

**Address by Paul Skinner,
Chairman, Commonwealth Business Council and Chairman, Rio Tinto plc
to CBC Members & Guests
“Global Challenges – Commonwealth Opportunities”
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Members of the Diplomatic Corps

Fellow Members of the Board of the Commonwealth Business Council

CBC Members and Distinguished Guests,

Introduction

I am delighted to welcome you to this lunch which provides a good opportunity for me and my colleagues on the CBC Board to meet and interact with CBC members and our partners, and to share views at a time of unprecedented challenges for the world economy.

We will appreciate hearing your perspectives and ideas to help guide the CBC’s future work, particularly since having achieved ten years of successful operations. The Board is now looking at the CBC strategy for the next ten years in order to respond to changing needs and continue the CBC’s work in promoting trade and investment for shared prosperity.

Presentation Theme

When I first agreed to speak on the theme of “Global Challenges- Commonwealth Opportunities”, I had not anticipated we would be in the middle of the most severe financial crisis in decades. As business leaders we are often asked to pull out crystal balls and foresee the future - this time there has been something of a global crystal ball failure – and if anybody has one that is working, please let me know.

There is obvious concern about slowing growth in many parts of the world economy and the implications for governments, business and societies. There are already winners and losers – certainly whoever has the royalties from the estate of John Maynard Keynes is among the winners, and Warren Buffet is confident he is on to a good thing by taking stakes in what he sees as attractively-priced assets.

Principles that have guided economic growth over the past decade are being revisited and rule books are being revised. I am not entirely convinced by the image on the recent cover of The Economist that “Capitalism is at Bay”, although I strongly agree with its leader’s conclusion that it represents our best alternative. There have been some important lessons for all of us in the pricing of risk, the effectiveness of regulation and, in the corporate sector, examples of poor governance.

In a potentially depressing environment my remarks today, therefore, look to the way forward. We need to maintain continued focus on the potential for partnerships between developed and developing economies to pursue economic growth and development for mutual benefit. This prospect places the Commonwealth countries at the centre of these trends within globalisation, poised to harness new opportunities that may well be accelerated as a result of the recent economic gyrations.

Basic propositions

In addressing this theme, I would like to set out some basic propositions. First, that we are facing an unparalleled set of economic challenges that require new thinking and responses. Second, that the global economy is complex and interlinked and we can only move forward together. Third, there is a shifting balance of economic power that should be recognised and leveraged. Fourth, more than ever we have shared interests between developed and developing countries. Fifth and finally, that the Commonwealth has an important role and potential in helping governments and business respond to these new dimensions of globalisation.

Challenging economic scenario

We are by now quite familiar with the set of issues that are dominating the global agenda - the financial crisis and credit crunch which are yet to fully settle; rising food and energy prices with policy implications and unforeseen consequences such as the impact of biofuel policies on food prices; the prospect of slower growth in both industrialized and developing economies; increasing demand for basic resources (especially from China and India); and climate change risks. What we have perhaps relearned over recent weeks is that our separate national frameworks and policies are inadequate to deal with these issues. Calls for reform – of the global financial architecture and the Bretton Woods institutions, of the UN and other multilateral

institutions – are intensifying. We recognise that many of the tools we have been using are not completely, to borrow the phrase of the moment, “fit for purpose”. This will be a major challenge and test for governments.

The Global Economy is inextricably intertwined

The twists and turns of the current economic scenario have confirmed that the global economy is complex and interlinked – there is no turning back on globalisation. Global finance, trade and investment bind nations together, for better or worse. At their recent summit in New Delhi, the leaders of India, South Africa and Brazil drew attention to the impacts of the financial crisis on developing countries and stressed the need for a new initiative for structural reform in the global financial system to deal with such turbulence. We should do all we can to avoid regressing into protectionist policies and drive even harder for free trade and investment. We should look to resurrect the Doha Round.

Shifting balance of future economic power

At the same time, the crisis has again highlighted the shifting balance of economic power to developing countries. The rise of the BRIC countries and powerful new players with cash rich sovereign wealth funds has already made an impact, for example through Chinese investment in major global companies. China has grown strongly with annual growth rates over 10% - even if we have seen some slowing to 9% in the third quarter. India has been growing at over 8% per annum. We have also seen sustained economic growth above 5% in many African and South Asian nations. Those rates are expected to slow somewhat in the near term, however, the pace of growth will still outpace the levels that are likely to be achieved in the developed economies.

The potential of the emerging markets and developing countries is considerable. Investor confidence in Africa has already been demonstrated: evidenced by the rise in foreign investment and loans to African countries from \$11 billion in 2000 to \$53 billion in 2007. In Nigeria, where CBC is strongly engaged, reforms in the banking sector have positioned the country to cope better with the international financial crisis. We are pleased to have a number of them as CBC members. We are similarly engaged in South Africa, where businesses have been driving both a growing domestic economy as well as investment in other parts of Africa.

