

Summer Davos in Asia

Annual Meeting of the New Champions 2012 Creating the Future Economy

Tianjin, People's Republic of China 11-13 September





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Mentors

Gao Jifan
Chairman and Chief Executive Officer, Trina Solar (TSL),
People's Republic of China

Susan Hockfield
President Emerita and Professor of Neuroscience,
Massachusetts Institute of Technology (MIT), USA; World
Economic Forum Foundation Board Member

Jeffrey Joerres
Chairman and Chief Executive Officer, ManpowerGroup,
USA

Paul Polman
Chief Executive Officer, Unilever, United Kingdom

Feike Sijbesma
Chief Executive Officer and Chairman of the Managing
Board, Royal DSM, Netherlands; Global Agenda Council
on the Role of Business

Christopher A. Viehbacher
Chief Executive Officer, Sanofi, France

Xiong Weiping
President, Aluminium Corporation of China (CHINALCO),
People's Republic of China

Xu Heyi
Chairman, Beijing Automotive Group, People's Republic
of China

Preface



Robert Greenhill
Managing Director



Olivier M. Schwab
Executive Director
World Economic
Forum Beijing

The Summer Davos has become synonymous with all the good things that make the World Economic Forum Annual Meeting in Davos such an extraordinary event: an unrivalled spirit of collegiality; intense engagement with issues and ideas; and a collective will to work together for a better future. At the same time, the Annual Meeting of the New Champions – after six years in China – has its own particular character, building on the dynamism, entrepreneurialism and environment of hope of its host country. This year's Meeting in Tianjin was bolstered by the full and generously provided support of the city.

Veterans of this Meeting have come to love its special blend of excitement and intellectual ferment, while newcomers are surprised and encouraged by the innovations in thinking, new models and potential for true transformation.

The Meeting comes at a challenging moment for the global economy. With developed countries burdened by old systems, situations and obligations, the world is looking East and South for growth. Yet both China and India, comprising one-third of the 7 billion people on Earth, are facing economic complexities for which only fresh thinking and new models can provide solutions.

The theme of this year's Meeting, *Creating the Future Economy*, gets right to the point. The New Champions – the vibrant and growing communities of Global Growth Companies, Young Global Leaders, Social Entrepreneurs, Technology Pioneers, Young Scientists and our newest community harnessing the voice of energetic youth, the Global Shapers – are the companies, individuals and organizations that will build the economies of the future and work to improve the state of the world. The Annual Meeting of the New Champions is where they encounter the ideas, trends and issues on which they will build their businesses, societies and lives.

Professor Klaus Schwab, Founder and Executive Chairman of the World Economic Forum, said in the Opening Plenary, "It is only global cooperation and solidarity which will allow us to return to a path of harmonious growth. Today, the most competitive countries are those that combine strong entrepreneurial force with vision and statesmanship."

More than 2,000 participants – over half of them business leaders – came from 86 countries to take part in 115 official sessions. The programme was categorized under four thematic pillars, following eight cross-cutting themes described in this report. But formal interaction in the sessions was only part of the Meeting; another great source of energy was the Village – built around the Forum's communities and at the heart of the action – where unpredictable discussions often resulted in unanticipated solutions. In addition, cultural events and an exhibition of contemporary Chinese art enhanced participants' all-round experience.

We look forward to welcoming you to next year's Summer Davos, taking place in a striking new venue in Dalian, People's Republic of China, on 11-13 September.

News from Tianjin

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I hope that entrepreneurs of all countries will invest more in technological R&D and product innovation, vigorously develop green industries that are energy-efficient and environmentally friendly, create new market demand and growth areas, and bring about an all-win outcome where businesses boom, industries get stronger, the economy prospers and society progresses.

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Wen Jiabao, Premier of the People's Republic of China





Global Competitiveness Report 2012-2013

The Annual Meeting of the New Champions hosted a number of competitiveness-related sessions following the launch of the 33rd edition of the report, which includes 144 countries/economies representing more than 98% of the world's economic activity. The report is one of the world's most comprehensive assessments of national competitiveness, providing invaluable insights to the policies, institutions and factors that enable robust economic development and long-term prosperity, and a unique benchmarking tool for policy-makers and business leaders.

See page 24 of this report for a "Competitiveness Heatmap" based on this year's Global Competitiveness Report. <http://www.weforum.org/gcr>



Addressing Urban Development in Megacities

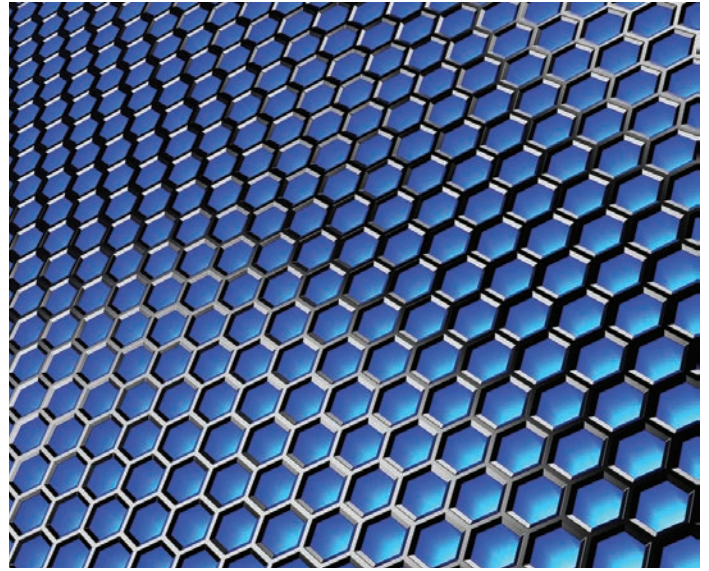
The Forum announced its inaugural collaboration with Tianjin and the China Center for Urban Development in support of its Future of Urban Development Initiative. The initiative will provide a neutral setting for mayors, ministers, the private sector and experts to develop strategies for addressing major urban challenges. In a significant move to accelerate the transition towards innovative urban models, Tianjin has been named as the inaugural city of the initiative. The initiative enables 50 international experts from 18 countries and 10 industries to work with Tianjin to identify strategies and outline implementation paths to address its key urban development challenges. These include expanding intelligent transport systems throughout the city and building incubator facilities to support small and medium-sized enterprises. <http://wef.ch/urbandev>



Creative Approach to Changing Society

From visual arts and literature to music and drama, the arts exert a powerful influence on social development. Artists often challenge commonly held perspectives. Through their media, they raise awareness of social issues, break down barriers to cross-cultural understanding and global dialogue, and inspire creative thinking. The cultural programme of the Summer Davos introduced participants to new trends in the arts and cultural shifts in society, with a focus on Asia. Topics addressed included entrepreneurship and the arts, China's cultural heritage and soft power, the impact of new technologies on the art world and the role of art in a rapidly growing urban society. Cultural leaders, social entrepreneurs, philosophers and scientists shared their expertise with participants, interspersed with compelling visual presentations.

<http://wef.ch/artsandculture>



New Initiative on Energy for Society

The Forum's Energy for Society Initiative was launched in Tianjin at the Summer Davos. The initiative aims to accelerate the development of energy systems through the personal commitment of energy leaders. The 20 founding signatory companies employ 1.4 million people and have combined revenues of US\$ 1.4 trillion a year. This is the first time that the global energy community has demonstrated its commitment to society by not only sharing its successes and challenges to improve industry business practices and transparency, but also demonstrating how those principles might be implemented.

