

Between the lines

30 January 2023

Learnings from Davos

Recent headlines have been full of updates from Davos, the annual meeting of the World Economic Forum (WEF), an international lobbying organisation that carries out research and studies to shape global, regional, and industry agendas.

Named after the Swiss ski resort where it takes place, Davos is a gathering of world leaders, economists, and leading policymakers to discuss the most pressing issues facing the global economy. This year, Davos addressed the theme of 'cooperation in a fragmented world'.



Relevance during division

In recent years, protectionism – where countries prioritise nationalist economic agendas and growth pursuits over international efforts – has gained greater attention from economists. This has been partly due to events like Brexit and the Trump presidency.

This means criticisms have been levelled at the relevance of Davos, and by extension the WEF given the apparent set-back for globalisation and the ongoing rifts created by the Russian invasion of Ukraine. Additionally, there was a shortage of major political leaders in attendance, with only Olaf Scholz, Chancellor of Germany, finding the time to be there.

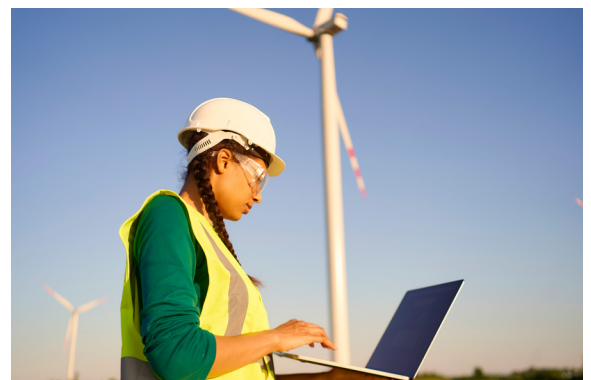
However, it can nonetheless be very interesting to watch what is discussed at Davos and there were important signposts for anyone interested in the protectionism versus globalisation theme. For instance, the International Monetary Fund (IMF) hinted at a potential upgrade for global growth forecasts after three downgrades in 2022 but again warned about the risks of the world splitting into rival economic blocs – citing a recent report that claimed this could take up to 7% off global growth.

The vice-premier of China also gave a revealing talk where he explicitly highlighted the need to “abandon the cold war mentality”, which is particularly relevant given the recent reopening of China, the world’s second-largest economy.

Importance of going green

Of most interest to many was the time spent discussing the burgeoning green economy, and the support this is gaining from senior policymakers. There was extensive rhetoric about the importance of energy transition and the very real risks posed by climate change. Particularly interesting is the raft of new renewable energy subsidies being revealed in Europe, through the EU’s Green Deal Industry Plan. This is being launched in response to the seismic US Inflation Reduction Act and includes several policy measures, not least looser state aid rules for clean tech manufacturing in EU member states like France and Germany.

The scale of investment required to support meaningful and widespread energy transition is vast and will create opportunities globally throughout different energy systems and infrastructure, which is why it is being monitored with such interest.



Key takeaways

- The green economy is likely to continue gaining attention and support from policymakers.
- Clean tech industries in the EU could be a major beneficiary of energy transition.
- China conveyed a surprisingly friendly message, looking to revive ties with the West.
- Threats to globalisation continue to play a major role in the outlook for global growth.

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