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THE SHIFTING GLOBAL ECONOMIC AND POLITICAL LANDSCAPE:
FRAGMENTATION OR INTEGRATION?

With

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MS. FOROOHAR: So if everyone would get into their seats we’re going to begin this session, The Shifting Global Economic and Political Landscape. I’m Rana Foroohar, I’m the Economic columnist at Time Magazine and the Global Economic Analyst at CNN and I’m very, very pleased to be here moderating this panel. We have an amazing group of people that are going to be able to speak to these issues and I’ll just briefly introduce everyone as folks are coming in and give you a little bit of an outline of what we’re going to cover. We’re going to chat up here for about an hour ourselves and then you all are going to have about a half hour to ask questions and there will be mics at both sides for you to use at that point. I’ll also just add that this is the first of what will actually be a roving global series of these discussions about the intersection of economics and politics and the first one after this is going to be in Beijing in November so stay tuned, there will be others.
So let me start by introducing the other panelists. I’ll go to my direct left here. The Honorable Kevin Rudd, of the Asia Society Policy Institute. To his left we have David Lipton, the First Deputy Managing Director of the IMF. To his left we have Lars-Hendrik Roeller, who is the Chief Economic Advisor to Chancellor Merkel in Germany and at the end, Ian Bremmer, professor at New York University and also the founder of Eurasia Group. So thank you all for being here.

So just to set the stage of this discussion as everyone here knows the 2008 financial crisis was the end of a period of about two decades of global coming together. Economists call this period the great moderation. There was a tremendous amount of global integration, global growth between 2003 and 2007 was at record levels. We are obviously in a very different period today, which is what we’re here to talk about. There is a lot of pressure on status quo globalization. If you think about globalization as the free movement of people, goods and capital, all of
those things are coming under pressure these days and it is important bring politics into an economic conversation here at the IMF, which is something that is somewhat new and we’re going to talk more about that and what that means and how the IMF might play a role in discussing these topics.

The baseline assumption is that globalization as we know it is at least changing and the future is in doubt right now. So that’s our starting point. We’re going to create sort of a 35,000-foot sketch of what is happening from the political risks and then we’re going to open it up for discussion.

So David, since we’re in your house here, I’m going start with you and ask you why is it that it’s a new thing at the IMF to talk about politics and the economy together?

MR. LIPTON: Thank you, Rana. First, let me say welcome to everyone. I think this is an important topic and I’m glad we’re all here to discuss it. We are seeing here at the Annual Meetings that there are
strains in global cooperation, that there is growing popular discontent about trade, about openness and interconnectedness and about globalization, and that this has become one of the key topics of the week. So I think it is important that we discuss the subject. I think it is inherently political. We are an institution that tends to say we only look at the economics; we don’t look at the politics. But I think it’s time that we should embrace a bit more that we should explicitly talk about political economy. It’s something I think we need to do among ourselves at the IMF so that we’re not making implicit assumptions that are undiscussed, untested, and potentially off base.

So my main message is—and I hope this will be illustrated here today—that the links between politics and economics really are a two-way street. We have right now a particular political situation. It’s evolved because of past events and trends—some of them economic, some of them political. But economic policy makers now have to deal with the constraints and the
realities of politics. At the same time, policy makers, as they grapple with some of the medium-term challenges, the challenges that we all face—whether it is changing technology, changing demographics, across the board the big subjects of the day—the decisions that they make and the actions that they take, in the way that they deal with spillovers that come and the side effects that come from those policies, will shape the politics of tomorrow and will shape the environment for policymaking going forward.

So I think that today we have the right people to be having this conversation, people who have been involved in economics and politics. Kevin Rudd was Prime Minister of Australia, for those of you who may not know. So I hope this is the kind of group that can get into the substance of the subject.

I did want to say one or two words to set the stage. I see three categories of political trends that we ought to identify and discuss rather distinctly.
• First there are political risks to the system that come from within the system. That’s the subject that most everyone is talking about: the popular discontent, the discontent with wage growth, income growth, job loss that is changing politics in a sense from within.

• The second category are abuses of the system—corruption, and to think about the ways in which corruption undermines governance, undermines legitimacy is really rather different.

• And the third are the threats to the system from the outside, whether it is war, crime, drug crime, terrorism—those are ones we are used to thinking about. Or perhaps the more novel threats that come from legitimate, but disruptive non-state actors: corporations that can operate all around the world or that can operate in the cloud, that have more data than any government, that provide you with news very quickly and selectively. This may be really game-changing. We as an institution are used to dealing
with our members who are states. We are less experienced in dealing with non-state actors that are disruptive. That’s the case for our governance as well. We are going to need to learn a bit better how to do that.

So I hope that we can discuss some of these things in their substance as we go along, but that’s a framing of how I see our discussion.

MS. FOROOHAR: Okay great. I’m actually going to come back and at some point I want to have you help me tease out sort of the chicken and egg effect of dysfunctional political economy and slower growth and so on. Let me go now to Ian. You actually just put out a White Paper looking at some of the political risks involved in the global economy right now and you also have a great historical perspective on this. So maybe you can kind of lay out where we are in history. Are there analogous points in time we should be thinking about to understand the current situation?