<http://wef.ch/energy4soc>



Learning from the Mentors

Some of the most powerful sessions at the Meeting were the “Mentor sessions”, each an off-the-record hour with a leader chosen to provide counsel and advice, in particular to the Global Growth Companies (GGCs). GGCs are dynamic high-growth companies with the potential to be tomorrow’s industry leaders and to become a driving force of economic and social change. The Mentor sessions were structured to allow informal interaction between the Mentors and participants, tackling the challenges of breaking through the mid-market cycle into the global major league. In China and elsewhere, mid-size companies face numerous challenges, from attracting competitively priced capital and high-level talent through to the cultural changes needed to move from competing in domestic markets to competing globally. The Mentors provided diverse perspectives, from that of a world leading multinational, a globally successful Chinese solar manufacturer, and one of the world’s top science universities.



Media and Global Transformation

The Forum’s International Media Council (IMC) is a community of 100 select, highly influential and respected global opinion-shapers and leaders from all media platforms who act as the year-round sounding board for the Forum’s agenda and activities. The Forum believes the media should make an active contribution to the transformation of society at large. With this in mind, in Tianjin, media leaders had an open exchange on Chinese identity in the 21st century and the role and responsibility it poses to Chinese and foreign media. In an informal dialogue with Global Shapers and Young Global Leaders, they learned about significant transformation trends in society and how the Chinese next generation of entrepreneurs see themselves and the world. They discussed the role of media in fostering understanding of the issues shaping Asia and China’s future. Their meeting with Premier Wen Jiabao provided the government perspective on social and economic trends.

Time for comprehensive leadership and visionary thinking

Governance Fit for the 21st Century

The challenge of governance in the 21st century was starkly laid out on the first day of the Annual Meeting of the New Champions 2012. In the session on Europe's prolonged debt crisis, the prime ministers of Denmark and Latvia argued that EU leaders have made significant progress in addressing the turmoil, pointing out that, just days before the Meeting, the European Central Bank had announced it would buy bonds of distressed countries, essentially accepting the critical role of lender of last resort.



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The Annual Meeting of the New Champions provided once more an excellent platform for global business leaders and their counterparts from emerging economies to drive forward the agenda on critical issues such as food security and sustainable consumption.

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Paul Polman, Chief Executive Officer,
Unilever, United Kingdom

Although the crisis continues, “Europe has already done a lot,” Helle Thorning-Schmidt, Prime Minister of Denmark, argued. “Even though the steps we have taken are slow and the way we make decisions may not be pretty, we must recognize that we have come very far and the results we have produced would have been unthinkable only a year ago.”

However, Ernesto Zedillo Ponce de Leon, Director, Yale Center for the Study of Globalization, Yale University, USA, who was president of Mexico during that country’s debt crisis in 1994, advised Europe to move more decisively. “If you don’t do what it takes, then it will be harder, more painful and more costly, and impose a higher cost on the rest of the world,” he said. Thorning-Schmidt responded, “You should never expect that Europe will ever move fast. We will muddle through and there will be incremental steps to make the right decisions. That’s the way Europe has always worked and that’s the way it will work in the future.”

In the hyperconnected world and volatile global economy, however, muddling through may not be enough – and could even be harmful. Leaders are under pressure to react quickly and comprehensively to crises, despite entrenched institutional and political limitations. Piecemeal efforts could substantially increase the price of recovery and widen collateral damage. Made hastily, wrong decisions, half-baked moves or focusing only on immediate problems could have negative long-term consequences.

How can leaders reconcile short-term needs with long-term goals? In the public sector, the pressure to win re-election or perform well in opinion polls often affects the way a leader acts. In the corporate world, the motivation is usually the need to pull in strong results every quarter. The growing influence of social media is further complicating the decision-making process, forcing organizations to react almost instantly to blogger rants or Twitter tirades. But if governments and companies are to build a sustainable world and balanced



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In a world of fast transformation, you need fast execution and a long-term view. We are experiencing a lack of leadership. Governance is oriented to short-term decisions. But how can we have decision-making that is for future generations and not the current one?

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Giuseppe Recchi, Chairman, Eni, Italy

01: Jeffrey Joerres, Chairman and Chief Executive Officer, ManpowerGroup, USA; Mentor of the Annual Meeting of the New Champions 2012; Helle Thorning-Schmidt, Prime Minister of Denmark; Min Zhu, Deputy Managing Director, International Monetary Fund (IMF), Washington DC; World Economic Forum Foundation Board Member; Valdis Dombrovskis, Prime Minister of Latvia; Young Global Leader Alumni; and Ernesto Zedillo Ponce de Leon, Director, Yale Center for the Study of Globalization, Yale University, USA; World Economic Forum Foundation Board Member



Recovery in Sight for Europe

Helle Thorning-Schmidt, Prime Minister of Denmark, called on investors not to write off Europe, saying that the economic recovery is likely to happen next year. In a session on the European debt crisis, she acknowledged that Europe is still in crisis but that signs of recovery would appear in 2013. “When Europe shows the first signs of recovery, which we will do next year, the rest of the world should push this movement. It will not just be for the benefit of Europe but also for the world. Invest in Europe; trade more with Europe; believe that Europe will recover.” Valdis Dombrovskis, Prime Minister of Latvia, agreed. He said that moves among Eurozone countries to establish a banking union and common supervision of the banking industry, as well as stricter control mechanisms and sanctions to ensure fiscal discipline, “should lead the Eurozone out of the crisis”.

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Markets don’t have a heart, but they do have very strong legs.

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Ernesto Zedillo Ponce de Leon, Director, Yale Center for the Study of Globalization, Yale University, USA; World Economic Forum Foundation Board Member; Global Agenda Council on Institutional Governance Systems

global economy, then there must be more room for long-term planning and visionary thinking.

“Markets and politicians don’t look beyond the next quarter and next election,” Tom Albanese, Chief Executive, Rio Tinto, United Kingdom, explained in a session on the future of natural resources. In the mining industry, he noted, long-term thinking is critical, given investment cycles that can last a decade or more. Companies today also have to engage governments, the people in the communities in which they operate and civil society groups, which usually have very divergent views. Giuseppe Recchi, Chairman, Eni, Italy, agreed. “In a world of fast transformation, you need fast execution and a long-term view,” he said. “We are experiencing a lack of leadership. Governance is oriented to short-term decisions. But how can we have decision-making that is for future generations and not the current one?”

In the corporate world, quarterly reporting is not really the problem, said Klaus Kleinfeld, Chairman and Chief Executive Officer, Alcoa, USA. “What we need is transparency and a level playing field.” Speaking from the floor in the natural resources session, Charmian Gooch, Co-Founder and Co-Director, Global Witness, United Kingdom, concurred. She noted that, in 2010, the Hong Kong Stock Exchange issued unprecedented disclosure rules for mineral companies that require applicants to the exchange to provide details on tax, royalties and other payments to host governments, as well as information on other important social and environmental impacts, mitigation practices and liabilities.

Hong Kong’s pioneering “publish-what-you-pay” standards show that “you can get that level playing field sooner rather than later,” Gooch declared. She countered the argument by some companies that it is difficult to provide such details as tax payments on a country-by-country basis. Companies can easily provide the information if they are willing to do so, she said. She also dismissed worries that increased transparency could stir resentment in host nations, stoked by nationalism.



Balancing Growth with Sustainable Resource Management

While China has maintained growth, resource and environmental problems have become increasingly acute. In a session on managing natural resources, experts advised enhancing the collaboration between public and private sectors on environmental protection, popularizing sustainable urbanization on a pilot basis, promoting data transparency, strengthening supervision and promoting sustainable production and living.

