

Opening Session Keynote

Reviving the Global Economy by Opening Markets and Enhancing Cooperation

28 September 2020

Co-organised by the International Chamber of Commerce and the China Council for the Promotion of International Trade

> **Thank you Mr (Shaogang) Zhang for that kind introduction. Let me begin by acknowledging my fellow panelists.**

- First, Madame Gao Yan, Chairperson of the China Council for the Promotion of International Trade.
 - ICC and CCPIT have a long, proud history of working together promoting peace, prosperity and opportunity for all.
 - And, of course, CCPIT houses ICC China – one of our biggest and most active national committees.
 - So I am grateful that we have the opportunity to speak alongside one another today.
- I would also like to acknowledge Mr (Yusuf) Al Benyan, chair of the B20 Saudi Arabia.
 - ICC and the B20 have enjoyed a particularly close partnership this year under your leadership.
 - I was especially proud to join with you and Dr Tedros, Director-General of the World Health Organisation, in the early days of the pandemic with our unprecedented private sector call to action.
 - And we are of course proud to work closely with you as network partner for several B20 taskforces, including on today's topic of trade and investment.

> **Covid has fundamentally changed the world we live in.**

- Life has changed. We have had shutdowns. There is almost no travel. People in offices are now working from home. People are struggling. Businesses are struggling. And many SMEs, in particular, are simply trying to stay afloat.
- We were all unprepared for this kind of circumstance. Maybe it's the fault of our collective imagination. Maybe it is hubris. Maybe it is bad planning.
- But whatever the reasons, we cannot escape how interconnected our world is, how small it is, and how what affects one impacts all.

- And with so many unknowns – about the virus itself, about our ability to control it, and about its impacts on the world – we are going to have to live with uncertainty for a long time.

> **Covid has also dramatically affected global trade.**

- This is not surprising given that – at last count – over 30 million cases have been recorded, nearly one million people have died, and 90% of healthcare systems have been disrupted.
- The economic damage has been enormous, with the global economy expected to contract by around \$7 trillion in 2020.
- In these circumstances, global trade flows will likely decrease by around 30% this year and FDI could fall by as much as 40%.
- Reviving the economy as quickly and safely as possible is imperative.

> **As this conference title states, to do that we must keep markets open and enhance cooperation.**

- We cannot respond to Covid based on fear, distrust and entrenched global isolationism.
- But rather we must build on creativity, connectivity and mutual benefit.
- That is how we achieve long-term gains for everyone, such as inclusive growth and sustainability.
- Viewed through this lens, three priorities for global business stand out for the multilateral trading system.

> **First, an immediate priority must be to develop a global and inclusive approach to the key medical tools to fight Covid.**

- We need to get Covid under control.
- Beyond the obvious health reasons, this will be by far the best way to get economic growth back and create conditions conducive for doing business.
- Thankfully, there are grounds for cautious optimism:
 - More than 200 vaccine candidates are being developed.
 - Several repurposed and new treatments are now regularly used to treat Covid-19 patients.
 - And every day new testing methods are being developed as governments adopt more sophisticated testing strategies
- **But what is really needed now is a model of international cooperation as novel as the virus itself.**
- That is why today, ICC is announcing the beginning of a global campaign in support of the “Access to Covid-19 Tools Accelerator” – the unprecedented collaboration between intergovernmental organisations, industry and civil society that would ensure the equitable access to, and allocation of, the most critical health tools to fight Covid-19: vaccines, therapeutics and diagnostics.

- I'm proud that ICC has been chosen as the only representative of the private sector on ACT-A's advisory committee – working alongside several heads of government and UN agencies – reflecting the value that the international community places on our ability to deliver genuine insights and expertise from the real economy.
 - Having seen ACT-A's impressive work over the past four months, we are convinced that massively scaling-up ACT-A would make a significant difference in our collective fight against Covid-19 and deliver significant economic returns
 - but only if governments give it the full political and financial commitment it needs to ensure that the tools needed to bring the pandemic to an end are made available to everyone, everywhere.
 - Governments should also publicly pledge to avoid enacting trade barriers—such as export restrictions—that would limit foreign access to medical equipment, medicines and vaccines.
 - The clear health, economic and political damage done by countries enacting export barriers on personal protective equipment, food and medicines in the early days of the pandemic would pale in comparison to equivalent approaches being taken in respect of vaccines.
 - A mad scramble between nations for doses of proven vaccines could trigger a far-reaching escalation of trade restrictions with potentially devastating consequences for businesses and citizens everywhere.
 - Successfully fighting Covid through cooperation is therefore critical both for the global economy and for restoring trust between the major economies.
 - We hope to be able to count on the full support of today's participants to convey this vital message to governments in the coming months.
- > **Second, we need to improve the WTO and the multilateral trading system to ensure that it serves its ultimate end-users: business.**
- We have long known the challenges – few breakthroughs in 20 years, new forms of protectionism emerging with increasing frequency, and now a disabled dispute settlement system.
 - But there is also a significant opportunity to be seized – Governments are presently selecting a new Director-General and there is a growing consensus that the WTO needs a reset, even if there are disagreements about what that might look like and how it should be achieved.
 - The stakes for business are high.
 - Allowing the status quo to continue would inhibit growth and limit opportunities for businesses to buy, sell and grow abroad.
 - But getting it right could have huge dividends.
 - As a recent BCG-HSBC analysis put it, the difference between G20 countries adopting open trade settings and protectionist ones would amount to \$10 trillion over the next five years.
 - In our hard-pressed economic environment, that is a lot of jobs and fiscal firepower for our fight against Covid-19.
 - So a collective business priority must now be to really move the needle on WTO reform.

