



GLOBAL ECONOMY

Trade between countries is thousands of years old, but in the past three decades it has skyrocketed – quadrupling between 1980 and 2008. Global trade also moves faster than ever, processed in milliseconds rather than minutes. This scenario creates a system that is highly complex, interconnected and potentially unstable. Recent financial turmoil shows that it is very hard for individual economies to remain untouched by what is happening elsewhere. This is relatively new: as recently as the 1980s, Latin America suffered a “lost decade” while other markets prospered. Now, attempts by national governments to create jobs and growth may be swept away by events in the global economy. Policymakers are struggling to balance national policies and global impacts. Within economies, the edges are blurring between governments and businesses as states intervene in companies that are “too big to fail” and markets compete to deliver public services.

Where’s the heat?

- / Economic growth
- / Development
- / Trade
- / Financial systems
- / Income inequality
- / Jobs

/ Economic growth

The overriding goal of most governments is creating or maintaining economic growth – the assumption being that this is the way to increase quality of life and lift people out of poverty. More and more, people are starting to question whether growth is a good thing.

/ Development

Many argue for a strong role for businesses in helping poorer countries develop – creating jobs, training workers, investing in infrastructure. Others are worried by companies that exploit natural resources without helping local communities.

/ Trade

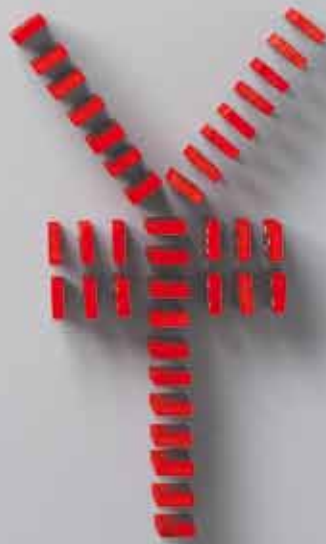
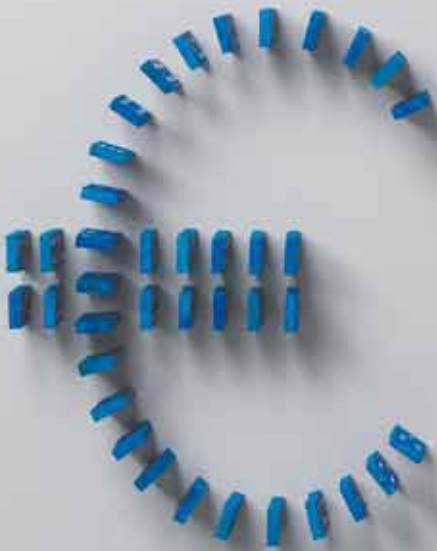
Trade is the lifeblood of the global economy. In 1950 it accounted for 5.5 per cent of world GDP; today, it represents more than 20 per cent. While some countries struggle to protect industries and jobs, others are trying to reduce their reliance on exports.

/ Financial systems

Even after the crisis, financial institutions work with complex and interlinked financial products at a global level, and national regulators struggle to keep up. A perceived “business as usual” attitude has led to public anger.

/ Income inequality

In many countries, inequality is rising. According to economist Joseph Stiglitz, incomes for the top 1 per cent in the US are up 18 per cent over the past decade, while those in the middle have seen their incomes fall.



/ Jobs

According to the International Labour Organization, one in three workers worldwide is either unemployed or living in poverty. In developed and developing countries, policymakers are looking to businesses to create meaningful and productive jobs.

What's the context?

It's impossible to have a conversation about the global economy without running into some pretty astronomical numbers; trillion is a number we've become used to hearing, for example. It is estimated that the size of the world economy was around \$65 trillion in 2010 – up from about \$3 trillion four decades before.


It is easy to become blasé about the scale of these very large numbers. The mathematics professor John Allen Paulos helps us get to grips with them in his book *Innumeracy*. “It takes about eleven-and-a-half days for a million seconds to tick away, whereas almost 32 years are required for a billion seconds to pass,” he writes. And a trillion? Our own species of homo sapiens is thought to be less than 10 trillion seconds old.

