

Think

new things

Make

new connections

Terms of Reference

**What does geopolitics
today mean for
business tomorrow?**

21-23 April 2023

DITCHILLY

What does geopolitics today mean for business tomorrow?

How can we achieve resumed global growth in contested times? Can China ever be again the driver for growth it once was as geopolitical competition becomes sharper? What does today's world of competition mean for companies spanning borders and their leadership and role in society?

Global growth was sharply interrupted by the pandemic and, in response, governments around the world doubled down on the stimulus packages shaped to foster recovery after the great financial crisis of 2008. Now, the post-pandemic recovery has been interrupted in turn by the need to fight inflation. Some argue that the root cause of inflation is too much stimulus for too long. Others emphasise the sharp shock to the global economy from Russia's war on Ukraine and the resulting energy and food crises. Almost all agree, however, that controlling inflation must remain the priority until the job is done.

When inflation stabilises, we will all want economic growth back as quickly as possible to help ease government finances, to offer succour to hard-pressed citizens, and to build future prosperity. Where will it come from? What might stand in its way? How might it have to be different to growth in the past?

This Ditchley conference will bring together transatlantic leaders across business, government, national security, the media and civil society to discuss these issues at a private gathering at the Greentree estate on Long Island, New York.

Context and questions

One of the major drivers of growth in the last twenty years has been China and, despite the geopolitical noise on both sides, overall trade with China continues to grow. But it is not at all certain that China will remain the engine of growth it has been, or that economic China will remain so open to western companies. Some headwinds will flow from western restrictions on the export of sensitive technologies, as with the recent CHIPS Act (Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022) banning the export of the most advanced chip technologies for AI. Other barriers to trade may come, however, from China itself in its pursuit of "dual circulation" and prioritisation of social cohesion above growth. And, of course, the picture could also be changed decisively by a conflict with Taiwan.

Will China continue to rely on the West for the most advanced products or be forced to turn to domestic alternatives? Does China have any choice but to use western dominated financial systems that could be turned against it and what would the impact of financial fragmentation on financial services? Will the Chinese leadership continue to allow Chinese businesses to invest abroad at the same level? Will economic pragmatism continue to outweigh ideological purity and will western business leaders still be welcome in China? How should western companies approach China in the years ahead and how do we build a cohesive approach across the Atlantic and with the Indo-Pacific democracies, that gives business a level playing field?

The implementation of technologies – automation, AI, cyber security resilience and sustainable energy – are going to be critical to the increases in productivity that will deliver growth. Chinese companies are going to choose Chinese versions of these technologies and American companies are going to choose American versions. But what are the choices for

the rest of the world in sourcing technology? Will companies have to choose one camp or the other? What are the options open to Europe, in particular, and how will this play out with legislation such as the Inflation Reduction Act on the American side, seen as protectionist by Europe, and possible carbon border adjustment taxes and technology market regulation on the European side, seen as protectionist by the US? Will there be a flight of American companies from Europe as some are predicting? Will European markets remain open to the US and vice versa, or do we risk a trade war between allies?

More broadly on technology, a more contested geopolitical world coincides with a fast acceleration in the automation of white-collar work, with large language model AI being deployed at speed in the market. Will these new technologies deliver more growth in aggregation across the economy or less? What will happen to the job market in the short- to medium-term, and what impact will that have on growth?

A third major change is underway on energy, driven by climate change concerns on the one hand and rocketing energy prices on the other, due to general inflation catalysed by the war in Ukraine. How soon will the increased short-term demand for fossil fuels in response to the current energy crisis be replaced by bolder and faster innovation and investment on alternative energy sources? Can the race to renewable become a driver itself of growth as often claimed?

If Chinese growth is faltering then what of the rest of the Indo-Pacific, Latin America and Africa as new sources of growth? Can African entrepreneurialism break free from the friction imposed by poor levels of governance in many countries? How can the industrialised countries, and especially the private sector, best seed and support growth in the developing world?

What will all these pressures do to how companies define and present themselves and the nature of private sector leadership as CEOs confront a need for faster decision making, combined with increasing uncertainty? Will all companies of size begin to feel pressure to be national or at least western champions? How can companies best cope with fragmenting and sometimes incompatible regulatory demands from different jurisdictions? Will companies have to define themselves as democratic, in a similar way to defining themselves as environmentally, socially and governmentally sound over the last few years? How will these changes impact on company leadership and how companies measure their performance, in addition to growth? What will happen to the trend for stakeholder capitalism and the ESG agenda and to its counterpart, the backlash on the right against “woke capitalism”?

For the middle part of the conference, we will split into three working groups to explore these issues in more detail from three perspectives, with the aim of reaching useful insights and recommendations for policy makers and private sector leaders.

Working Group A: China and global growth

In terms of the impact of geopolitics on business, Working Group A will consider issues affecting China and its role in the global economy. Can China remain the driver of global growth it has been for the last 20 years? What will be the wider impacts from China’s recovery from Covid and from Chinese efforts to achieve greater economic self-reliance, and autonomy in the realm of science and technology? Intensified geopolitical competition

continues to impact, for example, the future of financial services in China and western attitudes to Chinese tech companies. What, for example, will be the effects of western restrictions, particularly the CHIPS Act, on sensitive technologies? There is also a growing awareness on the part of western business and governments of the need for much better digital security and the risks posed by Chinese-made technologies and social media platforms. What is the fallout for global business from China's position in relation to Russia and what risk mitigations are in place to deal with any increased support for Russia or a regional conflict with Taiwan? How should western companies now approach China and what is the likelihood of a more cohesive approach across the Atlantic and with the Indo-Pacific democracies to support a level playing field for business?

Working Group B: Technology and productivity

Working Group B will consider the implication of technologies – automation, AI including generative AI and foundation models, cyber security resilience and sustainable energy – for increases in productivity and growth. How will the implementation of these technologies play out? What are the geopolitical factors at work and what will these mean for business, for example the decisions made for the regulation of AI and data uses? In procuring technologies, will there be a geopolitically determined 'choice' between Chinese and American technologies? What will these different options mean for business within US and Chinese spheres of geographic influence and, for example, entrepreneurship in Africa? How will European business navigate the Inflation Reduction Act in the US and how will American business respond to carbon border adjustment taxes and technology market regulation on the European side? Will European markets remain open to the US and vice versa, or do we risk a trade war between allies? A more contested geopolitical world coincides not only with a fast acceleration in the automation of white-collar work (for example with large language model AI) but also innovation in a range of energy transition technologies. Will these new technologies deliver more growth overall across economies or less?

Working Group C: Finance and energy transitions

Working Group C will consider the impacts for business of the energy transition and the finance packages designed to support it. Initially driven by the imperative to meet emission reduction targets, the energy transition has been accelerated by the dramatic increase in energy prices as a result of war in Ukraine. There is instability in oil and gas markets and a short-term return to fossil fuels. Longer term, how will state-led investment in energy transitions (with the Inflation Reduction Act and the EU's green tech financing), play out in the global economy and what are the implications for business? Has the shock to energy supplies created a new push for investment in alternative sources or is geopolitics holding back new investment by energy companies? Can the race to renewables itself become a driver of growth and, if so, where? What opportunities are there for the Indo-Pacific, Latin America and Africa as new sources of growth, especially in the light of the value of the rare earth metals needed for many of the energy transition and for digital technologies?