

## WORLD ECONOMIC FORUM 2012

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The World Economic Forum (WEF), which is held annually in Davos-Klosters, Switzerland, discusses a number of themes important and relevant to economics, which can be characterized as globalization, democracy, management and leadership, global trends, including digital media, survey results related to economic issues, business and welfare as well as issues of welfare and the arts.

Economic issues dominated the five-day meeting in 2012 (from January 25 to 29) of the world's rich and powerful in Davos. Topics discussed were the Eurozone, the financial sector, poverty, inequality, corporate responsibility, the rise of China, etc. These subjects were discussed in both the sessions organised by the forum and during many of the events organised by banks, industry groups and corporate giants.

The World Economic Forum can be treated as a platform for the exchange of ideas and dialogue. The WEF was first conceived in January 1971 when a group of European business leaders met under the patronage of the European Commission and European industrial associations. German-born Klaus Schwab, Professor of Business Policy at the University of Geneva, was chairman of the gathering, which took place in Davos, Switzerland for the first time. Professor Schwab then founded the European Management Forum as a non-profit organization based in Geneva, Switzerland, and drew European business leaders to Davos for their annual meeting each January. Initially, Professor Schwab focused the meetings on how European firms could catch up with US management practices. He also developed and promoted the “stakeholder” management approach, which based corporate success on managers taking account of all interests.

Professor Schwab's vision for what would become the World Economic Forum grew steadily as a result of achieving “milestones.” Events in 1973, namely the collapse of the Bretton Woods fixed the exchange rate mechanism and the Arab-Israeli War resulted in expansion of its focus from management to economic and social issues. The political leaders were invited for the first time to Davos in January 1974. Two years later, the organization introduced a system of membership. Forum members are companies that are driving the world economy forward. The typical member company is a global enterprise with more than US\$5 billion in turnover, although this varies by industry

and region. Therefore, the Forum's 1,000 member companies are at the heart of all our activities and their support is essential for helping us find truly sustainable solutions to improve the state of the world.

The European Management Forum changed its name to the World Economic Forum in 1987 and sought to broaden its vision to include providing a platform for resolving international conflicts. In addition, the WEF publishes a comprehensive series of reports which examine in detail a broad range of global issues. Besides reports on its key events and standalone publications such as the Global Competitiveness Report, the Global Risks Report and the Global Gender Gap Report, the Forum produces landmark titles covering the environment, education, individual industries and technologies.

More than 2,600 of the world's richest, smartest, most powerful, influential or entrepreneurial people met usually in Davos every year to discuss the most important issues of world economy. Taking into account hundreds of panels, debates, interviews, workshops and symposia taking place, it would be impossible to capture all of the ideas competing for attendee attention. But, still, as in any complex system, patterns start to emerge. The main subjects being discussed at Davos WEF in 2012 were the following: the future of capitalism, the Eurozone future, the problems of the financial sector, inequality and poverty, youth unemployment, climate change, the rise of China and its impact, the future of North Africa. The 2012 WEF illustrates that even for well-paid business leaders, the scars of the economic crisis of the past four years are still painful.

The issue of the future of capitalism has been raised during discussions in WEF 2012 continuously. The questions that one would rather expect to hear from the anti-capitalist protesters who come to Davos were often pointed out by the WEF participants: does capitalism have a future? Is it fit for the 21st Century? And if it does and is, how must capitalism change? Is capitalism working? Is the Western model of capitalism still working? The concept of "responsible capitalism" was introduced by some speakers. However the founder of the forum, Prof Klaus Schwab claimed that capitalism in its current form no longer fits the world. Prof Schwab spoke of a "dystopian future," where political and economic elites "are in danger of completely losing the confidence of future generations." Indeed, a global survey released just days before the start of Davos, the Edelman Trust Barometer, suggests there has been a sharp drop in public trust, not just in business but especially in governments around the world.

That capitalism is somehow broken has become one of Davos' most popular themes. TIME International Editor Jim Frederick hosted a panel discussion on the future of capitalism: Can a system that came of age in the 20th century serve the needs of 21st? Since then, no fewer than three other panels have been devoted to some variation of "fixing capitalism" or "remodeling capitalism." No one argued that capitalism should be scrapped wholesale, instead, the most rational arguments pointed out that not only is capitalism the best system yet devised for enhancing the well being of the greatest number of people, but that it is also immensely supple and flexible. In 200 years, capitalism has already gone through several major development phases. But how will global capitalism look like for the 21st century? Are more or less regulations necessary? Or which kind of capitalism—state capitalism, like that practiced by China, Russia and

many countries in the Middle East or Western Capitalism—is more sustainable? A surprising number of participants in discussions about the future of capitalism clearly indicated that something is wrong, therefore the main conclusion from discussions in Davos 2012 were that **capitalism needs a fundamental overhaul**.

Though the future of capitalism was among the key issues being discussed in WEF 2012, it was also dominated by talks on the issue of debt in the Eurozone, which has led to Europe's economic crisis and other important issues. The attending European ministers of finance all stayed on message: Eurobonds are not happening, austerity measures are way forward now, greater fiscal union is the end goal, and Greece will not default or leave the Eurozone. The main message was that Eurozone may actually be starting to heal itself. Much credit is being given to M. Monti, the new Prime Minister of Italy, who will be able to implement necessary reforms in Italy.

