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Discussion at the Annual Meeting of the World Economic Forum

Secretary Condoleezza Rice

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DR. SCHWAB: Thank you, Madame Secretary. I may now ask our co-chairs to join and I will ask each of the co-chairs to comment rapidly on the speech of Dr. Rice, to raise maybe an issue. And Madame Secretary, I hope that you will give us the pleasure to respond rapidly afterwards to the issues raised.

So please welcome with me the co-chairs of the meeting: Tony Blair, Prime Minister of the United Kingdom from '97 to 2007 (applause); Jamie Dimon, Chairman and Executive Officer of JP Morgan Chase and Company, USA; Mr. Kamath, the Managing Director and Chief Executive Officer of ICICI Bank in India; I have to say my teacher 40 years ago, Dr. Henry Kissinger; Indra Nooyi, the Chairman and Chief Executive Officer of PepsiCo; David O'Reilly, the Chairman and Chief Executive Officer of Chevron; and Chairman Wang, the Chief Executive of China Mobile Communications Corporation.

Prime Minister Tony Blair, would you like to start?

MR. KISSINGER: We go always in alphabetical order. (Laughter.)

MR. BLAIR: Thank you very much, Klaus. And first of all, I should like to congratulate you, Condi, on what I thought was a fantastic speech. I thought it was a great speech; I really did. (Applause.) I just have one reflection because, obviously, spending a lot of time out in the Middle East at the moment, I think the Middle East is a region that is in transition and the question is, where is it transiting to?

And I think you've got two competing visions. One is actually a vision very similar to the one that you outlined, which is about opening up, which is about trying to bring the political and the cultural and the social into line with the enormous economic power that that region now has right at the cutting edge of globalization. And I think, you know, this is

a region rich, as we know, in danger, but also rich in opportunity and possibility, and you've got a new generation of leaders out there who are really trying to make those changes. And that's one vision which is opening up.

And then I think you've got a second competing vision, which is that of the extremists, the people who want to define themselves by difference and who want to close down. And all I would say – and this is why I very much welcome both what you said and also your own personal commitment to the Middle East peace process – is that this is a struggle out there in the Middle East that affects all of us. This is one of the great things that we now recognize. It's one of the things that's important about this forum. This affects all of us.

What decision that region takes – opening up or closing down – is a decision that will affect the security and the prosperity of all of us. And there is, in my view, nothing more important to empower the modern and moderate voices and to disable the extremes than if we get peace between Israel and Palestine based on justice and fairness and democracy. (Applause.)

DR. SCHWAB: Mr. Dimon.

MR. DIMON: Thank you very much. First of all, I also appreciate being invited to Davos. And I was once asked, you know, what's the most important thing to you personally, not as a corporate executive, and I answered that humanity is obviously the most important. So I really applaud Madame Secretary, Tony Blair, Henry Kissinger, for the work they've done, you know, trying to make this a better world, which I think is the most important thing we do.

You know, as a corporate executive, one of the things that I think most – I think I probably speak for most corporations here – they really do try hard to be great corporate citizens, whether it's, you know, helping the disabled or getting jobs or the homeless or charities or after catastrophes being helpful. And climate change – I won't go through a lot of it, but in terms of investing in technology, building green buildings, testing green branches.

But one of the things that is – I just think is so important it that – that's helped this world a lot is globalization. And globalization itself is being attacked from the left, it's being attacked from the right, and there are legitimate concerns and some legitimate losers in globalization that, you know, we should thoughtfully think about and talk about.

But if you talk about the poverty, you know, most economists say the last 20-30 years globalization has taken something like 2 billion people out of poverty. And this also brought the world closer. You know, most of us now – you know, a lot of people travel around the world. They have friends around the world. It's made a big difference.

So I just urge that we continue to work not just as corporations but as individuals on things like globalization. And I think, Klaus, like you said, they are things that take collaboration, that it's not going to be determined by, you know, a corporation or just even one country.

And the other – one last point is that there's good policy and bad policy, and you know, the road to hell is paved with good intentions. There are a lot of people, I always hear, have these fabulous values – which I believe in the values – but I think their policies may very well have the opposite effect. And so we have to be very careful at designing great policies.

DR. SCHWAB: Thank you. Mr. Kamath.

