

Summit on the Global Agenda

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Highlights from Council and Cluster Discussions

Finance

The current financial crisis continues to unfold and highlights the limitations of the current regime of global coordination and regulation. Crisis management has been and is extremely difficult as the financial landscape continues to morph dramatically. The impact of the financial crisis is being felt in the real economy and there is a significant risk of a global recession that will affect many sectors, asset classes and regions, in tandem.

The current economic downturn is also exacerbating distortions within and between key markets as evident in:

1. severe dysfunction in the banking sector and other financial institutions
2. the global exchange rate system, as a whole, which is not flexible enough
3. the financing of residential housing, which is still impaired and causing downward pressure on housing prices
4. the deterioration of capital flows and financing conditions for emerging economies
5. the distortions in credit flows to non ring-fenced countries and industry sectors

The current financial crisis is a failure of corporate governance. In particular, risk management failed at every level. The flood of governance scandals has weakened markets and eroded trust, threatening a protectionist and regulatory backlash.

In real estate, the fundamental mismatch in the value of real estate assets relative to income levels/profit levels drove market prices too high. The regulation of financial institutions and financial markets was and is inadequate to prevent the development of this mismatch. Fundamentals of the residential real estate market are severely depressed and conditions in the commercial real estate market, although stable now, may deteriorate as the global recession expands and deepens.

In the short term, the key actors in the financial system will be governments, acting both as owners and as regulators. They have three important tasks:

1. determine appropriate government interventions to prevent further financial contagion and mitigate recession
2. deploy capital effectively to support critical areas of the economy (e.g., the refinancing of US\$ 1 trillion in commercial real estate debt maturing next year in the US)
3. communicate their actions to a sceptical public

Longer term, the future financial architecture must address the need:

1. for appropriate international regulatory coordination that is inclusive of all key decision-makers and that reduces regulatory arbitrage; and regulatory measures introduced to deal with new financial instruments and products should be carefully crafted to be effective, without inhibiting innovation
2. to structure incentives that enable the financial sector to act in a manner that fosters systemic stability without excessive government intervention (this includes elements of compensation, corporate governance and regulatory oversight)
3. to integrate societal values and concerns into a capitalist market model
4. to tackle global imbalances (e.g. trade, savings, exchange rate models, etc.)
5. to ensure that protectionist backlashes do not limit growth in both emerging and developed economies

Economic Development

Although the financial crisis may have profound economic implications, the rules of economic development remain the same and need not be rewritten:

1. International economic engagement: this includes, but is not limited to, openness to trade. The Spence Growth Commission found that no country has successfully developed without trade
2. Competitive markets: where possible, competitive markets are the most effective means of resource allocation
3. Human capital investment: no country has developed without such investments
4. Investment in critical infrastructure: for the economy to function effectively, "networked" industries like telecom, transportation and energy must be developed
5. Government complements the market: good government increases private sector productivity; bad government reduces it

Reactions to the crisis that undermine these principles will prolong it and/or make it worse. The greatest danger lies in protectionism and replacing non-regulation with wrong-regulation.

On **trade**, it has been noted that the system of international trade has been far more resilient than the financial system. While we have witnessed the financial system fail, we have seen the trading system, despite the

crisis, continuing to work. We have a financial system lagging behind in governance and we have a trading system with rules that work. But the current financial crisis as well as food and energy crises also place a high premium on expeditiously concluding the Doha Trade Negotiations. Harvesting the benefits of an ambitious Doha Round will help prevent misguided resort to trade restrictions in current circumstances. Falling food and energy prices could encourage higher agricultural subsidization and backsliding on liberal trade policies. An Agreement would also send a much needed signal of confidence in the international economy to the private sector.

On **financial empowerment**, more than 3 billion people around the world lack access to formal financial services. In light of our current financial crisis, the condition also applies to millions who in the United States and Western Europe find themselves underserved or under-banked. Access to financial services and the corresponding financial literacy programmes gives people the ability to save for lean times, smooth consumption, provide better healthcare and education for their children, and allows entrepreneurs to start and grow new businesses. An inclusive financial system that allows the participation of billions broadens the economic base and diversifies risk.

