

Towards 2017

Klaus Schwab pinpoints five challenges for true leaders to stay globally focused in today's uncertain and anxious world, and calls for seeing past populism while recognising the legitimacy of public fear and anger

Leaders must be responsive to the demands of the people who have entrusted them to lead, while also providing a vision and a way forward, so that people can imagine a better future.

True leadership in a complex, uncertain, and anxious world requires leaders to navigate with both a radar system and a compass. They must be receptive to signals constantly arriving from an ever-changing landscape, and willing to make necessary adjustments; but they must never deviate from their true north, which is to say, a strong vision based on authentic values.

That is why the World Economic Forum has made "Responsive and Responsible Leadership" the theme for our annual January meeting in Davos.

As leaders in government, business and civil society chart a course for the next year, five key challenges will warrant their attention.

For starters, they will have to come to grips with the "fourth industrial revolution", which is redefining entire industries, and creating new ones from scratch, owing to groundbreaking advances in artificial intelligence, robotics, the internet of things, self-driving vehicles, 3D printing, nanotechnology, biotechnology and quantum computing.

These technologies have only

begun to show their full potential; in 2017, we will increasingly see what used to be science fiction become reality. But, while the fourth industrial revolution could help us solve some of our most pressing problems, it is also dividing societies into those who embrace change and those who do not. And that threatens our well-being in ways that will have to be identified and addressed.

Second, leaders will have to build a dynamic, inclusive multi-stakeholder, global governance system. Today's economic, technological, environmental and social challenges can be addressed only through global public-private collaboration, but our current framework for international cooperation was designed for the post-war era, when nation-states were the key actors.

Geopolitical shifts have made today's world truly multipolar. As new global players bring new ideas about how to shape national systems and the international order, the existing order is becoming more fragile. So long as countries interact on the basis of shared interests, rather than shared values, the extent to which they will be able to cooperate will be limited.

Moreover, non-state actors are now capable of disrupting national and global systems, not least through cyber attacks. To withstand this threat, countries cannot simply

close themselves off. The only way forward is to make sure that globalisation is benefiting everyone.

A third challenge for leaders will be to restore global economic growth. Permanently diminished growth translates into permanently lower living standards: with 5 per cent annual growth, it takes just 14 years to double a country's gross domestic product; with 3 per cent growth, it takes 24 years. If our current stagnation persists, our children and grandchildren might be worse off. Even without today's technologically driven structural unemployment, the global economy would have to create billions of jobs to accommodate a growing population, forecast to reach 9.7 billion by 2050, from 7.4 billion today.

Thus, 2017 will be a year in which social inclusion and youth unemployment become critical global and national issues.

A fourth challenge will be how to reform market capitalism, as well as restore the compact between business and society. Free markets and globalisation have improved living standards and lifted people out of poverty for decades. But their structural flaws – myopic short-termism, increasing wealth inequality, and cronyism – have fuelled the political backlash of recent years, in turn highlighting the need to create permanent structures for balancing economic incentives with social

well-being. Finally, leaders will need to address the pervasive crisis in identity formation that has resulted from the erosion of traditional norms over the past two decades.

Globalisation has made the world smaller but more complex, and many people have lost confidence in institutions. Many now fear for their future, and are searching for shared but distinct beliefs that can offer a sense of purpose.

Whether we succeed will not depend on some external event, but on the choices our leaders make

Identity formation is not a rational process; it is deeply emotional and often characterised by high levels of anxiety, dissatisfaction, and anger.

Politics is also driven by emotion: leaders attract votes not by addressing needs or presenting long-term visions, but rather by offering a sense of belonging, nostalgia for simpler times, or a return to national roots. We witnessed this in 2016,

as populists made gains by fostering reactionary and extreme beliefs. Responsible leaders, for their part, must recognise people's fears and anger as legitimate, while providing inspiration and constructive plans for the future.

But how? The world today seems to be engulfed in a sea of pessimism, negativity, and cynicism. And yet, we have an opportunity to lift millions more people out of poverty. And we have a duty to work together towards a greener, more inclusive, and peaceful world. Whether we succeed will not depend on some external event, but rather on the choices our leaders make.

The coming year will be a critical test for all in global society. More than ever, we will need responsive and responsible leadership to address our collective challenges, and to restore people's trust in institutions and in one another.

We do not lack the means to make the world a better place. But to do so, we must look past our own narrow interests and attend to the interests of our global society.

That duty begins with our leaders, who must begin to engage in open dialogue and a common search for solutions to the five major challenges on the horizon.

If they acknowledge that ours is a global community with a shared destiny, they will have made a first – albeit modest – step in the right direction.

Klaus Schwab is founder and executive chairman of the World Economic Forum. Copyright: Project Syndicate

Poaching allies won't see Taipei warm to China

Michal Thim says Taiwan appears unlikely to lose sleep over losing Sao Tome ties to China, and attempts to leave Taipei diplomatically isolated could work against unification hopes

In 1971, when representatives of the Republic of China walked out of the UN in protest over what would likely lead to expulsion anyway, Taipei still possessed greater recognition than Beijing.

