XXIX INTERNATIONAL SUMMIT OF BUSINESS THINK TANKS

The World in 2030: towards inclusive and sustainable capitalism

MADRID, SEPTEMBER 26th - 2017
Introductory remarks

The World in 2030: Towards Inclusive and Sustainable Capitalism

John de Zulueta
Board Member
Círculo de Empresarios (Spain)
Welcome words

Javier Vega de Seoane
President
Círculo de Empresarios (Spain)
The World in 2030: Towards Inclusive and Sustainable Capitalism

Welcome words

Javier Vega de Seoane
President
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XXIX INTERNATIONAL SUMMIT OF BUSINESS THINK TANKS

The World in 2030: towards inclusive and sustainable capitalism

MADRID, SEPTEMBER 26th - 2017
The World in 2030: Towards Inclusive and Sustainable Capitalism

Keynote Speaker

José Mª Álvarez-Pallete
Chairman & CEO
Telefónica
1st Panel
The World in 2030

The World in 2030: Towards Inclusive and Sustainable Capitalism
The World in 2030

Moderator

Tom Burns
Journalist and essayist (Spain/UK)
1st Panel
The World in 2030

Moderator: Tom Burns
(Journalist and essayist)

Main speaker:
Bart Van Ark
(The Conference Board)

Ingemar Naeve
(Círculo de Empresarios)

José Juan Ruiz
(Inter-American Development Bank)

Ahmed Bouzguenda
(IACE)
“The global economy may envisage a significant growth slowdown over the next 13 years – but quality of life may still improve thanks to qualitative growth factors: education, innovation and digital transformation.”

Bart Van Ark
Executive Vice President, Chief Economist and Chief Strategy Officer
The Conference Board (USA)
The World in 2030 Global Economic Outlook

Bart van Ark, Chief Economist
The global economy will envisage a growth slowdown over the next 13 years – but quality of life may still improve

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2017</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP per capita growth (previous 13 years per year)</strong></td>
<td>2.3</td>
<td>2.5</td>
<td>↓</td>
</tr>
<tr>
<td><strong>Share of mature economies in global GDP</strong></td>
<td>55%</td>
<td>44%</td>
<td>↓</td>
</tr>
<tr>
<td><strong>World population growth (previous 13 years)</strong></td>
<td>1.3</td>
<td>1.1</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Labor force growth (previous 13 years)</strong></td>
<td>1.6</td>
<td>1.2</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Output per worker growth (previous 13 years)</strong></td>
<td>2.2</td>
<td>2.3</td>
<td>↑</td>
</tr>
<tr>
<td><strong>ICT as % of total investment</strong></td>
<td>2.5</td>
<td>3.2</td>
<td>↑</td>
</tr>
<tr>
<td><strong>Poverty rate</strong></td>
<td>23.1</td>
<td>17.0</td>
<td>↓</td>
</tr>
<tr>
<td><strong>CO2 emissions intensity as of GDP</strong></td>
<td>0.47</td>
<td>0.33</td>
<td>↑</td>
</tr>
</tbody>
</table>

Notes: The poverty rate is defined as that part of the population receiving below 1.90 PPP adjusted US dollars per day, and are available for 2005 (shown as 2004) and 2013 (shown as 2017); CO2 emissions are measured as kg per PP $ of GDP; ICT includes hardware, communication equipment and software. Sources: The Conference Board, Total Economy Database May 2017 (adjusted version); World Bank PovcalNet; United Nations World Population Prospects, the 2017 Revision; ILO estimates and projections of the labor force.
Shocks, trend and disruptions will determine the world economy’s future

Business leaders and policy makers need to pay attention to all three!
Short-term shocks and uncertainties can overtake our minds, and distract our focus

- **Shocks and uncertainties:**
  - Geo-political and economic challenges (Brexit, US policy, refugee crisis, terrorism, China, natural disasters) can interrupt the economic growth trend
  - Business tends to take a wait-and-see attitude towards investment if uncertainty is high
As global economy strengthens, economic policy uncertainty eases and business confidence strengthens


Sources: OECD (2017), The Conference Board.
The trends in global labor supply (slowing) and productivity (still slow) determine the medium-term growth

- Trend:
  - Ongoing stagnant growth (2.9 percent from 2012-2016) - well below the 3.4 percent growth two pre-crisis decades
  - Secular stagnation in aftermath of global crisis
    - Lack of demand
    - Weak investment
    - Low nominal interest rates
    - Low inflation
  - Supply side constraints:
    - Slow growth of labor supply
    - Weak productivity growth due to slow innovation
    - Population aging and impact on national debt
Only faster productivity growth can make up for the slowdown in growth of labor supply

Cumulative growth rate of the working age population (net of migration), 2005-2015 and 2015-2025

GDP per person employed (1998-2017)

Sources: United Nations World Population Prospects (2017 revision);
Source: The Conference Board
In the medium-term, global GDP growth will remain modest at less than 3 percent.