On **migration**, about 200 million persons live outside their country of birth and the impact of the economic crisis will depend, in part, on the depth and duration of the crisis. If unemployment increases, pull factors in destination countries may be reduced, but these could be offset by the push factors in the countries of origin since the latter are also experiencing significant contagion effects from the global slowdown. There is also the likelihood that irregular migration could substitute for reduced migration through legal channels, particularly labour-related migration. While remittance flows have been counter-cyclical during past economic crises, a global economic crisis could affect the capacity of migrants to remit. Moreover, the banking crisis could have a negative impact on migrants' willingness to transfer funds through formal channels. The crisis is also likely to result in a tightening of policies towards labour migration. It may also hinder global cooperation on migration and increase pressure on countries to assert their national self-interest in this field.

Today's financial crisis also exacerbates the challenges posed by an **ageing** population, especially in ensuring financial security in old age. The most affected individuals will be those nearing or in retirement. The economic climate may induce higher labour force participation rates among the elderly, a development that would – in the short run – alleviate the negative effect the financial crisis has had on the funding status of certain types of pension plans. However, individuals may also become more sensitive to risk, slowing down economic recovery. Because of required funding levels for pension plans, capital will be withdrawn from the market to fund liabilities, which will tend to depress business activity and the rate of economic growth.

On **benchmarking progress in society**, the current crisis makes crucial the importance of data-driven decision-making. The risk is that it could reduce the national expenditures for collecting and analysing statistics. It is important – especially now – to continue to produce relevant data and further develop our ability to engage in evidence-based policy-making. Countries could react to the crisis by too narrowly focusing just on economic indicators and not broader measures of well-being and societal progress.

For **social entrepreneurship**, it is likely that social entrepreneurs will face funding challenges – although it is still too early to predict. Working capital and short-term credit are already proving to be challenges for social businesses. And some organizations meeting social needs will shrink or disappear or merge.

Environment

On **climate change**, a new international climate change framework is to be set in 2009 and although the elements of the new framework as laid down in the Bali Action Plan are clear and will be discussed and negotiated in the course of 2009, some important dimensions have not yet been agreed upon. Five key elements will need to be addressed in 2009: a) commitments, b) finance, c) institutions, d) innovation and technology and e) awareness/behaviours. Within the context of the current financial crisis, the international community must integrate climate change considerations – and more broadly environmental and core sustainability issues – into the discussions around restructuring the international financial architecture.

For the sustainable/**alternative energies** sector, there is no doubt that this sector in the short term will be hurt by the ongoing credit crunch. Some companies will go bust and projects will be delayed but optimism remains that from this crisis comes tremendous opportunity for sustainable energy, for the following reasons:

- A shift from an era and mentality of abundance to one of scarcity is likely to speed innovation and spur efficiency
- A crisis is likely to encourage long-term thinking and a shift in the fundamental energy paradigm that goes beyond mere tinkering with the status quo or business as usual approach
- The financial crisis may force a useful shakeout that weeds out unsustainable business models and which leaves a stronger, more vibrant clean technology sector in its wake
- There are signs that this sector may even end up attracting a lot of private capital as an island of long-term promise in this ocean of turbulence

In terms of **food security**, over 1 billion people are now hungry – a number which rose by nearly 120 million in 2008 due to the food crisis. This year, more than 60 countries experienced food-related protests and riots. Food security is likely to further deteriorate in the coming five years and our ability to meet current and future production needs is challenged by increasing water scarcity, climate change, and volatile energy costs and supplies. New, environmentally sustainable solutions for food production must be developed to jointly address food, water and energy needs in an integrated way.

Similar to asset bubbles, there is a water “bubble” as the world has been using water unsustainably. Policy decisions made on energy, climate and food policies have very large impacts on **water security**. For example, tackling energy security without considering food and water can create bad outcomes as shown by the experience of first generation biofuels. On the other hand, tackling energy security through a water lens can create good outcomes, e.g., the promotion of energy alternatives, which have low water as well as low carbon footprints. The current economic crisis also presents a financing opportunity for investments in water and wastewater infrastructure.

For the **metals and mining** industry, the economic crisis has profoundly and disproportionately impacted commodity prices and has increased the following risks: underinvestment on corporate social responsibility and a race to the bottom on standards and performance; underinvestment on exploration which then again impacts the future supply situation; underinvestment in R&D (which impedes the industry’s ability to increase production in a responsible manner; underinvestment in human resources; potential increase in resource nationalism; some new entrants may be ill-equipped to manage cyclical impacts; deterioration in the capacity and revenue streams of the most fragile governments and economies, thus potentially leading to greater conflict; and less effort devoted to communications on the impacts and benefits of mining. But opportunities also prevail amid this crisis, especially to demonstrate how mining contributes to social and economic development, resulting in a broader understanding on the part of the public/civil sector of the important role of mining and more openness among local communities.

