WORLD ECONOMIC FORUM

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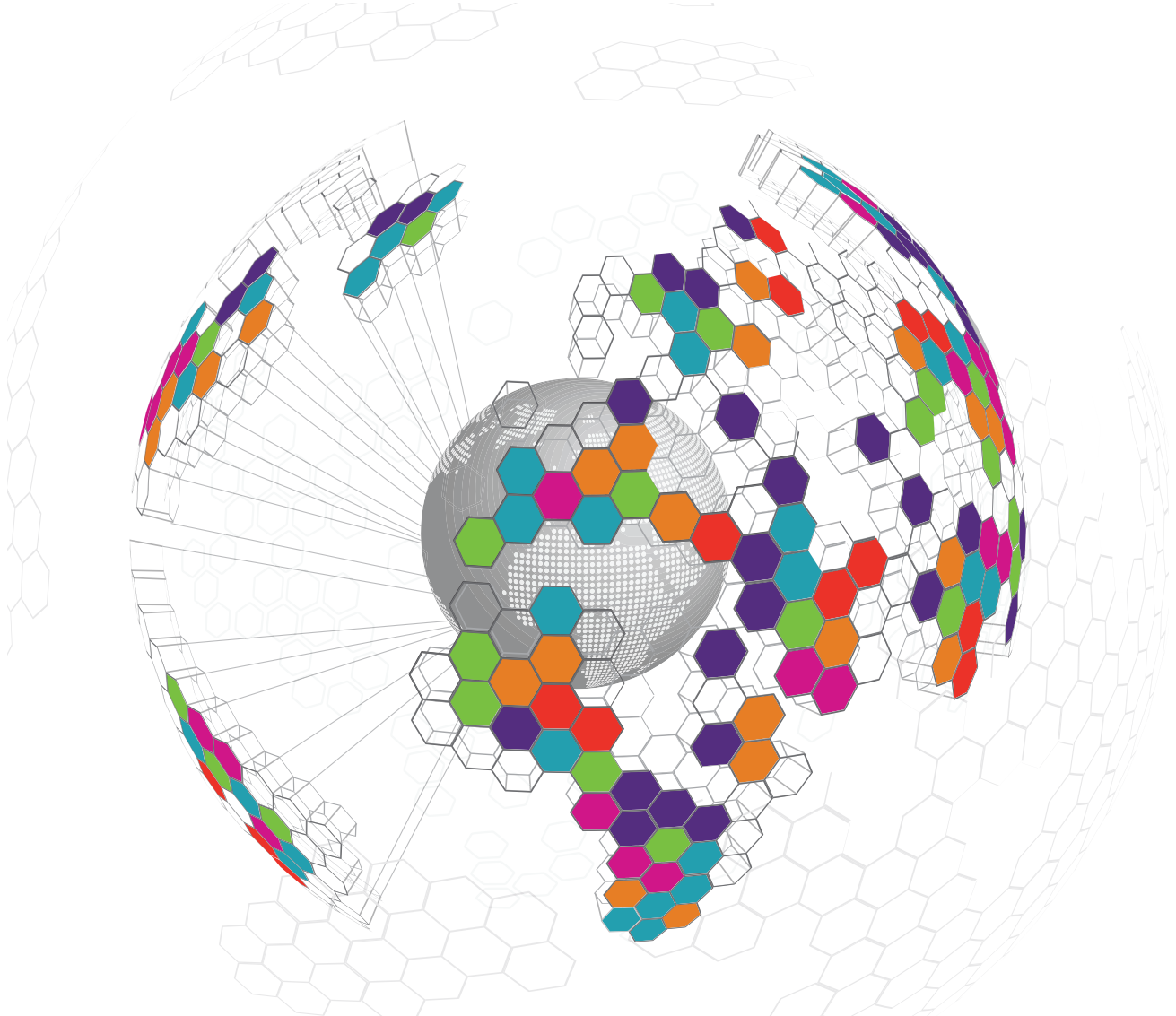
Global Agenda

Global Agenda Outlook 2013



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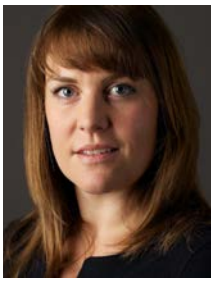
Contents

Preface



What is the future of globalization? How can sustainable global economic growth be achieved? What are the major geopolitical uncertainties for 2013? These are some of the questions at the top of the agenda of many global leaders and decision-makers. They formed the main topics of discussion over the past few months among the 1,500 global experts from the Network of Global Agenda Councils, over 900 of who met face-to-face during the Summit on the Global Agenda 2012 in Dubai.

The most compelling of these debates are highlighted in this report, with the intention of broadening our outlook for 2013. The *Global Agenda Outlook 2013* examines the existing claims and discussions from the perspective of some of the world's foremost thought leaders, and complements these insights with a wealth of quantitative data from surveys conducted across this global network of experts. The result is a much more comprehensive assessment about what to expect in 2013 and beyond. In short, we see this report as a briefing document for today's leaders.

The Global Agenda Councils will continue to work together in the coming months, producing ideas and recommendations to address the key challenges of our time. The World Economic Forum is committed to integrating the outcomes of their work into its activities, including at the upcoming Annual Meeting in Davos-Klosters 2013, to ensure that they find their way into global decision-making processes.

The World Economic Forum would like to express its sincere gratitude to all the Members of Global Agenda Councils, whose conversations at the Summit in Dubai and in their virtual meetings are the foundations of this report. Special thanks are due to the main authors of the chapters for their contributions.

I hope that the *Global Agenda Outlook 2013* provides you with valuable insights to guide your decision-making in the coming year. I invite you to continue these debates with Members of our Network, to share your ideas and develop concrete action plans which can help to shape a better future.

Get involved at
www.forumblog.org/communities/global-agenda-councils

Martina N. Gmür
Senior Director, Head of the Network of Global Agenda Councils,
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Introduction

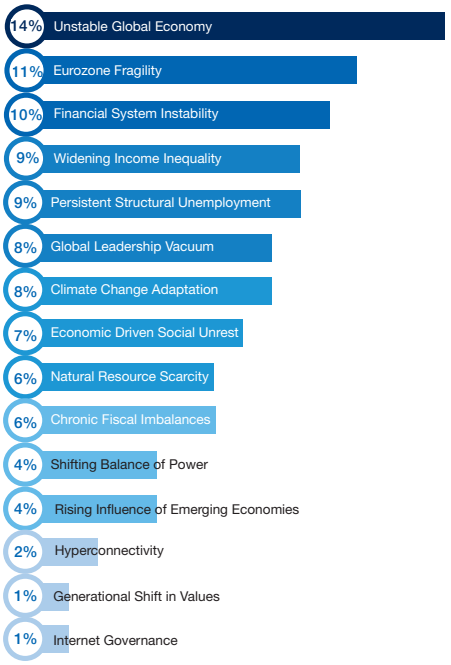
The *Global Agenda Outlook 2013* is a publication of the Network of Global Agenda Councils, a unique network of over 1,500 of the world's most relevant experts from academia, business, civil society, government and international organizations. This report provides insights and views into pressing global issues, through a collection of survey results and interactive discussions among Members of the Network. The survey data combines 1500 responses from GAC Members and industry leaders.

The *Global Agenda Outlook 2013* is structured around six chapters, each tackling a specific issue: globalization, economic growth, geopolitical risks, hyperconnectivity, the post-2015 development agenda, and values. Each chapter is intended to offer readers a taste of a conversation between two experts, complemented by data from the Global Agenda Survey.

- Chapter 1 focuses on the effects of globalization and touches on income inequality, employment, technology and global governance.
- Chapter 2 concentrates on an issue that has dominated discussions for the past five years – economics, and the prospects of continued economic growth given the uncertain times.
- Chapter 3 sheds light on changing regional dynamics and potential future threats by analysing some of the world's high-risk geopolitical situations.
- A theme common to all these discussions is the increased role of technology in 2013 and its associated risks. Chapter 4 captures the main opportunities and risks faced by an increasingly hyperconnected world, not only what it means for citizens, but also for the urban environment of tomorrow.
- Chapter 5 highlights the complexities of the post-2015 development agenda and examines how economic development and environmental sustainability can be balanced.
- Chapter 6 – restoring our value system – seeks to bring all the pieces together, with a focus on revisiting core values in decision-making and leadership.

The chapters follow three distinct formats, reflecting the variety and richness of the conversations that took place at the Summit on Global Agenda 2012. The chapters on globalization, economic growth and hyperconnectivity are presented as expert question-and-answer sessions. The chapters on the post-2015 agenda and on values offer expert views in sharp and succinct counter-pieces. Finally, the chapter on geopolitical risks is designed as a "fly on the wall" vignette, in which listeners have dropped into a conversation between two experts.

Most urgent issues to address*



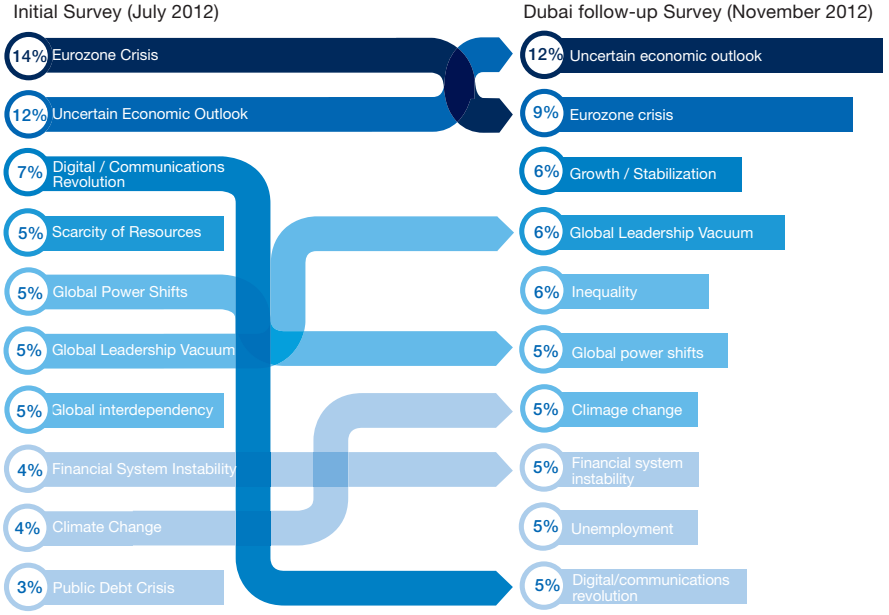
*The level of urgency was ranked on a top 5 scale during a knowledge capture session in Dubai

All these discussions have been supplemented with updated data based on the opinions of Members of the Network of Global Agenda Councils, gathered before and during the Summit on the Global Agenda 2012 in Dubai, featuring about 1500 responses. An initial survey among the Global Agenda Councils community, conducted in June-July 2012 and updated in November 2012 during the Summit, sought to identify global trends for 2013, while the pattern of transition from a trend ranking to an issue of urgency that emerged during the Summit offers insights into participants' underlying concerns. When data and debates come together, what emerges is an outlook with a number of clearly defined themes to watch in 2013.

