

ICI VIEWPOINTS

MAY 21, 2014

Headlining ICI's GMM, Blair Talks of Tough Challenges, Vast Opportunities

By Rob Elson

Challenges abound in our increasingly global world, said Tony Blair, former prime minister of the United Kingdom. Yet our future could be brighter than ever, he insisted.

Blair's stirring words came during a keynote speech at ICI's 56th General Membership Meeting (GMM). After his opening remarks, Blair sat down with ICI Chairman Bill McNabb, Chairman and CEO of The Vanguard Group, to discuss a range of issues. The session headlined the three-day meeting, which began yesterday in Washington, DC.

Major Challenges

"A strong West equals a safer world," Blair said, noting that there is still much work to do. The former prime minister said that he believes the three greatest challenges facing the free world today are economic and political reform, changing geopolitics, and global security.

The pressing need for reform is not a "left/right" issue, he said, but one driven by change that affects both sides of the political spectrum. Countries must adapt their political and economic systems because the world around them has changed. For example, he said, "Europe needed reform regardless of whether the financial crisis had occurred. It's only that the crisis exposed that need."

The single biggest geopolitical change, he said, will be China's continued growth as the 21st century progresses. "We should no longer debate about China rising; China has risen," Blair said flatly. Because the implications will be vast, the West must partner with China on issues surrounding the global economy, the environment, and security, particularly around North Korea.

Finally, Blair explained, the greatest challenge to global security is the rise of radical Islamism. It's "huge, growing, and has to be, at some point, confronted," Blair said. The challenge is to make sure that extremists move toward religious tolerance and open-minded, connected societies—and away from reactionary ideology based on a singular view or religion.

An "Instinctive Anxiety"

Blair's lively Q&A with McNabb touched on a number of issues, including the financial crisis, leadership lessons learned as prime minister, and how globalization is changing the relationship between the developed and the developing world.

Regarding the crisis, Blair noted that today, "we're in much better shape than we might have been," though he has an "instinctive anxiety" about the "weight and nature" of regulation in the financial sector. "A strong economy depends heavily on a strong financial sector," he stressed, "but if we're not careful, we're going to flatten some of that with what we've done."

McNabb noted his concern that many of the proposed solutions to the crisis have been less structural and more focused on regulation—as if officials and policymakers are looking back, when they should be looking forward.

Blair agreed. One problem with regulation, he said, is that sometimes it focuses on the previous problem, when future problems will almost certainly be different.

If you are going to regulate a highly complex sector like financial services, he said, "you've got to do it in partnership with the sector."

The problem with some regulators' reactions to the crisis, he explained, was a failure to understand the financial sector and the complex interplay of financial instruments involved. Regulators, he said, have to work in partnership with the financial sector to protect against future risk.

Opportunities in Africa—and Elsewhere

Difficult as the many global challenges are—for the fund industry and in general—the former prime minister finds hope in Africa, long a struggling region and home to many of the world's poorest countries. The middle class is expected to double, he said, and the number of people dying from deadly diseases has dropped dramatically.

Africa's success is expected only to continue over the next decade. Blair pointed out that investment in the continent is at record levels, with foreign direct investment exceeding aid for the first time in 2012—a trend that's expected to continue. The fund industry is more active there now than it ever has been, he added.

Blair noted that the big opportunity he sees in his visits to Africa and across the developing world involves values held in the developing world. These values, he said, aren't Western—they're universal. "The life we take for granted in our countries, is the life they aspire to in theirs," he stressed. "When people have the freedom to choose, they choose freedom."

If the developed world can reform its economies and systems to keep up with changing times, it will be better able to spread that reform across the world. "For all the challenges," Blair said, "that's what gives me hope for the future and makes me believe that we'll have the leadership and courage to overcome the challenges and succeed in future generations."

Blair comes by this optimism honestly. In wrapping up the discussion with McNabb, he said his father gave him the best advice about his career: "Go out with a strong sense of purpose in your life. Time passes very quickly, so it's best to live every day of it with a sense of purpose and a desire to help others."

Rob Elson is senior writer/editor at ICI.