01: Simon Zadek, Senior Visiting Fellow, Global Green Growth Institute (GGGI), Switzerland; Tom Albanese, Chief Executive, Rio Tinto, United Kingdom; Gao Shixian, Assistant Director-General, Energy Research Institute (ERI), People’s Republic of China; Klaus Kleinfeld, Chairman and Chief Executive Officer, Alcoa, USA; World Economic Forum USA Foundation Board Member; and Giuseppe Recchi, Chairman, Eni, Italy
02: James S. Turley, Chairman and Chief Executive Officer, Ernst & Young, USA; and Lu Hongjun, President, Shanghai Institute of International Finance, People’s Republic of China



Increasing the availability and transparency of information – which the Internet, mobile technology and the growing capacity to collect and analyse “big data” have made significantly more accessible to the public – could become the driving force that convinces leaders to look beyond the quarterly reporting cycle or the next election campaign to develop policies and make decisions that are underpinned by long-term objectives.

To foster decision-making motivated by vision rather than the week’s opinion polls or the hour’s tweets, countries will have to revamp their education systems to produce workers and leaders capable of multidisciplinary thinking, systemic reasoning, empathy

and teamwork. Public- and private-sector institutions will also have to examine their very structures and processes. Communication, for example, is a crucial leadership skill that must be honed. In a session on East Asian leadership, George Yeo Yong-Boon, Visiting Scholar, Lee Kuan Yew School of Public Policy, National University of Singapore, observed that CEOs typically spend half their time managing their companies’ public outreach. “Not enough political leaders are spending their time managing external relations,” he ventured. “This is more important in the age of the Internet. You have to be able to charm others.”

China’s and India’s practice of issuing five-year development plans, a legacy from the days of central planning, has facilitated longer-term thinking in those countries since they opened their economies and adopted economic reforms. One need only have listened to Chinese Premier Wen Jiabao in the opening session give an exhaustive and detailed review of China’s development over the past three decades and the country’s ambitious vision for the future to understand the advantages of such a pragmatic approach. Yet, as Omobola Johnson, Minister of Communication Technology of Nigeria, put it in the closing plenary, the world is changing so fast that governments will not be as effective as rule-makers or policy-makers, but rather will play the roles of enablers and facilitators.



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Would countries be willing to change their constitutions – their very operating systems – to adapt to the realities of intensifying globalization? In a session on China’s leadership styles and culture, participants discussed the possible benefits of choosing legislators by merit – perhaps through an examination – to complement those elected by popular vote. Confucian-style meritocratic selection is not a new idea. Could such a method be adopted by countries so wedded to their political traditions, even though their current governance systems are in serious gridlock?



02

01: Valdis Dombrovskis, Prime Minister of Latvia; Young Global Leader Alumni

02: Evan Osnos, Correspondent, China, New Yorker Magazine, USA; Yoichi Funabashi, President, Rebuild Japan Initiative Foundation, Japan; Global Agenda Council on Japan; Moon Chung-In, Professor of Political Science, Yonsei University, Republic of Korea; Global Agenda Council on Korea; Wan Meng, Dean, School of Law, Beijing Foreign Studies University, People’s Republic of China; and George Yeo Yong-Boon, Visiting Scholar, Lee Kuan Yew School of Public Policy, National University of Singapore; World Economic Forum Foundation Board Member

The Angst Economy

Five years after the 2007-2008 financial crisis caught most of the world unaware, prospects for the global economy remain grim. “Unfortunately, I think we’re going to be in for another financial shock,” said Rodney Ward, Chairman, Global Corporate and Investment Banking, Asia-Pacific, Bank of America Merrill Lynch, Hong Kong SAR. China’s economy slowed to 7.6% in the second quarter of 2012 from 8.7% in 2011 and 10% in 2010; the European Union remains on the precipice of crisis and disintegration because of well-publicized problems with its labour market, banking system and currency, the euro.



“

In other parts of the world, banks are incentivized to innovate. China still lags behind here.

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Xiao Gang, Chairman of Bank of China

And some think that the United States, which is expected to grow 1.7% in the third quarter of 2012, is overly optimistic about its situation. “I’m not worried about Europe. They have already recognized that they have problems,” said Li Daokui, Director, Center for China in the World Economy (CCWE), People’s Republic of China. But the United States “is a bigger worry because they haven’t recognized their problems,” he said. In this economic environment, Global Growth Companies should realize that good opportunities are scarcer than they were in the last decade.

The world still looks to China to drive the economic recovery, but China continues to look inward. Long one to eschew interference in other countries’ domestic affairs, Chinese government officials, businessmen and intellectuals feel the problems brewing in China’s economy are for China to solve. “China’s economic problems are domestic, not international,” said Li.

US companies, however, faced with diminished growth potential at home, need to learn how to compete in a world economy transformed by the rise of China and the proliferation of South-South trade. “American companies are not comfortable working on a global stage,” said Bhaskar Chakravorti, Senior Associate Dean, Tufts University, USA. The US model is to create a “perfect” product, mass-produce it, and ramp up efficiency-of-scale selling around the world. Markets are becoming more segmented and the need for localization is increasing. US companies, however, still “think that America is centre of the world,” he added. “They’re going to need to get over this.”

Business and economic leaders from around the world acknowledged that the current situation is not sustainable. Li, a rising Chinese economic star, offered concrete suggestions for what China could fix over the next three to five years to improve its economic outlook. China’s legal system “needs to be improved” so economic disputes can be solved in a fair manner; China needs to institute a welfare system; and Chinese leaders need to increase communication with the world. “Chinese leaders talk about going back to the [golden age of the ninth

century] Tang Dynasty; back then, the world was very calm”; now, it’s “very adverse”. If China cannot reform, Li said, it could find itself stuck at a compromised development level.

The financial system remains one of the biggest causes for concern. Xiao Gang, Chairman, Bank of China, People’s Republic of China, sees its “shadow banking markets” as the biggest risk to China’s financial system. Like Xiao, Gordon Brown, Prime Minister of the United Kingdom (2007-2010) and UN Special Envoy for Global Education, United Kingdom, worries about the shadow banking system and the government’s inability to track information, but he views it as an interconnected whole.

An unbalanced world economy, caused by the fact that “producers are in the majority in emerging markets, and consumers are in the majority in the US and Europe,” contributes to what he sees as a coming slowdown of global growth. “I don’t think we have sufficient lessons learned” from the financial crisis, said Brown, who was also modern Britain’s longest-serving



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If you compete in China, you have to produce in China.”

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Carlos Ghosn, Chairman and Chief Executive Officer, Renault-Nissan Alliance, France; World Economic Forum Foundation Board Member



01: Bhaskar Chakravorti, Senior Associate Dean, Tufts University, USA; Luis A. Moreno, President, Inter-American Development Bank, Washington DC; World Economic Forum Foundation Board Member; Global Agenda Council on Latin America; and Hans-Paul Bürkner, Global Chief Executive Officer and President, The Boston Consulting Group, Germany

02: Yoshito Hori, Chairman and Chief Executive Officer, GLOBIS Corporation; President, GLOBIS University; Managing Partner, GLOBIS Capital Partners, Japan; Global Agenda Council on New Models of Leadership; Gordon Brown, Prime Minister of the United Kingdom (2007-2010) and Chair of World Economic Forum Global Issues Group, The Office of Gordon and Sarah Brown, United Kingdom; Shantanu Prakash, Chairman and Managing Director, Educomp Solutions, India; Global Agenda Council on Emerging Multinationals; Tang Qian, Assistant Director-General, Education, United Nations Educational, Scientific and Cultural Organization (UNESCO), Paris; and Mark Kamlet, Provost, Executive Vice-President and Professor of Economics and Public Policy, Carnegie Mellon University, USA

Chancellor of the Exchequer. Creating a level playing field for the financial system all over the world will help prevent problems “from moving from one place to another.”