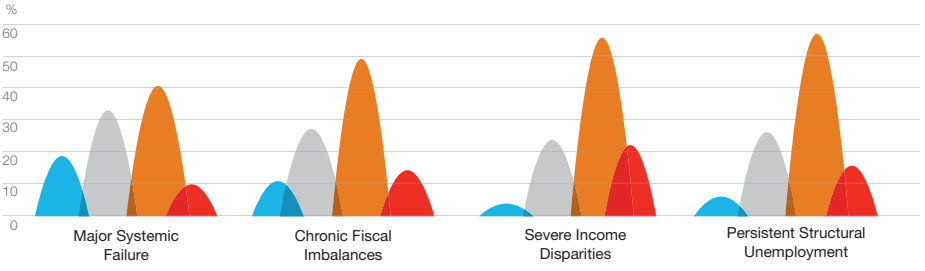
Alongside continuing concerns about unstable global economic prospects (concerns somewhat mitigated by a sense of reserved optimism about the capacity of the eurozone to avert disaster), one particularly prevalent theme is the ever-growing significance of the economic rise of China. The influence this might have on a global scale remains to be determined. It will depend as much on the country's internal progress (in areas such as market reforms and combating income disparity) as on its external focus (and the diplomatic decisions the country has to take in areas as diverse as East Asia and the Middle East). The new Chinese leadership, it seems, has come to power at a potentially crucial moment for the country and the world at large.

The widening global gap between rich and poor is also a concern – from fears about high levels of unemployment in the (demographically young) Arab world threatening social cohesion, to frustration at the high number of people who continue to live on less than US$ 2 a day, even as the landmark global development year of 2015 approaches. Such inequality may sometimes be seen as an inevitable consequence of globalized capitalism; ignoring it, however, brings huge risk.

The ranking of the trends on the left-hand side is taken from the initial online survey. The right-hand side shows a follow-up ranking, taken during a knowledge capture session at the Summit on the Global Agenda in Dubai.



Overall measurement in the confidence of global leadership to solve different issues, taken during a knowledge capture session at the Summit on the Global Agenda 2012 in Dubai.



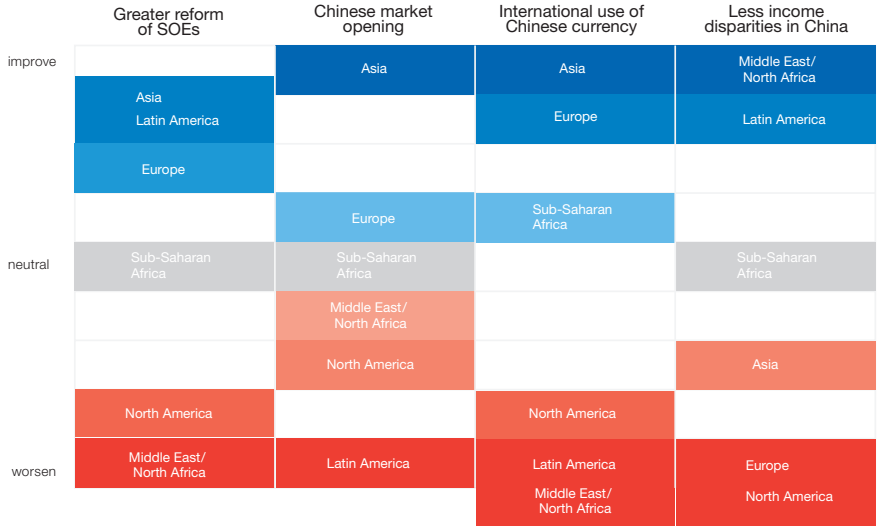
Not giving sufficient attention to the possibilities and potential risks of new technology is another emerging risk. If new technology is the best hope for sustained global economic growth, it also needs to be pursued and exploited with care both for people (changing technology requires a changing international labour market) and the planet. The spectre of man-made climate change – and the apparent inability of society to reverse it – remains in the background of many of the discussions that follow. Meanwhile, the benefits of an increasingly hyperconnected world for individuals and society are alternately doubted and championed, thereby underlining the complexity of an issue landscape that ranges from cybershocks to smart cities.

One theme that recurs more than any other is the need for clear, dynamic leadership in a fast changing world. Given (as one participant noted) that most of today's leaders – political, business, academic and society – grew up in a vastly different world from today's, it is perhaps no surprise that leadership remains the biggest challenge of all for 2013 and beyond.

Our interactive website and data visualizations feature more unique data and content, as well as the extended transcripts of the conversations (www.weforum.org/gac).

How will free-market capitalism be seen in 5 years?

Do you feel that the recent leadership change in China will improve or worsen the following issues?*



*Differences in responses between regions are relative.

The Future of Globalization

As the pace of globalization continues to increase, new opportunities and challenges will arise for leaders and communities. While globalization has brought immense benefits to many sectors, certain countries and individuals remain vulnerable, whose interests should be protected and promoted. How can societies best approach the challenges this presents?

The Outlook on the Global Agenda brought together Pascal Lamy (left), Director-General, World Trade Organization, and Kevin Rudd (middle), Prime Minister of Australia (2007–2010) and current Member of Parliament. Ngaire Woods, Dean of the Blavatnik School of Government, University of Oxford, moderated the discussion.

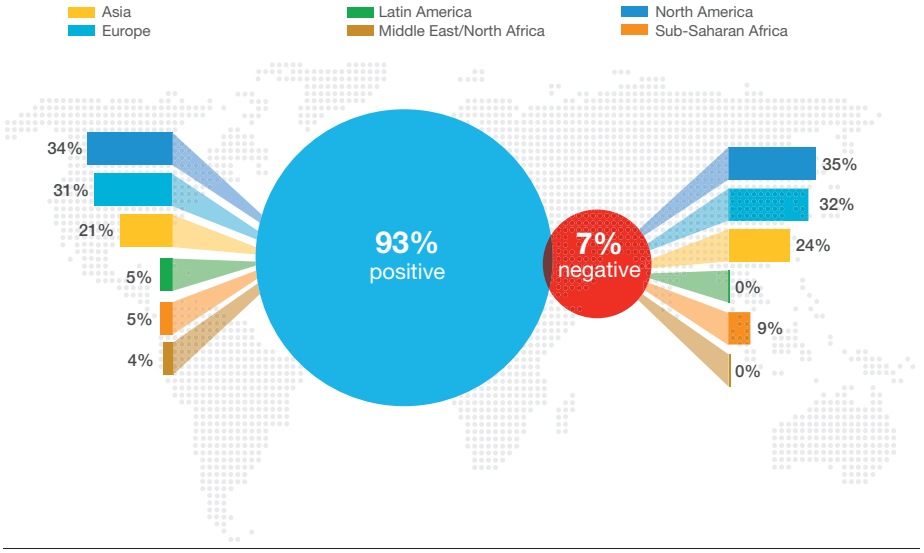
Q: What are the best and worst things about globalization?

Kevin Rudd: The spreading of wealth is the key benefit in my view: globalization is lifting economic growth rates and living standards around much, though not all, of the developing world, and in developed countries as well.

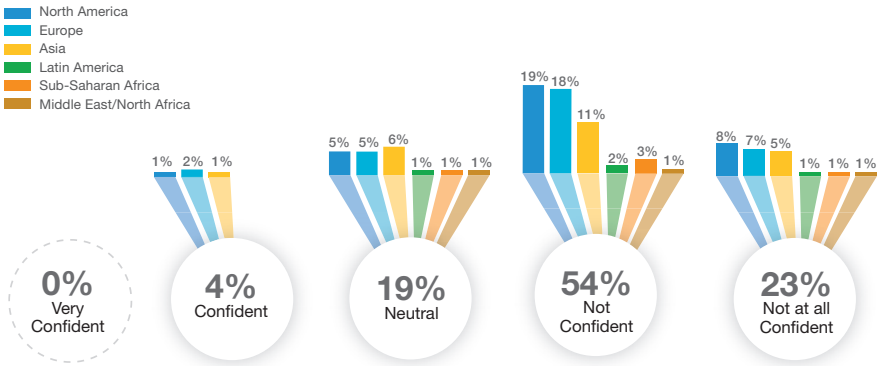
The worst thing is the disconnect between the volume of activity that now requires regulation at a global level and national political systems incapable of agreeing on global forms of governance to do that.

Pascal Lamy: The best thing to come out of globalization has been poverty reduction, and the worst is inequality. Because globalization is extremely efficient, inequalities within countries and among countries have increased: poverty reduction is absolute, inequality is relative. And if we don't change these inequalities, the social reaction will endanger globalization. I come at this issue as a person from the left, and think inequalities in themselves should be addressed. But even if I came from the right, pushing globalization for efficiency, I would want to address the problem, so that populist, sovereignist, isolationist reactions do not hinder the positive side of globalization.

In your region, will advancing globalization have a positive or negative impact overall?



How confident are you about the current capacities of global leadership to solve severe income disparities?



Q: How can globalization be made "safe" for the people who are being made less equal?

Kevin Rudd: Inequality is an inevitable consequence of capitalism. The key is managing the level of inequality. Whether you come from the perspective of equality of opportunity or enlightened self-interest, the net consequence of both is a level of social intervention. I do not support the ultimate neo-liberal form of globalization but one based on a social democratic conditionality. That means ensuring that those who are temporarily losers are supported by adequate safety nets and able to readjust to other forms of employment.

I think waiting for the magical marketplace to resolve these questions is self-delusional. There are also economic dimensions to this. The net impact on government budgets of large-scale, long-term unemployment in terms of lost revenue through collapsing wages is significant – far better to be more radical in your interventions to get people back to work.

Pascal Lamy: In Europe, Nordic countries have addressed inequality reasonably well, southern countries have not. I think it is necessary and can be done. Governments need to address their debt overhang, which will take time, and make the necessary structural reforms to grow to their potential.