These large numbers define the global economy. To misquote US politician Everett Dirksen, a few trillion here, a few trillion there, and soon you're talking real global economic turmoil. This has been the lesson of recent years, as the credit crunch of 2007 became a full financial meltdown in 2008, leading to a global recession. Governments put together stimulus packages to stabilize the financial system and boost their economies – adding \$6.5 trillion to

public debt since 2008. At the same time, a sovereign debt crisis has hit a number of European countries.

The global economy is making a slow recovery – but the picture is uneven across the world. Martin Wolf of the *Financial Times* writes that some economies are in the middle of a “lost decade.” However, other economies have healthy growth. In 2011, low-income countries grew at roughly twice the rate of high-income countries, for example: China (+9.2 per cent), Argentina (+8 per cent), India (+7.8 per cent), and Nigeria (+6.9 per cent).

A global financial system underpins the world's economy, made up of a complex network of global institutions and regulations, national agencies and private organizations. Many have argued this system is in need of reform. Critics have ranged from economist Joseph Stiglitz and journalist and economist Paul Krugman, to financier George Soros and Pope Benedict XVI. However, a key challenge for any reform plan will be whether it does more than merely react to the recent crisis and instead lays the foundations for lasting prosperity.

Banks are a crucial part of the global financial system. They provide credit to businesses, which is essential for growth and job creation. They facilitate flows of payment across borders, thus making international trade possible. However, trust in banks has been badly damaged by the financial crisis, and some leading banks are conscious that they need to demonstrate how they create value not just to shareholders, but to society as a whole. 



It is the private sector that creates the jobs, goods and services that the world's poorest people so desperately need to lift themselves out of poverty

— ANDREW MITCHELL, UK SECRETARY OF STATE FOR INTERNATIONAL DEVELOPMENT

The world has become interdependent, yet governments are shrinking and becoming more nationalistic

— PAUL POLMAN, CEO, UNILEVER

Obscene rewards for success are as socially corrosive as obscene rewards for failure

— GEORGE MONBIOT, JOURNALIST

To Westerners, the glass is half empty; to the rest of the world, it's half full

— SIMON SILVESTER, ADVERTISING PLANNER, ON PERCEPTIONS OF GLOBAL ECONOMY



36%

Developing countries now account for 36 per cent of world exports, about double their share in the early 1960s

684 trillion

In June 2008, the global derivatives market was worth \$684 trillion, more than 10 times the value of global GDP

27m

There are 27m more unemployed workers than at the start of the global financial crisis



MIKE REES

CEO, Wholesale Banking, Standard Chartered



TRACY CLARKE

Group Head of Human Resources
& Communications, Standard Chartered

Starting with the 2008 financial crisis, the global banking industry has been coping with an unprecedented series of events: the collapse of “too big to fail” banks, the eurozone crisis, the extraordinary change of political power during the Arab Spring, and the rebalancing of the global economy towards Asia.

In 2010, a time when trust in the financial industry had severely eroded, Standard Chartered Bank, which derives 90 per cent of its profits from Asia, Africa and the Middle East, decided to institute “Here for good,” a brand promise that echoed and reinforced its traditional culture and values: “people,”

emphasizing a focus on customers and clients; “progress,” about the way the bank conducts itself; and “long run,” focusing on the bank’s history and footprint.

Here, Brunswick’s Susan Ho asks two executives about the thinking behind “Here for good” and the challenges inherent in delivering its goals. Mike Rees is CEO, Wholesale Banking, a role he has held for 10 years, and is responsible for all commercial banking products in addition to his responsibilities for global markets products. Rees joined the bank in 1990 and was previously with J.P. Morgan. Tracy Clarke has worked for Standard Chartered for almost 25 years. She became Group Head of Human Resources in 2006, with her portfolio expanding to include communications in 2010.

You’re a bank and in the risk business. Why did you launch the “Here for good” campaign? Wasn’t that a risk in itself?

Mike Rees: Standard Chartered has been in banking for more than 150 years. We want to sustain our business and we want to grow in the decades ahead. The reputation of the banking industry took a big hit with the global financial crisis. Indeed, banks were seen as the root of the problem – banks were bad; the industry had lost public trust. However, perhaps through a small degree of good luck – but a large degree of prudence and sticking to our strategy – Standard Chartered came through with our reputation largely unscathed, consecutive years of record income and profits, and no government bail-outs. We felt that it was the right time to take a risk with the brand, to say that we are different, that we have a distinct culture and a strong sense of shared purpose.

“Here for good” is a strong statement. How do you define “good”?

