



G20 GERMANY 2017
BUSINESS 20 DIALOGUE

Report: B20 at the World Economic Forum

”Trade is an engine for job growth and welfare. But if we do not address the public concerns we will not gain sufficient support for open and inclusive trade policy.”

- B20 Chairman Juergen Heraeus





From left to right: John Danilovich, Sunil Mittal, Roberto Azevedo, Juergen Heraeus at the Trade Breakfast organized by B20, ICC and the WTO.



B20 Chairman Juergen Heraeus and Schaeffler AG CEO Klaus Rosenfeld discussing work of the B20.



The Artificial Intelligence Panel jointly organized by The Boston Consulting Group, Accenture and B20.



B20 Sherpa Stormy-Annika Mildner trying out the Microsoft HoloLens.



B20 Chairman Juergen Heraeus and Oliver Bäte, CEO of Allianz SE, at a bilateral meeting on B20.



Dennis Snower, Richard Samans and Juergen Heraeus at a panel on leadership during the 4th Industrial Revolution hosted by B20 and T20.

Key Themes at WEF 2017: Geopolitical Uncertainty, the Rise of Populism, and Structural Change through Digitalization and AI

As the premier forum for public-private exchange, the World Economic Forum (WEF) 2017 addressed many of the major challenges faced by the international community. Key among those were three topics echoed throughout the WEF's more than 400 sessions: geopolitical uncertainty, the surge in populism, and the disruptions caused by digitalization and automation.

From the decision of the United Kingdom to leave the European Union to the outcome of the 2016 U.S. presidential election many business leaders expressed a degree of uncertainty over the political underpinnings of the world economy. Indeed, the "G-Zero World", anticipated at the World Economic Forum in 2011, seems to have arrived, given increasingly fractured global leadership on everything from trade to climate change. This turning point in the international system was exemplified by the stark contrast of Chinese President Xi Jinping's powerful defense of globalization and the uncertainty over the more protectionist policies espoused by U.S. President Donald J. Trump, inaugurated on the last day of the Forum. International commercial relations seem poised to become more politicized in the future. As trade growth fell behind global GDP-growth for the first time in 15 years in 2016, fears manifested that we are moving from a multilateral, rule-based system to a more bilateral, transactional system, where stronger actors push through their interest without regard for systemic consequences.

One of the key driving forces behind this newfound sense of uncertainty is the rise in anti-globalization sentiment. Especially in developed economies that hitherto were considered the staunchest supporters of a liberal economic order, support for more economic nationalism is increasing. While the last 20 years saw the largest reduction in extreme poverty and inequality among nations in history, inequality in many nations has increased, often dramatically. Wages, meanwhile, remained largely stagnant. Many blame international commerce, providing ample breeding ground for populist sentiment that espouse protectionist narratives as an easy solution to bring back national prosperity.

Political leaders face a twin challenge: explaining much better the benefits of globalization, while also devising new policies that adequately adjust dislocations, e.g. by ensuring life-long learning and financial cushions. Without decisive steps in this direction, the current populist undercurrents in many societies threaten to undermine the consensus that has brought immense net welfare gains and ensured peaceful co-existence around the world.

The need for decisive action to address dislocation in the workplace is even greater with regard to future disruptions caused by digitalization and artificial intelligence – what is commonly referred to as the 'Fourth Industrial Revolution'. These technologies hold great promise, especially for aging societies facing protracted slow growth, as artificial intelligence and industrial robots enhance productivity and efficiency. Technological leaders at Davos were in agreement that, while these innovations will make some tasks currently performed by humans obsolete, they will also create new opportunities and are likely to have a net positive effect on employment. In order to seize these opportunities, however, the public and private sector must work hand-in-hand to provide opportunities for "upskilling" of the workforce. Given the nature of these technological innovations, it is impossible to anticipate the full range of their final application. Consequently, questions related to identity, community and ethics also need to be pro-actively tackled in a way that will not hinder the development of their positive effects.

Regarding all three challenges, participants of the WEF 2017 agreed on the need for decisive action by governments, businesses, and civil society.

Breakfast Roundtable “What’s Next for Global Trade?”

The annual World Economic Forum (WEF) in Davos brings together leaders from business and politics to discuss the world’s most pressing issues, from trade to global warming. This year, the emergent threat to an open, globalized world in the form of rising nationalism and protectionism was on top of the agenda. The B20 and its partners organized a range of events on the sidelines of the WEF in 2017 and continued its engagement and outreach activities.

On January 18th 2017, the B20, together with the International Chamber of Commerce (ICC) and the support of the World Trade Organization (WTO), organized a Breakfast Roundtable. Here we addressed the question “What’s Next for Global Trade?”

