.

At the international level, however, it remains to be seen how the company will fare in the future. At the beginning of July, its two biggest competitors – Holcim and Lafarge – declared their intention to merge and announced that the move would make the new company the largest supplier of building materials in the world. ←

Disadvantaged communities need affordable building materials.



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World famous as a result of social engagement

The social engagement of Cemex, a Mexican supplier of building materials, has earned the company international recognition. In June of this year, the Inter-American Development Bank praised Cemex's social efforts and dedication to inclusion. One of the company's explicit goals is to make its goods affordable for low-income households.

Roughly half of Mexico's population lives on less than five dollars a day. However, the demand for building materials is particularly high in poorer areas because many poor families in villages or urban slums want to build their own homes. Since 1998, Cemex has supported local savings clubs through its programme "Patrimonio hoy" and rewards successful savers with loans for building materials and technical advice. According to the company's estimates, over 6.8 million people have benefited from the programme so far.

In line with its dedication to customer proximity, Cemex carries out participatory studies in order to determine the needs of villages and local communities. The company also offers consulting services to public and private organisations that are interested in starting projects relating to sustainable development. On its own account, Cemex promotes sustainability through its cooperation with organisations like Tecnológico de Monterrey, Ashoka and UN-Habitat. According to its website, the company would like to promote independent entrepreneurship through further education, work to reduce Mexico's housing shortage and kick-start "the development of micro-enterprises in the construction industry". This year, Cemex has assumed the presidency of the corporate network RedEAmérica. This association

promotes cooperation between the private sector, public sector, municipalities and universities on initiatives relating to environmental protection and sustainable communities. (vm)



Keystone Dornemiller/picture-alliance/dpa

The ethical route to bottom-line excellence

The Tata conglomerate is amongst India's most impressive private-sector enterprises. Its founding fathers embedded principles of corporate social responsibility in the DNA of the business long before this trendy term was coined.

By Aditi Roy Ghatak

➔ The Tata group saw a change of guard this year. Its new chairman is Cyrus Mistry, who does not belong to the Tata family. His predecessor was Ratan Tata, who will now focus on his personal charities and support for social enterprises.

Mistry is implementing a strategy he calls Vision 25. By 2025, he wants the group to be in the same league as its global peers and reach out to 25 % of the world population. Nirmalaa Kumar, a business professor of international acclaim who belongs to the Executive Council of Tata and Sons, the holding com-

pany, says the goal implies that the Tata brand should be among the world's "top 25 most valuable brands" and that the group's market capitalisation should be among the top 25 as well.

Tata enterprises are active in industries from salt to software and from agriproducts to airlines. The group's total sales amounted to the equivalent of \$ 134 billion in the financial year that ended in April 2015. About 70 % of group revenues are generated abroad. Tata operations spread over 100 sectors in more than 100 countries and employ some 613,000 people.

Jamsetji Tata will never be forgotten.



Ratan Tata's most important accomplishment was the multinationalisation of the group without deviating from the "Tata Way", which goes back to Jamsetji Tata, who started the business empire in the 19th century. The core idea is one of trusteeship. To Jamsetji, wealth was only a secondary object in life, subordinate to improving the industrial and intellectual condition of the people and the nation. He stated: "The community is not just another stakeholder in business but is, in fact, the very purpose of its existence."

Tata managers know that ownership must go along with a commitment to social responsibility and

business ethics. The group relies on a code of conduct that binds all of its companies. The track record is not perfect. There were mass protests, for instance, when the state government of West Bengal drove farmers from their land to make space for a factory. In the end, the Tatas relocated to more accommodating Gujarat.

By and large, however, the ethical approach has served the group well in terms of financial results, strong reputation and staff loyalty.

Since the ability to do good depends on commercial success, the management has striven for excellence in technology, management practices

Global leadership

Tata Motors is among the world's top commercial vehicle makers. Its most prestigious brands are Jaguar and Land Rover, which were acquired in 2007. In many Asian and African countries, however, the Tata brand is even better known for its seemingly omnipresent buses and trucks. The Tata Nano, a small car that costs the equivalent of only \$ 3,000, was an engineering achievement that needs to be fine-tuned for greater commercial success. As is typical for the Tata group, the guiding idea was a social one: to provide young Indian families with an affordable four wheeler that would be safer than the commonly used scooters.

Tata Steel has become one of the world's top steel-makers after buying the European Corus group. In his sustainability report for 2013-14, T. V. Narendran, the

managing director of Tata Steel, referred to the group motto of "excellence for the common good" and reiterated that long-term success depends on the "ethos of value creation for all stakeholders and a culture rooted in growth through ethical business means". One result of this approach is the mass housing programme called "Nest-In" in India. It relies on innovative materials among other things. How Tata Steel can cope with the global crisis affecting its industry remains to be seen.

Tata Communications has become a giant in the global internet business, and Tata Consultancy Services, the group's IT arm, is similarly a force to be reckoned with. It spearheaded the model of developing solutions for offshore clients. It has created thousands of high-technology jobs in India this way. (arg)

Jaguar has been a Tata brand since 2008.



Unair

and corporate governance. Innovation has been a key driver, even before liberalisation, when Indian enterprise was protected from international competition.

An often told story is that Sir Fredrick Upcut, who headed the Indian Railways before independence, did not believe that the Tatas would be able to produce steel rails according to British specifications and pledged to “eat every pound of steel rail they succeed in making”. Soon after, the Jamshedpur steel works were the largest single industrial unit in the British Empire and became a significant supplier of Britain’s armed forces in World War II.

Today, the Jamshedpur agglomeration is home to some one million people. The city is one of India’s cleanest, which is especially impressive because it is located in an eastern area that is among the country’s least developed and has a large tribal population. Right from the start, the Tatas focused on excellent civic infrastructure, good housing for workers, first class medical and educational facilities and worked on tribal welfare.

The Tata family runs several charitable trusts that promoted and continue to support some of India’s most outstanding institutions of learning, research and culture. These include:

- the Tata Institute of Social Sciences, the Tata Institute of Fundamental Research and the National Centre for the Performing Arts in Mumbai,
- the Indian Institute of Science and the National Institute of Advanced Studies in Bengaluru,
- the Tata Medical Centre in Kolkata and
- the JRD Tata Ecotechnology Centre in Chennai.

The Tata group, including its philanthropic trusts, spent the equivalent of ₹ 14,2 million on corporate-social responsibility in the financial year 2013/2014. Its companies afforded about two-thirds of that sum, well above the mandatory two percent of profit that Indian companies are by law required to set aside for CSR purposes.

Labour-friendly pioneer

The early emphasis on social stewardship resulted in the introduction of the eight-hour working day in 1912 and free medical aid for staff in 1915. The Tatas pioneered maternity leave, leave with pay, accident compensation and other welfare schemes, many of which were set up before they were introduced in the so-called advanced world.

In 1956, the Tatas decided to involve the employees in the management. Forty-one departmental councils, which included representatives of the workers, were formed to encourage involvement in matters as diverse as production, quality improvement and safety measures. Tata companies have experienced

strikes nonetheless but labour relations are very good by Indian standards, and no one doubts that the management is generally willing to talk.

The question today is whether the core principle of trusteeship is still valid in a world that emits scandals of the Volkswagen variety. Has the group passed every test in terms of sustaining top quality across all its areas of operations? Imposed impeccable ethical standards while employing hundreds of thousands of people? Ensured the same quality of service to all its customers at all times?

It would be unrealistic to expect a yes to all these questions but a commitment to these stands underpins all actions. Sceptics point out that, for all its innovative spirit, the group does not have an internationally bestselling brand. It certainly is a global leader in several fields nonetheless (see box, p. 20).

Addressing the group’s leadership and senior management in July, Mistry spelled out ways to ensure the group’s “sustainable profitable growth”. In his eyes, “the key building blocks for long-term stakeholder-value creation” are:

- developing unique insights into consumer wishes,
- diversifying profit pools,
- creating intellectual property,
- assessing risks diligently,
- ensuring financial flexibility to be able to seize opportunities and
- minimising environmental impacts.

Essentially, Mistry wants his corporate leaders to take an entrepreneur’s approach, fostering experiments and accepting risks in the pursuit of “new capabilities and next generation businesses”. While his stance does not indicate a paradigm shift for the Tatas, it does indicate a change from his predecessor’s overwhelmingly philanthropic preoccupation to a more shareholder-focused mindset.

Discussing the Vision 25 strategy with the business paper Economic Times, Kumar expressed the huge ambition to double the group’s market capitalisation to \$ 350 billion by 2025. More in tune with the corporate tradition, he added that managers would not assess stock valuation daily: “We are building businesses, which we want to own for the next 100 years.”

This mindset is reinforced and fine-tuned by the Tata Sustainability Group. It guides Tata companies to embed sustainability in business strategies. Cyrus Mistry himself expresses commitment to the Tata legacy. In his eyes, the “Tata Way” has created a “a fabric of business that blends profitability and conscientiousness, in the fashioning of a philosophy of entrepreneurship that is, simply put, unique”.

Difficult though this may be in a world of cut-throat competition, Mistry cannot afford to fail. ◀



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Government doesn't control everything

In the past 20 years, companies from China have grown faster than those from almost any other country. Chinese firms are now among the top players worldwide. The western public, however, is hardly aware of them. Doris Fischer, professor at Würzburg University, who specialises in the economy of the People's Republic, explains matters and assesses the Communist regime's policy in an interview with Hans Dembowski and Sabine Balk.

Interview with Doris Fischer

Which Chinese companies are considered multinational?

Companies are considered multinational if they are active in multiple countries and do not feel allegiance to any single nation in particular. According to this definition, there are only very few multinational companies worldwide, and that is true of China too. This definition probably does not even apply to a company like Alibaba (see box for brief profiles of Chinese companies on p. 25). The way China supports companies, moreover, helps to keep them aware of their home country. If, however, we define "multinational" in the sense of companies running operations in multiple countries, then there are some Chinese multinationals, Huawei and Alibaba for instance. Some scholars consider the 500 largest companies in the world to be multinational, but that is not fully adequate, because that list also includes Chinese companies, for example the big banks, that are mainly active inside China. They are huge simply because their home market is huge.