MR. BREMMER: Well I’m obviously very firmly
aligned with David’s notion that the politics both domestically in terms of questions of legitimacy of the state as well as internationally in terms of the threats to the present geopolitical order are at a fever pitch. We’re used to cycles in economics. We see them all the time on average since World War II we’ve had recessions globally every seven to eight years. The geopolitical cycles are much longer but we are to be very clear at the beginning right now of a profound geopolitical recession. The question is whether it is poised to become a geopolitical depression. I think that there are two competing reasons for that that in some ways overlap that David just suggested. The first is that there is a real tendency towards unilateralism among government actors in the world including first and foremost the United States. The U.S. in not intervening much less than it used to but it is intervening much more narrowly. You see this with drones, you see it with the weaponization of finance, you see it with cyber, you see it with the way the American’s and the American
political leaders and those running for office are talking about America’s role in the world whether it is on policing, it is on trade or it is on values. And I think that you can argue in some ways U.S. foreign policy is becoming more Chinese. But Chinese foreign policy is not becoming that much more American and neither is European foreign policy and neither is Russian foreign policy and in the Middle East the state system has actually in many paces just imploding. So as a consequence those international organizations that were set up originally by the U.S. with its allies where in a world where Americanization and globalization were largely the same thing. Well now that Americanization is increasingly not a driving force, a growing force on the global agenda politics has to be critical to the way these institutions become more fit for purpose because they are increasingly not fit for purpose in a geopolitical environment that is facing this recession/depression.

The second big point is how the states themselves are being less legitimized. Just being in
New York in the last couple of weeks and watching the world leaders come together you saw a group of some of the weakest collection of global leaders that we’ve seen since the U.N. was founded. It is fortunately not true everywhere. It is less true in Asia than in Europe and the United States but it is palpable. And that in part is because the process of globalization has created this extraordinary backlash among middle classes and working classes perhaps even a majority of the populations of the United States and Europe. And a big question is that as globalization turns from emerging market labor, displacing developed market labor to a process of technology displacing labor largely in emerging markets that nexus of populism and de-legitimization of state actors is likely to expand from the developed world into the emerging market world as well. I completely agree with David that non-state actors are becoming a bigger threat in that environment, but there is one more point. Non-state actors are in increasingly also a part of the solution in the same way that international organizations have
not heretofore been set up to deal with non-state actors as threats. They also have not really been set up to work with, partner with non-state actors as part of the solution. And I think addressing both of those things is going to be critical to get us through safely this period of creative destruction of our very comfortable geopolitical environment that we’ve lived through two generations.

MS. FOROOHAR: Okay lots to pick up on there and I’m going to come back to you and ask you for some examples of how existing institutions are working with some of the new players. But Kevin, let me actually go to you. There was a great line in Ian’s report, Ian you mentioned that U.S. foreign policy becoming more Chinese but maybe Chinese foreign policy not becoming more American. You actually used a funny metaphor you said that the U.S. was acting as though China was a new boyfriend or girlfriend that had been invited in the house but we hadn’t made closet space for them. It is sort of an interesting way to look at things and Kevin, I’m curious as you’re an expert on
China and I believe you speak Mandarin as well and you certainly have a sense of how Asia is being reshaped by the U.S. China relationship. What do you think about that?

MR. RUDD: Well I’ve never seen the metaphor for U.S. China relations as boyfriends inviting girlfriends home and sharing a space either in the closet or in the bed but I’m just trying to purge that from my consciousness for the moment. As with everything else that Ian Bremmer writes it certainly grabs the attention.

A couple of thoughts about where we are globally and then a few thoughts about China and how it fits in. The point made before I think by Ian about the caliber of current political leadership to be fair to my colleagues around the world at the moment if you were to have an honest discourse with most national political leaders at the moment 90 percent of their time is spent on national political survival. And that’s for a whole bunch of underpinning structural factors. We’ve alluded to
some of them already. What is happening in the economy, what is happening in society, what’s happening in politics and the reactions that we’ve seen manifest and then the turbo charging element of frankly the disintegration of let’s call it central medial and the explosion of the chaotic qualities of social media.

So if you were to do a time and motion study of most national political leaders today it would be pretty interesting to see how much time they spend with their press secretaries and media advisors as opposed to how much time they spend with their policy advisors. And then within the latter equation starting with the really local domestic stuff and then ending up with the future of the global order. So that is part of the reality fabric that we’re facing.

I think the other point is I think along these lines. If you step back from it all as a political practitioner what do you see? You see the beginnings of the evidence both in developed and developing countries which is this very fundamental
shift in the nature of employment and driven by technology automation and now artificial intelligence. And we’re just I think at the beginning of the terrain of what that will now shape in terms of the future political divides in most countries as people search for either real or popular solutions in response to it. I think that’s a big one.

The second again if you’re a political acetum it is not just innate theory in the political science about the crisis of the nation’s state but because national political leaders now have a much less potent range of policy and instruments available to them to solve problem X or deliver on undertaking Y whether it is in employment or industry or whatever because so many leaders are beyond your control. They are out there in globalization land. But that among other things is contributing to (inaudible) of the state.

The third one is there are super national institutions have never been effectively empowered either in Brussels or in New York or in D.C. or in
Geneva whether we’re talking about the UN, the EU or the WTO, the IMF or the World Bank to actually turn these things around in a deep analysis and a deep and structured policy response with decent global advocacy to make it work.

So to bring in the China bit on that and where I think mechanisms for dealing with this challenge might lie. When the Chinese look at this globally they’re about as worried about this as the rest of us frankly. The Chinese are really conservative on the question of the state of the global economy. They are deeply concerned about the technology transformations which we just referred to in the world of work and if you’ve got a country of 1.4 billion people with a work force north of half a billion then these are real concerns in terms of political legitimacy and in their case the future of the party. So their attitude to global market is we need to try and use every mechanism available to us through the WTO to get trade liberalization through a greater voice in the IMF, the quote of debate et
cetera SDR’s. And what you see with Xi Jinping’s most recent statement is a bigger Chinese voice in multilateralism period including the United Nations. But what drives it I don’t think is some sort of just narrow national interest though China wants to be respected and China believes its time has come in the world, they look at this global mess both in geopolitics and in geo-economics and frankly the future of work and say this really worries us because it is leading to lower and lower growth as well.

