

Davos World Economic Forum: Pricy Corporate Trade Association Loses Its Camouflage



Public Citizen's Global Trade Watch

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Davos World Economic Forum: Pricey Corporate Trade Association Loses Its Camouflage

Introduction

The World Economic Forum (WEF) is bringing its annual meeting from its traditional venue in Davos, Switzerland, to New York City between January 31 and February 4, 2002. The WEF was founded in 1971 by Klaus M. Schwab, a Swiss business professor, to teach European and American business management techniques.¹ Over the next three decades, Schwab transformed the WEF into an elite, invitation-only corporate trade association with a membership of the world's largest corporations. In the process, he rewarded his own family foundation, the Schwab Foundation for Economic and Social Development, handsomely. The WEF invites selected world leaders, journalists, academics and others to join the WEF corporate members at an exclusive annual session of private meetings and events held in the isolated alpine village of Davos as well as a series of regional meetings and in assorted on-going working groups and projects.

Though WEF's membership list is similar to that of the International Chamber of Commerce (ICC) — and a former top WEF staffer is now ICC's Director² — unlike the Chamber, the WEF has worked hard to avoid being viewed as a corporate trade association. Rather the WEF has built an image as a venue for great debates and discussions on the issues of importance to the world with diverse participants from throughout the globe and all sectors of society. In fact, the WEF is anything but a global organization; its board members and the attendance at its annual meeting are overwhelmingly from Europe, the U.S. and Japan. The WEF has evolved into a venue where elite businessmen can hobnob with world leaders and government officials, both to craft business deals and curry favors from politicians.

This analysis by Public Citizen of press accounts, public WEF material, international corporate disclosure documents and internal WEF documents we have obtained shows:

- ! **Corporate Trade Association Marketing Itself as Neutral Party** While the WEF promotes itself as a lofty venue for dialogue and debate, in fact its membership is comprised of 1,000 large, mainly U.S., European and Japanese corporations. Only companies with annual revenues over \$1 billion are invited and as with all trade associations, hefty fees and dues are charged. Review of WEF documents show that while the annual forum is touted for its panels and presentations, the real work occurs in a series of shadowy industry sectoral meetings and in private sessions where corporate chieftains can meet with the many heads of state (18 presidents and 9 prime ministers expected in 2002) and other government leaders invited to attend the Forum without the knowledge of the press, public or even parliamentarians. Although the membership of the WEF is similar to the International Chamber of Commerce, WEF markets itself to give a patina of legitimacy to what is simply another special interest trade association.

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- ! **WEF's Actual Composition Contrasts with "Global" Image.** WEF's 2002 attendance list and updated WEF board reports show that the actual make-up of WEF membership, attendance and board members tell a different story than the image of inclusiveness the WEF projects. Rather than being a world organization either in its board or attendees, WEF largely represents a tiny portion of the world — the European, American and Japanese business community — and only a subgroup who can afford the enormous membership fees. This reality explains the premium placed by the WEF on paving the way for increased corporate-backed trade liberalization as well as national level deregulation, an agenda that is ardently supported by the giant corporations that comprise the WEF's membership. As *Time Europe* reported in 2000: "Davos is probably the closest thing globalization has to a world headquarters."³ Recognition of the WEF's true nature explains why as public opposition to status quo globalization has grown, the WEF has been dragged from relative obscurity to being a focus of public scrutiny.

- ! **WEF's Failed Attempt to Use NGOs to Create Legitimacy** The WEF launched an embarrassing, failed public relations experiment following the Seattle WTO Ministerial's collapse in which it sought to build an image of balance and legitimacy by inviting more non-governmental organizations (NGOs) and critics of corporate globalization to speak as fellows at the WEF. The study reveals an exchange of letters at last year's Davos summit between the NGOs and Schwab which was instigated by Amnesty International's global director regarding the aggressive security sweeps that led to the arrests of hundreds of people.⁴ Most of the organizations which signed the letter, especially those from the developing world, were not invited to participate again in 2002. At least one prominent group, Greenpeace, which was not uninvited has publicly rejected WEF's invitation for 2002 to protest the insincere treatment of NGOs and the environmental agenda by WEF.

- ! **Deals Between Schwab Foundation and WEF Members** The holdings of the WEF president's private foundation have benefitted from the cozy business contacts with WEF members, WEF partners and the WEF itself — including tangled investments, board memberships and contract awards. WEF President Klaus Schwab sits on the board of Swiss bank holding company Vontobel, which underwrote the initial public offering of Swiss software company Think Tools, where Schwab also was on the board of directors.⁵ A considerable portion of Think Tools' business is related to the WEF and Vontobel. Virtually all of Think Tools' clients were WEF members in 2000.⁶ For example, in December 2000, Think Tools announced a joint venture with consultant A.T. Kearney, one of the WEF's partners.⁷ Think Tools contracted to provide Internet banking software for Vontobel, which was terminated for substantial losses in 2001.⁸ Think Tools developed the software for WEF's Global Agenda project, which was launched in late 2000 and helped develop content for the Global Agenda in 2001.⁹ On August 31, 2001, in its most recent filing, Think Tools disclosed that the Schwab Foundation-held World Communications Development held 139,051 shares of Think Tools, or 5.79% of the software company.¹⁰

I. The WEF: a Corporate Trade Association Marketing Itself as a Global Forum for Debate and Good Deeds

The World Economic Forum promotes itself to the press and an increasingly curious public as a lofty venue for discussion and debate. In its 2000/2001 Annual Report, it pronounced it was a “catalyst for progress.”¹¹ In fact it is a membership organization comprised of 1,000 mainly large U.S., European and Japanese businesses.¹² In its confidential annual report to its member corporations, the WEF modestly proclaims its Davos Annual Meeting to be the “world’s most important global business Summit.”¹³

Member corporations pay large dues to the WEF. Each member corporation pays \$12,500 in annual membership dues and \$6,250 Annual Meeting fees.¹⁴ WEF members paid \$38.5 million in fees to the Forum in 2000/2001.¹⁵

The WEF prides itself on the exclusivity of its corporate membership, which is limited to only 1,000 of “the world’s foremost corporations.”¹⁶ Member companies must have annual revenues of over \$1 billion.¹⁷ In 1998, the WEF made its membership “even more selective” and continues to “separate” (i.e., eject) companies which “no longer fulfill the criteria.”¹⁸ In 1999, the total values of WEF member companies’ stock exceeded \$3 trillion.¹⁹

