Drivers of New Global Growth

27 September 2008

Even though the turmoil in the global financial markets had broken only weeks earlier, participants in the Annual Meeting of the New Champions 2008 agreed that the downturn offered many opportunities, many of them Chinese in the making.

For it is in China and other emerging markets where current account surpluses, large foreign exchange reserves and big populations with bulging middle classes are fuelling an economic dynamism that is creating a new cast of agile players able to capitalize on current conditions to go global.

Even the most pessimistic forecasts for global growth still include robust projections for China, India, the Gulf, Brazil and Russia. Growth companies there, or that invest there, are in a good position to weather the storm. Smaller companies that have avoided relying on debt, moreover, can take advantage of the turmoil to open new markets and seize a bigger slice of existing ones.

Concluded Jack Ma Yun, Chairman and Chief Executive Officer of China's Alibaba Group: "These days everybody worries about things, but there are a lot of opportunities." Global Growth Companies are typically adept at pursuing opportunities.

According to a study by consulting group AT Kearney, companies from developing countries including China, India, Malaysia, Russia, the United Arab Emirates and South Africa concluded 19% of the M&A transactions - 421 out of 2,168 deals - between developed nations and developing countries in 2007.

But in the current climate, even the deal-making zeal of the New Champions will be severely tested. Much of the spectacular growth in emerging markets in the past seven years has been the result of unprecedented amounts of cheap capital.

The days of easy money and conspicuous consumption are over, at least in the US. "We've got to get used to living in a slower growth environment where the emphasis is not on the quantity and speed but the quality and balance of economic growth," said Stephen Roach, Chairman, Asia, at Morgan Stanley in Hong Kong.

The ability of the American consumer to keep borrowing to buy imported goods has been crippled, perhaps permanently. "There will be great consequences for other nations who like to sell things to Americans that they don't need and can't afford," reckoned Roach.