At an international level, we need proper global governance that has the necessary tools, power and intervention capacity to recreate a more level playing field.

Q: Is there any part of globalization that you think is improving the ability of individuals to hold those in power to account?

Pascal Lamy: Technology, the infrastructure of globalization, has huge empowerment capacity, and it doesn't make governments' lives easier. Governments will regulate globalization if their constituencies give them the mandate to do so – if governments don't do it, it is because they don't presently have the necessary political energy at home. The danger for democracy comes from globalization not being harnessed, because people believe there is nothing they can do.

Kevin Rudd: The essence of globalization is the contraction of time and space in international transactions through the platform of new technologies. Citizens, including some of those in the poorest countries, are now globally wired. But managing the business of existing democratic constituencies through regular election processes, and the new constituencies in a more chaotic form through new technologies, makes the business of democratic governance more complex than ever.

Q: What is the most important element of cooperation needed to make international globalization safe?

Kevin Rudd: A core problem is the WTO's inability to deliver a Doha Round – the one easy route to providing an extra 0.5% or even 1% in global growth in a growth-challenged world. It's not the WTO's fault; it's the inability of national governments to allow that institution to work by giving it an effective political mandate. The most basic ingredient to globalization is to have open economies, and the most important sub-element of that is open lines of commerce. One way to add confidence to the global economy right now, and to add new activity in a way that wouldn't cost an arm and a leg, is open trade. If the two leading global economic powers of the Chinese and Americans chose to make this work tomorrow, it could.

Pascal Lamy: I think the environmental sustainability issue is not being adequately addressed at present. I am not saying we don't have problems in trade – we do need to keep opening it, and the Doha Round was and still is a recipe for doing that. But it is not the only recipe, there are many – if we revamp, for example, the information technology agreement, we could bring a lot more open trade. With trade, so far we've succeeded in not receding – we haven't damaged the system. On the environment, we are moving this planet backwards in terms of well-being, and that's why I think the environment should be the priority.

"The danger for democracy comes from globalization not being harnessed because people believe there is nothing they can do."

Pascal Lamy

Q: Is the G20 the place to get the world to focus on climate change?

Pascal Lamy: After its second meeting, the G20 decided not to talk about the environment anymore – it was too divisive. But we all know the basic components of an environmental agreement have to take place within the G20. This is where the countries that are preventing the agreement happening – because they disagree – are all around the table.

Kevin Rudd: Global institutions provide the mechanism to make globalization work but they require national political governments to work, too. If a large enough grouping within the G20 said "this needs to be done", it could be. The G20 is not just a clearing house, but a marshalling mechanism.

Q: What is the shock you most fear in 2013?

Pascal Lamy: At the low probability end, but with a very high damaging capacity, is cyber risk. We who follow politics closely know that there is a much higher risk from that side than is acknowledged in public debate. Political instability in the Middle East may have a lower immediate global impact, but a higher probability to create shocks.

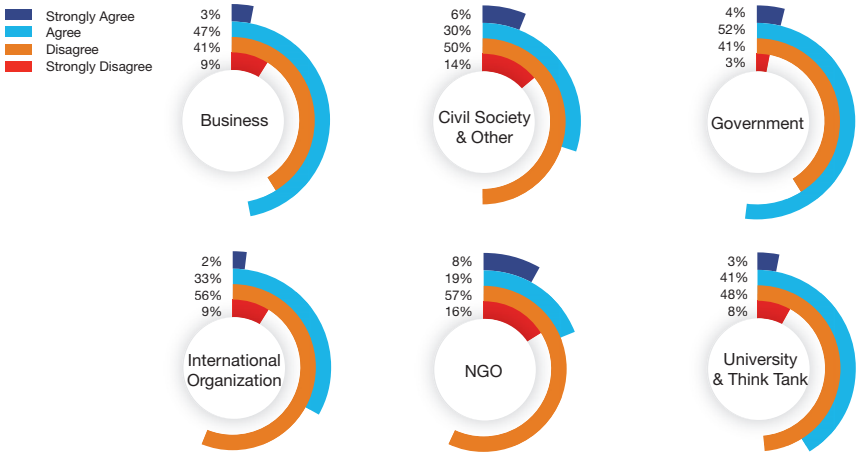
Kevin Rudd: A cybersecurity attack that collapsed platforms for engagement in a global context would be catastrophic.

Q: What would you put top of the agenda for leaders to debate at the World Economic Forum Annual Meeting in Davos in 2013?

Kevin Rudd: In terms of the sustainability of globalization, it would be a new strategic roadmap for China and the US. Then, to work on things that they can agree on – globally that would be reaching a compact on delivering Doha, and climate change; and within our region, Asia Pacific, beginning to work out the security rules of the road in East Asia.

Pascal Lamy: The crucial issue is for each to make an effort to understand where the other is coming from. A radical recipe would be for each of these leaders to come to Davos with an anthropologist – the leader saying nothing, the anthropologist explaining to the others the specificities of his or her country. I think once they'd done that, the leaders would understand each other better and probably have a much higher capacity to converge on issues.

Do you agree or disagree that human development is becoming more ecologically sustainable?*



*We grouped respondents according to their stakeholder groups.

One way to add confidence to the global economy, and to add new activity in a way that wouldn't cost an arm and a leg, is open trade.

Kevin Rudd

Insights revealed during a session entitled "The Impact of De-globalization" during the Summit on the Global Agenda 2012:[1]

- Globalization and easier access to information and disclosure are too often seen as solely positive, whereas they are also creating a world that is more volatile with increased economic uncertainty.
- In the current volatile environment, globalization and de-globalization may alternate, and even co-exist. Across localities, countries, regions, but also sectors and industries, globalization and de-globalization are considered less and less mutually exclusive.
- There is a loss of trust in the ability of governments, even if democratically elected, as well as business leaders to resolve crises and improve lives in their communities.
- Success of global governance as a central pillar of globalization is much more outcomes-driven than process-driven. Trust will only be earned if solutions are delivered.
- Globalization is continuing in migration, global food production systems and the tertiary education sector (student flows, global outreach of universities). However, examples of de-globalization can be seen in the manufacturing and production sector.

For more information on the Summit, please visit www.weforum.org/events/summit-global-agenda-2012

[1] The Global Agenda Councils on Institutional Governance Systems, India, Geopolitical Risk, the Future of the Internet, and the Rule of Law, among other Councils, contributed to the discussions in this session. More information on the Network of Global Agenda Councils can be found at: http://www.weforum.org/global-agenda-councils-experience-2012.

The Continued Quest for Economic Growth

The global financial crisis revealed the interconnected nature of the world's economies, highlighting the need for coordinated global policy and governance. Five years on, restoring sustainable economic growth remains a top priority for policy-makers around the globe, but it remains an elusive goal. Where has growth gone and how can it be restored in today's volatile, interconnected world?

The Outlook on the Global Agenda brought together Michael Spence (left), William R. Berkley Professor of Economics and Business, NYU Stern School of Business, and Fu Jun (middle), Executive Dean and Professor of Political Economy, School of Government, Peking University. Scott Kalb, Chief Executive Officer, KLTI Advisors, moderated the discussion.

Q: Have we come to the end of the road in terms of productivity gains available to us in developed countries?

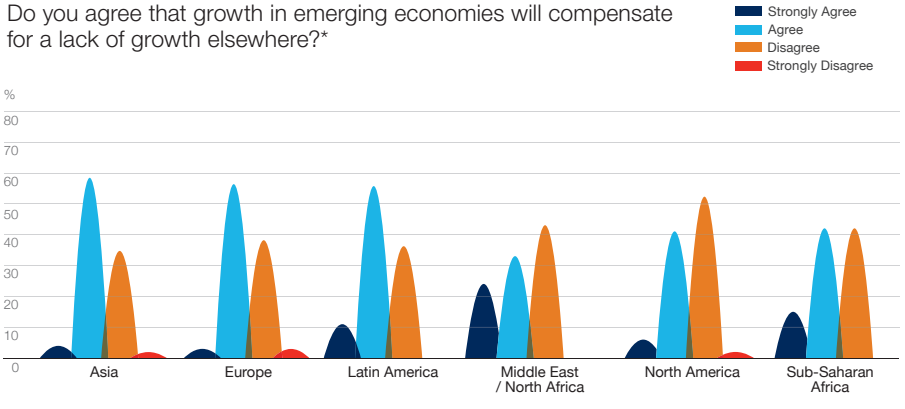
Fu Jun: To me, advanced economies seem to have exhausted the potential of this historical period called industrialization. Beyond industrialization, I have not been persuaded about additional sources of productivity increases in the developed world. We've been told wonderful stories about IT and service-oriented industries. If you employ IT, will that increase productivity? Yes, it may, but to what extent? We haven't had a firm answer on that in spite of all kinds of research. With service-oriented firms – investment banking, legal services, accounting services, etc. – if you reconfigure assets on a global scale, will that increase productivity? It may, but again, to what extent? Looking back, the efficiency enhancement of these stories has been exaggerated.

But I do see additional sources of growth beyond industrialization in the advanced countries. If they underwent a process of re-industrialization – producing goods with a greener orientation – that could be a dramatic additional source of growth.

The precondition for that, however, is to recalibrate the financial sector so that it is proportional to the real economy – and that is a difficult policy issue, involving both economics and politics. Whether or not the kind of public policies that we currently have would allow a country like the US to re-industrialize with a greener orientation is open to question.

Then there's technological progress, and here we should be careful – that may have negative distributional implications for the global economy. If we have a whole range of robotics to replace human labour, what is the implication for income redistribution? One scenario would be that you drive the gap between rich and poor further apart, distorting supply and demand and resulting in overcapacity. Now, if you have a mismatch between the supply-side and the demand-side on a global scale, that's not good for the global economy.

Do you agree that growth in emerging economies will compensate for a lack of growth elsewhere?*



*We grouped respondents according to their regions.

Michael Spence: None of us ever knows where future growth is going to come from. If we were sitting here in 1980, although the Internet existed, nobody anticipated the enormous effects it would have. Long-term innovation and productivity-induced growth rates in advanced countries are probably 2-2.5% in real terms, and I'm not sure we have a good reason to think that will drop.

When I look at the US economy, we have nanotechnology, we have much more capable robotics, we have what's sometimes called 3D printing and, although it may have major environmental effects, we have game-changing increments in energy coming through shale gas and oil. So, just focusing on the US economy, I would say there are pretty good reasons to believe in future growth. And developing countries haven't come close to exhausting the potential of productivity catch-up – so that looks good as a growth engine for themselves and everybody else, too.