The WEF invites some corporations to become Institutional and/or Knowledge Partners, more tightly tied to the WEF than mere members and charged a hefty fee for their institutional commitment. These WEF Partners pay \$250,000 each year and the Annual Meeting Partners (who co-sponsor the annual event) pay \$78,000 to the WEF Foundation²⁰ in addition to the \$12,500 annual membership dues and \$6,250 Annual Meeting fees.²¹ These partner programs entitle a company to direct input into the agendas of the regional summits and annual Davos meeting. Selection is based on “ability to contribute to and benefit from the mission of the Forum” — when the most powerful pay, they will benefit from the agenda.²² The WEF’s annual report notes that the number of partners is limited, but does not reveal the number. As of November 2001, there were 39 Partner companies including Boeing, IBM, Goldman Sachs, Merck, Microsoft, Sun Microsystems and Volkswagen.²³ According to the WEF 2000/2001 Annual Reports, Partner companies have been called upon to take increasingly significant roles in the regional and annual meetings and WEF initiatives.²⁴

Enron’s record-breaking corporate bankruptcy may find the corporation thrown from the WEF membership, but CEO Kenneth Lay was listed in the 2002 Annual Meeting Participation List as intending to attend.

The WEF aims to shape and guide the direction of the global economy to suit its members’ needs. WEF’s official motto (“Committed to improving the state of the world”) contrasts starkly with the contents of its publications and the agendas of its meetings (especially for its series of regional meetings) which focus on establishing economic and regulatory policies within and between nations beneficial to WEF’s big business membership.

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This agenda is furthered by carefully selecting authors for materials and non-member participants at meetings from governments, academia and the press who reflect the WEF's corporate members' support for the *status quo* of corporate globalization or who come from unrelated disciplines — 2002 participants include a dramatherapist, inspirational speaker Tony Robbins, Quincy Jones, a concert violinist and others. In its 1998/1999 annual report, the WEF stated bluntly that it was "[p]ursuing our mission of being initiator, catalyst and facilitator of the foremost global community of business, political, intellectual and other leaders of society."²⁵

While the annual forum in Davos promotes its panels and presentations, the real work of the WEF is done in a series of industry sectoral meetings and in private side meetings between corporate titans and groups of political and world economic institution leaders who are able to meet and coordinate without the knowledge of the public, press or even the legislatures of the countries involved. The credentialed press seeking to cover the WEF and many other tiers of WEF meeting participants are kept away from the industry-wide sessions that occur in parallel to the WEF's annual forum's announced schedule of panels and events. The press are kept out of most of even those scheduled events.

Contrasting WEF's publicly available materials to the documents it provides members reveals the true scope of activity. Its public literature claims that the WEF is a venue for discussions that are the catalyst for global business agreements — which while they affect everyone, are a private matter to be conducted in private. In other materials, the WEF takes credit for launching the Uruguay Round of negotiations of the General Agreement on Tariffs and Trade (GATT) by providing a venue for a meeting of 17 key trade ministers.²⁶ The WEF claims in its 1999/2000 Annual Report that it is responsible for pushing the change from the consensus-based decision making process of the GATT into the anti-democratic, unaccountable dispute resolution process of the World Trade Organization (WTO).²⁷ Moreover, the WEF established a working group in 2001 to address the stalled WTO talks in response to an urgent plea issued at the 2001 meeting by the three former director-generals of the GATT and WTO attending the 2001 Annual Meeting.²⁸

Perhaps the most valuable commodities the WEF offers its membership are the anonymity and the patina of legitimacy for extended access to political leadership. The seemingly independent WEF (founder Schwab admonished after receiving the 2001 Candlelight Award "Don't forget — the Forum is an NGO too!"²⁹) creates an aura of legitimacy for its events that is unavailable to individual corporations when they approach politicians, a lesson Enron is learning painfully this year.³⁰

The Annual Davos Meetings draw many political leaders — justifying the WEF promise of access with key world leaders. Indeed, WEF promotes the Annual Meeting as “exclusive platforms for direct interfacing with regional public figures” and a “multi-stakeholder platform for discussion, debate and action on the key items on the global agenda.”³¹

The Annual Meeting draws an impressive list of world leaders. In 2000, 33 national leaders attended Davos, including President Bill Clinton, UK Prime Minister Tony Blair, Jordanian King Abdullah II Ibn Hussein, Indonesia’s President Abdurrahman Wahid, South Africa’s President Thabo Mbeki, and Argentina’s President Fernando de la Rúa.³² Eleven weeks after President George W. Bush was sworn in, Secretary of State Colin Powell and top economic advisor to the President Lawrence Lindsay attended the WEF USA Meeting 2001, which put a “premium on interaction” with the new executive branch officials.³³ In 2002, there were 18 presidents, 9 prime ministers*, 3 members of royalty, 9 U.S. senators and 9 members of the U.S. House of Representatives listed in the directory of expected participants.³⁴ Davos is an intimate venue for hobnobbing with politicians. Political leaders are required to keep their entourages to a minimum, which prevents leaders from being shielded by their staffs.³⁵ In 1999, UN Secretary General was asked to cut his staff by more than two thirds, from 18 to 5.³⁶

In 2001, the WEF began to shift its structure from discussion to action, becoming a “catalyst for progress.”³⁷ The Forum’s Centre for the Global Agenda was created in 1998 to act as a “hub for global policy networks” with “a system of sustained contacts and interactions between the top academic experts and the major think tanks in the world.”³⁸

Executives attend Davos primarily to network and to arrange many face-to-face meetings in quick succession that would otherwise take months to arrange.³⁹ In 2001, corporate leaders from the petrochemical industry worldwide met with the OPEC Secretary General to privately discuss issues affecting the industry, especially declining commodity prices.⁴⁰ The 2002 WEF newcomers guide encourages participants to scan the list of attendees for possible contacts and states that the WEF will help set up meetings with them.⁴¹

The series of regionally focused WEF meetings which occur between annual Davos summits are designed to provide a more intimate opportunity for business leaders to meet local government leaders and regulators and make inroads for corporate expansion. One program at the

“The World Economic Forum provides an unmatched opportunity for the world’s most powerful people to bump into each other in the Congress Center’s narrow hallways, and then adjourn quietly to a back room to talk business.”