So a final thought on how you could begin to address this stuff and I’m sure we’ll progress with this in our conversation. I think what we lack in global politics at the moment is an effective into mediation mechanism which brings together frankly the three great silos and that’s not Washington, Moscow and Beijing, that’s international security, international economics and politics. Because frankly everything is related to everything else now more profoundly than any point in history. The only mediation mechanism that I can see which could begin
to do this at an effective level and not be made hostage to the requirements for universal consensus with 193 member states is turning what was conceived of in this town nearly a decade ago, the G20 is something which has a much broader and effective mandate across those silos and between those silos and then articulating that through reforms of the institutions but also new approaches to social contracts at home and across the world. So the people remain part of this globalization project, a few thoughts to start with.

MS. FOROOHAR: Well Kevin you just perfected teed up my next question to Hendrik because Germany is poised to take over the presidency of the G20 and so this is going to be in your lap very shortly. First of all, can the G20 really be part of this solution, this process of integrating politics and the economy and what would that look like? What needs to change in the way things run right now?

MR. ROELLER: Yes, thank you. You’re right Germany is actually starting on December 1st with the
G20 presidency so we’re in the process of planning that. I think that the G20 which is now I think in its tenth year as Mr. Rudd was one of the founders of the G20 process about 10 years ago has actually moved quite a bit also in terms of topics. I think it is a soft process. We don’t want it to be a continuous process so it is a yearly driven presidential process and I think that is good. We are still having the Chinese presidency, we’ll have the German one, Argentina will be in the year after that. And I think that the G20 presidency is actually important in the sense of complimenting and pushing other global institutions to do their job. I don’t think we can do it within the G20 but we are asking ourselves right now what are the key challenges likely to be next year and I think we’ve already addressed some of them and the question is what can the G20 do.

The other thing about the G20 is that it used to be about economics which links nicely with David’s point about economics and financial market regulation and maybe trade. I think a lot of issues
are still there, I think financial market regulation a lot of things have happened, we need to finish it, there are still some regulatory form coming up but the leaders in the world are concerned with other issues. Refugees, terrorism, climate, agenda 2030, women participation. The Chinese actually pushed very much digital and internet kinds of things. So I think a natural tendency and something which will happen also under the German presidency is that we’re moving the debate I don’t want to say away from economics but into areas where I think economics is also going to be determined from but it is not only about economics and I think that is important. So I think it is a complimentary process, the G20 and it is very important. I think that also the global issues are relating to what my leader does and how she spends her time. A lot of issues actually are issues today. Germany of course is in a very unique geographical situation. Our neighboring continent is Africa, Europe is a complicated process at this point and I think most of the challenges are actually in the
foreign policy and the globalization. Healthcare is another one which we’re going to emphasize. So I think you have this enormous amount of problems globally taking the refugee crisis for example or climate control, at the same time have a backlash where our people aren’t actually trusting international organizations including the G20. I think it is going to be important next year when Germany holds the summit in Hamburg in July that we can demonstrate to if I may say not the people in this room if I may say so but to others outside this room and out there in the internet that actually this is a useful exercise. I think there we are back to the point of sort of how can we make it useful, how can we show that the benefits of globalization accrue to everybody, how can we make sure there is transparency in the international organization, how can we make them more efficient. So I think that is also something which the G20 is concerned with.

So I think there is a bit of the way we see it a disconnect between where the problems really and
where the world seems to be going which is retreating more international issues and watching when the U.S. debate is on and where the problems really are. So I think we need to reconnect at that level and that is what the G20 is going to try to do.

MS. FOROOHAR: So let me stick with Europe for a moment because you’re bringing up Chancellor Merkel some of her challenges with the migration crisis, with the politics of that in Germany and I’ll ask you this first but please everyone jump in if you like and feel free to interrupt me politely or redirect if you’d like. I’m going to go out on a limb here and say the Chancellor did something very brave by taking in migrants but she is now paying for it politically and that is making it difficult to do things that would be good potentially for Europe economically. This is a chicken and egg cycle right now. You can see it in many ways. You can see that in parts of the world you need more fiscal stimulus but there is so much partisanship that you can’t get that to get growth going. How do we break out of this
cycle? Where are the levers and if want to start and then others can jump in.

MR. ROELLER: I think the refugee crisis is obviously something which is I think potentially a global issue, I think this is also something which we were discussing in the G20. It’s something where we need to work on very hard with countries where living conditions are such that people want to leave. I think that Europe’s response to the refugee crisis has been appropriate and we’re still working on it and it is by no means that the Chancellor actually opened up the borders in September 2015, she didn’t close the borders, the borders were actually opened. We had to Schengen space in Europe which is a borderless space and if you talk to most Europeans I think we all agree on that that we had sort of two big accomplishments. One was the euro, the common currency, now that has had its difficulties and we have built institutions maybe not quite there yet, banking union and others. The other one we have the borderless Europe, the Schengen area and that again was tested because they
were the border wars and a number of things happening and we’re working on that one as well. So we feel like it is not only the humane thing to do but it is also something which economically in the long run is something which can actually benefit Europe. The biggest issue right now we had 890 thousand refugees coming to Germany. We just released the number last week in 2015 last year. So it is less than one million but it is a lot of people. What we’re working on and spending also a considerable amount of resources integrating them. I think the integration part of it is going to be the important one also which is going to decide on whether the economic benefits are going to accrue.

MS. FOROOHAR: David did you want to jump in?