Note: GDP growth for select countries with significant ICT production and trade are revised upward to reflect ICT price declines.

*Europe includes European Union-28 as well as Switzerland, Iceland and Norway.

**Other mature economies are Australia, Canada, Israel, Hong Kong, South Korea, New Zealand, Singapore, and Taiwan.

***Russia, Central Asia, and Southeast Europe include projections for Russia, Kazakhstan, Turkmenistan, Uzbekistan, Belarus, and Turkey.

Disruptions can change the trend – towards more positive or more negative

- Disruptions:
  - Transformation in energy demand and supply – how large?
  - A slowdown in globalization and the dynamics of global trade and competitiveness – how much cyclical? how much structural?
  - Inequality and lack of access to human capital
  - Digital transformation provides the upside for innovation, productivity and growth – but when will the effects emerge?
Qualitative growth sources are critical for the global economy to achieve its economic potential in the next decade.

Global GDP growth 2017-2026: 2.9%

1/3rd of global growth concerns qualitative growth sources
- Human capital
- Innovation and digital transformation
- Improved efficiency and better products and services

Without any contribution from qualitative growth sources, global growth would be almost 1ppt lower.

Source: The Conference Board Global Economic Outlook 2017
Risks in the global economy have been on the rise, creating uncertainty ahead – can we turn it into an opportunity?

<table>
<thead>
<tr>
<th>The world in 2004</th>
<th>The world today</th>
<th>The world in 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 years after 9/11 (Afghanistan and Iraq wars)</td>
<td>Disappointing recovery after Global Financial Crisis</td>
<td>Avoid a national debt and pension crisis?</td>
</tr>
<tr>
<td>Extension of EU to include Central and Eastern Europe</td>
<td>Increased exposure to terrorism in western world and intensified stream of migration</td>
<td>A more mature digital economy?</td>
</tr>
<tr>
<td>Global structural upswing due to intensified globalization</td>
<td>Europe in crisis – Brexit &amp; seeking new direction</td>
<td>Create a world of new work for the next generation?</td>
</tr>
<tr>
<td>Technology boom due to “old” digital economy effects</td>
<td>Productivity slowdown despite rapid digital transformation</td>
<td>Provide the care and quality of life for an aging population?</td>
</tr>
<tr>
<td>China entered WTO in 2002</td>
<td>Dissatisfaction with neoliberal order</td>
<td>A brake on global warming?</td>
</tr>
<tr>
<td>Optimism on job opportunities around the world</td>
<td>Inequality &amp; populist sentiments about globalization effects</td>
<td>Global security situation (defense, terrorism, cyber war) improved?</td>
</tr>
<tr>
<td>General belief that neoliberal sentiments of previous decades two decades would sustain</td>
<td>US and China leadership roles in transition</td>
<td>A rebalanced role for government and markets?</td>
</tr>
<tr>
<td>Boom in global commodity prices (driving growth in ME, LA, Africa)</td>
<td>Climate change risks on the rise</td>
<td>A peaceful and effective new global political order</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A sustainable capitalist growth model?</td>
</tr>
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1st Panel
The World in 2030

Moderator: Tom Burns
(Journalist and essayist)

Main speaker:
Bart Van Ark
(The Conference Board)

Ingemar Naeve
(Círculo de Empresarios)

José Juan Ruiz
(Inter-American Development Bank)

Ahmed Bouzguenda
(IACE)
“In order to address the issues of the Western society, we need to define an inspiring project to recover unity and the culture to collaborate in building a better future for everyone. The concept of Inclusive and Sustainable Capitalism is a cornerstone of any such project.”

Ingemar Naeve
Chairman of Spain 2030 Committee
Círculo de Empresarios (Spain/Sweden)
“Understanding the risks and uncertainties, and spotting potential problems and opportunities, we may yet make smarter decisions that will help us become a more prosperous and happier region.”

