



European
Commission

Annual meeting of the WEF

Summary of key take-aways from Davos, 2021



R&I PAPER SERIES



*Research and
Innovation*

Summary of key take-aways from Davos, 2021

European Commission
Directorate-General for Research and Innovation
Directorate A — Policy and Programming Centre
Unit A.1 — Chief Economist – R&I Strategy and Foresight

Contact Román Arjona, Chief Economist and Head of Unit A1
Lukas Borunsky, Ana Correia, Ruzica Rakic, Unit A1

Email Roman.ARJONA-GRACIA@ec.europa.eu
RTD-ECONOMIC-ANALYSIS@ec.europa.eu

European Commission
B-1049 Brussels

Manuscript completed in January 2021

This document has been prepared for the European Commission, however it reflects the views only of the authors, and the European Commission is not liable for any consequence stemming from the reuse of this publication.

More information on the European Union is available on the internet (<http://europa.eu>).

© European Union, 2021



The reuse policy of European Commission documents is implemented based on Commission Decision 2011/833/EU of 12 December 2011 on the reuse of Commission documents (OJ L 330, 14.12.2011, p. 39). Except otherwise noted, the reuse of this document is authorised under a Creative Commons Attribution 4.0 International (CC-BY 4.0) licence (<https://creativecommons.org/licenses/by/4.0/>). This means that reuse is allowed provided appropriate credit is given and any changes are indicated.

For any use or reproduction of elements that are not owned by the European Union, permission may need to be sought directly from the respective rightholders. The European Union does not own the copyright in relation to the following elements:

Image credits:

Cover: © VectorMine, #303873962, 2020. Source: stock.adobe.com

Page 3: © jittawit.21, #272743927, 2020. Source: stock.adobe.com

Page 5: © lovelyday12, #299684410, 2020. Source: stock.adobe.com

Page 8: © Lysenko.A, #300169400, 2020. Source: stock.adobe.com

Page 13: © Thanumporn # 314006609, 2020. Source: stock.adobe.com

Summary of key take-aways from Davos, 2021



Annual meeting of the WEF

TABLE OF CONTENTS

MOBILIZING ACTION ON CLIMATE CHANGE	3
FINANCING THE "NET-ZERO" TRANSITION (OPTION 1)	4
RESTORING ECONOMIC GROWTH (OPTION 1).....	5
RESTORING ECONOMIC GROWTH (OPTION 2).....	6
HARNESSING CIRCULAR INNOVATION FOR THE ECONOMIC RESET	7
REIMAGINING MANUFACTURING FOR GROWTH	8
TARGETS AND PATHWAYS FOR ECONOMIC TRANSFORMATION	9
STAKEHOLDER CAPITALISM: BUILDING THE FUTURE.....	10
BUILDING A TRUSTWORTHY AND CONNECTED FUTURE.....	11
HARNESSING THE FOURTH INDUSTRIAL REVOLUTION	12
FINANCING THE "NET-ZERO" TRANSITION (OPTION 2)	13

The Annual Meeting of the World Economic Forum ('Davos 2021') took place virtually between 25 and 29 of January 2021. This year's event focused on the COVID-19 pandemic, the importance of global collaboration, and the need to rebuild trust and to make bold and transformative choices today to face the urgent economic, environmental, social and technological challenges.

This is not an official document of the Directorate-General for Research & Innovation (R&I). We provide you with a 1-page summary of some of the sessions of direct relevance for R&I. This is our own selection of key figures and statements made in the discussions. Contributors: Lukas Borunsky, Ana Correia and Ruzica Rakic.

MOBILIZING ACTION ON CLIMATE CHANGE

Speakers: *Rebecca Blumenstein* (The New York Times), *Jesper Brodin* (Ingka Group (IKEA)), *Amina Mohammed* (United Nations), *Ben van Beurden* (Royal Dutch Shell Plc), *John F. Kerry* (National Security Council, US), *Feike Sybesma* (Royal DSM NV), *Alok Sharma* (COP26), *Børge Brende* (World Economic Forum)

Panel

The period from 2016 to 2020 has been the warmest five years on record, despite the recent impact of COVID 19 on greenhouse gas emissions. This Panel discussed how major economies and industries can accelerate their efforts to meet or exceed the Paris Climate Agreement goals.