MR. LIPTON: I wanted to say a word about the proposition that leaders are weak and link it to what Hendrik said. I think it is a kind of conundrum that in the globalized interconnected world really a national leader can’t really fulfill all of the
aspirations of their people using domestic policies because there are spillovers from abroad. Refugees wouldn’t be coming to Germany because of German policies alone. There is ISIS there is other places where other people are fleeing wars or migrating for economic reasons. If the weakness of the leadership, then leads the population to demand a closing off from the world I think you end up with the situation that I think President Obama referred to in a recent speech. He said if you build a wall around the country then you create a prison for yourself. The conundrum is if we have weak leadership because of lack of international cooperation perhaps international cooperation is the answer. And again come back to the refugee issue, if there was more cooperation on the security side to deal with ISIS, the chaos in Libya, if there was more support, financial and otherwise too helped displaced people stay closer to home and have some chance of returning. Through cooperative mechanisms perhaps pressures can be relieved and through cooperation leaders can be more successful and
they can avoid some of the reactive approaches that people are taking in their countries. I think that this is a generally applicable point in economics that Kevin is right. I think I saw it in the Obama administration at the time of the global financial crisis. I mean when your house is burning down you worry about your house but before too long there is the need to get back to working together internationally. We certainly will, I’ll make the case in the course of this today, we at the IMF are dedicated to promoting growth stability through international cooperation. We still think there is a lot that our member countries can gain through integration, interconnectedness and globalization especially emerging market and developing countries that are still on the growth trajectory. So in that sense international cooperation has never been more important. But it may be that unless we find ways to stave off these pressures of fragmentation and find a way to cooperate we end up in a far worse situation and the only way for leaders to be popular is to be
the king of a very small kingdom.

MS. FOROOHAR: So how do we get by in on more cooperation. Kevin and then Ian I want to come to you as well.

MR. RUDD: Well first through the analysis of where we are so that frankly national and international political elites have an analytical and a policy roadmap rather than a series of random reactions to events, that helps. Secondly, where we are right now is this long process of the collapse of what used to be standard international relations theory. There is foreign stuff, there is domestic, there is internal stuff, there is external stuff, there is global stuff, there is local stuff. As Hendrik’s said before by in large is global.

The other big reality we face is that we now have these convergence of risk as Ian was saying before in a quite extraordinary way. Great power relations are in their worst state in 25 years. Geo-economics is changing. The Chinese economy will become larger than the American economy. When exactly
we don’t know, the next decade or so. Third, the non-state actors and fourthly this growing stew of globalization forcers and counter globalization forcers all happening at once.

So how do you make the politics work for this? We can analyze it and understand causes, we can even analyze in terms of what represents appropriate policy script for the future. I argue again that this is kind of a new conditionality to domestic politics and global politics whereby unless we deal with massive inequalities in both domains then it will become the fire which consumes the entire project. I go back to the G20 and Hendrik’s point. As I work it through I have seen when the G20 was formed and remember the London conference in March, April 2009 when sitting around that table all these leaders stared at each other in the eyeballs and everyone had the same look in their eyeballs which is this show is about to fall apart. Very governizing moment but we were frankly on a cliff. It is quite a testimony actually to success of Gordon Brown’s hosting of that
conference and British, German and American participation that we actually came through with a remarkable document which actually broke the fall. And then recovery has been very, very slow since but we didn’t go to depression and that was the objective.

Now the problem with global shall I say institution building and our use of institutions to solve problems as others have already pointed out comes off the back of a crisis. What we have now have is a very rapid burn crisis unfolding but not with the acuteness of what happened 2007-2008. But frankly I see these things coming together very sharply now. So I go back again to how does the politics work. The G20 in its evolution because it is 20 and it is no longer the old G7, a bunch of white guys plus Japan who invented the rules in ’45, that’s kind of how the G7 is viewed in my region, the Asia Pacific region, but now represents every region on the planet but economies which have substance and standing. So it has got a reasonable legitimacy which the G7 kind of never did in the eyes of world. But the way its
evolved as exactly has Hendrik has said, it has sought to be incremental, it has sought to frankly encourage the existing institutions of global governance all of which have good mandates to do their job but they frankly have not in large responded. So I actually argue that the G20 needs to start to become more systematic and systemic and that is with an agenda of the four to five major global challenges which currently exist, one of which is the continued stability of financial markets other is the genuine resistance to protectionism which is going to consume us all. But also the unfulfillment of the Pittsburgh Declaration on long-term balance and sustainable growth the new drivers of growth. But this conditionality of people who are missing out because unless we use our international politics to bring those folks back into the project then the project as I said would be burned so I think my appeal to my friends in Berlin. To think through with colleagues around the world as to how frankly this becomes more formalized it is difficult because as a reaction from
the multilateral institutions the UN and the risk because it is only 2016. But is you get consensus there on the four to five really big ones and then socialize it through the rest of the multilateral system in terms of analysis and solutions I think then politics then follows.

MS. FOROOHAR: Ian, can I come to you and I want to hear your response to all of this but also if you can tease out this idea that what we need is really just elites that are less reactive and have a better road map. What came to my mind when you were saying that even though I think that is certainly true is that there is also this huge trust gap between the elites and everybody else. The trust gap has never been larger and elites even with reasonable road maps seem to be just completely missing the politics of the moment. Everything from Brexit to the rise of Donald Trump and to a lesser extent Bernie Sanders far right and left nationalism. What do you think about this?