José Juan Ruiz
Chief Economist
Inter-American Development Bank (IDB) (USA)
“One of the main challenges of developing countries is to create a new inclusive economic model within a democratic transition.”

Ahmed Bouzguenda
Chairman
IACE (Tunisia)
1st Panel
The World in 2030

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Coffee break

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#ISBTT
2nd Panel
Digital Transformation to Generate New Employment

The World in 2030: Towards Inclusive and Sustainable Capitalism
Digital Transformation to Generate New Employment

Moderator

Fernando Ruiz
President
Deloitte (Spain)
2nd Panel

Digital Transformation to Generate New Employment

Moderator: Fernando Ruiz
(Deloitte)

Main speaker:
Juan Luis Cebrián
(PRISA)

Jacques Bughin
(McKinsey Global Institute)

Simon Beswick
(Osborne Clarke)

Francisco José Riberas
(Gestamp)

Duncan Tait
(Fujitsu)
Main Speaker

Juan Luis Cebrián
Chairman
PRISA (Spain)
2nd Panel

Digital Transformation to Generate New Employment

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(Deloitte)

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Simon Beswick
(Osborne Clarke)

Francisco José Riberas
(Gestamp)

Duncan Tait
(Fujitsu)
“Our work future requires us to embrace and innovate, to actively manage the transition and to engage the full society”.

**Jaques Bughin**

Senior Partner, McKinsey, and Director, McKinsey Global Institute (Belgium)
“Digital transformation is beginning to influence the education and training of new recruits, and how we teach and learn on the job. It is also impacting the working environment, the need for greater flexibility, mobility and diversity and the boundaries between work and play.”

Simon Beswick
International CEO
Osborne Clarke (UK)
“Digitalization is an opportunity for the European and Spanish industry. It requires transformation, talent training and new professional profiles. Innovation is the only way to generate value in an industry which must be globally competitive”

Francisco José Riberas
CEO
Gestamp (Spain)
“We must address both the business and the human implications of technological change.”

Duncan Tait
CEO, SEVP and Head of Americas and EMEIA
Fujitsu (UK)
2nd Panel

*Digital Transformation to Generate New Employment*

**Moderator:** Fernando Ruiz  
(Deloitte)

**Main speaker:** Juan Luis Cebrián  
(PRISA)

**Jacques Bughin**  
(McKinsey Global Institute)

**Simon Beswick**  
(Osborne Clarke)

**Francisco José Riberas**  
(Gestamp)

**Duncan Tait**  
(Fujitsu)
Cocktail break

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The World in 2030: towards inclusive and sustainable capitalism

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3rd Panel

*Education as a Source of Talent: Equality of Opportunities or Populism*

*The World in 2030: Towards Inclusive and Sustainable Capitalism*
Education as a Source of Talent: Equality of Opportunities or Populism

Moderator

Jonathan Spector
President and CEO
The Conference Board (USA)
3rd Panel

Education as a Source of Talent: Equality of Opportunities or Populism

Moderator: Jonathan Spector
(The Conference Board)

Main speaker: Jorma Kauppinen
(Finnish National Agency for Education)

Blanca Gómez
(Microsoft)

Daniel Villanueva SJ
(Fundación Entreculturas)

Bruno Lanvin
(INSEAD)
“The ethos of the Finnish education system supports high standards for all with individual approach supported by teachers with high quality.”

Jorma Kauppinen
Director of General Education
Finnish National Agency for Education (Finland)
Finnish Education System - equal opportunities

Director Jorma Kauppinen
Finnish National Agency for Education
Madrid September 26, 2017
Finnish Education System
Short History of the Present Education System

  1. Old parallel school system was replaced by nine-year compulsory comprehensive education > same basic education for all
  2. Flexible, non-graded general upper secondary education and high quality vocational education were also developed later in 70’s and 80’s

- Preschool education for 6-year olds became a subjective right for all children 2001
- National Core Curriculum for Basic Education has been renewed in 1985, 1994, 2004 and 2014
- Through these years: growing municipal autonomy and empowerment of schools and teachers
The Ethos of the Finnish Education System

Professionalism of teachers
- Empowerment of teaching profession
- High quality of teacher education

