

AIWF Dinner – The Mansion House – 7 March

Globalisation, trade and competitiveness

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Madam Chairman, My Lord Mayor, Your Excellencies, My Lords, Ladies and Gentlemen

If we reflect on globalisation, an increasingly connected world and competition, one could not have selected a more fitting venue than this building in the heart of the City of London. I know the promotion and development of the City this year is in the very good hands of my friend John Stuttard, the Lord Mayor.

It is a high privilege to have been invited to such a historic and wonderful place with such eminent people. Haifa kindly asked me to say a few words this evening from the perspective of a global business and as a strong proponent of multilateralism.

The world economy has seen unprecedented growth in the last 20 years. Since long-term efforts to open and integrate markets across borders were started in the mid-80s the world economy has grown on average by over 3% a year, with emerging economies such as China and India growing twice or three times as fast as the overall average.

One of the drivers of globalisation and this growth is the rule-based trading system under the WTO. We have in the WTO the most developed, sophisticated and, for the most part, effective instrument of multilateralism that exists today. But, like the UN, it too is being challenged, and on many fronts. Above all, it is being challenged to deliver a successful conclusion of the Doha Development Round. The OECD has calculated that:

- the gains of full tariff liberalisation for industrial and agricultural goods could amount to nearly \$100bn in terms of increased economic activity
- liberalising trade in services could even reach benefits amounting to \$500bn
- a Doha agreement on trade facilitation could generate another \$100bn.

I believe it is imperative that the Doha Round succeeds, because, more than in the previous rounds, developing economies will be the main beneficiaries.

Every year at PwC we survey a large number of CEOs around the world on the challenges they are experiencing, particularly in terms of globalisation and what they believe are the most significant issues they are facing.

This year we asked more than 1100 CEOs in 50 countries. This is the tenth year that we have carried out the survey, and this year CEOs were more confident about the prospects for future growth than we have ever seen before.

But it is interesting that when we asked 'Who benefits most from globalisation – the developing or the developed world?', there was a tendency for CEOs in the developed world to believe that the greatest benefits would be for emerging market economies, while CEOs in emerging markets believed that developed countries would reap the greatest rewards.

Perhaps the grass is always greener on the other side, but projections are that developing countries would be the beneficiaries of two thirds of the gains from completion of the Doha Round. Coming months will be critical. Failure will lead to more unilateralism, bilateralism and regionalism which will not offer adequate, fair or wise alternatives. Poorer and smaller countries will suffer, or not gain, in the trading system, and overall these "isms" will create a spaghetti bowl of arrangements that will make it so much harder for SMEs to participate in the global supply chain. And many SMEs in the Middle East – whether call centres in Egypt, textile producers in Jordan, or in financial services in the Gulf – are increasingly linked into global supply chains.

But if we succeed, if we can create a more level playing field, a better connected world, that playing field will also be a more competitive environment than it is now. The CEOs in our survey were very conscious of these threats and the opportunities, but one of the highest threats they see is the lack of people with key skills (72%). In a flatter world, an educated, flexible, mobile workforce will be key.

People's skills and talent is our key resource. And these CEOs know it is a scarce resource, which – as businesses – we cannot afford to waste. But at the moment we are. In particular, we are not fully tapping the vast resource of women talent.

I know this particularly in a professional services organisation like PwC. Our livelihood and our long-term success is dependent on our commitment to recruiting and developing a diverse set of talented people - six people with different ideas are more valuable to us than sixty people who all think the same.

And yet, although over 50% of our recruits are female, at partner level - our senior management – only 13% are female. We are making some progress in some places. In the US, the number of women at partner level has increased 30% in past five years, and I am delighted that here this evening is one my colleagues from the Middle East, Elham Hassan, our leader in Bahrain, and one of four women partners in our Middle East Region. But we are still well short of where we need to be.

In the Arab world, you know that there is a significant challenge in developing the skills base among women that successful economies and businesses need. Education – at all levels - is key. Female enrolment at university is rising, particularly in the Gulf States, but this is in the subjects that are least in demand by employers – literature/ humanities/social sciences. Enrolment in engineering and sciences is noticeably lower. Enrolment in vocational and technical education is around half that of males.

And once we are successful in recruiting more women, we need to retain them. At the moment we are not always making it easy for women to thrive in the work environment while balancing all the other aspects of their lives.

We need to identify role models, and AIWF is playing a key part in this.

I believe that the Middle East can step up to this challenge. It is a region of entrepreneurs. It has played a pivotal role in trade for many centuries. Businesses in the region know (like the CEOs I referred to earlier) that this not a 'nice-to-have'. The development of the role of women in business and the economy is not simply a social or a community issue. It is first and foremost a business issue - a business necessity.