Open Markets, Trade Opportunities and Poverty Alleviation

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On behalf of the International Chamber of Commerce, I would like to first reaffirm our commitment for poverty alleviation.

ICC was founded – just after the First World War – on the basic idea of "world peace through world trade." We believe that increasing international trade and cross-border investment will reduce political conflict. ICC has continued to operate in accordance with this concept.

In recent years, ICC has stressed that trade liberalization is a keystone of successful development. Trade liberalization, especially in terms of providing market access to developing countries, will enable developing countries to earn the foreign exchange and income needed to effect poverty alleviation.

Since the launch the Doha Round, ICC has taken a position that successful conclusion of the Doha Round must include a strong focus on development, especially in terms of improving market access for developing countries. Many of us in the audience are disappointed at the progress of the Doha Round thus far, especially in view of the potential outcome of next week's Hong Kong Ministerial Conference.

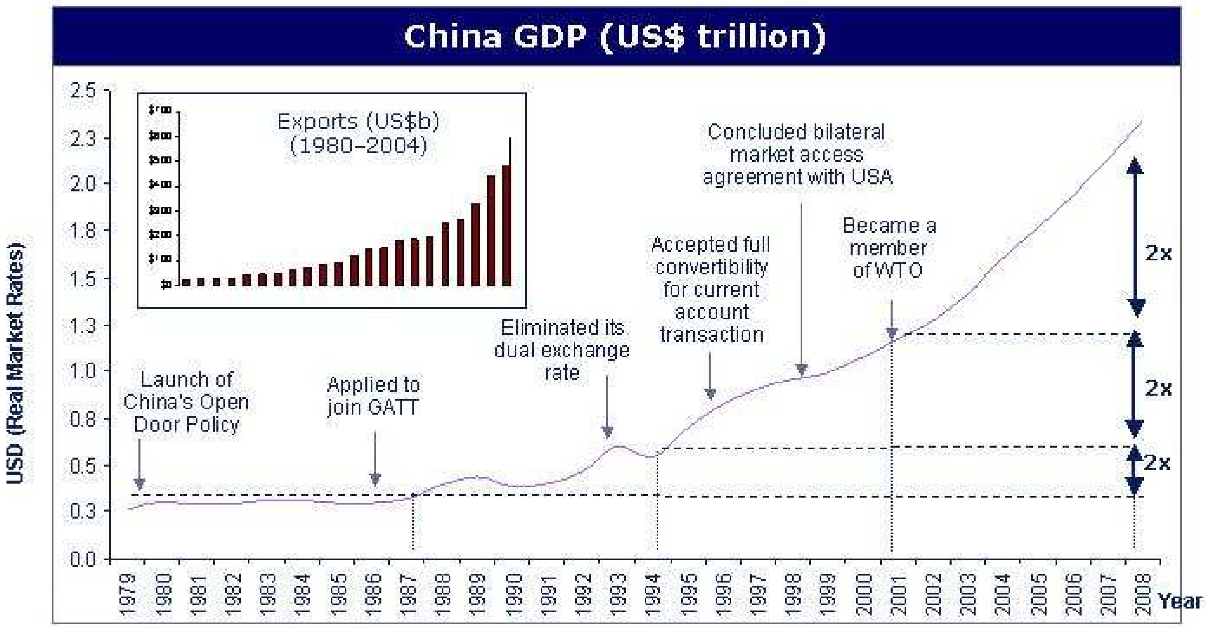
While the main responsibility for achieving successful conclusion of the Doha Round lies with governments, addressing these challenges will require continued concerted effort and partnership by all actors in society. ICC will continue it efforts in urging the governments to develop the necessary political will to arrive at an appropriate compromise. Let me quote from the open letter sent by 62 CEOs of ICC member companies on November 8, 2005:

"Business across the world urges WTO member governments to face up to their responsibilities and re-instill confidence among producers, consumers and investors that the multilateral trading system – which has done so much to raise global living standards over the last half-century – is still safe in their hands."