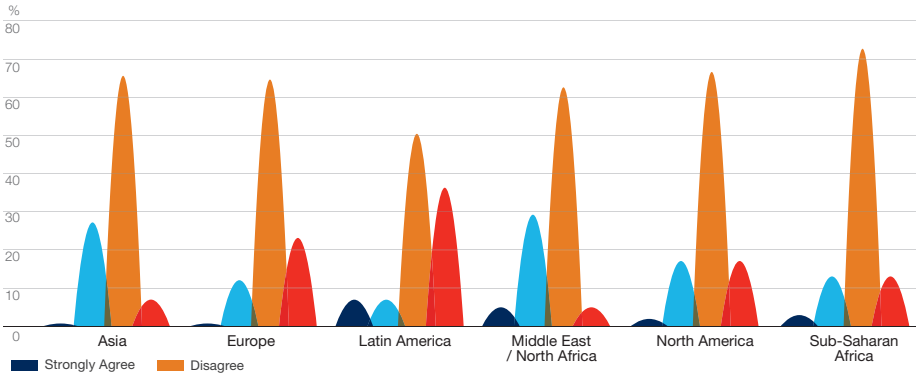
Q: Will growth be uneven in the developing world?

Michael Spence: The World Bank estimates that over the next 5 to 10 years, China will export something like 85-100 million jobs to earlier-stage developing countries, and that they will be replaced by higher-value-added activities. This is the opportunity of the century for the earlier stage developing countries, because for a long time they've been saying, rightly or wrongly, that they can't compete with China. Well, China is moving on just like Korea did before, and now is their chance.

Fu Jun: Until recently, China's growth strategy has had three drivers: exports, investment and consumption. With the world economy slowing down, exports are out. So you have investment and consumption. The problem with investment is that a high proportion of investment continues to be made by the government, not the private sector, and it's not sustainable for the government to inject a lot of fiscal money into the system long term. So what is left is consumption. To sustain growth, China has to boost private consumption.

If one looks at growth potentials on the supply-side of the Chinese economy, the picture seems clear. As long as China continues to close the technological gap with advanced economies, there is huge potential. However, the picture is less clear on the demand-side. For the Chinese economy to move forward in the absence of strong exports, domestically it must have a reasonable match between supply-side growth potentials and demand-side growth potentials. Unless China is successful in achieving that, the economy will be in trouble.

Do you agree that the eurozone will break up in the next 3 years?*



*We grouped respondents according to their regions.

Q: What is the proper role of the state in helping to foster growth?

Fu Jun: The ultimate source of growth is technological progress, so if you are at the frontier of human knowledge, you probably need to give a bigger role to the market as no one knows in advance what the next correct move is. But if you are behind that frontier, and in the game of catching up, it probably makes sense to give a bigger role to government. Being behind, at least you have a sense of direction. That being said, even in emerging markets we need to think carefully about proportionality between government and the market. If transitional economies like China want to continue to gain ground in terms of efficient allocation of resources, market-oriented reforms will continue to be very important.

Michael Spence: We live in a world of increasingly densely networked interconnectedness, where the interconnectedness is way ahead of regulatory governance structures. It looks and feels potentially volatile. In that context, what you need is government – regardless of whether it's developing or advanced – that has the resources and capacity to respond to shocks: to provide bridging demand in the case of a demand shock, to invest heavily when structural change is required.

I completely agree with Fu Jun that the role of government, in a developing country on a multi-decade journey to be an advanced country, keeps changing. I also believe that we need a serious discussion in the advanced economies about whether or not, in a shock-prone world, we shouldn't have a stronger emphasis on the asset side of the balance sheet. Now this can quickly become ideological. If you have policies that expand the asset side of the balance sheet in a big way, then you have the potential to mismanage it and start interfering in the economy. I think there's a very interesting conversation to be had here about how you get the best of both worlds.

Regardless of whether it's a developing or advanced economy, what you need is a government that has the resources and the capacity to respond to shocks.

Michael Spence

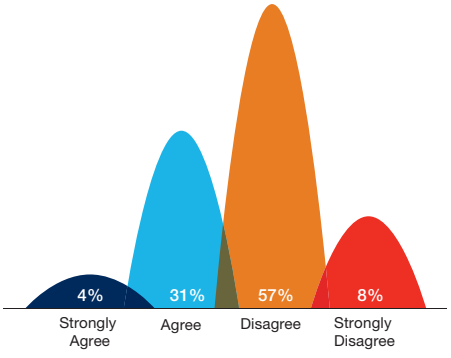
> **If industrialized nations underwent a process of re-industrialization – producing goods with a greener orientation – that could be a dramatic additional source of growth.**
>
> Fu Jun

Q: What are the systemic risks leaders should be looking out for in 2013 and beyond?

Michael Spence: Number one would be Europe – the European Union is a flawed structure and they haven't fixed it yet. Number two would be the US, because the government is split and that will make people nervous. Number three is China. As we've discussed, the country has an internal debate going on about the right model, and there are powerful vested interests involved. I don't happen to be pessimistic, but there is a scenario in which the wrong people get hold of the reform agenda and it stalls. And at this stage of its growth, for China that would produce an immediate economic implosion.

Fu Jun: In China, the current system – halfway between plan and market – can foster corruption, which in turn can give rise to social and political tensions and add a further layer of complexity to economic development. If political powers monopolize factors of production while only utilizing markets for goods and services, and only some people have access to both sides of the equation, you will have a powerful institutional logic driving the gap between rich and poor. These negative implications for wealth distribution would eventually lead to weak domestic consumption. China must continue to press ahead with market-oriented reforms, including the rule of law, so that it has a better chance of moving out of the "middle-income trap" and becoming a higher-income country.

Do you agree that the recent leadership changes in China will lead to a drop in income inequality in the country?



Insights revealed by discussions on economics during the Summit on the Global Agenda 2012:[2]

- The financial industry is experiencing a severe deterioration of trust amplified by structural breakdown and the crisis of 2007-09. There is no easy solution to restore trust within the system, as it will require time for financial institutions to prove their value through continued actions. However, possible solutions include transparency on the strategic direction and activities of financial institutions, and a more harmonized supervisory system.
- Investment in innovation, technology and productivity should be increased to reduce inequality. Through government investment in these areas, the right environment will be created for the private sector to flourish and ultimately create jobs. Rent-seeking and any efforts by governments to deal directly with employment yield very limited results.
- The European fiscal crisis has proved once again the interconnected nature of global economies and the contagion of consequences that policies in one country or region may have on the rest of the world. Thus, facilitating adjustment processes that are globally compatible remains a key challenge for the international monetary system.

For more information on the Summit, please visit www.weforum.org/events/summit-global-agenda-2012

[2] The Global Agenda Councils on New Growth Models, Long-Term Investing, the International Monetary System, and New Economic Thinking, among other Councils, contributed to the discussions in this session. More information on the Network of Global Agenda Councils can be found at: http://www.weforum.org/global-agenda-councils-experience-2012.

Geopolitical Uncertainties

Around the world, 1.6 billion people are affected by ongoing conflict. Although the international community has been successful at reducing overall levels of violence, regional hotspots continue to flare at enormous human and economic cost. Which conflicts will give cause for greatest concern in 2013 and what should leaders do to address them?

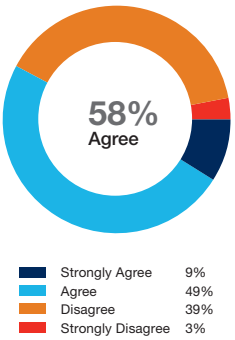
The Outlook on the Global Agenda brought together Javier Solana, President, Center for Global Economy and Geopolitics of ESADE and Distinguished Senior Fellow in Foreign Policy, Brookings Institution, and Ian Bremmer, President, Eurasia Group. Wadah Khanfar, Co-Founder, Al Sharq Forum, moderated the discussion.

Present Models of Conflict Resolution

Javier Solana: I think that we continue to look at the problems of the world today from a Western-centric viewpoint, and that we do not understand the past so well – and I distinguish between history and memory. History is the history of a country; memory is what we recall of what we have done before in these countries in a shorter period of time. If you take the Palestinian-Israeli conflict, we easily lose our memory of what we have done since, for instance, the Madrid Conference, Oslo, etc. All that has disappeared from the scene, it is not used and we start everything from scratch; that is really a very important mistake.

Also, in the past we looked at conflicts mentally from a hard security point of view. Now the reality has changed. In today's conflicts, you don't see tanks, you see special forces and something very dangerous to my mind, drones. The risk is that we have started playing with these things without thinking of the consequences.

Do you agree that the next decade will see more international use of the Chinese currency?



Ian Bremmer: It's very clear that we have a state-centric approach to conflicts. States are engaged mostly in conflict management at a global scale and so they want other things to look like states – this is an Afghanistan problem, this is an Africa problem, it's a Middle East problem. With colonization we created things that looked like states but weren't states; with conflict resolution we try to fix them in ways that make them look like states when they are not states. And this is only going to become more of a challenge over time. Meanwhile, where conflict is coming from is changing – it's increasingly not security conflict, it's economic conflict.

I think Asia is by far the biggest challenge. But the US is focusing on Asia as primarily a defence challenge when it is primarily an economic challenge. China is not a global or even much of a regional military threat – it is an enormous challenge from an economic perspective. And that is not the way it's being addressed.

Major Geopolitical Risks in 2013

Ian Bremmer: There are three big geopolitical conflicts out there now that are really altering the balance. Number one is the Arab Spring/Winter, however you want to define it, and instability in that part of the world. Number two is the eurozone crisis. And number three is the rise of China. Of these, by far the most important and dangerous from my perspective is the third – it is the one that impacts the entire world; it actually dwarfs the other two in terms of size of challenge.

Javier Solana: My greatest concern is a negotiated solution to Iran's nuclear stand-off – a potential flashpoint of existential proportions – but the rise of China is a fundamental issue for a number of reasons. Look at the energy structure in the world at the moment, with the US increasingly autonomous. Now, if you were Chinese, thinking ahead you might say, "my goodness, the problems of the Middle East are going to be my problems". Why? Because eventually the US may be less interested in the Middle East – not completely uninterested with Israel and lines of communication such as the Suez Canal – but you might think that China will need to have more interest in what is going on in the Middle East than before. Meanwhile, Syria's civil war remains hugely disturbing on humanitarian, security and political levels. War is not being played out within country borders alone, while support for each side comes from allies both near and far. The blockage of the P5 is a serious and lamentable factor in this regard.