1. The US has re-joined the Paris agreement which is a necessary step for the fight against the climate crisis. However, according to John F. Kerry, the Paris agreement alone is not enough.
2. Domestic action cannot possibly be enough, the whole world has to come together.
3. Even if all what have been agreed in Paris in 2015 was achieved, the temperature would have risen by 3.7C. Therefore, a much more ambitious agreement, including concrete roadmaps and finance plans must be reached during the forthcoming [Glasgow COP26](#) UN Climate Change Conference.
4. A few companies have higher footprints than 140 nations, hence the commitment from business sector is a key.
5. The cost of inaction far exceeds the cost of action.
6. There is a spike happening right now both in the consciousness of customers and employees. Hence, if corporate leaders do not take a leading position in sustainable solutions, they will have an issue in their business.
7. How do we ensure that the political cycles do not distract the sustainability journey? Political plans have to be consistent longer than 4-5 years.



FINANCING THE “NET-ZERO” TRANSITION (OPTION 1)

Speakers: **Bryony Worthington** (Quadrature Climate Foundation), **Bill Winters** (Standard Chartered Bank), **Mairead McGuinness** (European Commission), **Suni Harford** (UBS AG), **Philipp M. Hildebrand** (BlackRock Inc)

Question

What innovative financing solutions are needed to accelerate progress towards a net-zero future?

Enablers of “net-zero” transition:

1. Information about what is sustainable is crucial – at the EU level, there is a clear, science-led Taxonomy for Sustainable Financing.
2. Research and innovation are critical enablers.
3. More than 120 countries have explicit, regulatory, legislative, net-zero goals.
4. 30% of the EC Resilience and Recovery Fund is devoted to the climate transition. The public money must be used as a catalyst to get private money. No matter how big the commitment from the public side is, it will not be enough. Hence, a coordinated public-private financing approach is a key.
5. It is important to look into each sector and identify what is sustainable and help industries move towards it.
6. A common, global metrics on how do we measure the progress we are making.

Barriers of “net-zero” transitions:

7. Political plans regarding climate change mitigation should not be dependent on political changes in countries.
8. There are feasible paths in Europe and USA to get more than 80% of the necessary financing requirements, however the available financing in emerging markets is less than 10% of what is needed.
9. If the definitions of sustainability are too narrow or cannot change over time as new data and analytics come in, we might stifle innovation.

We need to mobilise \$3-7 trillion per year globally to finance the green transition.

RESTORING ECONOMIC GROWTH (OPTION 1)

Speakers: *Gideon Rachman* (*The Financial Times*), *Tharman Shanmugaratnam* (*Government of Singapore*), *Sri Mulyani Indrawati* (*Ministry of Finance, Indonesia*), *Haruhiko Kuroda* (*Bank of Japan*), *Andrey L. Kostin* (*VTB Bank, Russian Federation*)

Panel This Leadership Panel examines how to restore growth, with recommendations on how businesses and governments can collaborate more effectively on a new economic agenda that enhances productivity, sustainability and shared prosperity in 2021.

