
The Future of the Global Market System

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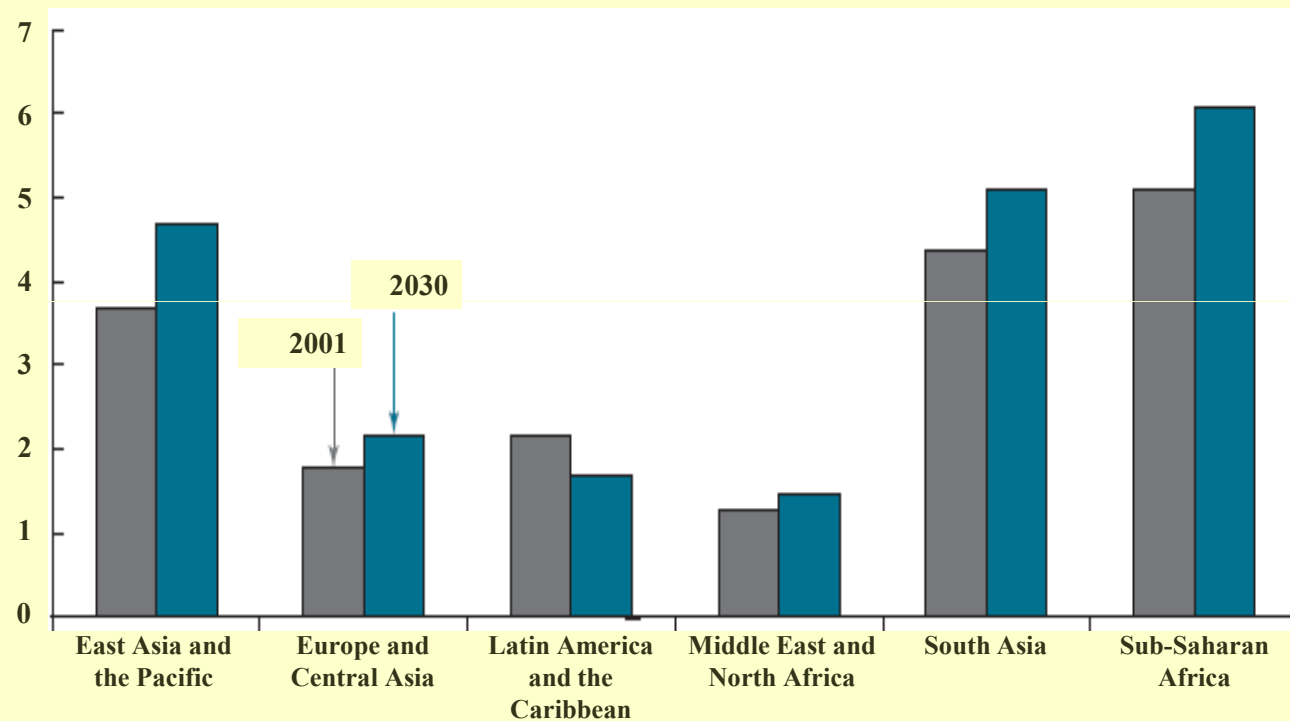
Harvard Business School celebrated its Centennial

- HBS was founded because business leaders recognized the emergence of the managerial class. They thought it was important that management be studied as a profession so that this important group in society could be properly trained. 100 years seemed an appropriate time to:
- **ask business leaders what they saw as the long term problems facing the global market system.**

THEIR MOST IMPORTANT CONCERN WAS ABOUT GROWING INEQUALITY IN THE WORLD AND THE EFFECT THIS CAN HAVE ON POLITICAL AND ECONOMIC STABILITY.