On the Threshold of a New Era?

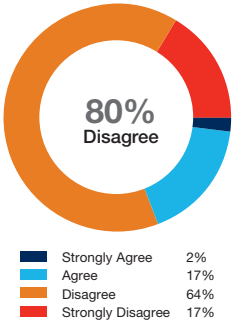
Javier Solana: Another thing that is very important in the context of the Middle East is to define what we're going to have after the Arab Spring. Maybe we are going to have a Muslim Brotherhood region, and if that is the case we had better prepare to understand the consequences of that. Such an outcome would require tremendous change in an important actor – the US – who, because of Israel, won't abandon the region completely. I also think that the European Union should try to construct a clearer policy here.

Ian Bremmer: The world order today is characterized very much by an absence of leadership. The Chinese are certainly going to play a greater role in the Middle East, but they are not doing it yet. Look at Sudan: very clearly if anyone has an interest in Sudan, it's China. What has China done to try to defend its interest in Sudan? Radically less than the Europeans or the Americans would have done historically if they were playing that role.

So right now, for world leadership, the US isn't doing it, the Europeans aren't doing it, they're busy. The Japanese of course aren't doing it. The Chinese and Russians are very limited. So, who's doing it?

Leaders mustn't let the perfect be the enemy of the good. Even if initiatives are piecemeal and sub-global, they are still steps in the right direction. Leaders must recognize that when global action isn't possible – or possible fast enough – it's important to prioritize the next best thing.

Do you agree that the eurozone will break up in the next 3 years?*

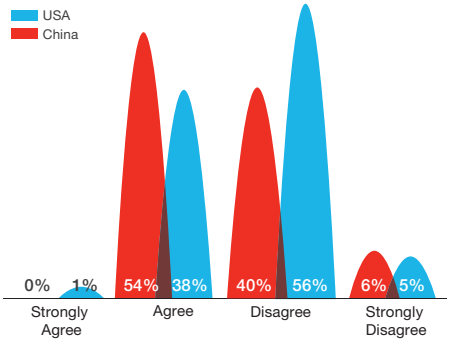


*Respondents who strongly agreed or strongly disagreed were counted with double the weight of less sure respondents.

Javier Solana: I think that, as a leader, President Obama has the opportunity to do a lot of good during his second term – a strong leader in the US could foster a new situation. With Iran, for example, I have not been optimistic on negotiations because often you don't know who you're talking to. It's difficult, but it's not impossible, and I think that the US needs to make a bilateral approach.

Ian Bremmer: The best thing that Obama can do is to try to get the American house sufficiently in order so that the average American starts being interested in the US playing a global role again. If that doesn't happen, the average American will increasingly think of the international environment as somewhere hostile to their country's interests.

We asked Chinese and American respondents whether they agreed that global cooperation is improving.



I think that we continue to look at the problems of the world from a Western-centric viewpoint, and that we do not understand the past so well – and I distinguish between history and memory.

Javier Solana

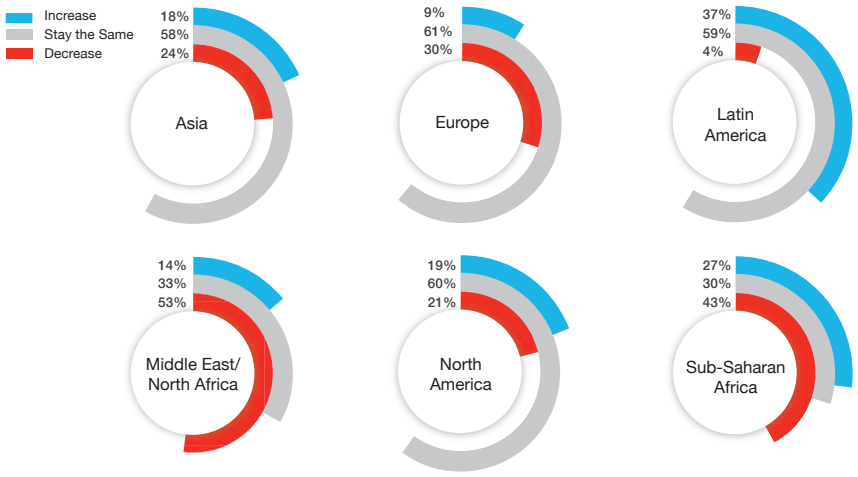
Regional Organizations, Conflict Resolution and Weak Signals

Ian Bremmer: All this is related to what leaders can actually do. You have three areas of the world that are going to be experiencing very significant geopolitical conflict, but only one of them has institutions which I believe are up to the task – though those institutions need to change – and that's Europe. Are the institutions up to the task in the Middle East? No. Then you go to Asia where not only are the regional institutions not strong enough, but the interests of the actors are fundamentally different. The US wants to work in multilateral institutions with its friends – let's get ASEAN together and take a view. The Japanese say, "We've got problems in the East China Sea, let's go to the International Court of Justice". Meanwhile, the Chinese only want bilateral negotiations because they are bigger than every other country bilaterally and they get the outcomes they want. You've got a radically changing geopolitical environment in Asia, and I think that the single conflict that is most problematic for 2013 in the world is probably that between China and Japan.

Javier Solana: I quite agree with you. The world has changed and this is a reality that we have to take into consideration, and we've neglected it. I think some efforts have been made – the ASEAN Regional Forum, the ARF, is better today than it used to be and they have some useful discussions. We really have to construct strategic trust. And with a big, emerging country like China, that is not easy. China wants bilateral relations, and it's not going to be easily changed from that approach.

Ian Bremmer: And we haven't even talked about cyber. What's the likelihood that a major cyberattack could really disrupt a small economy or medium-sized economy? I think we are all worried that that's out there – and we don't know how to assess it. What is the possibility that China will have a WikiLeaks scandal of its own, and that you'll have hundreds of thousands of documents that could cause an enormous crackdown and militarization of the Chinese government? The potential for such black swans in 2013 is probably greater than before.

Do you think that political stability will increase or decrease in your region?



China is not a global or even much of a regional military threat; it is an enormous challenge from an economic perspective. And that is not the way it is being addressed.

Ian Bremmer

Insights revealed during a session on regional hotspots during the Summit on the Global Agenda 2012:[3]

- International regimes and institutions put in place in the last century have become dated and need to evolve to adapt to a new reality. History shows that points of such disconnect between global institutions and power realities can lead to large-scale conflict.
- An inability to redress the disparity between rich and poor, to improve the lives of the "bottom billion", will be a source of conflict in many regions of the world.
- Youth unemployment in the Arab world is unravelling social cohesion and eroding social peace.
- The new Millennium Development Goals must take into account the impact of peace and good governance on nations' sustainable development.

For more information on the Summit, please visit www.weforum.org/events/summit-global-agenda-2012

[3] The Global Agenda Councils on Geopolitical Risk, Fragile States, Institutional Governance Systems, and Catastrophic Risks, among other Councils, contributed to the discussions in this session. More information on the Network of Global Agenda Councils can be found at: http://www.weforum.org/global-agenda-councils-experience-2012.

Thriving in a Hyperconnected World

The boundaries of physical and digital worlds are melting at unprecedented speeds, leaving many of our policy-makers, heads of government and business people unprepared to integrate new concepts into decision-making processes. Technologies have evolved and continue to do so, while vast amounts of data are sent and received by billions of interconnected devices. As interdependency grows between individuals and the systems they are a part of, what are the issues and opportunities to be grasped?

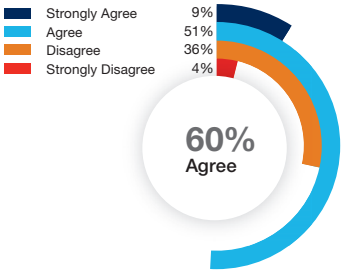
The Outlook on the Global Agenda brought together Robert Madelin (left), Director-General for Communications Networks, Content and Technology, European Commission, and Marc Davis (middle), Partner Architect, Microsoft Online Services Division. Rod Beckstrom, President, Rod Beckstrom Group, and CEO and President of ICANN (2009- 2012), moderated the discussion.

Q: What does it mean to be living in a hyperconnected world?

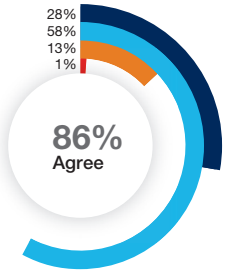
Marc Davis: We are in a position today where we have much more power and greater storage, so the amount of data has gone up. Different sources and kinds of data, from social networking sites and mobile communications for example, mean that we have very intimate information about people, which provides insights that help us to function better in the real world. Big data is not just a technical issue; it's not even fundamentally a technological issue. It's a question of the structure of the digital society and digital economy, what it means to be a person, who has what rights to see and use what information, and for what purposes might they use it.

Robert Madelin: For me hyperconnectivity is very much like the human brain. Our conscious activity is a tiny tip of the iceberg of what's going on in our head, we don't know everything that's going on every moment, we don't have to think to breathe. And our vision of the hyperconnected world should be like that: that we are still in control, but good things are going on as a result of hyperconnectivity.

Do you agree that there are significant risks associated with the creation of a data commons?



Do you agree that the creation of a data commons would contribute to economic growth worldwide?



Q: What rights should citizens of the world have over their data?

Robert Madelin: In a democratic society we should collectively decide how we want to manage data. As an individual, I would like to know how data about me is being created. I want to know that I am in a society where the ways in which the feed from the CCTV camera in the shopping mall is used sits within a framework of law. I do not want a company or government putting all my data together and creating a profile of me without me knowing or being able to access it. But if you anonymize it, most people would say, "I am perfectly happy that my share of a bigger dataset creates a public good". A cancer registry is a classic case. You take all the people suffering from a certain sort of cancer and put that data together, that's gold dust in terms of driving medical research. But those individuals do not want their status to become public knowledge. So it is a question of how we reconcile the accumulation of knowledge with the preservation of my control of my personal profile.

Marc Davis: There are some cases when data is mine, and some cases where, for the public good, the data is ours collectively. But the vast majority is in the category of joint rights and joint stakeholders. We haven't yet formalized and created the legal, technical, economic or regulatory structures to determine how various parties share and control the flow of data. One analogy – which illustrates why this is both an economic and a societal issue – is of the 19th-century transportation system: if we don't have interoperability of rail gauges, it's hard to have trains that work.

