



# WORLD ECONOMIC FORUM 2019: GLOBALIZATION 4.0 – A BETTER VERSION

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Between 22 and 25 January 2019, the *World Economic Forum (WEF)*<sup>1</sup>, the most important annual meeting of political, economic, scientific leaders and personalities, took place in Davos, Switzerland. The central theme of this edition was *Globalization 4.0 (Shaping a Global Architecture in the Age of the Fourth Industrial Revolution)*, a concept used here<sup>2</sup> to explain the new era of intelligent and ubiquitous technologies that will connect everyone and everything in ways that have not been achieved so far by the previous “engines” of globalization – steam, electricity or computing.

Among the participants there was a broad consensus that international relations and the world economy are at a turning point, so that the 2019 meeting was intended to be the appropriate framework for promoting a comprehensive approach to the more complex problems of the contemporary world, unfolding a series of “global dialogues” on various topics of major importance: the geopolitics and a “multiconceptual” world; the future of the

economy and financial and monetary systems; industrial systems and technology policy; cybersecurity and risk resilience; human capital and a new social narrative; institutional reform and economic cooperation<sup>3</sup>. The working principles underlying all the WEF activities were: dialogue is critical and must be multi-stakeholder-based; globalization must be responsible and responsive to regional and national concerns; international coordination must be improved in the absence of multilateral cooperation; addressing the biggest global challenges requires the collaborative efforts of business, government and civil society; global growth must be inclusive and sustainable<sup>4</sup>.

During the debates, the essential thesis was that the major shifts taking place in technology, geopolitics, environment and society are combining to shape a new phase of globalization, *Globalization 4.0*. This trajectory will largely depend on strengthening the governance architecture at national, regional, international level, in order to ensure its effectiveness and conformation to the changes brought by the new industrial revolution. Specifically, the institutionalized reaction of the states to the influence that innovation can have – artificial

<sup>1</sup> World Economic Forum Annual Meeting, Davos-Klosters, Switzerland, January 22-25, 2019, URL: <https://www.weforum.org/events/world-economic-forum-annual-meeting#>, accessed on 12.02.2019.

<sup>2</sup> A.N.: For details see the article of Klaus Schwab, Founder and Executive Chairman of the World Economic Forum, “Globalization 4.0 – A New Architecture for the Fourth Industrial Revolution”, in *Foreign Affairs*, 16 January 2019, <https://www.foreignaffairs.com/articles/world/2019-01-16/globalization-40>, accessed on 12.02.2019.

<sup>3</sup> World Economic Forum Annual Meeting 2019 - Overview, Davos-Klosters, Switzerland, 22-25 January 2019, URL: [http://www3.weforum.org/docs/WEF\\_AM19\\_Meeting\\_Overview.pdf](http://www3.weforum.org/docs/WEF_AM19_Meeting_Overview.pdf), accessed on 14.02.2019.

<sup>4</sup> *Ibidem*.

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intelligence, autonomous vehicles and the “internet of things” – as well as the extent to which they can keep up with technologies that fundamentally change the society, have been analysed<sup>5</sup>. Given the fact that we are facing a period of global instability caused by a combination of technologies that change the way people live, work and interact, and the realignment of geo-economic and geopolitical forces, it is necessary that this fourth wave of globalization be oriented on the individual and his needs.

This year’s forum was missing some of the world’s most important political leaders, including US President Donald Trump, French President Emmanuel Macron or British Prime Minister Theresa May, staying at home in order to solve some urgent political, economic or social domestic issues, but also, the Russian President Vladimir Putin or Chinese President Xi Jinping. However, German Chancellor Angela Merkel, NATO Secretary General Jens Stoltenberg, IMF Director Christine Lagarde, along with 24 other heads of state and government and about 3,000 participants (leaders of international organizations, personalities of civil society, important representatives from business environment, the academic community, religious groups, culture and media)<sup>6</sup>, have tried to find solutions to the question “How to build a better version of globalization?”. Thus, among the topics of interest up for debate during the four days were: peace and reconciliation in a multi-polar world; slowing down global economy; the future scenarios of international migration; how society and institutions are adapting to the evolution of terrorism; the great energy race; the advancing of the Chinese Belt and Road Initiative; keeping Russia competitive; the US-China trade conflict; Europe and the uncertainties regarding Brexit; US government blockade etc.

<sup>5</sup> Cristina Stroescu (coord.), *Politici și orientări UE*, nr. 3, 2019, Direcția pentru Uniunea Europeană, p. 35, URL: [http://www.cdep.ro/eu/afaceri\\_europene.listdocsup1?tip=ags](http://www.cdep.ro/eu/afaceri_europene.listdocsup1?tip=ags), accessed on 20.02.2019.

