Global Agenda

World Economic Forum
Annual Meeting 2013
Resilient Dynamism

Davos-Klosters, Switzerland 23-27 January
Preface

The more than 2,500 business, government and civil society leaders from over 100 countries who participated in the 43rd World Economic Forum Annual Meeting arrived in Davos-Klosters with cautious optimism.

In some quarters, the world appears to be on the road to recovery despite the structural challenges of widening income disparities and fiscal deficits. And in some high-growth economies, environmental sustainability and political stability are major concerns in 2013.

The 270-plus sessions in the official programme were organized under three thematic pillars: Leading Through Adversity; Restoring Economic Dynamism; and Strengthening Societal Resilience. In all instances, the theme Resilient Dynamism resonated by reminding participants that neither resilience nor dynamism alone is sufficient; leadership today requires both attributes.

We hope this report serves as a memento and as a catalyst that stimulates further thinking on the issues and questions that were raised at the Meeting. For their leadership and guidance, we are grateful to our Co-Chairs, Partners, Members and Constituents, as well as to all those committed to improving the state of the world.

On behalf of the Managing Board, thank you again for your engagement and participation in Davos. We look forward to welcoming you back at the 44th Annual Meeting on 22-26 January 2014 as well at our regional events and other activities throughout the year.
The 43rd Annual Meeting’s theme Resilient Dynamism perfectly captured the tenor of the global economy at the start of what Christine Lagarde, Managing Director of the International Monetary Fund (IMF), reckoned will be a “make-or-break” year. In the post-crisis world, resilience must be a goal for all countries if they are to endure another significant downturn. Achieving dynamism also has to be a priority now that crisis response has given way to the implementation of restructuring programmes.

Stimulus by central banks has bought time. But now investments are needed to drive the growth required to create jobs, especially in the United States and European economies where austerity measures have driven up unemployment, and countries in the Middle East and North Africa where popular uprisings have revealed the extent of the dissatisfaction among Arab youth.

Throughout the Meeting, in more than 250 sessions and numerous private meetings, participants discussed the various aspects of resilient dynamism and the importance of strategic agility, the ability not only to manage risk but also to adapt to its permanence and unfathomable variability. Leaders should nurture the capacity to take calculated risks when doing so might produce meaningful returns and worthwhile rewards.

Resilient dynamism means tackling immediate problems and long-term challenges at the same time. In a session on Europe, Young Global Leader alumnus Valdis Dombrovskis, Prime Minister of Latvia, described how, confronted by the crisis, his government had to implement an austerity programme while also taking steps that would improve the economy’s competitiveness over time.
It is my hope that you come out of this Meeting with a vision that goes beyond crisis management.

Klaus Schwab Founder and Executive Chairman, World Economic Forum

Aiming for resilient dynamism goes hand in hand with the never-ending missions to achieve sustainability and competitiveness. Countries must restructure at home so they can compete in the world.

The participation of Dmitry Medvedev, Prime Minister of the Russian Federation, highlighted the key role his nation is playing as this year’s G20 president to achieve resilient dynamism across the world. He also demonstrated how a national leader today must meet global responsibilities, while addressing domestic priorities. Prime Minister of the United Kingdom David Cameron, as head of the G8 this year, laid out transparency and fairness as critical elements of the G8 agenda and improved global resilience.

In the midst of the crisis, the international community came together to act in a concerted way to pull the global economy from the brink. As the emergency has subsided and with recovery now in prospect, collaboration and consensus building have become much more difficult, especially across the broad agenda to build resilient dynamism.

Leadership is better tested at times of adversity, but it is also possible to lead against the odds.

Mario Monti Prime Minister of Italy

It is my hope that you come out of this Meeting with a vision that goes beyond crisis management.
News from Davos

Welcome to Digital Davos

The Annual Meeting 2013 became known as the first “Digital Davos”. This year, an unprecedented number of sessions were streamed live over the Internet across four channels, offering continuous live broadcasts of the Meeting’s main events – from plenaries and special messages in the Congress Hall, to televised debates and – new this year – An Insight, An Idea sessions.

The Forum Live area featured scores of interviews with top talent, including the Meeting’s Co-Chairs, Strategic Partners, Global Shapers and Social Entrepreneurs. All these session videos and Forum Live interviews are available on demand on the World Economic Forum website.

A huge screen in the middle of the Congress Hall kept participants up to date on the programme, plus information on sessions, photographs, participants’ quotes and social media commentary from around the world. All eyes were on the screen’s Twitter leaderboard, as participants followed the number of tweets published and the number of retweets.

Participants were more involved than ever in reporting the content of the Annual Meeting. Over 70 sessions were covered by participant rapporteurs who interviewed session moderators and posted blogs on the Forum’s website.

Content from the Annual Meeting 2013 is available on demand at www.weforum.org.

Cautious optimism

Confidence in the state of the world’s economy is on the rise amid positive signs from the Eurozone and a sense that the worst fears for the US “fiscal cliff” debt crisis are behind us. The Co-Chairs of the Annual Meeting, however, warned participants not to be complacent. On a scale between 0 to 1, the Forum’s Economic Confidence Index showed a rise of 0.43 from 0.38 in the first quarter of 2013, the second highest level of economic confidence since the Index began seven quarters ago. Although still in negative territory, the number of Index respondents with a pessimistic outlook for the economy in 2013 fell to 43% from 56% last quarter, while the percentage of optimists increased to 23% from 17%. A key challenge for business, government and civil society is to restore trust in both public and private sector institutions. Implementing reforms and recovery plans is essential.
A reinvigorated Eurozone

European leaders at the Annual Meeting reiterated their confidence in the Eurozone, stressing that it is possible to achieve growth, prosperity and competitiveness while maintaining Europe’s core values. German Chancellor Angela Merkel said that reforms implemented in European economies are achieving results and she stressed the need for Europe to conclude a pact that would drive convergence in competitiveness across the EU. Italian Prime Minister Mario Monti noted that wide-ranging reforms in Italy put the economy and its fiscal position on sounder footing. Prime Minister David Cameron of the United Kingdom said that his proposed reforms for Britain’s relationship with the EU are as necessary for Europe as they are for Britain. IMF Managing Director Christine Lagarde told participants that 2013 will be a make-or-break year for global recovery. Success will be based on more openness and cooperation between nations.

€1 billion to save lives

Germany announced that it will contribute 1 billion euros to the Global Fund to Fight AIDS, Tuberculosis and Malaria, enabling health workers to continue efforts to prevent and treat these diseases. The announcement was made by Dirk Niebel, Germany’s Minister for Economic Cooperation and Development at the Annual Meeting, with Mark Dybul, Executive Director of the Global Fund, and Bill Gates, Co-Chair of the Bill & Melinda Gates Foundation. Also during the Meeting, the GAVI Alliance – a public-private global health partnership – announced US$ 25 million in matched pledges from three organizations to buy life-saving vaccines for the world’s poorest children, bringing the total amount to date raised in innovative matching fund initiative to US$ 78 million. The pledges by the three organizations – Comic Relief, LDS Charities and Vodafone – will be matched by additional funds by the United Kingdom’s Department for International Development and the Bill & Melinda Gates Foundation.

Crystal Awards 2013

Three cultural leaders were presented with the Forum’s Crystal Award, honouring artists who have used their work to improve the state of the world. Brazilian visual artist Vik Muniz was recognized for his social projects. His 2010 documentary Waste Land, depicting the lives of Brazilian garbage-pickers, was nominated for an Oscar and won the Sundance Audience Award for Best Film. Award-winning Pakistani filmmaker Sharmeen Obaid Chinoy was honoured for her work on human rights, women’s rights and refugee issues. She won the Academy Award for her 2012 film, Saving Face, about acid attacks on women in Pakistan, and an Emmy in 2010 for her documentary, Pakistan: Children of the Taliban. Oscar-winning actress Charlize Theron accepted the award as an advocate of LGBT and women’s rights, especially in her home country of South Africa. In 2007, Theron launched the Charlize Theron Africa Outreach Project with the mission of helping keep African youth safe from HIV. http://www.weforum.org/videos/crystal-award-ceremony
Building Resilient Supply Chains

Catastrophic shocks, such as the Japan earthquake and tsunami, Hurricane Sandy and floods in Thailand, have raised fears about global supply chains. The Forum’s Supply Chain Risk initiative reports on this year’s expert discussions on the issue.

http://www.weforum.org/issues/supply-chain-risk

Enabling Trade: Valuing Growth Opportunities

The Enabling Trade: Valuing Growth Opportunities report quantifies growth potential from reducing supply chain barriers and features 18 case studies across multiple industries and geographies. It calls for governments to take a “whole of the supply chain” approach to trade facilitation.

http://www.weforum.org/issues/international-trade

Energy Vision Update 2013: Energy Transitions

This report seeks to provide a context and framework for understanding the energy mix, how a transition might unfold and what the challenges and questions are for the components of the energy. Although energy efficiency and other demand-side issues are critical to future energy systems, this report focuses on how society will meet its growing energy needs.