A crisis in **transportation** (sustainable mobility) is looming. Its nearly complete oil dependence is raising concerns associated with energy (oil) security and greenhouse gas emissions. Further concerns include safety, traffic congestion and security. The transportation crisis is especially imminent in the developing world, where rapid motorization leads to traffic paralysis, huge road infrastructure costs, safety problems, air pollution and other externalities. However, this crisis can be avoided, particularly through opportunities for reducing energy use and CO₂ emissions.

The sustainable **construction** industry will be affected by the current global financial crisis by causing a significant slow-down in private sector development and shortening of investment horizons. The crisis has initiated a redirection of capital into public infrastructure in an attempt to initiate economic recovery. The crisis has made it possible to revolutionize the construction cycle to create positive economic impacts as well as social and environmental benefits.

As to **natural disasters**, the risks are large and rising due to increasing concentrations of people in areas with high natural risks, greater interdependencies among regions, markets and supply chains. 90% of all natural catastrophes are weather-related and these are being exacerbated by climate change. The financial crisis bears similarities with environmental risks and natural catastrophes, in that they all highlight the need for: (1) more awareness among leaders of the systemic nature of certain risks; (2) greater focus on risk management systems that include early warning systems; (3) incentives to promote long-term thinking, often to decades out, for policies and strategies that address problems such as climate change, water, pandemics and migration, all of which are directly or indirectly linked to natural catastrophes; and (4) in all of the above, more dialogue and certainty is needed about the role of the public and private sectors so that both can plan and act more effectively to prevent future crises or mitigate their consequences.

At a time of crisis and unprecedented change, **design** is more valuable than ever. Design can make an important contribution to the redefinition and delivery of social services by addressing acute problems such as ageing, youth crime, housing and health. Designers can also play a critical role in ensuring that products, systems and services are developed, produced, shipped, sold and will eventually be disposed of in an ethically and environmentally responsible manner.

Global Governance

What is new about the crises today is a global context that includes radically increased interdependence, both among countries, and across issues. There are three fundamental global governance problems: global market failures, sovereignty failures and inter-governmental failures. All three of these failures reflect failures of imagination, political will and in particular an unwillingness to re-think the foundations of international order and the responsibility that comes with them.

Current challenges (realization of basic human rights, financial, climate, the balance between national security and fundamental rights, etc.) focus attention on the deficiencies of the **international legal system**. Ever more areas require international collaboration, as state-based systems are increasingly unable to address key issues without effective global cooperation. The complexities of globalization indicate that many issues – from terrorism to financial crises – require an international legal system that can anticipate and address unforeseen events in a manner that is rapid, fair, effective and efficient, and which can attract international support.

On energy security, the mutual interdependence of producing and consuming nations and the rising anxiety about the reliability of energy supplies imply the need to develop a much more effective international system for promoting **energy security**. There is often confusion between energy security and energy independence. Those are two different issues. Energy security can only be efficiently achieved through global cooperation

The current economic crisis will further state fragility. As most **fragile states** are exporters of primary commodities, a decline in demand for primary commodities will represent a significant loss of revenue. Countries dependent on migration and remittances are likely to experience the impact of the financial crisis. Moreover, cuts in foreign aid will have severe budgetary impact on fragile states but it may also precipitate the more efficient deployment of more scarce aid resources.

The estimates of **illicit trade** that range from 7-10% of the global trade do not convey the severe harm resulting from the illicit trade or the urgency of the problem. Illicit trade is perpetrated by a variety of criminal actors, not

just traditional criminal organizations but diverse networks that often include a range of individuals including high-ranking government officials. **Corruption** is the major facilitating mechanism for this trade to function. Moreover, the criminality is morphing and transforms more rapidly than a state or multinational system can respond, while policies at the state and multinational level have failed to stop the growth. The current financial crisis is likely to increase the different forms of illicit trade because of the increased pressure to lower prices and the greater desperation of individuals in affected economies.

As to the future of **governments**, democracy around the world is in danger. A serious crisis is in the making, due to four challenges: (1) collapse: basic democratic institutions are at risk and in danger of failing partly due to the economic crisis in poor countries; (2) capture by interest groups, the military, organized crime, etc.; (3) competition: there are fairly stable authoritarian regimes that make the case that democracy is an unnecessary luxury or is inferior; (4) constraints: the current economic crisis shows that national governments and domestic regulation are inadequate to deal with the challenges of the global economy. There is also a danger of protectionism and isolationism that could further undermine democratic institutions.

