

## **Remarks at the Chengdu Summit on New Opportunity, New Future**

16 October 2009

Victor K. Fung, ICC Chairman

[Guests of honor], Excellencies, Distinguished Guests, Ladies and Gentlemen;

I am delighted to be in the vibrant city of Chengdu and to speak at the Chengdu Summit, which is part of the Western China International Economy and Trade Fair. This is an important event both domestically and internationally as well testified by the number of distinguished guests and participants who are present here today. I congratulate the organizers on this impressive display and the success of the event.

As you have seen, this event has wide support from both government and the private sector. It is also supported by the Paris-based International Chamber of Commerce (ICC) and CCPIT, its National Committee in the People's Republic of China. I am pleased that Jean Rozwadowski, Secretary General of ICC, is able to be with us today.

The year 2009 is a significant year. It is the 60<sup>th</sup> anniversary of the PRC, the 10<sup>th</sup> anniversary of the Implementation of the Western China Development Strategy and of this Trade Fair. It is also the 90<sup>th</sup> anniversary of ICC. While it is right that we celebrate the past; we must also look to the future. This perspective is appropriately reflected in the theme of the Chengdu Summit which is – New Opportunity, New Future.

Ladies and Gentlemen, I would like to say a few words about ICC and the past.

When ICC was founded in 1919, the First World War had just ended. Our founders were businessmen who called themselves the “merchants of peace”. They believed, as we do, that business and world trade offer a path to world peace.

The phrase “merchants of peace” is a marvelous way of describing the fundamental purpose of ICC. We are the world business organization, representing thousands of member companies and chambers of commerce in over 120 countries. Then as now,

our role is to promote international trade and investment through a rules-based multilateral system.

The vision of our founders to promote peace and prosperity through world trade has proved prescient. Peace and prosperity have reigned in a great many parts of the world from the second half of the 20th century. In particular, the last 20 years of the global market economy have witnessed phenomenal growth among many developing economies, including in particular PRC, and unprecedented reductions in poverty.

I don't need to tell anyone here that the past 18 months have been a challenging time for the global economy. The measures agreed to at last month's G20 Summit in Pittsburgh appear to be pointing us in the right direction, but while the economy in PRC, the United States and many other countries appears to be rebounding, we are not out of the woods yet. Unemployment continues to rise in many countries, while many millions of people have fallen into poverty. We can expect the social dislocations that have come about as a result of the "Great Recession" to be with us for some time.

And this is why it is all the more crucial for governments – and indeed all of us – to do everything we can to get economic growth going again. One way we can do so is through trade, which is the lifeblood of the world economy. According to the World Trade Organization, international trade is forecast to decline by 10 per cent this year.. The cause is two-fold - the slowing of demand and lack of trade finance. An ICC Banking report shows that about 90 per cent of the US\$14 trillion annual world merchandise trade was funded by trade finance. There has been improvement in the supply of trade finance from the middle of this year, following aggressive decisions by the G20 countries and follow-on actions by multilateral organizations. However, much more still needs to be done to bring trade finance to a more normal level.

Ladies and Gentlemen:

Looking to the future, we at ICC are particularly concerned about the threat to the global market economy and to international trade from rising protectionism, Such protectionism comes in different guises, including anti-surge and anti-dumping mechanisms, "buy-

local” provisions, bans on alleged safety grounds, and subsidies and support packages for domestic industries. We see examples of this in some high-profile US-China trade disputes.

While these protectionist barriers provide short-term relief to the politically connected few, the victims are spread far and wide down the global supply chain. History shows that these maneuvers will generally create a much greater problem in the longer term by engendering a legacy of uncompetitive industries. Studies have shown that even in the short term, such measures will likely lead to an overall decline in jobs within the national economy due to possible retaliation by trading partners. A much better way to create jobs is through the expansion of international trade.

With the world’s attention on the UN conference on climate change to be held in December in Copenhagen, I would like to share some thoughts on the linkage between climate change and economic development, which are two of the greatest challenges facing us today. In the course of the next decade, the world’s population will increase by 1 billion, the vast majority of whom will be born in poor countries; and the climate change and development challenges will become even greater.

I believe it is how we will deal with trade that will determine success or failure for both development and climate change. There are some who regard trade as harmful to the environment, and putting limits on trade through such measures as “cap and trade” and “border adjustment tax” as a necessary step in dealing with climate change. My own view, thankfully shared by many others, is that trade must be integrated into a climate change strategy, if such a strategy is to succeed.

Historically and up to the present day, trade has been an instrument that served the purposes of peace and prosperity. That is why it must be included in the solutions we are devising to deal with climate change. From an international trade perspective, we must find a balance between the pressing needs of development and the impending dangers of climate change. We must find a concerted and collaborative route to resolve

the conflicting demands of stimulating quality growth while slowing greenhouse gas emissions with a transition to less carbon-intensive economies.

This is an especially big challenge for PRC which aims to transform itself from being the world's number one emitter of carbon-dioxide to becoming a low-carbon economy in the next decade. This challenge is being met squarely. In the words of an August 25th New York Times headline: "China is racing ahead of US in drive to go solar". Indeed, several studies converge in estimating that by the next decade China will emerge as the world leader in clean energy production, specifically in solar, wind and hydropower.

Ladies and Gentlemen:

Let me conclude by saying that the world needs a fair and rules-based multilateral system. This is true of international trade as well as climate change or indeed any major issue that requires global cooperation. In particular, a successful conclusion of the WTO's Doha Round of trade negotiations – which has been on-going for years - would serve to strengthen the multilateral trading system and demonstrate that world leaders can work together to achieve mankind's common good.

However, it is not just governments that have to work together; we in business as well as individuals have a role to play. When ICC celebrates its centenary in 10 years time and this Trade Fair its 20<sup>th</sup> anniversary, I would like us to be able look back at this period with pride and say confidently that we have done our part.

THANK YOU