— CNNfn, Jan. 31, 2000

* Presidents expected from Algeria, Austria, Bolivia, Colombia, Democratic Rep. of Congo, Kazakstan, Republic of Korea, Kyrgyzstan, Latvia, Macedonia, Mozambique, Peru, Philippines, Poland, Senegal, Spain, South Africa, and Switzerland; Prime Ministers are expected from Australia, Canada, Estonia, Finland, Malaysia, Romania, Serbia, Slovenia, and Tunisia.

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regional meetings is designed to “deepen the process of mutual interaction of policy-makers of developing countries and leading multinational businesses.”⁴²

The board remains overwhelmingly male, with over 98% of the members being men. Until 2001, the WEF boards were 100% male. In 2001, one woman was added to the board.

These regional summits also provided forums for the business community to challenge local laws and regulatory oversight. At the India Summit in 1998, business interests presented the Indian government with a platform of changes and policy priorities, telling the Indian ministers and government officials to “implement fast all the new policies and laws announced towards liberalization” that the government had promised business interests.⁴³ At the

Mercosur Summit in 1998, WEF representatives pushed the controversial 31-nation NAFTA expansion of the Free Trade Area of the Americas.⁴⁴ At the Mercosur Summit in 2001, the WEF held meetings on the “challenges” facing the FTAA’s 2005 implementation goal.⁴⁵

II. WEF’s Actual Composition Contrasts With Its Image

In contrast to its claim to act for global public interest as contained in the Forum’s motto, “Committed to improving the state of the world,” the World Economic Forum’s members, board and attendees poorly reflect the global reality. The WEF is an exclusive club run for and by the richest companies from the richest nations. Members of two of the 3 WEF boards are overwhelmingly white, male and from the developed, industrialized north. The attendees of the WEF annual meeting, even including the invited academics, artists, NGOs, non-member business leaders and politicians, also are overwhelmingly from North America, Europe and Japan.

European Men Lead WEF’s Boards

The composition of the WEF boards (both the Forum Board of Directors and the sister Council Board of Directors, which together guide the work of the WEF; the primarily staff-populated Managing Board was not examined) between 1999 and 2001 are overwhelmingly male, predominantly white and substantially from the wealthiest nations of Europe, North America and Japan. Additionally, between 1999 and 2001, as the WEF’s board size grew its operations focused more on action than discussion and the focus on globalization intensified. Yet the board composition became whiter and more biased towards representation from the wealthy, industrialized nations.

In 2001, more than three-fourths of the WEF board members were white (76.8%).⁴⁶ Almost all of the growth in the boards was in white members, who numbered 34 in 1999 and 43 in 2001 (the number of white board members grew by 26.5% and the share of white board members grew by 6.1%).⁴⁷ Asians made up 19.6% of the board in 2001, growing in number by 22.2% since 1999, but the share of Asians on the board grew by 2.6%, or half the rate of whites.⁴⁸ In 2001, the majority of the Asian board members

	1999	percentage	2000	percentage	2001	percentage	1999-2001 change	Relative Change
White	34	72.34%	37	82.22%	43	76.79%	26.47%	6.14%
Asian	9	19.15%	7	15.56%	11	19.64%	22.22%	2.58%
Mid-Eastern*	3	6.38%	3	6.67%	3	5.36%	0.00%	-16.07%
Black African	1	2.13%	1	2.22%	1	1.79%	0.00%	-16.07%
Latin American	2	4.26%	0	0.00%	1	1.79%	-50.00%	-58.04%
Unknown	1	2.13%	0	0.00%	0	0.00%	-100.00%	-100.00%
Total	47		45		56		19.15%	
Developing*	9	19.15%	8	17.78%	9	16.07%	0.00%	-16.07%
Male	47	100.00%	45	100.00%	55	98.21%	17.02%	-1.79%
Female	0	0.00%	0	0.00%	1	1.79%		

* Middle Eastern includes board members from Bahrain, Saudi Arabia and Egypt; they are also counted as Asian and Black African respectively. Developing world includes all countries outside European Union, Oceania, Japan, Canada and the U.S.

were Japanese — 6 of 11 (with 2 members from Hong Kong and one member each from Malaysia, Saudi Arabia, Bahrain and India). The total number of WEF board members grew 19.2% between 1999 and 2001, from 47 in 1999 to 56 in 2001, but almost all of the growth was in new white members. Middle Eastern, Latin American, Indian and African representation on the board remained constant or declined significantly. The WEF boards had one member each from Egypt, Bahrain, Saudi Arabia, India and Mexico in 2001.⁴⁹ Between 1999 and 2001, the number of board members from Central and South America declined by half, losing the representative from Brazil, and the percentage of board members from Latin America fell 58.0% from 4.3% of the board in 1999 to 1.8% in 2001. The members from India, Bahrain, and Saudi Arabia remained on the board from 1999 to 2001, but their share on the board declined significantly. These four members constituted 8.5% of the board in 1999 but fell to 7.1% in 2001, a 16.1% relative decline. Similarly, the members from all developing nations remained constant at nine (Bahrain, Egypt, Hong Kong (with two), India, Malaysia Mexico, Saudi Arabia and South Africa; the Malaysian member was added since 1999 and a Brazilian member left the board), but because the board grew, their relative share of the board fell by 16.1%.

The board remains overwhelmingly male, with over 98% of the members being men. Until 2001, the WEF boards were 100% male. In 2001, one woman was added to the board. She was only one of the nine new members.

Analysis of WEF's New York Meeting Invitees

The attendees expected at the 2002 WEF Annual meeting are overwhelmingly from the wealthiest nations. According to a confidential directory of attendees, 1,973 people are coming from 95 nations to the meeting

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in New York, but the majority of the attendees are from only a few, mostly wealthy countries.⁵⁰ The five largest groups of participants (from the U.S., the UK, Germany, Switzerland and France) are sending 1,170 participants to the WEF meeting, more than half of the total 1,973 attendance (59.3%). The ten largest participating countries (including Canada, South Africa, India, Japan and Russia) make up seven of ten participants (70.6%) and the twenty largest national participants (seven of which are from the developing world: South Africa, India, Russia, Mexico, Brazil, Israel and Saudi Arabia) representing one fifth of attending nations (21.1%) are more than four out of five (83.3%) of the WEF participants. Sixty-seven nations had fewer than ten people attending the annual meeting, consisting of 226 people, representing only 11.5% of the participants expected at the WEF meeting. Twenty-five nations, more than one in four of the countries represented in New York, only had one person participating in the annual meeting.

