

Opening remarks
by
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as
Chairman of International Chamber of Commerce
at
ICC World Business Summit 2010
In Hong Kong

Distinguished guests, it gives me great pleasure to welcome you to the ICC World Business Summit 2010.

This business 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 a challenge.

Like many of us, the leaders of the G20 countries were no doubt relieved that the worst predictions on the Great Recession had not come true. The G20 leaders as well as us should not be complacent about this. A sustained revival of the global economy is far from certain. This is because what we are measuring in terms of economic change, is really a manifestation of something much more important, much more portentous for our future.

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 creating revolutions, not just incremental changes.

Asia has for centuries been a source of creativity and wealth but started to decline as the West industrialised and developed. China, which was once the wealthiest country in the world accounting for 33 percent of global GDP, became mired in poverty and isolation in the 20th century accounting for under 4 percent of global GDP. In the first decade of the 21st century China has re-emerged to become the world's second biggest economy and will be one of the world's leading manufacturing powers and such matters as its foreign reserves and currency policy have impact on the global economy. That is a revolution.

After the battering of the last two years, we have come to appreciate that Asian economies are becoming the engines of global growth. It is generally accepted that the vitality of these countries and that of the emerging markets in other regions, is one of the reasons the world economy did not go over the precipice and into a depression in 2008-2009.

The "Far East", a concept invented by the West, is no more. Asia today is not so far; it is a neighbor to the world. There are rapidly growing business ties not only within Asia but also 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 with just enough time to buy a Ferrari duty-free. This is an example of the new economic realities we will be discussing at this business summit.

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 get

some good answers to these will form the substance of the three themes for the next session.

Firstly, on Jobs and Growth:

We are seeing growth in many of the regions of the world economy and trade is rising again. Yet the spectre of global unemployment could well continue to haunt us. A few examples: In Japan and Germany where unemployment has traditionally been low, 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 doubled by the middle of this century. The so-called youth dividend of India and other Asian countries is welcomed by those who see it driving economic development. However, in practice drawing on that dividend will require the ability 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 experiencing major social upheaval.

Secondly on Trade and Development:

The demographic boom in many parts of the developing world, the challenges of employment and the fact that some 40% of humanity is living in poverty, clearly indicate that the world needs development. Development cannot be obtained without growth, and trade is a major driver of growth. The current WTO round, launched nine years ago in Doha, 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. Now climate change has entered the equation. Getting the right balance between trade, climate change and development is a really daunting proposition.

Thirdly, on Trade 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. 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 was the geopolitics of trade changing, but so was the geoeconomics. Over 50% of world trade is now accounted for by the 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.

The International Chamber of Commerce (ICC) was founded 91 years ago in 1919 by business leaders who called themselves ‘merchants of peace’. Their mission to promote trade as a path to world peace and prosperity is just as relevant today. ICC has been pushing very hard for the successful completion of the Doha Round as a further strengthening of the multilateral trading system. While we will continue to do so, we must admit that the prospect for completion within the next couple of years is doubtful.

As the multilateral system has stalled, there have been many developments in respect to regional and bilateral FTAs. Asia-Pacific held out for some time and remained attached to multilateralism but recently it has succumbed and become very active in constructing regional and bilateral agreements.

Notwithstanding such agreements and the absence of trade wars in the last six decades, I am deeply concerned about rising protectionism and the risk to the global economy. A research report made public yesterday by ICC, provides facts and figures on how the G20 countries have been accumulating protectionist measures. 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 the Great recession and some of the dramatic shifts I have described are leading to a loss of confidence in the market economy as a vehicle for economic growth and development. The very future of the market economy is being called into question. And this is the fourth theme of our discussions today.

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 "revolutions" are 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, to provide leadership and be part of the solution.

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