

# SNAP Session



A10

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## Transition of Economic Power

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# Where next? ... in the transition of economic power



Accelerating success.

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Dr Walter Boettcher, Research & Forecasting

This does not happen every day . . .



Neither does this . . .



Two-year target for deal ● Obama revives idea ● Boost to jobs and growth

# US and EU set deadline for 'game-changing' trade pact

By Joshua Chaffin in Brussels  
and James Politi in Washington

The EU and the US yesterday vowed to complete talks on a new trade agreement within two years, outlining an ambitious timeline for a project that boasts huge commercial potential but is rife with complications.

The idea for a pact between the two trading powers, touted by President Barack Obama during his State of the Union address on Tuesday, has been discussed for decades. But US and European politicians are now desperate to present voters with tangible plans to revive growth and create jobs, while forging a united front in the face of competition from China and other emerging markets.

José Manuel Barroso, European Commission president, described an agreement uniting two trading partners that account for nearly half of world economic output as "a game-changer".

"Together, we will form the largest trade zone in the world ... It is a boost to our economies that does not cost a cent of taxpayer money," he said.

Michael Froman, who advises Mr Obama on international economic policy, said: "This could





# What is Europe's role?



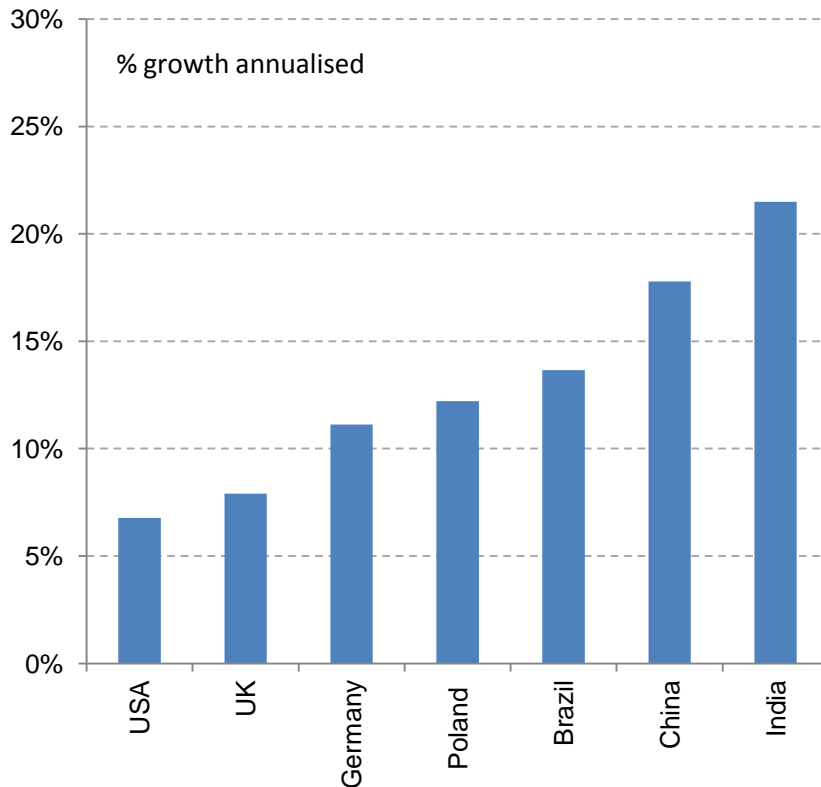
# Agenda: three basic messages

- The world market is getting bigger  
... and smaller!
- Labour arbitrage is gone
- Property solutions need to build in  
flexibility



# The world is getting bigger . . .

**Commercial Services Export Growth  
(2000 to 2011)**



World Trade Organisation

- Phenomenal growth of service exports in emerging markets (BPO impact)
- Companies are beginning to return BPO to home markets
- This has slowed the rate of growth, not reversed it



