

**ICC Centenary:
Address by Victor K Fung,
ICC Past Chair and Fung Group Chairman,
to the ICC World Council
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**Towards a New Century of Sustainable, Inclusive Trade:
A Rallying Call for the Merchants of Peace**

Introduction

Thank you, Paul, for those kind and generous words. Ladies and gentlemen, friends: it is such a pleasure to be with you today and to join the centenary celebrations of our ICC. I have fond memories of my years serving in the chairmanship, and I am proud to be associated with the organization.

Since its founding, ICC has been a tireless champion of international trade and an open world economy to advance peace and prosperity. Building on that foundation, ICC has adapted, evolved and gone from strength to strength. We are particularly fortunate to have Paul Polman and John Denton leading ICC through these times of change.

I fully agree with ICC for putting digital first for its internal transformation as we transition, at an unprecedented pace, from an analogue to a digital world. Everything is being digitalized. This trend can only accelerate.

Against the backdrop of the digital revolution, I wish to share some thoughts on the new landscape emerging from the global shifts that are transforming our world, and on the potential economic consequences of the current trade tensions in the world. We can view these developments as daunting challenges or as once-in-a-lifetime opportunities to design the future we want. As an optimist, I see aspects of both.

New landscape

When ICC was established 100 years ago, the economic center of the world was still Great Britain and Continental Europe even as it began to shift to the US. Asia and the rest of the world were, for the most part, poor and not particularly relevant to the global economy. This is no longer true.

A map published by McKinsey shows shifts in the world's economic center of gravity from 1 AD, projected out to the year 2025. The map shows that the center was stable in the East between 1 AD to 1000, then it started a slow shift Westward until 1950, when the trajectory began to reverse back to the East. What is remarkable is not so much the reversal but its speed. It took almost 1,000 years for the economic center of gravity to shift from East to West, but it is taking less than 100 years for the reversal. The stunning speed makes this the most significant shift in the history of mankind.

An Asian Development Bank study has projected that, by 2050, an additional 3 billion Asians could enjoy living standards resembling those of Europe today, and the region could account for

over half of global output. In fact, according to the Financial Times, the Asian economies will be larger, on a purchasing power parity basis, than the rest of the world combined in 2020.

Clearly, Asia is set to regain its position at the center of the global economic stage. Asia-based consumers are becoming the new market force, driven by retail growth rates that are double those of the rest of the world. This emerging purchasing power can give new impetus for sustainable and inclusive growth, to create prosperity for the entire world.

The re-balancing has only just begun. For decades, consumer goods flowed in one direction - from factories in Asia to the West. Now we are seeing the reverse flow. Western products, brands and services are in high demand in Asia which today houses 4.6 billion people, 60 per cent of the world's population. Demand from Asia's new consumers is not limited to low-end goods or services. China is the world's largest market for Western luxury goods, accounting for one-third of the global luxury market.

Technology is accelerating this tectonic shift. Having rapidly embraced the digital revolution, Asian economies are using technology to leapfrog development and fuel rising prosperity. This trend will continue.

US-China trade war

Many countries contributed to this shift back to Asia, including Japan and South Korea in the early stages and now ASEAN and India. But, today, China is at its core. While concerns over China's return to the world stage may be a contributing factor to US-China tensions, we should see the current trade war in a broader context.

The global environment for trade is changing. Protectionism is rising, and the rules-based multilateral system that spread prosperity for decades is being steadily eroded. The WTO's centrality to multilateral trade is under challenge from a proliferation of trade agreements at regional, sub-regional and bilateral levels.

It is nearly 18 months since the start of what is now the US-China trade war. After negotiations broke down earlier this month, they each announced significant tariff hikes, with still more threatened by the US. The US has also taken steps that make it difficult for leading Chinese technology companies to do business in the US. I fear that the world needs to brace for the tensions and rhetoric to rise.

While I fully expect the two countries will eventually make a trade deal, deeper structural economic issues and ongoing strains over technology and security are likely to impair the US-China relationship for a considerable time to come. That is the New Normal and, unfortunately, the entire world will have to adjust to this new reality.

Consequences of trade wars

Trade wars have consequences. The Smoot-Hawley Tariff Act of 1930 shows us that. Tariffs raised under the Act, followed by retaliatory tariffs by America's trading partners, were major factors that reduced by half the country's international trade and exacerbated the Great Depression. Times have changed but the consequences of a trade war remain just as serious.