By the invitation of B20, Sherpa Dr. Stormy-Annika Mildner, B20 Chairman Juergen Heraeus, ICC Secretary General John Danilovich and ICC Chairman Sunil Mittal joined 30 executives from the private sector and leaders of international organizations. Together, they discussed the current developments in global trade with Roberto Azevedo, Director-General of the WTO.

One key theme of the roundtable was how businesses can be included and get involved in revitalizing multilateral trade initiatives. In this regard, the WTO Trade Dialogues, initiated in 2016 with the help of the ICC and B20, provides private actors with a voice in multilateral negotiations. Participants in the discussion agreed on the need to bolster multilateral initiatives led by the WTO.

In his remarks, B20 Chair Juergen Heraeus confirmed this sentiment. He underlined that the WTO has acted as the central enabler of global commerce in the past. He further pointed out that it must continue to fulfill that role in the face of growing anti-globalization sentiment. In order to achieve this goal, it is necessary for the G20 to act upon the grievances that citizens hold and present a policy framework for the future. To this end, the B20 Taskforce Trade and Investment suggests a more inclusive trade agenda that includes domestic adjustment policies shielding those most vulnerable from the negative effects of trade-related disruptions.

Sunil Mittal, who also acts as Co-Chair of the B20 Trade and Investment Taskforce, noted the rise of protectionism around the world, asking the G20 to fulfill its



From left to right: John Danilovich, Sunil Mittal, Roberto Azevedo, Juergen Heraeus, Stormy-Annika Mildner.



B20 Sherpa Stormy-Annika Mildner Rich Lesser, CEO of The Boston Consulting Group.

commitment to roll back protectionism. He also underlined the responsibility of business to better explain the benefits of globalization.

Moreover, the role of multilateral institutions such as the WTO is vital in establishing a new rulebook particularly for areas such as digitalization. Roberto Azevedo underlined that it is imperative that the private sector develop a list of policy proposals for the WTO Ministerial Conference in Argentina. The private sector had the unique capacity to jump-start dialogues on such cross-cutting issues as digital trade, Azevedo emphasized.

All participants agreed that global business should continue its efforts in demanding future-oriented regulation that allows innovative technologies to unleash their full potential. In this process, business leaders must assume their responsibility to contribute to the shaping of multilateral trade through their advocacy and expertise.

Artificial Intelligence: Driving Fundamental Transformation and Growth

During a breakfast meeting co-hosted by BCG and Accenture, panelists explored opportunities and challenges presented by advances in artificial intelligence (AI). Moderators included Philipp Gerbert, BCG Senior Partner, Fellow on AI in Business, and B20 Digitalization Taskforce Co-Chair Deputy; and Paul Daugherty, Accenture CTO. Panelists included Erik Brynjolfsson, Director of MIT's Initiative on the Digital Economy; Roland Busch, Siemens board member; José Manuel González-Páramo, BBVA executive board member; Bernd Leukert, SAP executive board member; and Klaus Rosenfeld, Schaeffler CEO. Juergen Heraeus, B20 Chairman, provided opening remarks.

The introduction underlined that 2016 will be remembered as the year Artificial Intelligence left the machine room and entered our business reality. The recent breakthroughs in optical pattern recognition and computer vision on the one hand, and voice recognition and natural language processing on the other hand had bestowed AI with vision and speech – thus rendering a wide range of business applications accessible. This is also why AI has been included in a core topic in the Digitalization work stream of B20 Germany.

Participants first focused on opportunities that AI advances, including pattern and speech recognition, present for businesses, including cost-saving efficiencies and revenue enhancement. Examples included using AI to improve transportation-equipment maintenance and availability, to more accurately interpret MRI scans, and to equip self-driving vehicles with active roll stabilisers using sensor-armed bearings that 'read the road.' In finance, examples included enhancing not only financial inclusion but also the quality of advisory services, transaction efficiency, credit-risk assessments, and predictive cybersecurity.

In customer service, virtual agent technology can liberate employees to concentrate on advising customers-higher-value work that improves customer satisfaction. And wherever AI takes on repetitive data-entry tasks, jobs become more interesting because employees can spend more time interacting with other human beings.

But AI presents challenges, too. Employees in small-to-midsize companies, especially, fear losing their jobs to it. To lessen the risk of political backlash, companies



From left to right: Philipp Gerbert, Erik Brynjolfsson, Klaus Rosenfeld, José Manuel González-Páramo, Roland Busch, Bernd Leukert and Paul Daugherty.



B20 Chair Juergen Heraeus giving opening remarks.

will need to ensure that human beings share in AI's benefits, including greater prosperity.

Keys to this effort will include retraining workers to boost their productivity through use of AI, investing in cybersecurity, and using AI to make more informed decisions about matters such as product safety.