How can it be that China is considered a world-champion exporter, but we are familiar with so few Chinese brands?

Well, in the past, this was the case for Japan and Taiwan as well. Both countries initially decided to invest in cheap export-driven industries, rather than in brands of their own. In the meantime, Asian and other corporations have invested in China because of low production costs, and their exports now contribute to China's export statistics. Over 50 % of Chinese exports can be traced back to companies with foreign investors. One example is the Taiwanese company Foxconn. Foxconn manufactures digital components and devices for globally known mobile-phone and tablet-computer brands in China, but it does not make end consumers aware of its own name. Chinese companies have adopted that strategy too. However,

others have established their own brands, including Haier, Huawei or Chery.

How do Chinese companies choose to expand?

There are different approaches. Markets with physical or linguistic proximity to China are considered interesting, as are those where the business environment is attractive, for instance Southeast Asia or Africa. Companies are investing primarily in sales, but also in production facilities. Chinese managers like less-regulated markets because they understand them better and know how to operate there. But some companies are also eager to become engaged in industrialised nations; they feel attracted by issues such as rule of law or advanced technology.

What industries do Chinese multinationals operate in?

That is rather difficult to say. Seventy percent of Chinese investments go to so-called tax havens like Hong Kong or the Virgin Islands. We don't know what is done with those funds next. Do they flow back to China? Are they invested in traditional sectors or other industries? There is little reliable data. If we consider statistics on mergers and acquisitions, we see that China has become a very powerful player in industries like the natural-resource extraction and telecommunications. Nevertheless, other sectors are now growing faster than commodity companies. At the moment, China's steel industry has enormous excess capacities because the domestic market has become saturated therefore some steel industry companies try to expand internationally.

What is China's relationship like with Hong Kong and Taiwan?

Formally, Hong Kong is now a special administrative region of China that has been granted 50 years of autonomy. Hong Kong has close economic ties



picture-alliance/dpa

Workers making Haier refrigerators in Qingdao, China.

with China, but its legal system is completely independent. This special status is used very cleverly. Taiwan is not an independent state in the eyes of the People's Republic, but many Taiwanese think it is. Economically, however, the two countries are very closely linked. Taiwanese firms started with investments in China's special economic zones, which were established in the 1980s on the mainland, right across from Taiwan and Hong Kong, and later expanded. Today, however, Taiwanese companies are starting to withdraw from classic low-wage industries, having realised early on that their business model is no longer as effective as it once was because labour costs are rising in mainland China.

How did China's opening up affect Taiwan and Hong Kong?

Prior to China's opening up, both Hong Kong and Taiwan were themselves engaged in cheap mass production for the world market. In the 1960s, many mass-produced goods came from Taiwan. But this business model soon reached limits – for the simple reasons that Taiwan is small and wages kept rising. Moreover, higher skilled workers no longer wanted to carry out simple tasks. Many companies took advantage of China opening up and were thus able to maintain their business models. They outsourced labour-intensive production to mainland China, and kept doing more profitable and expertise-based things such as design and marketing in Hong Kong and Taiwan.

What impact does that have on China today?

The Chinese no longer want their country to only do the labour-intensive parts of the value chain

because that is not very profitable. Companies get the highest profits from research and development, product design, trademarks et cetera. The regime wants Chinese companies to take on other segments of the value chain – and they are increasingly doing that. These are companies that have become major exporters and are expanding abroad. Successful Chinese manufacturers are already producing goods in countries like Vietnam, Cambodia or Bangladesh, where wages are lower.

How do Chinese companies perform in regard to social and environmental standards?

It's impossible to make a statement that would apply to all of China. China has the dimension of a continent and is investing all over the world. The government is continuously tightening environmental standards for large companies. It is also strengthening social standards, but they are more difficult to implement. Studies show that companies from countries with high environmental and social standards also maintain higher standards in the production facilities they use in China. The trade unions in these companies' home countries do their best to make sure that managers do not pursue social dumping strategies abroad. And if consumers are used to certain standards in their home countries, brand manufacturers must fulfil certain requirements in China as well unless they want to jeopardise their brand's image. In China, however, there are no strong trade unions that would insist on social standards being met abroad. As for environmental protection, many sensible laws have been passed, but implementation tends to be difficult. Chinese companies are not that used to meeting environmental standards. Still,



photoshot/picture-alliance

Huawei stand at trade fair in Sao Paulo.



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China's central government wants to avoid environmental scandals that might damage the country's image. But to enforce laws in such a huge country, it depends on regional authorities. The central government has more leverage with large companies than with the multitude of small companies, which is quite hard to control.

What is the goal of China's foreign-trade policy?

Until the end of the 20th century, the idea was basically to attract foreign investors. But that did not mean that Chinese companies were encouraged to invest abroad. When China joined the World Trade Organization (WTO) in 2001, the foreign-trade policy changed. China is now pursuing a strategy called "going out" or "going global". The restrictions on Chinese companies investing abroad have been relaxed step by step. For instance, Chinese companies can now buy foreign currencies. The going-global policy is still young however. For a long time, a relevant way for the authorities to promote corporate foreign activities was simply to no longer block such activities. However, conventional instruments to promote foreign activities are increasingly being used, including support from chambers of commerce or subsidised loans from development banks. Government agencies, moreover offer advice, information and loans. All in all, the system is not that different from Germany's.

Does China have anything like Japan's Ministry of International Trade and Industry, which for decades implemented strategies and coordinated businesses in order to make Japanese industries internationally competitive sector by sector?

No, China doesn't have such a focused policy, and it would be difficult to implement given China's enormous size. But that doesn't mean that the state doesn't play a role. It is actually very important. Private-sector companies cannot grow large unless they have a close relationship with local governments, and once they reach a certain size, they also have to deal with the central government. Whether they receive government support is a different story. Although companies like Alibaba, Wanda or Tencent are private, they never would have been able to become as large as they are today if they weren't on good terms with the party and the state. Once a corporation starts operating internationally, however, things change once more.

Because they no longer get government support?

No, that is not the point. Beijing is actually quite eager to support companies' foreign activities. For instance, embassy staff will represent the interests of private-sector companies vis-à-vis government agencies. The regime wants Chinese corporations to succeed abroad, and it is prepared to do its part, regardless of whether the companies are private or state-owned. However, unlike state-owned enterprises, private companies are liable for their actions. Alibaba went public in New York rather than in China, which the Chinese government would certainly have preferred. The decision-making processes within private companies often have other results than the government would like.

What factors drive corporate decisions?

Business interests are more important to private companies than state-owned ones. Private companies want to make a profit, expand their activities and sometimes simply safeguard capital abroad. Often they are motivated by the desire to escape state control. Some companies don't care what Beijing wants, and that attitude doesn't necessarily reflect how many shares the state has in that company. In the case of big companies, for instance in the oil industry, some managerial positions are staffed with party functionaries, but that doesn't mean that these companies always do what the central government wants. They are internationally active, need to make profits and are listed on a stock market after all. Moreover, not all party members march in lockstep – and some functionaries are happy to move assets to safe havens abroad.

The Chinese are frequently suspected of conducting industrial espionage. To what extent does it actually occur?

Industrial espionage is a huge problem worldwide, just like cyber-attacks. Of course we shouldn't assume that China isn't doing it. But that does not mean that everything is controlled by the central government. It is very hard to assess whether China is really conducting industrial espionage on a much larger scale than the USA, for example.

Underestimated giants

Corporations from the People's Republic have a stronger impact on world markets than most people in Europe and North America are aware of. Here is a short list of some of these new multi-nationals.

Lenovo is China's biggest producer of personal computers – and one of the world's biggest. It is also the largest vendor of smartphones in mainland China. Other Lenovo products include tablet computers, storage devices, servers, accessories and smart TV systems. The company was founded in 1984 in Beijing. The original name Legend was changed to Lenovo in 2003 when international expansion began. The corporation grew fast through mergers and acquisitions. In 2005, Lenovo bought IBM's personal computer business; in 2011, it acquired control of the German electronics company Medion; and in 2014, it purchased Motorola Mobility from Google. Today, Lenovo sells its products in more than 160 countries worldwide. Its headquarters are in Beijing and Morrisville in the US-state of North Carolina.

Haier made its name as a maker of refrigerators, air conditioners, micro-wave ovens and other household appliances. In this sector, it's global market share of about 10 % is larger than that of any competitor. The company also sells consumer goods such as TV sets or mobile phones. It has been using the name Haier since 1993. The company emerged from the joint venture of Qingdao Refrigerators with the Germany corporation Liebherr. "Haier" is actually the transcription of how the second syllable of Liebherr is pronounced in Chinese. German technological input was useful, but the brand's growth was driven by Chinese managers, designers and engineers who focused on affordable appliances.

Chery is a state-owned car manufacturer that was started in 1997. In 2012, the company made some 590,000 passenger cars, minivans and SUVs. It runs production lines in other Asian countries as well as the Middle East, North Africa, Latin America and eastern Europe. In China, Chery has recently begun to produce Jaguar and Land Rover cars in a joint venture with the

Indian Tata conglomerate that owns the British brands.

Byd Auto is another interesting Chinese car maker. It is the subsidiary of Byd Company, which specialises in rechargeable batteries. Accordingly, Byd Auto is strong in hybrid technology and electric cars. Byd stands for the English motto "Build your dreams". The corporation is listed on the Hong Kong stock exchange. Warren Buffett, the billionaire investor from the USA holds a 10 % stake. Byd is involved in a joint venture with Daimler, the corporation that owns the Mercedes brand. The joint venture builds luxury electric cars called Denza.