> **Today's leaders have been trained in a world that no longer exists.**
>
> Marc Davis

Q: How can we create greater standardization of privacy practices?

Marc Davis: The challenges of hyperconnectivity also contain within them the solutions. The fact that we're so connected enables us to create greater standardization around the rights associated with data. We're beginning to see granular permissions control, where you can opt to say "yes, you can have my location data". Also, across multiple companies and, in the US, the National Strategy for Trusted Identities in Cyberspace, there is this concept of a trust framework where multi-level parties together establish codes of conduct, standards around how they are going to be using data.

Robert Madelin: We can't fix this debate in different ways in different bits of the world without diminishing the potential value of the hyperconnected world; you can't hyperconnect the world technologically and divide it by imagining jurisdictional borders – and there is support in Europe for a framework that has interoperable global jurisdictional coverage. The big problem we still have is a lack of trust driving demand for disproportionate control.

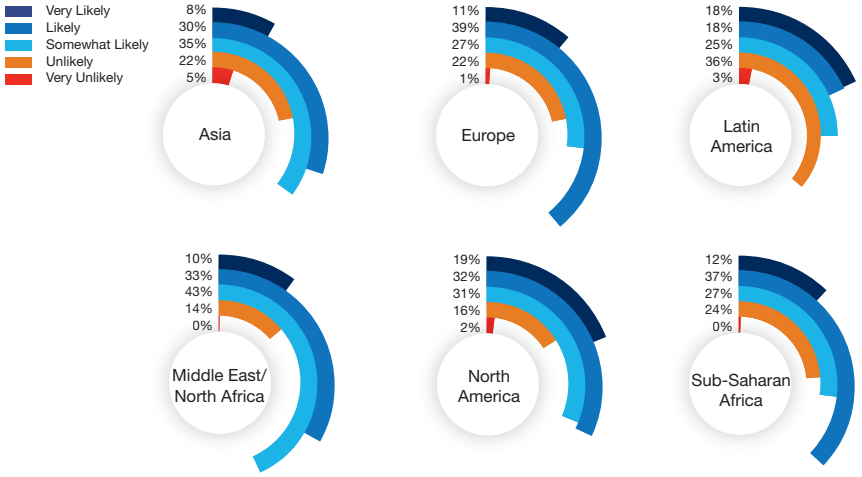
Q: What is the role of trust in the hyperconnected world?

Marc Davis: Without trust there isn't going to be an effective society or economy. But trust has to be earned, and that comes when you are transparent so that individuals understand what's going on, and data actors become accountable.

Commercially speaking, trusted relationships powered by personal data are much more effective than the situation we have now where there is a lack of trust in the system. In a trusted relationship people can say, "I do want to share this information because I'm going to get a much better service back". I think there is a common vision around the individual at the centre of the digital alliance that both benefits society and drives economic growth.

Robert Madelin: At the moment, "earning of trust" as a priority is not yet clear enough in the minds of all data actors. If we lose sight of the individual, we'll trip over the individual's objections somewhere down the road. We can avoid that – and the need for excessive regulation – if we talk to people and find out what they like and don't like.

How likely is it that more regulation of the Internet would hinder its future innovation and development?*



*We grouped respondents according to their regions

Q: Can the hyperconnected world make cities more efficient, sustainable and liveable?

Marc Davis: Absolutely. Big data, the observation of how the world behaves – people, goods, services – allow us to improve the way we organize ourselves. Of course, we have to do it in a way that preserves the dignity, agency and self-determination of individuals.

Robert Madelin: The smart city is smart because we can build hyperconnectivity into the energy and transport systems, but it will be smarter if we can create a city that is, through data, more effective for every citizen, more inclusive. The diversity of opportunity in a big city, whether it's Cairo or Los Angeles, is so huge that we have to be careful that the smartness is not unevenly distributed. If the hyperconnected world accentuated social divides, it could get very "unsmart" very quickly. So, there is a downside, and we have to design it out.

Q: What are the shocks, related to hyperconnectivity, which might be coming in 2013?

Marc Davis: There will be greater realization by people around the world of what's actually happening on the Internet in terms of the complexities of managing big data. I think the shock of this will result in people calling for, and regulators and industry working together for, greater transparency and accountability with regards to data.

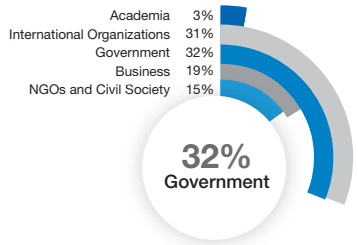
Robert Madelin: The greatest risks would be a technical outage where cyber resilience is lost, or a big data breach causing a breakdown of public trust in the ability of the data actors and public authorities to manage data in the future.

Q: What issues should be priority for world leaders in Davos?

Marc Davis: Other than cyber resilience, which is a fundamental part of the ecosystem for every state and the private sector, I also think people have to realize that human beings are very bad at understanding the phenomena that are transforming our world. Leaders today have been trained in a world that no longer exists. Acknowledging this is the first step, and the next is working collectively to form a new organizational structure that is resilient, adaptive and supports the goals that we all share.

Robert Madelin: The threats of the cyberworld are understood by experts, but they are not owned at the top level by boards of large corporations or by governments in a collective way. So I think we are seriously underweight in our collective response to this threat. And I think in a hyperconnected world, we have to connect the overlapping issues that form part of the complex system that we human beings constitute. We don't really acknowledge that complexity.

Who should be responsible for Internet governance?



Digital rights are about how we reconcile the accumulation of knowledge with the preservation of control over our private lives.

Robert Madelin

Insights revealed during discussions on hyperconnectivity during the Summit on the Global Agenda 2012:[4]

- Hyperconnectivity challenges incumbent power structures in unprecedented ways, exposing vulnerabilities of power.
- Although the digital era has vastly increased the number of connections (human and virtual), this has not necessarily been coupled with increased cohesion – divisions and fragmentations remain.
- Acknowledging that the world is now a socio-technical system requires integrating the digital code of technical systems into the legal code of social systems.

For more information on the Summit, please visit www.weforum.org/events/summit-global-agenda-2012

[4] The Global Agenda Councils on Data Driven Development, Complex Systems, Design & Innovation, the Future of the Internet, and Urbanization, among other Councils, contributed to the discussions in this session. More information on the Network of Global Agenda Councils can be found at: http://www.weforum.org/global-agenda-councils-experience-2012.

The Post-2015 Development Agenda

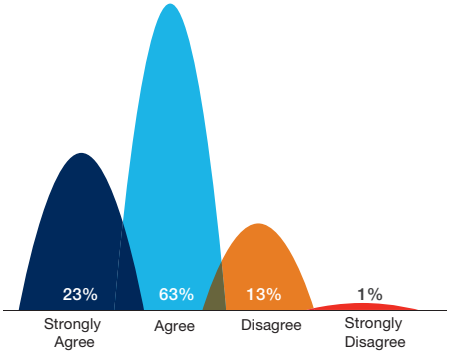
The Millennium Development Goals (MDGs) have been the central reference point for global development efforts since they were established as international targets in 2000. But the MDGs only mark a half-way point. Interest in the next stage of this process is expanding well beyond the traditional boundaries of the development community. As discussion of a post-2015 development agenda begins in earnest, tensions between economic development and environmental considerations remain a threat to progress. What are the implications of trying to articulate a sustainable development agenda for the future?

The Outlook on the Global Agenda brought together John McArthur, Senior Fellow, United Nations Foundation, New York, and Wu Changhua, Director, Greater China, Climate Group, People's Republic of China. James Bacchus, Honorary Professor of Law, University of International Business and Economics, People's Republic of China, moderated the discussion.

John McArthur: Since the Millennium Development Goals were formulated, we have had a pretty historic global conversation about how developed and developing countries can partner to achieve an ambitious agenda – to eliminate extreme poverty from the planet, and at least halve it by 2015. We've seen a few areas that have really taken off. We've seen issues of disease control – including HIV/AIDS, malaria and immunizations for children – really making breakthroughs. In recent years maternal health has also made progress and we've seen a lot of success in primary education.

In some areas we haven't seen much success. In hunger, we're still struggling. On the environment, the Millennium Development Goals actually had a pretty narrow definition and these issues have not been so well addressed.

Do you agree that the post-2015 development agenda will result in a stronger development framework?



As we look at the final 1,000 days to 2015, there are a few basic questions. One is how do we make sure that this last stretch goes as well as possible – how do we make sure we really maintain the momentum around doable propositions such as eliminating mother-to-child transmission of HIV and ending deaths from malaria? Second, while the world has already achieved the first Millennium Development Goal of cutting income poverty by half, how do we finish the job and end extreme poverty altogether?

And even if all countries eliminate extreme poverty below a dollar a day, there are still a couple of billion people living on less than US$ 2 a day. Third, what are the issues that didn't get addressed in the Millennium Development Goals? How, for example, do we tackle the environmental underpinnings of development? Fourth, what are the issues around inequality? It's not just about what it looks like to end extreme poverty, but what it means to have a sustainable global society.

A shift to looking at the environmental challenges will need to keep in mind that even the term "sustainable development goals" can be very loaded politically. The words actually mean different things in different parts of the world, yet what we're trying to do is converge on a common agenda and vision.

We know that many of the poorest people face major environmental strains, and that one way to help them with that is to raise incomes. As Norman Borlaug used to say: "It's hard to be an environmentalist on an empty stomach." When countries go from extreme poverty to above a dollar a day poverty, that's not usually where the bigger global environmental challenge comes in – it's at the stage of industrialization.

"Even if all countries eliminate extreme poverty below a US$ 1 a day, there are still couple of billion people living on less than US$ 2 a day."

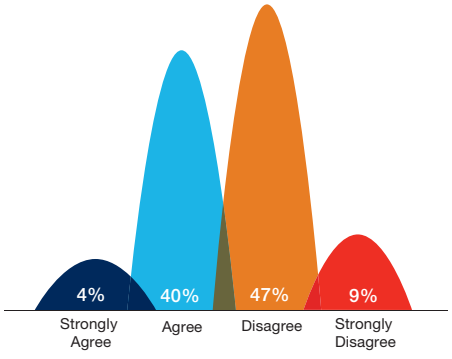
John McArthur

I am an economist who is pro-growth and in favour of equal opportunity to lifestyles. I don't think anyone has the right to tell anyone else, at this stage of global inequality, that they should stop growing. I'm for better growth, derived from new ideas and new efficiencies. Ultimately we will only solve the problem through innovation, so we need to think about how to develop better incentives for that – which raises the role of government investment and regulation.