Audience members posed questions about these recommendations, including how economically feasible retraining is, given that replacing older workers with younger, more digital-savvy ones may be less expensive than retraining.

Panelists noted the importance of retaining people with domain expertise, including longtime experience with how their company makes products.

Regarding cybersecurity, the question arose of whether transparency of complex adaptive systems is

making companies and societies more vulnerable to cyberattacks, and thus whether such systems can be trusted. Panelists agreed that ‘the bad guys’ are growing ever more sophisticated. Security must therefore remain a top priority, for multiple stakeholders. Additionally, if AI systems can be designed to better clarify how they ‘think,’ human beings will be more likely to trust them.

Panelists concluded the meeting by noting the importance of combining humans and machines in ways that enable people to create more value and competitive advantages for their organisations. They also acknowledged the need for better understanding of the regulations and policies needed to ensure that digital innovation improves quality of life for all people. Ultimately, the goal is responsible AI - characterised by accountability for how decisions are made, clarity about which tasks machines and humans should perform, transparency into how AI outcomes are assessed, fairness and honesty in how data is used, and – always - a commitment to putting human beings at the centre.

BCG Private Diner: The Biology of Corporate Survival

The day ended with the coming together of all participants at a communal dinner event. BCG's CEO and President, Rich Lesser hosted 250 guests at a dinner for business leaders, academia and the public sector to enjoy good conversation in a welcoming environment. The dinner featured a keynote by Martin Reeves, Director of the BCG Henderson Institute, on "The Biology of Corporate Survival" (Martin Reeves' TED talk with over one million) and remarks by Jeff Schumacher, CEO of BCG Digital Ventures.

The WEF remains unique in bringing leaders in business, politics, and society together. In a number of bilateral meetings with members of our B20 task forces throughout the day, we were able to reflect and reconsider how the debates at the forum affect the work of our policy recommendations to the upcoming G20 summit.



B20 Chair Stormy-Annika Mildner with B20 Special Advisor Robert Milliner.



The Boston Consulting Group hosted a private dinner featuring a talk on the “Biology of Corporate Survival”.



B20 Chair Juergen Heraeus.

B20/T20 Event – Responsive and Responsible Leadership in the Fourth Industrial Revolution: Policy and Narrative Suggestions for G20 Leaders

On the last day of the World Economic Forum, the B20 participated in an event with the Think20 (T20), the official research and policy advice network of the G20, and the WEF. The panel discussion under the theme of “Responsive and Responsible Leadership in the Fourth Industrial Revolution: Policy and Narrative Suggestions for G20 Leaders” was part of a larger initiative to open up the policy formulation process to multiple stakeholders of all societal spheres.

Following introductory remarks by Dennis Snower, President of the Kiel Institute for the World Economy and Chairman of the Think 20 (T20), the discussion rounds debated the implications of the past and future disruptions caused by economic development in a holistic fashion. Moderated by Richard Samans, Member of the Managing Board of the World Economic Forum, the central questions of the debate related among others to the future of the workforce. What type of economic policy do we need to spur innovation while guaranteeing social inclusion? Both aspects are necessary to minimize threats to communities and harness the social benefits of the Fourth Industrial Revolution. Moreover, how will notions of identity and community be transformed by the disruptions caused by Industry 4.0, as it changes the way we work and interact with each other? With regard to the latter, how do social discourses need to be adapted in the face of wide-spread digital media usage?

In his closing remarks, B20 Chair Juergen Heraeus acknowledged that while potential disruptions of increased automation and digitalization have to be preemptively addressed, societies have to be careful not to stifle innovation through overzealous regulation. While critical voices often call for action to prevent risks that they see as inevitably occurring, they disregard the inverse need for proactive steps to secure the benefits of new technologies. These are substantial, as automation has the potential to increase the working efficiency and productivity in a time of aging societies. Rather than obstructing innovation in an effort to shield vulnerable groups, governments and the private sector should assume the responsibility of preparing their ci-



Juergen Heraeus delivering closing remarks during a panel with Dennis Snower and Richard Samans.

itizens for future shifts in the nature of work. Thus, initiatives aimed at lifelong learning should be at the forefront of any policy response.

Lastly, Heraeus underlined the potential for inclusiveness of new channels of communication but also hinted at the danger of misinformation campaigns that threaten an informed public dialogue – offline or online.

The B20, in its capacity as the voice of the private sector during the G20 process, has incorporated the input provided by experts from all fields during various events at the World Economic Forum in its work and looks forward to engaging the G20 on these important issues.

We thank our partners the WEF, ICC, BCG, Accenture and the T20 for hosting or co-organizing with B20 at this year's WEF.

Imprint

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