Engaging Tomorrow’s Consumer

Engaging Tomorrow’s Consumer provides perspectives on the lessons learned by companies engaging today’s consumers in behavioural change, and identifies the key consumers of tomorrow and their attitudes and behaviours that can be used to encourage sustainability.

http://www.weforum.org/issues/sustainable-consumption

The Future Role of Civil Society

The Future Role of Civil Society report looks at how trends in technology, politics, society, economics and the environment are affecting the evolution of civil society and its implications for stakeholders. The report presents the main global trends impacting the relationships between sectors and explores how the role of civil society might change over the coming two decades as a result.

http://www.weforum.org/reports/future-role-civil-society
Future of Urban Development

The Future of Urban Development initiative partners with cities to address key urban development challenges and risks, such as congestion, healthcare, governance, sustainability and moving to a service-based economy. A specific objective of the initiative is to facilitate the implementation of agreed solutions. In partnership with the National Development and Reform Commission’s China Center for Urban Development, the first phase of the initiative focuses on China. At the Annual Meeting 2013, the Tianjin Blueprint, developed in collaboration with the city of Tianjin, People’s Republic of China, was released.
http://wef.ch/urbandevelopmenttianjin

Global Agenda Outlook 2013

The Global Agenda Outlook 2013, the annual publication of the Forum’s Network on the Global Agenda Councils, combines the annual Survey on the Global Agenda, a poll of the Network’s Members on major trends and issues, with new data, opinion and ideas gathered at the Summit on the Global Agenda 2012 in November in Dubai, as well as subsequent working sessions.
http://www.weforum.org/reports/global-agenda-outlook-2013

Global Physical Infrastructure

The Global Physical Infrastructure initiative aims to help governments deliver infrastructure more effectively and efficiently through the development of frameworks and tools, with a special focus on public-private partnerships. At the Annual Meeting 2013, meetings were held to advance progress on all initiative focus areas.
http://www.weforum.org/industry-partners/groups/infrastructure-urban-development/index.html

Global Risks 2013

The Global Risks Report 2013 analyses 50 global risks in terms of impact, likelihood and interconnections, based on a survey of more than 1,000 experts from industry, government and academia. This year’s findings show that the world is more at risk as persistent economic weakness saps our ability to tackle environmental challenges. The report highlights wealth gaps (severe income disparity) followed by unsustainable government debt (chronic fiscal imbalances) as the top two most prevalent global risks; rising greenhouse gas emissions was rated the third most likely global risk overall.

Green Growth Action Alliance

In a session on Transforming Investment Flows: The Green Growth Action Alliance, Jim Kim, President of the World Bank Group, and Christiana Figueres, Executive Secretary of the United Nations Framework Convention on Climate Change, as well as senior business figures joined government leaders from emerging markets such as Kenya, Mongolia, Mexico, Vietnam and South Africa to discuss how to close the green investment gap and to attract private investment at the scale that is needed.
http://wef.ch/ggaa12

Green Investment Report

The Green Investment Report provides investors and public finance officials with a consensus view on current global flows of investment in key sectors such as water, agriculture and clean energy, and assesses the gap between current flows and the amounts needed to address climate change.
Healthy Living Initiative

The Healthy Living Initiative builds on the work that the Forum has been doing on non-communicable diseases (NCDs) over the past few years. The Charter for Healthy Living and a toolkit to catalyse multistakeholder collaborations lay the foundation for the second phase of the initiative, which will be rolled out in 2013 at country and city level.
http://wef.ch/chl13

Hyperconnected World

The increased velocity, complexity, transparency and interdependency of today’s society are creating a transformation of unprecedented scale. The World Economic Forum is undertaking a new initiative called “The Hyperconnected World”, which brings together a community of senior business executives, government officials and civil society leaders to identify new models for innovation, new opportunities for sustainable growth and new risks to manage collectively.
http://www.weforum.org/issues/hyperconnected-world

New Energy Architecture

The Forum has developed an Energy Architecture Performance Index (EAPI). The index benchmarks and ranks 105 countries globally on how well their energy system delivers economic growth and development, environmental sustainability and energy security and access. The EAPI also offers a tool for decision-makers to monitor the performance of their energy system and a basis for assessing areas to improve.
http://www.weforum.org/issues/new-energy-architecture

New Vision for Agriculture

The New Vision for Agriculture initiative facilitates increased investment and partnerships in agriculture. The initiative’s new report, Achieving the New Vision for Agriculture: New Models for Action, outlines the next steps to scale the impact of national partnerships in 2013.
http://www.weforum.org/issues/agriculture-and-food-security


Digital transformation makes the protection and resilience of the shared digital environment a critical enabler for the economic growth of companies and countries. In recognition of this, over 80 companies and government bodies across 15 sectors and 25 countries joined forces to create the Partnering for Cyber Resilience initiative at the Annual Meeting 2012. Together, the leaders of these organizations have signed a set of Principles, which demonstrate their commitment to play their role in providing a resilient digital environment for all.
www.weforum.org/cyber

Partnership Against Corruption Initiative (PACI)

Launched in 2004, PACI is a global anti-corruption initiative anchored by the chief executive officers of global and regional leading companies. PACI facilitates peer-level exchanges to help companies design and implement anti-corruption policies and systems. At the Annual Meeting 2013, the Presidents of Mongolia and the Philippines, and the Prime Minister of Peru, declared their commitment to fight corruption and invited companies to collaborate with them through the PACI platform.
Rebuilding Europe’s Competitiveness

The Rebuilding Europe’s Competitiveness report highlights selected European competitiveness practices that can provide policy-makers with initial inspiration on what kind of competitiveness reforms can be pursued and which factors should be considered to ensure an optimal implementation.

http://www.weforum.org/issues/competitiveness

Reimagining Finance

The Forum’s Financial Services Industry Partners Group used the Annual Meeting 2013 to develop partnerships and opportunities for its new and ongoing projects and initiatives, including the Role of Finance in Society, Towards a Sustainable and Resilient Europe, Developing Future Social Protection Systems, and Financial Inclusion.

http://www.weforum.org/industry-partner-groups

Rethinking Personal Data Initiative

Personal data is a new asset class critical to the growth of the digital economy. Leading experts from industry, government and civil society at the Annual Meeting focused on the shared principles that can strengthen the ability of personal data to create value with the need to protect privacy and empower individuals.

http://www.weforum.org/issues/rethinking-personal-data

Scenarios for the Russian Federation

Building on its longstanding experience in scenario planning, the Forum’s Strategic Foresight Team released Scenarios for the Russian Federation at the Annual Meeting 2013 in the presence of Russian Prime Minister Dmitry Medvedev. These scenarios, which focus on Russia’s economic development to the year 2030, were developed throughout the past year in close collaboration with Russian industry and policy leaders as well as a range of experts and investors.

http://www.weforum.org/reports/scenarios-russian-federation

Sustainable Health Systems

Scenarios for Sustainable Health Systems, a joint project of the Forum’s Health and Strategic Foresight experts in cooperation with McKinsey, looks at the future of healthcare and health. Over the past year, the Forum with its Partners engaged more than 200 health system leaders, policy-makers and experts, aiming to provide a longer term and holistic analysis of sustainable health systems using the central question: What could health systems look like in 2040? The results are published in the Sustainable Health Systems Report.

http://www.weforum.org/issues/scenarios-sustainable-health-systems

Water Resources Group

With a budget of US$ 12 million from both public and private sector sources, the Water Resources Group (WRG) partners with governments, facing water security challenges that constrain their economic growth aspirations, as well as businesses across a wide range of sectors. The aim is to bring new actors to engage in the water debate, package water resource information in a compelling format for influential, non-water specialists, and build the vehicles to engage stakeholders across sectors in joint action. The WRG was launched at Davos in 2012 as a new model of global public-private-civil society collaboration for water. It is now hosted at the International Finance Corporation (IFC) on behalf of the World Bank Group.

http://www.weforum.org/issues/water

Workplace Wellness Alliance

The Workplace Wellness Alliance, launched by the World Economic Forum in 2010, has gathered metrics covering 2 million employees in 125 countries and is taking a big step towards the development of a global baseline of employee health metrics, which is outlined in the new report Making the Right Investment: Employee Health and the Power of Metrics.

http://wef.ch/wwa13
Optimism for the global recovery was widespread at the Annual Meeting 2013. The global economic crisis is subsiding and the recovery appears to be taking hold. In many countries across the world, restructuring is under way. In the US, political leaders are struggling to control the fiscal deficit, while countries in Europe are managing austerity measures that have taken a heavy toll. China is focused on transforming its economy into one that is driven more by domestic consumption. Emerging markets, such as Brazil and Mexico, are implementing reforms aimed at boosting productivity and diversifying growth drivers.

