

Speech of President Susilo Bambang Yudhoyono at World Economic Forum: January 2011

21st Century Globalism

The World Economic Forum of course was never intended to be a policy-making forum, nor a place for negotiations. But under your able leadership, Professor Schwab, Davos has become an inspirational meeting point for world leaders and the business sector and others, to connect and share ideas and initiatives.

Thank you all for being here today, and for the warm welcome. I feel very much at home, even though my definition of "home" is usually 86 degrees Fahrenheit, and lots of coconut trees under the sunshine. Of course, there will be plenty of that at the World Economic Forum East Asia which will be held in Jakarta, in Remarkable Indonesia, on June 12-13 this year, which you are all invited to. We meet today at a time of continuing uncertainty for the global economy. We have managed to avoid a global depression and achieve some recovery, but it remains sluggish and uneven.

There are continuing concerns about the post crisis situation, whether in dealing with the European sovereign debt issue, winding down deficits, restructuring of the financial sector, and job creation. This in turn increase domestic tensions, which can potentially lead to protectionist and inward looking measures. Thus, we have some distance to go – and much to do - to reach our common objective of strong, sustainable and balanced growth.

More recently, we have experienced rising food and oil prices. In fact, the FAO has predicted that in general food prices have reached 2008 levels, and could still go up. High food prices impacts on inflation, but also on poverty and hunger, which can lead to social and political unrest.

In the medium and long terms, we should be prepared for the growing world population. The world's population is already approaching 7 billion this year, and will go to 9 billion by 2045. Over half are in Asia. Imagine the pressure on food, energy, water and resources. The next economic war or conflict can be over the race for scarce resources, if we don't manage it together.

What is certain about the world is that, it is undergoing major shifts. This new reality consists of many layers of strategic shifts.

The FIRST shift is the rise of emerging economies in many parts of the world. The recent global financial crisis was not only symptomatic of the structural issues faced by the developed world, but also reflective of the growing strength of the emerging economies. Whatever you call them, BRICS, N-11 or E-7, emerging markets and developing countries already account for over HALF of the world economy and its growth. Many of the emerging economies are in Asia. By one estimate, Asia will account for 45 percent of the world's total GDP, and one third of world trade by the end of this decade.

I will let the pundits debate whether we are on the threshold of an "Asian Century". Whatever you call it, one thing is indisputable : Asia is undergoing a rapid and strong economic, social, cultural and

strategic resurgence - the sum of which is certain to redefine global affairs.

Asia is of course more than China, Japan and India. When you think of Asia, also think Indonesia and ASEAN. Indonesia is the world's third largest democracy, the largest economy in Southeast Asia, a key growth area in the world economy, and soon we will have one of the largest productive work force in Asia. Indonesia will feature prominently in Asia's renaissance. But enough with that self-advertisement.

The SECOND important shift is in the arena of international peace and security. Even with economic growth, citizens cannot have real happiness and genuine welfare, if conflict and insecurity prevail. The good news is that relations between the major powers is now marked by a rare condition of peace and cooperation.

However, this should not be taken for granted. Old conflicts and flash points still persist. More importantly, non-traditional security threats will gain center stage. Diseases - where HIV, tuberculosis and malaria combined have claimed more lives in the two World Wars. Natural disasters - which caused 300,000 deaths last year and losses of over \$ 100 billion and affected over 200 million people worldwide. The bomb at Russian airport 3 days ago reminded us that terrorism will continue to haunt us. Extremism and intolerance is also on the rise.

Dealing with all these new type of threats will require all of us to adjust our security mindset.

The THIRD shift is driven by climate change. Over the next several decades, the world community will need to collectively move away from high carbon economy, to low carbon development path. This will involve much more than a matter of striking a deal on global climate treaty. This will involve a paradigm shift and a radical change across the board alteration, in how we live our life, how we work, how we spend our finite resources, and how we pursue Government and corporate policies.

All in all, it will be a very complex transition, but it will be the first truly global cooperation to address a common threat. The big question is how we can all cope with the new reality of global shifts and challenges, and whether there is a global solution.