- It was positive to see the G20 Trade Ministers recently state their determination “to tackle the necessary reform of the functions of the WTO and to discuss all proposals in this regard”.
 - This is essential – and it must now be backed up by action, with greater urgency and greater specificity.
 - For business, we see an immediate need for strengthened governance and accountability, a rulebook fit for a digitally transformed post-Covid economy, and a global trading regime that coheres with climate and sustainability imperatives.
- In short: we need governments stop debating problems and start agreeing on solutions.

> **A third priority must be supporting the systems that support trade.**

- This includes supply chains, which have come under huge pressures during the pandemic.
 - Supply and demand dynamics have constantly shifted as borders and markets opened and closed in an asynchronous manner.
 - Customers rapidly changed purchasing patterns and quickly embraced e-commerce.
 - Businesses have been forced to operate in a fog of uncertainty.
- In this state of constant flux, businesses must continue to adopt thoughtful risk mitigation practices to make their supply chains more resilient to foreseeable Covid shocks and other potential disruptions.
 - Some companies may require a wholesale rethink of operations, partnerships and even the viability of business models.
 - And how companies go about this will have systemic ramifications for the global economy.
- What is often missing in the news though is how remarkably resilient global supply chains have mostly proved in the face of a once-in-a-century shock.
 - It did not take long before perfume manufactures were producing hand sanitizer, industrial companies were making face masks and luxury hotels had become quarantine centers.
 - And despite all the logistical complexities, the express delivery services somehow managed to ensure uninterrupted door-to-door supply of urgently needed goods, such as medical equipment, medicine and food – all while working from home.
- Now, unfortunately, for many companies the greatest threat to the resilience of their supply chains comes not from a virus, but from governments.
 - Unfortunately, much government scrutiny today appears to be little more than a pretext for protectionism.
 - Misguided moves to “on-shore” production lines are sometimes only disingenuously linked to mitigating supply chain risks and, if implemented, would concentrate industries, thereby making them more vulnerable to other kinds of shocks.

- Rather than creating resilience, the next natural disaster or a home-grown crisis could wipe out whole industries.
- Achieving genuine business and societal resilience will not come from top-down imposed measures, but from governments providing firms with the space they need to respond to the new conditions and engaging in genuine dialogue and partnerships.

> **In trade finance, we face almost the opposite problem.**

- If much government discourse around supply chains is perhaps exaggerating a problem to justify a solution, there is not enough attention on the systemic problems in trade finance markets and very few proposed solutions.
- There are worrying signals that there could be a major shortfall of trade finance credit.
- The recent decision of a number of major banks to exit the financing of commodity transactions is, we fear, a symptom of a much broader retrenchment in the trade finance market...
- With signals that severe gaps in provision will emerge as demand returns to the economy – potentially dealing a fatal blow to SMEs already struggling to survive the crisis.
- We hope that governments, especially in the G20 economies, will show the necessary foresight to avert such a situation arising.
- Simply put: if the world is banking on a trade-led recovery, we better make sure the banks can finance global trade. And that will require a possible 5 trillion US dollars to flow to the real economy – something that just won't happen without major, coordinated public interventions.

> **To conclude:**

- I would like to thank our partners at CCPIT for rightly focusing today's discussions on market openness and enhanced cooperation as the means to drive a post-pandemic recovery.
- This, too, is our mantra at ICC.
- We must resist the siren calls of fear, distrust and isolationism.
- And instead build a better world with greater resilience by unleashing the private sector's creativity and connectivity for mutual benefit.