

Presentation by Mr. Carlos da Silva *

Good morning,

It is a real pleasure for me to be here and represent my company, together with a few of my colleagues who are sitting in the audience as active participants of this conference. I am the Chief Operating Officer for International Business Machines (IBM) in Central and Eastern Europe and Russia, the Middle East and Africa. At some point in time, my territory covered between Vladivostok and Cape Town. If the amount of revenue and the amount of profits that we make in this territory were proportional to the mileage that I covered, I would be a multi-billionaire. That is not, unfortunately, the case.

Although my activities today in Africa are more closely associated with North-West Africa, up until a couple of years ago, and for a long stretch, I was equally covering South and Central Africa, and I have continued to follow the great progress accomplished by many of your respective nations. I am Portuguese. My natural instinctive curiosity goes to the giant steps that the Portuguese-speaking nations are taking to provide social and economic stability and the increased wealth to their people.

Just to introduce my company, IBM is the world's largest information technology company. It is based in Armonk in the United States, and operates across 150 countries in the world. It has 320,000 employees, and its revenue in 2002 exceeded US\$ 81 billion. Unlike public institutions, IBM's commercial objective is to increase shareholder value and to bring the expected returns to those that invest in our company. IBM has been in existence since 14 February 1924. To give you an idea of its social leadership dimension and its commitment to diversification, IBM introduced equal pay for equal work on 15 August 1935. That was 28 years before it was actually legally introduced in the USA.

Shifting work from high-cost labour markets to lower-cost markets is a profound and irreversible trend. It is shaping the agendas of governments, and that is why you are here today. It is shaping the agendas of labour unions and it is shaping the agendas of executives throughout the world, and it has altered the way we think about work. Where you are does not really matter much any longer. Under increasing cost and competitive pressures, leaders in many companies, such as IBM, view global sourcing investments or offshoring as not only viable but also essential. It is amazing, as I talk to many economic development agencies in the territories that I cover, that they seem to focus almost solely on attracting plants, often neglecting the powerful multiplier of the creation of intellectual value and its replication and dissemination. That is where the human dimension becomes increasingly important and people become increasingly valuable. That is my industry's most important dimension today.

The trends in the information technology industry are shifting. Many developing nations are achieving quantum leaps in communications infrastructures and because of their increased use of it, they are gaining access to modern e-technology, often enabled by IBM. The developing nations actually by-pass waves of information technology infrastructure, moving directly from the old-aged mainframe era to the network era and into e-business without the burden of complex legacy migrations, creating rather competitive, cost-efficient and reliable environments. When you establish global reach, all focus and attention shifts to the human dimension and its capacity. This is all about the new paradigm of bringing work to people as opposed to bringing people to work. For that, you naturally need people and adequate cost-efficient and robust communication infrastructures that will allow you to be at any time, anywhere, at any place in a totally seamless manner.

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This human dimension is, and will increasingly be, very attractive for us at IBM and many others, and here you have essentially two jobs to do. Firstly, you must provide the education platform to create a competitive workforce. On this count, IBM is immensely proud to have contributed, and continues to contribute, to the development and competitiveness of many nations through technology and through increases in the availability of well-trained professionals. For example, in order to support Egypt in achieving their challenging plans in human resources development, IBM and the Ministry of Communications and IT in Egypt have been collaborating in the field of IT training since 2001. Within the framework of the Egyptian graduate programmes, we are training 3,000 graduates a year on the latest e-business technologies. The objective is to create a generation of skilled software professionals, providing added value to the local businesses and allowing Egypt to compete in this challenging market place of software worldwide. This is replicated in various forms in other places in the world.

Secondly, you must gear your telecommunications strategy to provide ample bandwidth at the most competitive rates. This is a precondition to attract any form of investments in the information technology space. For example, next door, in Hungary, in Budapest, hundreds of young IBMers, at our Accounts Payable Centre, work seven days a week, three shifts a day, in 20 different languages, to execute their mission which is simply to pay the money we owe to our suppliers across the whole world. Or again, even closer in Slovakia, in Bratislava, hundreds of young IBMers manage the whole customer support chain from proposing to customers, to contracting with customers, to ordering from customers, to delivering to and collecting the money from those customers, across the whole of Europe, the Middle East and Africa.

How did we decide to invest in those places as opposed to others? You would have thought that cost was the overriding factor. Actually, not only. Common sense is really the methodology. The stability of the institutional framework is the imperative. This means the existence, stability and enforceability of laws and regulations, economic and fiscal discipline, and robust data privacy laws. American institutions such as IBM are bound abroad by the United States Foreign Corrupt Policy Act, which sets high ethical and commercial standards that constitute an overwhelming decisive factor for any place that we invest in.

Flexibility of labour regulations today and in the medium term is also an important and decisive factor. So are the industrial relations, the environment and the workforce flexibility. But this stems largely from the labour regulations.

So, you have now gone through the model. You have got yourself a place, favourable legislation, low cost, ample flexibility, lots of skills available and a very attractive site, maybe a tax-free haven, maybe on the beach, that is a dreamland. So what is this dreamland? That would be your question. Well, today it is India – I am sure that you have heard in the news that the largest insurance company in the United Kingdom has decided to export thousands of jobs to India. Similarly, Eastern Europe seems to be enjoying a large share of attraction in my company. But this could evolve as nations such as yours take action to attract and compete and make available an increased understanding of more attractive sites. The whole assessment process that you see here goes round and round, creating more happiness for a few, less happiness for many others. But if I understood it right, that is your job. The job of most attendees at this conference is to make your countries attractive enough that you will be among the lucky few.

I wish you luck at that and I wish you all the very best.

Thank you.