

World Business Summit

Opening Remarks

ICC Chair Victor K Fung

Distinguished guests, it gives me great pleasure to welcome you to the “world business summit” of 2010. This summit follows on the heels of the G20 Summit just held in Toronto, Canada, where the concluding message delivered by the leaders about the global economy was not a surprise. Though there were disagreements on some aspects of the current economic recovery, there was a consensus that it remains fragile and that sustaining it will be difficult.

Like many of us, the leaders of the G20 countries were no doubt relieved that the worst predictions from their last gathering, in the heart of the economic storm, had not, at least not yet, come true. Neither the G20 leaders nor ourselves should be smug about this. A sustained revival of the global economy is far from certain. The reason for this is that what we are measuring in terms of economic change is really a manifestation of something much more important, much more portentous for the future of us all.

I believe we are at an inflection point in the world economy, with changes occurring that are historic in their proportions and their reach. Just as the G8 is giving way to the G20, the forces driving the world economy are evolving.

Asia has for centuries been a source of creativity and development. But the 20th century paradigm for China was defined by poverty and isolation. In the 21st century China has become the world’s second biggest economy and next year is due to overtake the US as the world’s leading manufacturing power. That is more than change, it is a revolution

After the battering of the last two years, everyone in the countries most affected understands that Asian economies are becoming the engines of global growth. The fact that the world economy did not go over the precipice and into a depression in 2008-2009 was mainly due to the economic vitality of Asian countries.

There is still, let us be sure, a lot of poverty in China as there is in other emerging economies such as Turkey, Indonesia, India, Vietnam, Chile, Peru, Brazil and South Africa; but they are all on the road to high and, I believe, sustained growth. Change like that is contagious, with effects that are being felt throughout Asia and beyond.

The far east is no more. Asia today is a neighbor to the world. There are rapidly growing business ties – including both trade and investments – between economies of the Latin American, African and Asian continents. I feel reasonably confident that future world economic history books will note this era as “the rise of the global south”.

The OECD countries are no longer the centre of the global business universe. The trend can be illustrated by changes occurring in international transport. Until the very recent past if you wanted to get from, say, Hong Kong, or Shanghai, or Mumbai to São Paulo, Buenos Aires or Johannesburg, you had to go via London or Frankfurt or in the case of Latin America via Los Angeles or Miami. Today, thanks to the quite astonishing developments in airlines and airports in the Gulf countries, you can hop on your plane in Shanghai, fly to Dubai, where you get your connecting flight for São Paulo, allowing just enough time to buy a Ferrari at the Duty Free!! What a brave new world this is!

However, when looking out from the summit of world business, we must also take in the entire landscape. There are three especially critical areas we need to address and these will form the substance of the three themes for the next session.

1] While in 2010 and looking ahead growth seems to be sustained in many of the regions of the world economy – with the exception of Europe – and trade is rising again, the spectre of global unemployment could well haunt us. A few examples: In Japan and Germany where unemployment has traditionally been very weak, it is rising and especially youth unemployment has reached double-digits. In many parts of the developing world, this coming decade is going to witness hundreds of millions of persons entering the labour market. Africa will see its population double by the middle of this century. The

so-called youth dividend of India and other Asian countries is welcomed by those who see driving economic development. However, in practice drawing on that dividend will require being able to provide those millions of young, eager individuals with education, health, and employment.

From a global perspective, probably most worrying is the unemployment in the US and Europe. Unemployment among especially the young is catastrophically high. This cannot be sustained. Ladies and Gentlemen, we cannot, have jobless growth without at some stage, sooner probably than later, experiencing major social upheaval.

2] The demographic boom in many parts of the developing world, the challenges of employment and the fact that we still have about 40% of humanity living in poverty, clearly indicate that the world needs development. Development cannot be obtained without growth, and, as we know, trade is a major driver of growth. The current WTO round, launched in Doha, Qatar, was dubbed the “Development Round”, in recognition both of the impact that trade can have on development and that development per se is a global imperative. Yet now climate change has entered the equation. Getting the right balance or, even better, synergy between trade, climate change and development is an equally daunting proposition. As with jobs, however, business needs to be pro-active, and not just re-active. We have to be, and to be seen to be, an important part of the solution, not the problem.

3] The third danger and theme focus on regionalism and multilateralism.

After the terrible tragedies and tribulations that marked the first half of the 20th century, a number of global political and thought leaders got it pretty much right in the economic architecture they created. This is especially true of the multilateral rules-based trading system which upholds the principle of non-discrimination. Of course it is not perfect, nothing is, but in terms of global institutional innovation the multilateral global trading system ranks extremely high. In stark contrast with the first half of the 20th century, while there have been some trade conflicts and trade tensions there have been no trade wars between member states of the GATT/WTO. This is a remarkable achievement.

The WTO system established in 1995 rested on the recognition that while theoretically all parties are equal in the GATT/WTO, some are more equal than others and in particular what was agreed to by the biggest trading countries of the time – Canada, EU, Japan and the US – would ultimately be agreed to by all. This has broken down because in the last few years the emerging trading nations rebelled and demanded their seat at the table. Not only were the geopolitics of trade changing, but so, of course, were the geoeconomics. Over 50% of world trade is now accounted for by the so-called developing world. China, which not so long ago was a global trade dwarf has emerged as a global trade giant.

All of this is leading to acute problems of adjustment. Next year will be the 10th “anniversary” of the launching of the Doha Round. ICC has been pushing very hard for the successful completion of the Doha Round. And we will continue doing so. But we must be honest and admit that the prospect for completion within the next couple of years is doubtful.

As the multilateral system has stalled, there have been many, many developments in respect to regional and bilateral FTAs. Whereas this region of the world held out for some time and remained attached to multilateralism, more recently Asia Pacific has become I would say hyper-active. We have constructed a very, very thick noodle bowl of regional and bilateral agreements.

This may be a temporary palliative. But, ladies and gentlemen, what I want to tell you is the fact that there have been no trade wars in the last six decades does not mean that there will be no trade wars ever again. A research report made public yesterday by ICC, provides facts and figures on how the G20 countries have been accumulating protectionist measures since the start of the Great Recession in 2008. Worse, is that they have also been building up arsenals of protectionist measures which are “in the pipeline, ready to go. Unleashing this wave of trade barriers could still provoke a spiral of protectionism and retaliation such as we have not experienced since the 1930s.

What we in the business community must understand is that many of the changes I have described are leading to a loss of confidence in the market economy as a vehicle for economic growth and development. Those who feel threatened, abandoned or deceived by markets, by trade and by business cannot be ignored. These are attitudes and reactions we need to understand and deal with, using the arguments, facts and figures at our command.

The last session this afternoon will address the challenge of business leadership in the face of the new economic realities. All I will say now is that business leadership is absolutely key. In a world where change is everywhere around us, challenging our ingenuity and resolve, there is more than ever a need for all of us in business to accept our role and our responsibilities as merchants of peace.

Thank you for your attention and I wish you a very stimulating day.