

From left:

**KIN WAH LOH**

President and CEO, Qimonda AG (QI)

Headquarters: Munich, Germany

No. of countries:\* 8

Nondomestic sales:† 93 percent

*Qimonda produces dynamic random access memory (DRAM) chips for electronic devices.*

**JOHN MCMAHON**

CEO, Genesis Lease Ltd. (GLS)

Headquarters: Westpark Shannon, County Clare, Ireland

No. of countries: 18

Nondomestic sales: 88 percent

*Genesis Lease acquires and leases high-utility commercial jet aircraft to passenger and cargo airlines.*

**SOEREN FERRÉ**

CEO, AerCap Group Services BV, part of AerCap Holdings NV (AER)

Headquarters: Schiphol Airport, The Netherlands

No. of countries: 50+

Nondomestic sales: 100 percent

*AerCap leases and sells aircraft and engines to more than 100 commercial airlines.*

**JEAN-LUC BÉLINGARD**

Chairman and CEO, Ipsen (Euronext: IPN)

Headquarters: Paris, France

No. of countries: 100

Nondomestic sales: 68 percent

*Ipsen develops pharmaceuticals that target cancer and endocrine and neuromuscular disorders.*

**JOHN COUSTAS**

President and CEO, Danaos Corp. (DAC)

Headquarters: Piraeus, Greece

No. of countries: 5

Nondomestic sales: 100 percent

*Danaos, a leading international owner of containerhips, charters vessels to liner companies.*

**GERRY WANG**

CEO, Seaspan Corp. (SSW)

Headquarters: Hong Kong

No. of countries: 5

Nondomestic sales: 100 percent

*Seaspan is a container-ship owner that provides containerhips on long-term charter to container liner companies.*

# new territory

As globalization introduces new competitors and customers, CEOs hope for even more collaboration among companies, countries and markets.



**ART MOORADIAN**  
Moderator

Dow Jones  
Paris Bureau Chief

\*COUNTRIES WHERE THE COMPANY HAS A SALES, MARKETING OR PRODUCTION PRESENCE

† SALES GENERATED OUTSIDE OF THE AREA WHERE THE COMPANY'S HEADQUARTERS IS LOCATED



IN THIS YEAR'S NYSE EURONEXT CEO REPORT (see p. 13), leaders describe the emergence of a global marketplace and expanding opportunities for companies. At *nyse magazine's* first roundtable held outside the U.S., six CEOs gathered at NYSE Euronext's Paris headquarters to discuss how globalization has changed the marketplace, intensified business competition and made government policies even more important.

*How is globalization fundamentally affecting business operations?*

**GERRY WANG** First, whether you like it or not, you have new competitors. Second, customer bases are changing. We're witnessing the emergence of a new type of consumer in the new global market. Take China, for example. Seven years ago, the fixed-line phone was dominant. Today 330 million mobile phones are sold every year in China. The lifestyle is different. Finally, talent becomes even more crucial and even harder to get hold of.

**JOHN MCMAHON** While there are many social and cultural differences across the globe, the fundamentals

of competition are the same everywhere: adding more value or being faster or cheaper or possessing some other differentiating factor.

**JOHN COUSTAS** Shipping was probably the first truly global business. We always had global competition with the Japanese, the Chinese, Europeans, Americans, Brazilians. When competition is global, you have to distinguish yourself. At Ipsen, Jean-Luc, you focus on product differentiation. Our form of product differentiation is to increase the quality of the service we provide. We want a liner company to come to us not because we are the cheapest but because we offer better service.

PHOTOGRAPHS  
BY ERIC FLOGNY

SCENERY ILLUSTRATION  
BY JOHN PIRMAN



Globalization does create pressure in terms of cost differences in various countries. If you want European companies, for example, to survive globalization, you have to be extremely liberal in terms of the labor laws. If the labor you're using doesn't have any add-on value for your service or product quality, in the long run you're going to lose. You must be able to use the good, expensive talent where it makes sense.

**JEAN-LUC BÉLINGARD** Health care is a global business that's highly regulated, and most regulations are nation-specific. But on the whole, major innovations transcend borders. Low cost is a fundamental element of globalization. But the notion of value is global. A company must determine its global value proposition and then organize to foster the expression of that notion, which may not be low cost.

**MCMAHON** You're absolutely right. You can be competitive on any number of bases, but those bases almost invariably include some differentiating factor: smarter, more value, faster, cheaper, better location and so forth. Points of differentiation are the fundamentals of competition, irrespective of where you find it.