Despite China’s inward focus, its growth has helped buoy economies around the world. While for China, Latin America represents the pitfalls of the “middle income trap”, for Latin America, China is “the biggest story of the last decade,” said Luis A. Moreno, President, Inter-American Development Bank, Washington DC, a World Economic Forum Foundation Board Member and Member of the Global Agenda Council on Latin America. Growth in Latin America, at roughly 5%, “is not as sexy as growth in Asia,” Moreno admitted, adding that there will soon be 500 million Latin Americans in the middle class.

Others see the potential for a brighter future for the world economy. Justin Yifu Lin, Professor, National School of Development, Peking University, People’s Republic of China, said that he expects China will continue to grow at 8% annually for the next 20 years because of structural reforms and technological innovations.

In the Ready for Crisis session, Shriprakash Shukla, President, Group Strategy, Chief Brand Officer and Member of the Group Executive Board, Mahindra & Mahindra, India, said that thinks India would be “okay to withstand any shock” to the global financial system. The country is growing at 5%-6%. However, he said, there is so little money flowing into India “that things could not get worse than that.” and cited India’s lack of social security. “It’s a handicap for society but, in pure economic terms, the government does not borrow to pay people who are not working.”

Ward said that he thinks Asia has more flexibility monetarily to deal with a crisis. Europe and the United States have interest rates that are almost at zero, “so they have no capacity for easing. And the EU is locked into one currency, so they can’t let the currency take the heat. [Countries in] Asia have 3%+ interest rates and floating currencies, so they can accommodate,” he said.

Reform Seen as Key to Resolving China’s Financial Sector Problems

In a session on China’s financial sector, panellists were unanimous in their belief that reform is the key to solving many of the sector’s problems. Further reforms, including marketization of the interest rate, relaxation of capital flows under the capital account and financing of small and medium-sized companies, are critical to transforming China’s economic growth model. Reform of the sector will lead to better differentiation of financial sub-sectors, competition, products and clientele. Such differentiation will help further the growth of the Chinese sector.

Financial innovations are of prime importance to the reform of the financial sector, particularly in reference to development of the bond market, reform of the A-share market, development of a deposit insurance mechanism and asset-backed securities. The panellists emphasized that reform of the sector rests in the hands of the market participants as well as the regulatory bodies, which themselves require reform.

Globalization is also having an impact on the reform of the Chinese financial sector. As the country becomes an increasingly important part of the global economy and more Chinese companies conduct business overseas, the Chinese financial sector is required to globalize at the same time. The increasing use of RMB in the global trade and financial system, and the gradual liberalization of the RMB and capital flows will not only help Chinese financial institutions become more globally oriented, but also help the Chinese economy to become more open.

But reforming China’s financial sector depends on reform in other areas, notably in the economic growth model and political and legal systems. In return, reform in the financial sector may catalyse further transformation in these areas. However, the panel warned, lack of further reform is probably the biggest risk facing the Chinese financial sector; and the development of the bond market and reform of the Chinese A-share stock market are the most important areas for future reform.

Zhu Ning, Deputy Director, Professor of Finance, Shanghai Advanced Institute of Finance, People’s Republic of China, a Member of the Forum’s Global Agenda Council on Fiscal Sustainability, provided his insights on this session. Read more here: <http://wef.ch/AMNC12insights>

01: Yang Yanqing, Deputy Editor-in-Chief and Anchor, China Business News, People’s Republic of China; Dai Xianglong, Chairman, National Council for Social Security Fund, People’s Republic of China; Xiao Gang, Chairman, Bank of China, People’s Republic of China; Fang Xinghai, Director-General, Office for Financial Services, Shanghai Municipal Government, People’s Republic of China; Young Global Leader Alumni; David Li Yi, Chairman and Country Head China, UBS, Hong Kong SAR; and Li Daokui, Director, Center for China in the World Economy (CCWE), People’s Republic of China





China's Transformation

In Tianjin, participants looked beyond the immediate concerns of China's leadership transition and economic slowdown to assess its long-term goal to achieve sustainable and balanced growth, underpinned by an economy that is innovative, energy-efficient and driven more by consumption than by investment and exports.

The dividends China gained 10 years ago from restructuring as part of its accession to the World Trade Organization have run out. The time may be ripe for a fresh round of institutional reforms, especially in areas essential to competitiveness – the judiciary, banking system, capital markets, education and support for small and medium-sized enterprises. Dai Xianglong, Chairman, National Council for Social Security Fund, People's Republic of China, who is also ex-president of the People's Bank of China, said that he thinks financial reform should “focus on internationalization of the RMB and the reform of the interest rate.”

China's stock market has consistently grown slower than the economy; in 2010, Morgan Stanley's former chief economist in the Asia-Pacific region, Andy Xie, famously called it a “poor man's casino”. Fang Xinghai, Director-General, Office for Financial Services, Shanghai Municipal Government, People's Republic of China, a Young Global Leader Alumnus, said he worries that China's growth will continue to be constrained unless the government loosens its grip on the stock market.

China's size and abundant capital allow it to take bold initiatives – including pilot projects for new technologies and international best practices such as smart grids and public transport systems – to determine what can be scaled up. This approach, which Peggy Liu, Chairperson, JUCCGE, People's Republic of China, a Young Global Leader and Member of the Global Agenda Council on Sustainable Consumption, likened to “tossing spaghetti on the wall and seeing what sticks”, is yielding results – and could set up China as a role model for other economies seeking a sustainable future.



01: Xiao Gang, Chairman, Bank of China, People's Republic of China; and Fang Xinghai, Director-General, Office for Financial Services, Shanghai Municipal Government, People's Republic of China; Young Global Leader Alumni
02: Session: Cultural Dimensions of Failure
03: WorkStudio
04: WorkStudio

Responding to a comment about a report on the decelerating growth of large companies in China, Hans-Paul Bürkner, Global Chief Executive Officer and President, The Boston Consulting Group, Germany, seemed to speak for the new attitude of business, putting a positive spin on the challenges companies face in this economy. These numbers don't “mean we're pessimistic,” he said. “Growth is always something that needs to be earned.”



Tianjin, 11-13 September

新领军者年会 中国·天津



01: Session: The 7 Billion Challenge

02: Gao Jifan, Chairman and Chief Executive Officer, Trina Solar (TSL), People's Republic of China; Mentor of the Annual Meeting of the New Champions 2012

03: Raja Pervez Ashraf, Prime Minister of Pakistan

04: WorkStudio

05: WorkStudio

06: Session: Championing Competitiveness

07: Beta Zone: New Solutions: Sustainable Consumption

08: Robert Greenhill, Managing Director and Chief Business Officer, World Economic Forum; and Paul Polman, Chief Executive Officer, Unilever, United Kingdom; Mentor of the Annual Meeting of the New Champions 2012

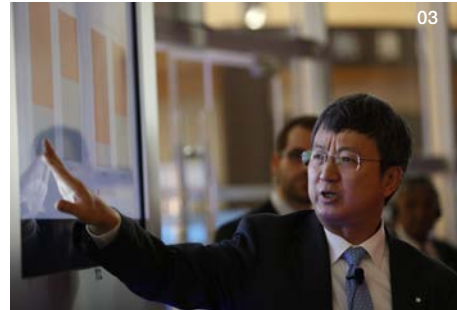
09: Feike Sijbesma, Chief Executive Officer and Chairman of the Managing Board, Royal DSM, Netherlands; Mentor of the Annual Meeting of the New Champions 2012; Global Agenda Council on the Role of Business; and Xu Heyi, Chairman, Beijing Automotive Group, People's Republic of China; Mentor of the Annual Meeting of the New Champions 2012



01



02



03

01: Wen Jiabao, Premier of the People's Republic of China; and Klaus Schwab, Founder and Executive Chairman, World Economic Forum
02: Christopher A. Viehbacher, Chief Executive Officer, Sanofi, France; Mentor of the Annual Meeting of the New Champions 2012
03: Min Zhu, Deputy Managing Director, International Monetary Fund (IMF), Washington DC; World Economic Forum Foundation Board Member
04: WorkStudio
05: WorkStudio
06: Cultural Soirée



03



04



05



06



New approach is adaptable, sustainable and inclusive

Charting the Course for Smart Growth

The knowledge economy, hyperconnectivity and rise of social media are forcing governments, educational institutions and corporations to rethink their growth models to be more inclusive and adaptable to a changing economy. Recognizing the role of human capital as a major driver of economic development, the question is, how can we reap the demographic dividend globally?