1. For many years Davos discussed viruses as potential risk, but in the end everyone underestimated its spread. 2021 could be a transition from the failure of international system to a new one that focus on mutual interests and global public goods. We have underfunded global public goods, such as global public health. This is not the last pandemic we are going to have and it is going to be far less costly to invest in multilateralism.
2. All panel speakers explained how their governments and societies have learned to adapt to this disruption. And many underlined that COVID-19 has brought the world together in learning best practices.
3. One of the biggest challenges for Indian authorities in March 2020 were day-to-day needs of the poorest. Over 100 million Indians received food for free. Needs of women were recognised and they received cash transfers. Furthermore, the government supported other vulnerable segments as farming community or SMEs.
4. Economic recovery in 2020 did not take place due to the resilience of the virus. Therefore, most important economic policy in Japan is to maintain jobs and avoid unemployment. The government implemented a lot of fiscal measures to support the economy and Bank of Japan provided liquidity to the banking sector and tried to stabilise the financial market.
5. Economic recovery is probably postponed until the end of 2021 or beginning of 2022. Nevertheless, we must encourage post-COVID-19 way of doing business or providing education. Digitalisation should be further promoted and thus support economic growth. Although, the there was disagreement in the panel on how much digital and how much personal interaction do we need in the future.



RESTORING ECONOMIC GROWTH (OPTION 2)

Speakers: **Geoff Cutmore** (CNBC), **Bruno Le Maire** (Minister of the Economy, France), **Christine Lagarde** (European Central Bank), **Herbert Diess** (CEO Volkswagen, Germany), **David Solomon** (CEO, The Goldman Sachs Group), **Peter Altmaier** (Minister of Economic affairs and Energy, Germany)

Panel

This Leadership Panel examines how to restore growth, with recommendations on how businesses and governments can collaborate more effectively on a new economic agenda that enhances productivity, sustainability and shared prosperity in 2021.

1. 2021 is year of recovery in two phases. While the governments (and ECB) support various sectors of the economy in the first phase, the second phase will witness a creation of new economy. This new economy can benefit from increased digitalisation and new ways of work, but may have some negative impact on the workforce (in particular low-skilled) and certain companies or sectors.
2. We managed to re-establish supply chains after the first wave COVID-19 wave and the producers are relying on open supply chains (Volkswagen). EU-China investment agreement and other initiatives should ensure that the market remains open.
3. We need some more fiscal stimulus to get through this recession. At the same time, it is appropriate to think about broader policy issues that need to be included in the recovery phase to create this bridge and to have more sustainable recovery.
4. Short-term objective is to support sectors hit by the crisis. One of the current priorities is to make vaccine available also for developing countries.
5. In the long-term, we need to support economic growth during the pandemic and think of possible synergies between growth and green technology (such as hydrogen). Digital taxation could tackle unfairness and inefficiency.
6. There is a political impetus to address the issue of climate change. There are multiple dimensions that need to be reflected upon, such as pricing carbon, or sufficient investment in innovation.

HARNESSING CIRCULAR INNOVATION FOR THE ECONOMIC RESET

Speakers: **Stephen Carroll** (CCTV), **Chew Shou Zi** (Xiaomi corporation), **Stientje van Veldhoven** (Minister for the Environment, Ministry of Infrastructure and Water Management of the Netherlands), **Bertrand Camus** (CEO, SUEZ), **Bilikiss Adebiji-Abiola** (Co-Founder, Wecyclers)

Panel

This business panel asked leaders how to scale up innovative solutions in plastics, electronics, or food? And how can we accelerate the transition to a regenerative circular economy?

1. Circular economy is not just about recycling. It is about repairing, design, longer-use, avoiding waste. Policy makers and companies need to pursue more ambitious targets, for example:
2. COVID-19 only stresses the need to push our ambitions further. The recovery allows us to rebuild our economy in a circular way. Beyond governmental actions, this also requires cross-sectoral collaboration, especially in sectors where actions of companies can have spillover effects into other sectors.
3. For local consumer driven initiatives, we need funding and regulation for further scale-up. But it also requires actions to make business more sensitive to their production processes and importance of recycling.
4. There is an agreement that we need setting norms, regulations and giving the right price to resources. Industry recognises this as an important strategic agenda. Initiatives, such as Plastics Pact offer a network of local and regional initiatives which bring together key stakeholders to implement solutions towards a circular economy for plastic.
5. Plastic is one key area where we need a broad action in order to help customer to reduce waste production, invest in plastic recycling (already now very high-tech) and secure enough users (large corporations that use the recycled plastics in its own processes). Innovation and partnering with users and business partners will be key to accelerate such transitions.
6. Global standards of processes in circular economy could gain in importance. An examples is the Platform for the Acceleration of Circular Economy (PACE) that works with over 100 organisations across sectors (plastic, electronics, textiles, food).