Alibaba is an e-business enterprise that was founded by Jack Ma, a former English teacher, in Hangzhou in 1999. Initially, it hosted an internet platform that facilitated small companies' access to international markets. This business-to-business portal is still operational, but it only accounts for about eight percent of Alibaba's revenues. The lion's share of more than 80 % is generated by the retail platforms Taobao and Tmall. Taobao resembles Ebay and allows ordinary people to sell whatever they want to sell. Tmall is a distribution channel for international brands and follows the Amazon model. Alibaba also runs money-transfer service similar to Paypal. It is called Alipay. Alibaba is listed on the New York Stock exchange and sold shares worth \$ 25 billion when it first introduced the shares in 2014. Yahoo and Softbank are major shareholders.

Tencent is a private-sector enterprise that specialises in internet, media, e-commerce and related businesses. Its instant messaging service QQ IM had almost 700 million subscribers in 2010 and thus serves one of the world's largest social-media communities. Tencent also produces digital games and distributes music for international labels such as Sony and Warner Bros.

Wanda is a real estate giant and was established in Dalian in north-eastern China in



Reed Saxon/AP Photo/picture-alliance

1988. It is engaged in the sectors of tourism, e-commerce and department stores. There are 125 Wanda Plazas all over China. They include a shopping mall, streets with shops and offices and apartments. Wanda owns 81 hotels, 68 of which are in the five-star category, as well as 99 department stores. Some 6,600 movie theatres make Wanda the world's largest cinema operator. Wanda Cinemas, AMC Entertainment and the Hoyts Group belong to Wanda. Wanda managers are planning further expansion. CEO Wang Jianlin says Wanda should become a world-famous brand like Google, IBM or Walmart.

Huawei is a giant in telecommunications equipment. Thanks to its hand-held devices, consumers are increasingly becoming aware of the company all over the world. It also builds telecommunications networks, supplies the necessary components and provides technological advice. Huawei has research-and-development labs in China as well as in North America, western Europe, Russia and India. Huawei was started by a former army engineer in 1987 as a private company. Its shareholding structure is opaque, however, and western media have several times accused Huawei of spying. The management denies those allegations. (D+C/E+Z)

Byd sells electric buses to public-transport systems in the USA.

The man who brought pizza to Thailand

Thai-based Minor International (MINT) is one of the largest food and hospitality companies in the Asia-Pacific region with sales worth more than € 100 million in 2014. The company cooperates with internationally known brands, but also develops its own brands.

By Chayut Setboonsarng and Cod Satrusayang

➔ In 1978, 29-year old William Heinecke founded Minor to operate the Royal Garden Resorts in Pattaya. The name Minor was a nod to his young age.

The company has three core businesses today: hotels and hospitality, food and restaurants and retail. It owns and manages over 120 luxury hotels in Thailand and 22 in other countries across Asia, Africa and Australia. Some hotels are run under brand names such as Marriot, Four Seasons and St. Regis. MINT's own hotel brand is Anantara.

MINT's food and restaurants unit operates 1,700 restaurants in 18 countries. Brands include the Pizza Company, Thai Express, the Coffee Club and Riverside & Courtyard. In retail, MINT is the Thai distributor for global brands such as Esprit, Gap and Tumi. Heinecke's commitment to high quality of service and products has paid off in all lines of business.

Through a series of partnerships and strategic mergers and acquisitions, MINT became a global player in the hotel industry. In Dubai, it partnered with Nakheel to start Avani. In 2011, it acquired the Oaks brand in Australia. MINT continues to expand in East Africa through its ownership of the Elewana Collection.

Getting involved

Heinecke, the group's American-born chairman and chief executive, is now 66 years old. He became a naturalised citizen of Thailand in 1991. He is well-known and liked in Thai business and political circles. He has lived in Thailand since he was a teenager. His father was based in the country for the US foreign service, and his mother was an Asia correspondent for Time magazine.

Heinecke intervenes in public discourse in Thailand. In 2014, after the military coup, he expressed frustration about how western governments and

media portrayed Thailand. In an open letter he stated, among other things, that negative media coverage would hurt tourism, an industry not only MINT, but many Thai people depend on. Heinecke argued that negative reporting and misleading "fear-mongering" might help to sell newspapers and attract TV audiences. He warned: "This in turn influences government travel warnings worldwide and has a disastrous effect on tourism." Heinecke pointed out: "Thailand is not only facing political challenges, but also the compounding effects of exaggerated media reports which paint a distorted and unrealistic picture of the situation in the Kingdom."

Not all reactions to Heinecke's letter were favourable. He was accused of having adopted the Bangkok establishment's conventional way of thinking. Some critics said that he was ill-advised to make a naïve attempt of justifying the coup.

It hasn't always been smooth sailing for MINT. In 1999, the Minor Hotel Group (MHG) faced off with the investment bank Goldman Sachs. Goldman wanted to buy real estate that MINT was using in Bangkok's prime Radchadamri district. Thanks to his local knowledge and connections, Heinecke managed to convince the property owners that the land was too valuable to end up in foreign hands. Goldman only managed to buy 41 % of the area and eventually sold the property to MHG. This is where Minor's flagship hotel, the Anantara Siam, is located. It was formerly the Four Seasons.

MINT has taken some surprising steps. In 1980, Minor Food Group was founded to operate and franchise Pizza Hut. Heinecke acted against the advice of consultants who told him that Thais had no preference for cheesy foods and bread. His instincts proved to be right and the franchise grew to over 200 locations.

Nonetheless, there were serious challenges. 15 years ago, MINT famously came head-to-head with Tricon Global, the US-based food giant that owns the



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Pizza Hut brand and is now called Yum! Brands. In 2001 Tricon revisited its contract with MINT and tried to add a non-compete clause and increase royalties. MINT felt this was unfair. After a year of negotiations, the two companies ended their partnership and settled out-of-court.

Having tapped into Thailand's taste for pizza, MINT renovated all of its pizza restaurants and undertook a massive rebranding effort, introducing the name Pizza Company. Legal fees and rebranding cost MINT about €4.2 million, but the investment soon paid off. Within six months, the Pizza Company became the country's largest pizza chain with a market share of 70 %. Today, the Pizza Company has franchises in Jordan, Saudi Arabia, China, Myanmar and seven other countries.

MINT continues to introduce American quick-serve restaurants to Thailand. It has brought in Burger King, Sizzler and Swensen's Ice Cream with lasting success.

Social commitments

Heinecke has started a comprehensive corporate social responsibility (CSR) programme that funds animal protection, promotes eco-friendly practices and supports local communities. MINT supports wildlife protection initiatives, including marine turtle conservation in Phuket, coral rehabilitation in the Maldives and Serengeti lion protection in Kenya.

In the northern Thai province of Chiang Rai, MINT has set up the Golden Triangle Asian Elephant Foundation to improve the welfare of elephants and the livelihoods of mahouts (elephant trainers) in Southeast Asia. The elephant is Thailand's national animal. Nonetheless, the animals often suffer. They

are used in illegal logging, elephant shows and even for begging in city streets. Elephant abuse has thus become prevalent throughout Thailand. The Foundation takes care of elephants through an effort of rehabilitation, care and nutrition. It supports mahouts and their families with accommodation, health care and insurance. It also runs training courses for veterinarians, scientists and park rangers.

In its dairy and cheese production facilities, MINT employs people from the local communities. The facilities meet high environmental standards. For instance, they

use LPG as fuel in order to minimise pollution. The water management system uses resources sparingly. MINT's attention to detail goes all the way to the LED lights and refrigerator specifications in restaurants.

The Thai government recognises these achievements and has awarded Minor numerous accolades including the National Occupational Health and Safety Award and the CSR Excellence Award. Minor Food cooperates with the Ministry of Education and the Office of Vocational Education Commission in internship and work programmes that allow university students to get hands-on experience and additional income during their schooling.

Minor Food is also cognizant of responsible sourcing, traceability and consumer health. The global sourcing team ensures that core products can be traced and meet quality and safety standards. It also has training programmes on food safety and cleanliness on the operations level. The supplier auditing and assessment process is rigorous. The procurement process for Minor Hotel Group similarly relies on strict auditing and assessment.

Minor International belongs to a growing class of indigenous Southeast Asian companies that are becoming global players. As Minor expands, it is exporting its success abroad and changing the landscape of global food and hospitality. ←

Every year Minor International organises an elephant polo tournament in Thailand to promote and raise funds for its elephant projects.



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Links:

Minor International Annual Report 2014:

<http://mint.listedcompany.com/misc/ar/20150305-mint-ar2014-en-03.pdf>

Open Letter from Minor Group's Bill Heinecke:

<http://www.tatnews.org/open-letter-from-minor-group%E2%80%99s-bill-heinecke/>

A poor nation's beer conquers the world

San Miguel Corporation is a national institution and older than the Philippine republic. It started business with a pils beer, which is cherished by millions in the Philippines and around the globe today. In the past century, San Miguel expanded into related industries, and a few years ago, the conglomerate diversified into completely different industries. However, the heritage-rich company is in the hands of a former dictator's crony.

By Alan Robles

➔ In 1890, when the Philippines was still a colony of Spain, businessman Enrique Barretto used a royal permit to open a brewery in Manila. He called it "La Fabrica de Cerveza de San Miguel" (San Miguel Brewery) after the capital's district it was sited in. Then he hired a German brew master to formulate a pils beer. Invited to taste the product, a city official conjured the firm's success by saying: "May the gold flow each time the beer taps are opened."

His blessing was amply fulfilled. From a first year output of 500 barrels, the brewery grew fast: the market couldn't get enough of the pale pils beer. Through years of turmoil – the revolution, the collapse of the Spanish regime, the invasion and takeover of the Philippines by the Americans – San Miguel grew further. The beer was so popular that it was being exported to Hong Kong, Shanghai and Guam as early as 1914.

This growth was interrupted by the Second World War, when invading Japanese seized the company and renamed it "Balintawak Beer Brewery". But after the war, San Miguel reacquired its name, resumed its dominance of the Philippine market and started expanding overseas once more.