**WANG** Globalization makes the world smaller for producers and consumers, not in a physical way, but through infrastructure. Goods produced, say, in China are brought to consumers in the U.S. and Europe through a network of infrastructure. It's important to recognize that the proper infrastructure for globalization requires billions of dollars. We can talk about technology, cost and competition, but at the end of the day, if you don't have the infrastructure, globalization won't go anywhere. Container shipping is the link connecting producers with consumers; it creates an ocean highway.

**SOEREN FERRÉ** If anything, globalization helps AerCap develop and actually fits well within our strategy as global lessor. Aircraft are assets that can be relocated easily; when one of our customers returns an aircraft or when a part of the world is reducing capacity — as North America is now — or disposing of types of aircraft that do not fit the country's stage of development, globalization is what enables us to remarket aircraft elsewhere more easily.



**“You can be competitive on any number of bases, but those bases almost invariably include some differentiating factor.”**

**JOHN MCMAHON** Genesis Lease Ltd.

**KIN WAH LOH** In the semiconductor industry, national interests still create tremendous barriers because of, for example, different design tastes, standards and labor laws. I agree that for consumable goods and assets to move, you need infrastructure. We can fly our chips around the world, but without really connecting consumers everywhere to the goods, there's no true globalization. You can't simply transport products around the world and expect globalization to occur.

*Has globalization made your industries more competitive?*

**COUSTAS** The shipping market is so big that if something is good for Danaos, it will also be good for other companies in our industry, like Seaspan.

**WANG** Yes, Danaos and Seaspan will do business in the same space for many years. The container business has grown on average about 10 percent per year over the past 15 years, and it's projected to grow at the

same rate. There's no dominant player in the \$250 billion shipping market. We're all market takers, so we don't really have too much concern about competition, and we can develop close relationships.

**LOH** The semiconductor business is a bit different. If two competitors were sitting here, we'd have a lawyer beside us. I just came back from a world semiconductor conference in Taiwan. Before any talking could begin, the lawyers spelled out the limits of discussion concerning, for example, civil rights of the consumer and price-fixing.

*But will globalization make more collaboration in all industries necessary?*

**FERRÉ** When the aircraft-leasing business started, it mostly was run out of the U.S., Japan, Australia and Europe (primarily in Ireland). But over the past couple of years, as economies in the Middle East and Asia, particularly in China, have grown, a number of new players have entered the market.

That is bringing more capital to invest in aircraft leasing, and the lease market benefits from it. We are following these developments through collaborations. AerCap has entered into joint ventures with companies in emerging markets, such as Kuwait and China. These collaborations bring us additional local expertise and can trigger opportunities for trading and funding.

**WANG** When you think about collaboration, keep in mind the notion of owning the steel versus operating the steel. We're seeing a lot of specialization occurring in both the aircraft-leasing and containership businesses. Seaspan has very specialized capabilities, and we're good at what we do. Other companies realize this, so you notice a separation between owning and operating that will only intensify as globalization continues, requiring more cooperation among companies in different industries.

**MCMAHON** The benefits of leasing are not unique to aircraft or ships. They apply to all high-capital-value assets where the disciplines associated with making returns from ownership of the asset are different from those necessary to make a return from operating the asset. For example, most hotel chains don't own their buildings; they operate a business out of them. It's often a specialized property investor that owns the property. Similarly, airlines sell seat capacity on a route network. They do not necessarily need to own the aircraft to do that. An aircraft-leasing company makes its money from distributing aircraft to where they are most needed.

**BÉLINGARD** Ipsen's business model is different because we're in the product, not service, business, so we focus much more on a value creation portfolio of products rather than collaborating in a service arena. We are fully integrated: We discover, manufacture and sell. Our entire business model is about technology-based differentiation. If you are capable of differentiating in the product that you manufacture, then you have business success. The vast majority of medical conditions are without therapeutic solutions. Consequently, we're working

with a fundamentally unsatisfied market in which value-added differentiation is key.

**WANG** So capital is not as important as technological differentiation?

**BÉLINGARD** It is, because the challenge we have is a very long development cycle. We have four research centers, and a lot of our capital assets are invested in research tools. Between the time we create the new molecule and the time it's marketed, 12 years pass when we must invest capital to develop the product, manufacture it and prepare for marketing costs without seeing any revenue. The only way to survive the cycles is to have a broad-based portfolio at different levels of maturity in their life cycles.



