

**GLOBAL COMPACT LEADERS SUMMIT
GENEVA, JULY 5-6
SESSION 2: ROUNDTABLE DISCUSSION
MEGATRENDS: SHAPING THE FUTURE
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I CERTAINLY WANT TO THANK THE GLOBAL COMPACT FOR THE INVITATION TO BE PART OF THE SUMMIT AND THE OPPORTUNITY TO SHARE MY VIEWS ON MEGATRENDS AND THE WAY THEY ARE SHAPING THE CURRENT, AS WELL AS OUR FUTURE AGENDA.

THIS AFTERNOON, I WILL BRIEFLY TALK TO YOU ABOUT EMERGING MEGATRENDS IN LATIN AMERICA:

- THE CONNECTION BETWEEN KNOWLEDGE AND COMPETITIVENESS
- THE CONNECTION BETWEEN LARGE AND SMALL COMPANIES
- THE CONNECTION BETWEEN THE DISTRIBUTION OF WEALTH AND EDUCATION.

THESE, FROM MY PERSPECTIVE AND EXPERIENCE, REPRESENT GREAT OPPORTUNITIES IF ADDRESSED WELL AND GREAT RISKS IF THEY ARE NOT PROPERLY ATTENDED.

I WILL CONCLUDE WITH SPECIFIC SUGGESTIONS TO FOSTER THE GLOBAL COMPACT WITHIN THE CONTEXT OF THESE MEGATRENDS.

1)COMPETITIVIDAD

MEGATREND: KNOWLEDGE SOCIETY & COMPETITIVENESS

KNOWLEDGE SOCIETY AND IMPLICATIONS FOR COMPANIES

AN IMPORTANT MEGATREND IS THE ADVANCE TOWARDS A KNOWLEDGE SOCIETY. THIS CONCEPT REFERS TO THE FACT THAT WEALTH HAS A GROWING TENDENCY TO BE THE RESULT OF HOW KNOWLEDGE IS USED AND APPLIED. THIS TREND HAS IMPORTANT STRATEGIC IMPLICATIONS FOR COMPANIES.

IN THE LATIN AMERICAN REGION, BECOMING A KNOWLEDGE SOCIETY IMPLIES A CHALLENGE, PARTICULARLY IN THE FIELD OF COMPETITIVENESS. THIS IS MAINLY DUE TO THE IMPORTANCE GIVEN TO LOW COST LABOR AND NATURAL RESOURCES WITH MINIMUM OR NON-EXISTING ADDED VALUE.

COMPARATIVE ADVANTAGE: HUMAN CAPITAL

HUMAN CAPITAL IS THE MAIN ACTOR IN THE SOCIETY OF KNOWLEDGE. A COMPARATIVE ADVANTAGE OF THIS REGION IS FOUND IN ITS YOUNG-AGE-POPULATION. LATIN AMERICA HAS A TREMENDOUS POTENTIAL TO DEVELOP HUMAN CAPITAL. UNFORTUNATELY, THE REGION HAS NOT YET DESIGNED A COMPETITIVE AND DYNAMIC SYSTEM, AIMED AT IMPLEMENTING A HIGH-TECNOLOGICAL PROFILE, OR A POLICY FOR QUALITY EMPLOYMENT. HENCE, WE HAVE EXPORTED ONE OF OUR MAIN SOURCES OF WEALTH: LABOR.

WHILE MIGRATION IS A RATHER SENSITIVE ISSUE, AS WE SPEAK, SOME DEVELOPED ECONOMIES TAKE ADVANTAGE OF INEXPENSIVE LABOR AS AN ESSENTIAL INGREDIENT FOR THEIR GROWTH, OFTEN FAILING TO INCORPORATE THE BASICS OF HUMAN RIGHTS INTO THEIR OPERATIONS. IT IS IMPERATIVE THAT GLOBAL EMPLOYERS OBSERVE THEIR RESPONSIBILITY AS CORPORATE CITIZENS BY ENSURING FAIR LABOR CONDITIONS SUCH AS HEALTH SERVICES, PENSION FUNDS AND SOCIAL BENEFITS.

