

First Draft

of a UNIDO Speech to the Roundtable on

“Prospects of Cooperation between Russian Business and the UN System: The UNIDO Perspective”

(Minister)
Mr. Chairman/Madam Chairperson
Excellencies,
Ladies and Gentlemen,

I am delighted to be able to join you at this Roundtable to follow up on the “Global Compact” initiative of the Secretary-General, which he put forward at the World Economic Forum in Davos in January 1999. I would particularly wish to thank H.E. Mr. Igor S. Ivanov, Minister of Foreign Affairs of the Russian Federation, for his invitation to this meeting, as well as to thank Vice-Prime Minister and Minister of Industry, Science and Technology, Mr. Ilya Klebanov, for the opportunity for a wide-ranging exchange of views this morning. I am also most pleased at the fact that the Deputy Secretary-General of the United Nations, Mrs. Louise Frechette, has been able to join us here today.

UNIDO understands the process of globalization as one where international development agencies – or individual developing countries or individual economies in transition – cannot act effectively and can not achieve their mandates in isolation from the private business community.

As an international organization focusing on development cooperation with developing economies and economies in transition, UNIDO sees its role as creating and expanding the windows of opportunity open to the developing countries and the economies in transition to work with the private sector. The specific task in this respect that UNIDO sees for itself is to work as a facilitator, to push out the frontiers of what is possible in this interaction in the industrial sphere between the individual countries and the business community in the international arena.

In this respect the role of UNIDO, as the UN agency mandated to foster cooperation in the industrial field, is to work to promote and foster this private sector growth. The most effective means for doing this is to promote private-sector investment flows. These investment flows lead to economic growth, which in turn leads to the reduction of poverty in the countries in which this development process is taking place.

All of these elements of UNIDO’s vision of how we should operate in the global arena are part and parcel of the initiative to form a “Global Compact” of shared values and principles with business leaders that the Secretary General proposed in Davos in January 1999. We at UNIDO firmly endorse the Secretary-General’s objective of ‘giving a human face to the global market’.

These principles hold, irrespective of whether we are talking about economies in Sub-Saharan Africa, in Southeast Asia, or in Russia. They also hold when we examine, as we at UNIDO do, the process of development at the regional and international level, as well as just at the national level.

I would like to now give some examples of recent UNIDO activities in this region which demonstrate how UNIDO has integrated the principles of the Global Compact into our vision of global cooperation.

It is widely recognized that the world we live in is an increasingly competitive one. Over the last decade many more players have entered the market economy – in Asia, in Latin America, AND in Europe and the NIS. The existence of these new players has greatly increased the level of economic competition between countries as well as between companies. In this era of competition and increasingly rapid change, new technology is playing a growing role in relation to economic and social development. But countries and companies have to make choices among the different emerging and traditional technologies. One process that can assist businesses to make these choices is technology foresight.

It is for this reason that UNIDO jointly organized – with the Government of Hungary – a Regional Conference on Technology Foresight in April of this year, where representatives from around the world – including representatives of transnational companies working in this region and from national private sector enterprises - worked to build awareness of the role of technology foresight in designing strategies for the countries of the region on future technological development. The Regional Conference was followed by an Expert Group Meeting on Technology Foresight in June of this year that went into more depth in specific areas of relevance to the region.

The broad aim of this technology foresight work is to identify emerging generic technologies likely to yield the greatest economic and social benefit to the countries of the region. The vision of UNIDO, which is also the basic principle of the Global Compact, is to ensure that these economic and social benefits embrace and support core values in the areas of the environment, labour standards, and human rights.

A second regional activity of UNIDO in the region to which I would like to draw to your attention is the UNIDO Regional Forum on e-Productivity and Quality, which I will officially open next Wednesday in Warsaw. The Forum addresses the question of how to increase productivity and quality in the region and how industries in the region could benefit from the Internet revolution and the e-economy.

Both of these fora represent attempts by UNIDO – which can only succeed if we are joined in our pursuits by the business community – to work to link the most promising, recent advances in science and technology with the needs of both industry and of society. Clearly, as set out in the Global Compact, the ‘needs of society’ to which the research opportunities must be linked include the encouragement of the development and diffusion of environmentally friendly technologies.

Ladies and Gentlemen,

This reference to environmentally friendly technologies brings me to an example of the kind of work UNIDO – together with both the Government and the business sector - has for years been doing in Russia in the area of cleaner production.

It will be a well known fact to most of the participants in the room that the St. Petersburg region of Russia suffers from an ever growing amount of hazardous waste, and both the Federal Government and the Regional Government give high priority to addressing this problem. It is for this reason that, in September 2000 UNIDO assisted in the establishment of the International Center for Environmental Protection for Northwest Russia. The Center is initially focusing its work on the Baltic Sea, working to introduce the type of approaches for environmental protection in industrial operation that is a primary focus point of the Global Compact, including waste management of accumulated stockpiles of toxic chemicals and persistent organic pollutants (POPs).

UNIDO is also currently working to establish the National Environmental Management and Cleaner Production Center for the Oil and Gas Industries in Russia. Since the country traditionally did not pay sufficient attention to eco-efficiency in the oil and gas industries, they are unable to implement all the necessary energy efficiency measures, and the specialized technical service and consultancy companies to implement environment management and cleaner production measures also do not exist. It is important to note that this need for technical cooperation was recognized by the Russian oil and gas industry itself, and the major sources of funding for the project were the Russian companies GASPROM and LUKOIL, as well as UNIDO's own funds.