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Education is obviously key for innovation-based growth that leads to societal transformation.

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Susan Hockfield, President Emerita and Professor of Neuroscience, Massachusetts Institute of Technology (MIT), USA; Mentor of the Annual Meeting of the New Champions 2012; World Economic Forum Foundation Board Member

Enterprises, including Global Growth Companies, are operating in a new environment, in which young employees are capable of intense multitasking, are familiar with communications and social media tools and have more flexible ideas about working conditions. In fact, some choose not to pursue a traditional job at all.

Aaron Emigh, Co-Founder and Chief Technology Officer, shopkick, USA, said the environment in Silicon Valley is one of intense innovation where young and talented individuals pursue their dreams independently. "There's no stigma for not having a job," he said. "There's almost stigma for *having* a job." He said that talent is drawn from all over the world because Silicon Valley represents a meritocracy where people can pursue their ideas and create their own economic opportunities.

Those ambitious young people who pursue careers with traditional companies are starting to change them from within. Kevin Taylor, President, Asia-Pacific, BT, Hong Kong SAR, said young workers are not interested in working seven days a week or staying up into the early hours of the morning to get their work done. His company has 20,000 employees working from home in the UK alone. "It's great," he said. "The desktop is dead." He said workers now get their work done anywhere, at any time. He added that the future will not be how young workers adapt to companies, but how companies can adapt to the working habits and ideals of young workers.

Mark Du Ree, Regional Head, Japan and Asia, and Member of the Executive Committee, Adecco Group, Japan, agreed. He said young talent is looking for more than just financial compensation. "The question is, do they want to work with us, why do they want to work with us, and what do we represent? Are we able to help these people have better work and, therefore, translate that into a better life?"

There was also widespread consensus that education institutions need to be more proactive in changing their teaching models to train students for a quickly evolving and hyperconnected economy. "Education is obviously

key for innovation-based growth that leads to societal transformation," said Susan Hockfield, President Emerita and Professor of Neuroscience, Massachusetts Institute of Technology (MIT), USA; Mentor of the Annual Meeting of the New Champions 2012; World Economic Forum Foundation Board Member. "But education is changing; what is demanded of our workers is changing even more rapidly. One important direction for education is preserving the traditional in-person models, but I feel strongly that we are at the tipping point of new online education. This benefits not only standard students, but also learners already in the workplace."

N. V. (Tiger) Tyagarajan, President and Chief Executive Officer, Genpact, India, said graduates frequently don't have the necessary skills to succeed. "We spend as much training them as we'd spend on somebody who's not a college graduate," he said. "We have our own curriculum, we have our own people, and we keep training them."

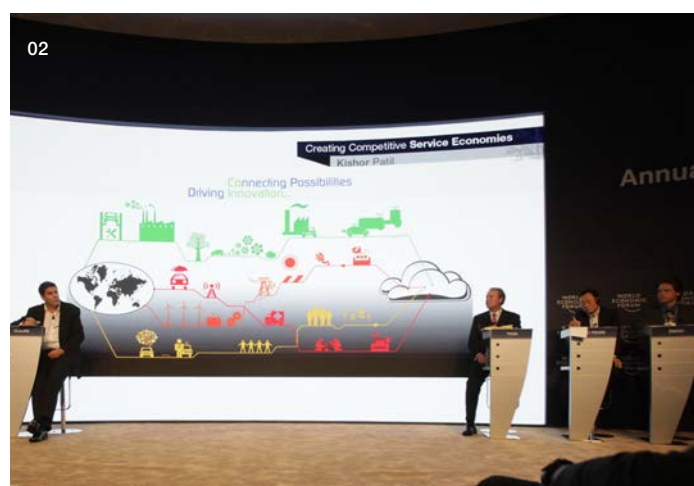


“
The goal for women in the business world is to find a real balance, to use the rules of the feminine and the masculine in a more harmonious way.
 ”

He Zhenhong, President, China Entrepreneur Magazine, People's Republic of China



01: Hu Dongmei, President, Dalian Dayang Trans, People's Republic of China WorkSpace
02: Beta Zone, Creating Competitive Service Economies





Resilient, Dynamic Cities



“

The desktop is dead. Workers now get their work done anywhere, at any time. The future will not be how young workers adapt to companies, but how companies can adapt to the working habits and ideals of young workers.

”

Kevin Taylor, President, Asia-Pacific, BT, Hong Kong SAR

Du Ree added that some universities employ professors or instructors from the corporate world, but many are staffed solely by academics. “What we need to do is have more corporate cooperation with the academics,” he said, noting that young people need to be better prepared. “How can we get academics to spend time in the real world – in the working world – so they know what they’re talking about?”

Participants also tended to agree that an MBA isn’t as useful as it was once perceived to be. Taylor said young professionals should try to find workplace experience first and then pursue an MBA later if it is still aligned with their career aspirations.

The slow but growing inclusiveness of women is also prompting difficult questions about their role in the workplace. There remains concern that some companies – and governments,

Building cities of the future will involve innovations in the relationship between big money, microfinance and neighbourhood renewal. It will also require harnessing the resilient dynamism of organic neighbourhoods and places to the benefit of the formal city, creating sustainable, environmentally sound and hyperconnected places to live, work and play.

Traditional methods for planning cities over the past century have not been effective for the rapidly emerging megacities around the world, which is forcing urban planners, engineers and governments to rethink the way cities are designed and function. In addition, migrants are moving into cities at the fastest pace ever seen. It is expected that an additional 300 million people will move to cities by 2030, creating tremendous strains on transport, infrastructure, energy resources and even cultural integration.

Aside from cultural barriers to assimilation, it is believed that 1 billion people around the world live in slums or slum-like conditions, most of whom have inadequate access to healthcare. Rising oil prices are threatening transport networks and investment decisions, and high growth in vehicle use has created a heavy dependence on fossil fuels. In fact, 80% of global automobile emissions come from 12 nations and the European Union, according to statistics presented in a session on building cities of the future.

The challenge is to create new, dynamic and vibrant cities according to a new set of rules – new solutions are needed to meet changing demands.

Healthcare – In today’s megacities, chronic conditions such as heart disease, diabetes and stroke are taking their toll on poor people. In cities of the future, affordable health technologies and easier access to health information are needed. “Healthy ageing is technically possible, but to make it a reality requires more than just access to healthcare. We need to increase access to knowledge and information to all citizens so systems are better capable of handling growing demand,” said a panellist.