Let's take a quick look at how trade liberalization have led to development and poverty alleviation in one country we all know well – China.

China

A Case Study in Development & Poverty Alleviation



World Bank estimates 300 million Chinese lifted out of abject poverty since 1980, accounting for 75% of global total.

 Source: IMF 2

According to the World Bank, the number of Chinese people subsisting on less than $1 a day has fallen from 490 million in 1981 to just 88 million last year. Since opening its economy in 1978, China has accounted for three-quarters of all the people in the world lifted out of poverty.

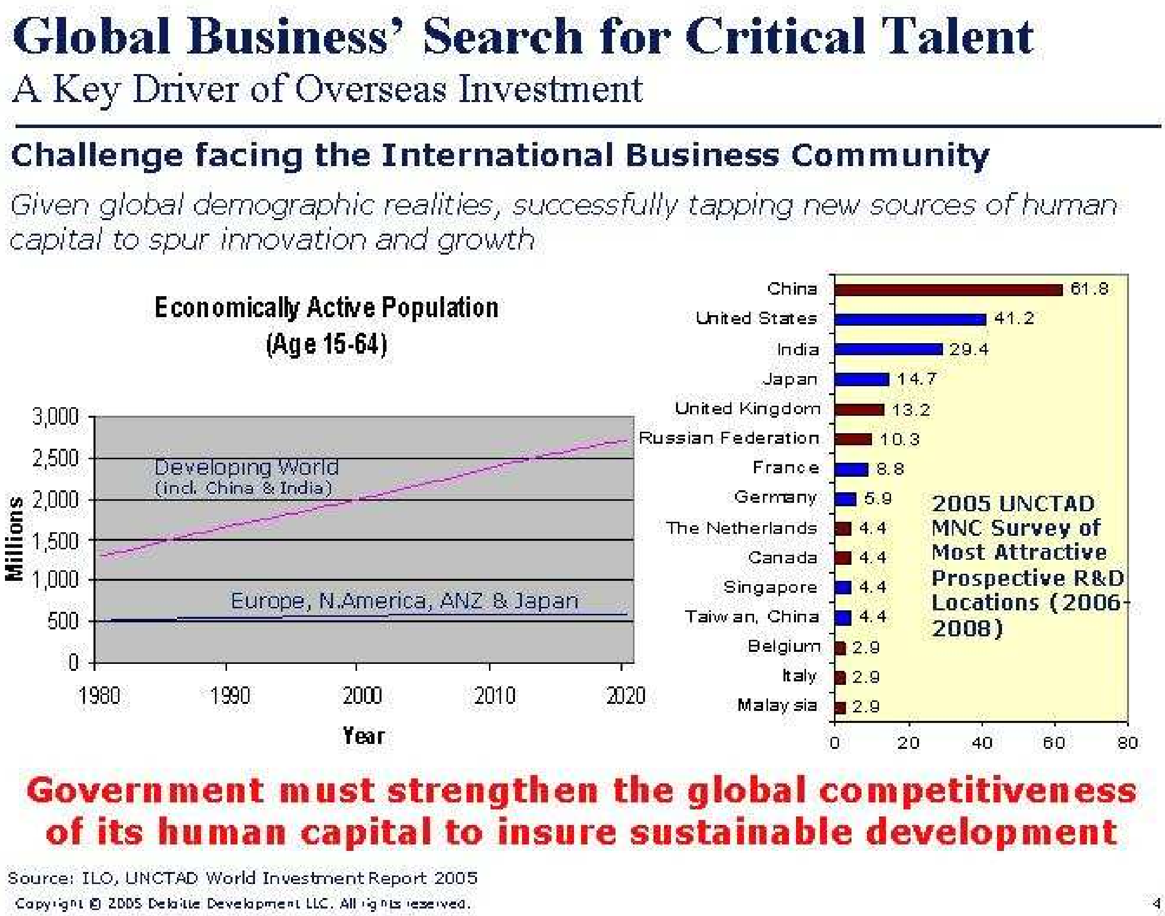
How was China able to achieve this? Export-led economic growth is definitely a major factor. Since 1979, annual GDP growth has averaged a remarkable 9.3 percent – allowing China's economy to double in size every 7 years since 1987. The average annual growth rate for exports has been 15.6 percent since 1979. When you look at the two graphs on the slide, the small one on China export volume and the big one on GDP, you probably notice how the two lines basically have been moving in tandem and the growth has accelerated since China joined the WTO in 2001. The data provides a very strong argument that trade liberalization can lead to development and poverty alleviation.