Another ambitious new UNIDO initiative in another critical area is the Moscow Oblast of Russia presently being developed is the Dmitrov Food Park. This concept aims at introducing modern and efficient technological processes, together with modern management and quality control techniques, in the framework of public and private partnerships. UNIDO's major international partner in this project – McKain – could have proceeded alone. But they saw that it is easier and more secure to work with UNIDO and to take advantage of the honest broker function of UNIDO, as well as of the trust that the Organization has built up in the country. It is very clear I believe that the introduction of these more modern and efficient technologies in agro-industry is not only environmentally friendly, but will also assist the Government to ensure the sustainable production of a wide range of food products. Once established in the Moscow Oblast, the food park is seen as a model that could be reproduced elsewhere in the region.

The industrial complexes of the Russian Federation, and of the entire region, have been totally restructured over the last decade. They have a new economic basis, a new management basis, and a new technical basis. Working on the basis of these new principles, some of these complexes are in a position to already be able to sign the Global Compact.

But UNIDO also wishes to reach out to the Russian SME sector. Here I would refer both to Russian SMEs operating domestically, whom we could support to build up a SME network within the country, as well as to SMEs in other economies in transition and in the developing world with whom large Russian corporations cooperate (or could potentially cooperate through partnership programmes).

As I argued in the paper I presented to the Ministerial Conference on SMEs a little over a year ago in Bologna, Italy, the accelerating processes of globalization, trade liberalization, and information technology, are fundamentally changing the landscape in which nation states – be they developed, developing, or transition countries - and private industry are operating. These forces are exerting new competitive pressures on those SME already involved in global markets, and their adjustment capacities will be put to a severe test. For other SMEs in the process of attempting to gain access to the global market, the task will be more daunting than ever before.

Our experience from other continents suggests that, no matter how “good” and correct the macro-level policy reforms your Government introduces, Russian SMEs will only be able to trigger the growth response I referred to above if there are complementary measures in place aimed at strengthening supply capacities, and at improving the access of the SMEs to technical and managerial skills, to sources of information, and to knowledge and research. In my view it is the ability of SMEs to access and absorb technology-related learning that will allow them to be successful in producing the specialized products in the quality demanded by today’s global markets. If they are not able to do this, SMEs – including those in Russia – will not only fail to connect to global markets, but will succumb to the threat of being marginalized.

I would suggest that there are various types of partnerships and SME networks that are important possible avenues to dynamize the SME sector and help them achieve what I would call the required level of competitiveness to compete globally. Networking has been shown to represent one effective instrument to overcome the constraints imposed by small size and to enable SMEs to gain higher levels of collective efficiency. We in UNIDO place emphasis on this approach, as it appears that the existence of strong local business systems of interlinked enterprises and effective support services constitutes a major incentive for foreign companies to engage in business partnerships. And we believe that one extremely important way for Russian SMEs to develop a strong comparative advantage is to link up with large, often transnational corporations through integration into their supply chain.

UNIDO’s approach in this respect is an evolving one, ever changing as the forces of international development change. And the approach must be tailored to meet the needs of each individual recipient country. We see this meeting as an opportunity to work to develop this interaction between UNIDO and the private business sector one important step further by jointly exploring ways to enhance our cooperation with the Russian business community, particularly within the context of international supply chains.

At the same time we believe that effective public-private partnerships hold a great promise – for example in consultation mechanisms in policy formulation and implementation. An example of relevance to the audience here today is the Forum on Entrepreneurship and Enterprise Development (FEED) initiated in 1998 by UNIDO and OECD to assist governments and institutions of Central and Eastern Europe and the NIS to work together in developing effective framework conditions to stimulate entrepreneurship and SME development.

But we would like, in setting out proposals for possible future cooperation between UNIDO and Russia, to go beyond the level of policy formulation and attempt to mobilize private business, including transnational corporations, as an effective operational partner for the promotion of Russian SMEs. In this connection I would suggest we analyze the possibilities to apply in Russia UNIDO's pioneering innovative approach of establishing such partnerships with government institutions, civil society organizations, the business community and research institutions with the objective of enhancing the efficiency, productivity and competitiveness of SMEs in individual countries.

Mr. Chairman/Madam Chairperson,

I believe you and the audience assembled here today will share my view that today's process of globalization means that companies that operate successfully in the global arena are increasingly forced to operate in a manner that is both ecologically sustainable and socially responsible. These are also fundamental principles of the Global Compact on Common Values and Principles and, like all of my UN colleagues here today, I would underscore the fact that my Organization has fully taken on board the system-wide commitment to promote the more active cooperation of the world business community with the UN.

To date UNIDO has been pursuing these objectives without the full involvement of the Russian business community. But just like for the business community in other parts of the world, so is it also crucial for business here to understand that an effective and long-term interaction with other partners in the global arena is only possible if the companies reflect in their actions, not only a drive for profit, but also a commitment to sustainable development and social responsibility.

Globalization is a fact of life. But it is also a fact that the spread of global markets has often outpaced the ability of societies and their political systems to build the necessary capacity to adjust to these forces, let alone to guide the course they will take. The Global Compact initiative of the Secretary-General is a way to help give a human face to global markets, and it is an effort to which I have fully committed my Organization.

I would therefore like to personally take the opportunity of this meeting to invite you, the Russian business community, to join us in a common endeavor to work in this way to foster global industrialization within the framework of the Global Compact.

UNIDO needs the Russian business as an ally in its efforts in this direction in the industrial sector, and we also believe our Organization can help the Russian business community to promote these values, while at the same time benefiting their own businesses.

Thank you for your attention.