

Challenge for Global Cooperation

by Klaus Schwab* (published in the [Huffington Post](#))

The state of the world is fraught with unprecedented imbalances and tremendous risks, and institutions are struggling to keep up with the changing times.

From a lack of progress on international trade and climate change negotiations to challenges involved in meeting energy and food security and the Millennium Development Goals, we are witnessing a number of failures in international governance. Moreover, the 2008-2009 global financial crisis starkly illustrated the systemic nature of risks, demonstrating how the integration of financial and trade markets quickly transmit turbulence in one economy regionally and internationally.

A major reason for the recent crisis was the belief that evolved in the exuberant economic climate beforehand, where free markets can self-regulate and that the purpose of business is purely to make a profit. This belief has created a huge shift in the balance of power to the shareholder and the financial community at the expense of other stakeholders.

While globalization has brought vastly improved economic welfare for hundreds of millions of people, billions more are still being left behind as economic inequality reaches epic proportions. Today, about 1.75 billion live in what the UN calls “ multidimensional poverty ” , with acute deprivation in health, education and standard of living. Such inequities are not sustainable without social repercussions. We need to devise a way to address the social impacts of globalization. We must demonstrate that the free flow of goods and capital does not develop to the detriment of the most vulnerable segments of the population.

Although as a global society we have never been more interlinked and interdependent, there is a paradox in how the more globalized our world and systems have become, the more “ localized ” and self-centred we have become. What we are experiencing is not only a wake-up call to rethink our global institutions and systems but, above all, our ability to think long term and not just to the next quarterly report.

We must rethink our traditional notions of economic growth and global competitiveness by not only focusing on growth rates and market penetration, but equally, if not more importantly, assessing the quality of economic growth. How is growth achieved? How sustainable is it and at what cost to the environment? How are the gains distributed? And, as a consequence of such growth, what has become of the family and community fabric as well as the society ’ s culture and heritage? The time has come to embrace a more holistic approach to global economic development.

China ’ s “ harmonious society ” has reflected this approach, which shifts the country ’ s primary focus from a purely economic growth model to a more balanced one that addresses such social issues as the gap between rich and poor, widespread environmental degradation, and government and corporate corruption. China ’ s growth not only has lifted hundreds of millions of people out of poverty in a relatively short period of time, but also has emerged as the world ’ s second largest economy, with its foreign exchange reserves topping US\$ 3 trillion.

But with China ’ s newly found position as well as the rise of other emerging economies comes new responsibilities and the urgent need for better cooperation, especially when it comes to such transnational problems as resource and energy scarcity, climate change and environmental degradation; all are interdependent and inter-related.

The world has become more interconnected than ever before, linked through information and communication technologies and increased movement of people as well as economically through record trade and capital flows. Our systems – from financial to communications to supply chains – are also increasingly intertwined. As a result, global challenges cannot be met by individual governments, businesses or any other organizations alone. In a

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complex, fast-driven, interconnected world, we need a platform for cooperation involving all stakeholders of global society to work together.

The most decisive success factors to accomplish this will be the ability to anticipate, manage and mitigate risk. To respond better to global risks, the World Economic Forum has created a Risk Response Network based on the knowledge and partnerships my organization has created over the years. The network is a unique platform for global decision-makers to better understand, manage and respond to complex and interdependent risks. It will bring a rigorous approach to understanding the complexity of risks that face corporate, government and civil society leaders, and will provide tools enabling them to better mitigate risks and capture associated opportunities.

Our only way out is the stakeholder concept. This means that the pursuit of our own interests can only be substantially realized by incorporating the interests of all those with whom we have a mutually dependent relationship. This is true on all levels, and in any capacity in which we take decisions: family life, society, business or politics.

* Klaus Schwab is the Founder and Executive Chairman of the World Economic Forum.