<sup>6</sup> Fon Mathuros Chantanayingyong, Ceri Parker, *Who’s coming to Davos 2019?*, 15 January 2019, URL: <https://www.weforum.org/agenda/2019/01/everything-you-need-to-know-about-davos-2019>, accessed at 12.02.2019.

Amid the backdrop of confidence in the current international order and the exacerbation of nationalism, German Chancellor Angela Merkel pointed out in her speech<sup>7</sup> that multilateral institutions are indispensable if we want to live well in tomorrow’s world. In a broken world characterized by multiple risks (climate change, terrorism, natural disasters, cyber-attacks), it is necessary to update and transform these institutions to reflect the current global realities and the balance of power, not usurping and replacing them with new ones. The existing institutional architecture, that emerged after Second World War, still forms the basis of the international system and has been very successful so far. She added that a global architecture will only work if we are willing to compromise and is committed in favour of a multilateral world order that provides the best answers to tomorrow’s challenges.

To address all these issues effectively, there is a need for strengthened, more flexible institutions, a clear commitment to multilateralism, because “anything else will not end well”, Merkel concluded.

Economically, the business community in Davos has expressed confidence that the US-China trade dispute will soon be resolved, given the fact that bilateral economic relations are far too complex and extremely important for the global economy. Any disruption of the Trans-Pacific supply chains will seriously affect both countries<sup>8</sup>. Because of this problem, but also those facing the European community (Italy in recession, UK trapped in a “Brexit with no exit” etc.), the growth of the global economy seems to be slowing down. Probably the term

<sup>7</sup> The Federal Government, *Speech by Federal Chancellor Angela Merkel at the 49<sup>th</sup> World Economic Forum Annual Meeting in Davos on 23 January 2019*, Press and Information Office of the Federal Government, 2019, URL: <https://www.bundesregierung.de/breg-en/news/speech-by-federal-chancellor-angela-merkel-at-the-49th-world-economic-forum-annual-meeting-in-davos-on-23-january-2019-1574188>, accessed on 21.02.2019.

<sup>8</sup> Dave McKay, *Davos 2019: Globalization in a Digital Age*, January 2019, p. 3, URL: [http://www.rbc.com/economics/economic-reports/pdf/other-reports/DAVOS\\_2019.pdf](http://www.rbc.com/economics/economic-reports/pdf/other-reports/DAVOS_2019.pdf), accessed on 20.02.2019.



*slowbalisation*<sup>9</sup>, used by *The Economist*, best reflects the current stage where the character and pace of the globalization have changed and economic integration has slowed down<sup>10</sup>.

In the panel “New Energy Equation”<sup>11</sup>, the reputed American energy analyst, Daniel Yergin, said that he doesn’t see an “oil peak” too soon. Maybe it can be reached around 2040, but that doesn’t necessarily mean the beginning of a downward trend in demand. Given that the global population is projected to increase in the next 30 years, with about two billion people<sup>12</sup>, it is imperative to find ways to make oil more carbon-efficient to fuel that growth sustainably and to use some of the revenue from classic sources of energy to invest in the development of new ones.

The talks on the “Future of the Transatlantic Alliance”<sup>13</sup> were moderated by German diplomat Wolfgang Ischinger, Chairman of the Munich Security Conference for over 10 years, and focused on the strength of the transatlantic relations that are now under pressure generated by disputes over NATO commitment, the development of a European “army”, and even some hostile actions on trade, sanctions and cyber-attacks.

NATO Secretary General Jens Stoltenberg reinforced that, no matter how international

politics changed and irrespective of the challenges that have emerged over time in the security environment, NATO’s role is the same as it was 70 years ago – to protect and defend common interests and values. The Alliance has constantly adapted to new threats, such as cyber-attacks, terrorism, proliferation of weapons of mass destruction, great power competition (United States, China, Russia) and now it is necessary to increase defence spending to protect about one billion citizens. In this context, the Secretary General announced that the European Allies and Canada will add to military expenditures another 100 billion US dollars by 2020 (and even 350 billion US dollars by 2024). Also, in order to prevent conflicts, the fighting capacity of the Allied forces and their number on the Eastern flank of NATO has been significantly strengthened in recent years, and the US has increased its military presence in Europe.

Without denying the importance of the North Atlantic Alliance for the security of Europe and the defence of common values (such as freedom, democracy, rule of law, humanity), German Defence Minister, Ursula von der Leyen, has called for deepening European integration in the field of defence, considering that in Europe there are 28 different armed forces and no efficient planning process. There may be problems in places of major importance for Europe, such as the African continent, where NATO is less likely to intervene.