Society & Values

On **Faith**, today's global challenges of war and peace, democracy and human rights, and economic and social development all have an important religious dimension and tensions among religious communities can impede international cooperation, political stability, social cohesion and economic growth. But it is also potentially part of the solution: religious communities are often among the most important forces mobilizing around core values such as human dignity, solidarity and social responsibility. The ethical resources of faith communities – a source of transcendent values – and their social influence are underutilized resources in building coalitions for positive change. Religious traditions prioritize human flourishing, a core value for the creation of a durable and legitimate global economic and social order.

On **Human Equality and Respect**, we need to assure that all human potential can be realized at the highest level, and that talents are not left out due to gender, minority, religious or any other discrimination. We need to define what cultural, leadership and public policies need to look like to foster inclusion and diversity. Without the full deployment of human potential, we will all lose, in economic terms, creativity and innovation. We need to create vehicles that will allow the unheard voices to be heard and be more integrated in the determination of all our futures.

The **Welfare of Children**, youth and families are critical issues on the global agenda, including the Millennium Development Goals. Despite encouraging signs of progress made on issues of child welfare, the existing investment in key areas such as education, health and nutrition and child protection, must be more effectively communicated.

On **Empowering Youth**, over 1.2 billion youth in the world will enter the job market in the next decade, a substantial number of them in the Middle East. In this context, we need to look at youth not as a problem but rather as a solution to the problem.

On the **Future of Media**: we live in an over-connected, under-informed world. The revolution in information technology and communications has probably hit no sector harder than the news media itself. No other business has found its role so fundamentally challenged, its value and worth called into question and its organization and business models threatened to the point of extinction. The same technology that has allowed people to create and share content has also undercut the media providers that served their communities with information. But throughout that change, the professional, public purposes of journalism – to stimulate, educate and inform public debate and to call to account – remain vital to the process of improving the state of the world. Journalism fosters civic engagement. It provides much of the raw material for the public sphere. The question that faces us now is how we pay for that, when good journalism is no longer good business. There is a need to create a new media platform (across all media channels) like a not-for-profit CNN providing independent high-quality journalism to inform, illuminate, deepen knowledge about issues that help improve the state of the world.

On the **Role of Sports in Society**, sport not only creates economic growth but also has positive impact on youth, development, health and values. The sporting world produces economic returns on investment and promotes strong social values. But the current crisis will exacerbate the push for better evaluation and documentation to identify and justify the resource commitments. It is critical that a greater premium be placed on better evaluation performance measures to document the impacts of sport on health, education, crime, etc.

On **Diversity**, solutions to today's interdependent challenges can only be generated through diverse approaches and perspectives. Societies and workforces are becoming more diverse; demographics, ageing societies and migration patterns make diversity a global issue, which can bring a number of benefits for society and business and requires a new value based leadership.

Technology

On the **Future of the Internet**, the state of the Internet is healthy – it is growing rapidly and will grow more as billions of people in less developed countries come online. But there are stresses on the Internet: deeply transformative technologies are always disruptive, and there are losers as well as winners; several industries blame the Internet for undermining their business models. Online crime is also a growing problem. Fragmentation is caused by censorship, whether motivated by cultural norms or fear of dissent; it can be reinforced by linguistic fragmentation. The economic crisis may also have some direct impact on the availability of capital for infrastructure investment.

On the **Future of Entertainment**, the entertainment industry is experiencing a significant reduction in ad revenues and in funding available for new productions. Yet people are spending more time consuming media of all kinds; thus certain revenue streams are holding up. Traditional product gatekeepers have a significantly challenged business model (e.g., record companies) and the industry is moving from a distribution model to a consumer driven model. More media consumption and

creation are now online communities/grassroots: it is much harder to market to these communities. The cost of production is going down – resulting in the growth of the semi professional market (e.g., Nollywood). The financial crisis has accelerated pre-existing trends and will continue to force costs out of the entertainment industry, resulting in a process of creative destruction and greater industry efficiency.

On **Nanotechnology**, the science and technology of the nanoscale are critical drivers of innovation. The resulting “nanotechnologies” have the potential to underpin solutions to a broad range of global challenges beyond what conventional technologies are able to achieve. Major global challenges that will be impacted by nanotechnologies include energy security (alternative energies), healthcare, microelectronics and quantum computing, and water provision (clean water and desalination even on a small scale). The successful implementation of nanotechnologies could be impacted by a lack of strategic funding, poor education of practitioners and decision-makers, limited engagement of key communities, outmoded business models and unresponsive approaches to risk assessment, management and oversight.