In Asia, the success of the expanding Indian economy is a well known story. Confidence has been reflected, for example, by U.K. investment of an estimated £560 million in 2007. Since 1993, almost 1,800 new joint ventures or foreign collaborations between Indian and UK companies have been approved, a rate of approximately 200 ventures

per year. The potential in other parts of South Asia, through Pakistan, Bangladesh and Sri Lanka is also significant.

The appetite for investment in emerging markets appears still to be healthy, even through the financial turbulence. CBC members are active in this regard. Standard Chartered has continued its strategic focus on Asia, Africa and the Middle East. Barclays now operates in 13 countries in Africa, Indian Ocean and South Asia. We should take encouragement from these examples which underline the importance of emerging markets in future global growth.

Shared interests of developed and developing countries

Through globalization we recognize that there are important shared interests between the developed and developing countries. It is not a zero-sum game. For example, there is a vast potential to develop new markets and increase the purchasing power of developing countries. It was interesting to note that the solution to the recent crisis suggested by one economist was to compel China to spend more to lift the world out of the slump! China is already the third largest global economy, and second largest in terms of purchasing power parity, so it is not surprising that the country will play a key role in many ways.

In order to help raise purchasing power in other developing countries, we need to provide better access for developing countries to developed markets. The recent collapse of the Doha round was certainly a missed opportunity to make real progress. Government and business leaders will need to face these issues which will also require structural changes in developing countries, in order to help them to compete in the global marketplace. We need to join together to create new partnerships for business and investment, as reflected in the example I have given of partnerships between British and Indian business.

Commonwealth role and potential

In this context, we should take a fresh look at the Commonwealth. Accounting for more than 20% of world trade and investment, it is a significant trade and investment area. Commonwealth businesses are well positioned as leaders in such sectors as information and communications technology, banking and financial services, energy, agriculture and natural resource development. However, the potential for enhanced Commonwealth trade and investment is still not fully realised – this includes the rapidly growing services sectors as well as the traditional natural resource and manufacturing sectors.

As an organisation that bridges developed and developing countries, large and small companies, the Commonwealth Business Council is well placed to help connect Commonwealth business with partners and opportunities. In its first ten years, CBC has worked to create the platform and network of relationships between business and governments, to identify and raise awareness of opportunities.

For Commonwealth developing countries, the CBC has carried out extensive work to help mobilise investment, organising over 60 major international investment programmes, and in particular events benefiting Cameroon, Ghana, India, Tanzania, Malawi, Mozambique, Nigeria, Sierra Leone, Uganda, and Sri Lanka, which have made a measurable difference to increasing investment flows. These countries, many of which have had difficulties projecting themselves or getting interest from other agencies, are now considered favourably as investment destinations. CBC has often been on the leading edge of these developments.

For developed countries, the CBC has played a key role in helping to connect them to newly emerging markets and developing countries within the Commonwealth that offer good opportunities for trade and investment which may remain unrecognised. By engaging business and governments to create new linkages for trade and investment, with countries in Africa and South Asia in particular, the CBC has provided an effective bridge within the rapidly globalising world economy.

A couple of examples. Following the 2005 Commonwealth Business Forum held in Malta, the country has seen a threefold increase in investment over the last two years. Investment flows into Uganda have increased following the 2007 Commonwealth Business Forum - more than \$1billion worth of projects in infrastructure, energy and telecommunications have been commissioned.

Opportunities for Commonwealth Co-operation

In planning our forward strategy for the next ten years, CBC intends to engage more in practical projects, promoting investment in priority sectors. For example, together with industry partners we have embarked on several projects: for rural banking infrastructure in Uganda to help “bank the unbanked” and lower the cost of remittances; for investment in agriculture through large scale farming in food staples in a range of countries in Africa; for sharing expertise on renewable energy from India; for an African Payment Gateway to help connect business to buyers in time for the World Cup in South Africa in 2010; and for infrastructure development in South Asia and Africa.

There are many further opportunities for co-operation on which we hope to collaborate with governments and business in the Commonwealth. It would be good to have your views on how best to take advantage of these opportunities for the benefit of all Commonwealth countries.

Conclusions

In conclusion, I would like to leave you with this scenario of change and potential opportunity. We have rapidly accelerating globalization accompanied by economic volatility. Developing countries are now firmly integrated in the global economy with higher growth and greater influence. We need to recognise and leverage this changing balance of power for mutual benefit. As an association that combines developed and developing countries, large and small, the Commonwealth has a set of relationships that really can help make globalization work better for all. Within that set of relationships, the Commonwealth Business Council has an important role over the next ten years as an important agency to harness business know-how to help deliver global progress. We look forward to working with you to achieve these shared goals. In these challenging times we should build on frameworks and relationships that really do work, like the Commonwealth, as we develop new ones that address the lessons of the current crisis.

Thank you.