THE TWENTY FIRST CENTURY IS A TIME WHERE THE PUBLIC AND THE PRIVATE SECTORS ARE TO DEVELOP A JOINT AGENDA. KNOWLEDGE AND EDUCATION ARE TO BECOME A PRIORITY IF WE WANT TO GIVE GLOBALIZATION A HUMAN FACE. THERE ARE PRACTICAL ACTIONS TO ACHIEVE THIS OBJECTIVE: FOR EXAMPLE, THE CREATION OF INTERNATIONAL FUNDS, ALLOCATED TO LABOR TRAINING. THIS WOULD BE AN ASSET FOR BOTH WORLDS: DEVELOPED COUNTRIES THAT REQUIRE ADDITIONAL WORK FORCE, AND FOR THE DEVELOPING COUNTRIES THAT EXPORT IT.

2) EDUCATION AS AN INSTRUMENT OF TRANSFORMATION

ENCOURAGING LINKS BETWEEN ACADEMIA AND INDUSTRY CAN STIMULATE RESEARCH AND DEVELOPMENT AS WELL AS POLICY-ORIENTED INNOVATION. THEREFORE, A COMPETITIVE EDUCATIONAL SYSTEM, IN ADDITION TO INCLUDING STATE OF THE ART TECHNOLOGY AS A TOOL FOR LEARNING, SHOULD GUARANTEE UNIVERSAL ACCESS TO EDUCATION THROUGH SUPPORT PROGRAMS FOR THOSE STUDENTS WITH A CHALLENGING SOCIO-ECONOMIC BACKGROUND.

STRENGTHENING EDUCATIONAL INSTITUTIONS IS WHAT ECONOMISTS REFER TO EDUCATION AS HUMAN CAPITAL: INVESTING IN PEOPLE GENERATES BENEFITS. BUT EDUCATION HAS OTHER SIDE EFFECTS: IT OPENS THE MIND TO THE IDEA THAT CHANGE IS POSSIBLE, THAT THERE ARE OTHER INNOVATIVE WAYS TO TRANSFORM THINGS, IT TEACHES BASIC PRINCIPLES OF MODERN SCIENCE AND EMPOWERS THE CAPACITY OF LEARNING.

EDUCATION ALSO IS AN INSTRUMENT TO REDUCE CORRUPTION AND INCREASE COMPETITIVENESS.

THE CONNECTION BETWEEN LARGE AND SMALL COMPANIES

(EDUCATION AND ENVIRONMENT)

FURTHERMORE, THE NEED FOR CAPACITY BUILDING THROUGH EDUCATION, EXTENDS TO SMALL AND MEDIUM SIZE ENTERPRISES. THESE COMPANIES RARELY LACK THE DESIRE TO SUCCEED, BUT OFTEN DO NOT HAVE THE HUMAN CAPITAL AND FINANCIAL RESOURCES TO ACHIEVE THEIR GOALS. THEY CAN QUITE OFTEN PRODUCE A NEGATIVE IMPACT ON THEIR ENVIRONMENT, EITHER FOR LACK OF RESOURCES OR FOR LACK OF KNOWLEDGE.

LARGE COMPANIES CAN ENHANCE THEIR CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES BY WORKING WITH SMALL AND MEDIUM COMPANIES. THEY CAN EXTEND THEIR SKILLS TO THE ENTIRE VALUE CHAIN BY HELPING SMALL COMPANIES TO TAKE ON ACTIVITIES THAT WOULD ENTAIL MORE COMPLEX PROCESSES, HIGHER QUALITY, PUNCTUAL DELIVERY, AND THE DISSEMINATION OF ENVIRONMENTAL AWARENESS BY SHARING KNOWLEDGE.

MOREOVER, ECONOMIC BENEFITS FLOWING FROM MORE DEVELOPED AND HIGHLY POPULATED COUNTRIES, HAVE TO BE DIRECTED TOWARDS A POSITIVE IMPACT, THROUGH ACCESS TO SOFT CREDIT FOR SMALL AND MEDIUM ENTERPRISES THAT PROTECT THE ENVIRONMENT AND GO FURTHER BY IMPLEMENTING BENEFICIAL ACTIONS.