MR. BREMMER: Well, to first respond to this and then to answer aligned with it. To throw a little
tepid water on what is coming this is not a big enough problem for the G20 to solve because the world’s three largest economies the United States, China and Japan are not particularly affected by it. It is just not a priority. I mean in the United States refugees are you kidding me? Sort of the marginality that Hilary is talking about which is dramatically less than Canada is politically extremely volatile for her to even put forward. The Chinese, not my problem. The Chinese are becoming much more responsible when it is involving their supply chain. They are talking more about peacekeeping because they are in a lot of sub-Saharan African countries that are very authoritarian, they’re very brittle and the American’s aren’t invested there so someone is going to do it. But when you talk about things like refugees and terrorism and failed states and the Japanese do a lot of humanitarian aid but not my problem. So then the German’s, people complain about the American’s for leading from behind, Merkel is leading by herself even within her own country increasingly with all due
respect. I agree with you completely that what Merkel did was incredibly courageous but it wasn’t leadership because to do leadership you’d have to have people like it and behind you and saying okay. And Obama was like that’s awesome that you’re doing that. We’re not helping you. So that’s a problem. Now the alternatives for Deutschland are doing better and now you have to do a deal with the Turks which is not exactly a paragon approval of law at this point and these sort of things are happening. I think the likely implications of that are that in some parts of the world you will create more fit for social contracts and you will actually, Singapore is doing it, we saw that earlier today at the IMF. Denmark is doing it, smaller homogenous or very wealthy places. Some parts of the United States, of Europe that are decentralized, have good governance, have good public/private partnerships. In some parts of the world you’ll see revolution. They will be very weak, they’re be very brittle, they can’t respond and so the countries or parts of those countries will just become
failed states. In between, because this problem isn’t big enough it is going to grow. And when the problem grows you do the one thing you have to do, you create more walls. Are those walls prisons? You could have walls that are virtual, that are segregated, that grow an awful lot. Technology facilitates those walls. Governments are having a harder time with their populations not just because they have to deal sort of with decreased du jour but also because they have increasingly narrow and polarized pieces of their electorates that aren’t talking to each other. And that’s actually fairly easy to deal with in the U.S. where political apathy is a powerful force. But it is hard to deal with in emerging markets. It is hard to deal with in sectarian environments in the Middle East or tribal environments in sub-Saharan Africa. And that’s gets to your question which is the trust gap with the elites and the IMF has this problem. If all of the member countries around the IMF are going more native and then we’re sitting up here a bunch of people saying, go globalism you’re going to have a
trust gap with us too. For my sins I was on the floor of the Republican National Convention and saw Trump go after the globalists. He gets it and it is not because electing Trump is going to make things better for them but at least Trump gives them agency. It is like a Palestinian with a rock, throwing that rock at an Israeli defense force not going to make it better but it gives you agency, it gives you voice. That trust gap is going to grow and this is nowhere near a big enough problem for the G20 to address it.

So final point is I think the way you resolve it or start to resolve it is number one do it at a much more local level and it is much more hybrid. It is going to be lots of different like-minded actors who aren’t just states.

MS. FOROOHAR: What would that look like? Can you get more specific? Is there something that is working now, a paradigm that you could point to and say yeah we need more of that.

MR. BREMMER: I look at what Johns Hopkins University is doing with Baltimore. I look at what
corporate leaders across Detroit and Michigan did with local government. And frankly even the Clinton global initiative in terms of not to be partisan about it but in terms of mortgages and the rest. I see sort of the way that Spain can continue to govern itself locally despite the fact they don’t have a government. So that is a way but I also think that organizations like the IMF are going to have to find pockets of support where they can. Eventually is the G20 the answer? The G20 might become the answer if this continues to deteriorate for another decade but until then organizations like the IMF that are trying really hard to make a difference to bring these people along are going to have to find any pockets of support they can because the trends are going to continue moving in the other direction.

MS. FOROOHAR: David I want to give you a chance to respond to that. How is the IMF reaching out and how are you addressing the trust issues?

MR. LIPTON: Well let me say first, I think we are well aware that this isn’t about convincing
elites. I mean there is an economic elite that studied globalization and has long thought that whether it was the Washington consensus, or more recent ways of framing, it makes sense. I think it is about effecting realities on the ground in economies. You’ll hear a lot of talk, it has already been in speeches and seminars here at the IMF about how we can help countries individually and working together to create a better economic kind of growth, a more inclusive growth. Have policies that deal with inequality, deal with create inclusion, improve gender equality. Unless there are examples of success, countries that take an approach or even groups of countries that take an approach and show their people that there is a way -- I mean we know that economic change leads to disruption and that very often means winners and losers. And unless there is a way to take care of people who are losers or relatively speaking losers I think that it is a problem.

I think the challenge for the IMF since we are who we are is to deal with the substance of the
matter. I think part of the problem now is confusion about what is really motivating the discontent. People tend to focus on trade and international interconnectedness. But of course the discontent comes in part because a lot of people lost a lot in the U.S. and Europe lost a lot from the global financial crisis either investments, jobs, income or the like. A lot of what is going on is because of technological change that displaces people. That would have happened with or without globalization and that is not going to stop. Technology will go on for a long time replicating things that people do. Then of course there is the effect of trade and I think that we need to analyze what is going on and find solutions that actually address the problems and help countries try to have better examples to contrast against the lesser examples so that in essence to keep real the idea of interconnectedness has benefits.

This is not an argument you have to work hard right now to convince Asian countries and developing countries. That may change and Ian may be
right that there are changes coming there but this I think is more about affecting realities in advanced economies.

MS. FOROOHAR: Well let me just push you on one point and then I want to come to Kevin. You’re talking about new ways of thinking about trade, migration, but what about capital flows? There has been a pretty robust debate about neoliberal ideas around capital flows within the IMF and certainly outside the IMF. What is your thinking about that? Is there a new kind of economic paradigm that would help support some of the political consensus that you’re talking about trying to build?