Circular economy could create 700.000 jobs and generate saving of 200 billion dollars by 2040.

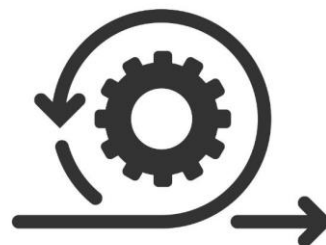
REIMAGINING MANUFACTURING FOR GROWTH

Speakers: *Li Sixuan (CCTV)*, *Bjorn Rosengren (CEO, ABB)*, *Kathy Wengel (Executive vice-president, Johnson & Johnson)*, *Dimitri de Vreeze (Co-CEO, Royal DSM)*

Panel

This business panel discussed what policies, practices and partnerships are needed to transform operating and business models to boost productivity while creating new value for companies, society and the environment.

1. Latest trends in the industry (ABB)
 - a. Consumers ask for more customised product which lead to shorter production series.
 - b. Higher unpredictability due to COVID-19 and related disruptions.
 - c. New technology available, such as AI, are game changers and more focus on robotization that is more flexible.
2. Latest trends in the industry (Johnson & Johnson)
 - a. Improved accessibility ask for new channels for access as hospitals were overwhelmed, more need telemedicine, e-commerce, etc.
 - b. Agility and resilience so that supply chains remain visible and traceable.
 - c. Personalisation and technologies such as 3D printing that allow changes in our industries.
3. Royal DSM managed to move substantial amount of workers to home-office thanks to advances in digitalisation. Dimitri also emphasised that we need to keep focus on people, planet, and profit. Corporate sector is too profit focused, while it should take full responsibility of whole system, incl. waste for example. Royal DSM measures not only their emissions, but also broader carbon footprint of their products and targets for improvements.
4. Producers are trying to help their customer to become more sustainable. It is not only to take care of their own operations but also consider wider impact of their products.
5. In the new digital and home office dominated environment, it is difficult to build a company/administration spirit and to raise new leaders of the company when people work on distance only.



TARGETS AND PATHWAYS FOR ECONOMIC TRANSFORMATION

Speakers: *Thorold Barker* (Wall Street Journal), *Ray Dalio* (Bridgewater Associates LP), *Robert E. Moritz* (PwC), *Rajiv Shah* (The Rockefeller Foundation), *Ann Cairns* (Mastercard), *Saadia Zahidi* (World Economic Forum)

Question

What policies, incentives and new metrics are needed to steer economies towards greater inclusivity, sustainability and resilience?

1. It cannot just be a transfer of wealth; we need an increase in productivity.
2. In the future, we need to focus on three areas: equal access to resources and opportunities (education, skills, training, financial and digital access, etc); there should be a level-playing field for work and good competition (e.g. living wages in the gig economy); and stewardship of the shared resources, linked to the climate change agenda. This requires a bipartisan agenda, not just in one country but all over the world.
3. This pandemic has been the greatest driver of divergence since WWII: World Bank figure- 425million people are pushed back under an expanded definition of the poverty line, while the world 's 22,000 billionaires have earned about 3 trillion dollars in asset value.
4. By any measure, that divergence is likely to widen even more significantly over the next few years: vaccine distribution is not going to be a quick and efficient exercise in the populous and developing world; and political fragmentation will continue.
5. You cannot have a period of shared and sustained prosperity without some major transformational interventions.
6. As a result of COVID-19, there are 1.6 billion individuals impacted in terms of the inability of getting education or quality education.
7. How do you actually change the system (and incentives within that system)? Change from output "GDP" approach to inputs.
8. Consumers are putting pressure for this change, and will buy from "purpose-driven" companies. How can we make the metrics change (i.e. move away from short-term profit focus)?
9. We have already moved a bit from shareholder to stakeholder focus. Businesses that think about sustainability have better value for the future, so markets/investors are already reacting to this.