# Suppliers are increasingly competitors



## Samsung China Factory Audits Find No Child Labour

Samsung says factory audits find labour violations, but no under-age workers

On November 26, 2012 by Steve McCaskill 0

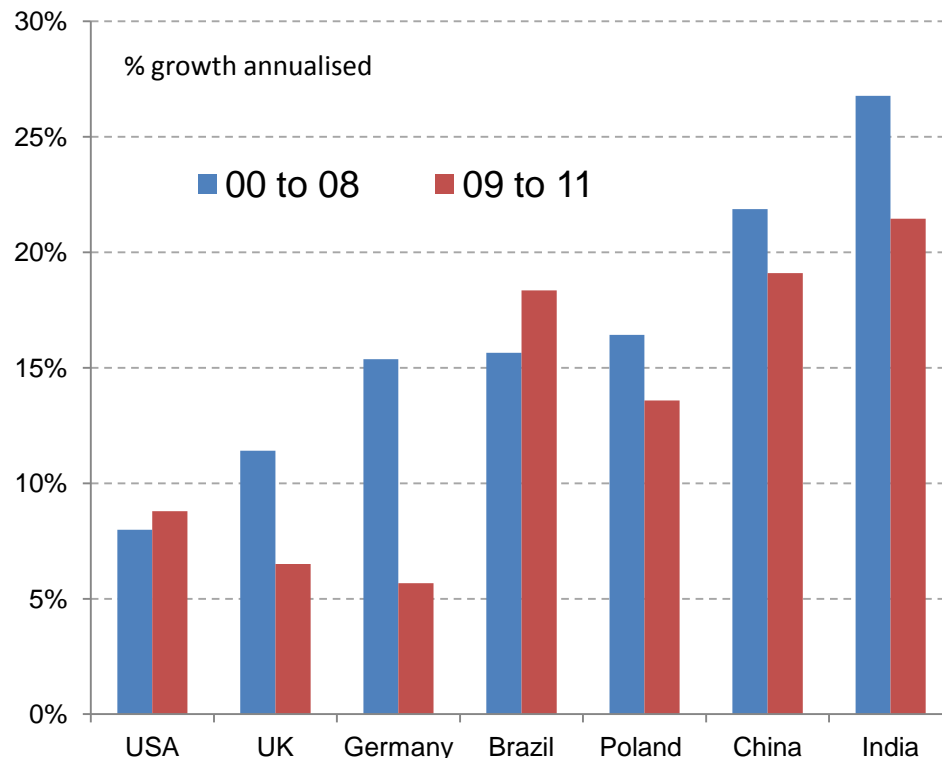
Samsung has said an audit of 104 of its suppliers in China has revealed a number of labour violations, including overtime in excess of local laws as well as fines for being late or absent from work, but no evidence of child labour.



In response to suicides, Foxconn installed prevention nets at some of its dormitories. Getty Images

# Re-shoring has slowed growth marginally

## Commercial Services Exports Growth



Source: WTO

- Re-shoring has become increasingly popular (politics, economics)
- But rate of growth still greatly exceeds developed markets
- The world market is getting bigger

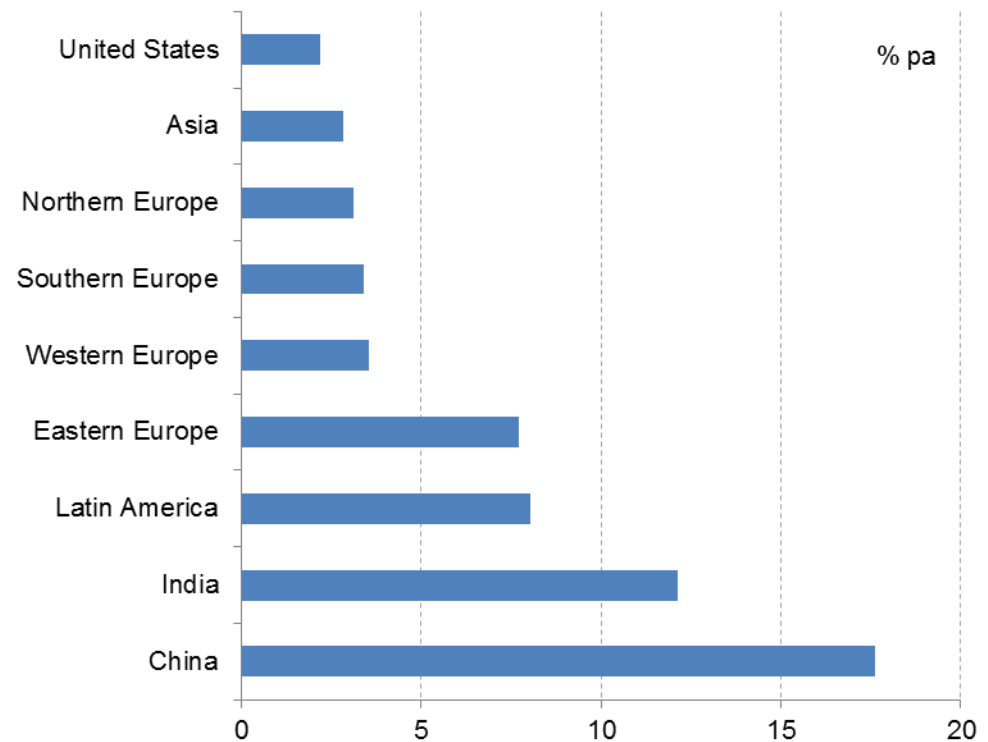
# Second key point: labour arbitrage is gone