MR. LIPTON: Well, we’ve rethought the question about what’s our view of capital flows. For the longest time after the founding of the IMF, post Bretton Woods there were extensive capital controls and this was a period of rapid growth. During the formation of the G7, many G7 countries had capital controls for much of the period of the ’70s and ’80s. We have looked at this question, we are still working
on this question, we have a view we are presently sort of taking stock of what we think of that view but it is clear that there are circumstances in which capital flows are the conduit of spillovers and they lead countries to have to reckon with some of the negative side effects of interconnectedness. I think this is fertile ground. We are not telling China that tomorrow it ought to have a perfectly liberal capital account we think rather that the end point and the path are subjects that warrant a lot more study. So this is on the table as a subject to discuss. There are countries that remain now fully wedded to the idea of unfettered capital flows, this is a dialogue that is going to have to continue.

MS. FOROOHAR: Kevin, on that note I want to go to you and back to China. So China represents 37 percent of global growth at the moment. What happens next, not just in terms of China’s financial system but China’s openness to the rest of the world in general is very important. There is a big debate about how Xi Jinping feels about that, how the ruling
elite feels about that and there are these two concerns in China, control and growth. Where is the pendulum swinging right now between those two things?

MR. RUDD: In the direction of controlled growth. Well firstly in terms of the Chinese economy I’ve been looking at this for the last 35 years and I’ve seem multiple alarmist reporting about the impending collapse of A, the Chinese economy, or B, the Chinese political system, and I think as I’ve always said this is a little too early to tell. And it is worth taking a deep historical view of this in which case I actually believe that whether growth is bumping around the floor between four and six percent in real terms leaving aside what it might be stated as being that given where China is in its economic development, given the demands that they face, the magic number, the social stabilities in the vicinity of about five.

Secondly, the Chinese are smart enough to realize that as you all know that their old growth model had run out of steam. Labor intensive, low
wage, manufacturing for export, high levels of state investment worked very well for 30 years. That model has started to creak badly for a bunch of reasons which we’re familiar with from economic history. New growth model launched two, two and a half years ago problem. It happened to coincide with the global economic growth data not supporting this period of quite significant transformation the Chinese economic model. And specifically, the Chinese growth which is derivative of its external activity principally through its very large trade surpluses was no longer delivering the bacon as it had done with for the previous 30 years.

So that creates a new politics in China about this question of openness. But I think in the internal debates in the system they still know that the other side of global operations which is what Davis has just been talking about, capital flows, in addition to trade still represent critical arteries for China’s ability to obtain its self-defined national objectives which are contained in Xi
Jinping’s statement about his dream for the country. A prosperous, high income country by the time we get to the centenary of the establishment of the PRC in 2049.

So all these pressures are faulted. We’re having this seminar in a closed session in Beijing, frankly most of the issues we’ve just been talking about will be aired a slightly different way but the substance wouldn’t be far removed. I think the consensus still lies on this question of these arteries of openness must be sustained for China’s national future, not just for the benefit of course of the rest of the world.

One final point, and I’ll cease my continued invocation of the G20 at this point. But I come back to it because I love Ian deeply but I think on this one he is wrong. That is this kind of ground up stuff is terrific. I’m all for it, there should be truckloads of it. But I’m kind of a public policy guy and I like to see whether we can do it more systematically than that and I think the aggregation
of these crises points, Ian is right, not yet a level of fever pitch which would call politicians from 20 countries to say we’ve got to act on this now. But there is a bucket of them, about five of them which are now at a level of intensity which I don’t think it would take a whole lot of advocacy from a major global political leader to say we need new global compacts on this. I think the Chinese, this was the connecting point, having spoken with them a lot and I’m sure David did as well are on the boat to something like that as well. So how it is executed, a matter for the political leaders themselves and their staff.

But unless you’re doing this systematically, we’re going to get eaten up by this stuff including on the global people movements.

MS. FOROOHAR: You’re sort of shaking your head.

MR. BREMMER: I think he’s right. I think the Chinese are increasingly on board for it, I think the American’s aren’t. I know the Russian’s aren’t and again I think the gravity is moving against it.
That’s the concern.

MS. FOROOHAR: Talk a little bit because in about 10 minutes we’ll open up for questions, talk a little bit about Russia, the Middle East and Latin American because we haven’t covered those areas, how about that. Ian, by the way, is really good at speed rounds, he can do this.

MR. BREMMER: Russia is the thing we haven’t talked about so far that matters a lot which is American policy on Russia has failed badly and I suspect that European sanctions against the Russians are really hard pressed to maintain them at the level that they’re presently on for the next 12 plus months. The U.S. can be really mad a Russia. We’re claiming along with the Europeans that they’re committing war crimes in Syria right now leaving aside what the Saudi’s are doing in Yemen or what other countries are doing in other countries. The fact is we don’t have anything in our pockets that is going to stop it. The Chinese are at certainly more interest. They have their own models, they have their own priorities but
they are interested in being increasingly constructive and focusing on stability. The Russians want to rip up the map as it is right now. The Russians feels absolutely that the United States should be undermined. America’s interest, its values, exceptionalism, indispensable America and assuming if Hillary wins the election that’s going to grow as a problem. This is a country that is engaged in trying to delegitimize the U.S. election and not only the U.S. election.

They’d be in the G20. That’s a serious problem. They were kicked out of the G8 and the German’s helped with that. They ain’t coming back but the G20 is a different story, so I do think that is a real issue.

