

Davos Executive Briefing

26th January 2018

BRUNSWICK



“Are Trump’s policies the right prescription for the sickness of a fractured world?”



This year at Davos the chatter at the myriad events in the Congress Center and briefings and receptions was about three interlocking themes.

Power of Tech Firms

This power and the accompanying “tech lash” response have been prominently featured in recent and influential articles, including the Financial Times and the Economist, much loved by the Davos elite.

Politicians are clearly feeling empowered to take action. The tech firms themselves are struggling to come up with effective responses. Some are self-flagellating in public about their failures; some are arguing that self-regulation is working; some are changing their business models (e.g. Facebook’s announcement of giving greater weight to information from trusted sources, Google’s partnership with publishers, and many tech firms are changing their tax structures to pay more taxes where profits are generated). But the atmosphere in Davos suggests they may be playing a game of catch-up.

The chatter in Davos includes speculation about a breakup, tougher antitrust enforcement with big fines and maybe even the creation of a new regulatory authority (“an FDA for tech”).

Erosion of Trust

This relates not only to government but to business leadership and also mainstream media.

The Trump Effect

Most of the chatter is that, while Trump deserves credit for identifying the source of rage in our societies, the cure will aggravate the sickness because of the unprecedented assault on media for fake news (that is inconvenient), attacks on the judiciary and legislative branches. That leads to the troubling conclusion that governments, subjected to populist assault on both sides of the Atlantic, just don’t have the levers any more to affect change that people want. This may lead to increasing disillusionment and in turn greater populism.

The Trump administration is here in force, including Treasury Secretary Mnuchin and Commerce Secretary Ross. Davos was abuzz with speculation of what the president’s speech would say. My bet was that he would seek to contrast the speech with the one that Chinese President Xi Jinping gave at Davos one year ago in which he staked a claim to Chinese leadership and attacked protectionism, and remind his audience that he has made many of them a lot of money because of US tax reform and a rising stock market.

Indeed, he opened his speech by saying that he was there to represent the interests of the American people and argued passionately that this is “the perfect time to bring your business, your jobs, and your investments to the United States”.

Trump took full credit for many of the trends, including the steady reduction of employment and economic growth that were set in train by his predecessor and returned repeatedly to the benefits that his tax changes would deliver. Unsurprisingly, he did not mention the one trillion+ dollars his tax plan would add to the deficit and how future generations would have to shoulder the debt burden.

The vast majority of the tax benefit will flow not only to the 1pc but to the 0.1pc, fully represented here at Davos. Trump argued that the tax bill is expected to raise the average household income; others have responded,

equally fervently, that it will in fact aggravate the inequalities that are powering populism and creating the fractures that this meeting expressly hopes to repair.

The world needs US leadership, along with multi-lateral institutions and global allies. The challenges we face, from climate change to economic growth, require a global response. With the US withdrawing from so many trade agreements and firing clear warning shots about what Trump considers to be unfair or exploitative practises, many of the corporate titans while agreeing that the US remains a great place to do business, are also questioning whether Trump’s policies of unilateralism, especially in trade, and promoting division, really are the right prescription for the sickness of a fractured world.



Time for Leaders to Act on Social Issues

All around Davos at this year's Annual Meeting, there is a noticeable uptick in discussions around social issues and the importance of public-private partnership. Both inside the Congress Centre and outside on the promenade, there have been sessions daily, if not hourly, on issues ranging from climate change, diversity and inclusion, to the role of tech in health and education. Davos participants have been wearing pins with the UN's Sustainable Development Goals (SDGs) logo and most of the corporate lounges have the word "sustainable" somewhere on their banners. The World Food Program tent and Female Quotient's Equality Lounge have been bustling and can easily match the popularity of private cocktail parties in the evenings.

The World Economic Forum's Loft this year featured a unique set of sessions under the title "We need to talk about..." and hosted discussions on immigration, harassment, LGBTQ inclusion, race, religion, mental health and most notably social privilege. There is no denying that momentum is building, showing social issues are no longer peripheral but are front and center of the global agenda. There is also a palpable force shaking leaders to wake up from their echo chambers and pay attention. Along with all 7 women co-chairs of this year's Annual Meeting, NGOs, artists and social entrepreneurs have been reminding leaders about the importance of partnership

and dialogue for the world to avert catastrophic challenges ahead.

