

Insights from the World Economic Forum “Summer Davos”

Annual Meeting of the New Champions 2010:
Driving Growth through Sustainability

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Summer Davos

On Sept. 13-15, 2010, the World Economic Forum held its fourth annual “Summer Davos” summit in Tianjin, China. The 2010 Annual Meeting of the New Champions drew some 1,500 participants – from business, government, academia, the media and the NGO community – who spent three busy days discussing new engines for economic growth; business innovation and sustainability; China’s role in the global economy and much more. The session’s panels and discussion groups were divided into four sub-themes:

- Improving competitiveness through science and technology
- Creating new value from business models to future markets
- Facilitating economic and social change
- Designing effective global industry and regional solutions

In addition, there was series of sessions focused on the topic of rethinking Asian growth that explored the evolution of trade, investment and business ties across China, India, Japan, South Korea and the ASEAN region.

Some of the thought leaders that attended the event included:

- **Zhu Min**, special adviser, International Monetary Fund, USA
- **Martin Wolf**, chief economics commentator, *Financial Times*, UK
- **Hari S. Bhartia**, co-chairman and managing director, Jubilant Bhartia Group, India; president, Confederation of Indian Industry
- **Thomas Friedman**, columnist, *The New York Times*, USA
- **Peter Brabeck-Letmathe**, chairman of the board, Nestlé, Switzerland
- **James E. Rogers**, chairman, president and chief executive officer, Duke Energy Corporation, USA
- **Jack Ma Yun**, founder and chief executive officer, Alibaba.com, People's Republic of China
- **Cynthia Carroll**, chief executive officer, Anglo American, UK
- **Eckhard Cordes**, chairman of the management board and chief executive officer, METRO, Germany
- **Kris Gopalakrishnan**, chief executive officer and managing director, Infosys Technologies, India
- **John S. Watson**, chairman of the board and chief executive officer, Chevron Corporation, USA
- **Wei Jiafu**, group president and chief executive officer, China Ocean Shipping Group Co., People's Republic of China

Global Economic Recovery

The broad consensus at various sessions was that the global economic recovery will be led by Asia and the emerging markets, with significant growth coming from China and India. In fact, it

was predicted that by 2040 China will account for one-third of the world's growth, with India surpassing the European Union and Japan combined. Gerard Lyons, chief economist and group head, global research, Standard Chartered Bank, said that the recovery in global growth has been led by emerging economies. "It is a tale of two worlds," he said, pointing to stagnation in the West versus strong growth in the East. "China's government responded rapidly to the crisis of 2008, taking the lead in achieving economic recovery," said Ma Jiantang, commissioner of China's National Bureau of Statistics. China's GDP growth rate increased far more than expected, from 6.1 percent in early 2009 to 11.9 percent in 2010. Measures have since been taken to address rapid credit growth and fears of overheating. "I am not worried about the speed of the economic recovery," he added. "China is looking to achieving 10-percent growth in 2010, with CPI less than 3 percent." Xia Bin, director-general, Financial Research Institute, Development Research Center of the State Council, stressed that growth expectations need to be moderately adjusted downward to ensure that growth is sustainable: "China cannot enjoy the same double-digit growth rates of 2003 to 2007."

The *Global Economic Outlook* session examined the structural conditions in place that could contribute to a double-dip recession, such as tightening credit and fiscal policy, a sharp rise of the U.S. dollar against other currencies, and sluggish consumer and corporate spending. Panelists agreed that consumer and corporate spending present larger risks than the other factors. In particular, participants emphasized the growing unemployment rates in the United States and the speed with which U.S. corporations shed jobs during the recession, as compared to European companies. Nariman Behraves, IHS chief economist, predicted that the chances for a double-dip recession in the United States were slim because of the overall rebalancing in the economy. He also cited statistics that showed that 58 million people were lifted out of poverty in 2008; in the midst of the crisis in 2009, that number dropped to 31 million in 2009, but it is projected to increase again to 61 million in 2011.

Another theme was the importance of multilateral institutions taking the lead in tackling significant global challenges. There was praise for the role taken by the G-20 in terms of global governance and international cooperation, but disagreement on its ultimate scope. Some argued that it should be more inclusive, pointing out that 90 percent of countries are not represented by the G-20. In particular, Africa was seen as needing a greater voice. Others countered that the G-20 is not the UN General Assembly and cannot represent all 192 nations. There was much discussion of the upcoming G-20 summit in Seoul. In contrast, there was virtually no talk of the G-8.