As a result of COVID-19, there are 1.6 billion individuals impacted in terms of the inability of getting education or quality education.

STAKEHOLDER CAPITALISM: BUILDING THE FUTURE

Speakers: *Edward Felsenthal* (TIME), *Mariana Mazzucato* (UCL), *Klaus Schwab* (WEF), *Alexander De Croo* (Belgium PM), *Angelique Kidjo* (UNICEF Goodwill Ambassador), *Dan Schulman* (PayPal)

Question

What role can stakeholder capitalism play in the pursuit of a more sustainable, resilient and inclusive global economy?

1. We need to move from pure GDP, to a world where we take better account of wellbeing. This requires a move to large-scale stakeholder capitalism.
2. Last year, major change happened when the US Business Roundtable (representing major companies in the US) issued a statement embracing sustainability.
3. People expect more from companies and businesses, not just material satisfaction but security in for instance health services.
4. In a way, we went from “crises” to “extreme crises”.
5. This is a moment for politics to show how to establish trust.
6. COVID-19 has highlighted how we can do things differently, but it cannot be just during a crisis; we need to normalize it.
7. For example, industry bailouts (e.g. on airlines, autos) have in some countries been conditional on the companies receiving the public benefit to commit to reducing their carbon emissions to “transform” the sector (e.g. France).
8. It is about “win-win”, to build back better.
9. A truly symbiotic and mutualistic ecosystem in different areas (e.g. vaccines) should govern intellectual property rights, ensure the prices of the vaccines take into account the public contribution (as governments have contributed to vaccine development and different drugs).
10. We have to redesign everything “on the ground” to really foster collaboration and working together towards big challenges (e.g. procurement policy, grants, loans). Governments are not just there to solve “market failures” but also for “market co- creation and co-shaping”
11. How can we expect somebody to embrace democracy when they don’t think the system is working for them? As businesses, there is an obligation to work with the public sector and within the communities. Profit and Purpose go hand-in-hand. The best employees want to work for the companies that are making a difference in the world.

BUILDING A TRUSTWORTHY AND CONNECTED FUTURE

Speakers: **Helena Leurent** (*Consumers International*), **Harpreet Singh Rai** (*Oura Ring*), **Kirsty Graham** (*Daniel J. Edelman, Inc*), **André Kudelski** (*Kudelski group*)

Question

What policies, practices and partnerships are needed to build trust as our reliance on connected devices grows?

1. The use of IoT has also shed light on concerns about security, interoperability and equity.
2. We are lagging in terms of governance issues.
3. Principles and practices are key: e.g. being GDPR compliant. Independent validation is the second most important thing for Oura Ring.
4. The *Trust Barometer* this year showed a real decline in Trust, and tech companies suffered the largest decline but were still the highest trustable industry sectors.
5. More than half the respondents globally thought businesses/governments/journalists were purposely misleading.
6. Trust has become an extremely important commodity.
7. People expect CEOs to speak up on societal issues.
8. We all relied on tech during this pandemic, so it is still the most trusted sector but with the highest decline. Trust in AI and IoT should a drop. People are looking for reliable sources of information and leadership.
9. People are more likely trust if you explain, in a simple manner, what is happening.
10. People are more likely to share information if they believe it is a “2 way process”: what do I get from exchanging the data, and how does it benefit society.
11. To do things remotely during the pandemic, you have to rely on security and privacy in ways that have never been seen before.
12. We need systems that are case-specific, for nuanced contextual understanding (for the end user).
13. Education and design the product is the hard part.

HARNESSING THE FOURTH INDUSTRIAL REVOLUTION

Speakers: **Yang Yanqing** (YICAI Media Group), **Mohit Joshi** (Infosys Ltd), **Ken Hu** (Huawei Technologies), **Xiao Yaqing** (Chinese Minister of Industry and Information Technology), **Andreas Kunze** (KONUX Inc.)