“We do not want dynamism at any price, but dynamism that can withstand shocks.”

Angela Merkel Federal Chancellor of Germany
Building resilient institutions

Leadership in this unpredictable world is about managing expectations. It is also about following through on necessary changes even if some of the pain inflicted is on a leader – at the polls or in the boardroom. When the urgency warrants it, a leader must take bold measures, Mario Monti, Prime Minister of Italy, argued in an address to participants. “We did not go for the low-hanging fruit but aimed for big targets. If my experience is anything to go by, the odds are against reforms if the government is not able to confront the interests that are resisting them. Leadership is better tested at times of adversity, but it is also possible to lead against the odds.”

It must be. For leaders in the post-crisis environment, building resilience and promoting dynamism go hand in hand. Many participants called for a redoubling of efforts to promote growth and create jobs. Anshu Jain, Co-Chairman of the Management Board and the Group Executive Committee, Deutsche Bank, Germany; Co-Chair of the Governors for Financial Services Industry for 2013, said: “At some point we’ve got to take the burden off our central bankers’ shoulders. Governments and business leaders now need to pick up that slack so that baton passes from this artificial glut of plenty to actual genuine growth, clear policies and a forward-looking agenda that we all share.”

This is not only a task for the developed economies that were hardest hit by the global crisis or the European countries that have been so roiled by the continent’s debt disaster. Even emerging markets, including the BRICS (Brazil, Russia, India, China and South Africa) that have been hailed as the new poles of global growth, must do their homework. Investing in infrastructure, for example, is essential to driving growth in both exports and domestic consumption. Structural reforms to bolster resilience to shocks are also necessary to increase an economy’s competitiveness, said Mario Draghi, President, European Central Bank, Frankfurt. “Hesitation in undertaking fiscal consolidation doesn’t pay.”

The mood has been good – too good to be true. Expectation management is in order.

Axel A. Weber Chairman of the Board of Directors, UBS, Switzerland; Co-Chair of the World Economic Forum Annual Meeting 2013
Each person has to transform himself or herself by innovating, even in a small way.

Atsutoshi Nishida Chairman of the Board, Toshiba Corporation, Japan; Co-Chair of the World Economic Forum Annual Meeting 2013

The same lessons apply to companies. A company’s senior management must remain calm in times of crisis and be prepared to take responsibility. The key is to learn from mistakes and failures and make the necessary adjustments so that the enterprise will withstand future shocks. There must be a balance between taking risks and risk management. Building risk management into a company’s philosophy is important. Products have to navigate the global supply chain from manufacture to delivery. “We don’t want to be the bakery that doesn’t have bread,” said Stanley M. Bergman, Chairman of the Board and Chief Executive Officer, Henry Schein, USA.

Since the crisis, the G20 has taken on the role as the main forum for the management of the global economy and financial system. Successive presidencies have focused on pushing their agendas for reform aimed at driving resilient dynamism or sustainable development. This year, the Russian Federation will pursue initiatives or joint action on investment, the global currency regime, financial regulation, further reform of the International Monetary Fund (IMF), job creation, and the promotion of innovation and infrastructure development.

The challenge for the G20 is to manage the shift from crisis response group to trusted coordinator of long-term global economic restructuring. As the international community moves back from the edge of the cliff, it is natural that the tight embrace of collaboration, forced by the crisis, should loosen. Maintaining the spirit of cooperation through the recovery will be difficult, especially as growth returns and national politics intrude. Making the fight for legitimacy and relevance even more troublesome is people’s lack of trust in institutions, particularly government and businesses – notably the banks. Ironically, decision-making in the midst of a crisis could prove easier than decision-making during the recovery.

Improving decision-making
In an age when leaders are focusing increasingly on short-term challenges – making snap decisions in the face of events – how can they refocus on the longer term when it is not known how issues such as climate change, global governance and security will play out? In an unprecedented solo session at the beginning of the Meeting, Nobel Prize-winner Daniel Kahnemann emphasized that society needs to be aware of the psychological decision-making processes, and be mindful of the differences between short-term and long-term thinking; “thinking fast and thinking slow”, as he puts it.

“The real problem is whether attention stays on problems long enough to do something about them,” Kahnemann said. “It’s a political issue, mainly about whether leaders can get their act together while the iron is hot.”

At the same time, leaders have to learn how to promote both resilience and dynamism, said the former South Korean Prime Minister Han Duck-Soo, Chairman and Chief Executive Officer, Korea International Trade Association (KITA), Republic of Korea. “We may
BRIC, emerging markets and developing economies are expected to continue to drive global growth
gDP growth for world and select economies

Source: International Monetary Fund World Economic Outlook October 2012; PwC Analysis
Note: Developing countries as defined by IMF. GDP measured in constant prices, yoy change. Aggregate growth for BRIC is based on average real GDP growth weighted by nominal GDP.

01: A televised AP debate on “Creating Economic Dynamism”
02: Sheryl Sandberg (left), Chief Operating Officer and Member of the Board, Facebook, USA; Christine Lagarde, Managing Director, International Monetary Fund (IMF), Washington DC; Lubna S. Olayan, Deputy Chairperson and Chief Executive Officer, Olayan Financing Company, Saudi Arabia
03: Panelists in the session on “The Natural Resource Context”
04: Jacques Attali (left), President, PlaNet Finance, France; Naim Molé, Senior Associate, International Economics, Carnegie Endowment for International Peace, USA

The underlying issue is jobs. There are 200 million people unemployed worldwide.

Frederico Curado President and Chief Executive Officer, EMBRAER, Brazil; Co-Chair of the Annual Meeting 2013
country’s debt mounted. Entrenched vested interests resisted change and Italy’s leaders did not challenge the long-established order.

Whether in business, government or civil society, effective means thinking long-term – understanding the need for innovation. Each person has to transform himself or herself by innovating, even in a small way, advised Atsutoshi Nishida, Chairman of the Board, Toshiba Corporation, Japan; Co-Chair of the World Economic Forum Annual Meeting 2013. Companies and governments should harness creative power from the grassroots. “What we need is an accumulation of small innovations, which anybody can create.”

But not all innovations create value, noted Clayton Christensen, Professor of Business Administration, Harvard Graduate School of Business Administration, USA. There are innovations that simply sustain the life of products or make them more efficient. What are needed more are empowering or disruptive innovations such as the Model T automobile or the smartphone that change the game and create growth and jobs. Most investment goes into sustaining efficiency rather than into empowering innovations because the returns on the former tend to come sooner.

“We are awash in cash, but we continue to invest as if cash were scarce,” Christensen observed. “We are not investing in innovations that create growth.”

Leaders need to find or develop the skills, talent and knowledge they need to take risks. It is one thing not to make a move because of uncertainty and another thing to resist change because of a lack of knowledge. “Not moving because things are unfamiliar is really a crime,” remarked Orit Gadiesh,
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Resilient Dynamism

Building a new vision for the future

Education and Skills

The book of jobs

Speaking at the Annual Meeting, Guy Ryder, Director-General, International Labour Organization, warned that there cannot be any real economic growth without jobs. “It is not the only element of the economic malaise we face, but it’s the quintessential centre of it all.” The intensity of the financial crisis may appear to be receding, but jobs’ markets are giving completely different signals.

Herein lies the conundrum: if there are no jobs, the economy cannot grow; and if the economy cannot grow, it cannot create jobs. Worldwide, more than 75 million young people are unemployed. These numbers are rising.

At the same time, employers lament that they cannot find skilled workers. The cruel irony is that there are many unfilled jobs worldwide. In Europe, 3 million positions cannot be filled, although 25 million, mostly young people, are looking for work. Panelists placed the blame, in part, on an education system that teaches skills and knowledge unaligned with what the real world requires.

