"The new shape of the international marketplace"

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Thank you for that kind introduction.

Why I'm here

I would like to start by explaining why I was so interested to participate in this discussion of the 21st Century global marketplace - particularly the rise of China and India.

One reason is that I represent FedEx, a $30 billion network of companies that offers time-definite delivery to more than 220 countries and territories, connecting over 90 percent of the world's GDP within one to three business days.

And we rank China and India among our top strategic growth priorities.

The other reason I'm here is more personal. I grew up in India, studied and worked in the US, traveled and worked in Hong Kong and Asia and now I'm working in Canada.

I'm fascinated by a phenomenon that I see shaping our world. This generation of individuals who demand "anytime, anywhere, anyhow" access to goods, services and information.

The old constraints of age, geography and language are giving way to the belief that anything is possible.

I can relate to this. My world also consists of overlapping borders and a strong belief in the future.

It's hard to imagine a future without the imposing presence of China and India on the planet. The closest parallel is the emergence of 19th Century America, a huge continental economy with a young workforce that grabbed the lead in agriculture, apparel and the hi-technology of its time.

There is a common description of India that says "Everything you hear about India is true. The opposite is also true." This could apply to China as well.

We hear a lot of contradictory facts about both nations – stories of exponential growth and deep poverty.

Political and economic liberalization and corruption and controls.

China and India are similar

There are similarities as well.

Representing more than a third of the human race, they have hard currency, a massive appetite for energy, and they're opening up to the world.

Both started as cheap labour sources that are migrating up the value chain. Both have seen astonishing economic growth within certain urban or geographic pockets.

And more importantly, both are increasingly benchmarking themselves on international standards. Playing western economies at their own game.

All good reason to sit up and take notice.

China and India are different

But, there are also significant differences on the economic front between the two. China got an earlier start on economic reforms than India. It was 1979 when Chairman Deng Xiaoping coined his famous maxim "It is glorious to be rich." Those words unleashed a tide of industrial growth that is almost unprecedented in history.

In 1991, facing dwindling foreign currency reserves and teetering on the brink of national bankruptcy, the Finance Minister of India – now Prime Minister – Dr. Manmohan Singh, was the chief architect behind the charge to relax economic protections and controls. It enabled the country to at last embrace an era of market economics.

China is investing heavily in a hard infrastructure, with airports, telecommunications and roads. Contrast this with India's soft infrastructure development, which is strong in innovation, creativity, English language skills and western modes of business.

In terms of economic mix, China is heavily centered on manufacturing, representing around 65 percent of GDP. In India, about half of GDP Is focused on services, with agriculture and manufacturing equally weighted in the remainder.

China still receives much more foreign direct investment - $55 billion annually versus India's five billion. Gross domestic product per capita is flat in China, but with India's growing population it's increasing.

But on a micro-level you see that China's capital efficiency rate is inferior, and their banking system is performing poorly, with 20 percent plus non performing loans; far greater than India's eight percent.

Indian company profitability is also higher, with return on invested capital ahead at 16 percent versus 12 percent for India. India's average age is 26 years, versus 33 for China. With China's population expected to age more rapidly, this means that India will benefit from longer term sustained growth.

China

Now I've talked about some similarities and differences between the two countries, let's look at some important developments of each of them.

Take China. FedEx has had a long history there, serving China since the early '80s. I spent seven years in Hong Kong myself, where I was able to witness the remarkable transformation in China at close hand.

Since 1990, enough skyscrapers have been erected in China to fill Manhattan. The number of mobile phone users already exceeds the United States, and the country graduates around three hundred thousand engineers every year. If current trends continue, by 2020, China could account for one-quarter of global GDP.

In 2004, Canada alone exported an increase of almost 40 percent in merchandise to China. In the same period, Canada's imports from China rose 30 percent albeit on an almost four times larger base.

In July FedEx announced a $150 million investment in a new Asian hub in Guangzhou, the economic heartland of the Pearl River Delta region.

India

Now let's look at India. It is becoming a market-driven economy and one of the world's fastest-growing, at over seven percent, double the global GDP growth rate.

India is the third most-preferred destination for foreign investment[1] and, a lesser-known fact; it takes the world's second place in attracting investment in the manufacturing sector[2]. Watch this space: there will be incredible development in the manufacturing segment in the next decade in India.

The goal set by the Indian Finance Minister in the latest budget is to double India's share of world trade by 2008-09. Currently, India represents around one percent of global trade versus China's five to six percent.

And foreign trade continues to grow. In 2004, exports have grown by around 26.5 percent and imports by 36 percent (in USD terms).

FedEx launched the first all cargo flight into India in 1997 and we continue to build our access points and infrastructure there - now covering 85 percent of the country's exporting centers.

And let's not forget that China and India are also in the process of discovering each other. Their own bilateral trade route, which amounted to nothing 10 years ago, is expected to be worth $20 billion by 2008. Already we're hearing of this concept of "Chindia".

My own company just introduced its first overnight express link between India and China, connecting North America with Europe, India, China and Japan.

These investments represent not hope but expectations of future business growth for us and our customers – companies like yours.

Regardless of the very real complexity and risks that exist, the ignition sequence has been activated on this new economic power structure. Countries – and companies - that fail to recognize this do so at their peril.

After all, if 20 percent of the world's goods cross borders today, it's estimated that in 20 years that will increase to 80 percent. And a good proportion of that push-pull will be generated by India and China.

Significance for Québec

You may ask, "What does this mean for Québec businesses?" Well, Québec is a trading entity. Put simply, now is the time to get into the Asian game.

Certainly, development in Asia brings with it more competition for labour-intensive goods, but, it also brings increased demand for things that we have in abundance here: like natural resources, tourism, and knowledge capital.

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[1] After China and the US
[2] After China

Already, Québec is the largest Provincial exporter of merchandise to India in Canada; representing almost one-third of the country's total[3]. China is the 5th largest recipient of Québec exports, and imports from China to Québec are up almost 20 percent year on year.[4] Those numbers will continue to climb.

Today, we know that a huge focus for both India and China is their relationship with the US. Québec needs to ensure that its foreign investment value proposition is placing front and centre its proximity to the massive, integrated North American economy. Access to 500 million people is a very compelling attraction for foreign entrepreneurs.

So what is next for business executives like you? I would recommend that you get knowledgeable on the subject.

The best way to familiarize yourselves with the environment is to travel to India and China. Premier Jean Charest returned from a visit to China only a month ago, where he explored opportunities for closer educational, research and cultural ties between Québec and China.

The Premier has also announced that he will lead the Province's first trade mission to India next year. These are sound first steps in building political and economic ties, and he joins other Canadian political leaders who also recognize this emerging marketplace reality.

There is also a lot being written in the general business press about the rise of India and China too. One book I would particularly recommend is Thomas Friedman's "*The World is Flat*"[5], which looks at our flattening, interconnected world. It speaks of globalization driven by individuals, not corporations.

As I said in my opening, I see the power of possibility in a globalized world, and I challenge my peers in the business community to pull together and do our part to ensure the prosperity for the Québec of tomorrow.

Thank you.

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[3] International Trade Canada. March 2005 *Monthly Trade Bulletin*. Data refers to 2003.
[4] 19.5% (numbers in this paragraph are sourced from Statistics Canada)
[5] "The world is flat: A brief history of the 21st Century".