The tariffs the US and China have imposed on each other place a burden on ordinary people. For example, the annual cost to the typical US household of the 10 per cent tariffs the US imposed last year on \$200 billion of Chinese imports was estimated to be \$419 by economists writing on the Federal Reserve Bank of New York's blog. With the new rate of 25 per cent on \$200 billion of Chinese imports they estimate it to be \$831.

IMF economists are concerned that the latest escalation in the tariff war “could significantly dent business and financial market sentiment, disrupt global supply chains, and jeopardize the projected recovery in global growth in 2019”.

Meanwhile, any slowdown in China impacts everyone. According to the World Bank, China has been the largest single contributor to world growth since the global financial crisis of 2008. There is an additional risk that, as in the 1930s, some countries may find protectionism appealing and erect their own trade barriers to protect domestic companies and markets.

Uncertainties surrounding the US-China trade tensions are already impacting global trading patterns. Lower-value supply chains have been exiting China for almost a decade because of rising labor costs and China's push to upgrade its industrial base. With the trade war, global companies are accelerating their efforts to diversify supply chains or, at least, to shift parts of their production out of China. But, finding alternatives to China is not easy.

Our family business is in the thick of these shifts. My grandfather started an export trading business in Canton in 1906. In ICC parlance, you could say I am a third generation “merchant of peace”. For more than a century, our business was to source mainly in Asia and sell to the West. Today, we are perhaps a microcosm of the new global trader, offering retailers and brands multiple sourcing options through strengthened supplier networks across the world, and developing the next generation of digitalized global supply chains.

Looking ahead

As the global business landscape changes fundamentally, we are all challenged to move with the times. Once more, we can draw inspiration from ICC founders. In the chaotic aftermath of World War One, they saw an opportunity to act based on their conviction that stronger commercial relations between nations would reduce the risk of armed conflict.

I share that conviction. I also see opportunities for us to act, now, in ways that can help set ICC's direction for the next 100 years while contributing to peace and prosperity. I would like to make some observations.

First, we can speak up louder, on the pressing need to reform and renew the multilateral system, with a revitalized WTO at its core. I say this with passion as a lifelong multilateralist who remembers how, a decade ago - in 2009 - international trade kept the wheels of the global economy turning during the darkest days of the global financial crisis. Now, *trade* is in trouble which cannot bode well for the overall health of the real economy, and for achieving the goals of the UN Sustainable Development Agenda.

Second, we need a roadmap for the next 100 years, and I commend the ICC leadership for issuing at this centenary event the *ICC declaration on the next century of global business*, which enshrines its guiding principles for the 21st century. I could not agree more with the direction set.

At a turning point in history the ICC's Merchants of Peace came together around a shared vision and agenda formed in discussions before and after the Great War. They founded ICC to implement their shared vision that trade can drive development, peace and prosperity. And as any good business person would do, they agreed an agenda to realize that shared vision.

Their agenda was pragmatic and based on sound business practices and experience. They identified the need for agreement on rules for international commercial transactions, and for standards. This contributed to the eventual introduction of International Commercial Terms (Incoterms), and the creation of the International Organization for Standardization (ISO). Their agenda also included the promotion of a multilateral approach to trade negotiations which, after World War Two, helped lay the foundations for the GATT (which became the WTO).

That, for me, remains the mission of ICC: to agree a global agenda for business action around a shared vision. Reprising its historic role, ICC is now challenged to devise and promote an agenda for peace and prosperity in the 21st Century. This agenda has to integrate the realities of our new age of shifts in geopolitics and the global economy; the emergence of a digitalized world; environmental concerns and action; and new dimensions of innovation. This new age needs new rules, regulations, practices and institutions adapted to the times.

With everything it has learned and all it has accomplished, I believe ICC - with its constituency of 45 million enterprises across the world - can, and will, lead the international business community through the disorder, challenges and opportunities of the next 100 years. It is, indeed, time once again to rally ICC's Merchants of Peace.

Ladies and gentlemen: our history is written, but our future is not. In these turbulent times, and as global citizens, we cannot rely only on governments, multilateral institutions, or somebody else to shape our future. We must all become activists on the issues we care deeply about. We must mobilize to engage constructively in designing and creating a better century for all. And, for the sake of future generations, we must seize the moment.

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