It is not only the hard skills. Soft skills, such as good communication, interpersonal relationships, collaboration and conflict resolution, need to be taught – ideally from a young age. Every sector, including businesses, NGOs, government, parents and the unemployed, need to work together to address this.

Panelists in several sessions pointed to the need for universal education. The next big idea or cure for cancer could be locked inside a young person in Bangladesh or India who will never have a chance to go to school. Unleashing the creative power of young people will entail eliminating illiteracy.

Online education is the next big jump; it unlocks trapped value. As a result, education in the next decade or two should become available to everyone on the planet.

Chairman, Bain & Company, USA; World Economic Forum Foundation Board Member.

Technology and design could be the key. In today’s complex and interconnected world, decision-making is becoming horizontal rather than vertical. A new “network style” of decision-making is emerging, propelled in large part by social media. According to John Maeda, President, Rhode Island School of Design, USA; Global Agenda Council on New Models of Leadership, the flattening pressures of social media, which allow customers to connect with the chief executive officer, are disrupting the ordered hierarchy of most organizations. Maeda believes that leaders could use design concepts to improve their decision-making. By using visual and spatial representations of what they need to do, leaders can manage their time better and set priorities more sensibly.

In today’s networked society, the harnessing of the power of data and information will be a crucial skill that leaders will have to learn. “Those who have ownership of data and know how to glean valuable information from data will have power,” said Peter Corbett, Chief Executive Officer, iStrategyLabs, USA; Global Shaper. “There will be a divide between those that have the data and know how to use it and those that don’t.”

The aim of innovations – and of innovative decision-making – should not be efficiency, but radical restructuring, said Joichi Ito, Director, Media Lab, Massachusetts Institute of Technology, USA; Global Agenda Council on Informed Societies. At the Media Lab, he noted, “Our design principle is not to make the world more efficient, but to make the system more resilient, more robust.” If the focus in education is only to teach people how to make systems more efficient, then “you’re training kids to become obedient members of a mass-production society. But as there’s more and more automation, you want people to be more and more creative.”
Strengthening personal resilience
The responsibility for improving decision-making in the complex hyperconnected world must fall on the leader. The mark of a good leader with strong personal resilience is the ability to bounce back in times of adversity and rise to the occasion, adapt to adverse conditions and find opportunities in the most trying situations.

Leaders should consider their personal decision-making processes and how to build individual resilience and the capacity to make the right choices and to rebound from setbacks. Having checks in place to guard against the decisions people instinctively want to make can help to improve decision-making; individuals could benefit by slowing down their thinking. Successful leadership means training the mind to focus on key issues in a deliberate, non-judgemental way. Living on autopilot, juggling a multiplicity of tasks, is not an inevitable way of life.

Mindful leadership is cultivating the ability to be self-aware and integrating this ability into the way the leader runs the organization. People who have taken courses on mindful leadership typically pay three times more attention in meetings than they did before the training. Mindful leadership “is about learning to connect to those around you and to develop the capacity to initiate skilful change,” said Janice Marturano, Founder and Executive Director, Institute for Mindful Leadership, USA. It is about building the muscle to sustain your attention and shut down the reflex to multitask, she added.

Unfortunately, burnout is becoming all too common among leaders today. They may continue to serve or run their organizations, but they lose the capacity to make visionary decisions and to act with boldness. To strengthen personal resilience requires training, reflection and a sense of duty to oneself to be healthy, productive, alert and responsible.

Frontiers of Technology
Innovative imperative
Innovation was a leitmotif at the Annual Meeting 2013. Participants discussed social innovation within partnerships that apply innovative, practical, sustainable market-based approaches. The result is positive social and/or environmental change with an emphasis on underprivileged populations. Creative power is at work in social businesses, changing lives around the world. Innovative development partnerships, some forged in Davos over the years, are saving lives every day.

Innovation is the mother of the digital revolution, which is transforming every aspect of our societies well beyond hyperconnectivity. Innovation married with science and technology is leading to exciting new developments in healthcare, energy, agriculture, communications and space exploration, all fuelled by R&D.

Disruptive innovation is on the increase: digital media has displaced CDs and DVDs; cloud computing is displacing USB flash drives; digital video, film; and LEDs, light bulbs. Shale gas could be the greatest disruptive technology to date and it has the potential to reignite economic growth. The International Energy Agency predicts that the US will be the world’s largest oil producer by 2020.

If R&D is the lifeblood of innovation, collaboration among researchers, creative thinkers, entrepreneurs and governments are the oxygen. Tension arising from collaboration can be turned into creative energy, giving birth to new ideas and solutions for the globe’s myriad challenges.

The innovative imperative is clear: business, science and society must push the global innovation frontier to meet the needs of an additional 2 billion people by 2050.
Being responsible is essential for the modern leader to succeed. With the global economic crisis receding, “the time has come to look at the future with greater vision and constructive optimism,” advised Klaus Schwab, Founder and Executive Chairman, World Economic Forum, in his welcoming remarks to participants. “The risks have not gone away. What we should do is develop the necessary resilience to deal with those risks in time.”

He called for social and moral responsibility. “Without a basic moral consensus on a global level, mankind cannot survive.”

Leaders need to model the behaviour that they require from their followers, their organizations and the societies in which they operate. Corruption was frequently cited as a cancer that eats at the heart of leadership and capitalism, and undermines equitable development. Huguette Labelle, Chair, Transparency International, Germany, and Co-Chair of the Annual Meeting 2013, said: “There needs to be an anti-corruption stance from the start, otherwise corruption is in the system.”

Solving current and future challenges is dependent upon involving the ideas and energy of the Millennial generation.

Muhtar A. Kent Chairman and Chief Executive Officer, The Coca-Cola Company, and Co-Chair of the Annual Meeting 2013

Enterprise Leadership
Flexible and nimble

Business is inherently uncertain and risky. Without risk there is no reward. However, in recent years enterprises have confronted extraordinary and sometimes unpredictable risks arising from strategic blunders, catastrophic operational mishaps, supply chain disruptions, extreme weather, rogue employees, failure to comply with laws and regulations, civil unrest and revolution, and terrorist acts.

To survive such risks, enterprises must be resilient – the ability to survive internal mistakes and external shocks. Key elements of resilience include corporate culture and values, crisis management systems and expertise, as well as flexible, nimble organizational structures.

The role of senior managers is crucial to creating resilient enterprises. Members of the C Suite team, particularly the chief executive officer, must instil resilient and coherent values throughout the organization. They must remain calm in times of crisis, take ultimate responsibility and communicate honestly and effectively to all relevant stakeholders: shareholders, employees, regulators, affected people and communities, the media, and the general public.

A resilient enterprise asks: can we avoid or survive serious mistakes? Key elements include: having a Plan B; having employees who are encouraged to honestly and critically vet proposals; and having a culture in which employees feel confident that they can admit early on when ideas and projects they are pursuing are not working.
Meeting the needs of the Millennial generation

Restoring Economic Dynamism

The idea that Greece would exit the European Union was one of the popular tropes of 2012, along with the implosion of the euro, a disastrous hard landing for China and the withering of the nascent economic recovery in the United States. None of these grim scenarios has come to pass. Going into 2013 it is clear that, as bad as things have been in the global economy, there is a stubborn layer of resilience even in the hardest-hit crisis economies. It is this resilience that participants at the Annual Meeting 2013 felt should be nurtured and made stronger.

“We have to formulate policies that create growth.”

Andrew N. Liveris Chairman and Chief Executive Officer, The Dow Chemical Company, USA; Co-Chair of the Annual Meeting 2013
Achieving inclusive prosperity
There is a consensus that the grow-at-all-cost model is no longer viable in the post-crisis world. Not only is it destructive of the environment but it also tends to concentrate the wealth in a few hands. That is a red flag when the global financial crisis has taken away the jobs of more than 11 million workers, most of them young people, in Europe and the United States alone. “Go green, go social, go structural, go institutional – that’s the way to go,” said Angel Gurría, Secretary-General, Organisation for Economic Co-operation and Development (OECD).

This new vision of growth is focused on achieving inclusive prosperity. No one is suggesting that everyone should get paid the same regardless of what job he or she does and how well the job is done. Nor are governments being asked to confiscate the wealth of billionaires for redistribution to the poor. What is required is for the state to create a climate that is conducive to fairness and inclusion.

“We have got to say, as a governmental policy statement, that everybody has a fair shot and nobody is going to have an unfair advantage,” said Eric Cantor, US House of Representatives Majority Leader and Congressman from Virginia (Republican). The dictum should not only be stated, but also scrupulously put into practice. This means an active effort by the state, business and civil society to level the playing field for everyone, regardless of gender, age and race.