In a period when products from the industrialised west were flooding the markets of developing nations, San Miguel headed the other way: in 1948 the company set up a brewery in Hong Kong. A few years later, two Spanish businessmen sailed from Europe to Manila on a mission of persuasion. The result was the "Manila Agreement", under which San Miguel granted the Spanish firm La Segarra the license to bring the beer and its brand to Spain.

San Miguel, for its part, slowly expanded into Asia, opening breweries in China, Vietnam, Thailand and Indonesia. It currently exports its beer to 40 countries

around the world, including Europe. The independent Spanish licensee, now called Mahou San Miguel, continues to use the San Miguel brand name and a logo similar to the original. As a result, two different tasting beers are sold in Europe under the same brand name. Indeed, the "San Miguel beer" made in Spain in no way resembles the original Manila pils – which is said to taste much better. In an interesting development, the two companies signed a "cooperation agreement" last year in order to "unify the brand". No details were given though on how this would be done.

Here in the Philippines, San Miguel continues to dominate the beer market: In 2012, its share was 90 %. Anyone who asks for a beer in this country will be, by default, served a San Miguel product. But the name now means more than just beer. Even Barretto could not foresee what his brewery – and accompanying ice plant – would become. San Miguel Corporation (SMC), as it is now called, is a gigantic conglomerate. With revenues in 2013 coming to \$ 17.6 billion and total assets valued at \$ 27.5 billion, it is the Philippines' biggest company and among the Forbes list of the world's 2000 biggest stock-market listed companies.

Expansion strategy

During the 20th century, San Miguel grew by expanding into related industries, buying companies that made soda, ice cream, hard liquor, processed meat, flour and packaging. These turned the conglomerate into Southeast Asia's largest food, beverage and packaging company. But in the 21st century, SMC realised it had a problem that ironically stemmed from its very strength. When you have a virtual monopoly of the Philippine beer market, how else can you grow? The number of beer drinkers is naturally limited.



A worker with beer crates in Manila.

SMC's answer: expand into other businesses. In 2008, it diversified into mining, banking, fuel and oil, power generation, infrastructure and even – for a while – the airline business. Now it's about to go into telecommunications in partnership with Telstra. According to Jonathan Ravelas, a leading analyst with the Philippines' largest bank BDO Unibank, about half of every peso a Filipino spends currently flows directly or indirectly into the coffers of San Miguel.

Ramon Ang, the company's president and chief operating officer, said that within a few years, "the food business will hopefully comprise only 20% of our total sales". If his plans bear fruit, San Miguel's earnings will come from energy, petroleum and infrastructure – a far cry from beer, soft drinks and ice cream.

Authoritarian heritage

Ang's very presence in San Miguel is a reminder of a dark chapter in the company's history. In 1972, when president Ferdinand Marcos declared martial law and set himself up as a dictator, he promised to reform Philippine society and dismantle the oligarchy that ruled and exploited the country. Instead, he set up a new set of masters consisting of himself, his relatives and cronies. In what came to be called "crony capitalism", they proceeded to plunder the country's

treasury and divide up the economy, using Marcos' dictatorial powers to grab control of strategic industries and individual businesses.

Inevitably, the giant San Miguel Corporation attracted attention. In 1983, Marcos' crony Eduardo Cojuangco Jr. used billions of pesos raised through a forced tax on coconut farmers to effectively buy control of SMC, making himself chairman of the board. However, his tenure was cut short in 1986 when he had to abruptly flee the country with Marcos after a peaceful "people power" uprising.

In the process of dismantling the dictatorship's crony economy, the government of President Corazon Aquino seized Cojuangco's shares worth more than \$1.2 billion and amounting to 47.9% of the company. Through a series of devious manoeuvres, facilitated by political accommodations with the administrations of Presidents Joseph Estrada and Gloria Arroyo, Cojuangco not only wormed his way back into SMC, but also resumed chairmanship of the company. Ang is his right hand man. It is perhaps this shady past that prompted the Economist in 1990 to call SMC "a showcase for much that is wrong with business in the Philippines".

Link

San Miguel Corporation:

<http://www.sanmiguel.com.ph/>



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Rising ambitions

The economies of many sub-Saharan countries have grown fast in recent years. Accordingly, companies in the formal sector have become stronger. Some of them consider the entire continent their home market and are running operations in many countries. Josef Boven of DEG, the KfW subsidiary that finances private-sector development, assessed the scenario in an interview with Hans Dembowski.

Interview with Josef Boven

What kind of sub-Saharan private-sector company is active across the entire continent?

Three industries matter in particular: banking, telecommunication and retail, with retail driving food processing and consumer-good production too. It is noteworthy, moreover, that private equity funds are increasingly engaged in Africa, and they normally plan at continental and regional levels. The management of private equity funds is most professional and expects high profits, and that in itself should encourage other investors.

Let's consider the financial industry first.

What kind of African banks are internationally active?

Generally speaking, the financial sector is still somewhat underdeveloped in many parts of Africa. Many poor people do not have access to it at all, and even small and mid-sized enterprises (SMEs) struggle to get loans. Observers note, however, that a number of big African banks are increasingly operating at continental or regional levels. Standard Bank from South Africa has become pan-African in this sense, and so has Ecobank Transnational. Most of Ecobank's clients are Nigerians, but the bank was initially started by the chambers of commerce of several nations with support from ECOWAS, the Economic Community of West African States. The trend is healthy. The range of financial services is growing, and operations are becoming more professional. At the same time, ever more banks are expanding into neighbouring countries within their region. One example is I&M Bank in Kenya, which now has subsidiaries in Rwanda and Tanzania. To support this regional strategy, DEG has become a shareholder of I&M Bank, and so has our partner Proparco, the French development finance institution which promotes the private sector in a similar way as DEG does.

Are other global investors interested in Africa's financial industry as well?

Yes, absolutely. Atlas Mara, for instance, is implementing a fascinating platform strategy, raising capital on the London Stock Exchange and using the money to buy African banks in order to build a strong supra-regional network. Business oppor-

tunities look good due to solid economic growth which has stimulated the demand for financial services in Africa. In a similar way, rising purchasing power has stimulated the retail industry. It makes sense to organise supermarkets and supply chains internationally. ShopRite from South Africa is doing that. In the retail business, it is essential to understand local preferences, and I have the impression that African companies are closer to consumers than global competitors.

And local preferences are driving demand for food and consumer goods from Africa too?

Yes, exactly. To give an example: we are financing and advising Kevian, a juice producer in Kenya. We have contributed to modernising its filling lines with up-to-date technology from Germany. In principle, tropical fruit juices can be exported to Europe. The trouble is that many German companies tend to ignore opportunities of this kind. Many of them still think of problems when they hear "Africa", and have neither noticed the continent's dynamic development in recent years nor the chances that result from it. On the other hand, the mere fact that we are cooperating with Kevian illustrates that there is a huge, unmet demand for financial services and advice, which, in turn, highlights the great relevance of the banking industry's expansion.

Let's take a look at telecommunications. Celtel was an early multinational from sub-Saharan Africa. Mo Ibrahim started it, proving that mobile telephony is viable and introducing this technology in many countries. The DEG was a shareholder right from the start. Do you regret that the company has been sold and now belongs to the Indian multinational bharti airtel?

No, we have no regrets. Celtel's history proves that Africa is attracting ever more big foreign investors, which is healthy. Moreover, the trend is good for customers. bharti airtel's sophisticated low-cost business model is excellent, so many people can afford its services. This is what matters for economic and social development. We want as many people as possible to benefit from progress. By starting Celtel,



Bohima/picture-alliance/dpa

Mo Ibrahim made a great contribution to Africa's development, and we are proud to have supported him.

But doesn't Africa need strong corporate players of its own to drive development and contribute to defining global rules?

Yes, it does, but there are still strong African corporations in the telecom industry. One example is Safaricom from Kenya. This company introduced M-Pesa, the system that facilitates money transfers via mobile phones even for people who have no bank account. This innovation has a great impact on the entire African continent and must not be underestimated. Safaricom, moreover, shows that appropriate technology can lead to spectacular success.

Is there currently any entrepreneur of Mo Ibrahim's stature?

Aliko Dangote from Nigeria is a most impressive entrepreneur. He started as a cement manufacturer and later expanded into other industries. His businesses are active in many African countries. He certainly has the potential to become relevant beyond Africa, but perhaps he has other priorities. He may well want to fully tap Africa's potential first.

Before becoming relevant internationally, a company needs to thrive in its domestic market, so domestic markets must be big enough. It is no coincidence that we are discussing companies with strong bases in countries like South Africa, Kenya and Nigeria. Many African countries are quite small however, and have only 10 to 20 million people. Has regional integration in supra-national organisations

Like ECOWAS, the East African Community (EAC) or the Southern African Development Community (SADC) advanced sufficiently to bridge the gaps?

Regional integration certainly helps, but much remains to be done. So far, the volume of inner-African trade is quite small. Inter-continental trade still has a greater impact on many economies. There is a lack of cross-border infrastructure and logistical options. For example, the capital cities of two neighbouring countries tend not to be linked by a motorway. The railway infrastructure is inadequate too. We do see progress however. Consider the modernisation of the Djibouti-Addis Ababa railway for instance, or the railway project that will link Kenya, Uganda, Rwanda and Burundi. Cross-border power grids must be built as well. To create big regional markets, it is not enough to discontinue tariffs.

Big regional markets, however, would contribute to letting African companies grow big enough to eventually play a role at the global level?

Yes, they would. Africa is a focus region for us as a development finance institution. We think it makes sense to promote African champions in specific industries, and we contribute to that cause by different means. We give companies long-term loans, we become shareholders, and we serve as consultants, for example on corporate governance. Many African companies do not live up to international standards yet. To improve matters, their management must assume responsibility. We are pleased to see that a growing number of African corporate leaders want to rise to challenges. They are the partners we need for effective cooperation, and we want to contribute to making their businesses succeed. ←

Mo Ibrahim proved that mobile telecom businesses are viable in Africa.



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Bottling/Photography

Diaspora entrepreneurs do much more than run Afro-shops in Germany.