Supportive ethos
- Early intervention
- Individual approach
- Active role of students
- Good student-teacher relationships
- Encouraging feedback

High standards for all
Enabling, encouraging

Learning culture

Ethos of trust

Education system:
inclusive, non-selective, flexible, central guidelines and goals,
local implementation and innovation
Focus of the curriculum reform

• Rethinking the learning conception
  - Importance of students own experiences and activities, feelings and joy
  - Importance of working together, learning to learn in dialogue with others
  - Renewing the idea of learning environment

• Rethinking the school culture and the relationship between the school and the community
  - School as a learning community
  - Diverse and open cooperation

• Rethinking the roles, goals and content of school subjects
  - Transversal competences to support the identity development and the ability to live in a sustainable way
Rethinking competences

- National goals for basic education and transversal competences
  - Knowledge
  - Skills
  - Values
  - Attitudes
  - Will

Thinking and learning to learn (C1)
Cultural competence, interaction and expression (C2)
Taking care of oneself and others, managing daily activities, safety (C3)
Multiliteracy (C4)
ICT-competence (C5)
Competence for the world of work, entrepreneurship (C6)
Participation and influence, building the sustainable future (C7)
Development as a human being and as a citizen
Multidisciplinary learning modules in basic education

• Pupils are entitled to at least one integrative, multidisciplinary learning module every school year

• Learning modules integrate skills and knowledge of various school subjects, teachers work together

• Pupils participate in the planning of these modules

• Goals, content and ways of working are planned and decided at the local level
  • They should be interesting and meaningful from the pupils’ point of view
  • They realize the principles of the school culture
  • They promote the development of transversal competences
Thank you! Muchas gracias!

More information: www.oph.fi

jorma.kauppinen@oph.fi
3rd Panel

Education as a Source of Talent: Equality of Opportunities or Populism

Moderator: Jonathan Spector
(The Conference Board)

Main speaker: Jorma Kauppinen
(Finnish National Agency for Education)

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(Microsoft)

Daniel Villanueva SJ
(Fundación Entreculturas)

Bruno Lanvin
(INSEAD)
“In today’s workplace, to make a difference means to go beyond the traditional measures and accept that work can be purpose driven as well as commercially driven.”

Blanca Gómez
Talent Acquisition Director West Europe
Microsoft (Spain)
“Education to build equitable, prosperous, peaceful and sustainable societies.”

Daniel Villanueva SJ
Managing Director
Fundación Entreculturas (Spain)
A deep transformation of our educational systems is necessary in order to be able to produce new talents that have become the key to competitiveness in a globalized digital economy.

Bruno Lanvin
Executive Director for Global Indexes
INSEAD (France)
3rd Panel

Education as a Source of Talent: Equality of Opportunities or Populism

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4th Panel

The Truth about Globalization and Strategy

The World in 2030: Towards Inclusive and Sustainable Capitalism
The Truth about Globalization and Strategy

Moderator

Emilio Lamo de Espinosa
Chairman
Real Instituto Elcano (Spain)
4th Panel
The Truth about Globalization and Strategy

Moderator: Emilio Lamo de Espinosa
(Real Instituto Elcano)

Main speaker:
Pankaj Ghemawat
(NYU Stern and IESE)

Michael Hüther
(Cologne Institute for Economic Research)

Joseph Minarik
(CED of The Conference Board)

Josep Piqué
(Former Minister of Foreign Affairs of the Spanish Government)
“Globalization hasn’t experienced a sharp decline yet. Company strategies need to bridge the short run and the long run.”

Pankaj Ghemawat
Global Professor of Management and Strategy and Director, Center for the Globalization of Education and Management, NYU Stern, and Anselmo Rubiralta Professor of Global Strategy, IESE (USA)
The Truth about Globalization and Strategy

Pankaj Ghemawat
International Summit of Business Think Tanks
September 26, 2017
Changing Headlines

The Washington Post

August 30, 2015

Opinions

Globalization at warp speed

By Robert J. Samuelson

The Washington Post

September 20, 2015

The Post’s View

The end of globalization?