Former US Secretary of State John Kerry has argued that NATO has always been a proponent of the European project. He has criticized the current Washington administration’s attitude toward traditional US partners and allies, as well as the American disengagement from several fundamental treaties, including the agreement with Iran, taking into account that there are some leaders of major countries who are promoting the new narrative – the liberal order of the West is near the end. He has also expressed concern over Brexit, whether it is the turmoil of several European countries, the exacerbation of a sort of neo-populism and demagogic current, which could endanger Europe’s remarkable quality of life and the low level of violence. It is important

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<sup>9</sup> A.N.: This term was launched in 2015 by the Dutch writer, Adjiedj Bakas, to describe the reaction against globalization.

<sup>10</sup> \*\*\*, “Slowbalisation: The steam has gone out of globalization”, in *The Economist*, 24 January 2019, URL: <https://www-economist-com.libproxy.smu.edu.sg/leaders/2019/01/24/the-steam-has-gone-out-of-globalisation>, accessed on 20.02.2019.

<sup>11</sup> \*\*\*, *The New Energy Equation*, WEF Session, 23 January 2019, URL: <https://www.weforum.org/events/world-economic-forum-annual-meeting/sessions/a0W0X00000EY4OKUA1>, accessed on 21.02.2019.

<sup>12</sup> \*\*\*, *World Population Prospects: The 2017 Revision*, Working Paper No. ESA/P/WP/248, Population Division, Department of Economic and Social Affairs, United Nations, New York, 2017, p. 1, URL: [https://population.un.org/wpp/Publications/Files/WPP2017\\_KeyFindings.pdf](https://population.un.org/wpp/Publications/Files/WPP2017_KeyFindings.pdf), accessed on 25.02.2019.

<sup>13</sup> \*\*\*, *The Future of the Transatlantic Alliance*, WEF Session, 24 January 2019, URL: <https://www.weforum.org/events/world-economic-forum-annual-meeting/sessions/the-future-of-the-transatlantic-alliance>, accessed on 21.02.2019.



that Europe itself begins to define its common values and interests and articulate with greater strength in terms of defence.

Another issue of the WEF was the analysis, for the next 10 years, of the most important global risks that could occur and their impact. According to the 2019 Report, they will fall mainly into the environmental and technological categories<sup>14</sup>. From the point of view of likelihood estimate, the international community will face extreme weather events, failure of climate-change mitigation and adaptation, natural disasters, data fraud or theft, cyber-attacks, man-made environmental disasters, large-scale involuntary migration, biodiversity loss and ecosystem collapse, water crises, assets overvaluation in the most powerful economies of the world. Compared to 2018<sup>15</sup>, terrorist attacks and illicit trade have disappeared from the top 10 and failure of climate-change mitigation and adaptation is more likely.

From impact and possible damages perspective, the most serious risks will be generated by weapons of mass destruction, failure of climate-change mitigation and adaptation and extreme weather events. These are followed by several environmental risks (water crises, natural disasters, biodiversity loss and ecosystem collapse) and some anthropic risks (cyber-attacks, critical information infrastructure breakdown, man-made environmental disasters), ending with the spread of infectious diseases.

Compared to 2018, food crises and large-scale involuntary migration disappeared from the top 10 and has increased the importance given to the failure of climate-change mitigation and adaptation.

During the year 2019, the intensified risks will be a consequence of the increase of geopolitical and geo-economic tensions and a collective response to these challenges does not seem to emerge soon enough. The political and economic confrontations / frictions between major powers, the erosion of multilateral trading rules and agreements or the cyber-attacks<sup>16</sup> favour the nationalism, strengthen the divisions and weaken the desire to tackle collectively, integrated and multidimensional the emerging global challenges.

Although the WEF does not end with a final statement, we can conclude that the existing core of multilateral institutions is indispensable in the current international architecture. It is not less true that the improvement of these institutions and arrangements, policies and rules through their greater orientation towards the individual, together with the renewal of international partnerships and the commitment of collaboration between governments, the business environment, investors and society, would lead to better cooperation in order to be able to take advantage of the current opportunities in order to reach the common interests of security, stability and prosperity.

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<sup>14</sup> \*\*\*, *The Global Risks Report 2019*, 14<sup>th</sup> Edition, Insight Report, World Economic Forum, 2019, p. 5, URL: [www3.weforum.org/docs/WEF\\_Global\\_Risks\\_Report\\_2019.pdf](http://www3.weforum.org/docs/WEF_Global_Risks_Report_2019.pdf), accessed on 27.02.2019.

<sup>15</sup> \*\*\*, *The Global Risks Report 2018*, 13<sup>th</sup> Edition, Insight Report, World Economic Forum, 2018, URL: [www3.weforum.org/docs/WEF\\_Global\\_Risks\\_Report\\_2018.pdf](http://www3.weforum.org/docs/WEF_Global_Risks_Report_2018.pdf), accessed on 27.02.2019.

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<sup>16</sup> \*\*\*, *The Global Risks Report 2019*, p. 12.

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