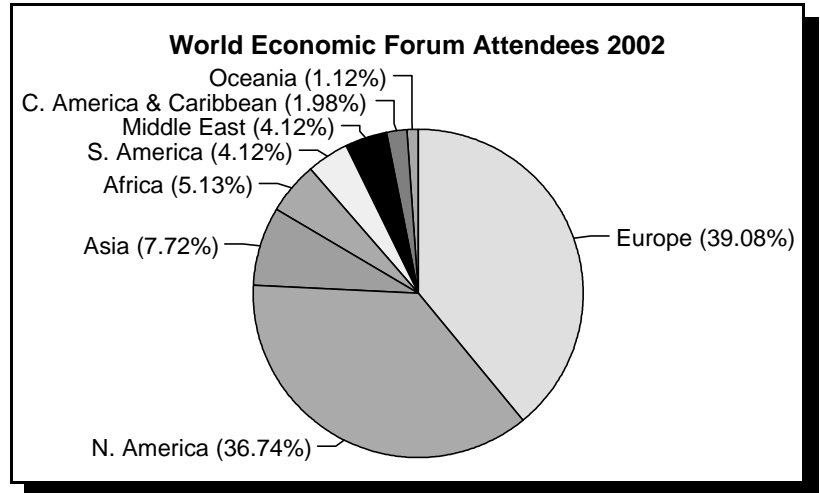
Mis-Delegation at WEF on Hudson

- C Only two Ethiopians are participating, but both are religious leaders. No business or political leaders are coming. Hong Kong will send more people to the Forum than China (13 to 9).
- C Thailand, which has faced significant challenges to its HIV/AIDS pharmaceutical policies, is sending one delegate, while 981 delegates are coming from the U.S., Switzerland, Germany and France, home of the largest pharmaceutical companies.
- C Only two of the 19 African invited nations have more than 10 people (S. Africa and Egypt). Ten of the participating African nations only had one person coming to the meeting.
- C Despite hosting the Forum in the Western hemisphere and having the FTAA prominent on the agenda, only four nations are participating from Central America and the Caribbean (Mexico, Bermuda, Costa Rica and Barbados).

The 2002 WEF participants are disproportionately from Europe, the U.S. and the Middle East. European participants make up 39.0% of the total, even though Europe makes up only 12.0% of the 2000 world population according to UN figures, meaning there are three times more Europeans at the WEF meeting than there are worldwide.⁵¹ North American (U.S. and Canada) attendees constitute 36.4% of the WEF participants, more than seven times the North American population share of 5.1% of the 2000 world population. Middle Eastern participants make up 4.1% of the WEF attendees but only 0.8% of the world population, a nearly five and a half times over-representation. Representatives from Australia and New Zealand are 1.1% of the attendees, more than twice their 0.5% of their share of the world population.

The smallest nations were some of the most over-represented (including Bermuda, Andorra, Luxembourg, Bahrain, Qatar, etc.). The top four over-represented nations with at least 1% of the world population are the United Kingdom, the U.S., France and Germany. UK participants make up 9.6% of the WEF participants but only 1.0% of the world population, a nearly ten times over-representation compared to its population. Representatives from the U.S. are 33.7% of the participants, more than 7 times their 4.6% share of the world population. The Swiss participants comprise 6.4% of the WEF attendees, exceeding its 0.1% share of the

world population by a factor of 53. Conversely, people from Asia, Africa, South America, Central America and the Caribbean will be under-represented at the WEF meeting in comparison to these regions' share of the world population. This was most significant for Asia, which is home to 60.1% of the world's population, nearly eight times greater than the share of Asian participants at the annual meeting (7.7%). Africa was under-represented by more than half — 13.0% of the world lives in Africa but only 5.1% of the WEF participants are from Africa. The representatives from Central America and the Caribbean make up 2.0% of the WEF participants, nearly a third lower than the 2.9% of the population from Central America and the Caribbean. South American representatives to the WEF constitute 4.1% of the total, about 30% below South America's 5.7% share of the world population.



China is significantly under-represented. It makes up more than one in five of the world's population (21.1%) but is sending only one in two hundred of the WEF participants. Pakistan constitutes 2.6% of the world population but only 0.1% of the WEF participants. The representatives from Indonesia make up 0.2% of the WEF participants, nearly 23 times lower than its 3.5% of world population. The Democratic Republic of the Congo represents 0.1% of the WEF participants but 0.9% of the world's population, a nine-fold under-representation.

III. WEF's Failed PR Campaign to Use NGOs to Create Legitimacy

Although the WEF contends that it is transparent, the WEF's anti-democratic, anti-inclusive attitude is commonplace in its literature. When it described the "key players from all sectors of society" in 1998, it listed government, business, academia and the media — civil society and non-governmental organizations were not even mentioned.⁵² In 2000, after the Multilateral Agreement on Investment (MAI) had been sunk by a global NGO network in 1998 and weeks after the Seattle protests foundered the WTO Ministerial meeting, the *Wall Street Journal* judged the attendance of NGOs at the WEF Forum to consist of a "small group."⁵³ That small group was the first step in a public relations effort to defend the WEF from what was a growing focus by protestors demanding changes to status quo corporate globalization and to assure its increasingly worried corporate members that the WEF could avoid becoming the target of major protests if it highlighted its newly open, more balanced invitation list.

By 2001, after continuing worldwide protests against corporate globalization following the Seattle WTO

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collapse, the WEF added “international organizations” to the previously listed four “key players for all sectors of society.”⁵⁴ Given that representatives from international organizations, such as the GATT, the WTO, the International Monetary Fund and the World Bank had long been invited, this reference might have been to the international NGOs the WEF had begun to invite in 2000. The 2000 NGO list included the predictable international NGOs, such as Save the Children, Amnesty International, World Wildlife Fund

“[G]lobalization has produced a backlash that has stirred protests at gatherings of international institutions around the world.”
Klaus Schwab, President World Economic Forum.