By The Editorial Board
Britain just killed globalization as we know it

By Jim Tankersley
# DHL Global Connectedness Index

## Data on International Interactions

### Trade
- Merchandise Trade
- Services Trade

### Capital
- Foreign Direct Investment (FDI)
  - Flows (3 year average)
  - Stocks
- Portfolio Equity
  - Flows (3 year average)
  - Stocks

### Information
- International Internet Bandwidth
- Telephone Call Minutes
- Trade in Printed Publications

### People
- Migrants (foreign born)
- Tourists (departures, arrivals)
- International Students
Trade and FDI Depth Update Through 2016

- Merchandise Trade % of GDP
- FDI Flows % of Investment

© 2017 Pankaj Ghemawat
Google Search Interest for “Trade War”

12 Month Worldwide Trend as of Jan 27, 2017
The Context


Source: World Bank World Development Indicators
Kindleberger’s “Cobweb” Collapse of World Trade, 1929-1933

The Contracting Spiral of World Trade, January 1929-March 1933
(total imports of 75 countries; monthly values in terms of millions of old U.S. gold dollars)

A Global Trade War?
Four Lessons from the 1930s

- Trade plummeted but did not perish.
- Countries’ leading trading partners did not change much.
- Distance/proximity continued to have stable effects.
  - Physical distance elasticity of around -1
  - Colony/colonizer link and common language jointly boosted trade by a factor of 5
- Relationships mattered more than ever with the breakdown of global arrangements.
UK’s Relative Market Potential in the EU vs. the Commonwealth

- **European Union**
  - **Commonwealth**
- **GDP**
  - Adjusted for physical distance
- **GDP**
  - Adjusted for physical distance + language and colony-colonizer ties

*Source: Pankaj Ghemawat*
Assume that, in the event of successful globalization, a given business would be worth $100/share, but that there is only an intermediate chance (say 1:10) of successful globalization.

The other case is too terrible to consider [an apocalypse].

Theoretically, the share should be worth $10, but in every world where investors survive, it will be worth $100.

Would it make sense to pay more than $10, and indeed any price up to $100?
South by Southeast (PPP GDPs)
Globalization hasn’t experienced a sharp decline yet.

Even if it did decline sharply due to a trade war, the depth of trade would still be significant, and breadth-related patterns probably wouldn’t change very much.

In the long run, if there is substantial global growth, it will be dominated by emerging economies, particularly in Asia, with important implications for the future of globalization.

Company strategies need to bridge the short run and the long run.
Preferences, Perceptions, and Problems

“When I’m talking with people outside the company, there’s a question that comes up very commonly: ‘What’s going to change in the next five to ten years? But I very rarely get asked ‘What’s not going to change in the next five to ten years?’ At Amazon we’re always trying to figure that out, because you can really spin up flywheels around those things.”

Jeff Bezos - Amazon
Geographic Distance Effects on Merchandise Trade, 1928-2008

© 2017 Pankaj Ghemawat
The Rise of Relationships

Intra-Bloc Share of Merchandise Trade

- Japan Imports from Korea, Formosa, and Manchuria
- Germany Imports from 6 European Countries and Latin America
- France Imports from French Colonies/Protectorates
- UK Imports from Commonwealth

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4th Panel
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(Cologne Institute for Economic Research)

What an extraordinary episode in the economic progress of man that age was which came to an end in August, 1914! The greater part of the population, it is true, worked hard and lived at a low standard of comfort, yet were, to all appearances, reasonably contented with this lot. But escape was possible, for any man of capacity or character at all exceeding the average, into the middle and upper classes, for whom life offered, at a low cost and with the least trouble, conveniences, comforts, and amenities beyond the compass of the richest and most powerful monarchs of other ages."

– John M. Keynes (1919)

Michael Hüther
Director
Cologne Institute for Economic Research (IW) (Germany)
“Capitalism has created unprecedented prosperity and reduced poverty substantially all over the world. However, capitalism has lost the trust of many people, especially working people who have fallen behind because of technology and the financial crisis, partisanship and gridlock.”

Joseph Minarik
Senior Vice President and Director of the Research Committee for Economic Development (CED)
The Conference Board (USA)
"We find ourselves in front of a genuine and revolutionary “Change of Era”, in which an irreversible shift of the economic gravity center from West to East, and from North to South is taking place. The Strait of Malacca could be the new center of gravity of the 21st century."

Josep Piqué
Former Minister of Foreign Affairs of the Spanish Government (Spain)
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Conclusion

Javier Vega de Seoane
President
Círculo de Empresarios (Spain)
Closing statement

Luis de Guindos
Minister of Economy, Industry and Competitiveness of the Spanish Government (Spain)

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