For anyone in office over the next few years, whether it's a political, corporate or NGO office, this is a time to keep our eye on the ball – so as to deliver results by 2015. If we do so, we could even provide a springboard for tackling the next generation's challenges.

Wu Changhua: By putting "sustainable" in front of development issues we have shown that we understand them better, and that we understand the linkages between many issues. This also presents challenges, as the international community tries to figure out what are the best tools, instruments and partnerships to address solutions with the limited resources at hand. Meanwhile, from the perspective of the health of the global ecosystem, we are not making progress. We are actually moving backwards.

Do you agree that human development is becoming more ecologically sustainable?



If you look at the West, in the current economic situation, if you do not have or promise growth you cannot be elected. Yet everyone knows all the data telling us we do not have enough natural resources, that the ecosystem cannot accommodate the growth goals being pursued by every country. How we solve that remains a big question.

I have friends in Beijing who tell me that they have three cars. Why? Well, firstly, they are rich enough. Secondly because, there are laws saying you can only drive a certain car on a certain number of days. You need to go to work every day, so what do you do? Among young people today, awareness is very high. But if we ask someone to give up certain things for the sake of the environment, for others, or even just to pay more, you start to see a really significant drop in commitment.

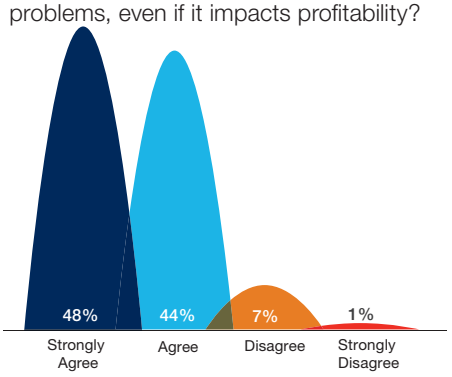
On a different scale, I was attending a seminar and the CEO of a European company was talking about sustainable development and what the company has done to reduce its ecological footprint. After he finished and went out, I saw the CEO of a major chemical company in Taiwan shaking his head. When I approached him, he said, "Sustainability is not multinational companies getting rid of or selling the things they don't want any more". And he's right. Where do these things go? In many cases, heavy manufacturing simply ends up in China and the footprint is shifted to somewhere else.

Unfortunately, we are materialistic and we consume a lot of things – and someone has to make them. If we do not address that fact – if we do not integrate it with a move to innovation and new technology in a timely manner – we will not solve the problem.

I don't think that change comes naturally. A company needs to make money, so it goes for the low-hanging fruit. That's why this requires government to set regulation standards and to add a costing issue – if you don't do this, it costs you more. Business people get that.

That's also why I think it's encouraging that in China the direction for the next 10 years in terms of development has been clearly set out. What's exciting to see in the documents released by the Party Congress, for example, is the use of the term "eco-civilization". This is being raised to the national agenda, alongside the political, economic, social and cultural. There are the beginnings of an understanding that, in order to move forward, China cannot say, "I'll just do this on my own". I'm hoping that China's new generation of leaders will go to Davos and reach out proactively to other leaders – not just political leaders – to try to figure out how we can achieve a sustainable development agenda together.

Do you agree that business has a responsibility to address societal problems, even if it impacts profitability?



If you look at the West, in the current economic situation, if you do not have or promise growth, you cannot be elected.

Wu Changhua

Insights revealed by discussions on the post-2015 development agenda during the Summit on the Global Agenda 2012:[5]

- The process led by the UN is very complex. Unlike with the first generation of MDGs, considerable efforts are made to reach out to, and gather input from, all stakeholders via hundreds of global, regional and topical consultations.
- A major challenge is the so-called "Christmas tree syndrome", which refers to the tendency for different stakeholders to "hang" their own goal or cause on the MDG tree. In particular, many want the future framework to include some critical drivers of poverty alleviation such as governance, security, infrastructure, migration and human rights.
- This inclusiveness imperative and the multiplicity of actors pose significant challenges. In particular, the integration of sustainability in the new framework reveals uncertainties. There is no clear idea or process within the UN system for how the various MDG and Sustainable Development Goals processes and outcomes could be combined.

For more information on the Summit, please visit www.weforum.org/events/summit-global-agenda-2012

[5] The Global Agenda Councils on Food Security, Poverty & Sustainable Development, Climate Change, and Africa, among other Councils, contributed to the discussions in this session. More information on the Network of Global Agenda Councils can be found at: http://www.weforum.org/global-agenda-councils-experience-2012.

Restoring Values

The mistrust in governments and institutions is growing, as today's economic and political systems struggle to come to terms with the complexities and interdependencies of the 21st century. Is it time to revisit the core values of business, politics and society? Would leadership and decision-making benefit from a reassessment of values?

The Outlook on the Global Agenda brought together Chan YuenYing, Director and Professor, Journalism and Media Studies Centre, Hong Kong SAR, and Michael J. Elliott, President and Chief Executive Officer, ONE, USA. Jim Wallis, President and Chief Executive Officer, Sojourners, USA, moderated the discussion.

Michael Elliott: The question of how we connect business to the common good has come into sharp focus since 2008. We saw the financial sector go into a sort of greed-induced meltdown; we saw governments that seemed incapable of tackling major problems. In the West, we are seeing levels of inequality that those of us who grew up in the period after World War II find almost incomprehensible. We all lose from that. And while free and open markets have demonstrated themselves as being a great source of prosperity, happiness and the realization of human potential, there's a real problem in the extent to which inequalities are perpetuated generation to generation. Policy choices that we have made have allowed that to happen.

It's not easy, but bringing together all sectors of society and finding common ground – persuading people to change the way they look at the world – remains worth doing. That truth hasn't failed simply because we live in difficult times.

There has been a breakdown in trust in established institutions. But if we think that the solution is to rebuild trust in those same institutions, we may be missing the signal. Social media is creating new institutions. They may not be corporations, they may not have an HQ, but it is possible that we are finding new informal institutions that enable people to do things together. People today are less influenced by me, or you, or for that matter, by famous people, than by their friends.

And those friends could be from anywhere. When I first lived in the US in the mid-1970s, the foreign-born population was about 4%. Now it is 13%. That means that every network of someone in my own children's age group includes people who were born thousands of miles away. I think there is enormous potential now to build truly global networks of interest, involvement, trust and common purpose.

I remain resolutely optimistic. Although leadership has been lacking in the past five or six years, some of the values-based choices we have made have been extraordinary. We chose to attack some salient global health issues, and we can now legitimately say that we can look forward to the end of HIV/AIDS, that we can end mother-to-child transmission of HIV/AIDS within a few years. We've reduced death by malaria to an extraordinary extent. I take away from that the conclusion that we can make more of the same values-based choices.

In 2013, let's put our shoulder to the wheel on the issues where we still have to make progress.

Michael Elliott

In leadership terms, this will require determination; it will require us to make uncommon bedfellows; it will require money. But we can do it. Take nutrition: we can make choices in policy, food production and agricultural investment that bring nutritious foods to everyone in those crucial first 1,000 days of their life. One crucial area where we can ensure and demand leadership is with the Millennium Development Goals. We've got 1,000 days to go before the deadline. So let's put our shoulder to the wheel on the issues where we still have to make progress, whether that be sanitation, water or maternal mortality, while at the same time thinking about what comes next.

Chan YuenYing: We used to think that we knew what is good and what is bad. I am not sure we have that common understanding anymore, and one result – at the heart of many of the challenges facing the world – has been a loss of common trust in institutions. I see it in Hong Kong, China and the US. How do you rebuild the trust? How do you renegotiate that common ground? You have to go back to the issue of values.

Today, a person's social media network is their network of trust, but social media has also disrupted traditional institutions. I am optimistic about the technology, but our ability to harness its potential is falling behind, and in many ways we are being led by technology. If we are not building the culture and institutions that can connect the virtual and the real worlds, you have another disconnect. People are making noise on the Internet, adding their grievances and hopes, but if those hopes cannot be realized in the real world, you only create greater frustration.

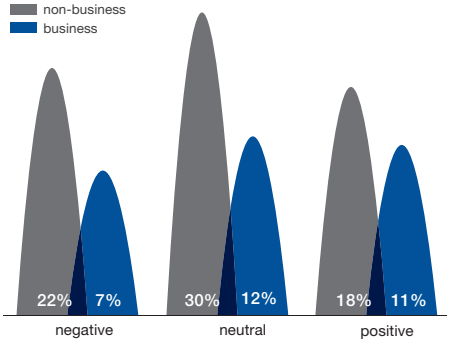
In China, you have a billion mobile phone subscribers. People are using mobile devices to get online, to organize demonstrations, to express the disaffection they were deprived of expressing before. How do people in business and government aggregate this? Where is the facility to monitor and to access opinion that's expressed online? We are far behind in these tasks.

Leadership and vision are lacking. With HIV/AIDS, people consciously decided that we needed to tackle the problem – so resources were harnessed, decisions were made. Public-private partnerships worked. Now, those partnerships need to multiply. Government, business or civil society – we all have a stake.

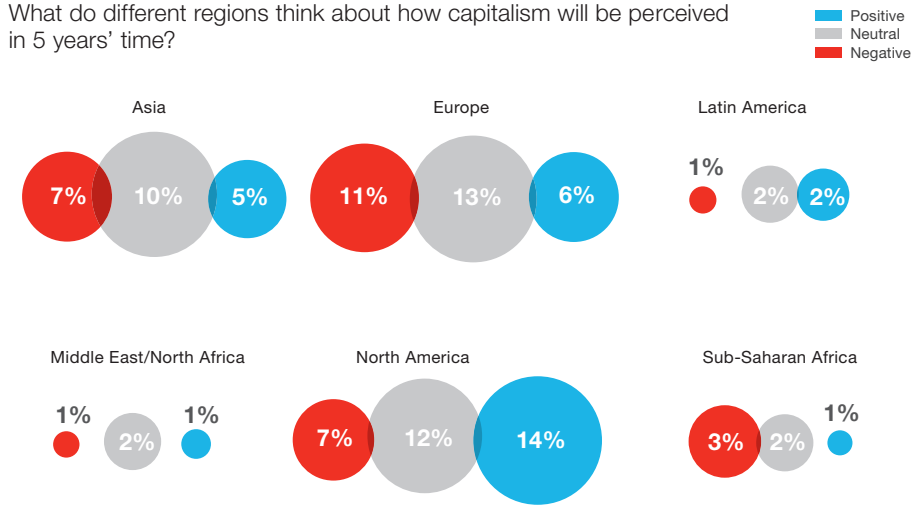
We also need new economic thinking. The free market, we have learned, is not exactly free. It creates problems even as it claims to solve them. But has liberal capitalism run its course? What would come after it? Socialism as it has been practised is not the solution: we've seen that in China. During the 2012 leadership transition, the term "socialism with Chinese characteristics" was cited 81 times in the outgoing president's report. He was saying: "Look, the China model has worked. China has lifted 600 million out of poverty and we have economic development without democracy". I disagree, because that development is unsustainable – it has caused environmental degradation and a growing gap between rich and poor. What we're looking for is a higher level of economic thinking, and I think that needs resources invested in it.