Africans in Germany

Drivers of change

Diaspora communities' role in starting new business tends to be underestimated. Start-up companies are good for the countries of residence and for the countries of origin. African professionals in Germany often serve as bridge builders between the continents.

By Abdou Rahime Diallo

➔ Entrepreneurship is on the rise among immigrants living in the world's advanced economies. In the past, it mainly focussed on small corner shops that sold goods from Africa or Asia as well as other merchandise. However, many start-ups are more sophisticated and ambitious today. Some migrants, moreover, contribute to the economic development of their countries of origin. They do so in three important ways:

- Diaspora direct investments (DDI) fosters business development, job creation and innovation, all of which help to drive development in general.
- DDI also create social and political capital in global networks, linking devel-

oping countries to the international community and giving them access to advanced technologies and business models.

- Diaspora entrepreneurs have specific linguistic and cultural competences and thus provide opportunities for third parties.

In Germany in particular, African migrants are likely to start a business. There are three main reasons:

- Their personal, intercultural and professional competences empower them to take well calculated risks and discover market niches.
- Germany's social environment is challenging, if not hostile, for Africans, and many members of the diaspora cannot find the kind of professional jobs they

are qualified for. Many of them start companies of their own.

- Germany only had few African colonies, and lost them all after World War I. Accordingly, its ties to Africa are weaker than those of Britain, France or Belgium, for instance. Many German companies and entrepreneurs are hardly aware of Africa, so opportunities arise in Germany for Africans who understand Africa's potential.

African-owned businesses are becoming more and more diverse in Germany. The first generation of diaspora entrepreneurs tended to open Afro Shops to sell African food, cosmetics, clothes and hairstyles. Today, some start-ups offer IT services and solutions or financial transfers. A number of young African have become business consultants moreover.

African diplomats are keen on German investments in their home countries. They point out, however, that, south of the Sahara, cooperation with Chinese or Indian companies often seems easier. Stefan Liebing of Afrika-Verein, the German

African Business Association, admits that Germany's important SMEs still tend to perceive Africa as "a continent shaken by crises and corruption".

Bridge builders

The good news is that German SMEs are increasingly relying on business consultants of African descent. Cheick Diallo is one of them. He is from Guinea. For two years, he has been working on assignment for MC-Bauchemie, a mid-sized company that supplies the construction industry with innovative and standard chemicals. It is based in the Ruhr area, has a labour force of 2.200 and runs production plants in Europe as well as overseas.

Diallo coordinated the establishment of an MC-Bauchemie's subsidiary in his home country, and is now advising the company on how to market its products in countries like Sierra Leone, Ghana and

Nigeria. The consultant says that there are many opportunities in Africa, but German companies are losing out to competitors from emerging markets, such as Brazil, China and Turkey. He is happy to be able to make use of his professional and intercultural competences and earn a good income. He says MC-Bauchemie is now confident "to establish long-standing relationships across the African continent".

Other entrepreneurs of African descent have established money-transfer schemes. Their target group is the African diaspora, and they offer cheaper rates than Western Union and MoneyGram, the giants of this industry. More and more Africans are remitting money via diaspora start-ups.

Mamadou Diop lives in Berlin and has been running a company that transfers money to Senegal and Gambia for four years. He says he benefits from the diaspora's lack of trust in the big money-trans-

fer brands. Other competitive advantages include lower fees and his cultural proximity to the target group. His personal roots are in Anglophone Gambia and Francophone Senegal, which helps him to attract clients from both linguistic communities. Word-of-mouth advertising has helped him, he says. He is proud to have business relations in 12 African countries today.

Exporting merchandise to Africa is another fast expanding business sector for the diaspora. In the 1980s and 1990s, cars were what mattered most. Today, various consumer goods are relevant – from technical hardware to food, cosmetics and clothes. The goods are often procured in Asia. Traders travel from Germany to Asia, go on to Africa and return to Germany.

Ashioma Udechukwu is one of these commercial travellers. She is a 27 years old Nigerian and based in Berlin. She says:

Studying in Germany helped to tackle Ethiopian problems

In 2013 Eskinder Mamo and Amanuel Abrah founded AhadooTec ICT Solutions in Addis Ababa, Ethiopia's capital. Both are graduates of German universities. As students, they had been active in community work and were among those who founded the Ethiopian Student and Alumni Association Germany (ESAAG), which has since become the largest association of Ethiopians in the country.

The particular strength of Ahadoo is to tackle social needs with innovative technical solutions. The first project was to create a platform for high-school and college students in Ethiopia, allowing the target group to access courses, check out up-to-date learning material and form virtual learning groups and e-Learning-teams.

"With our mobile phone application we reached four hundred schools in the first step", Eskinder reports. "In the second phase, we are targeting 1,000 schools." To use the app, one needs a large-screen mobile phone of the kind that is manufactured in China. The devices do not cost much money.

Ahadoo's second major project is even more ambitious. Ahadoo has convinced the World Bank to finance an innovative scheme that will use a web-based mobile platform for farmers and agro-business entrepreneurs. The idea is to provide them with information on cultivation methods, climate and weather, pest warnings and other information they need to make the most of their business. Ahadoo is facing huge challenges, however, including massive bureaucracy, poor infrastructure and a weak internet. The com-

pany's founders appreciate, however, that Ethiopian regulations make it easy for ex-pats to come home and start a business.

Currently, Ahadoo employs 12 people including seven at fulltime, three at part-time jobs and the two founders. In the next two years, Ahadoo expects to expand and create more jobs, both in Ethiopia and Germany, where a software and programming service office is about to be established. (ard)



Eskinder Mamo (right) and Amanuel Abrah founded AhadooTec ICT Solutions in Addis Ababa.

"I'm seeing more and more passengers from Ethiopia, Ghana, Kenya, Senegal and of course Nigeria on the planes to China, Thailand and Singapore." Vietnam, Myanmar and Bangladesh have become relevant destinations too, she adds. "These countries are interesting for us because of the low prices and the variety of products. You can find cheap mobile phones, TVs, laptops, tablets and cloths of a remarkable quality."

Udechukwu says the African middle classes who can afford these things are growing, and cheap travel makes her business viable. She came to Germany as a migrant and, thanks to the country's strong economy, was able to earn the money she needed to start her business.

Some entrepreneurs of African descent import goods from their home continent to Germany. There is a growing market for fair-trade and organic products in Europe. African beverages like ginger lemonade, African beer brands, African teas, honey and natural cosmetic products attract ever more buyers.

Indeed, an increasing number of Germans is interested in Africa and appreciate African restaurants, art and fashion galleries. The demand for African music, films and artists in general is growing. At the same time, Germans' interest in

social entrepreneurship has grown. It has become easier to raise funds for renewable-energy infrastructure or business incubators in sub-Saharan rural areas. Moreover, German society is increasingly aware of the need to integrate refugees and migrants in main-stream society, and members of the diaspora find jobs in this field.

The most recent and perhaps most promising trend is to start technology businesses (see box, p. 33). Some of them generate jobs in Europe, some in Africa, and some on both continents. For example, Ethiopian ex-pat Ayana Alemu founded Meelogic in 2001. The company develops IT solutions and employs more than 100 persons in Germany and Poland. Meelogic serves a number of industries, including telecommunication, automotive and medical technology, energy, transport, logistics and e-commerce.

Government action matters

Governments can help diaspora entrepreneurs by cutting red tape and facilitating international exchange. Indeed, many governments are keenly aware of the diaspora's economic relevance. Tunisia is an example. It has a population of about 11 million people, and another one million

Tunisians live abroad. Some of them are leading scientists, experts and professionals. Moez Ali, a Tunisian consultant, says: "It is fundamental for Tunisia to attract the diaspora to transfer knowledge and funds to their country of origin." Tunisia offers members of the diaspora incentives to acquire real estate or to accept a position of leadership at home. In the course of the Arab spring revolution and the ensuing problems, diaspora investments went down, but it has started to increase again now that the country looks more stable with a democratic government and constitution.

Across Africa, about a dozen national diaspora ministries have been established in the past ten years. The EU is aware of the potential too. In 2013, it launched the ACP Observatory on Migration. The idea is to cooperate with countries in Africa, the Caribbean and Pacific (ACP) which have special ties to the EU and its members and to make all partners involved benefit from migration as much as possible. The need to do so was emphasised once again at the recent EU-AU summit in Malta. ➔

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Novels

Confronting a trauma

Indonesian literature has an increasingly wide readership in Europe. This is especially so in Germany because of Indonesia's status as guest of honour at the prestigious Frankfurt Book Fair this year. For many contemporary Indonesian fiction writers, the great trauma that needs to be addressed is still the Suharto era.

By Katharina Borchardt

➔ It was a tumultuous time for Indonesia. In 1998, when General Suharto was overthrown and his dictatorial "New Order" collapsed, many issues that had been suppressed started to come to light. This is evident in Ayu Utami's two novels *Saman* and *Larung*, both of which were published during the political transition.

They cast a spotlight on many controversial topics: the terrorising of small Indonesian farmers by international companies, the underground agitation against it by Catholic priests, the sexual freedom embraced by a new generation of young women and the persecution and liquidation of political activists by the Suharto regime. The books

convey a critical, detailed, warts-and-all portrait of the late 1990s.

Utami also addresses the issue of "1965", which continues to occupy many writers even today. The father of her central character Larung is killed in the massacres that marked the beginning of the Suharto dictatorship: "They hauled up everyone they considered enemies – dead or alive, male and female, some with heads, others decapitated, sometimes just the heads – and threw them all into a hole in the ground."

Saman has been available in German for a couple of years; the translation of



Primanto/Majority World/lineair

In memory of Suharto's removal from power in 2008.

Larung is new. The two novels move backward and forward in time, and the stories are told from various perspectives. Hence Ayu Utami's description of the books: "Stylistically, Saman and Larung are fairly chaotic and anarchic. I wrote them both at a time when the social conditions under which we lived were very restrictive. Life in Indonesia was very controlled in those days."