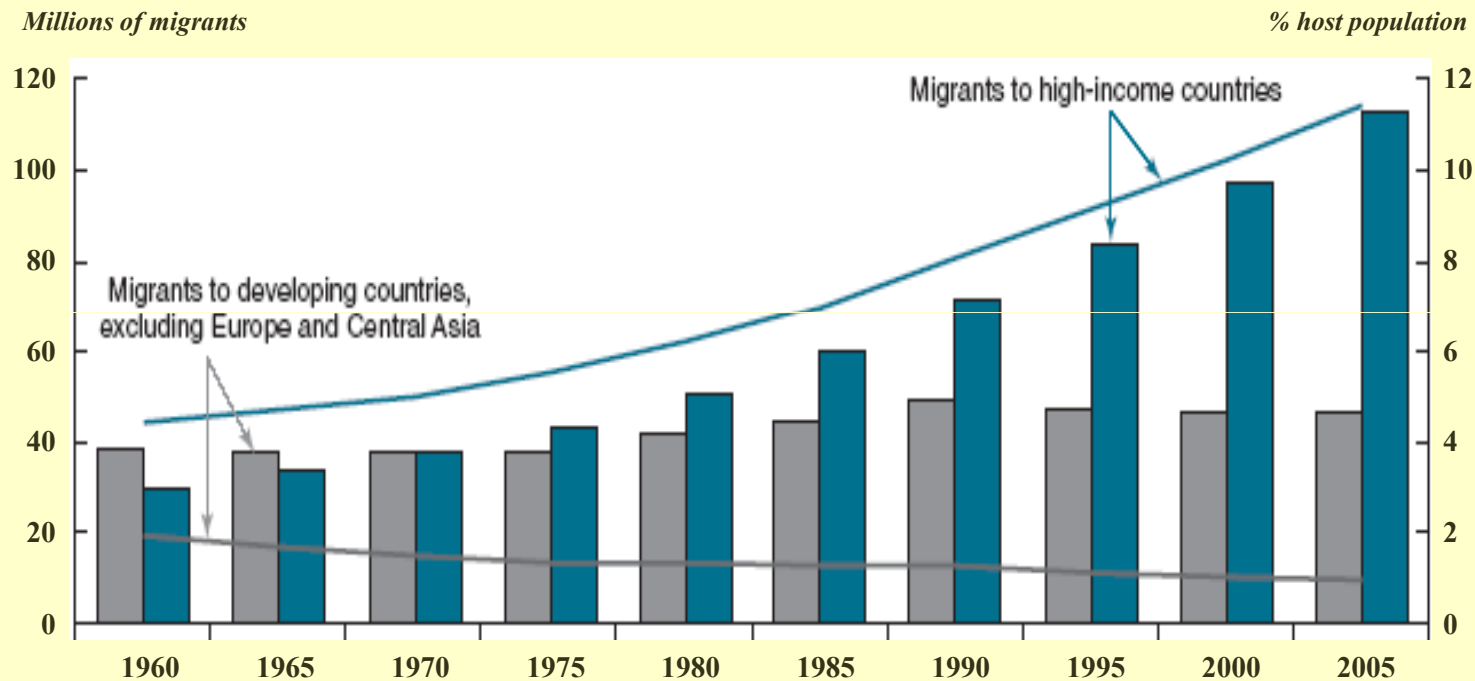
Returns to skilled workers are likely to rise faster than for unskilled workers in the global economy

Ratio of skilled wages relative to unskilled wages



Source: World Bank staff calculations.

People flee where the market doesn't work. The increase in migrants – in particular toward high-income countries is politically explosive.



Sources: World Bank 2006a; World Bank 2006c; staff calculations.

Note: Bars are measured on the left axis; lines are measured on the right axis.

The bottom line: In 2030 most workers will be in developing countries and unskilled

