Resilience and Dynamism How Countries Survive -- And Thrive

This month, the World Economic Forum will convene world leaders at its annual meeting in Davos-Klosters, Switzerland. The theme this year is Resilient Dynamism, an idea that also shapes the Forum's forthcoming flagship report, Global Risks 2013. Resilience and dynamism are the qualities that countries most need to thrive in today's world, but neither is alone sufficient. It is the combination that makes the difference.

Resilience is crucial because, in a hyperconnected and interdependent world, no one country or organization can manage global challenges on its own. To be resilient is to be able to adapt to changing political and economic contexts and pursue critical goals while also being able to withstand and recover from sudden shocks. Today's biggest challenges, meanwhile, also demand dynamism -- overcoming the ongoing global economic malaise, for example, requires the capacity for bold vision and even bolder action.

The Global Risks 2013 report is based on an in-depth survey of more than 1,000 experts across the world. It measures their perceptions of the potential impact of 50 global risks over the next ten years and, most important, how interconnected those risks are. Those surveyed selected "severe income disparity" followed by "chronic fiscal imbalances" as the two most prevalent global risks. These results reflect ongoing concerns about high levels of government debt and a somewhat pessimistic overall economic outlook. After a year scarred by extreme weather, experts rated "rising greenhouse gas emissions" third. They rated "failure of climate change adaptation" -- our inability to adapt adequately -- as having the most knock-on effects of all challenges in the environmental category. Viewed together, these findings point to a profound concern over whether the world can address climate change and economic hardship simultaneously.

The interplay of these two challenges formed the lead risk case in this year's report. The case reflects a wider shift in thinking about climate change, as consensus has grown about the effects and seeming inevitability of global temperature increases. If current pledges to reduce greenhouse gas emissions remain unmet, some projections predict a worldwide temperature increase of four degrees Celsius (just over seven degrees Fahrenheit) as early as the 2060s. That could displace massive numbers of people, as coastal cities would be inundated by rising sea levels. More frequent and intense droughts and floods would threaten global food security.

Even as more people accept the fact that the planet is warming, there remains considerable uncertainty about its local impact. For instance, estimates of the impact of rising global temperatures on rainfall in Guyana range from a five percent decline to a ten percent increase by 2030, either reducing or considerably exacerbating the risk of flooding.

It is exactly such cases -- when risks and their impacts are difficult to predict, and when the correct response is uncertain -- that demand resilience. After all, the more that is known about the elements of a challenge, the more traditional risk management techniques apply. But in responding to climate change, initiatives that further resilience -- including better flood defenses for coastal cities, infrastructure that can hold up during freak weather events, and crop varieties that can withstand swings between dry and wet extremes -- are crucial.

Such initiatives, however, will have to be undertaken in a weak global economy. And as responses to the WEF survey made clear, in the coming decade, fallout from the global financial crisis will continue to command leaders' attention.

This is where dynamism comes in. Can leaders be bold enough to find the innovative solutions

needed to quickly adapt to our changing climate? Such solutions will likely require unlocking private finances, given that there is no end in sight to the pressure on public funds, and leveraging the expertise of the insurance industry. One model to follow could be the Green Growth Action Alliance, which the Forum supports and helped to create. The alliance is a partnership of the governments of several emerging economies and over 50 leading companies from the finance, infrastructure, energy, and agriculture sectors that works to deliver greater investment to green initiatives worldwide.

In an ideal world, global risks would be met with global responses. In practice, however, the first responders to major external shocks are national decision-makers. But even the most dynamic national leader is unable to fully assess his country's resilience to global risks. A global scan that, like an MRI, reveals weaknesses that are not be apparent at first glance would thus be useful. The Forum is developing just such a tool, which combines quantitative and qualitative data. For the first time, the surveys that inform the forum's Global Competitiveness Report and the Global Risks report included questions about resilience and national risk management capabilities.

The Forum performed a statistical analysis of the over 14,000 responses to the Executive Opinion Survey, a major component of the Global Competitiveness Report, to look for clues about the attributes of national resilience. We found that seven characteristics are significantly correlated: politicians' ability to govern, healthy business-government relations, the efficiency of how reforms are implemented, the public's trust of politicians, low wastefulness of government spending, the presence of measures to combat corruption and bribery, and government provision of services for improved business performance.

The preliminary findings have broad implications. They point to a strong role for civil society in keeping up pressure for transparent and efficient decision-making and use of public funds. They suggest that businesses can enhance national resilience by engaging in public-private partnerships. Faced with a sudden crisis, it is often the private entities on the ground that can provide the most useful information to the government -- but only if trusted channels of communication already exist.

As for national governments, the results of the analysis point to the importance of leadership -- countries are more resilient if their politicians command attention and respect. These leaders are best placed to manage crisis situations and are more trusted as they press for change. Resilience and dynamism are leadership attributes required not just today but over the coming decade, as well.

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