For the Middle East, very briefly I’d just say that the trends there are certainly places that are doing well in the Middle East. The trends in an environment where there is more of a vacuum, a way of global leadership. It is that these countries to the extent that there is leadership in the Middle East
they have a very different and mutually antagonistic views of what the region should look like and that bodes very badly especially, I mean Syria, frankly, I know we are agitated about Syria right now. We’re not so agitated about South Sudan, about Congo. I mean to a degree, just basically Syria is becoming for the United States what some of these other conflicts are. It is not clear why we should care so much more about the average Syrian then them. I think we should care about all of them but that is not where we’re going. Are the Saudi’s going to make it with their vision 2030? I hope they do but all of the trends right now are against them and they know it. They are aware of the urgency in a way that the G20 is not on many of these issues, they are aware.

Whereas Latin America I mean leading aside what just happened with the Columbian Referendum Latin American is frankly not only quite insulated from a lot of these things but also a number of them have recognized that a lot of heterodox policies haven’t worked so well.
MS. FOROOHAR: Right they are moving a different direction. Have they been through what other countries are going through now? Is this some sort of a new potentially coming out the other side moment for them?

MR. BREMMER: It is. It certainly is for Brazil and I think it is for other countries too and yet the United States is particularly poorly positioned politically right now to take advantage of it and that is such a problem. The fact that TPP is probably not going to happen. If it were I could easily see a country like Brazil saying, Wow Michel Temer is not really fit for purpose. We need to be more aligned with the American’s. There is at least some chance Trump is the next president. If that happens, do I think Lopez Obrador is going to win in Mexico? I’d be more on that but life is going to change depending on what happens in this country given how much impact America has on Latin America. I don’t think we can completely separate those things out.

MS. FOROOHAR: Okay. Hendrik, I want to
give you a chance to say something else before we go onto questions. Brexit, how is this going to play out? We have Theresa May coming and saying there has got to be a change, we need a deal. Chancellor Merkel said there is not going to be any easy solutions. I’ve heard people at the Bundesbank say that this is not going to be a smooth process. What is the road map for the future and what does it mean for the stability of Europe in general?

MR. HENDRIK-ROELLER: Before that I’d like to come back to one or two other issues. First of all, I think on the G20 and the G7 issue I think what is important is we need both. I think we need certain key issues being handled at the G7 and the G20 level. We need subsidiarity. We need to interlock with local politics and local initiatives. We’re doing that. We’re spending next year an enormous amount of time so called outreach process which are about seven, you know, the Business 20, the labor 20, the civil society, youth organizations, science organizations, even universities for what it is worth and think
tanks. So I’m spending every week discussing big key issues with them. I think it is absolutely fundamental that we avoid this G20 meeting exclusively in transparency and deciding about the rest of the world. I think that is important as lesson number one to make the G20 effective. It is not enough; I think we need to do as I said earlier a number of other things. I think that is important. I think the G7 we didn’t kick out Russia by the way and it wasn’t Germany that kicked out Russia and it is G7 now, you’re right and whether they will come back the door is open and we said very clearly when they would come back.

The same thing with the Chinese. I think the way to deal with the Chinese and that is certainly the German policy is that if they play by the rules, this is also President Obama’s view they’re very welcome. We had a long discussion on the AIIB, David knows this very well. We worked with the Chinese if they play by the rules they are very happy at the table.

The G7 is incredibly useful because when you
think about the year 2015 where the COP 21 at the end and the New York Agenda 2030 I think those were important things. You can paint a bleak picture about the world but I think we actually made some progress. Now we’re not done with climate change. I think most of it is actually still to come but we’ve had some significant progress in the G7. We worked very hard at the G7 and that was actually in Germany in 2015, Germany at the presidency of the G7 and then we have the G20. Again, I think we made major progress through leadership of the G7 and G20 of course is totally different, maybe more legitimate than the G7. Also, the agenda 2030. I think G7 and G20 played a major role in trade issues. I think is an issue which is maybe a little bit more tax issues.

I think about all the tax issues. I know we have some tricky issues right now on taxes which I’m not going to comment on if you ask me but taxes I a major -- we’ve done so much progress at the tax and tax is a fundamental issue, transparency issues. So I think if you think about future institutional
structure to deal with all these problems that we’re having I think you need both these international organizations but you need also to link it better locally and I think that’s what we’ve done.

On the Brexit, I didn’t really want to comment on that but I can only give you the official party line and he can say all he wants but I’m not in that sense. Clearly I think it is as I think we had our (inaudible) summit recently where the European leaders, the 27 met and essentially you have two issues here. One is Brexit and the other one is EU 27. Now personally, I find what the rest of the EU 27 is going to do at least as important as how do we deal with somebody who decided to for reasons one can debate has left. I think that is an equally important issue and essentially what we did in (inaudible) which was in September we sent out a process and you might say it is very slow, you sent out a process that by March next year which is 60 years of the Treaty of Rome so it is like the foundation of Europe, Treaty of Rome, 60 years next year in March to have a
declaration on where Europe is going. We’re having these themes external security, internal security, more European defense which is also a U.S. demand and we have this issue of where is the economy going. Of course we have very different views on Europe as I said earlier on where they economy is going. So I think that’s an important. Where is Europe 27.

There is also trade issues. We are still negotiating to so called T-Tip which I guess was a joke which a U.S. Congressman once did. He said if you ask most American’s what is T-Tip they would think it is a tipoff in a basketball game so it is not, TPP is much more prominent than T-Tip. We’re still negotiating on the T-Tip issue.

