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Filling the Values Vacuum

The Role of Western Business in Emerging Markets

By James P. Cain, U.S. Ambassador (Ret.)



Dubai markets itself as the place where “the developed world and the emerging world meet”. Judging by the diversity amongst the almost 500,000 visitors to the Dubai Mall one recent April Saturday, the label appears to fit. Teeming with Asians, Indians, Eastern and Western Europeans, West Africans, neighbors from the Gulf and even a few Americans, the mostly under-30 crowds displayed the commercial frenzy that has been in short supply in the West in recent years. Exploring the ground level of the Mall, just across from the famous Dubai fountains and the 163-story Burj Khalifa, I was delighted to discover that the most popular and packed restaurant concept did not showcase a Mediterranean, Italian, or French moniker but a uniquely American one—Texas Roadhouse. Hand-cut steaks, Texas-size rib combos, and country dinners filled patron’s plates while the line-dancing wait staff that propelled this Kentucky-based chain to popularity in the U.S. a few years ago delighted hungry customers this April afternoon.

As growth, urbanization, and megacity development proceed in Asia, Latin America, the former Soviet states, the Middle East and even Africa, Western consumer and retail brands are being met with surprisingly robust popularity. At the recent Gulf Food show not far from the Dubai Mall, a medium-sized U.S. company was awarded “World’s Best New Halal Food”.

There is an immensely important lesson here: as Western governments curb spending on foreign aid, development assistance and commercial programs, a “values vacuum” is developing into which institutions, cultures and governments are stepping to promote

their own ideologies and cultural values, or lack thereof. Already the largest trading partner in many South American countries, China built and paid for a \$105 million soccer stadium in Costa Rica, but only after government officials waived the country’s tough labor laws. Russian companies are gobbling up natural resources in Africa as well as energy, infrastructure and telecommunications assets in Ukraine and Kazakhstan. With influence from Venezuela and its ally Iran, the newly formed “Community of Latin American and Caribbean States” proudly excludes America and Canada.

Western governments, withdrawing from programmatic engagement just as economies in emerging markets are expanding, have an army of natural allies that can step into the vacuum: small- and medium-sized enterprises (SMEs). While multinational corporations have been at this for a generation, Western SMEs are just discovering the global opportunities for their brands and products. European SMEs are generally better at this than their North American counterparts. Go into any high street or shopping mall in Singapore, Sao Paulo or Dubai, and European fashion, retail and food and beverage brands far outweigh the number of American ones. American companies, and the economies they are a part of, need the growth that such markets can provide. But there is an equally important reason for SMEs to expand into these markets: Western commercial enterprises, just like the governments they stand in for, exude values that are critically needed to compete against socialistic, authoritarian and religiously based ideologies prevalent in many emerging markets. Whether built on the tenants of extremist



religion, Chairman Mao or post-Soviet autocracy, these ideologies rarely promote notions of transparency, rule of law, free expression, equality of opportunity, education for the masses, or private-sector growth.

The United Arab Emirates is America's largest export market in the Arab world. America's veteran diplomat there, Ambassador Michael Corbin, is a strong advocate of "commercial diplomacy"; aggressively pushing American SMEs to come to the region. "Although our competitors can often undercut us in terms of price, they don't generally provide the training, transfer of systems and processes, targeted innovation, long-term support, corporate social responsibility programs and willingness to invest in partnership building." These are hallmarks of American business, Ambassador Corbin notes, and they bring the right values to emerging markets.

The promotion of small business opportunity, with its concomitant focus on entrepreneurship, innovation and personal responsibility, needs to be a central theme of our Foreign policy. Like Ambassador Corbin, others in our professional diplomatic corps understand this. U.S. Mission Nigeria, led by Ambassador Terrence McCulley, recently helped a Massachusetts-based company obtain a contract to develop Nigeria's first biometric driver's license and identity card system. These efforts, and others like them within the State Department, need to be applauded and encouraged. The promotion of this "American Spirit", even through the private commercial sector rather than official diplomatic channels, is the West's best bulwark against competing ideologies; ideologies whose promoters appear these days to be better funded than the West's.

Rather than complain of "outsourcing", punish companies who invest abroad, or delay regional free trade agreements, our tax and trade policies should

provide incentives for SMEs who export the West's values to foreign shores. Firms that prosper in emerging markets help the home front prosper—creating wealth, opportunity and jobs. And they also help fill that important values vacuum.



Ambassador James P. Cain served as U.S. Ambassador to Denmark from 2005 to 2009. Through Cain Global Partners, LLC where he is Managing Partner, and the law firm Kilpatrick Townsend and Stockton, LLP where he is Counsel, Ambassador Cain now provides legal and strategic assistance for firms expanding into emerging markets.