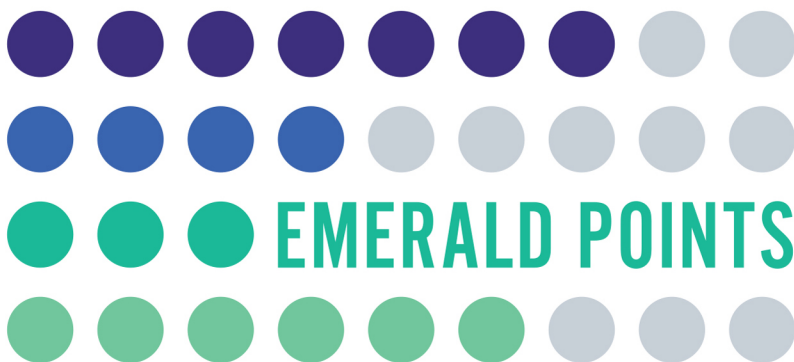


THE WORLD ECONOMIC FORUM AND TRANSNATIONAL NETWORKING

Elizabeth Friesen



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FOREWORD

I first became aware of the impact of the World Economic Forum (WEF) while tracing the progress of the transnational civil society campaign for the cancellation of third world debt, a campaign which culminated in the adoption of the Multilateral Debt Relief Initiative at the G8 in 2005. I chose the case of the campaign for the cancellation of third world debt because I was interested in theories of power. The power of the liberalised international financial system to shape not only international economic relations but also economic, political, and social realities within states seemed to me to be unprecedented in its scope and scale. Following Polanyi, I wanted to explore the kinds of power societies might bring to bear in response.

This eventually led me to the transnational civil society campaign for the cancellation of third world debt (Friesen, 2009, 2012). As I traced the origins and activities of the national and transnational civil society actors, organisations, and networks involved in this campaign, I became aware of the somewhat surprising role the WEF had played in this process. There is very little analysis of the WEF as a transnational political actor and I believe this is a serious oversight. The WEF is an increasingly engaged and well-connected transnational actor in the global political economy. The innovative transnational politics practiced by the WEF are not formally legitimised by states but they are underpinned

by unconventional sources of power and influence. At present, the norms and formal institutional structures of the international order appear to be eroding and research into transnational politics and non-state sources of resilience in the international political economy is particularly relevant. The WEF is an unusual transnational organisation with unique capabilities. It is energetic, ambitious, innovative and now more determined than ever to take a part in addressing the most challenging issues in world politics.

INTRODUCTION

World politics is continuing to undergo rapid and unprecedented change. Traditional state centric “international” politics is being supplemented by a multitude of new political actors. Organisations and networks drawing on innovative sources of power and legitimacy, have become increasingly influential in world politics. In recent years, much has been written about civil society and its capacity to challenge conventional wisdom, shape discourse, and set new agendas. In this large body of research, however, the impact of the World Economic Forum (WEF) has been neglected. This is, perhaps, due to the WEF’s private structure, its elite membership, or its apparent emphasis on the interests of its corporate members. After all what could an elitist “talk shop” possibly have to do with “improving the state of the world” in any meaningful way? The WEF, however unusual, is much more than a private club for business elites. It has become an important part of transnational civil society. Neglecting its impact is a serious omission which impedes our ability to grasp the bigger picture of what is going on in international and transnational politics both today and in the future. As early optimism about the emancipatory potential of civil society, transnational

politics, and social media, networking gives way to a darker reality, research which seeks to better understand the sources of transformation and breakdown, but also resilience and continuity in world politics is more relevant than ever.

This book examines the WEF as a meeting place, a transnational network, an influential campaigner participant, and a launching pad for a myriad of initiatives intended to “improve the state of the world”.¹ It will discuss how this innovative organisation developed, how it works, what it has to offer, why it matters today, and what it might mean for the future.

The WEF started off in life as the European Management Forum (EMF). It was founded in 1971 to help European businessmen benefit from the best American management techniques available at the time. The EMF quickly developed into an important private organisation which prided itself on providing networking opportunities and cutting edge information on the state of the world economy to its business members. In 1987, it changed its name to the WEF. Over the years, the WEF has continued to expand its activities in scope and scale. The WEF wields substantial material power. It is an important source of up-to-date data and analysis of the world economy. It creates and controls access to important networking opportunities for its members and others. In 1999, the WEF adopted a new motto “Committed to improving the state of the world” and over the past 20 years it has developed into an important norm entrepreneur. Just as more conventional transnational civil society actors and non-governmental organisations (NGOs) strive to “raise consciousness”, reshape agendas, and redefine interests so too does the WEF. What is particularly interesting is that the WEF and civil society organizations (CSOs) cooperate and sometimes share common normative goals.