I would like to see two things. One is for leaders to challenge themselves and their existing institutions: they need the will and wisdom to make a break with old ways of doing things. The second is a kind of back to basics. You talk about the common good – what is it? Be kind, say thank you, be grateful, take care of the weak. Those are basic values that we learn in kindergarten, but somehow they have been lost because of greed and the drive for excellence. There needs to be a willingness among leaders and business leaders to recognize those values once again.

What do stakeholders think about how capitalism will be perceived in 5 years' time?



What do different regions think about how capitalism will be perceived in 5 years' time?



I would like to see leaders challenge themselves and their existing institutions. They need the will and wisdom to make a break with old ways.

Chan YuenYing

How the 2012 Elections May Have Changed US Politics

Jim Wallis: What really happened in the 2012 election was that a demographic time bomb went off. It is clear now that if all you have is white votes, you will never win another US election. And that could change our whole notion of politics in the US.

This is not about Democrats and Republicans – both parties are run by liberal elites and, after elections, their lives don't change much. But, finally, a lot of people are adopting a post-party approach to politics – they are looking at how real issues affect real people. So, in future, both parties will have to compete for the values of diverse populations, and that might hold them accountable. The biggest obstacle to this, though, is the power of money over politics, which is stronger than ever. We need to take the money out and put the values back in.

Jim Wallis

Do you expect that the following issues will worsen or improve as a result of the US election outcome?*

	China relations	State of US economy	State of global economy	Regional security	Global governance	Global financial system
improve	Sub-Saharan Africa	Sub-Saharan Africa	North America	Latin America	Sub-Saharan Africa	Sub-Saharan Africa
		North America		Europe North America		Middle East/ North Africa
	North America	Latin America				North America
			Europe Latin America	Sub-Saharan Africa		Latin America
neutral	Europe Latin America Middle East/ North Africa					
		Europe		Asia	Latin America	Europe
			Asia		Europe	
		Asia	Sub-Saharan Africa		North America	
worsen	Asia	Middle East/ North Africa	Middle East/ North Africa	Middle East/ North Africa	Middle East/ North Africa Asia	Asia

*Differences in responses between regions are relative.

Insights revealed during discussions on values during the Summit on the Global Agenda 2012:[6]

- The "invisible hand" is an amazing phenomenon for allocating resources, but without a moral framework that supports trust, the market cannot function.
- A functioning global governance system will not be possible as long as a global moral underpinning is lacking.
- Religion should not have a monopoly on morality. New institutions need to be aligned with a reinvigorated set of values that are inclusive of all stakeholders, including those with little voice.
- Values that hold "the common good" as a critical metric should be aimed for along with decision-making based on how future generations will be impacted. An example is moving from "resource exploitation" to "resource stewardship" as a guiding principle for all consumers, not just companies.
- Regulation and incentives are necessary but not sufficient to a healthy, functioning, market-based society. Values need to be more than theoretical – they are only valuable if they drive behaviour – hence they need to be deeply embedded.
- Role models are needed – leadership is critical to demonstrating values and ethical action.

For more information on the Summit, please visit www.weforum.org/events/summit-global-agenda-2012

[6] The Global Agenda Councils on New Models of Leadership, Values, Informed Society, and the Role of Faith, among other Councils, contributed to the discussions in this session. More information on the Network of Global Agenda Councils can be found at: http://www.weforum.org/global-agenda-councils-experience-2012.

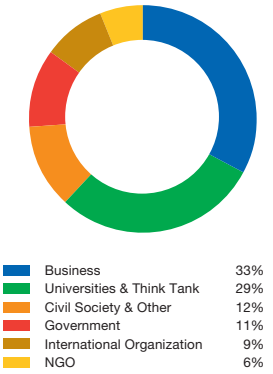
About the Network of Global Agenda Councils

In 2008 the World Economic Forum created the Network of Global Agenda Councils, a unique network of more than 1,500 of the world's most relevant experts from academia, business, civil society, government and international organizations, for the purpose of advancing knowledge and collaboratively exploring important issues shaping the global, industry and regional agendas.

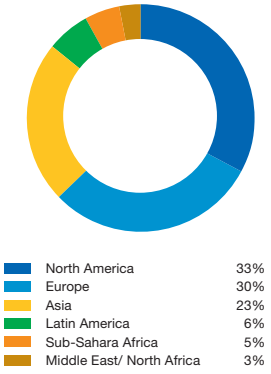
Each Global Agenda Council features 15-20 of the most relevant thought leaders in an effort to challenge conventional thinking, develop pertinent insights and create innovative solutions for key global challenges. In a global environment marked by short-term orientation and silo thinking, the Network of Global Agenda Councils fosters interdisciplinary and long-term thinking about the prevailing challenges on the global agenda.

Global Agenda Council Members meet annually at the Summit on the Global Agenda, held in partnership with the Government of the United Arab Emirates, and interact virtually several times a year to monitor key trends, identify global risks, discuss breakthrough ideas and explore relevant interconnections. The year 2012 marked the fifth anniversary of the annual Summit on the Global Agenda. With over 900 participants from more than 80 countries, the Summit on the Global Agenda is the world's largest brainstorming event.

Stakeholder representation of the Global Agenda Council network



Regional representation of the Global Agenda Council network



The Global Agenda Survey

The Global Agenda Survey is conducted annually and asks the Members of the Global Agenda Councils as well as leading industry experts, to identify the most important global trends and the consequences that are likely to impact the world economy, society and environment in the next 12-18 months.

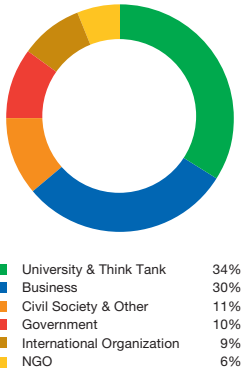
These results were then updated and validated with new data gathered from Global Agenda Council Members at the Summit on the Global Agenda 2012.The combined survey results include 1500 responses worldwide, comprising diverse views, expertise and regional representation.

This year's survey generated interesting findings from time-series analysis and comparisons of data broken down by stakeholder type and region. Overall, the evolution of old trends and the emergence of new ones give rise to some important insights, which are included in this report.

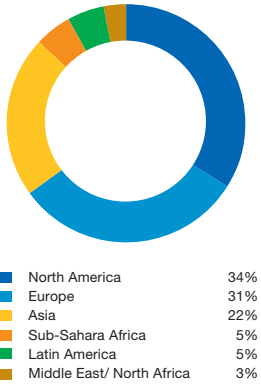
The core of the Global Agenda Outlook is based on a series of discussions and debates between Global Agenda Council Members – representative of the relevant fields and drawn from diverse regions – that were recorded live during the November 2012 Summit on the Global Agenda in Dubai. Each intimate conversation was structured around an issue identified as one of the most important global trends, as per the Global Agenda Survey 2012. Participants were encouraged to be bold and to convey to readers what is at the forefront of their minds, with the results providing an outline of many of the major issues and opportunities facing the world in 2013.

An interactive visualization showing the results of the Global Agenda Survey can be viewed in full at http://reports.weforum.org/global-agenda-survey-2012/.

Stakeholder representation of respondents.



Regional representation of respondents



Portfolio of Councils

2012-2014 Term

Issue-focused

Economics & Finance

1. Competitiveness
2. Emerging Multinationals
3. Employment
4. Financing & Capital*
5. Fiscal Sustainability
6. Global Financial System
7. Global Trade System
8. Infrastructure*
9. International Monetary System
10. Logistics & Supply Chain Systems
11. Long-Term Investing
12. New Growth Models*
13. New Models for Travel & Tourism
14. New Economic Thinking*
15. Poverty & Sustainable Development
16. Social Security Systems*
17. Youth Unemployment

Environment & Sustainability

18. Biodiversity & Natural Capital*
19. Catastrophic Risks
20. Climate Change
21. Food Security
22. Governance for Sustainability*
23. Measuring Sustainability*
24. New Energy Architecture
25. Oceans
26. Personal Transportation Systems
27. Responsible Mineral Resources

Management

28. Sustainable Consumption
29. Urbanization
30. Water Security

Geopolitics &Security

31. Anti-Corruption
32. Arctic*
33. Conflict Prevention
34. Energy Security
35. Fragile States
36. Geopolitical Risk
37. Human Rights
38. Illicit Trade
39. Institutional Governance Systems
40. Nuclear, Biological & Chemical Weapons
41. Organized Crime
42. Rule of Law
43. Terrorism

Science & Technology

44. Advanced Manufacturing
45. Biotechnology*
46. Complex Systems*
47. Data-Driven Development*
48. Design & Innovation
49. Digital Health
50. Emerging Technologies
51. Fostering Entrepreneurship
52. Future of the Internet
53. Intellectual Property System
54. Neuroscience & Behaviour
55. Robotics & Smart Devices
56. Space Security

Society & Human Capital

57. Ageing
58. Education & Skills
59. Future of Government
60. Future of Media
61. Future of Universities*
62. Informed Societies
63. Migration
64. New Models of Leadership
65. Personalized & Precision Medicine
66. Population Growth
67. Role of Business
68. Role of Civil Society*
69. Role of Faith*
70. Role of the Arts in Society*
71. Social Innovation
72. Social Media
73. Values
74. Well-being & Mental Health
75. Women's Empowerment

Region-focused

76. Africa
77. Arab World
78. China
79. Europe
80. India
81. Japan
82. Korea
83. Latin America
84. Pakistan
85. Russia*
86. South-East Asia
87. Ukraine*
88. United States

*New Council in 2012

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD

The World Economic Forum is an independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas.

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