4)DISTRIBUCION DE LA RIQUEZA

A MAJOR CHALLENGE, WHICH CANNOT BE IGNORED, IS RELATED TO THE SOCIAL AND ECONOMIC DIFFERENCES THAT PREVAIL IN LATIN AMERICA. THE DISPARITY BETWEEN RICH AND POOR TEARS AT THE SOCIAL FABRIC OF SOCIETY.

FOR EXAMPLE, IN MEXICO, THE 13TH ECONOMY IN THE WORLD, WE HAVE SIGNED FREE TRADE AGREEMENTS WITH 44 COUNTRIES.

WE CONSCIOUSLY APPLY RESPONSIBLE FINANCES AT THE GOVERNMENT LEVEL, AND WE ARE ONE OF THE MOST OPEN AND GLOBAL ECONOMIES, HOWEVER IT IS A FACT THAT OURS, AND OTHER LATIN AMERICAN ECONOMIES ARE NOT ADVANCING ON WEALTH DISTRIBUTION. IN THE LAST 20 YEARS, THE GAP BETWEEN RICH AND POOR CONTINUES TO GROW. A MAJOR POLICY CHANGE IS REQUIRED TO REVERT THIS TREND: PUBLIC-PRIVATE ALLIANCES NEED TO FOSTER EQUAL GROWTH AND OPPORTUNITIES.

DISPARITIES JEOPARDIZE DEVELOPMENT. THEY HAVE NEGATIVE CONSEQUENCES, ESPECIALLY THE RISK FOR THE RISE OF DEMAGOGIC OR PATERNALISTIC GOVERNMENTS THAT NOT ONLY DIMINISH COMPETITIVENESS; THEY FAVOR POPULIST POLICIES AND OFTEN GIVE GIFTS OR HANDOUTS WHICH DIMINISH PERSONAL MOTIVATION AND INDIVIDUAL PROGRESS.

CORRUPTION AND INEFFICIENCY ARE STIMULATED. A CLEAR EXAMPLE WOULD BE UNIONS THAT DO NOT PROMOTE PRODUCTIVITY INCENTIVE PAYMENTS, BUT STRUGGLE FOR POWER AND UNREASONABLE GAINS. BANKRUPTIES IN PRIVATE AND GOVERNMENT RUN ENTERPRISES FREQUENTLY RESULT FROM THESE POLICIES.

5) EMPRESARIO COMO GENERADOR DE EMPLEO

THE GLOBAL COMPACT RECOGNIZES THE CRUCIAL ROLE THAT ENTERPRISES PLAY IN DEVELOPMENT AS THE PRIMARY SOURCE OF EMPLOYMENT AND THE DEVELOPMENT OF HUMAN CAPITAL.

PROMOTION WITH PRIVATE CAPITAL FOR CAPITALIZING MEDIUM SIZE ENTERPRISES WITHIN LATIN AMERICA, IS AN EFFORT OF UTMOST IMPORTANCE. THESE ENTERPRISES ARE HIGH GENERATORS OF EMPLOYMENT, AND CAN EASILY BE INFLUENCED TO SHIFT THEIR PRIORITIES TOWARDS EDUCATION, TECHNOLOGY, HUMAN RIGHTS AND ENVIRONMENTAL SUSTAINABILITY.

PRIVATE CAPITAL, FLOWING FROM THE ENTIRE WORLD, WILL FIND EXCELLENT GROWTH OPPORTUNITIES AND CAN CONDITION ITS CAPITAL RESOURCES TO A FULFILLMENT OF THE GLOBAL COMPACT PRINCIPLES.

I STRONGLY BELIEVE THAT AN EFFORT GEARED TOWARDS RAISING AWARENESS FROM THE PRIVATE EQUITY FIRMS, COULD HAVE A STRONG AND IMMEDIATE IMPACT ON THE IMPLEMENTATION OF THE GLOBAL COMPACT'S PRINCIPLES.