While researching the transnational civil society campaign for the cancellation of third world debt (Friesen, 2012), I was

struck by the somewhat counterintuitive discovery that in this campaign the elite, business centric WEF did not necessarily stand in opposition to the more populist CSOs and NGOs. Instead, with respect to this campaign at least, appeared to work as allies. For years, the WEF had prided itself on providing cutting edge information as well as unique educational and networking opportunities to its business members. Therefore, it is not really surprising that after observing the “coming out” of the alter-globalisation movement in Seattle in the fall of 1999, the WEF’s leadership determined to invite representatives of many of the NGOs involved in the Seattle demonstrations to the Davos annual meeting in February 2000. A number of NGOs accepted the invitation and since then representatives from organisations like Oxfam, Friends of the Earth, and Amnesty International have become important participants at Davos. Their influence can be seen in the forging of support for third world debt cancellation, philanthropic efforts such as the Global Fund, and the doctrine of corporate social responsibility. The Davos meeting became an important site from which to challenge simplistic versions of neoliberalism or “market fundamentalism”. As we will see below, “market fundamentalism” is a term coined at Davos and intended to call attention to how a dogmatic faith in neoliberal ideology can produce detrimental outcomes in the international political economy. The complementary relationship between the WEF and other transnational and international actors continues to this day. It can be seen in ongoing efforts to target social tensions, economic inequality, climate change, as well as the challenges presented new rapidly evolving technologies of what the WEF has labelled the “Fourth Industrial Revolution”.

The WEF has grown into an organisation that is well suited to negotiate the complications and uncertainties of twenty-first century politics. Although the WEF’s original focus was

on providing its business members with the resources to compete and prosper in the international economy, as we will see, it soon added international diplomacy to its repertoire. However, its most important and enduring addition, especially taking into consideration how it has developed over the last two decades, was the WEF's growing interest and activism around the broadly defined social and environmental side effects of capitalist market relations. In the 1990s, the leadership of the WEF became aware that tensions between negative economic externalities, the negative unintended outcomes of certain "free" market processes, and the social reaction to these negative outcomes presented a potential threat to the future of capitalist systems. Growing out of the desire to protect the capitalist economic system and avoid political breakdown (or worse), the WEF created a forum where it was possible for participants to question the fundamental assumptions as well as the policy prescriptions of neoliberal, free market economics and not be dismissed as either hopelessly naïve or simply too ignorant to grasp the elegant math which proved just how "magical" markets were.

The resilience of capitalist systems, however, is not only the result of the markets impressive capacity to mobilise material resources. It is also due to society's social and normative structures that support as well as place limits on market processes.² These were not new ideas but in the last three decades of the twentieth century these insights had become increasingly marginalised. As neoliberal orthodoxy took hold of economic elites crowding out dissenting views, it is to the credit of the WEF that dissenting views, while not embraced, were, at least occasionally, voiced at Davos. The Polanyian double movement and the dangers of "market fundamentalism", led the WEF into an ever expanding series of questions and, eventually doubts.

Since its earliest days, the WEF leadership prided itself on providing not only networking and knowledge but also a

stimulating and provocative intellectual environment for its members. Through its power to both set the agenda and determine the guest list for its annual meetings at Davos, at each meeting the WEF leadership was able to focus the discussion on issues and ideas it believed to be of greatest importance. This power to provide a forum for informal contestation and discussion as well as a brand that garnered both elite and popular attention was, and continues to be one of the most important powers of the WEF. While the power of the business members of the WEF is clearly based in the substantial material resources at their disposal, the WEF derives a large part of its power from its capacity to serve the material interests of its members. More recently, however, it has developed substantial capacities with respect to another kind of power – one based on ideas, beliefs, norms, and values.

