

Be Confident but not Complacent, Business Leaders Warn as Annual Meeting Closes

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- Business and civil society leaders cautioned against complacency, even as the global economic recovery appears to be gaining momentum
- The 43rd World Economic Forum Annual Meeting ended, after five days of discussions and debates on a range of pressing issues from the future of Europe to the transformation of the healthcare sector
- The theme of the Annual Meeting 2013 is *Resilient Dynamism*. For more information, visit <http://wef.ch/Davos>

Davos-Klosters, Switzerland, 26 January 2013 – With the global economic crisis receding and concerns about Europe and the US subsiding, there is a danger of complacency, global business and civil society leaders warned participants in the closing session of the 43rd World Economic Forum Annual Meeting. “The optimism for recovery is there,” Axel A. Weber, Chairman of the Board of Directors of UBS, Switzerland, and a Meeting Co-Chair, declared. “The feeling is that the worst is behind us. But the mood bordered on complacency. On Wednesday, people talked about how the tail risk had been reduced. By Friday, the tail risk was removed!”

Fellow Co-Chair Frederico Curado, President and Chief Executive Officer of EMBRAER, Brazil, agreed. “Hopefully, the good feelings this week were too optimistic but will translate into investments,” he said. “Jobs are the main issue. Unemployment is a huge issue for everyone.” The role that central banks are playing to stimulate economies should not be overstated, Weber argued. “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 okay if they are used to make investments. The mood has been good – too good to be true. Expectation management is in order.”

A key challenge for business, government and civil society is to restore trust in both public and private sector institutions. The crisis and the austerity measures that governments have introduced to address fiscal deficits have undermined confidence in corporate and political leaders. Implementing reforms and recovery plans fully – without letting politics stall them – is essential.

In Japan, for example, “the most important thing is to implement the new growth strategy thoroughly so that the recovery can lead to the rebirth of the Japanese economy,” Meeting Co-Chair Atsutoshi Nishida, Chairman of the Board of Toshiba Corporation, Japan, explained. In China, meanwhile, the central challenge is to stay the course of transforming the economy into one based on domestic consumption, with balanced and sustainable growth. “The fundamental question is whether the necessary reforms will be carried out for the economy to continue to grow five years from now,” said Li Daokui, Head, Department of Finance; Director, Center for China in the World Economy (CCWE), Tsinghua University, People’s Republic of China.

All countries must also focus on addressing the persistent problem of corruption, concluded Huguette Labelle, Chair of Transparency International, Germany, who is also a Meeting Co-Chair. “The financial crisis is not over; corruption is not over.”

Under the theme *Resilient Dynamism*, the Annual Meeting 2013 saw much discussion on how leaders can inculcate greater strategic agility – the ability not just to manage risk but to adapt to it and still retain the capacity for risk taking when doing so might produce meaningful returns.

Nowhere was the relevance of the theme felt more than in the plenary session on “Scenarios for the Russian Federation” on the second day of the Meeting. Asked what his policy priorities are for 2013, Prime Minister Dmitry Medvedev said Russia needs to “create a competitive environment, both domestically and globally”.

In a session on “The Global Financial Context”, Andrey Kostin, Chairman and Chief Executive Officer of VTB Bank, told participants that Russia would use its presidency of the G20 this year to drive further global regulation of the banking sector. Speaking on the same panel, Zhu Min, Deputy Managing Director of the International Monetary Fund (IMF), argued that the banking sector is too big, while James Dimon, Chairman and Chief Executive Officer of JP Morgan Chase & Co., countered that global financial institutions played an important role lending to governments during Europe’s financial crisis.

The global economic outlook was the subject of much debate. Mario Monti, Prime Minister of Italy, accepting that his country had “failed to take on the challenges of globalization”, defended his government’s record in office, claiming that “leadership is the opposite of short-termism”. Christine Lagarde, Managing Director of the International Monetary Fund, predicted that 2013 would be a make-or-break year for the global economy. She urged leaders to maintain the reform momentum in pushing through the necessary restructuring that they have started.