Some of the key messages include:

Environmental sustainability is featured prominently this year. The World Economic Forum's Global Risks Report 2018 stated that some of the top risks in the next decade are environmental: extreme weather conditions, natural disasters and failure of climate change mitigation and adaptation. There has been a lot of soul searching by companies, governments and international organizations about how can the world move forward with the Paris agreement. Other concerns include greenhouse gas emissions reduction, renewable energy, plastics pollution in the ocean and the role of circular economy in global supply chains and production.

Inequality and inclusion are also the talk of town but not every CEO feels comfortable providing solutions just yet. To kick start the Annual Meeting this year, Oxfam published a report that stated 82% of wealth created last year went to the richest 1% and that 42 people today own the same wealth as the poorest half of the rest of the world. The divide between haves and have nots has triggered a debate amongst Davos participants on how to bridge income inequality. Gender diversity and LGBTQ inclusion have also been top of mind in many discussions.



Education, healthcare, migration have received a lot of attention in terms of how technology can promote affordable and accessible healthcare and education. However, there are also worries about the impact of AI, robotics, blockchain on job displacement and social media's effect on mental health. On education, activist Malala Yousafzai has been featured talking about the link between education and empowerment for girls and poverty reduction, while Alibaba's Jack Ma said this morning that "Everything we teach should be different from machines."

Bill Gates was on a panel debating how to provide quality healthcare, and there were sessions on a range of health topics such as precision healthcare, genomics and pandemics. The Open Forum featured a session on the causes and solutions to depression, a worldwide epidemic affecting more than 320 million people worldwide. Refugee issues, human rights and immigration have also been highlighted in the agenda, and Crossroads Foundation hosted a real time simulation of what it is like to live like a refugee. CEOs have been walking out of the simulation with tears in their eyes.

In all of these discussions, everyone is clear that talk is not enough. Business leaders need to act:

Taking a stance on social issues: rather than avoiding difficult issues, business leaders now need to take a clear stance on social issues that were once considered controversial and taboo. By creating change from within their organizations, they can drive wider social change.

Promoting sustainable development goals: how can investments and technology be leveraged by business leaders to promote the sustainable development goals and create tangible impact on social and environmental challenges?

Creating an open dialogue: how can companies, governments and civil society continue to create public-private partnerships that raise awareness about these issues and more importantly tackle them head on with concrete changes?

With this year's theme of Creating a Shared Future in a Fractured World, there is an overwhelming sense that political and business leaders are committed to make the aspiration a reality. It is time to act.





Social Media – Trump Trumps Everything

Just as President Trump dominated the newspapers, he also dominated the Twittersphere. President Trump is unique in this space because, unlike any other world leader, he is his own spokesperson. His first two Davos tweets (tame by his standards) on successful bi-lateral meetings with the UK and Israeli Prime ministers quickly became the two most re-tweeted tweets of Davos.

After his closing speech the online reaction was exactly what you'd expect for a figure who is, by anyone's admission, polarising.

Supporters such as Newt Gingrich and Nigel Farage clocked up the re-tweets by praising the speech, although it was notable that neither included any of the President's messages, which represents a missed opportunity.

It was Trump's attack on the "vicious" media, and the negative reaction of the crowd in the hall, that got the largest reaction online. Significantly, several media outlets sent tweets about the "booing and hissing" at Trump's remarks, perhaps distracting from his "America first doesn't mean America alone" message.



Jim Acosta 
@Acosta

 2h

Boos and hisses in Davos crowd as Davos exec chmn Schwab complains Trump has been the victim of "biased interpretations."



Newt Gingrich 
@newtingrich

 1h

President Trump gave a remarkable speech at the World Economic Forum in Davos. provided a clear vision of America in the world.



AFP news agency 
@AFP

 1h

#BREAKING Davos audience boos US President Trump for 'fake news' remark
#WEF18



Nigel Farage 
@Nigel_Farage

 1h

Trump superb at Davos. If only we had a leader that could inspire confidence.

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