6) GLOBAL COMPACT

THE GLOBAL COMPACT OFFERS A DIRECT CONNECTION WITH THE NEW ECONOMY, PROVING A FRAMEWORK THROUGH 4 STRATEGIC AREAS: HUMAN RIGHTS, LABOR CONDITIONS, ENVIRONMENT AND ANTI-CORRUPTION.

IN ORDER TO BE TRULY SUCCESSFUL AND BRING BEST GLOBAL LEARNINGS AND PRACTICES TO THE LOCAL LEVEL, THIS UNITED NATIONS INITIATIVE REQUIRES A SOLID PARTNERSHIP, PARTICULARLY BETWEEN THE UNITED NATIONS AND THE PRIVATE SECTOR.

COMPANIES CAN EMBRACE THE COMPACT'S PRINCIPLES AND POSITION THEM IN THEIR STRATEGY, POLICIES AND OPERATIONS.

IN CONCLUSION, THE QUESTION WE SHOULD ASK OURSELVES IS HOW DECISION MAKING BODIES OF COMPANIES CAN ENSURE THAT ISSUES LIKE DISTRIBUTION OF WEALTH AND ACCESS TO EDUCATION ARE CONNECTED TO COMPANY POLICIES AND OPERATIONS.

ALLOW ME TO PRESENT SOME SUGGESTIONS:

- CREATE A HIGH-LEVEL ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE THAT WORKS TO ENSURE THAT THE RISKS AND OPPORTUNITIES RELATED TO THE MEGA TRENDS ARE ADDRESSED
- WORK WITHIN THE SUPPLY CHAIN TO ENSURE THAT ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES ARE ADDRESSED BY SUPPLIERS AND IN SUBSIDIARIES
- WORK WITH FINANCIAL ANNALIST COMMUNITY TO ENSURE THAT ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES ARE MAINSTREAMED INTO THE PROCESS OF DETERMINING THE VALUE OF A COMPANY.
- WORK WITH CIVIL SOCIETY ORGANIZATIONS TO UNDERSTAND BETTER THE RISKS AND OPPORTUNITIES ASSOCIATED WITH HUMAN RIGHTS, LABOR NORMS, ENVIRONMENT AND ANTI-CORRUPTION.
- WORK WITH INSTITUTIONS WHOSE CORE OBJECTIVE IS KNOWLEDGE.

IN ADDITION TO THE AFOREMENTIONED POLICY AND STRATEGY CHANGES, GLOBAL COMPACT PARTICIPANTS MAY USE LOCAL NETWORKS AS AN INCLUSIVE PLATFORM TO STIMULATE A HIGH-LEVEL DIALOGUE. LOCAL NETWORKS ARE THE APPROPRIATE FORUM FOR DISCUSSING AND DESIGNING PRACTICAL ACTIONS THAT STIMULATE LOCAL DEVELOPMENT AND:

- PROMOTE PRIVATE AND PUBLIC PARTICIPATION IN SUSTAINABLE DEVELOPMENT PARTNERSHIPS AND COLLABORATION
- SCALE UP NATIONAL RESEARCH ACTIVITIES FOR INNOVATION
- UNDERTAKE STRATEGIC PLANNING AND DEVELOP ROADMAPS TO STRENGTHEN THE ROLE OF THE GLOBAL COMPACT IN ADDRESSING DEVELOPMENT AND COMPETITIVENESS

THERE ARE CERTAINLY LINKS BETWEEN THE CREATION OF HUMAN CAPITAL, WEALTH DISTRIBUTION AND BUSINESS SUCCESS. HOWEVER, ONLY BY WORKING TOGETHER, UNDER THE UMBRELLA OF INITIATIVES LIKE THE GLOBAL COMPACT, CAN WE MAKE THE SYSTEMIC CHANGES NECESSARY TO ENSURE A MORE SUSTAINABLE TOMORROW FOR US ALL.