Tracy Clarke: Good is a powerful word – simple, understated and yet compelling. The world in which we operate has changed dramatically

and the bank itself is almost unrecognizable in its breadth and scope from 10 years ago, with huge growth in the business and number of employees. But we have nonetheless retained our core values: our performance and our culture all point to the bank as being a force for good.

MR: “Here for good” also suggests stability, longevity and being here for the long run. Moreover, it underlines our commitment to our customers and clients and to the markets we have called home for generations.

Can you give some examples of how “Here for good” is working in practice?

MR: The main impact we have on communities and the environment is through the business activities we finance. We have developed a series of position statements that set out our approach on providing financial services to clients who operate in sensitive sectors, such as mining or forestry. The statements also cover key issues such as child labor, climate change and water. We apply the statements to all our lending, equity and advisory activities, spelling out both the mandatory and aspirational standards we expect our clients to observe. This is a key part of our commitment to being a sustainable financier and a core tenet of “Here for good.”

And what about some “on the ground” examples?

TC: The Women in Business Resource Center is one of the ways in which we empower women as key drivers of economic development. We are committed to this program because it enhances financial literacy, planning, investment and capacity-building for small businesses owned by women.

MR: Another example would be our contribution to local communities. We provide farmers in Africa with funding opportunities and local financing to support the growth and development of the local agricultural sector. By empowering farmers and helping them secure a fair price for their crops, we’re helping the local community and economy for today and the future.

What did you hope to achieve with “Here for good”?

TC: It gives voice to our actions and deeds. More than that, it has given us the chance to examine and focus on our aspirations and really think about what Standard Chartered is and what we stand for. It differentiates us from our competitors and it unifies our 87,000 employees. It is about making a mark, so that our customers and clients remember us whenever they make a decision on financial services.

MR: To be a great organization, we must do business with integrity and principles, respecting and contributing to the markets in which we operate. This is as much a message to our staff as it is to our customers and clients. We don’t underestimate the challenges of holding ourselves to such high standards and sticking to these principles. To be “good” requires a huge effort, every day from everyone, at all levels. It requires the best people working to the highest standards.

Do you base Standard Chartered’s business decisions on the “Here for good” principle?

MR: “Here for good” sets a high bar. In the business, we talk about being a force for good in banking and doing the right thing. In reality, good is often in the eye of the beholder, and people may hold us to a subjective standard. Trade-offs are inevitable. We don’t dodge tough decisions, but engage constructively with our clients to help them comply with international standards, such as the Equator Principles [a set of principles agreed by a number of banks and the World Bank’s private sector arm, the International Finance Corporation, about how to deal with social and environmental risks in project financing], to which we’re a signatory. We are still prudent and decisions to support businesses are tested by our robust finance framework. But we take seriously the opportunity to help change our clients’ business practices for the better. And by using “Here for good” as a

guiding principle, we ensure that the long-term viability of the franchise is never threatened.

How do you deal with the natural skepticism people might have about these programs, especially coming from a bank?

TC: “Here for good” was not a change of direction, but a reaffirmation of our longest held belief. It is who we are. It is what we do already in our communities and it is how we stick by our customers in good times and bad.

Much of what drives the Standard Chartered story remains constant. Our strategy has remained unchanged – we want to be the world’s best international bank, leading the way in Asia, Africa and the Middle East. We will continue to be driven by the basics of banking, ensuring we grow while being disciplined around managing costs and risks, and keeping a good handle on liquidity and capital.

What has changed in the bank since you introduced “Here for good”?

TC: It has energized the bank tremendously. “Here for good” has made us examine how we run our business every day, including the customers and clients we take on, what products we sell, how we improve our services, and how we conduct and measure ourselves. We are still a long way from getting it right every day and everywhere. However, this is the path the bank has chosen.

How will the bank continue to live up to these ideals in the future?

MR: A brand position is not an irrefutable statement of fact. “Here for good” is our compass, and in some cases where we may not have got things right, it is an opportunity to make good on what was wrong. It doesn’t mean we will always be right, or get it right, but it does mean that we will always try to do the right thing and respect the trust our customers and clients place in us. 🌟

Susan Ho is a Partner in Brunswick’s Hong Kong office. She specializes in brand positioning and engagement, and was formerly the global head of brand at Standard Chartered.