— *Washington Times*, Jan. 25, 2001

for Nature, Transparency International and Oxfam. Two NGOs with a more critical perspective and activist role, Friends of the Earth and Focus on the Global South, were also invited. However, while all of the predictable international NGOs were invited back for 2001, those two NGOs, whose representatives had given strong statements in 2000 panels, were not invited back. The WEF’s claim that it was newly open to critical perspectives and NGO participation came under increased attack given its limited

and skewed NGO approach, with the first protests occurring in Davos in 2000, where a counter-Summit presented by The Public Eye on Davos was also held during the annual forum.

In 2001, not only were the typical, international NGOs invited, but also some key regional and national NGOs highly critical of status quo globalization and connected to the burgeoning social movements were invited, including Third World Network, grassroots groups from the Phillipines and India, and Public Citizen.⁵⁵ These new NGO attendees were touted in the WEF’s promotional materials and website. However, every one of these invitees from the developing world, including Martin Khor of Third World Network in Malaysia, Vandana Shiva of Research Foundation for Science, Technology and Ecology in India, Walden Bellow of Focus on the Global South in Thailand, Vicki Tauli-Corpuz of Indigenous People’s International in the Phillipines and others were not invited to participate in the 2002 Forum.⁵⁶ As well, the most out spoken participants from the developed world, such as Jeremy Rifkin of Foundation on Economic Trends were excluded.⁵⁷ (Public Citizen was also not invited in 2002)

The WEF excluded invitees based on their support of corporate-driven globalization, according to a January 2002 Financial Times story reporting, “[t]he Forum says it is not inviting organizations that contribute only negative views and do not support its ‘mission’ to narrow global divisions.”⁵⁸ The WEF defends this move by arguing that the focus of the Forum is no longer on globalization; yet a review of the 2002 program reveals that numerous panels and events are about globalization such as panels on the “Future of Anti-Globalization” and “Responding to Anti-Globalization.”⁵⁹ Instead of the developing country critics, whose presentations shattered the WEF mantra that only rich, northern NGOs protested the WTO or IMF and their policies, the globalization panels for 2002 include representatives from international NGOs such as an Oxfam, who had two UK staff and one U.S. staff invited, or pro-business think tanks.⁶⁰

Attendance of NGOs has remained consistently low. In 2000, 34 NGO representatives attended and in 2001, 36 attended.⁶¹ Since annual attendance is typically about 2,000, this means that NGOs and civil

society representatives are less than 2% of the typical attendance.⁶² In 2002, when nearly 2,000 people were registered to attend the Annual meeting, the vast majority of the NGO's were think tanks with pro-corporate leanings (such as the RAND Institute) and foundations (such as the Shoe Data Foundation, which administers a museum dedicated to shoes).⁶³ Despite this, the WEF's brochure for new attendees of the 2002 meeting contends that it has "a long-standing policy of inclusion when it comes to non-governmental organizations and representatives of civil society."⁶⁴

There are different explanations for why the WEF really pulled back from its meager, but improved approach to NGOs in 2001. One point is that despite inviting some of the more critical NGOs, the Davos Forum faced its largest protests ever in 2001. The WEF management worked with the Swiss police to lock down the Alpine village of Davos, with young people, people of color, and people wearing certain clothes or hairstyles being systematically pulled off of trains in the town of Zug, the transfer station between the Zurich and Davos trains.⁶⁵ The detainment of one such youth, Adam M'anit of Corporate Europe Observatory, who was traveling to make a panel representation, caused Amnesty International to activate its operation in defense of M'anit's civil liberties.⁶⁶ In a letter to the Swiss President and WEF President Schwab, Global Amnesty International Chair (and Davos Forum invitee Peirre Sane) expressed outrage at the Swiss national crackdown.⁶⁷ After 36 hours of Amnesty's intervention, M'anit, who was being deported back to the Netherlands, was permitted to enter. However, numerous others were not. As well, despite the Swiss constitution's guarantee of free speech and the right of assembly and protest, the WEF sought a zero tolerance policy for protest. In a letter from WEF Managing Director Claude Smadja to WEF attendees of the 2001 meeting, he called the protests "misguided and uninformed," despite being forced to invite many of the leading critics of corporate globalization because of the growing backlash against the WEF.⁶⁸

World Economic Forum Compares Globalization Critics with Al Qaeda

"Beginning with the threat of anti-globalization protest and ending with the threat of global terrorism."

-- WEF Annual Report 2001/2002

After a local Swiss church group's peaceful march in 2001 was attacked with water cannons and lines of machine-gun toting police in riot gear, Amnesty International's Sane circulated a letter to the NGOs attending the Forum.⁶⁹ The letter concluded, "The Swiss authorities, by simply banning demonstrations in Davos during the World Economic Forum, have set an ominous precedent for future world gatherings."⁷⁰ A similar letter was sent to the Swiss president. NGOs acting like NGOs and demanding civil liberties and basic democratic rights from the WEF were not favorably received. WEF Deputy Director Claude Smadje stormed into an NGO news conference being chaired by Sane, a respected African diplomat, and launched a barrage of attacks that stunned the press attending.⁷¹ Six months later, Schwab sent a vague response letter to the NGOs. (The Swiss president had responded promptly, justifying the heavy-handed security presence by stating it regretted that freedom of movement and assembly had to be restricted to protect WEF participants' "freedom to assemble and express their opinions."⁷²) To a one, the individuals who had worked most closely with Sane on the letter to the WEF management were not invited back.