Environmental and Energy Sustainability – Cities must remain attractive places for business and life. “Cities of the future will need to navigate a path to preserve a high quality of life,” said a panellist, who noted that he is in favour of a more direct distribution of electricity and water resources. For instance, rainwater can be captured and used on site, which reduces the energy required to pump water. “Green” roofs and facades can reduce 80% of the energy required for cooling buildings in tropical climates, leading to secondary savings such as downsized air conditioning equipment.

Service Economies – Future cities will be heavily based on services rather than manufacturing. The shift of cities into high-value service economies is accelerating. Chinese cities are well positioned to capitalize on the growth in the service economy. One panellist noted that 1,200 research and development centres for multinational corporations are functioning in China. Approximately 60 million Chinese students are graduating from university each year, accelerating the process. “The Chinese government is doing the best it can to shift from manufacturing to a service-based economy,” he said.

Transportation – Rising congestion represents a threat to health and decreases the efficiency of a city. An affordable and reliable public transportation system will lie at the heart of cities of the future; yet challenges exist in retrofitting current networks for future needs.

A green fund for new, low-carbon infrastructure was proposed. A carbon emissions trading system or carbon tax could also be used to raise revenue from increased mobility, with some participants arguing for a punitive tax on vehicle ownership.

Embracing Complexity

The new context in which leaders find themselves is structurally different. It is complex, volatile and uncertain. Yet most do not feel prepared to manage this complexity. Modern leaders are under constant pressure to make decisions in a high-velocity and information-abundant environment. The pressure to deliver, constant scrutiny and a lack of clarity on the effect of their decisions has resulted in fear of making the wrong choice and decision paralysis.



“

The future, whether defined by the next 10 years, 10 months or 10 minutes, will be driven by technology, and culture will be struggling to catch up.

”

Cesar A. Hidalgo, ABC Career Development Professor, Massachusetts Institute of Technology (MIT), USA; Global Agenda Council on Design Innovation

In the face of such an operating environment, there is an urgent need to overhaul governance and leadership models at the individual, organizational and global levels to make them future-ready. Leaders and managers must discard outmoded thinking in approaching complex systems. The transformational approach required to master complexity includes a combination of leveraging science and technology, developing a learning mindset and a return to basics.

Technology has, on one hand, contributed to the daunting complexity humanity now faces. Technology is at the heart of our hyperconnected world, with its globe-spanning telecommunications networks, ubiquitous sensors, endless array of increasingly powerful and sophisticated computing devices, and ever-present social networks.

On the other hand, technological advance has made possible the powerful tools we now require to understand and cope with complexity. Networked devices collectively throw off untold petabytes of data daily, but the computational horsepower needed to crunch massive datasets – to make sense of big data, extract hidden insights from it and to put it to work – is itself inherently technological. Any organization seeking to future-proof itself needs to embrace and retool to exploit big data.

Today, network science and complex systems provide an unprecedented ability to analyse and understand the dynamics of a complex system. New tools and models can map the network pathways and informational flows in an organization, often at odds with theory, and the organizational chart that is put in place. These tools can be useful to inform decision-making, as they visually provide insight into complex systems.

The study of complex systems holds the promise of yielding predictive laws with applicability to the understanding of a diverse range of interconnected issues, whether in the natural, social or economic systems: networks, companies, cities and even the biosphere.

Science and technology hold one of the keys to managing the complexity

that science and technology have wrought. A necessary key it may be, but far from a sufficient one. A bigger hurdle in managing complexity is psychological. New ways of thinking are needed, especially for business and political leaders. The prevalence of complex systems calls for an approach to leadership to which most managers and leaders are wholly unaccustomed – 21st century governance structures and leadership models cannot be based on control.

“You actually have to give up some control in order to manage a complex system. You can’t control from the centre,” said Brian A. Gallagher, President and Chief Executive Officer, United Way Worldwide, USA. We would like to create a linear and hierarchical picture of the world, even though the world is chaotic and non-linear in its nature. So leaders should be celebrating chaos, diving into it and then coming back with the vision, direction and decisions needed.

Complexity calls for experimentation, the rejection of single, simple explanations of reality, and the ability

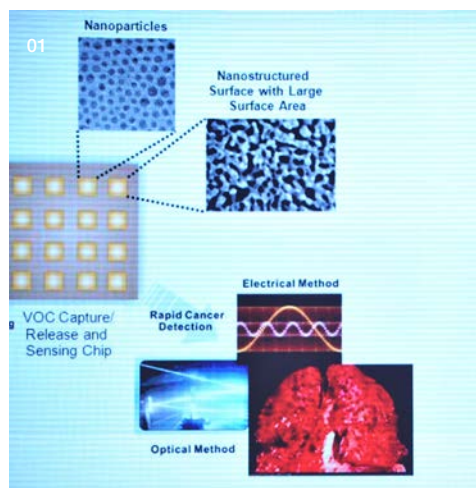


“

You actually have to give up some control in order to manage a complex system. You can’t control from the centre.

”

Brian A. Gallagher, President and Chief Executive Officer, United Way Worldwide, USA



01: Beta Zone, Frontiers in Nanotechnology
02: Beta Zone, Smart Art



to maintain entirely contradictory views of reality. Leaders need minds that can accommodate these more complicated truths they now confront.

Building decision-making capacity and solutions to the intertwined global challenges requires better insights into the effect of policy decisions, which are often counter-intuitive to the intended outcomes. To cite but one paradox raised in numerous sessions during the Meeting, take the arrival of shale gas. Shale gas, a technology decades in the making, has been a boon to the energy economy. However, bringing online a relatively clean and cheap fossil resource may well end up deflating the sense of urgency that compelled governments, corporations and scientists to make such tremendous strides in renewable technologies in the past decade.

At a practical level, large organizations – whether companies, NGOs or government agencies – would do well to embrace complexity and a radically different approach to leadership and management that such an embrace would entail. They need to consult network scientists trained to map and analyse complex systems of importance to the organization: its managers and employees, logistics, transportation networks, research networks, and so on.

However, in the end, it is up to leaders to take decisions. To do so, they need to complement their decision-making tools with a return to basics and provide clarity while embracing complexity. Leaders should allow collaboration to emerge within the system, for individuals to take the initiative and for experimentation along parallel lines. The combination of emerging sciences, a learning mindset and a focus on basics can help develop the capacity of leaders to respond to cross-cutting issues and today's challenges.

The challenge now is to equip the next generation to manage in the ever-more complex world of their future, with the right mindset, cognitive skills and analytical frameworks. It is the most meaningful way – and only hope – of future-proofing society against exponentially more complexity.

Resilience in the Cyber Economy

The Internet's success is attributed to openness, open standards and being open to new opportunities, ideas and models. While over 2 billion people use the Internet, access is unequal and uneven. Developments in mobility, social networking and applications also create new risks. Even systems disconnected from the Internet are at risk of infection or sabotage. And this does not cover the sheer volume of personal data that is generated, shared, stored and analysed. The challenge is to mitigate these risks to facilitate cyber-economic growth.

One panellist in a session on the cyber economy described a new leg of security threats – social threats, which are related to personal data and privacy, and the exchange of information that exposes individuals and businesses to threats. This new leg is the untamed Wild West.

New ideas can, and should, be created, but require new tools to harness and manage the collective innovation and ideation process. When done right, it unlocks tremendous potential. Leveraging this potential requires creation of new discovery platforms, comprehension of the rights management and IPR issues, and more clearly defined collaboration processes. While we may live in a world of “designed” or natural catastrophe, resiliency and balance need to be found to enable security without compromising usability.

One panellist held the perspective that 2013 will be the year of privacy awareness, and predicted a tsunami-level event to come that will fundamentally change the way we look at and think about privacy. Yet we need to be optimistic that the cyber economy will be resilient to new threats and people will come up with answers to the new problems that arise.