Since then, many details of the Suharto years have come to light. And more recent books have profited. Laksmi Pamuntjak's novel *The Question of Red* is one example. It tells the story of Amba and Bhisma, who fall in love in 1965. The two are named after characters in the Indian epic *Mahabharata* and ultimately suffer the same fate as their mythological namesakes: they are separated from one another forever. Left-leaning Bhisma is arrested, interned and shipped to the notorious prison island Buru: "Amba, as I write, the stars are shining over my head. I could never have dreamt that I'd spend two whole years in Unit XVI Indrakarya, one of the twenty-two detention camps here."

Laksmi Pamuntjak has written a heart-wrenching love story made even more poignant by its mythological associations. She has researched the historical and political background meticulously. People need to know what happened, Pamuntjak says, and literature is one way of getting the information across: "The more time

that passes since 1965, the more prose needs to be written about it. Why prose? Because it is more fun reading stories than long historical accounts. For many people, prose is simply more accessible."

An exile's perspective

Leila Chudori's novel *Pulang* is certainly accessible. Drawing on real life, not mythology, it sheds light on the Suharto years from the perspective of exiles. The central character Dimas needs to flee the country after Suharto's coup and goes into exile in Paris. There, he opens an Indonesian restaurant together with other exiled persons. The novel thus contains lots of sensuous descriptions of Indonesian dishes.

Dimas will never be allowed to return to Indonesia. But in 1998, his daughter Lintang travels to Jakarta to make a documentary film. In her baggage is a list of names of former political prisoners and their families. Leila Chudori explains: "She planned to do interviews with them. At first glance, I saw lots of names of very well-known people but then also a number with no media profile. It was a balanced selection."

She says she initially makes the fate of the exiled seem to be the core topic. "But the novel actually tells the story of the second generation – the young people who want to fight for a better Indonesia," the author

explains. "They are active in 1998 when Suharto is overthrown. That is the bridge I wanted to build – from 1965 to 1998."

The Suharto era is still the great trauma that many Indonesian writers feel the need to address. And as the years go by, their books contain increasingly detailed information. Headway is being made in confronting the dictatorial past.

Other topics receive rather less literary attention, although they are also burning issues. Seno Gumira Ajidarma, for example, writes about the violent conflict in East Timor and Linda Christanty about Aceh Province in the grip of tsunami and Islamism. The dominant topics on the new release book shelf, however, are the 1965 massacres and the ensuing Suharto dictatorship. ←

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Countering the media strategy of ISIS

Without digital media, the terror militia ISIS would be much weaker. Some 7,000 Salafis currently live in Germany, and more than 700 have left to join forces with ISIS. The militia's propaganda machine is aiming to attract many more.

By Ute Schaeffer

➔ ISIS is waging battle on many fronts – with weapons and violence in Iraq and Syria, and with a media strategy focusing on the internet. The virtual world is proving to be effective for expanding ISIS influence. ISIS is propagating a clandestine system of outreach that is designed to swell the ranks of its supporters by attracting new target groups.

But what makes ISIS and its message so attractive? What draws supporters like 21-year-old Arid Uka to the group? Originally from Kosovo, Uka lived in Frankfurt and temporarily worked at the Frankfurt Airport. He was not known to Germany's Federal Criminal Police Office or to Germany's domestic intelligence service (Verfassungsschutz).

On 2 March 2011, Uka killed two people in the first successful terror attack on German soil that was motivated by Islamist ideology. It shocked Germany's security agencies and left many wondering how this could have happened and why they hadn't known about Uka beforehand. The answers were sobering: in a relatively short time span, the young man from Kosovo had been radicalised, sitting in front of his computer in Germany. Like many others, he had consumed the propaganda spread by radical Islamist preachers. It gave him a sense of community, belonging and like-mindedness, inviting him to withdraw into virtual reality.

Online social networks offer a personal and intimate environment, and nowadays radicalisation often takes place online rather than in a mosque. New media are being used as effective weapons. They serve to intimidate, alienate, manipulate and recruit people.

To develop social and political responses that effectively prevent this kind of radicalisation, we need to understand how the message propagated by ISIS works, and what makes it so appealing.

ISIS narrative

Al-Qaeda's public relations campaigns and media efforts are dull, hard to understand and unsexy. Its leaders and fighters are well educated individuals as well as ideologists with a clear-cut message. Heroes seem unapproachable, and communication is a one-way street instead of a dialogue that encourages participation.

ISIS' approach is different, creating an attractive narrative with mass appeal. It can be adjusted to suit specific groups, addressing their cultural patterns as well as individual experiences and expectations.

While the ISIS narrative varies to some extent, its core message is clear: we are a community of heroes and equals. The community offers discipline and structure, and assignments promise adventure.

This attractive narrative lays the groundwork for the group's successful public relations campaigns. It spells out an ideology and legitimises ISIS and its agenda. Its modular, multimedia, bite-sized content is ideal for dissemination on social media. The stories have victims and villains, winners and losers. The clips use powerful images to convey simple storylines.

Stories designed for western viewers show little bloodshed, while the narrative aimed at the Arab world is brutal and

glorifies violence. In English-language content, ISIS spreads a clear message: "You live in an unjust society and you don't stand a chance. Come join us and be somebody." This kind of emotive story strikes chords with young people sitting in front of their computers in Belgium, Germany or Sweden.

In ISIS battle zones, the narrative is adjusted to the specific regions and transports different subtexts. ISIS portrays Saudi Arabia as not being sufficiently Muslim, for example, and claims that any shift towards a western lifestyle and culture is a shift in the wrong direction.

Fighting Shias is another key issue. Videos proudly depict ISIS successes, including prisoners being freed in the Syrian city of Idlib and kissing the hands and feet of ISIS fighters.

ISIS does not limit its media activism to spreading its own messages, however; it also misuses stories taken from other news sources. The picture of the young Syrian boy named Aylan, who had been washed up dead on the Turkish coast, was circulated around the world. It was a shocking image, but it was ultimately a result of ISIS violence in Syria. Aylan was just one of the thousands of Syrians forced to flee the Syrian civil war – and Islamist terror.

Dabiq, the ISIS online propaganda magazine, used the photograph as a warning to all Syrians planning to leave the country. The magazine argued that Aylan's death resulted from the dangerous "sin" of fleeing Muslim countries and landing in the hands of "infidel warmongers" in Europe where children faced the constant threat of homosexuality, drugs and alcohol.

ISIS is in tune with the times, and the days of VHS and audio cassettes are long past. Today the organisation uses a wide range of media platforms, including al-Furqan Media which last year released over 160 videos, articles and other forms of media content. It is the organisation's



Anti-ISIS protest in Indonesia.

main propaganda arm and spreads the message of the self-proclaimed “caliph” Abu Bakr al-Khilafa. Other channels include I’tisaam Media, Al Hayat Media Center and AJND Media. Moreover, ISIS collaborates with others outside its network, such as Albatar Media, al-Khilafa Media, Albayan Radio and al-Khalifa TV.

Like a news organisation, ISIS follows a clear and flexible media strategy designed to secure market shares. Its strategy is successful thanks to the use of language, content and outreach tactics that engage and attract new followers. Social media are key, since they facilitate peer-to-peer propagation of ISIS messages.

ISIS media ideologues have clearly embraced the concept of brand marketing: messages are most effective when they are spread within a peer group, passed on by friends, followers and the like-minded. ISIS has understood the advantages of the “me-sphere” on the net. For a while, it used an Android app that allowed it to take control of subscribers’ Twitter accounts. That app has since been discontinued by Google and is no longer available.

Self-proclaimed “cyber caliphs” run the ISIS propaganda machine. They are hackers who have shown off their skills in a number of attacks in recent years. In

spring 2015, the ISIS cyber army blocked the French “TV5Monde” network, using its 11 channels to spread ISIS propaganda for several hours. For some time, the same “cyber caliphates” also seized control of Newsweek’s Twitter account and the YouTube channel of the US military’s Central Command.

The need for appealing counter-narratives

If we want solutions, blocking the social media accounts of ISIS fighters and followers won’t do. In the best-case scenario, attempts to ban the ISIS narrative will only alleviate some symptoms; in the worst case, it will reinforce its power. The only effective solution is to tackle the narrative in the public sphere, using all the sophisticated methods at our disposal. Current events and the exodus of hundreds of thousands of Syrians fleeing to Europe underscore how crucial it is to develop a response. If young migrants feel accepted and connected to the new society they now live in, the extremist narrative will fall on deaf ears.

Just like building a house, it is essential to have a solid foundation. Accordingly, we need to actively raise awareness

in schools, associations and at universities. Social integration is a priority, and not just in regard to new migrants and asylum seekers, but just as well to second and third generation immigrants and, more generally, anyone who is experiencing alienation and exclusion. Successful integration means creating real communities to replace the virtual ones simulated by ISIS media campaigns. Practical, real-life experiences will always trump any utopian fantasy on the internet.

The media need to step up. Public broadcasters can in fact learn from ISIS media strategists in terms of designing content that speaks to young users, offering them a platform to voice concerns and ideas in their own language and sharing them on broadcast channels.

Such a counter-strategy will be costly – both in time and money – and needs a long-term approach. German society will be taking a huge risk if we do not take action to counteract the extremists’ campaigns. ←

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Shifting paradigms

In the past 60 years, German development policy has taken many different strategic approaches. The changes were motivated by concerns relating to intra-German, foreign, security, economic and environmental affairs as well as peace building. In light of the serious crises facing the world today, however, German development policy will have to focus on global cooperation in the future.