MR. KAMATH: Thank you. An Indian point of view. Let me start by complimenting the Secretary for setting the agenda for us of collaboration, of hope and optimism, because that's what I took away from your speech, Madame Secretary.

You so eloquently outlined what collaboration can do. You also pointed out that 50 percent of the world is a world where, you know, poverty exists and we need to alleviate this. Could you share with us your thoughts on what is it that we could do in a collaborative context that would alleviate this hunger, this disease, this lack of access to education, and the elevation of this mass into the world which has all the things?

DR. SCHWAB: Thank you. Henry.

DR. KISSINGER: First of all, let me congratulate Condi on her – on a powerful and noble speech. And let me make a philosophical observation because I'm usually classed among the so-called realists against the so-called idealists, and make the point that this distinction is really not a meaningful distinction. The task of any leader is to take a society from where it is to where it hasn't been. That takes idealism. If you confine yourself to the familiar, there is stagnation. The problem is to – where is the limit to which you can take the society in any period of time. Prophets have absolute values that they want implemented immediately. Statesmen have to adjust it to the toleration of the system. And this, I think, will be the big debate in America next year and in the new administration, and this will determine the degree to which we form a domestic consensus and are able to create an international consensus.

In particular, I would like to endorse what has been said about Iran. The issue of Iran is not a quarrel between America and Iran. It is the challenge that proliferation almost inevitably will produce a nuclear catastrophe. And in that sense, we are acting in surrogate for universal values. And the challenge, as I understood you to pose is, to Iran, as a – will it act as a cause or as a state? And if it acts as a state, if I understood you correctly, you were saying America will accept yes as an answer. (Applause.)

SECRETARY RICE: Thank you. Well, perhaps I could make just a few comments on comments that have been made. Let me start with the Israeli-Palestinian issue. And first of all, Tony Blair and I are working together. He has kindly and generously taken on the work of Quartet Representative and is doing a lot of work to do something that is very important. We talk very often about the need for peace and indeed, the negotiations are important, but we talk not enough about the importance of building the capacity of the Palestinians to govern themselves, to have a functioning economy, to be able to provide for their people. And Tony is doing the work, the hard work of institution-building and economic development. And it is an effort that deserves everybody's help and attention.

The fact is that the – we've tried, from time to time, to try to do just the economic piece or just the political piece and unless they go together, this enterprise is not going to succeed. But I fundamentally agree that for the Middle East as a whole, the establishment of a Palestinian state is essential to the development of the kind of Middle East that we want to see, one in which extremists are marginalized and in which moderate people win out.

You have to be able – Tony mentioned what can be done to empower moderates; well, you can't just support them with rhetoric. The Palestinian people have been told a lot that they're going to have a state, that a two-state solution is important. But unless they can see what that state is going to be – and I see my friend Jim Wolfensohn in the audience as well, who worked very hard on this in 2005, 2006 – unless they can see what that state is going to be, which is the purpose of the negotiations, to talk about what its borders will be, to talk about its viability, then you're not going to get the kind of support for the moderates and support from the region, which is also very important. So there are really

three tracks here: the political negotiations between Prime Minister Olmert and President Abbas, the building of capacity that Tony Blair is working on, and then of course, the support of the Arab states.

I'd like to take the issue of corporate responsibility, globalization, poverty as a kind of set, if I may, because I'm always very impressed, actually, by the willingness of corporate – the corporate community to act as good international citizens. We have a lot of cooperation; State Department with global partners. I myself know from having been a part of many nonprofit ventures how important corporate support is to education, to international education, but also to education here in the United States.

And it seems to me that one of our reactions to globalization, if I could bring it back to a more narrow scale, is that you mentioned that there will be some losers from globalization. And I think that our problem now is that we have no way to say to people who believe that they are not going to be winners that there is a place for them. And it is driving a kind of economic populism that I think is actually quite dangerous.

I believe, and this maybe comes because of my role as an educator, my past as an educator, that one of the most important national security and international security elements is education, that if you can provide for people skills if they need to be retrained, but education for their children so that they are prepared for the world that is coming, you will have more confident people, you will have more forward-looking people, and they will not tend to turn inward. And so I wanted to take this moment to applaud the corporate world because you have been really great partners in many educational endeavors and I hope that you will keep it.