**“A company must determine its global value proposition and then organize to foster the expression of that notion.”**

**JEAN-LUC BÉLINGARD** Ipsen

### *Are countries still raising barriers in capital markets, thus hindering global competition?*

**MCMAHON** The mindset among capital market participants needs to fundamentally change. The people around this table have already adopted a global mindset. We're not focused on any one country — we're focused on planet Earth as our marketplace. Many capital markets focus too locally. That's particularly true in the U.S. For example, if there is bad news about a U.S. airline or the U.S. airline business, investors may think aircraft-leasing companies will be affected, even though they may have little or no exposure to the U.S.

Unfortunately, despite increased globalization, the capital markets are not truly global yet. Perhaps the merger between NYSE and Euronext is a step in the right direction.

**LOH** Money is not really relevant in the globalization picture because, at the moment, money is localized in certain big markets — the U.S., Europe. In the next five to 10 years, I'd like to see globalization of capital. But the issue is, who owns the money? Large investors, such as pension funds and national funds, are allowed to invest everywhere in the world but have clearly determined guidelines requiring returns on capital. It's all about risk, and therefore, in the end, they prefer to invest in their home market.

**COUSTAS** And the investment environment has shifted quite significantly with the emergence of hedge funds. Before 2000, the average holding period of a stock was around 3½ years. Today, it's eight months. That tells you that people have a completely different investing mentality. They try to exploit patterns in trading. If, for example, they see that a sector has 15 percent returns but is lagging, they may sell and buy from another sector. The market tries to average returns.

**FERRÉ** So far most listed aircraft-leasing companies are in the U.S. One of the issues we face is that aircraft leasing is a specialized market. There are not that many investors familiar with the industry. Take retailers, for example. In the U.S., say 90 percent of people have heard of



Wal-Mart. Maybe 1 percent of that 90 percent will buy Wal-Mart's shares. Well, at best, maybe 10 percent of the population knows about aircraft leasing, so the 1 percent that buys shares in our industry is much smaller. People tend to invest in markets with which they are familiar.

*What other national barriers are you dealing with?*

**BÉLINGARD** National and regional laws are a big factor. When you try to do any business anywhere, you face different tax laws as well as different legal and regulatory environments. I think that's the biggest obstacle to globalization.

**LOH** If a company doesn't embrace globalization, it will die. Companies want to play in the global market. On the national level, that means a lot of jobs will move. In Europe, for instance, jobs shifted to Eastern Europe. National policies concerning labor laws have become very important. And where Qimonda decides to invest also depends heavily on government support. If one government offers us a better incentive, we'll go there.

**COUSTAS** A concept that is very much in the minds of Europeans and Americans is that globalization will result in the loss of jobs in their own countries.

**WANG** One challenge we have in the U.S. is the potential protectionism associated with the upcoming presidential election. We may see some changes with a new administration, and protectionist attitudes may help secure votes.

**LOH** As long as jobs are a factor, we'll always see some clear political scenario to protect jobs in most countries.

**MCMAHON** There's a huge and understandable concern about national jobs. But at another level, there's also a concern about losing a country's unique social and cultural identity to an amorphous global identity.

**COUSTAS** Yes. But look at Europe, which tried to make a kind of miniglobalization with the European Union. Although we try to feel European, there is no doubt that every country stresses its national identity to mobilize the people. You cannot mobilize anyone by saying we're all Europeans.

*So how are countries attracting global businesses?*

**FERRÉ** Some countries are ramping up their educational systems so that they can offer the kind of employee base that's conducive to investments. A good example is Ireland. But open any newspaper and you'll see ads for MBAs offered in Singapore, China, everywhere. Ramping up the educational system is a fundamental competitive asset for a country. A simple and reliable legal system and a competitive tax environment are also important to attract business.

**MCMAHON** Education is a country's key natural resource. One of the biggest competitive advantages that the U.S. has — and it's got a lot of them — is its postgraduate education system.

As for Ireland, which had a long history of emigration, it took a strategic view back in the 1960s to make all secondary education free. The increased levels of education produced a foundation that allowed the Irish to analyze on a

global basis the relative competitive position of the country and to establish a basis for economic growth: speaking English, being part of the EU, low taxes to attract foreign investment, educated workforce to attract high-value industries such as software, pharmaceuticals and financial services. But competition never stands still, and countries are rapidly adapting to the competitive realities of operating within a global network of market-based economies.