The China case study is one of the many reasons why world business, represented by ICC, believes strongly that the rules-based multilateral trading system, under WTO, has contributed enormously to liberalizing world trade and improving market access. It is a major driving force for global economic growth, job creation and wider consumer choice.

This slide is trying to depict who are the major actors in the international trading system and what are the conflicting priorities, among the actors and within each of the actor. I don't think I need to spend any time on the complexity of balancing the priorities as we strive to improve the multilateral trading system. However, I do want to emphasize that trade liberalization is creating a new reality within which all successful business must be able to collaborate and compete with each other. The new reality also intensifies the contest for resources – both natural and human.

A major challenge facing global business today is that the available pools of human capital are in the process of shifting from the developed world to the developing countries. This will necessitate a massive "rethink" about when and where to make future investments.

According to estimates by the ILO, the population of economically active people in the developed world will increase by just 8 million in the next five years and peak at about 590 million in 2011. By contrast, the developing world is expected to add 600 million to the global workforce in the next 15 years for a total of 2.7 billion people – over 80 percent of the world's working age population.



As business casts about for the next locations to achieve growth and profitability, the quality of a host nation's human capital will become steadily more important. The era of locating only labor-intensive manufacturing abroad and keeping everything else at home is drawing to a close. The best businesses are driven by the best minds, including those most knowledgeable about the needs and desires of the most promising markets.

If we look at the results of a recent UNCTAD survey asking MNCs about their future R&D spending, we see the emphasis given to China and India. FDI continues to pour into China not just for the vast consumer markets, lower cost labor and maturing industry clusters. Increasingly, investments are made to tap into China's brain power, for example, the 350,000 graduates in engineering per year – about 6-7 times as many engineers as the US. In fact, global companies have already invested over US$4 billion in R&D in China, with tens of thousands of local researchers employed. China knows that its human capital is key to its future – the wisest governments around the world will discover the same.

As the preponderance of human capital shifts to the developing world, government and global businesses are both confronted with challenges. Governments will need to make wise decisions about how to allocate their education budgets and to nurture specific skills sets which are market-relevant in a global economy. To do so effectively, officials will need better information - to better understand the evolving needs of business and to keep an eye on what other nations are up to. Global business leaders, on the other hand, will require actionable intelligence on where the talent is on a global basis.

In response, it may be time we devised a new tool to help meet this dual demand for information on each country's human capital – what we might think of as a "human capital quotient" or "HQ." We can leverage existing measurements, such as UNDP's Human Development Index and UNCTAD's Innovation Capability Index, and combine the relevant elements together to produce a benchmarking tool that multilateral agencies and businesses can readily use to work with governments on developing human capital.

The HQ should include detailed comparative information on the availability of human capital (demographics & location), its quality (education, skills & productivity), utilization (employment ratios) etc…The focus would be on measuring the development of specific skill sets most rewarded by the global economy and to create a transparent way of assessing progress being made across borders.

I envision this as a joint initiative of all potential beneficiaries, including multilateral agencies, governments, business, academia and international labor. Business has a role to play in poverty alleviation and I think that helping to improve human capital globally will extend that contribution.

Thank you.

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Mr. Kwan's bio

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