WEF Greenwash Contested by NGOs

The WEF is proud of the trust governments and “constituents” (read business trade associations) have in its record of “entrepreneurship in the global public interest.”⁷³ Yet, outside its array of private business meetings scheduled alongside the panels and performances of the annual meeting, its other work product is routinely criticized by public interest organizations as being expensive greenwash. For instance, in 2001, a WEF Global Leaders for Tomorrow instigated study measuring the environmental sustainability of 122 different countries was roundly criticized by environmental groups for being too lenient on the consumption and pollution of the developed world. The WEF sponsored the Environmental Sustainability Index, which analyzes 22 environmental factors to help businesses measure environmental conditions with an eye towards the market competitiveness. The Index, which was done by WEF fellows and without the input of even the few environmental groups who had newly been invited to present at the Davos summit, ranked the U.S. 11th.⁷⁴ Friends of the Earth International disputed the WEF findings, noting that the good rankings of polluter nations such as the U.S. are the result of heavily weighing their institutional and economic capacity so that the overwhelming strength of the U.S. masks its polluting power.⁷⁵ The London-based New Economics Foundation think tank immediately challenged the report’s findings because the study diluted the impact of carbon dioxide on global warming (which WEF noted was considered the most urgent global environmental issue at Davos), and the fact that the U.S. generates nearly one fourth of the world’s carbon dioxide.⁷⁶ Meanwhile, after spending two years seeking to promote meaningful progress on the climate issue, Greenpeace withdrew from participating in the WEF annual meeting in January 2002, because of a lack of follow through on climate change due to WEF’s lack of co-operation.⁷⁷ Klaus Schwab responded in a letter to Greenpeace, stating that the concrete demands Greenpeace made to the automobile industry at the 2001 “led to problems.”⁷⁸

In another strategy of dealing with its damaged public image, in 2001 the WEF created Forum Councils to encourage more vigorous and open dialogue within the Forum; however, the Forum Councils that have been established or are in the process of being established are of the constituencies that have long been over-represented at the WEF. Six of the eight proposed Councils have been established or are in the process of being finalized (academic, business organizations, global unions, government representatives, mayors and religious leaders) and two are neither established nor finalized (international organizations and NGOs).⁷⁹

In 2001, the WEF also started an informal dialogue to increase understanding between the pro-corporate globalization proponents and its critics, but it included only “some of the most influential NGOs,” that are the least critical of the push for globalization.⁸⁰ Ironically, the few prominent civil society figures WEF had invited into this process, such as Vandana Shiva, were uninvited after the 2001 meeting. Despite this, Dr. Shiva’s name still appears on the WEF website associated with the Global Governance Task Force, which will report “every year” as a member of this otherwise predictable committee.⁸¹ In 2001, the WEF agricultural task force included many varied agricultural interests (producers, food and beverage companies,

international organizations, experts on agricultural trade and NGOs) but did not list farmers, consumers or health interests.⁸² The global Automotive Climate Change Forum was an intra-industry dialogue convened at the 2001 Annual Meeting but it did not include unions or environmental groups, both of whom have interests in the dialogue.⁸³

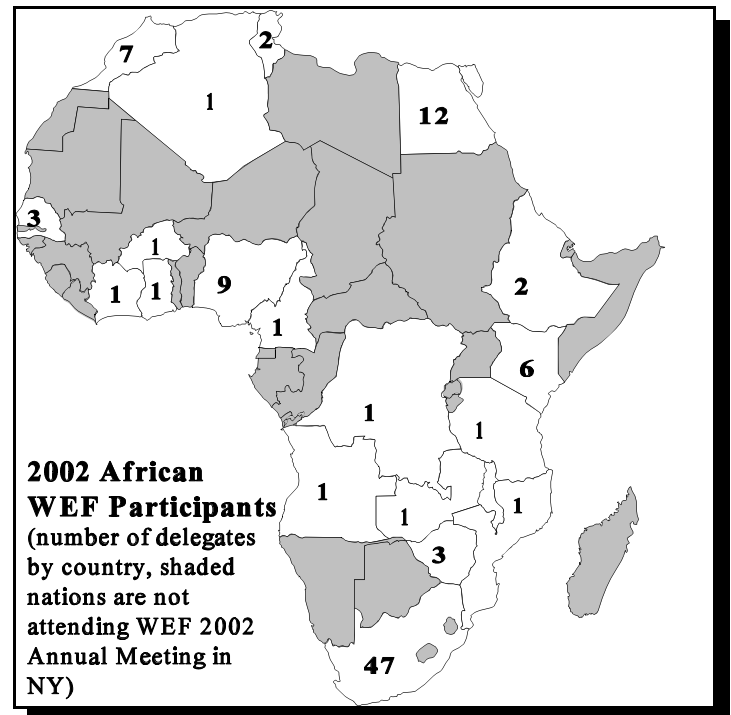
WEF Thinks Globalization Critics Doth Protest Too Much

Although the WEF has finally recognized the import of the growing global opposition to corporate globalization, it doesn't like being upstaged by informed demonstrators. In 2001, after as many as 2,000 demonstrators filled Davos in 2000, the Swiss government sent between 1,000 and 2,000 police to confront the demonstrators.⁸⁴ The increasing size of the protests in Davos at the annual events required the WEF to spend \$5.4 million on security in 2001.⁸⁵

The WEF is dismissive of those who protest its meetings. In 2001, the Annual Report's message from the WEF president Klaus Schwab compared the threat of anti-globalization protestors (who have yet to kill anyone, although one of the demonstrators was killed by police in Genoa, Italy and thousands have been attacked and detained by police forces worldwide) to the threat of terrorists (who have killed more than three thousand in the U.S. in one day).⁸⁶

The WEF's primary concern is not the protestors themselves or the physical threat they present but the message they deliver to the public: The corporate managed globalization model is not predetermined or desired. President Clinton's speech at the 2000 Davos meeting (his was the first U.S. presidential appearance at Davos) focused on the need for political and business leaders to make the case for globalization worldwide.⁸⁷ After Seattle, self-proclaimed globalization supporter and *New York Times* columnist Paul Krugman noted that his revulsion with the opulence of the Davos meetings demonstrates how "serious a public relations problem" the WEF is facing.⁸⁸ In 2001, there were as many security forces as there were attending the meeting, an inauspicious sign for the public support for these meetings of corporate elites planning the world's agenda.⁸⁹

The WEF's 2001 Annual Report recognizes the "ongoing challenge from anti-globalization protestors," including those who appeared at its

