Good evening ladies and gentleman. On behalf of HSBC, I am honoured to accept this corporate citizenship award from the Foreign Policy Association, an acknowledged beacon in the discussion of world affairs.

It is just eighteen months since the collapse of Lehman Brothers here in New York. But it is because of the globalised nature of our world that the contagion from a sub-prime mortgage crisis, which started in Florida, could spread so far and so wide, and well beyond American shores. Among the victims in its path of destruction were the Icelandic banking sector, a number of British banks, and a great deal of public trust in the global financial system. And, as it did so, it tipped us into what has been called “the first synchronised global recession”.

Among the many lessons we must take away from the crisis, there are two I want to discuss this evening.

First, we must face up to the opportunities and challenges of a highly interconnected world. The importance of doing so is perhaps best exemplified by the emergence of the G20, during the course of last year, as the primary discussion forum for international economic affairs.

Second, the crisis has thrown into sharp relief the growing divergence between the long-term prospects for East and West. Today we are seeing a two-speed global recovery playing out. The developed world is likely to grow by under two per cent this year, while China can expect to reach nearly ten per cent.

All the indications are that this shift in economic power is not some recession-driven blip. It seems certain that emerging markets will not only to drive recovery, but also lead global growth in the generation ahead.

Nor is this simply a question of economics. This transference of economic power is increasingly driving a rebalancing of the centre of gravity in politics and culture too.

Even now, I question whether we have really begun to understand the vast scale of this change and what it amounts to for the economy and society. How we define and build on our common ground in response to the imperatives of globalisation is arguably the biggest challenge for all of us during this century.

Here in the West, we have become accustomed to the comfort of our unipolar world. Yet the convention of one national power dominating the global landscape is little more than a brief 150 year aberration in our history.

Even by the 1400’s China had a nascent market economy, earlier and on a much larger scale than Europe. By 1820 she accounted for one third of world GDP, while the US was still a dot on the map, with less than two per cent. About that same time, Britain was emerging as the first world’s first modern superpower and went on to lead an Empire for the next 100 years. Then, as we all know, when British dominance came to an end, in the wake of the Second World War, the US was waiting in the wings to take over.

But today, China is once again setting the pace for change. GDP per head has more than doubled since 2000; infant mortality has halved in twenty years; literacy levels are now well above 90 per cent. And, according to the IMF, China accounted for over half of world growth over the past three years. This is not some temporary recession-driven blip. China’s path towards reform is irreversible. 79 per cent of Chinese people now agree that they are better off in a free-market economy – more than in either the US or the UK! The West is no longer the sole preserve of capitalism.

China’s story, like that of India, is part of a far larger narrative; that of a fundamental and unprecedented change in the global economy. Taken together these two countries now represent about 40 per cent world’s population. Alongside Brazil and Russia, they comprise the eponymous
BRICs, an acronym coined only ten years ago. Yet it is a sign of the speed with which the global economy is changing that this shorthand, found in so many business development strategies, is already looking surprisingly out of date.

In the decade ahead we are increasingly likely to focus on the opportunities of other emerging nations. For example, there are the CIVETS – Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa – so-called after the cats found in many of these countries. They may not have the scale and influence of the BRICs, but all have fairly diversified economies, have proven plausibly robust during the financial crisis, and look reasonably stable politically. What is more, their economic growth will also help to reinforce momentum within their respective regions. This will also add further impetus to the flows of trade and ideas between emerging markets, and the rebalancing of power east and south.

In contrast, some of Europe’s suffering economies have now been, rather unfortunately, nicknamed the PIGS. The economies of Portugal, Ireland, Greece and Spain are being singled out because of the potential impact that their post-recession deficits could have on the rest of the Eurozone.

When our European PIGS will fly again is difficult to predict. What we can forecast with much more certainty is that the economies of the emerging and re-emerging countries will drive global growth in the generation ahead. Indeed, Asia is expected to overtake the EU and the US becoming the largest contributor of global GDP in 2016.

Of course there are some who do not agree with me, and there are those who think that we can turn the clock back to some ‘golden age’ of a simpler, less-connected world.