By Michael Bohnet

➔ My new book (Bohnet 2015) on the history of German policy concerning international development assesses the paradigm shifts of the past, and highlights major future challenges. Before discussing the challenges in detail here, I will provide a brief sketch of the history of the Federal Ministry for Economic Cooperation and Development (BMZ):

- From 1961 to 1966, Walter Scheel, the first minister to head the BMZ, was guided by intra-German matters. His priority was to prevent developing countries from establishing diplomatic relations with East Germany.
- In response to the tight labour market, Scheel's successor, Hans-Jürgen Wischnewski (1966 to 1968), wanted to boost employment. Development policy was supposed to create jobs in Germany.
- In contrast, Erhard Eppler (1968 to 1974) emphasised the ecological limits to growth. Accordingly, his policies centred on environmental protection, but also on meeting people's basic needs.
- The tenure of Egon Bahr (1974 to 1976) was dominated by the oil price shock. Bahr wanted to involve oil-rich countries in the promotion of agriculture in the developing world for example.
- Marie Schlei (1976 to 1978) expected development policy to serve women's advancement.
- Rainer Offergeld (1978 to 1982) considered development policy an instrument of détente at a time when tensions between East and West were growing once again.
- In reaction to renewed labour market problems, Jürgen Warnke (1982 to 1987) again emphasised the positive impact developmental efforts would have on employment.

- Hans "Johnny" Klein (1987 to 1989) viewed development policy in a historical context and liked to recall the scientific achievements of Germany's renowned 19th-century Africa scholars.
- During his second term in office (1989 to 1991), Warnke, together with Hans Wilhelm Ebeling, East Germany's last minister for economic cooperation, succeeded in merging the two German ministries for international development. Over two-thirds of East German development projects were continued.
- After German reunification, Carl-Dieter Spranger (1991 to 1998) was in a position to draft development policy without being hampered by Cold War ideology and geostrategic concerns. He emphasised fighting poverty and upholding human rights.
- Heidemarie Wiczorek-Zeul (1998 to 2009) expanded the scope of development policy, stressing the relevance of multilateral agreements and rules. Speaking of "global structural policy", she campaigned for multilateral treaties and policies to tackle trade, climate, security and other issues in ways that would advance development.
- Dirk Niebel (2009 to 2013) emphasised the importance of free markets and wanted to support the private sector. He paid special attention to commercial and business interests.
- Gerd Müller (since 2013) has placed ecological, economic and social sustainability at the forefront of his efforts.

The frequent paradigm shifts that German development policy underwent in 60 years made sense and were certainly legitimate. However, the current global financial, food and climate crises require more coherence and consistency in the future. Develop-

ment policy must rise to huge challenges in order to bring about the global cooperation humanity needs.

For this task, conventional official development assistance (ODA) is not the right tool. ODA is outdated and needs to be redesigned. One must keep in mind that the established industrialised nations of the Organisation for Economic Co-operation and Development (OECD) have long ceased to be the only donors. Newly-industrialising countries in particular are becoming increasingly important, and so are oil-rich countries like Saudi Arabia or Venezuela. The international influence of philanthropic agencies, especially the Bill and Melinda Gates Foundation, is growing too. OECD member states spend about \$ 135 billion per year on ODA, whereas various other donors afford a total of roughly \$ 20 billion. It would be good if all donors adhered to the same rules.

It is true, of course, that ODA remains indispensable for low-income countries. But other financial flows have a greater impact on the development of middle-income countries. Relevant funding is provided in the form of foreign direct investments, export credits, portfolio investments and migrants' remittances. At the same time, the development of middle-income countries is essential not only for reducing poverty, the traditional goal of development policy, but also for meeting the global challenges that are spelled out in the UN's 2030 Agenda for Sustainable Development.

The complex international scenario has implications for German development policy:

- The global financial crisis showed what happens when the financial sector exerts a too strong influence on the real economy. Development policy can play a role in reining in the problems. Policy makers should promote innovative taxes such as a tax on financial transactions, and they should support developing countries' efforts to generate their own taxes. Goals of development policy should thus include the establishment and strengthening of national revenue services, audit



Walter Scheel, the first federal minister for economic cooperation, in Egypt in 1963.

offices and financial supervisory authorities.

- Inequality is growing in middle-income and newly-industrialising countries. The trend is putting at risk economic growth and political stability. The vast majority of the world's poor now live in emerging markets, including India, China and Brazil for instance. Development policy must respond to the fact that poverty is no longer first and foremost a problem of the least-developed countries. However, the middle-income countries concerned – and especially their upper and middle classes – can afford to make their own contributions to reducing poverty. German development policy should focus on improving social-protection systems,

the collective provision of global public goods (such as protecting the climate, biodiversity and the environment in general) and the cooperation of scientists and universities.

- Despite considerable progress in the fight against poverty, 850 million people are still undernourished. Hunger has various causes, including fast population growth, insufficient rural infrastructure and inadequate agricultural development. Environmental damages and speculation in food commodities matter too. A lot needs to be done concerning support for smallholder farmers, improving food storage, irrigation et cetera.
- Climate change has turned out to be an even greater problem than was antici-

pated at the Earth Summit in Rio de Janeiro in 1992. Rainy seasons have become unpredictable, droughts alternate with floods, and we are witnessing ever stronger storms. Since climate change can no longer be prevented, policy makers need to draft adaptation strategies (early warning systems, disaster prevention) while mitigating the phenomenon at the same time (by reducing resource consumption, promoting renewable energies, the protection of forests and biodiversity et cetera).

- Fragile statehood and violent conflicts are currently affecting some 40 countries with 1.5 billion people. Development policy should focus on these countries. Suitable instruments for tackling their problems include traditional development cooperation, humanitarian aid, food aid, peace-corps operations as provided by Germany's Civil Peace Service, administrative and legal assistance and support for civil society.
- To date, development policy has largely ignored questions of culture and religion. But to draft the most effective policies, it is important to understand how world religions and major cultures promote or hamper development.
- German development policy also needs institutional reform. Foreign partners are confused by the fact that there are two major agencies, GIZ and the KfW Development Bank. And since the two institutions tend to compete with each other, there is friction between them. It would make sense to merge them.

Tribune

The coming decades will determine whether poverty and hunger will be relegated to history along with slavery, or if a new era marked by conflict, exclusion and chaos will erase the progress made in the past 60 years. ➔

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German experience matters

In Bangladesh, the government, employers and trade unions are cooperating on modernising the garment sector. Germany's Federal Ministry for Economic Cooperation and Development (BMZ) supports this tripartite approach.

By Hans-Joachim Fuchtel

➔ In April 2013, Rana Plaza, a factory and commercial building, collapsed in Dhaka, the capital of Bangladesh. About 1,100 people died, and many more were wounded. This was only the worst incident of a long series of accidents. It changed a lot – in Bangladesh as well as in consumer countries such as Germany.

Workers in Rana Plaza made t-shirts, shirts and blouses, some of which were exported to Germany. Consumers all over the world can no longer shut their eyes to the fact that they are directly involved in trade relations that not only result in cheap clothing, but also in labour conditions that are potentially inhumane and even life-threatening. For Bangladesh, Rana Plaza became a tipping point. Political leaders and business managers realised that the country's garment sector, which had seen years of spectacular growth, had to change in order to secure even a mid-term future. Progress must be made in regard to occupational safety and health, fair wages and environmental impacts.

in the past five years. More than 100,000 workers, most of them women, have been made aware of their rights. So far, our efforts have mostly targeted private-sector companies, workers and government agencies at local levels.

Germany has a long history of dialogue of employers and trade unions.



Participant in the Tripartite Exchange.

labour leaders and managers in German textile companies. The essential aspect was to put workers' representatives and labour inspectors in touch with their German counterparts. Seamstresses from Bangladesh thus gained first-hand insights of labour conditions in Germany. The programme is funded by the BMZ, the International Labour Organization (ILO) and Germany's Statutory Accident Insurance (DGUV).

Tofail Ahmed, the trade minister of the People's Republic of Bangladesh, and Muhammad Mujibu Haque Chunnu, its labour minister, came to Dresden for the launch of the programme. Ahmed

Debate

The BMZ wants to support such change, and it is in a position to do so, both in Germany and production countries like Bangladesh. In the autumn of 2014, Germany's Development Minister Gerd Müller launched the Partnership for Sustainable Textiles for this purpose. It unites representatives of industry, civil society, trade unions and regulating authorities with the goal of improving social and environmental standards as well as wage levels throughout the entire supply chain.

In Bangladesh, the BMZ has invested about € 16 million since 2010 to contribute to raising social and environmental standards. There is proof of some 800 production sites shoring up their compliance with national and international standards

Such dialogue has driven industrialisation in a constructive manner. To share such experiences, I have initiated the Tripartite Exchange for Bangladeshi representatives of industry, labour and government. The idea is to facilitate practice-based learning, for instance by allowing a young workers' representative to observe a German counterpart on the shop floor for a few weeks. I am convinced that such exchange will result in a critical mass for change. By early 2017, we intend to complete the training of 100 young persons from Bangladesh.

In August, the first 24 participants came to Germany on my invitation. The delegation visited Dresden, Köln, Bad Münstereifel and Berlin. The participants had opportunities to deepen their understanding of precautionary measures and occupational safety by sharing ideas with

announced that his country will establish a statutory accident insurance for the garment sector, taking into account the experiences made in Germany. In cooperation with the ILO, the BMZ will support this approach right from the start.

It matters that such a system should focus on prevention and rehabilitation in order to reduce the need for financial compensations in the event of accidents. Gilbert Hounbo, deputy director-general of ILO, pointed out that it is up to Bangladesh to decide precisely what kind of system suits the country best. ➔

Hans-Joachim Fuchtel



is parliamentary state secretary at Germany's Federal Ministry for Economic Cooperation and Development (BMZ).

<http://www.bmz.de>

Back in the credit trap

Ghana was long considered a model of success after the multilateral debt-relief for highly indebted poor countries. A decade later, however, its debt problems are escalating once more. The international community needs rules for resolving debt crises.

By Clara Osei-Boateng and Kristina Rehbein

➔ In 2004, Ghana's exceedingly high foreign debt was cut in half by the multilateral HIPC initiative. The acronym stands for "highly indebted poor countries", and the debt-relief initiative had been agreed by the G7 summit in Cologne in 1999. An important component was to use freed-up budget resources to fight poverty. Ghana indeed managed to reduce poverty to 50 % below the level of the 1990s.