However, while real progress has been made in increasing the number of women in top economic positions, panellists in a session on women in economic decision-making pointed to statistics which suggest that the economic gender gap around the world is far from being closed. This is still the case, one observed, despite an explosion of academic research, which confirms that gender parity is linked to global competitiveness and economic performance.

Indeed, research by the investment bank Goldman Sachs estimates that Japan’s GDP would increase by 15% if there were gender equality in employment. Japan, which has been mired in a deflationary and stagnant economic environment for two decades, is in 102nd place in the World Economic Forum’s Global Gender Gap 2012 report – out of 135 countries assessed.

Another concern is youth, who are unable to find employment in the wake of the global financial crisis. In South Africa, half of the labour force aged 15 to 24 is unemployed. The jobless rate among young people stands at 44% in Greece – the country at the epicentre of the Eurozone crisis – 30% in Portugal, 29% in Italy, 26% in Poland and 22% in France. In all, there are about 75 million unemployed young people worldwide.

These young people belong to the Millennial generation, young men and women who use instant communications, social media and the Internet to interact with others who may live on the other side of the globe. It should be no surprise that the Arab
High youth unemployment rates are a problem in many countries

Youth unemployment rate, selected countries, 2011

Source: International Labour Organization, Key Indicators of the Labour Market
Note: Youth unemployment refers to the share of the labour force aged 15-24 without work but available for and seeking employment. Definitions of labour force and unemployment differ by country, average real GDP growth weighted by nominal GDP.

Spring uprisings were enabled in large part by Millennials wielding the power of technology to organize protests that eventually toppled regimes in Egypt, Libya and Tunisia. If large numbers of Millennials are unable to work, their frustrations can spill over into despair and violence.

How can the greatest number of people enjoy an equitable share in their country’s wealth? In panel after panel discussions in Davos, the importance of education and job training, and retraining to ensure inclusive prosperity, was emphasized time and again. “As a boy, I studied in the dirt. There was no classroom,” said Ban Ki-moon, Secretary-General of the United Nations. “Education made me what I am; it made my dream come true.”

This aspiration has been realized in Sweden, where education is free for all citizens, including university and post-graduate learning. If you charge for education, one panellist said, you run the risk of creating exclusion and inequality because some people will not be able to afford the fees. This philosophy explains why, in part, Sweden has one of the lowest Gini coefficients in the world, at 0.26 (0 represents total equality; one represents total inequality).

Such social spending can wreak havoc on public finances, which Sweden experienced in the 1990s. However, technology is now helping to cut the cost of education. Online learning, for example, is a cost-effective way of bringing knowledge and skills to billions of people over vast distances, allowing learners to interact with each other and with teachers in a virtual classroom setting. “This enabling tool is so powerful it will change the education we provide on campus today and globally,” said L. Rafael Reif, President of the Massachusetts Institute of Technology (MIT). “We are limited only by our imagination.”

Rebuilding economic confidence

While looking to the future, much of the energy of the Annual Meeting was spent on the macroeconomic problems that continue to hound the countries of the world, most painfully in Europe and the US. These issues include the unconventional monetary policies central banks have been forced to devise in response to the global financial crisis, leadership transitions and political challenges in leading economies, and geopolitical and security flashpoints.

Definitions of labour force and unemployment differ by country, average real GDP growth weighted by nominal GDP.
Four years ago at Davos, Bill Gates called for “creative capitalism”. His call came months before the global financial crisis, which shattered public confidence in institutions and organizations. Since then, business has weathered multiple “trust shocks” and recognizes the imperative to rebuild trust. Participants have advocated the need to move from short-term shareholder capitalism to long-term stakeholder capitalism.

This year, participants discussed “useful capitalism” and “catalysing multi-stakeholder value.” This paradigm shift transcends traditional corporate social responsibility. Ideally, companies should harness the profit motive to serve the public interest. Companies need to collaborate with civil society and unions to change the rules of the game and to provide more transparent and nuanced information to investors.

Christine Lagarde, Managing Director, International Monetary Fund, told participants the global economic crisis was a governance crisis originating in the financial sector. “It hid too much activity in murky and dark corners, and put its own short-term gain ahead of supporting the real economy.”

Accountability is crucial. “The goal of the private sector cannot be only profit; it must also add value, create jobs [and] develop the new ideas that drive an economy forward,” she said. “We need a financial sector that is accountable to the real economy – one that adds value, not destroys it.”

Businesses leaders agreed they must include social goals in their mission; else businesses will eventually collapse and humanity will not meet its challenges for the next century.

“We've exhausted our monetary policy room,” said Gurría. “And we've used all the fiscal policy room that we had. It’s not a pretty picture. We should be very worried.” Speaking

Following the lead of the US Federal Reserve, the central banks of Europe and Japan have embarked on quantitative easing, the direct purchase of government bonds and other assets to rebuild economic confidence and stimulate economic activity. The expansion of central bank balance sheets is helping to keep interest rates low and bring a measure of stability to financial markets.

Axel Weber, Chairman of the Board of Directors, UBS, Switzerland, and Co-Chair of the Annual Meeting 2013, underlined this in the final session of the Meeting, when he cautioned against complacency: “Central banks cannot resolve the deeper problems. So, the time that they have bought has to be used to make credible structural solutions. Deficits are OK if they are used to make investments. The mood has been good – too good to be true. Expectation management is in order.”

But some participants questioned the viability and effectiveness of quantitative easing. They pointed out that the central banks’ policy of printing money is distorting business and economic cycles, and may ultimately destroy, rather than rebuild, economic confidence. Quantitative easing will have to end at some point, and if the central banks do not handle the exit with dexterity, they may well bring the global economy back to the brink.

“Businesses have more power and money than ever before. They can destroy large parts of the planet. If your impact is high, your responsibility is high,” said Feike Sijbesma, Chief Executive Officer and Chairman of the Managing Board, Royal DSM, Netherlands. He added that governments alone cannot solve world problems such as climate change, resource scarcity and food shortages. Companies must step in.
on the same panel, Mark Carney, Governor of the Bank of Canada, countered that “there continues to be monetary policy options in all the major economies.” Although Carney stressed that he was not talking for the US Federal Reserve, he said that as the US economy gains traction, the Fed will calibrate its unorthodox monetary policy to ensure what he calls its “escape velocity” – providing a template for other central banks to follow.

For now, the central banks’ monetary and financial sector actions are yielding results. “What they have done in the past 18 months is remarkable,” said Christine Lagarde, Managing Director of the International Monetary Fund (IMF), on how Europeans have been handling their economic problems. “They need to keep at it and they need to challenge the conventional wisdom, according to which, when things get better, they relax. It’s not time to relax,” Lagarde was echoing her famous dictum: “We have avoided the collapse, let’s beware of the relapse, and let’s not relax.”

Geopolitical and security flashpoints complicate the picture. The unrest in Mali can potentially destabilize West Africa; Iran and North Korea are still on the nuclear path; Syria is mired in civil war; and territorial disputes between China and Japan, and China and the Philippines are heating up. How these flashpoints are handled will determine whether the beginnings of economic confidence that we are seeing today, as a result of the slow mending of the American and European economies, will continue to grow.

Unleashing entrepreneurial innovation

It is the measure of the human intellect that it can turn challenges into opportunities, and so it was at the Annual Meeting. Various innovative ideas and plans of action were proposed to help solve the world’s ills.

“Addressing the problem of global warming is one way in which we can create jobs and deal with the long term,” said Professor Joseph E. Stiglitz of Columbia University, who was honoured with the Nobel Prize for Economics in 2001. “If we
have the price of carbon in place, that would incentivize firms to start restructuring their investments. If we can then get the financial sector to fund these investments, we can make the economy grow again, create new green jobs and begin to really address what is a potential calamity for the world.*

This effort will further boost the emergence of the “circular economy,” the idea of products and services as closed-loop life cycles, where everything is reused and recycled. The trend was particularly popular among World Economic Forum community members of Young Global Leaders participating in the Annual Meeting. These young leaders see many new entrepreneurial opportunities in the transformation of the use-and-dispose production processes in the current linear economy. In the circular economy, consumers will tend to rent rather than buy cars and software, which are periodically repaired, updated and redesigned.

It is important that these new opportunities be made accessible to young people. This is where education, training and apprenticeships come in. Targeted financial assistance is also helpful. In Turkey, the government pays the social security premiums of first-time employees for two years, instead of the employer, and the first six months’ salary of those on first-time probation, to allow worker and company to decide whether they are a good fit. The same incentives are extended to women, the chronically unemployed and people with disabilities.

