Participants walk in the main entrance hall of the Congress Centre before the opening of the annual meeting of the World Economic Forum ocused on 'The New Global Context' in Davos on January 20. — *AP file photo*

WEF destiny is contingent on execution of solutions

Bali trade agreement could add $1 trillion in global economy

DOHA DATELINE
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The World Economic Forum (WEF)'s flagship event, the annual meeting, which was held last month in Davos, Switzerland, focused on "The New Global Context". The participants aimed to strengthen their situation awareness and contextual intelligence in the face of global complexity, fragility and uncertainty. There were many areas discussed, which impact global economy such as growth, digitisation, energy, infrastructure, climate change, volatility, banking and trade. The central bankers stated that their ultra-loose monetary policy could only buy limited time.

Earlier the European Central Bank (ECB) committed itself to a quantitative easing (QE) programme of at least €1.1 trillion in which it would buy sovereign debt and other financial assets to the tune of €60 billion a month to September 2016, and possibly beyond. The QE is productive, if institutions use this time to implement policies that produce growth, competitiveness and structural reform. The danger is that over-reliance on unconventional means such as QE can undermine the will to implement economic reforms, mask unanticipated economic risks and make it much harder for markets to normalise. We need to have policy reforms and not just loose monetary policy. Monetary policy was not enough to encourage growth. We don't have sustainable, inclusive growth unless we have jobs, and we don't create jobs unless we have good basic infrastructure.

Solutions to the challenges of infrastructure financing are being put into practice, and opportunities exist for getting funding. Partnerships are a strategic tool. Public-private partnerships allow sharing of responsibilities and financing. Hedging currency and long-term interest rate risk has become more costly in recent years. The impact of regulatory risks is greater than tax risks. The infrastructure implementation of each country could be assessed against some benchmark. Delays in the process from project conception to operation must also be reduced. The G-20 has a new infrastructure knowledge bank, and infrastructure initiatives are under way at the World Bank, Asia Development Bank and Brics Bank.

Digitisation implies new demands for highly skilled workers and improved security, and it places a premium on innovation and disruption. In the future, every country, company, city and home will become digital and result in enormous savings. Successful digitisation of businesses requires new skills such as business scientists and a digital strategy. Investors in energy projects see great opportunities in both developing and developed economies. The share of natural gas will increase, and coal's share will decrease because gas is cleaner. Oil production will decline as fields mature; enormous investment will be required to maintain current levels of production. The overall demand for energy will increase due to growing populations. The solutions for climate change include innovations in wind and solar renewables. Costs of silicon solar cells are plummeting, driving photovoltaic panel penetration worldwide. We need to have a broad agreement at the United Nations Climate Change Conference, which will take place in Paris at the end of this year.

Banks have strengthened their capital levels, undergone stress tests and addressed issues of manager compensation and conduct.

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QE programme started to boost EU economy

Banks are more resilient now. Repairing financial systems and redesigning financial architecture is complicated for policy makers. Another challenge is reconciling national and regional regulatory and policy frameworks. Single countries and EU institutions must develop a common approach to bank resolution, and a unified vision of a single regulatory system that favours growth. Geopolitical uncertainty, massive government intervention in markets, falling oil price and divergence in central banks' monetary policies are some of the major sources of uncertainty creating volatility in today's markets and business environment.

International trade growth has slowed in recent years, yet there is much activity in trade policy and negotiations. Implementing the Bali Trade Facilitation Agreement could result in $1 trillion in economic growth and 21 million jobs could be created. To make progress in the Doha Round, developed countries must understand the needs of developing countries and convince them and their small and medium-sized businesses that free trade is a win-win proposition. As WEF deliberates various solutions to global challenges the destiny of WEF is contingent on execution of these solutions.

The writer is the group chief executive officer at Doha Bank. Views expressed by him are his own and do not reflect the newspaper's policy.