Health

Healthcare systems vary dramatically in performance, driven not only by system design issues, but also by governance structures, information flows and managerial competence. Specifically the governance of a health system has a crucial impact on its performance, measured in terms of its outcomes, extent, quality of life, efficiency, and the financial burden on society and governments. Major challenges include: rapidly increasing expenditure on healthcare; increasing numbers of older people; performance measurement is weak or absent in many settings; policy develops incrementally in an ad hoc fashion, often in response to interest groups; diffusion of efficient practice and new technologies is slow; there is often considerable difficulty in assigning adequate priority to prevention and surveillance; the growth of chronic disease; great diversity of providers and settings, leading to fragmentation and information asymmetries; and access to healthcare for disadvantaged groups.

The **HIV/AIDS** epidemic continues to be one of the most devastating in the history of humankind, and the leading cause of death in Sub-Saharan Africa. It is expanding in many regions, including the former Soviet Union and Asia. Because HIV kills people in their most productive years, it has a multiplier effect on businesses, economies and societies. Prevention efforts are lagging, particularly in critical at-risk groups, as new infections outpace the number of people receiving treatment globally. Today's economic crisis facing developed economies is likely to have a predictable impact on available donor funding for HIV/AIDS within the next three years, which will lead to significant resource constraints.

On **Pandemics**, a severe global pandemic influenza will trigger a financial, social and political crisis, which strikes worldwide simultaneously, hindering mutual aid and increasing the risk of multi-sector failure and the paralysis of the global just-in-time economy. Pandemic influenza causes severe global social and economic disruptions, with consequences far beyond the direct morbidity and mortality caused by the virus itself. Planning must treat a pandemic as a crisis triggered by a health event, not only a health crisis.

Chronic Disease and Malnutrition are leading global causes of two-thirds of premature deaths (<70 years), severe physical disability, and impaired intellectual development and loss of cognitive ability. This invisible epidemic is an under-appreciated cause of poverty and hinders the economic development of many countries (contrary to common perception, 80% of chronic disease deaths occur in low- and middle-income countries). In addition, low- and middle-income countries are experiencing high and rising health burdens of both chronic disease and malnutrition while high income countries are threatened by high healthcare costs due to chronic diseases. These burdens translate into negative adverse economic impact: decreased availability and productivity of workforce (at national and global levels); reduced discretionary spending by consumers; and increased poverty due to catastrophic health expenditures. 80% of premature deaths due to chronic diseases and associated burdens are preventable but policies and interventions are hardly available.

On the **Challenges of Gerontology**, two major transitions in human society have profoundly influenced our modern world, and will influence every aspect of our lives in the future – the rise in life expectancy brought

forth by declining early age mortality and medical advances in recent decades, along with shifts in the age structure known as population aging. It is critically important to recognize that the aging of individuals and populations is occurring in developed and developing nations, and some of the most dramatic changes that are forthcoming will occur in developing nations that are least able to handle these transitions. The effects of the rising prevalence of fatal and disabling conditions on medical and healthcare programmes will be dramatic.

Regions

The Councils on Australia, Africa, China, Latin America, Korea, Japan, Middle East and Russia met and had in-depth discussions on the current economic, political and social situation in their respective regions in the context of the international financial crisis.

The most immediate perceptions from all the regional Councils were that fear is dominating the international arena and that trust needs to be restored immediately. However, the long-term and strategic challenges should not be left aside and the regions must take the opportunity presented by the crisis to lay the work for fundamental institutional and economic reform.

The most important common concerns cutting across the regional Councils were the financial and confidence crisis, economic recession, energy security and environmental risks. The integrated proposed approaches to solve the current challenges were mostly divided among the following clusters:

Economic: (1) Build confidence and restore trust through strong national leadership; (2) Adjust and promote a more stable international monetary system, including capitalization of financial institutions; (3) Better represent emerging markets in international bodies as an integral part of the new international financial architecture; (4) Exponentially accelerate poverty reduction programmes.

Environment: (1) Build up the green economy as a driving force for a new development cycle; (2) Reach a global deal regarding climate change by 2010; (3) Prioritize more energy diversification and efficiency.

Governance: (1) Work proactively towards a global and inclusive governance system; (2) Advance and enhance effective trade integration.