But the difference now is that – unlike the rise of industrialised Europe in the 19th century and the rapid development of the US at the turn of the 20th century - national economies are much more interconnected. These connections come through trade, through our global institutions, through diplomacy, through travel and through ever growing communication channels such as TV, the internet and mobile phones. The pendulum will not swing back from this globalised world. We have no choice but to face up to the reality and opportunity that globalisation brings, to forge fresh alliances and work together if we are to deliver economic and social development – and to make progress on some of the world’s most pressing problems.

Others argue that Asia’s growth – for example – is unsustainable, pointing to the emergence of possible asset bubbles and the risk of inflation as “growth blockers”. Indeed, only last month in Davos I was asked by a senior journalist whether China’s boom wasn’t just because it was building bridges to nowhere just to keep people busy, Japanese-style?

Far from building bridges to nowhere, China is making the kind of investment in its infrastructure that a huge and developing country needs. Unlike Japan, which in the 1990’s was essentially a rich country trying to stimulate demand, China is equipping herself with railroads, an energy infrastructure and highways which are most definitely going somewhere. The government is also increasingly investing in healthcare, education and social welfare, something which will have the dual effect of creating a healthier, better educated population and at the same time stimulating domestic consumption. All this will help to rebalance the economy and ensure sustainable growth.

There are also those who think that, by ignoring the reality of the swing towards emerging markets, the world will simply go on the same way it always has.

It was one of our greatest successes that, in response to the recession of 2007-2009, countries did not close their borders and pull-up the drawbridge to free trade. Now we know the West faces a difficult road to recovery and some viewpoints may be changing. As Larry Summers has pointed out, today one in five American men aged between their mid-twenties and their mid-fifties are out of work; in the 1960’s 95 per cent were in employment.

But even the subtlest of flirtations with protectionist rhetoric is dangerous. The truth is protectionist policies will do nothing to help Western recovery. Most importantly, short-term thinking can only cause lasting damage to the very commercial and cultural relationships on which our collective future now depends.

So how can we work together to meet the challenges of our changing multi-polar world?
First, one of the stark lessons of the twentieth century is that there is no acceptable alternative to a market-based approach to development. It is an approach which has already lifted hundreds of millions of people out of poverty in countries like China and India. Yet now the working age population of the developing world exceeds three billion, and it will increase by another billion over the coming generation. One of the great opportunities that we have as business leaders and individuals in the 21st century is to extend the benefits of economic development to many more who have been hitherto marginalised.

Second, by harnessing technology we will be able to connect emerging economies to global trade networks, even when physical infrastructures are underdeveloped. This will transform not only the way we bank but how we transact in a whole host of ways: who needs fixed-line phones, when China Mobile’s customer base stands at half a billion and India is about to reach the same number? We also need to think about what the dynamism and entrepreneurialism of emerging markets will mean for us in the West. Inventions borne of necessity – and poverty – are unlocking their mass market, challenging Western market dominance and Western thinking. In India, Tata Motors have launched a car for just two thousand dollars. The US and Europe can take advantage of that innovation too.

Third, and perhaps most important of all, we need to recalibrate our Western mindset. We can no longer afford to think in “zero-sum” terms. Instead of winners and losers we must look at where the opportunities lie and work collaboratively to achieve them. It is becoming clearer to those of us in financial centres like London and New York, that Hong Kong and Singapore are now global leaders too, and there are sure to be others close behind. Helping emerging countries to develop their capital markets is just one way we can deepen our relationships and build a mutually beneficent, sustainable future.

During this time of great demographic and economic change, fresh thinking, international cooperation and the sharing of expertise between industry, governments and society is needed as never before. Indeed, it is the only means by which we can hope to deliver sustainable value; social and economic development; and increased prosperity. This will take time and it will not always be easy.

The far reaching changes in international relationships - and society all over the world - are not just a phenomenon of commerce and economics, they also touch on our ideas, culture and heritage – concepts far more profound, which reach deep into the roots of human self-definition. It is through this interplay of culture that we can begin to build mutual trust and understanding. And I believe that one of the most exciting manifestations of the world’s growing interconnectedness is that of cultural exchange.

I recently read a valedictory article by Madam Fu Ying, the very respected Chinese Ambassador to the UK. Having studied English literature at school in China, she wrote about how she had spent many happy hours visiting Jane Austen’s City of Bath and Wordsworth’s Lake District. It reminded me that more often than we realise, there is more which brings us together than separates us. And that is a good starting point for us all as we chart our course in a fast-changing world.