Discussions about the European crisis started in the WEF's opening speech by German Chancellor Angela Merkel. She stated that Germany refuses to become a leader in solutions of the Euro crisis and talked about new initiatives in the EU to curb budget deficits of EU member states. The British Prime Minister D. Cameron strongly criticized the Germans about the tax proposal. More than 10 sessions related to the European crisis were discussed at the WEF 2012, starting with "Rebuilding Europe," "Rethinking the Role of the European Commission and the Council of Europe," to "The Future of the Eurozone."

Though the World Economic Forum in Davos has ended with worries about the economy, there is hope that the Eurozone crisis is under control. Overall though, not only Eurozone politicians, but also bankers and business leaders said that there were clear signs that the crisis was coming under control.

From the weight point of geography, China and Asia are also a theme of interest in recent years. **The** panels on China were crowded, and everybody wanted to talk about China. American business people speak in hushed tones about the new generation of Chinese leaders as if they are supermen: they are well-educated, worldly, wise, and compared to the haplessness and paralysis that western governments have demonstrated over the past two years, they are paragons of good governance. The main conclusion was that though China faces a lot of complexities, it can overcome them.

Representatives from revolutionary movements that recently toppled regimes in Tunisia, Egypt and Libya were also among the stars of this panel. Many of them were wearing the hallowed holographic badges, meaning that they were invited to some of the highest-level meetings usually reserved for heads of state, ministers of finance etc. This indicates that the powers at the very core of the WEF are interested in the Arab Spring and it is as a matter of paramount global importance.

Another important issue discussed at Davos in 2012 is why the global economy not in full recovery? Europeans complain that none of this would have happened if the Americans had not taxed the global financial system when its housing bubble burst. To which the Americans respond that it may be true, but they claim to have put their house in order and the only thing that's holding America's economy back now is European uncertainty.

Inequality and youth unemployment were also discussed. While the forum had started in a gloomy mood, with economists, bankers, financial regulators and many investors predicting that Western economies would have 10 to 15 years of slow or no growth, sentiment turned on Thursday afternoon following good economic data from the US and the emergence of a consensus among Eurozone governments to tackle the crisis. Despite this, throughout the five days of discussions there were warnings of economic uncertainty ahead.

Business leaders, though, were optimistic, giving their expectations of strong growth in emerging markets. During the coming years, tens of millions of people across Asia and Latin America would be lifted out of poverty and join the middle class, driving strong domestic demand. To broaden discussions, the forum invited a new range of young voices to challenge business and political leaders. The Davos forum ended with quite optimistic conclusions on the future of world economy, however, changes are necessary, especially those providing a new approach to responsible capitalism, responsible business and responsible management, transparency and well informed society development. But, in general, business leaders were more optimistic about the future than the economists and political leaders.

Lithuanian representation in Davos was very limited since restoration of its independence. On 26-28 January, 2001, President Valdas Adamkus of the Republic of Lithuania took part in the World Economic Forum in Davos. For the first time since its existence, the Forum included into the agenda a special panel on the Baltic Sea region. At the session "A Roadmap for the Baltic States" President Adamkus underscored the role of Lithuania and that of the Baltic region in 21st century European architecture and discussed relations with neighbouring states. Other speakers of the session included the president of Latvia, V. V. Freiberga, and the president of Estonia, L. Meri.

After few years of ignorance Davos organizers invited Lithuania to the Forum again in 2008. This ignorance was due to Lithuania's unfortunate choice of president Rolandas Paksas, who was impeached for the first time in modern European history. Even though order in Lithuanian politics was restored, the Davos organisers ignored Lithuania for few years. In 2008 and 2009, Lithuania's President Valdas Adamkus participated in the WEF again. He took part in the high level discussion about Russia and its relation to its neighbours.

In 2010 the President of Republic of Lithuania, Dalia Grybauskaite, participated, for the first time, in the working session "Implementing the Europe 2020 Strategy: Key Next Steps," organized by the WEF. The Lithuanian president and other European leaders discussed measures to be taken to promote economic recovery and ensure sustainable growth in the EU. D. Grybauskaite underlined that the economic growth in Europe was hampered by uneven development of infrastructure, especially in the field of energy. The development of both electricity connections and generation capacities is therefore a must.

However, in 2011 and 2012, Lithuanian leaders didn't receive an invitation to Davos again. According to diplomatic sources, a list of invited states will be prepared by June. There are no formal criteria of selection for the annual meeting in Davos. WEF experts

choose according to applications of states. The invitation of participating states is based not on their importance or interest. For example, the President of Azerbaijan has never met any problems in invitation—the gates to Davos are opened by oil and gas.

However other issues can open the gates to Davos. Get Jar founder & CEO entrepreneur and Lithuanian citizen Ilja Laur was invited to the Economic Forum in Davos in 2012 as a panellist speaking about mobile communications and how they change business and society. On Jan. 26th, Ilja Laurs was a panellist during a discussion on “Connectedness: An Update” examining consumer and business applications, venture capital perspectives and mobile communications. I. Laurs was named in 2009 as one of the “Top 40 Influential People in Mobile Communications” by Informa Telecoms & Media.