Growth in the global labor force 2001-2030

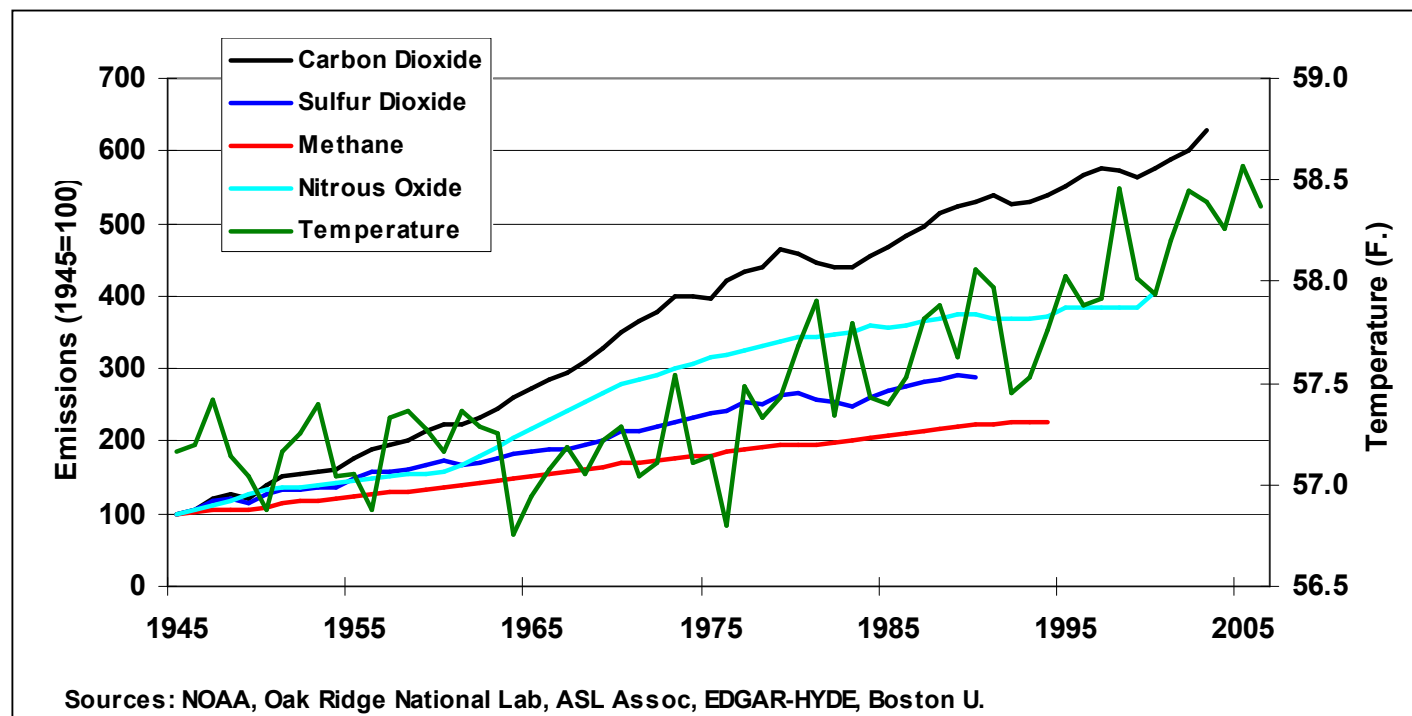
World Region	All workers (millions)			Unskilled workers (millions)			Skilled workers (millions)		
	2001	2030	Growth (% per year)	2001	2030	Growth (% per year)	2001	2030	Growth (% per year)
World Total	3,077	4,144	1.03	2,674	3,545	0.98	403	598	1.37
High-income countries	481	459	-0.16	327	276	-0.58	154	183	0.60
Developing countries	2,596	3,684	1.21	2,347	3,269	1.15	219	415	1.78
East Asia & the Pacific	1,060	1,279	0.65	988	1,163	0.56	71	117	1.70
China	773	870	0.41	740	816	0.34	33	54	1.72
South Asia	632	1,005	1.62	589	925	1.56	42	81	2.27
India	473	712	1.42	441	653	1.36	32	59	2.10
Europe & Central Asia	236	233	-0.04	195	192	-0.06	41	41	0.02
Middle East & North Africa	119	205	1.88	87	144	1.74	32	61	2.25
Sub-Saharan Africa	313	617	2.36	293	573	2.33	20	44	2.74
Latin America & the Caribbean	236	345	1.32	194	273	1.19	42	72	1.85

Business leaders mentioned other challenges

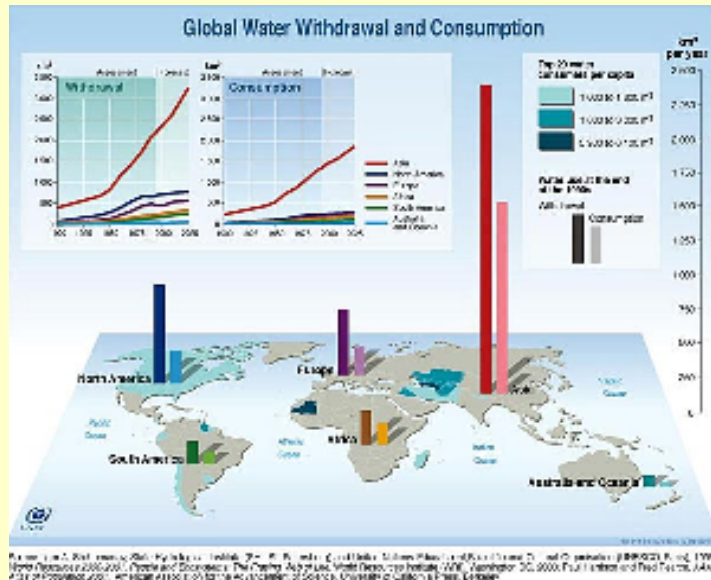
- Energy prices are volatile
- Climate change will have a serious impact
- Water is increasingly scarce
- The financial system has proved vulnerable to major shocks
- Corruption
- Inadequate governments