**FERRÉ** Our industry is certainly based on knowledge. We have 320 aircraft, but only 50 people manage our assets operationally. We don't recruit people in emerging markets because they're cheaper; we recruit people because they are right for the job.

**COUSTAS** But if you cannot find talent locally and you need to take someone from, let's say, India to work in Paris, try to get a permit. You can't. At the moment, most governments and politicians don't understand that they have to



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**JOHN COUSTAS** Danaos Corp.



liberalize labor laws and let in talent from around the globe to enhance the local workforce and productivity and to keep costs down.

**MCMAHON** Protectionism is an artificial barrier to global competition. It may provide some temporary relief from competition but, if the global integration of markets is truly an irrepressible force, then unless a country addresses its competitive weaknesses and builds on its competitive strengths, protectionism is a long-term recipe for disaster because it lulls people into a false sense of security.

### *Are you worried about protectionist policies?*

**WANG** Protectionism in general is not helpful for globalization. On the other hand, globalization is unstoppable.

**LOH** Protectionism does not last. It only creates momentary gains in confidence. But you cannot protect jobs when the rest of the world is moving. If, for example, the U.S. maintains protectionist attitudes, the country will lose its status as the leading economy.

**FERRÉ** Anything that restricts the ease to move our assets from one country to another concerns us. A lot of initiatives, however, are taking place not only at the government level but also at the regulatory level. We are definitely moving in the right direction.

**MCMAHON** Protectionism is an understandable response to the onslaught of global competition, but unless governments abandon the increasing integration of global markets, it is doomed to fail.

**LOH** Down the road the world will be better. Everywhere the standard of living will go up. What you're seeing now is a momentary transfer of funds or transfer of living standards from developed nations to the rest of the world. It's harmonization. Protectionism is just a barrier to slow down that progress. Protectionism can't last because the consumer will always demand the best talent and products. Industrial leaders will find a way to balance that.

**BÉLINGARD** Historically the world was going west, so to speak. There may be some protec-



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**GERRY WANG** Seaspan Corp.

tionism of whatever nature, but there is no question that the world is now going east, and protectionism won't be able to prevent that. It can't work in the long term.

### *What do CEOs fear about globalization?*

**FERRÉ** If we were in a perfect world that had one big global market, the emergence of a major crisis would put the whole world in crisis. Although we evolve today in a fairly global environment, at least in our industry, it is still sufficiently compartmentalized to withstand isolated regional major crises.

**COUSTAS** Globalization actually helps balance risk. Think about the subprime crisis in the U.S. If U.S. banks were unable to shift assets to banks outside the U.S., then the whole U.S. banking system could have collapsed, and there would

have been no way to save it. So a globalized world has more inertia. Markets go up in a more difficult way, but they also go down in a more difficult way.

**LOH** A danger is that the Western world does not appreciate that Eastern countries are as responsible for their people as they are. They're only enabling a very gradual entry of emerging markets to the global arena. Plus I fear that Western countries want to impose their value system on the emerging markets.

**MCMAHON** The biggest threat is that a homogenized Western type of approach to everything could produce a backlash if it attempts to subsume national and social identities. It doesn't have to, though. Take Europe, for example, where a delicate balance has been struck between the European Union and the individual national identities. The French are still French, the Germans are still German and the Irish are definitely still Irish. That may be the trick to making globalization work: Don't try to subsume national identity and culture into something alien. Act global, but think local.

**COUSTAS** That's not something that happens completely willfully. We cannot avoid transfer of culture. Everyone can browse the Internet. Even if China imposes restrictions on Websites, it's only a matter of time before information flows. And, unfortunately, dominant ideas will prevail.

**MCMAHON** Innovation requires a constant flow of ideas, which can come from anywhere.

**FERRÉ** The Western world cannot assume it can continue to force its mindset on emerging economies. It just won't happen. Knowing the specifics of each environment is key to a successful local approach.

**LOH** You're right. It's all about mindset. A good example is the difference between governmental thinking in Asia and the U.S. In Asia you govern for the good of the community. Individual freedom does not play a role in the essence of the country. The community is more important than the individual. Try to explain that in the Western world.

**WANG** Yes. Ultimately, ideological differences are a big factor that companies and governments must deal with as we embrace globalization. ■