Unfortunately, the country is now plagued by excessive debt once more. Development was promising at first. In 2007, Ghana was one of only two sub-Saharan countries that managed to issue bonds on international financial markets. The other one was the Seychelles. Among other things, the newly discovered Jubilee oil field off the Ghanaian coast made the country look attractive to investors. In 2011, Ghana's growth rate of 14 % was the world's highest. In view of such success, the government was able to take on additional debt in order to tackle development challenges.

Things have since turned sour however. Today, public debt accounts for about 71 % of gross domestic product. That is almost the level of before HIPC.

This development was driven by internal and external issues. Domestically, high wages in the public sector matter a lot. A new compensation system was adopted, and wages have tripled. Ahead of the elections, moreover, the budget deficit ballooned because of a governmental spending spree.

Internationally, dropping prices for Ghanaian commodities like gold and oil have reduced the export revenues the country needs to service its foreign debt. At the same time, prices have soared for import goods that Ghana depends on. It does not produce enough food and pet-

rol. Cheap food imports from the EU have added to the problems by crowding out local farmers.

Today, Ghana's imports cost more money than its exports generate. Compounding the problems, the exchange rate of the cedi, Ghana's currency, has consid-



erably dropped. Servicing dollar-denoted debt has thus become even harder. A vicious circle looms should the debt crisis trigger further devaluations.

The government's response is to take on still more debt. It wants to issue new bonds to service the old ones. The snag is that it must now pay higher interest rates as investors understand its situation.

The country is now struggling with a debt-driven financial crisis. Ghana's domestic banks are facing liquidity problems. If at all, they only hand out loans to Ghanaian private-sector companies at very high interest rates. Accordingly, private-sector investment has stalled. Ghana's economy is shrinking; jobs are being cut. At the same time, the costs of living are rising because of the cedi's low exchange rate. The people are feeling the crisis.

In the eyes of civil-society organisations such as SEND-Ghana, public debt

belongs on the political agenda once again. They want the government to act in a transparent and accountable manner. It bothers them that, if money keeps flushing out from the country at recent rates, it will become impossible to achieve the Sustainable Development Goals the UN recently adopted.

HIPC was a one-time affair. The international community still lacks a reliable and well-designed system to resolve debt crises. Developing countries and emerging markets demanded setting up such a framework in the context of the UN General Assembly, but they did not prevail.

Falling gold prices hurt Ghana.

However, the General Assembly did agree on basic principles for dealing with debt crises. Germany was one of the few countries that voted against both the framework and the principles. This is a high-risk approach because it weakens the kind of international cooperation we need to prevent debt crises like the one in Ghana. Crises must not be allowed to drag on for years and plunge ever more people into poverty. ➔

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Partnerships for climate action

When almost eight out of ten people in the world believe it is important to limit greenhouse-gas emissions, it should be easy for top politicians when they come to the UN climate summit in Paris to form coalitions and partnerships to act. With appropriate leadership, the international community can rise to the challenges.

By Erik Solheim

→ We cannot wait for a master plan and for everyone to agree before we take action. The planet and people living in poverty do not have time to wait for the slowest countries and those least willing to act. Nations, organisations, companies and individuals willing to address specific development challenges should form coalitions for action and get started.

The global progress over the past decades has been unprecedented in human history. Extreme poverty has been halved. Child mortality has also been halved.

The remaining challenges are still huge. And for the climate it is important that we mobilise the political will to act. Recent data from the Pew Research Center showed there is a broad consensus among people from several European countries, China, India, United States, Brazil, Ethiopia and others to be part of an international agreement to limit the greenhouse-gas emissions. In the same survey, more than half of the people said that climate change is a very serious problem and that it is harming people now.

And seven out of ten also believe they will have to make major lifestyle changes to make the climate better. Only two out of ten believe technology can solve the problem. The people are obviously willing to act. And now, the humanity for the first time also has the capacity, knowledge and resources we need to end poverty and green our economies. A lot of good things have been done, and we should be inspired by the success stories to do more so we will live in a better world by 2030 – the world described in the Sustainable Development Goals (SDGs).

There are many more success stories. And there are plenty of other coalitions for



Fossil-fuel subsidies cost developing countries close to \$ 600 billion annually: gas station in Nigeria.

action just waiting for leadership. Here are some suggestions:

The UN-REDD rainforest coalition initiated by Brazil, Indonesia, other rainforest nations and a few donors have contributed to an 80 % reduction in deforestation in Brazil. Wilmar, Asia's largest palm oil producer, has promised to not contribute to any further deforestation. It's been an incredible success. Let us make it bigger and better.

Grow Africa is a coalition of African governments and multinational companies working together to grow and green African agricultural system. Improving seed varieties and irrigation techniques can increase farmer's yields and incomes while decreasing environmental impact. More such coalitions for action are needed.

The United Nations Sustainable Energy for All initiative aims to mobilise

the financial resources and political will to provide green energy to the 1.3 billion people currently without access to electricity and the billions with insufficient access.

We need a coalition against fossil-fuel subsidies. Fossil-fuel subsidies cost developing countries close to \$600 billion annually. Some poor countries spend more on subsidising cheap petroleum than on health and education combined. Fossil-fuel subsidies are expensive, mainly benefit the upper middle class and increase pollution.

A global coalition is needed to protect our beautiful oceans currently under threat from climate change, pollution and overfishing. Developing countries are losing billions of dollars from illegal and unreported fishing while sustainable fishing could increase value of global fisheries by more than \$60 billion. Pirate fishing alone deprives developing nations of 20 billion dollars and Somalia is losing more than its entire government budget. Coral reefs provide substantial protection against natural hazards by reducing wave energy by an average of 97 %. Reefs are ten times cheaper than human-made structures.

These are just some of the many potential coalitions for action that would be good for people and the planet. In the latest Development Co-operation Report from OECD (Organisation for Economic Co-operation and Development) we focus on partnerships and coalitions for action. We show how this way of working together can contribute to ending poverty and implementing the SDGs. The time to act is now. ←

Link:

OECD, 2015: Making partnerships effective coalitions for action.
<http://www.oecd.org/dac/development-co-operation-report-20147721.htm>

Erik Solheim



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<http://www.oecd.org/dac>

To beat ISIS, embrace Islam

In violent conflict, it is unwise to do what your enemy wants you to do. After the Paris atrocities, too many in the west are responding to ISIS precisely in the way the killers must have hoped they would. It would be much wiser to prove extremist propaganda wrong.

By Hans Dembowski

➔ ISIS is a terror outfit that uses the black-and-white narrative of suppressed Muslims being forced to fight the rest of the world in self defence. They don't mind Islam being discredited. On the contrary, they want non-Muslims to turn against members of that faith.

Anything that can be read as western disrespect for Islam feeds the anger ISIS wants to instil in Muslims. At the same time, the terrorists want all Muslims who do not accept their brutal world view to suffer. European hostility towards refugees from Afghanistan, Libya or Syria thus serves their cause in the double sense of hurting Muslims who, in the ISIS perspective, deserve punishment. If, on the other hand, the EU acts in a more welcoming way, the ISIS narrative collapses.

Europe's radical right from the Front National in France to the Lega Nord in Italy and the Alternative für Deutschland in Germany endorse xenophobia. In a symbiotic way, they benefit from terror attacks. Their xenophobic reaction, in turn, fans ISIS flames. Intolerance breeds intolerance. Government leaders should be careful not to feed this vicious cycle.

Any talk of a clash of civilisations is wrong, and even the rhetoric of war is overblown. It gives legitimacy to killers who are criminals, not soldiers.

Jihadi criminals have indeed killed scores of people in Paris, Ankara, Beirut, Tunis and Bamako. Only the first of these cities is a western capital, the other cities are predominantly Muslim. Jihadism is nowhere close to destroying western civilisation, its main impact is to terrorise Muslims. A handful of suicidal extremists can cause terrible suffering in Paris, but the French capital is not, was not and will not be at risk of falling into their hands.

ISIS and similar terrorist groups pretend to be the true representatives of Islam, but they are not. Islam was never a monolithic ideology. In the Sunni tradition, the Koran is sacrosanct, but its interpretation is up to debate, and such debate gave rise to a long history of sophisticated scholarship that was cultivated by many different schools in many different cities. Jihadis neither appreciate the wealth of this tradition, nor do they appreciate the diversity of Islam which has spanned many traditions of belief. In Timbuktu,

they even did their best to destroy ancient manuscripts because this kind of Muslim heritage does not agree with their totalitarian ideas.

The Arab region is in turmoil. ISIS is one of many militias and military forces. It is trying to establish a full-blown state, but is not recognised as a legitimate force by any Muslim government. It wants to expand its power, but it is not promoting the faith. Generally speaking, Islamist militants are not faith leaders. They are violent criminals.

Their black-and-white narrative does not resonate with the vast majority of Muslims. In Europe, however, it dangerously resonates with a minority of youngsters who feel marginalised and alienated. Many of them, but not all, are from migrant families. Typically, the parents are better integrated into mainstream society and are not religious in a fundamentalist sense. The phenomenon is especially pronounced in France and Belgium, but it is evident in other countries too, including Germany.

EU leaders should ponder the fact that the terrorists in Paris were, as far as we know, mostly citizens of member states. They should note, moreover, that many jihadis in Europe become extremists in prison cells rather than in Mosques. European societies have failed in terms of inclusiveness. Some may argue that social work and religious education are too expensive in view of tight public budgets. The price Paris has now paid for neglect, however, is far higher.

In Syria and Iraq, ISIS has managed to conquer substantial territory. It is necessary to tackle the militia by military means there. That cannot be done by air strikes alone. Western governments are correct to argue that the ground troops will have to be Muslim so as not to feed the Islamist narrative of crusaders hunting down Muslims. They have a point. Accordingly, they should do their best to undermine the ISIS narrative in Europe as well. To fight ISIS effectively, Europe must embrace Islam. ←

Debate



"Prayers for Paris" at a Mosque in London.



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