The Forum has been developing its ability to integrate the Millennial generation into its activities. The Global Shapers Community is a network of over 200 hubs worldwide, consisting of 1,700 individual entrepreneurs, social

*Education made me what I am; it made my dream come true.

Ban Ki-moon Secretary-General, United Nations
activists and “positive disruptors” designed to build the efforts of the Millennial generation to improve the state of their local world. At the Annual Meeting, The Coca-Cola Company announced US$ 100,000 of funding, based on a global competition, to provide seed financing for Shapers projects.

“For the first time in history we have instant access to billions of people, and this technology is affordable,” said Jim Hagemann Snabe, Co-Chief Executive Officer of SAP. “It fuels a new opportunity which I don’t think is about scaling large companies. It’s about enabling people to take advantage of the fact that they can reach people everywhere in the world, they can create their own jobs, their own companies.”

China, with its sheer size and growing affluence, has the potential to unleash innovation and entrepreneurship among its people and in other countries. E-commerce is opening opportunities for entrepreneurs both inside and outside China to serve the growing consumption spending of Chinese citizens – not to say 1 billion Indians and hundreds of millions more in Brazil, South Africa, Indonesia and other emerging markets.

The inclination for entrepreneurship should be cultivated early. In Sweden, the government extends grants – but does not direct – entrepreneurship projects by teenagers as young as 15. Basic knowledge about running a business should be part of the curriculum even in primary school. Government agencies, NGOs and the entrepreneurs themselves can share best practices and enable networking.

Banks and other institutions should be encourage to fund start-ups and other enterprises through incentives and taxation – in some countries, hedge fund managers are taxed at lower rates than the creators of real goods and services. Governments should also strengthen social safety nets such as unemployment insurance and health insurance because these can help would-be entrepreneurs gain confidence to take on the risks of starting a new business.

There were many more policy and practical prescriptions made at the Annual Meeting, including: labour market reforms and fiscal consolidation in Europe; political compromise and quick action on fiscal policy in the US; replenishment of public coffers in emerging markets that embarked...
on stimulus spending as an anti-crisis measure; and capacity building and a focus on governance in low-income countries. And the global financial system still requires fixing, Stiglitz said, noting that “not-transparent over-the-counter derivatives still exist, and we don’t really know the extent of the risk they pose”.

However, employment should be the priority in 2013. “Twelve months ago, when we met here, we were concerned with a possible euro collapse, the US fiscal cliff, the China hard landing,” said IMF Deputy Managing Director Min Zhu. “With all the policy actions, we’ve been able to avoid those issues. But growth is very weak and slow. So the first issue for policy-makers is to make the year 2013 a jobs and a growth year.” That should help strengthen economic resilience and lay the groundwork for economic dynamism.

At the end of the Meeting, Frederico Curado, President and Chief Executive Officer, EMBRAER, Brazil, and Co-Chair of the Annual Meeting 2013, concurred. “Davos has been too optimistic, the underlying issue is jobs. There are 200 million people unemployed worldwide.”

“Without concerted action, the next generation will be roasted, toasted, fried and grilled.”

Christine Lagarde Managing Director, International Monetary Fund
If recent history is any indication, 2013 is likely to witness dozens of risks to global stability. The complexity, interconnectedness and pace of development in today’s world practically guarantee this. Leaders cannot afford to focus on eliminating all risks: doing so would require a tremendous allocation of resources and would deprive many systems of the benefits of interconnectedness. Instead, the challenge is how to make systems and societies sufficiently resilient so that they can bounce back from crises.

Throughout the Annual Meeting 2013, participants identified a range of measures to strengthen societal resilience.

“The mercantile way of thinking about value chains – exports good, imports bad – is old-fashioned.”

Alexander Stubb Minister of European Affairs and Foreign Trade of Finland; Young Global Leader
Reinforcing critical systems

Complexity and the need for partnership apply to a range of critical systems – from water scarcity to digital networks to health infrastructure. While the particulars of these systems are distinctive, a number of insights for making them more flexible, efficient and adaptive emerged at the Annual Meeting.

“We all know that the more people involved in trying to solve a problem, the less efficient you are,” said Peter Brabeck-Letmathe, Chairman of the Board, Nestlé, Switzerland; World Economic Forum Foundation Board Member. “The problems we are confronting are too complex. Whenever we create a partnership it’s because the problem is too complex to solve it alone.”

Take for example non-linear change in climate systems and the prevalence of “tipping points”. The world’s climate has been fundamentally, and perhaps irrevocably, altered by the past 50 years of demographic change, industrial activity and various anthropogenic effects. Ecosystems typically show a great deal of resilience in absorbing shocks and returning to equilibriums. However, a number of examples – Arctic ice melt, coral-reef degeneration and species extinction, to name a few – indicate that once an environment reaches a particular tipping point, a cascade of adverse effects ensues.

The effects can be rapid, global and catastrophic. The melting of Greenland’s ice sheet, for instance, decreases reflectivity of solar rays. Lower reflectivity causes more absorption of heat, which melts the remaining ice even faster. This feedback loop bears structural similarities to the way in which the collapse of the subprime mortgage market in the United States affected the wider financial ecosystem and was linked to financial destabilization worldwide.

Tipping points and cascading effects are features of many complex systems, which mean that the world needs better ways to measure the health of critical systems and gauge the thresholds within which it is safe to operate. “It’s not good enough to

Hyperconnected World

The right connections

Being always connected is the new normal. Today’s hyperconnectivity and interconnectedness present unique and substantial risks, but also enormous opportunities.

As the world’s global digital system grows exponentially, so does the need for trust among consumers, governments and businesses. Cyber risk is one of the three top risks faced by businesses. Rather than trying to draft regulations that might prove inflexible and soon outdated, governments should act as convenors, bringing industry and other stakeholders together to solve cyber security challenges.

At the Annual Meeting 2013, the UK government joined the World Economic Forum’s Partnering for Cyber Resilience initiative, which currently consists of over 70 companies and government bodies across 15 sectors and 25 countries committed to a set of principles designed to ensure secure and resilient digital global networks.

The initiative aims to raise awareness and understanding of cyber issues among leaders across all industries and policy domains, and to encourage organizations to practice good “cyber hygiene” – simple steps which can immediately reduce the risks to their organizations and customers. Partnering for Cyber Resilience also creates a space for companies and governments to come together in a safe, trusted and neutral environment to tackle issues of common concern, such as protecting national infrastructure for individuals’ personal information across shared networks or physical borders.

On signing the Cyber Resilience Principles, William J. Hague, Secretary of State for Foreign and Commonwealth Affairs said: “The principles will help us all... in our shared aim to promote a safe and secure digital environment to do business.”
Digital infrastructure is also susceptible to cascading adverse effects. Viruses, denial-of-service attacks and cyber terrorism are known risks, but, as of now, digital disasters have yet to rise to the level of a global crisis. Would these systems have the resilience necessary to withstand such a threat?

Pooling information is one way to improve resilience. Currently, businesses and governments are reluctant to share information about cyber attacks for reasons of security, intellectual property and reputational concerns. Changing this culture and improving transparency would help entrepreneurs, technologists and business leaders to design safer networks.

Health systems show how resilience involves coordination among a mix of sectors – in this case, from aquaculture to academia. For example, antibiotics have been a great source of human productivity in fighting disease, reducing mortalities and improving food production, but bacteria can mutate faster than health systems can respond. Already, the spread of multi-drug resistant tuberculosis and HIV has alarmed doctors and public health officials, and the pipeline for new antibiotics offers little reason for relief.

The problem requires changing health systems at several levels. Government incentives can offset the low returns typically generated by antibiotics and encourage pharmaceutical companies to invest in research for new drugs. At the same time, cooperation from the animal husbandry and aquaculture industries can reduce overuse of antibiotics.

Finally, global trade networks show that complexity and interconnectedness offer major upsides such as job creation and higher standards of living. Take modern smartphones, for example. A single phone can contain parts from more than a dozen countries. Labelling that phone as an import or an export masks its movement through a global supply chain where many countries add value. Policy-makers, particularly in emerging markets, recognize that protectionism and inefficient customs systems can create a drag on economic growth. But impasses in global trade negotiations – primarily agricultural disputes among developed countries – have blocked progress in lowering barriers worldwide. Currency manipulation can also cause countries to retreat to protectionism and isolated markets.