While regulation and a multistakeholder approach is a requirement for progress, the Internet has flourished under an open model with open standards and limited governance. It is likely that this is the best path forward to continue to nurture and facilitate the cyber economy.

David Ulevitch, Chief Executive Officer, OpenDNS, USA; Technology Pioneer, provided his insights on a session on Creating a Resilient Cyber Economy. Read more here: <http://wef.ch/AMNC12insights>



- 01:** Beta Zone, Creating a Resilient Cyber Economy
02: Hiroko Kuniya, Anchor and Presenter, Today's Close-Up, NHK (Japan Broadcasting Corporation), Japan; Global Agenda Council on Complex Systems; Brian A. Gallagher, President and Chief Executive Officer, United Way Worldwide, USA; Ernesto Zedillo Ponce de Leon, Director, Yale Center for the Study of Globalization, Yale University, USA; World Economic Forum Foundation Board Member; and Ángel Cabrera, President, George Mason University, USA; Young Global Leader Alumni
03: Beta Zone, Creating a Resilient Cyber Economy
04: Beta Zone, Creating a Resilient Cyber Economy

Best of the Insight Reports

For the first time at the Annual Meeting of the New Champions, participants reported in person on the sessions, in video and as a written summary, as World Economic Forum Rapporteurs.

Read the Insight Reports and see the video interviews of the rapporteurs at: <http://wef.ch/AMNC12insights>

Some of the best Insight Reports include the following:

Strategic Shifts: The Future of Consumption

What major trends, new models and emerging technologies are transforming the consumer industry landscape in Asia?

Rapporteur: **Reed Paget**, Founder and Managing Director, One Earth Innovation, United Kingdom; Social Entrepreneur

Strategic Shifts: The Future of Information Technologies

What major trends, new models and emerging technologies are transforming the information technologies industry landscape?

Rapporteur: **Peter Corbett**, Chief Executive Officer, iStrategyLabs, USA; Global Shaper

Solutions for a Food-Secure World

How can solutions be scaled effectively to achieve food security globally?

Rapporteur: **Andrew Wales**, Senior Vice-President, Sustainable Development, SABMiller, United Kingdom; Young Global Leader; Global Agenda Council on Biodiversity & Natural Capital

Sustainable Health Systems in the Future Economy

How are emerging countries creating sustainable health systems?

Rapporteur: **Asher Hasan**, Founder and Chief Executive Officer, Naya Jeevan, Pakistan; Social Entrepreneur; Global Agenda Council on Social Innovation

Financial Reform in China

How are financial reforms driving China's next era of growth?

Rapporteur: **Zhu Ning**, Deputy Director, Professor of Finance, Shanghai Advanced Institute of Finance, People's Republic of China; Global Agenda Council on Fiscal Sustainability

Mastering Complexity

What are the core competencies for leaders in today's interdependent and hyperconnected world?

Rapporteur: **Thekla Teunis**, Stress Nexus Analyst, Royal Dutch Shell, Netherlands; Global Shaper

New Solutions: Financing Social Innovation

What creative models are driving capital into areas for maximum social impact?

Rapporteur: **Rick Aubry**, Chief Executive Officer and Founder, New Foundry Ventures, USA; Social Entrepreneur



“

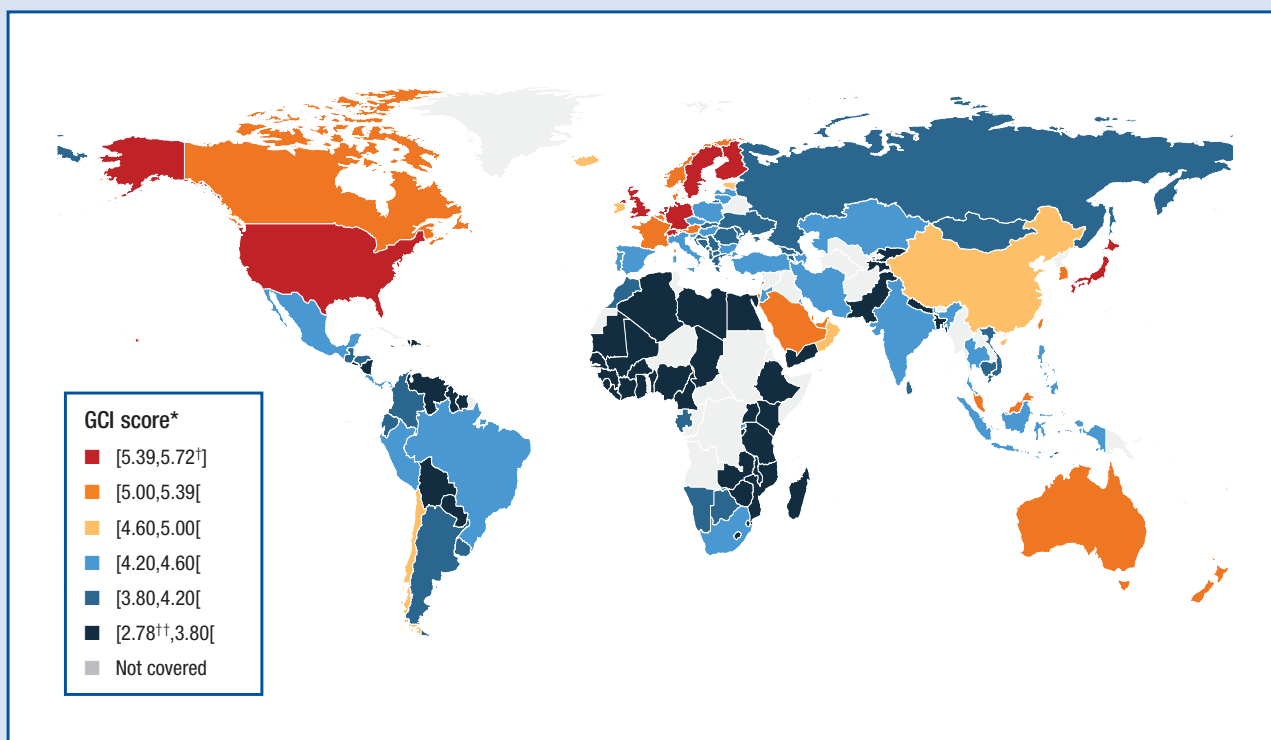
You need to embrace complexity. Allow people to build bridges between cultures, between disciplines, and hope for the best.

”

Ángel Cabrera, President, George Mason University, USA



Figure 1: The GCI heat map



* The interval $[x,y]$ is inclusive of x but exclusive of y . †Highest value; ††lowest value.

Figure 1 identifies the competitiveness “hotspots” and the regions or countries with weak performance according to the Global Competitiveness Index (GCI). The 10 best-performing countries are shaded dark red. The remaining countries are colored in intermediate tones moving from orange, the second-best performing group, through yellow, light blue, medium blue, and dark blue; this last color identifies the least-competitive nations according to the GCI.

The map reveals that the hotspots remain concentrated in Europe, North America, and a handful of advanced economies in Asia and the Pacific. Despite decades of brisk economic growth in some developing regions (such as Latin America and Africa), the map reveals that the profound competitiveness gap of these regions with more advanced economies persists. This competitiveness deficit in vast swaths of the developing world raises questions about the sustainability of growth patterns.