Let me say one other word about globalization and poverty. You asked about the terrible statistics on poverty. I think we do know what works. We know that governments have to be responsible. We know that development has to be a two-way street. We know that you can't put development assistance in and have it all go into corruption. We know all of those things. And I think sometimes there has been, frankly, a kind of patronizing attitude about governments in the third world that somehow – or in the developing world – they just can't quite get their act together. Well, of course, they can.

Our challenge is that some of the developing countries that are also democratic are having a hard time delivering for their people and making the argument that democracy works at the level where people want jobs and a better life. And so the work with those young democracies is very important. But if I could focus on one thing in every developing country, it would be women's empowerment. We know that when women are better educated, we know that when women found businesses, we know that they feed whole villages through their endeavors. And so if I could focus on one thing, it would be women's empowerment. (Applause.)

And finally, let me just say a word to my friend and really my mentor and somebody with whom I consult a lot, Henry Kissinger. Henry was the embodiment of someone who believed not just the art of the possible in diplomacy but in expanding what the art of the possible could be. And that's really, I think, what you're saying, Henry. If you just as a diplomat think, all right, we have to deal within this little narrow square and we're going to just talk until we find a conclusion, you're really not going to solve problems. You may manage them, but you're not going to solve them.

If I take the example of your opening to China, this was, in fact, a revolution that we today are still benefitting from. And the good thing is that American governments, American administrations time after time after time, continued to expand on that opening and to realize that a productive relationship with China was in America's interest and the interest of the world. That is really very important to all of you for America, that then when there is an opening of that kind that it is

sustained in a bipartisan way throughout administrations after administrations after administrations. And I hope that our debate this year as we move to the election of a new president will do precisely that, which is to bring Americans together around what our interests and values say about what we will be for the world in the future.

And finally on Iran, yes, I'm sometimes – I simply wonder not why won't we talk to Tehran, but why won't Tehran talk to us. I've said that with the suspension of enrichment and reprocessing, which would be important so that Iran doesn't continue to perfect this technology that can lead to nuclear weapons material and ultimately to a nuclear weapon, I've said if that suspension takes place I will meet my counterpart anytime, anyplace, anywhere to talk about anything. I don't know how to make a stronger invitation than that.

DR. SCHWAB: Thank you. (Applause.) Indra.

MS. NOOYI: It's very hard to follow that great talk you just gave us, Madame Secretary, but let me just make a few points. I come from the corporate sector. And what's interesting is just sitting through the meetings today, then listening to your speech, the meeting and the mood today has been overwhelmed by the financial crisis, or the financial issues – it's not even a crisis, just a downturn. And we are consumed by short-term issues, when you were talking about long-term issues that have been addressed for a quarter of century and still are not yet fully addressed. So I think the whole idea of Davos is really to talk about those big issues that will shape the world and I hope that's how we view Davos going forward.

Secondly, I think prosperity is the enemy of the terrorist, so it's critically important that we

focus on economic development and push forward the idea of globalization. Because if we don't do that, I think all of the issues we talked about – terrorism, all those issues – will rear their ugly head constantly.

The last point I'd make is the boundaries between state, business and civil society are blurred. And it's critically important that we use corporations as a productive player in addressing some of the big issues facing the world. And I think all of those companies want to be the good companies, not just both from a commercial sense but (inaudible) from a moral sense. We want to do our job to make society better.

So I hope that as you think about addressing these big issues, corporations are used as a valuable ally to help you address these issues. Because if you look at the eighth millennium development goal, it talks about collaboration and development. We want to do our part and I hope you call up to us to really shape the world so that it's a better place for all of us. (Applause.)

DR. SCHWAB: Chairman Wang. (Applause.)

MR. WANG: Thank you. I'm also from business, so if I may, I'd like to talk about what contributions business people can do to support the challenges. All of us know the world is facing challenges. One of them is climate change. In terms of climate change, I think people from different countries have already reached consensus.

Number one, global warming now is an undeniable fact. Number two, global warming has severe impact on the natural environment as well as human existence and development. Number three, apart from the factor in nature itself, climate change has a lot connected with human activities, especially the emission of greenhouse gases. Number

four, climate change is a global challenge, which calls for joint efforts of all countries and all businesses. All companies, I think, of different countries need to pay attention to climate change and take it as their responsibility. And the current priority is the reduction of the emission of carbon.

