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G7 Move for Fair and Stable Contracts Can be a Boon to Developing Economies

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From Dr Karl P Sauvant.

Sir, At their summit in Brussels last month the Group of Seven decided to take concrete steps towards helping developing countries negotiate complex contracts. If the G7 does so, it will not only be one of the most concrete results of that summit, but will also contribute substantially to the development of developing countries.

The reason is that complex, large contracts – especially in natural resources, the use of land, infrastructure and public-private partnerships – define the relations (including the distribution of benefits) between investors and host countries for decades to come. The least developed countries, in particular, can generate a good part of the resources through such contracts to become independent from overseas development assistance. Yet, many of these countries simply do not have the resources to field top-of-the-line multidisciplinary negotiating teams to undertake level-playing field negotiations with investors that have access to such resources. And access to international support is uncertain and, if it is available, can take up to one year to materialise – which is simply not predictable and satisfactory when negotiations are about to start.

It is therefore encouraging that the G7 has recognised this challenge and put it on its agenda. Even better, it has already taken a first step to implement this initiative by launching a Knowledge Portal, focused on one of the areas where support is needed, namely access to information.

Let us keep our fingers crossed that the G7, now under Germany's presidency, will succeed in moving this initiative further, namely toward providing direct negotiation support to those developing countries that need it. Fair and stable contracts are in the interest of both investors and host countries.

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