Competition for recognition between Taipei and Beijing, which became known as "cheque book diplomacy", has been an extension of cross-strait conflict to a global diplomatic arena. South Korea, Singapore, and South Africa were among notable nations to switch recognition to Beijing in the 1990s.

Thus, it is no wonder that many see Beijing pulling strings whenever one of Taiwan's "diplomatic allies" switches recognition. Sao Tome and Principe recently announced it would establish diplomatic relations with China. What followed was a very predictable string of events, including the termination of diplomatic ties with the West African nation by Taipei, Beijing's acceptance of the recognition, and accusations and defiance on Taiwan's side.

Unsurprisingly, analysts speculate that the change in recognition is Beijing's punishment following the election victory of the Democratic Progressive Party and newly elected President Tsai Ing-wen's implicit refusal to establish diplomatic relations with China. What followed was a very predictable string of events, including the termination of diplomatic ties with the West African nation by Taipei, Beijing's acceptance of the recognition, and accusations and defiance on Taiwan's side.

Tsai's predecessor Ma Ying-jeou had touted a "diplomatic truce" with Beijing as one of the demonstrable achievements of his cross-strait outreach in his eight years in power. But the so-called truce was probably just time-limited concession for the Kuomintang-led government.

Renewal of diplomatic competition is a distinct possibility now, with the KMT in the opposition. However, the conditions on the ground have changed. And that is both good and bad news for Beijing. It is good because the asymmetry between their economic powers means any competition is doomed to be decisively one-sided. However, it is bad for Beijing

From Beijing's perspective, the existence of the Republic of China still ties the island to China

because none of the countries that have diplomatic ties with Taiwan is politically or economically significant enough to shock Taiwan's government and people into giving in to Beijing. Perhaps the one exception that could cause more concern would be a loss of the Vatican, Taiwan's only diplomatic ally in Europe.

Renewed calls by Beijing for the Vatican to be flexible and pragmatic in its relations with China would suggest that it indeed wishes to punish Tsai by stripping Taiwan of a few more allies.

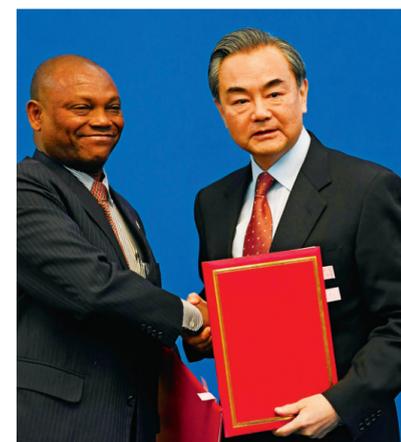
However, what is clear is that Taiwan is not going to lose sleep over the loss of Sao Tome. The people of Taiwan have grown accustomed to the possibility that the number of its diplomatic allies would shrink further. The public also views finances allocated as development aid to such allies as resources that could be better spent elsewhere, even if such an attitude does not fairly reflect on the efforts on Taiwan's behalf from some of its remaining allies, particularly in the UN.

There is, however, one seemingly confusing factor that could hold Beijing back. For better or worse, from Beijing's perspective, the existence of the Republic of China still ties the island to China. Removing the Republic of China's external recognition would symbolically pull Taiwan further from, and not closer to, Beijing's desire for incorporating the island into the People's Republic of China, a scenario that most people in Taiwan find extremely undesirable.

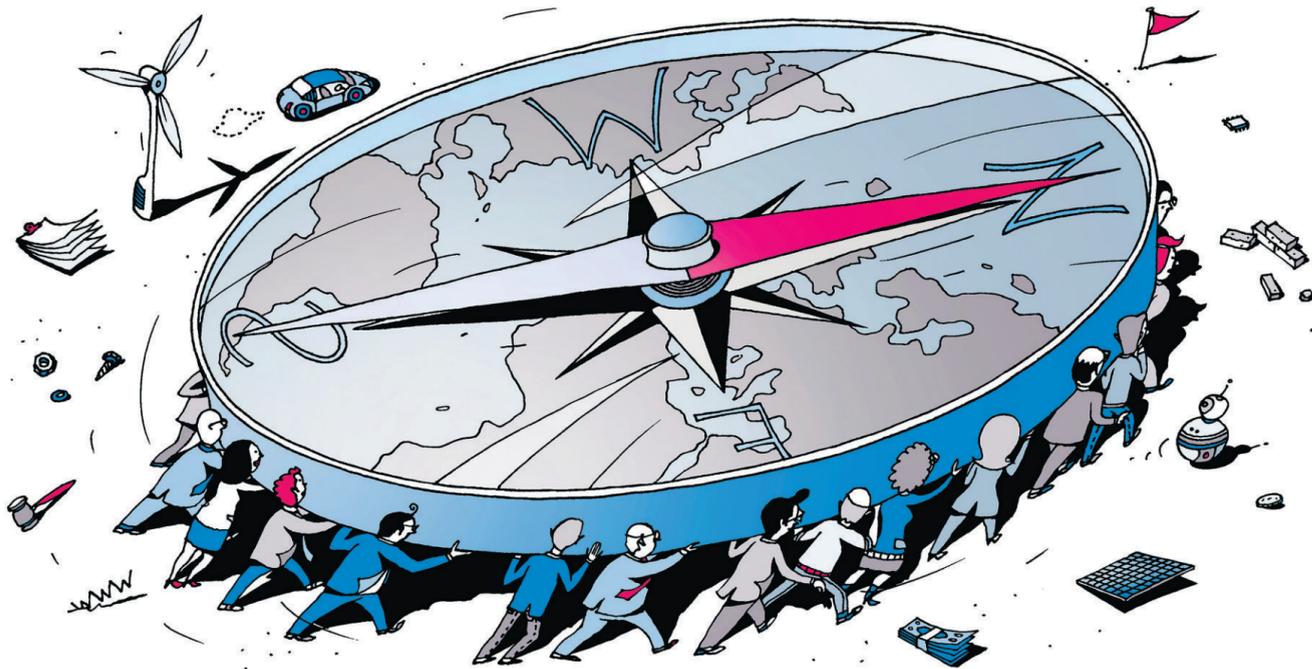
Moreover, even if the last official embassy closes in Taipei, there is still a large group of representations whose purpose is to maintain relations, albeit unofficial, and chief among them is the American Institute in Taiwan. Presence in Taiwan is maintained by Japan, Canada, Australia, Germany, the European Union, and scores of other countries hiding their missions under names emphasising culture and economic relations but staffed by career diplomats dealing with a broad spectrum of bilateral issues.