- **Labour cost arbitrage**

- Skilled labour absorbed locally
- Labour turnover high, quality down
- Labour cost as % of total costs falling
- Automation impacting
- Home labour flexibility



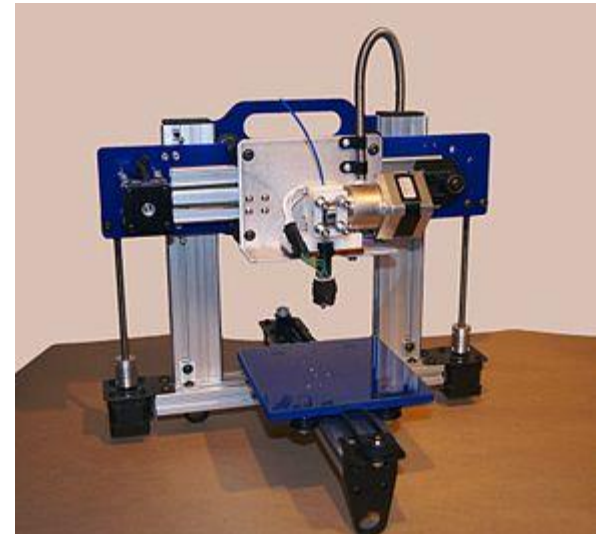
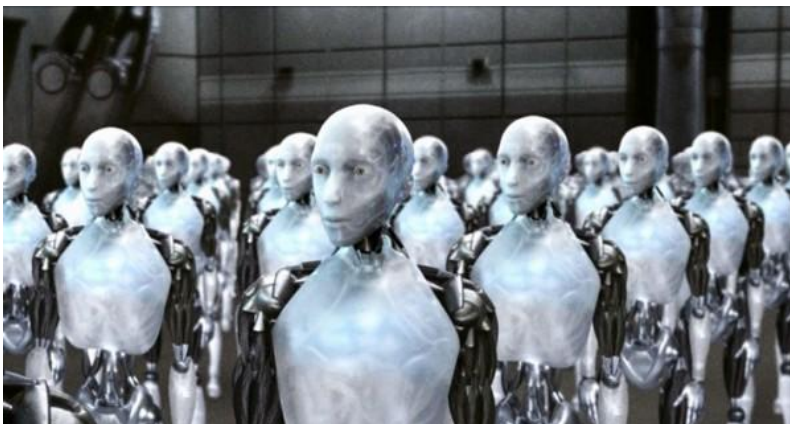
Hourly compensation costs manufacturing, 2008



Source: US Bureau of Labor Statistics, 2012

# Technology changing labour input

- 3D printing is revolutionising product design
- Robot prices (\$22k) have fallen by 40 to 50% in comparison to labour costs in advanced economies
- Parametric technology, nano technology, DNA data storage
- Workforce 'upskilling' required
- Workspace redefinition required



3D Printed Shoes by Andreia Shaves

# Distance from market also a problem

- Market response times increasingly important
- Cost of transport
- R & D production synergies crucial

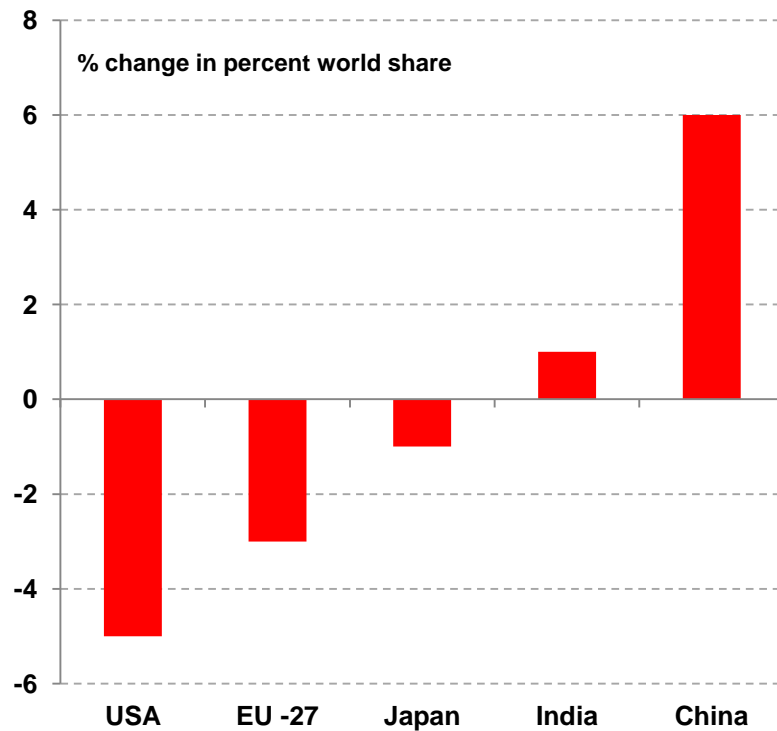


ZARA needs of response time of six weeks or less to respond to new fashion demands.