POWER AND THE WEF

The WEF has become an important transnational actor in world politics but how can we better understand what kind of power it wields? In the international system, legitimate power or authority has been associated primarily with states. International organizations (IOs), even when they challenge state power, still draw much of their authority from the authority of their member states. Other participants in global governance, however, increasingly draw on sources of legitimacy and authority that lie outside the sovereign state. This has been the case in the past and this is increasingly the case at present.³ Many NGOs who are active participants in global governance draw legitimacy from normative beliefs and values. When IOs such as the United Nations formalise rights and goals in the Universal Declaration of Human Rights, the Millennium Development Goals or their successor the

sustainable development goals, they are frequently invoked by NGOs. This adds an additional degree of legitimacy to their demands and, although in a formal sense their authority remains open to question, in practice many NGOs have become important and respected actors in world politics.

Furthermore, markets and market structures present another important site of power relations in global governance. Markets are often presented as apolitical, efficiency maximising mechanisms which work based on rational decision making. They are simply tools which embody no power relations and therefore have no need of legitimacy. Depending on one's ideological perspective, this view may be more or less convincing. This book follows those who take the view that markets do in fact embody substantial power relations. The rules and practices which govern economic relations are not "natural" or even necessarily rational. They vary with time and place and are both contingent and contested. They are the product of a political process and the evidence of substantial power at work. The rules governing market relations can be designed to benefit some and disadvantage others or, as is obvious today as the planet finds itself on the brink of catastrophic climate change, these rules can be designed to exclude specific costs from its calculus by defining them as external to market logic. Markets are therefore another important site of power and capable of shaping agendas, limiting dissent, and even determining action.⁴

Power is not limited to state actors. But how exactly does this point relate to the WEF which is after all the focus of this book? Why take time to go through arguments which at this point in time may seem obvious? The answer is simply that while the WEF started off as a private club for business members it has made itself into an influential transnational CSO that wields not just power but also authority on the world stage. But what kind of power can a relatively

small, private organisation have? Even if the WEF's members comprise 1,000 of the most important corporations on earth, how can a private organisation, relying only on the voluntary participation of its members have power in any practical sense. How could such a relatively small organisation possibly challenges existing and entrenched international power structures in any meaningful way?

To address these questions, it is necessary to consider the concept of power in theory and in practice. This book draws on two theoretical frameworks of power: the first by Steven Lukes (1974) and the second by Barnett and Duval (2005). In Lukes' (1974, pp. 11–25) framework, power is divided into three “dimensions”. The first “one dimensional view of power” focusses on behaviour, decision making, and observable, overt conflict over interests. Lukes' second “two dimensional view of power” has a broader focus. Like the first dimension, it addresses decision making but also recognises that power relations are equally inherent in non-decision making. Non-decision making is defined as:

a means by which demands for change in the existing allocation of benefits and privileges in the community can be suffocated before they are even voiced; or kept covert; or killed before they gain access to the relevant decision making arena; or, failing all these things, maimed or destroyed in the decision making implementing stage of the policy process. (Bachrach & Barantz, 1970, p. 44, in Lukes, 1974, p. 19).

Like the one-dimensional view of power, the two-dimensional view emphasises observable conflict but it also includes grievances which do not make their way into the political system. It emphasises a conflict of interests but this conflict may be overt or covert. Lukes' third-dimensional

view of power, however, is something quite different. Lukes (1974, p. 23) writes:

A may exercise power over B by getting him to do what he does not want to do, but he also exercises power over him by influencing, shaping or determining his very wants. Indeed, is it not the supreme exercise of power to get another or others to have the desires you want them to have – that is to secure their compliance by controlling their thoughts and desires?

Lukes (1974, p. 24) adds:

Is it not the supreme and most insidious exercise of power to prevent people, to whatever degree, from having grievances by shaping their perceptions, cognitions and preferences in such a way that they accept their role in the existing order of things, either because they can see or imagine no alternative to it, or because they see it as naturally and unchangeable, or because they value it as divinely ordained and beneficial?

In the third dimension of power, Lukes flags the power relations inherent in control of the political agenda and highlights the need to include not only observable conflict but also latent conflict in any conception of power. This insight helps to clarify the immense power inherent in economic structures and the political power that derives from the capacity to set the rules that govern economic structures. Lukes reminds us that the privilege to set the rules is won in a political contest but that this contest may be either overt or latent. Networks of consent set the tone and create an intellectual climate in which certain outcomes are considered to be possible, while others remain out of the question. Lukes' framework points