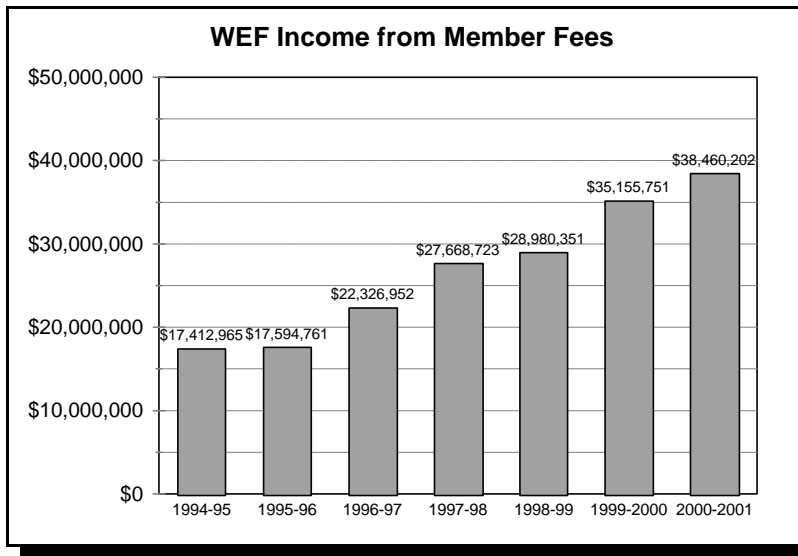


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meetings in Davos, Melbourne, Cancun, Buenos Aires and Salzburg.⁹⁰ The WEF noted that the real problem was losing control of the pro-corporate globalization message: “[T]hey risked distracting attention from the content of our events.”⁹¹ The WEF tried to counteract the demonstrators’ message through an aggressive media campaign that included writing op-eds, conducting key interviews, meeting with editorial boards, increasing the attendance of mainstream and business media at WEF events, and publishing a

monthly WEF newspaper for employees.⁹²

At the 2002 Annual Meeting, WEF anticipated 300 international reporters will cover the event and WEF staff will assist in “maximizing contact with the media.”⁹³ In 2001, Coca Cola hosted a press luncheon and stocked a refrigerator full of drinks near the press room.⁹⁴ Although the WEF seeks favorable media attention, reporting press (as compared to WEF “media fellows,” opinion makers who attend the annual meeting) have “limited access” to the meeting and are barred from the sessions and the venue. In 2002, a “more restricted policy” for access is in place than in previous years.⁹⁵



IV. Back Room Deals for WEF Corporate Members and Dividends for WEF Founder Schwab’s Foundation

Being the foremost organization promoting corporate-driven globalization has been very lucrative for the WEF. Since the World Trade Organization went into effect in 1995, WEF income grew by 148%, from \$42 million in 1995 to \$104 million in 2001.⁹⁶ WEF member fees have grown nearly as quickly, rising 121% between 1995 and 2001, from \$17 million to \$38 million.⁹⁷

The wheeler-dealer mixture of high-level business deals and ski resort ambience that surrounds the WEF Annual Meeting has permeated the Forum’s own operation. WEF founder and President Klaus Schwab has used the Forum essentially as a high-tech business incubator to launch companies — in some cases benefitting the Forum and then later the Schwab Foundation. Initially, these firms were launched as part of for-profit ventures held by the WEF, but ultimately, the entire for-profit operations of the Forum were moved to the Schwab Foundation, which Schwab operates with his wife, Hilde.

Foundation of Mistrust

Schwab's start-ups also benefitted from his leadership at the WEF and his connections in the business community, providing access to start-up financing and lucrative contracts. The appearance of seeming impropriety and self-dealing, though not illegal under Swiss law where the Forum and Schwab Foundation are located, has had significant impacts on the Forum and Schwab. Staff turnover at the Forum is fairly high and WEF's ties to its own business operations have been investigated by the press and by Swiss regulators.⁹⁸

WEF's Tangled Relationship with Advanced Video Communications (AVC)

In 1995, Schwab launched Massachusetts-based Advanced Video Communications (AVC), a high-tech start-up firm that later developed desktop video conferencing for WEF's global members with the approval of WEF's board.⁹⁹ The WEF provided \$1 million in start-up money and eventually invested \$5 million total, making the Forum AVC's largest shareholder.¹⁰⁰

Schwab appointed his nephew, Hans Schwab, previously a WEF employee, to become AVC's president shortly after the start-up.¹⁰¹ AVC advertised at the WEF Annual meeting in 1997 and 1998 (which is prohibited by other companies) and was promoted in WEF press releases.¹⁰² AVC also benefitted from investments from WEF Members Microsoft and Intel (which provided \$500,000 in equipment) and USWeb, which had provided services for WEF.¹⁰³

In April 1998, Schwab discussed his concerns about AVC's ability to complete the Internet work WEF had requested with USWeb executives.¹⁰⁴ The World Economic Forum awarded California Internet consultant USWeb Corp. an \$8 million contract in June 1998.¹⁰⁵ The USWeb announced its WEF contract and that it had purchased AVC's conferencing service systems for \$25 million.¹⁰⁶ WEF, which had invested \$5 million in AVC, received practically nothing (market value stock warrants) in the USWeb takeover.¹⁰⁷

Less than two weeks later, Schwab was appointed to USWeb's board of directors and given 25,000 shares of stock options.¹⁰⁸ At the time of the AVC deal, the Schwab Foundation received \$15.1 million worth of USWeb stock.¹⁰⁹ Former head of mergers and acquisitions at USWeb noted that having "him [Schwab] on our board would open a lot of doors for the company."¹¹⁰

What Draws CEOs to the WEF Annual Meeting? "The answer is their unique opportunity to hobnob with other corporate bigwigs, picking each others brains and maybe doing a deal or two, mainly outside the glare of the global media spotlight."

— CNN Europe 2001 Davos Internet In Depth Coverage

Schwab Foundation for Economic and Social Development

Schwab created the Schwab Foundation in February 1998 and became its president; shortly thereafter, World Link Communications Development AG was transferred to the Foundation from the WEF.¹¹¹ The Forum also transferred AVC to the Schwab Foundation because it viewed the venture as excessively risky.¹¹²

The first two years of the foundation's operation consisted entirely of launching or investing in start-up companies.¹¹³ The Foundation aimed to raise \$200 million to offer 5 \$1 million awards for "social entrepreneurship."¹¹⁴ In May 2001, three years after the Foundation was created, it announced its first round of Social Entrepreneurship Award nominations, expected to be finalized by the end of the year.¹¹⁵

"It is the premier networking opportunity for international businessmen and senior politicians. You find yourself having a gin and tonic with a stranger and then you discover he's an Asian finance minister or big company Chief."

— Ken Costa, co-vice chairman of Warburg Dillon Reed investment house, *Washington Times*, Jan. 28, 1999.