Well, I would like to argue that what we need is a 21st century globalism. The 21st century globalism that we seek should do away with dogmatism. To respond to these challenges, nations, corporations and individuals have to be open-minded, pragmatic, adaptive and innovative.

In the new reality, no single power can shape the world order alone. To resolve the issues of our time, nations must come to common terms and find shared norms. The concerted efforts by G20 countries to avert the Great Depression in 2008 and 2009 attest to this.

In the emerging 21st century international system, regional groupings must play a strategic role and responsibility. First, regional organizations can take the lead in resolving problems in their own backyard - the debt crisis in the European Union, for example, or public health issues in the African

Union. The rise of Asia also mean that Asian nations must be change makers in their own region. Secondly, regional groupings can also serve as building blocks for global growth, and also for more effective global governance. This is true whether we are embarking on a global climate treaty, the successful conclusion of the WTO DOHA round in 2011, or a nuclear weapons free world.

Simply put, without dynamic regionalism growing in all parts of the world, there can be no globalism. This is why a key theme for ASEAN, which Indonesia has the honor to chair this year, is "the ASEAN community in the global community of nations". It will be a chance for ASEAN to chart a long-term view of how a 21st century ASEAN Community will continue to transform Southeast Asia, and help shape the East Asia regional architecture and global order in the 21st century.

Essentially, we are talking about : global partnership. I strongly believe that in the 21st century, partnership networks will play a more important role than alliance systems. This is because partnerships are easier to form. They can be reached through agreements crafted to be win-win, with built in flexibilities to account for differences. You can only have alliance to withstand enemies, but you can have partnerships for everything. Which is why in the 21st century while the number of countries engaging in diplomatic partnerships will continue to rise dramatically.

Thus, whether you are a politician, diplomat or CEO, leadership in the 21st century is the ability to build the right partnerships, to effectively meet these daunting challenges. As we gather to exchange ideas here in Davos, it is important for us to help find solutions to global economic problems. Let me suggest a few.

Surely, as discussed in the G20, we will need to work together to overcome global imbalances. There is also a need to accelerate progress in financial sector and IFI reforms, before the next crisis hits us. This is why it is important for G20 countries to implement the commitments made in previous summits.

As with other emerging economies we underline also the importance of the global financial safety net as a second line of defense, to anticipate and make us resilient towards future shocks. Finally, for all of us in the developing world – not just G20 members – we need to deliver on inclusive growth, and this means implementation of the Multi Year Action Plan on Development.

Indonesia would prioritize financial inclusion, social safety nets and aid for trade as the key development issues in the G-20. Indonesia also fully supports the prioritization of food security in the G20 agenda.

In many of these areas be it financial cooperation, rice reserves and agriculture cooperation, inclusiveness and equitable growth, there are concrete regional cooperation programs in ASEAN and East Asia, that can support the global agenda.

Finally, we will need to work together to manage the world economy, so that it functions to meet our needs rather than satisfying our greed.

This mean we will need to inject more compassion into our economic and social policy, that is not only fixated on growth, but on achieving growth with equity, and which promotes a caring and sharing society. This is a central philosophy of Indonesia's national development. For developing countries, a compassionate approach also means taking a development path, that is driven by good governance with zero tolerance on corruption.

We will need to work together to develop and share the technological innovation, that will enable us to turn problems of scarcity and climate change into new opportunities. We will need plenty of political will and creative collaboration, to promote food and energy security for all.

And we will need to work together, to adapt our lifestyle and our national policies towards a green global economy, based on the principle of common but differentiated responsibilities and respective capabilities. It is in this spirit that we In Indonesia have adopted a 4-track development strategy, which is pro-growth, pro-job, pro-poor, and pro-environment.

As the world community addresses the new reality, it is time that we move on from the mode of hostility and mistrust, which recently has characterized the relations between the state and corporations. In the developing world also, we need to leave behind the age-old schism between the corporations and mass. There is plenty for all of us to gain, if we embrace a creative, flexible and mutually beneficial approach.

Peter Drucker once said : "the best way to predict the future is to create it". He is right. The big shift is upon us, but our common destiny is yet to be written. Let us work together, to ensure that our future will be infinitely better, than the past and the present.

I thank you.

(from International Business Times)