To take an example of my sector, telecommunications, telecommunication is a sector with lower consumption of energy. But because of the increase of the network capacity and the growth of subscribers, even telecom sector becomes (inaudible) with regards increasing of consumption of energy. So now we are doing joint efforts with domestic and with the international companies to energy conservancy and emission reduction. And we now use new equipment with low energy conservancy. In rural area, we start to use solar and wind energy products and other clean energy products. All of those steps may increase capital expenditure to companies, but we think they are worthwhile. So I think on the issue of climate change today, what we need is not only the consensus, but also the joint action. (Applause.)

MR. SCHWAB: David.

MR. DIMON: Well, Klaus, thank you. I – at the risk of sounding provincial as the energy person on this panel, I expect that energy will be on the docket for this year's Davos and I look forward to a lot of discussion about it because there is a link obviously between energy, economy and environment, which we were describing even here this evening. You know, energy demand has been growing in the past decade and rapidly, and it's the result of good news. And the good news here is that the developing world's economic growth has been accelerating, which has required more energy to support that economic growth. Now, that's the good part.

The bad part or the challenge, I think, is that, as Secretary Rice pointed out, there's still 3 billion people in the world who aspire to improve their standard of living, who are seeking a higher quality of life, and that quality of life is going to require energy. And the scale of the energy system is so large, the challenge of how we can support economic growth, provide the energy so that the standard of living of these 3 billion people rises and provide that in an environmentally sound way is indeed a big challenge. And it's something that I think begs for the very theme of this conference, which is collaboration and innovation.

So I'm looking forward to this conference this year. I'm looking forward to a vibrant discussion about this. And I hope that we'll come away from the conference with some actionable items for the private sector, for NGOs and for the public sector. Because we have an opportunity here, we have a challenge, and I think this is the venue to take on that challenge. Thank you.

DR. SCHWAB: Madame Secretary.

SECRETARY RICE: Well, yes. Let me just say on climate change, as I said in my remarks, the United States takes very seriously this challenge and we want to be good partners in resolving it. I think that it will take a focus on the link between energy, economic growth and the environment because, as you mentioned, Dave, not only are there 3 billion people who want to improve their lives, but they're growing and they intend to continue growing. A country like China, a country like India, cannot afford not to grow. And one of the elements that President Bush has tried to bring into the debate and I think that is now accepted is that any solution is going to have to include particularly major developing economies and will have – that they will have to be able to access a new route to energy sufficiency that does not harm the environment. And so it seems to me that these three do go together very closely and that this is the perfect place. I wish I could stay for this conference to address it.

But I'd like to close, perhaps, on a note that you made about the long term and Davos in the long term. It is for all of us who live very busy lives, and I'm sure lives where you come to your desk every day and you think, oh, my goodness, what am I going to do about that problem today. And it can be at times a bit overwhelming. And I try always to remember that we are dealing in a long context, not just a short-term one. And the wonderful thing about a forum like this is that it brings together people from business who can't just think short term. Yes, there's today's earnings, but if you're going to have continuous business development and sustainability, you have to think about the long term. You have to think about the challenges that are going to be there tomorrow, not just those of today. It brings them together with people in civil society who are working on problems that are not going to be resolved tomorrow.

I see my good friend Anne Veneman out there who runs UNICEF. We have a responsibility to children who have a – should have a future and should know that today is going to be – that tomorrow is going to be better than today, but it's not going to be resolved today. And of course, it brings together political leaders and diplomats and the like, all of whom I think have a responsibility to remember one thing and it's something I try to remember every day: Today's headlines are rarely the same as history's judgments. Thank you very much. (Applause.)

MR. O'REILLY: Thank you again, co-chairs and thank you, particularly, Madame Secretary. I have again two wishes. The first wish is that the ideas which you presented to us in the course of the next 12 months, you can implement them as much as possible. And the second wish is when the 12 months are over, maybe we can welcome you as many times as possible here. Thank you again, Dr. Rice and thank you co-chairs. The meeting is adjourned.

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