The same day the nominations were announced, the Foundation reported that it suffered \$100 million in paper losses related to the crashing value of its investments in i2i and Think Tools, dropping the foundation's assets to \$30 million, and that the planned \$5 million in prize monies for the social entrepreneurship awards was reduced to \$1 million.¹¹⁶

When the *Wall Street Journal* asked Klaus Schwab in January 2000 whether the Schwab Foundation was a family foundation, as WEF's managing director Claude Smadja suggested, Schwab stated that it was not a family foundation but a public service.¹¹⁷ However, the *Journal*

was provided with documentation that the Schwab Foundation board consisted only of Schwab and two accountants who were also employed by the World Economic Forum.¹¹⁸ In a September 2001 interview with *Earth Times*, Schwab stated that "the Schwab Foundation is a private effort that my wife Hilde and I put together."¹¹⁹ At the 2002 Annual Meeting, Mrs. Hilde Schwab is attending as a Schwab Foundation board member.¹²⁰

Schwab-WEF Entanglement with "Think Tools" Startups

In 1997, for-profit Global Event Management (which was operated under the WEF-controlled World Link Communications Development AG) provided logistical support for the annual Davos meeting.¹²¹ By 2000, Global Event Management was partially held by French media conglomerate Publicis SA but continued to provide support for the Forum's regional meetings as well as other corporate clients.¹²² Schwab is the chairman of the editorial board of World Link, which bought 8% of Think Tools, a Swiss consultancy firm specializing in decision-making software, for an undisclosed sum in 1998.¹²³¹²⁴ One year later, Schwab became the deputy chair of the board of Think Tools.¹²⁵

Other Crossed Wires?

In 1999, the World Economic Forum's online web operation became Industry to Industry (i2i), a private company co-owned by the Schwab Foundation and German software firm SAP.¹²⁶ Despite being unaffiliated with the Forum, i2i's launch was also promoted in a WEF press release.¹²⁷ In 2000, i2i's first round of financing was completed and one of the primary backers was Bank Vontobel.¹²⁸

In 1997, New York-based telecommunications firm Avic Group International announced Schwab had been appointed a member of its board of directors, but only three months later, Avic told the Securities and Exchange Commission that Schwab resigned because of pressure from WEF directors that he "reduce his involvement in for-profit activities."¹²⁹ Schwab claims that he did not resign but that he never accepted the board appointment.¹³⁰

Think Tools AG's initial public offering, structured and financed by Bank Vontobel in March 2000, saw its share price climb fourfold in the first day's trading, rising from 270 Swiss Francs to 700.¹³¹ Schwab also sat on the board of Vontobel Holding AG, the Swiss holding company that owns Bank Vontobel AG.¹³² As a board member of Think Tools, Schwab "played a most important role in the early development of Think Tools.¹³³ Think Tools makes decision-making software which is designed to help companies and countries forecast and plan.¹³⁴ Schwab was one of the initial offering's shareholders.¹³⁵ Immediately after the Think Tools IPO, the Schwab Foundation was estimated to be valued at \$100 million.¹³⁶ Two months later, the Schwab Foundation was estimated to be worth \$120 to \$130 million.¹³⁷

Think Tools has many business connections to the WEF and its members. Think Tools developed the software and "architectural backbone" for WEF's Global Agenda project which was launched in late 2000 and helped develop content for the Global Agenda in 2001.¹³⁸ Additionally, virtually all of Think Tools clients were WEF members in 2000.¹³⁹ For example, in December 2000, Think Tools announced a joint venture with consultant A.T. Kearney, one of the WEF's Partners.¹⁴⁰ Think Tank also launched a project for the Vontobel Group in October 2000 to develop an e-bank product called "y-o-u bank" that planned to combine banking services with information and communication technology.¹⁴¹ Very quickly the scope of the project overwhelmed Think Tools and Vontobel. The y-o-u project was terminated by Vontobel in February 2001 and Vontobel took a \$159 million loss for y-o-u on its 2000 books.¹⁴² Think Tools itself lost its entire \$39.8 million investment in the y-o-u project which gave it an 18% stake in y-o-u.¹⁴³ In the first three quarters were hard on Think Tools, in part because of the y-o-u fiasco, and it took a net loss of \$18 million.¹⁴⁴

On October 7, 2000, Schwab resigned from the Think Tools board to re-focus on his work at the WEF.¹⁴⁵ Think Tools had to release a statement by Schwab after his resignation to reassure the market the Think Tools still had an institutional relationship with the WEF.¹⁴⁶ By the end of October 2000, *Wall Street Journal Europe* asked "Are the [Think Tools] shares overvalued? Yes, absolutely."¹⁴⁷ On August 31, 2001, in its most recent filing Think Tools disclosed that Schwab Foundation-held World Communications Development held 139,051 shares of Think Tools or 5.79% of the software company.¹⁴⁸

WEF Loses Its Camouflage

The Fallout

The appearance of self-dealing has cost the WEF and the Schwab Foundation, generating negative press attention worldwide, attracting the attention of Swiss regulators and having a demoralizing impact on Forum staff. Schwab's right-hand woman at the WEF, Maria Cattai, quit in 1996 after 19 years over Schwab's for-profit sidelines to become the Secretary General of the International Chamber of Commerce.¹⁴⁹ The appearance of impropriety from Schwab's extracurricular business activities contributed to the departure of more than one third of the World Economic Forum's staff in 1999.¹⁵⁰

In March 2000, Swiss regulators investigated the Schwab Foundation's asset transfers from WEF, which were brought to light by an extensive *Wall Street Journal Europe* piece in January 2000.¹⁵¹ The Swiss regulators cleared the Schwab Foundation of any financial improprieties and approved the financial operation of both the Schwab Foundation and the WEF in April 2000.¹⁵²

Conclusion

Business chiefs and government leaders will congregate behind closed doors at the Waldorf Astoria at the invitation-only *World Economic Forum* in New York to discuss the future of the global economy, while simultaneously, citizen leaders from labor, environmental and other social movements around the world will meet in Porto Alegre, Brazil at the second annual *World Social Forum*. Fifty thousand people are expected to attend an array of events at the World Social Forum, which is focused on developing new rules for the global economy that promote democracy, diversity and fairness.

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