China's Emerging Role and Leadership: Reassurances from Premier Wen Jiabao

The role of China dominated the discussions – formal and informal – and discussion of the United States often seemed like an afterthought. China's leadership in the global recovery was evident everywhere, and the Chinese business leaders present, led by Premier Wen Jiabao, were quick to talk about it. However, there was an equal amount of buzz about what leadership would mean and particularly the need for the United States and China to develop a deep and mutually respectful working relationship.

In what has become in recent years his annual "Summer Davos" address, Premier Wen Jiabao stressed China's extraordinary financial measures to ensure his country's growth amidst the global financial crisis. He also outlined the challenges that are facing the 1.3 billion-citizen

nation, including resource scarcity, environmental degradation, infrastructure development, weak domestic capacity on technological innovation, and rural/urban and social imbalances. Wen underscored that China does not pursue a trade surplus. He did not speak of a property bubble, but described housing as an economic and social issue, adding that China needed a mechanism for the long-term healthy development of its housing market that would allow stable prices and a steady supply of affordable housing.

In his address, Premier Wen assured investors that his country would treat foreign-invested enterprises fairly. “I wish to reiterate that all enterprises registered in China according to Chinese laws are Chinese enterprises and their products are made-in-China products,” he said. Foreign-invested enterprises registered in China would receive “national treatment,” he stressed. “In government procurement, China gives equal treatment to products from foreign-invested enterprises and Chinese-invested enterprises alike.” Wen also underscored that “China gives high priority to intellectual property protection and has made this a national strategy.” Wen acknowledged that Chinese policies have not always been “clear enough” but he pointed to the continued inflow of foreign investment and strong profits by foreign companies as proof that China has created a favorable investment environment. Wen’s comment on national treatment was aimed at recent criticisms that China’s indigenous innovation policies have put foreign companies at a disadvantage. In a separate session on the role of multinational corporations in China, one senior government official rhetorically asked if the playing field was really becoming uneven or if western companies had simply lost their knack for innovation.

Innovation

There were numerous conversations about China’s efforts to cultivate and foster home-grown innovation, moving from “made in China” to “created in China.” Lee Kai-Fu, the CEO of Innovation Works investment fund, suggested in his session that not all innovation needs to be developed “from scratch” or revolutionize the marketplace like Google or Apple. He spoke about the importance of creating user and business value that can be achieved through integration or the improvement of existing products.

Several success stories on Chinese entrepreneurship and business innovation were showcased at the meeting – from Feng Jun, the CEO of Aigo who started his now-thriving technology business from a \$26 loan, to Jack Ma, the CEO of Alibaba, and Captain Wei Jiafu, the CEO of COSCO. Ma held a mentor session where he stressed that “the key to managing a successful business is to focus on the customer, not on business strategies and other theories taught in MBA programs.” He said that Alibaba’s success was only 10 percent due to his efforts. The rest he attributed to his team (30 percent), good luck (30 percent), and the media (30 percent). He advised multinationals to use local talent and absorb the local culture. He also suggested that foreign firms pay more attention to local governments rather than “run to Beijing” when they encounter a problem. COSCO’s Wei Jiafu spoke about the importance of integrity and business values for companies expanding in international markets: “Companies must be honest, and integrity is more precious than gold. Corporate culture of multinational corporations will have a big impact on local cultures.”

Tom Friedman spoke about the structural imbalances for the development of future innovation capacity in the United States because “much of the manufacturing bases are now moving to

India and China and it will be increasingly harder for U.S. companies to only innovate at the top.”

Business and Sustainability

Sustainability was also a key theme at many sessions. This was defined as an important driver for the future, including the necessity that corporations accept sustainability as a new way of life and embed it in their DNA. Numerous western and Chinese business leaders spoke about sustainability as a viable business strategy from a monetary point of view and that it had to be developed as a way to save resources and make economic sense. Some Chinese executives noted that for Chinese companies sustainability can mean short-term losses, but there was no question of the long-term value of sustainable approaches to business and their operating environment. In her remarks at the session titled “Rethinking the Corporation in the 21st Century,” Cynthia Carroll, CEO of Anglo American, stated that “one of the firmest defenses against risk is to build sustainable relationships with stakeholders [that she defined as partners, consumers, nonprofit organizations and a host of groups that are now instrumental to their business success].” There was a particular emphasis on education and culture to promote sustainable approaches – not only at a consumer level, but also among the general public and the new generations.

For additional questions about Summer Davos or engagement with the World Economic Forum, please contact Anna Tunkel, associate director, APCO in Greater China, at atunkel@apcoworldwide.com. APCO has been working closely with the World Economic Forum on its flagship Global Growth Companies Initiative.