

In East Asia, Concerns about the World's Response to Global Risks

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- Short-term thinking, election-cycle pressures and preference for national solutions are hampering the international community from effectively responding to global risks.
- To shape viable regional and global responses to the world's challenges will require new business models and policies that take into account the needs and demands of underserved and underappreciated groups such as young people and women.
- More information about the meeting is available at: <http://wef.ch/EAES2011>

Jakarta, Indonesia, 12 June 2011 – On the first day of the 20th World Economic Forum on East Asia, business, government and civil society leaders warned that the international community is hampered from effectively addressing challenges because of short-term thinking, the pressures of election cycles and the preference for politically expedient national solutions over collaborative global responses. “The number-one risk is deglobalization – the failure of the global system to cope with the complex issues we are confronted with,” cautioned Klaus Schwab, the Forum’s Founder and Executive Chairman, in a plenary session on how Asia is responding to global risks.

Brian A. Gallagher, President and Chief Executive Officer of United Way Worldwide, agreed. Remarking on the need to bridge income disparities, he said: “Globalization is creating more opportunities, but we don’t have the mechanisms to understand the cause and effect of inclusive growth.” The risk response mechanisms that countries, regions and the international community have in place are often not able to deal with the complex problems that confront the world. Persistent unemployment is an example. “I worry about the deeper structural level of disruption that could have long-term implications for growth,” said Dominic Barton, Worldwide Managing Director of McKinsey & Company and a Co-Chair of the World Economic Forum on East Asia.

For her part, Mari Elka Pangestu, Minister of Trade of Indonesia, told participants that she is concerned about the world’s capacity to work together to achieve food security and responsibly and effectively manage energy and water resources. In Indonesia, she noted, a 10% increase in food prices leads to a 1% rise in poverty levels. “We should not wait until the next [food price] spike before we act,” she declared. In his country, Batbold Sukhbaatar, the Prime Minister of Mongolia, added, “we have serious concerns about environmental degradation and water scarcity,” challenges that require regional and global cooperation to resolve.

However difficult to achieve, there are many opportunities to deepen regional and global collaboration. “The Japan earthquake is an opportunity to accelerate such cooperation,” argued Atsutoshi Nishida, Chairman of the Board of Toshiba Corporation and Vice-Chairman of Nippon Keidanren (Japan Business Federation). “The lessons learned by sharing expertise and technologies will lead to much more cooperation among regions.” He predicted that the disruption of supply chains as a result of the earthquake and tsunami in Japan will lead to the strengthening of supply chains throughout Asia and rapid revitalization of industries affected by the calamity.

To shape viable regional and global responses to the world’s challenges will require new business models and policies that take into account the needs and demands of underserved and

underappreciated groups such as young people and women. It will require renewed efforts to understand and manage important macro trends such as the emergence of China and the impact of social media on society.

The global financial crisis has demonstrated that old approaches should be discarded and the political gridlock broken, panellists pointed out. While the centre of geopolitical and economic power is shifting from West to East, developed economies remain the drivers of global governance. In East Asia, where fast-growing economies have led the economic recovery, “the number-one concern is the incompetence of the West,” said Kishore Mahbubani, Dean of the Lee Kuan Yew School of Public Policy at the National University of Singapore. More than a decade ago, as East Asian countries such as Indonesia were in the throes of a financial crisis, US and European policy-makers were advising them on how to reform, Mahbubani recalled. Now “they cannot accept the same bitter medicine that they gave to Asia and they continue to drift. What happened to Western competence? That’s my number-one worry.”

Under the theme “Responding to the New Globalism”, the 20th World Economic Forum on East Asia is taking place in Jakarta on 12-13 June 2011, with more than 600 business, government and civil society leaders from over 40 countries participating.

Notes to Editors

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