Sub-Saharan Africa, for example, continues to face the biggest competitiveness challenges of all regions (see Box 5). As shown on the map, a vast majority of the continent’s countries covered in this *Report* fall into the group of least-competitive economies (dark blue). Out of the region’s 32 countries included in the GCI, only Botswana, Gabon, Namibia, the Seychelles (medium blue), Mauritius, Rwanda, and South Africa (light blue) are in the next higher categories.

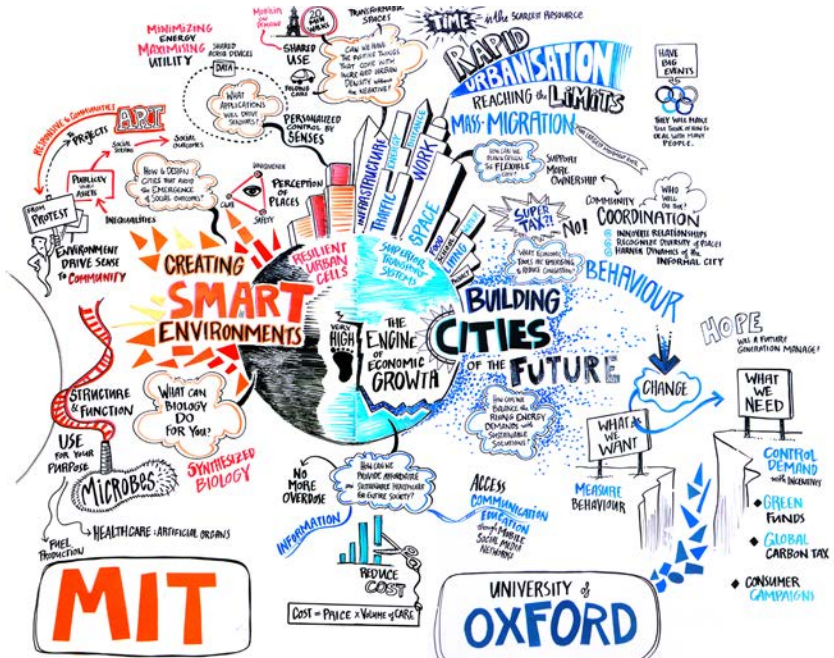
With six of the ten best-performing countries, **Northern and Western Europe** is a competitiveness hotspot. The assessment is considerably bleaker when looking at Southern and Eastern Europe. On the map, the patchwork of colors—ranging from dark red to medium blue—reveals the

“competitiveness divide” within Europe. Indeed, the lack of competitiveness of several of its members is among the root causes of the current difficulties in the euro zone (see Box 2). The map also shows that within the European Union the traditional distinction made between the 15 original members and the 12 countries that joined after 2004 does not hold from a competitiveness point of view.

The map draws a mixed picture of Asia, too. Scattered across the region, the **Asian Tigers** and **Japan** can be considered competitiveness hotspots. Within this group of five advanced economies, Singapore, Hong Kong SAR, and Japan enter the top 10, and Taiwan (China), and the Republic of Korea rank only a few notches behind. The developing nations of **Southeast Asia** are not yet competitiveness champions, but their group performance is quite remarkable. Led by Malaysia, all these economies achieve a GCI score above 4.0, the theoretical average of the GCI, and none of them falls into the lowest, dark-blue category. This contrasts starkly with the situation in **South Asia**, where best-performing India ranks a middling 59th and several countries appear in dark blue, including Pakistan and Bangladesh.

In the **Middle East and North Africa**, Israel and the six members of the Gulf Cooperation Council perform strongly. But elsewhere in the region, the lack of competitiveness of the Levantine and North African countries is worrisome. Finally, the map also reveals that the **BRICS** do not form a uniform group in terms of competitiveness, as seen on the map where China is the only member appearing in a relatively strong yellow.

01: WorkSpace
 02: Xiong Weiping,
 President, Aluminium
 Corporation of China
 (CHINALCO), People's
 Republic of China; Mentor
 of the Annual Meeting of
 the New Champions 2012
 03: TV Debate, The Next
 Manufacturing Frontier



Acknowledgements

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- 02:** IdeastLab, Harnessing Science with Nature Magazine
- 03:** Beta Zone, Harnessing Science with Nature Magazine
- 04:** One-on-One, Thomas L. Friedman, Columnist, Foreign Affairs, The New York Times, USA; and Rui Chenggang, Director and Anchor, China Central Television, People's Republic of China
- 05:** Beta Zone, Creating Competitive Service Economies
- 06:** Beta Zone, New Solutions: Sustainable Consumption

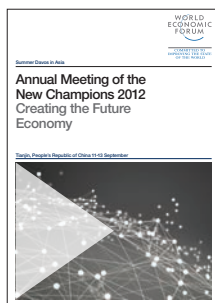


Further Information



The event page of the Annual Meeting of the New Champions 2012 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/newchampions2012>



This report is also available to download in PDF or HTML format:

<http://www.weforum.org/newchampions2012/pdf>

<http://www.weforum.org/newchampions2012/report/html>

More information on the Annual Meeting of the New Champions 2012 in Tianjin, People's Republic of China, on 11-13 September can be found using the following links:



Programme
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The Forum:Blog has participant and other top-level perspectives on the most relevant global issues
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Contributors

The report was written by Kaiser Kuo, Cameron Blair MacMurchy, Alejandro Reyes and Isaac Stone Fish with Ann Brady, Michael Hanley, Janet Hill, Emma Loades and Akshay Mohan.

Editing and Production
Ann Brady, Associate Director, Head of Editing
Michael Hanley, Editorial Director
Janet Hill, Senior Editing Manager
Kamal Kimaoui, Director, Production and Design
Floris Landi, Senior Associate, Graphic Designer

Photographers
Doug Kanter, Caroline Killmer, Qilai Shen, Nick Otto, Andrew Rowat, E Fung Chow, Judy Zhou

Upcoming Meetings



World Economic Forum on India

National Capital Region, Gurgaon, India 6-8 November 2012

From Deliberation to Transformation

The World Economic Forum on India will reflect both the best of our three decades of partnership in India as well as all the promise of India's potential and future. The gathering will be an opportunity to outline a blueprint for a post-crisis India that can be a new model of pragmatic, practical and effective governance, and that rebuilds trust in both the region and society to link leadership with livelihood.

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

Summit on the Global Agenda 2012

Dubai, United Arab Emirates 12-14 November

The Summit on the Global Agenda is the world's largest brainstorming meeting, aimed at shaping the global agenda by bringing together the most relevant thought leaders of the Forum's Network of Global Agenda Councils. The Councils comprise experts from academia, business, civil society and government, and will address over 80 pressing issues facing the world today. At the Summit, over 800 Members of the Network will engage in interactive workshops and sessions to provide comprehensive insight into the global, industry and regional agendas. Recognizing the great transformations businesses, economies and societies are currently facing, participants will focus on how to transform new models into collaborative, sustained processes, which drive solutions for a greener and socially more inclusive world.

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

World Economic Forum Annual Meeting 2013

Davos-Klosters, Switzerland 23-27 January

Resilient Dynamism

We live in the most complex, interdependent and interconnected era in human history – a reality known as the hyperconnected world. This reality presents a new leadership context, shaped by adaptive challenges as well as transformational opportunities. Dynamism in this context requires successful organizations to demonstrate strategic agility and possess risk resilience. Yet, efforts to rebuild confidence and restore growth remain vulnerable to looming political and economic shocks. Resilient Dynamism is the focus of the World Economic Forum Annual Meeting 2013.

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



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World Economic Forum
91–93 route de la Capite
CH-1223 Cologny/Geneva
Switzerland

Tel.: +41 (0) 22 869 1212
Fax: +41 (0) 22 786 2744

contact@weforum.org
www.weforum.org