Question

How can industries and governments work in partnership to unlock the potential of Fourth Industrial Revolution technologies for the benefit of all stakeholders in 2021?

1. We have to cease on digitalisation, explore new industries and new driving forces and pathways for growth.
2. China is leveraging the benefits of digital infrastructure, promoting 5G, Big Data and integrating them with other sectors. China is also making traditional sectors more technology-oriented.
3. Business models are changing quite dramatically thanks to AI: data monetization, software-as-a-service, bundling.
4. There is a convergence of technologies: multiple techs come together.
5. Questions of ethics are being raised regarding data privacy, security , bias.
6. In the first phase, we've seen significant adoption from a consumer perspective of AI (retail, social media); but in the second phase, enterprises are going to be adopting AI in very significant way and changing their dynamics from a cost and customer perspective quite dramatically (e.g. banking using chat bots or products that can be individually personalized).
7. We are going to see entire industries being transformed by AI. AI will help doctors to "spend more time on the patient".
8. The human should be in the centre of everything, including the impact perspective.
9. AI is also being used for railway operations for a more sustainable future. It is making the jobs of workers easier to repair, inspect which can be quite risky for the worker. IoT sensors in the field, and then applying AI can help reduce the number of actions that need to take place in the field.
10. For different types of data, different rules should apply: is it machine data, or is it personal data? People should have control of their own data. This may increase the trust in AI.
11. We need a global dialogue on mutual standards.

In a recent global survey, 63% of CEOs said they believe that AI will have a larger impact than the internet.

FINANCING THE “NET-ZERO” TRANSITION (OPTION 2)

Speakers: *Caroline Anstey* (Pact), *Oliver Bäte* (Allianz SE), *Mark Carney* (United Nations), *Werner Hoyer* (European Investment Bank), *Stephanie von Friedeburg* (International Finance Corporation), *Al Gore* (Generation Investment Management LLP)

Question

What innovative financing solutions are needed to accelerate progress towards a net-zero future?

1. The metrics we have used so far do not take in consideration negative externalities, inequality of income distribution, or depletion of resources.
2. There are obstacles in the fields of policy capture by incumbent legacy industries.
3. There is a lack of bankable projects in emerging markets. It is necessary to creating projects in developing world that people are willing to invest in.
4. There are now seeing a transition in the political world that may come to match the transition in technology
5. The investments the new sustainable measures create 3-4 times more jobs per dollar invested than investments in the old economy.
6. Public money is a kick-off, but the transition needs to be financed by the private money.
7. Some of the positive actions from public sector include co-investment with private investors, provision of tax credits, loan guarantees, subsidise to consumers to buy higher cost green products, commitment to buying green products itself.



Getting in touch with the EU

IN PERSON

All over the European Union there are hundreds of Europe Direct information centres.

You can find the address of the centre nearest you at: https://europa.eu/european-union/contact_en

ON THE PHONE OR BY EMAIL

Europe Direct is a service that answers your questions about the European Union.

You can contact this service

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696 or
- by email via: https://europa.eu/european-union/contact_en

Finding information about the EU

ONLINE

Information about the European Union in all the official languages of the EU is available on the Europa website at: https://europa.eu/european-union/index_en

EU PUBLICATIONS

You can download or order free and priced EU publications at:

<https://publications.europa.eu/en/publications>. Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see https://europa.eu/european-union/contact_en)

EU LAW AND RELATED DOCUMENTS

For access to legal information from the EU, including all EU law since 1952 in all the official language versions, go to EUR-Lex at: <http://eur-lex.europa.eu>

OPEN DATA FROM THE EU

The EU Open Data Portal (<http://data.europa.eu/euodp/en>) provides access to datasets from the EU. Data can be downloaded and reused for free, for both commercial and non-commercial purposes.