Global Warming is Increasingly a Crisis

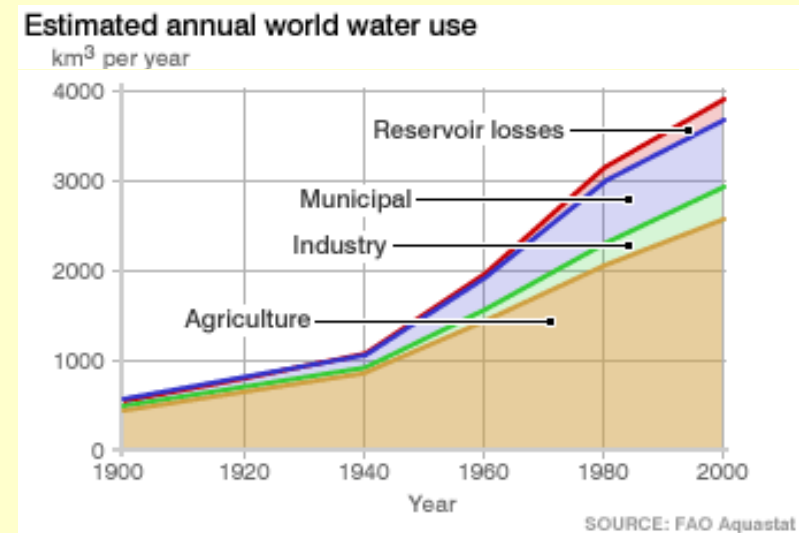
Greenhouse Gases and Global Warming



Water Availability is Expected to be Very Uneven Causing Regional Crises



Source: "The Global Top 20," in *Foreign Policy* and A.T. Kearney, "The Globalization Index," *Foreign Policy*, November/December 2006, p. 74.



Source: Alex Kirby, "Water Scarcity: A Looming Crisis?" BBC News Online, <http://news.bbc.co.uk/2/hi/science/nature/3747724.stm>, October 19, 2004.

Business Leaders' Concerns

Management of firms, countries and international institutions will not deal well with

- Income inequality
- Migration
- Protectionism
- Environment
- Instability in the financial system
- Corruption

Each of these can disrupt free trade
and free markets

What does this mean for business?

We heard 4 views

1. Business as an advocate of government action
2. Business as a partner in government action
3. Business as usual
4. Business as an entrepreneurial source of solutions

**HBS is increasingly impressed by
the power of the fourth approach.**

**One example is a project by China Mobile to
enter poor communities with a project
profitable for everyone involved.**

Example: China Mobile's Rural Strategy

China's countryside

Counties(2,900)

Townships(41,000)

- Distribution channels
- Information centers

Villages(610,000)

- Sales agents (>1 million)

Many agents are village store keepers with fixed location, easy to find.

- Information collectors

Rural Customers750,000,000

The distribution system

Flagship stores

Flagship stores – “one stores per township” – local staff

“One sales agent per village” local staff

•**Low cost**

•**Income to local agents**

•**Sustainable**

Now cross-selling fee-based agricultural information—RIN (Rural Information Network)—to over 60 million farmers

- First and largest integrated channel in rural China, over 98% coverage
- Primary channel for selling cell phones and minutes to farmers
- Cross-selling value added services such as RIN to over 60 million farmers
- At very low fee per month, about ¥2 (30 cents US)
- *Interactive Information*

The Rural Information Network product is profitable

HBS research shows a pattern

Large Corporations provide

- Information
- Practical education – “how to”
- Credit
- Tools
- Disintermediation – removes barriers to mobility.

What can we conclude?

- The BIG IDEA - These business strategies focus on inclusion. They bring the unskilled and unserved into the market system.
- What role for institutions like the ICC?
- What role for government?

The basic challenge

- ◆ To preserve our market system for the future, we – *as business leaders* – need to develop ways to include the vast populations that are not served by the market system.
- ◆ In today's world, the legitimacy of our system in the eyes of those who are excluded depends on it.
- ◆ The stability of our system depends on it. We must avoid failed states.
- ◆ We in ICC all need to think hard about how we can use our business skills so that the market system serves all parts of the globe.