These insights reveal that today’s interconnectedness is too complex to unwind. Instead, understanding the landscape of interdependence can improve responses to future risks.

Sustaining natural resources
One of the biggest natural resources-related changes in recent years pertains to the shale gas “revolution”. Enabled by hydraulic fracturing, shale gas production has shifted the relationship between many energy-importing and energy-producing nations, in addition to introducing new questions regarding environmental impacts.

Understanding the implications of changes in the energy landscape, as well as that of other natural resources, means looking beyond just their relative abundance or scarcity and examining how they fit into the context of humanity’s relationship with the planet. Energy, water, food and other resources must be examined not only in terms of quantity and distribution but also within larger ecosystems of societal usage.

Global emissions continue to rise, and extreme climate events wreak havoc on big population centres worldwide with increasing frequency. While shale gas production has diminished fears that the world is running out of energy, it has intensified concerns over how long the world can keep going on a fossil-fuel based model of growth. For
Geopolitics and Security
Threats and conflicts

This year’s Annual Meeting took place at a time of insecurity, war and fragility. The second theatre of the war on terror opened in North Africa, with hostilities in Mali and kidnappings in Algeria. One panellist commented that European diplomats call North Africa “our Afghanistan.”

The French-led military action against Al Qaeda-linked Islamist and Tuareg rebel groups in the north of Mali was necessary as a short-term solution. Had France not intervened, the situation would have been “catastrophic.” Conditions continue to deteriorate, with people in the northern regions, particularly the poor, suffering the most. The violence is damaging the economy – the longer the conflict drags on, the more difficult it will be to conduct business in the country.

Time is running out and urgent action is required. With the onset of the rainy season, farmers will be unable to plant crops, worsening the humanitarian disaster. The instability could spread throughout the Sahel region.

More trouble spots are peppered across Africa: Sudan, Somalia, Kenya and the Gulf of Guinea are areas receiving little international attention.

The geopolitical situation is ominous: an ongoing carnage in Syria; Iran and North Korea proceeding apace with their nuclear programmes; a fragile government in Pakistan; and instability in Afghanistan, especially as the United States readies to withdraw troops in 2014. According to some panellists, the situation in the Middle East is worsening, but in some ways is less worrisome than other geopolitical threats.

example, how serious are concerns about leakage of methane, an even more detrimental greenhouse gas than carbon dioxide, in shale gas production? The need for renewable energy remains, but how will lower prices of natural gas in the United States and many parts of the world affect investments in green energy? How will the volatility of food prices affect global nutrition?

Last year’s Rio+20 Summit reiterated that these sustainability-related questions are linked to the human development agenda. The UN Millennium Development Goals (MDGs) have focused development efforts worldwide, but with the 2015 target date fast approaching, global progress on many of these goals remains uneven. Looking beyond 2015, it is clear that problems such as global poverty and extreme hunger must be considered in the context of how societies use natural resources. Commodity prices, for example, have a profound impact on agriculture-dependent communities, malnutrition and supply chains.

Public-private partnerships (PPPs) have become a popular strategy for responding to sustainable development challenges, but those familiar with PPPs know that forming a partnership is much easier than delivering results. How can these consortia avoid becoming “talk shops”? Several insights emerged on this theme. First, it is important to define the right narrative and resource challenge. For example, a global task force focused on delivering electricity to poor communities risks igniting geopolitical debates about energy security. Uniting partners in a narrative of human development, rather than profits or prized resources, can increase the likelihood of cooperation by national governments and other powerful interests.

“Government has a fundamental role here, which is to create an environment for social innovation,” said Luis Videgaray Caso, Secretary of Finance and Public Credit of Mexico.

Businesses play an important role in these partnerships and in meeting sustainable development goals, but their involvement in no way lessens...
In the next 15 years, we can halve childhood deaths. That's doable.

William H. Gates III Co-Chair, Bill & Melinda Gates Foundation, USA

the burden on governments. Financial crises in the US and Europe have decreased state capacities to fund major public projects. Many developing economies lack the capital to develop adequate infrastructure or upgrade agriculture, energy production, education and health systems. Provision of these vital social services is a responsibility of governments, yet at a time when the world most needs leadership on sustainability, there is a risk that many states are retreating to focus on domestic and economic challenges.

“Sustainability includes social, environmental and financial perspectives. It is not necessary to separate the charitable and profit-seeking sides of your brain. It is possible to both make money and help the planet.”
Manufacturing hotspots have grown rapidly in emerging Asia
Top-10 manufacturing nations

Note: Total manufacturing output in constant 2005 USD (billions)

Elizabeth Littlefield, President, Overseas Private Investment Corporation (OPIC), USA; Global Agenda Council on Social Innovation

Consumers represent another important dimension of the sustainable development challenge. While environmental awareness has increased in a number of societies, the world has not yet seen a major groundswell in end-user demand for sustainable development solutions. Technologies such as smart grids could give consumers more information – and therefore power – to demand these changes, and 2013 could see other breakthroughs from citizens on using resources more responsibly.

Establishing shared norms
Communities and institutions are more flexible and responsive when they share information, trust their partners and communicate well. With global migration, trade, urbanization and information technology, today’s world offers even more opportunities to interact with people from different backgrounds and to encounter new cultures. This reality creates more opportunities to build trust and greater risks of antagonism and social conflict.

How can today’s global institutions establish a set of shared norms? Are there a set of universal values that transcend cultures and backgrounds? These questions have remained unresolved for decades, but several emerging, disruptive technologies have again brought them to the fore. For example, genetically modified foods, hydraulic fracturing, DNA mapping and even social networking raise a host of questions about what norms and values apply.

“Until the rules of the game change and until the value of companies reflects how well or otherwise they’re doing in environmental and social activities... I don’t think we’ll get the kind of major change we need,” said Stewart Wallis, Executive Director, New Economics Foundation, United Kingdom; Global Agenda Council on Values

In the case of genetic modification, Europe has opted for the “precautionary principle,” refraining from investing in genetically modified organisms (GMOs) unless evidence emerges that these practices are not harmful. The US and some others, however, have embraced these technologies. Given the interdependence of global supply chains and communities, collateral effects would be widespread if health or ecological problems do emerge. Is this a case where shared norms are needed? In the case of another new technology, should network security be the primary domain of states, the private sector or global institutions?

No consensus at the Annual Meeting emerged on these and a range of other values-based considerations. But, there was agreement that the nature of identity is shifting as the Internet enables users to choose thousands of micro-identities in various online forums and emerging mega-cities bring immigrants from around the globe to live in close proximity.

A number of institutions play a role in the creation of values, including arts institutions such as museums, academia and international organizations such as the UN Global Compact. Technology has changed the social context of these institutions. Museums can increase public access to collections through interactive and Web-based tools. Online courses can offer low-cost education options, which can foster new communities. But community-building has a “dark side” in identity politics: art can also be used to stoke religious and ethnic rage, and online forums can strengthen connections among extremists.

A sense of consensus on shared values did emerge in one area: responsible capitalism. Since the global financial crisis, it has become clear that businesses and shareholders have focused excessively on short-termism. Today’s business leaders are keenly attuned to the demands on their companies and are looking beyond quarterly growth targets. But there is less clarity – either from the private sector, among regulators or among investors – about what this new era entails for business.

There needs to be an anti-corruption stance from the start, otherwise corruption is in the system.

Huguette Labelle Chair, Transparency International, Germany; Co-Chair of the Annual Meeting 2013
World hotspots
Waiting for spring

Two years ago, Annual Meeting participants were mesmerized by events unfolding at the dawn of the Arab Spring, sparked by thousands of protesters in Cairo’s Tahrir Square. Thomas L. Friedman, Columnist, Foreign Affairs, The New York Times, USA, was there. “I saw a tiger that had been living in a cage for 50 years. The tiger was released. The tiger will not go back into the cage. Don’t try to ride the tiger or he will bite you…”

Amid fears that new regimes are beginning to resemble old dictatorships, it is worth remembering that observers deemed recent elections in the region to be fair. Two years ago, no one would have dared imagine elected presidents in Egypt, Libya, Tunisia and Yemen.

Participants were reminded that democracy is the only way to restore – and uphold – human dignity. A pervasive myth is that people living under brutal dictatorships are different and do not have the same aspirations to human rights as other people.