# Energy technologies are also impacting

Change in World Resource Import Share  
2005 to 2011



Source: WTO, 2012

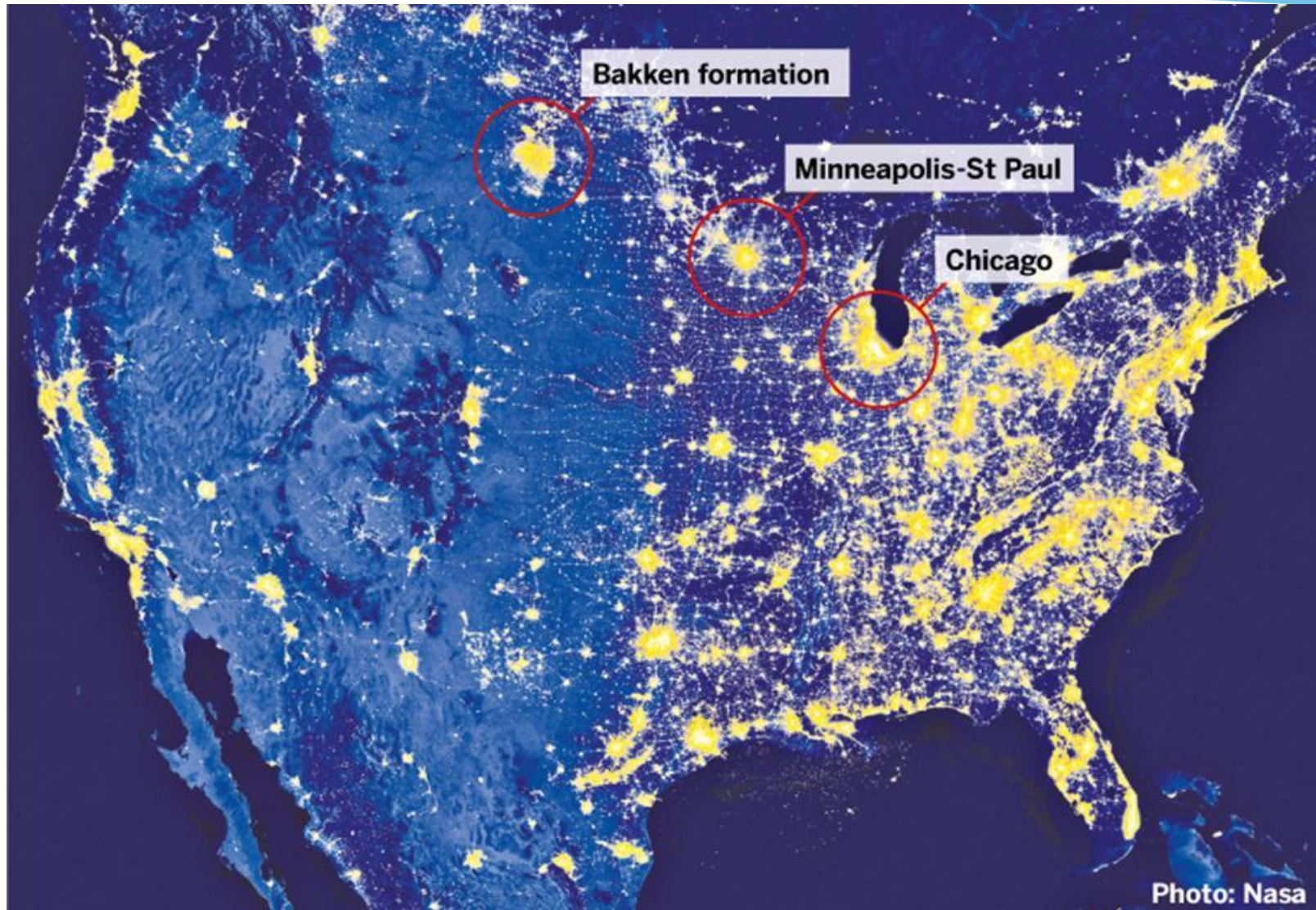
- Energy costs are changing the equation fundamentally



Hydraulic fracturing



# Shale-gas revolution will redefine trade relationships



- The world market is getting bigger . . . and more connected . . . and politicised
- International labour arbitrage is gone
- New technologies are redefining working practices
- Property solutions must build in flexibility



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