



THE TIMES THEY ARE A-CHANGIN'

Demise of the hub-spokes world economy: the 21st century great global business paradigm shift

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Emirates Airlines run daily non-stop flights from Shanghai and Beijing to Dubai. Soon it will be inaugurating a non-stop flight between Dubai and Sao Paulo. It will then be possible for Brazilian and Chinese business executives (and others, e.g. government officials, students, tourists and honeymooners) to fly between their two countries without the hitherto obligatory stop-over in either Frankfurt (Europe) or Los Angeles (US). Regular direct flights from Dhaka, Karachi, Mumbai and Colombo to Dubai also secure the dynamic and ever stronger link between the economies of the Gulf and the economies of the Indian sub-continent. Arab businessmen will be flying to all these destinations as an ever increasing flow of goods, capital and ideas link the four regions: Greater China, South Asia, South America and the Middle East.

The fastest growing world economies

The economic ties and business networks across Asia are being developed and discussed in the recently inaugurated Indian-Arab and Chinese-Arab CEO annual summits, convened by the UAE based forum Moutamarat. This reflects, among other things, the fact that China, India and the states of the Gulf Cooperation Council are the three fastest growing world economies. The recent increasingly growing business ties between and across the three Asian regions (West, South and East) have been described as the New Silk Road.

While the trans-Asian connection – which increasingly also encompasses Central Asia within its growing orbit – is the most important economic story of the first decade of the 21st century, it is by no means the only one. In October 2006, Beijing hosted the first China-Africa Summit, a very grand affair that brought to the Chinese capital over 50 African heads of state. China is by far Africa's fastest growing trade and investment partner; with India also increasingly active. This trend has been described in a publication by Harry Broadman of the World Bank as "Africa's Silk Road: China and India's New Economic Frontier". At a policy level, the new relationship between the three continents of the "developing world", Africa, Asia and Latin America, was reflected in the establishment of the G-20 during the Cancún WTO ministerial meeting in September 2003; led by Brazil, India, China and South Africa. The G-20 is the first developing world trade alliance to counter the hitherto overbearing authority of the "Quad" (the US, the EU, Japan and Canada).

The new paradigm

All these trends are indicative of the terminal demise of the 20th century global hub-and-spokes business paradigm, whereby the OECD countries represented the hub, and the different parts of the developing world the spokes. The new paradigm, though not yet entirely clear, is one of growing axes of trade, investment and knowledge across the erstwhile spokes. Economic ties are spawning more political and cultural connections.

By no means should one infer that the old industrialized nations are “finished”. The US, EU, Japan, Australia, Switzerland and Norway remain extremely rich in material wealth, as well as in knowledge. But, in the words of Bob Dylan, “the times they are a-changin’”, and both the demise of the hub-and-spoke and the rise of the new global axes of business development are inexorable.

The need to adjust

These developments will have immense implications across virtually every dimension one can think of. Western policy makers and business leaders will need to adjust. This requires changing both mindsets and organizational structures. The “typical” Western multinational enterprise that runs its business empire from a Western hub, with the developing world compartmentalized into regional spokes – Africa, Middle East, Latin America, South Asia, Asia Pacific, etc. – is unlikely to capture the ethos of the new age and therefore ultimately will lose out on the business being created.

The influential and highly respected economics editor of the Financial Times, Martin Wolf, wrote in a 2005 article: “The economic rise of Asia’s giants is the most important story of our age. It heralds the end, in the not too distant future, of as much as five centuries of domination by the Europeans and their colonial offshoots.” (“Asia’s giants on the move”, February 23, 2005). The rise of the European seaborne empires in the late 15th century spelt the end of the Silk Road, as its merchants and societies stayed confined in their resolute ways and mindsets and thereby failed to respond to the new competition and technologies or to adapt to the changing times.

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The Western multinational corporation of the 21st century in order to survive, let alone thrive, will need to reflect these new realities, in terms of organization, management, culture and manpower. It cannot be over-emphasized that this is going to be extremely difficult, especially in respect to culture and mindsets. But there is no real choice, apart from extinction.

Business leaders might be inspired by what Bob Dylan had to say:

- Admit that the waters around you have grown
- And accept it that soon you'll be drenched to the bone
- Then you better start swimmin' or you'll sink like a stone
- For the times they are a-changin'

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