No, poaching Taiwan's "diplomatic allies" is not going to bring Taiwan closer to Beijing.

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Foreign Minister Wang Yi and his Sao Tome counterpart Urbino Botelho in Beijing on December 26. Photo: AFP



Russian 'hijack' is just US policy coming home to roost

It is clear that, while the US election may be over, much of the rancour remains. In a season of surprises, the latest controversy now swirls around how a long-time adversary – Russia – hijacked America's election to secure a Trump presidency.

Americans seem to be transfixed by this latest thriller, with President Barack Obama promising retribution, but Donald Trump warning against politicising US intelligence. American concerns about foreign interference, however, appear to be much ado about nothing.

Lest Americans forget, up until election eve, Trump had little to no chance of winning. The Princeton Election Consortium – in line with many news organisations – placed Democratic candidate Hillary Clinton's chances of winning in the 90 per cent range.

Russian intent and desires aside, Americans cannot escape the fact that whatever had blood the Democratic National Committee emails might have created between the camps of rival hopefuls Bernie Sanders and Clinton, she was able to unite the party quickly. However embarrassing the Podesta emails, on deals involving Clinton's campaign chair John Podesta, were for her personally, these were by far eclipsed by the release of a video of

Allen Yu says Americans aghast at the 'fake news' phenomenon and Russia's alleged role in securing a Trump presidency must not forget that the US has done far worse to influence politics abroad

a younger Trump bragging about groping women. Controversies over Clinton allegedly using a private email server or sex scandals involving those close to her were certainly distracting, but they never dominated the news cycle the way reports accusing Trump of racism, sexism, or hate, did.

Hackers and whistle-blowers have always harboured private agendas, yet we judge information by the merits of the information, not by the intent of the leakers. So why the fuss about Russia now?

In the wake of Clinton's surprising defeat, many have – in a strange throwback to the early US years when the Alien and Sedition Acts were the laws of the land – called on journalists to take on more responsibilities by refusing to report on "gossipy" or "non-credible" news. Many others have called for Facebook, Twitter and other social media to weed out all "fake news" on their networks.

All this represents a huge rethink for America's political culture. Since at least the end of the second world war, America has

prided itself in giving political actors free rein to use hyperbole and narratives to get their points across. In recent years, the US has even chastised China for trying to clean up "fake news" on its social media, deriding it as censorship in disguise.

But as American society becomes more polarised, as Americans search harder and harder for shared values, is America ready for a rethink?

Politifact.com recently ranked only 15 per cent of Trump's statements to be true or mostly true, while 51 per cent of Clinton's were rated true or mostly true.

For some, this is a wake-up call. The fact that Trump can still be elected is proof that democracy cannot function in an "anything said goes" environment. For others, however, resorting to "fact-checking" organisations, media, or any other institution to referee political discourse is dangerous.

It is not surprising that much of America's "fact-checking" industry has been historically biased, or that more and more Americans have

come to distrust mainstream media. For them, what one deems "factual" cannot always be separated from politics.

Many Chinese have always been perplexed by how Americans can generally accept laws that govern how food nutrition and drug information are labelled – or how financial information is disclosed – but not on how political ideas are formulated and

Could there be a fundamental disconnect between freedom of speech and democracy?

communicated – even where misinformation and disinformation can lead to social distrust and unrest.

Could there be a fundamental disconnect between democracy and freedom of speech, a disconnect that many Americans are only just beginning to see in light of the election of a controversial figure? Could democracy really function in an