Are the huge changes sweeping the region creating opportunities for freedom, political pluralism, human rights and justice? Or are the dark shadows being cast across Mali and Algeria portends of new ominous realities ahead?
Several forward-looking companies have demonstrated that strong chief executives and corporate leaders can change the ethos of their businesses to emphasize sustainable value creation over the long term. This shift is not only a moral choice; it also helps companies to recruit top talent, as young people are drawn to institutions that allow them to do meaningful work. It also can mitigate reputational, economic and legal damage that comes from poor labour practices and environmental degradation.

No agreement emerged on how to quantify the impacts of sustainability. Shareholders, regulators and civil society have called for more disclosures about environmental and community impacts. But it is not clear that more is better, given the costs of measuring these impacts and the need to communicate results clearly and concisely. Meanwhile, information technology has introduced new options for reporting data to different audiences, from YouTube to corporate tweets to traditional shareholder meetings.

Clearly, the ecosystems in which companies operate have changed, and the financial upheaval that began in 2008 clarified the need for an era of more responsible capitalism. What shape to give this responsible capitalism will be one of the main questions for business in the years to come.

**Politics is short-term and local. Our problems are long-term and global.**

Jeffrey D. Sachs Director, The Earth Institute, Columbia University, USA

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**Innovation and Creativity**

**Artistic licence**

The arts exert a powerful influence on society, whether by bridging cultures, protesting against injustices, or giving a voice to the voiceless. The arts challenge us to rethink our perspectives and can create the space for dialogue in conflict zones. They have the power to kindle joy, imagination and inspiration; they nurture our individual and collective imagination.

Cultural leaders from around the world participated in this year’s meeting, including authors, artists, actors, architects, musicians, film directors and others to discuss the role of the arts in society.

In addition to the annual Crystal Awards ceremony, which opened the Meeting, remarkable talent was showcased, including the abstract artist Daniel Orson Ybarra and the photographer Peter Ginter, who has been interpreting the Large Hadron Collider at CERN for 15 years. Pianist Gabriela Montero performed excerpts from her composition *ExPatria*, a passionate plea to end the violence that has been ravaging her native Venezuela.

The nexus of art and technology creates unlimited opportunities for artistic expression. Digital technologies fuel the expression of artistic creativity. Technology allows artists to collaborate, no matter where they are. The composer and choir director Eric Whitacre conducts virtual choirs online that coordinate the voices of strangers singing the same song, on key, in front of laptop cameras from their homes around the world. His viral video of one of his compositions generated 3 million hits, and his next production aims to enlist 3,700 singers from 73 countries.

Two inspirational musical performances bookended the Annual Meeting and reflected its theme of Resilient Dynamism. At the opening, under Maestro Vladimir Spivakov, the talented young soloists of the Moscow Virtuosi Chamber Orchestra gave a dazzling performance. The meeting’s theme resonated again in the closing plenary, when participants directed by Whitacre, sang the beginning of his new composition, *The Davos Project*. The Meeting ended with this powerful musical expression of collaboration and optimism.

**Politics is short-term and local. Our problems are long-term and global.**

Jeffrey D. Sachs Director, The Earth Institute, Columbia University, USA
01. Klaus Schwab, Founder and Executive Chairman, World Economic Forum; Shimon Peres, President of Israel
02. Sunil Bharti Mittal (left), Chairman and Group Chief Executive Officer, Bharti Enterprises, India; Goodluck Ebele Jonathan, President of Nigeria
03. Eric Whitacre, Composer and Conductor, United Kingdom, directing the Davos Choir
04. Jin-Yong Cai (left), Executive Vice-President and Chief Executive Officer, International Finance Corporation (IFC), Washington DC; Paul Kagame, President of Rwanda
05. Klaus Schwab, Founder and Executive Chairman, World Economic Forum; Ueli Maurer, President of the Swiss Confederation
06. Gilbert Probst, Managing Director and Dean, World Economic Forum, at the Open Forum 2013
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01: Anne Hastings (centre), Chief Executive Officer, Fonkoze Financial Services, Haiti
02: Oleg V. Deripaska (left), President, En+ Group, Russian Federation; Samir Brikho, Chief Executive Officer, Amec, United Kingdom
03: Session on “Women in Economic Decision-Making”
04: Anastasia Kobekina, Moscow Virtuosi Chamber Orchestra
05: William H. Gates III, Co-Chair, Bill & Melinda Gates Foundation, USA; H.M. Queen Rania Al Abdullah of Jordan; David Cameron, Prime Minister of the United Kingdom
06: Kumi Naidoo, Executive Director, Greenpeace International, Netherlands
01: Henry Kissinger, Chairman, Kissinger Associates, USA
02: Helle Thorning-Schmidt, Prime Minister of Denmark
03: Michael Dell (left), Chairman and Chief Executive Officer, Dell, USA; Yossi Vardi, Chairman, International Technologies Ventures, Israel
04: Malvinder Singh (left), Executive Chairman, Fortis Healthcare, India; Co-Chair of the Governors for Global Health and Healthcare Industry for 2013; Daljit Singh, President, Fortis Healthcare, India
05: James Dimon, Chairman and Chief Executive Officers, JPMorgan Chase & Co., USA
06: Hilde Schwab, Chairperson and Co-Founder, Schwab Foundation for Social Entrepreneurship, Switzerland; Charlize Theron, Actress and Founder, Charlize Theron Africa Outreach Project, USA
07: Christine Lagarde, Managing Director, International Monetary Fund (IMF), Washington DC; Ueli Maurer, President of the Swiss Confederation; Hilde Schwab, Chairperson and Co-Founder, Schwab Foundation for Social Entrepreneurship, Switzerland; Mario Monti, Prime Minister of Italy; Jacob Zuma, President of South Africa
08: Mark Rutte, Prime Minister of the Netherlands
09: Geoffrey Cape, Chief Executive Officer and Founder, Evergreen, Canada
01: Session on the "Food Security Equation"
02: Imran Khan, Chairman, Pakistan Tehreek-e-Insaf, Pakistan
03: Gordon Brown, UN Special Envoy for Global Education, Prime Minister of the United Kingdom (2007-2010)
01: Sylvester Chauke (centre), Chief Architect, DNA Brand Architects, South Africa, “Meet the Millennials” session
02: Otto Perez Molina, President of Guatemala; and George Soros, Chairman, Soros Fund Management, USA
03: Paul Bulcke, Chief Executive Officer, Nestlé, Switzerland
04: Geoffrey B. West, Distinguished Professor, Santa Fe Institute, USA; Global Agenda Council on Complex Systems
Further Information

The event page of the World Economic Forum Annual Meeting 2013 provides access to a richer level of content from the Meeting, including videos, photographs, session summaries and webcasts of selected sessions.

http://www.weforum.org/am13

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Upcoming Meetings

World Economic Forum on Latin America
Lima, Peru 23-25 April 2013

Under the theme “Delivering Growth, Strengthening Societies”, regional and global leaders participating in the World Economic Forum on Latin America will discuss the opportunities and challenges that lie ahead to achieve the region's full potential. With support of President Ollanta Moisés Humala Tasso, the Government of Peru and the Forum's Strategic and Regional Partners, the meeting will provide an ideal platform to discuss the critical factors behind the region's resilience and dynamic development models.

For more information, please e-mail: LatinAmerica@weforum.org

World Economic Forum on Africa
Cape Town, South Africa 8-10 May 2013

Under the theme “Delivering on Africa’s Promise”, the 23rd World Economic Forum on Africa will provide an important platform for regional and global leaders from business, government and civil society to deepen the continent’s integration agenda and renew commitment to a sustainable path of growth and development.

For more information, please e-mail: Africa@weforum.org

World Economic Forum on the Middle East and North Africa
Dead Sea, Jordan 24-26 May 2013

Under the theme “Shaping the New Regional Context”, the World Economic Forum on the Middle East and North Africa will examine what policies and business strategies can support the aspirations of the region's economies while catalysing the dialogue necessary to overcome long-standing fault lines and facilitate a truly multistakeholder partnership for the future.

For more information, please e-mail: MiddleEast@weforum.org

World Economic Forum on East Asia
Nay Pyi Taw, Myanmar 5-7 June 2013

Under the theme “Courageous Transformation for Inclusion and Integration”, the 22nd World Economic Forum on East Asia will be the first leading international gathering of senior decision-makers from industry, government, academia and civil society to be held in Myanmar after a series of bold economic and political reforms. Through its unique multistakeholder platform, the meeting will be an unrivalled opportunity to understand and shape Myanmar’s ongoing reforms and reconciliation process.

For more information, please e-mail: EastAsia@weforum.org

For a full list of upcoming meetings, please consult the World Economic Forum’s website: www.weforum.org.
The World Economic Forum is an independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas.

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