This could also be a year when the global economy may again be vulnerable to a liquidity bubble, Ray Dalio, Founder and Chief Investment Officer of Bridgewater Associates, said in a session on the third day of the Meeting. “The debt cycle will no longer be the driver; 2013 will be a transition year and the shift of cash will be a game changer,” he said. Meanwhile, the Chinese renminbi is still a long way off from becoming a global reserve currency, participants heard in another session on fourth day of the Meeting.

With the debt crisis moderating, the future of Europe was a major topic of debate. The day after pledging in a speech that Britain would hold a referendum by the end of 2017 on whether it should stay in the European Union, British Prime Minister David Cameron said in a special message that Europe needs more political will, not more political institutions. Later, German Chancellor Angela Merkel reiterated her support for reforms of financial governance structures in the Eurozone, noting that results are starting to show and Europe is “going in the right direction”.

Africa’s dynamism was highlighted in an energetic session, in which participants heard that the continent has now become the world’s second fastest growing economy. Graham Mackay, Chairman of SAB Miller, told leaders that the figure could easily double if certain bottlenecks were removed.

In an unprecedented move, Dirk Niebel, Germany’s Minister for Economic Cooperation and Development, announced a € 1 billion contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria. Paul Kagame, the President of Rwanda, also gave two press conferences, announcing first the launch of a new East African commodities exchange in Kigali, his country’s capital, and second a project to train 1 million health workers on the continent.

Participants also discussed the two-year civil war in Syria. With no resolution in sight, the conflict is creating a growing humanitarian crisis, with human suffering on a massive scale. This is placing an unsustainable burden on neighbouring countries that are taking in fleeing citizens. H.M. King Abdullah II Ibn Al Hussein of Jordan urged the international community to do more to help the growing numbers of refugees. Ahmet Davutoglu, Turkey’s Foreign Minister, meanwhile, said his country is helping to meet the humanitarian needs of the Syrian people, as well as helping opposition forces defend themselves.

The lack of progress on women’s rights, corruption and freedom of the press in the Arab world since the Arab Spring uprisings also came into focus. Asked whether women are better off now, Hesham Mohamed Qandil, Prime Minister of Egypt, defended progress in his country, saying that “the name of

the game is that people can air their thoughts now". Ali M. Z. Ben Zedan, Prime Minister of Libya, and Abdelilah Benkirane, Chief of Government of Morocco, both urged that reform must originate from the region rather than the West.

Closing the gender gap was the subject of a major plenary session discussion. Defending plans to have at least 40% of board seats in European companies occupied by women by 2020, Viviane Reding, Vice-President of the European Commission and Commissioner for Justice, Fundamental Rights and Citizenship, concluded: "Sometimes you need political leadership to change the business world."

The World Economic Forum's Global Shapers Community of under 30s, announced a new competition in partnership with The Coca-Cola Company. The "*Shaping A Better Future*" challenge will see Shapers in 200 cities worldwide compete for a total of US\$100,000 of funding by coming up with the most impactful and scalable projects that address a pressing problem in their communities.

During the Meeting, the World Economic Forum released landmark reports on a range of issues. *Enabling Trade: Valuing Growth Opportunities*, the result of collaboration among the Forum, the World Bank and Bain & Company, found that reducing supply-chain barriers can increase global GDP up to six times more than removing all import tariffs. Another major study, *The Future Role of Civil Society*, developed scenarios to help civil society leaders create long-term strategies to maintain impact and relevance in a multistakeholder world. *The Green Investment Report*, meanwhile, calculated that an extra US\$ 34 billion in public funding would unlock enough private capital to put the world on a climate-resilient path towards green growth.

The co-chairs of Annual Meeting 2013 were: **Frederico Curado**, President and Chief Executive Officer, EMBRAER, Brazil; **Muhtar A. Kent**, Chairman of the Board and Chief Executive Officer, The Coca-Cola Company, USA; **Huguette Labelle**, Chair, Transparency International, Germany; Global Agenda Council on Responsible Mineral Resources Management; **Andrew N. Liveris**, Chairman and Chief Executive Officer, The Dow Chemical Company, USA; **Atsutoshi Nishida**, Chairman of the Board, Toshiba Corporation, Japan; and **Axel A. Weber**, Chairman of the Board of Directors, UBS, Switzerland

The 44th World Economic Forum Annual Meeting will take place in Davos-Klosters, Switzerland, from 22 to 26 January 2014.

Notes to Editors

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