So on the Brexit to answer your question very briefly I think that we are having our four freedoms and one of them is freedom of movement of labor and the UK is going to submit by the end of March and then we’re going to have to negotiate a good deal which will take two years and it is clearly in German interest. We are a trading nation. Our
industry is very strong where we have a deal which is
good for both sides, it should be a win win situation.
There are a number of very tricky issues which we need
to negotiate which nobody knows which is why I think
the uncertainty is there in the market. The other big
issue of course is you know the kind of relationship
between the 27 and the UK and how that is going to be
ironed out politically in the end has an effect on
other countries in Europe which have population and
have right winged movements. By the way, that’s if
you want from me the biggest threat to Europe that’s
that. You mentioned the (inaudible) personally, I
don’t think they’re going to be very successful as we
move forward. I don’t have a crystal ball and you
have your discussion in this country and there are
others in Europe. We had elections in Spain hopefully
we won’t have elections in Spain again for the third
time in one year. We have Dutch elections, we have
French elections, we have German elections and I think
for Europe this is the defining moment how the people
are going to vote.
So I think it comes back to very similar issues that I hope the politics of it and I’m an economist so I’m responsible for the economic policy but the politics of it are going to be very important.

MS. FOROOHAR: Yeah. So is it fair to say that basically regardless of what happens with Brexit you need more political integration to fix the European debt crisis to make Europe viable?

MR. HENDRIK-ROELLER: That’s one of the debates we’re having in the 27. There are those who say we need more integration and others say we need less integration. The Chancellor said we need a better Europe so to me that means we need to think about what is more of the European competence. It is relatively unpopular giving more power to Brussels, take trade for example. I don’t want to get into trade too much in Europe but we’re negotiating this free trade agreement with Canada right now that is called CETA. It is a mixed competence so the EU has to agree and every member state has to agree. In Belgium, 16 parliaments are going to have to agree and
if one of the parliaments says no it may be killed, the whole deal. So dealing with a continent like that where -- one way you could do is give all this competence to Brussels. There are other areas where we may have to rethink that more competence will (inaudible) so it will be a mixed thing and not a more or less but we want a better Europe, that’s the answer.

MS. FOROOHAR: Okay we will make sure to come back. We haven’t really delved to deeply into trade yet. I want to first open it up to questions and make sure that we get everybody’s comments and feedback in the room. There are mic runners on either side and if you want to just, we’ll start here and just introduce yourself. Please keep questions brief and to the point please.

QUESTION: Hi my name is Isabelle and I’m representing (inaudible) of Canada. I was just wondering if we could get your definition of what an elite is. So for example Brett Stevens says the definition of an elite is anybody who has been to
Europe in the past five years.

MS. FOROOHAR: I love that question. Do we want to go down the line, what’s an elite?

MR. RUDD: Guilty, I arrived from Berlin this morning.

MS. FOROOHAR: Quickly, I want to hear what everybody thinks an elite is.

MR. RUDD: Well I stood for election yesterday at the House of Representatives which is a pretty rough and tumble institution. To get elected in this business of national and its intersection with international politics you are constantly in the business of translating what is happening out there internationally, nationally, in language which actually means something to your local constituents. And if you have as we do in our system every week you’re out there on a street corner talking to people about their concerns that forces you into a position whereby you are in the translation business of what you’re trying to do nationally and internationally to what they can perhaps grab onto locally.
Final point. If I have never had in all my 15 years in the House of Representatives on one of my Saturday morning clinics which as the British would say we just call them mobile offices with constituents and I’ve done hundreds of these. I’ve never had someone come up to me and say, you know, Kevin, what we really need is more globalization. I’ve been worried about globalization all week and I just thought I’d raise it with you. This is not just a silly remark it kind of goes to what David and I were chatting about briefly outside which is the language of this global debate and this national debate about what we’re on about here is very important. If I look at globalization the French (inaudible), the Chinese (inaudible). These things in all these countries are alienating terms. So what do I mean by it. Are we actually talking about prosperity and common prosperity, are we talking about security and common security are we talking about sustaining and being able to have a sustainable environment at the same time commonly achieved because all the (inaudible)
around the world, that’s when you start to get
traction. So if you’re talking about bridging the
divide between elites who have to think about this
stuff because it is complex at the same time translate
it in a way which is electrically meaningful the
language of our discourse is critical while the
content of the project is clear.

MS. FOROOHAR: Does anybody else want to
answer that?

MR. BREMMER: First, I was in Europe on
Friday so Kevin is more of an elite than I am by
definition. Irrespective of how we define elites I do
think it is relevant to recognize that elites are
being defined very well by a group of populous leaders
and they are being defined effectively as a group of
people who have more common interests with one another
outside their countries than they do with those that
are part of your legitimate constituency. That is
becoming very salient in a way that it was not five or
ten years ago.

MS. FOROOHAR: This also dovetails with
something that we kind of touched on but maybe didn’t land on which is the idea that economic globalization has just gone far, far, beyond political globalization. You can see that not just in the way elites live but in the way corporations can fly 35,000 feet above national problems and do tax arbitrage. Let’s take another question.

QUESTION: My name is Mark (inaudible) I’m from Brazil. My question is the following and I think I’d like to hear from you Mr. Rudd. Aren’t we leaving many open, we’re not closing certain situations like Libya, the issue is not solved, Syria, not solved. So we have many political things that were supposed to be solved and we haven’t found solutions. Isn’t that the thing that creates a lack of trust in the political system that somehow moves to the economic area, the fact that we have so many open spots that we’re supposed to find a solution and we seem to be fighting and not really solving them, thank you.

MS. FOROOHAR: Kevin.

MR. RUDD: Three quick points. One is that
we can go through each global institution as it exists and point to a massive current failure, UN, Syria. We could go to WTO around equals death round as far as trade is concerned. Three, we could go to the bank. The bank now we have AIIB in terms of an alternative set of institutional arrangements beyond Bretton Woods and we have a bank if you listen to what the president was saying yesterday, it is running out of cash, it needs more cash in order to do its job. So the list goes on. UNHCR handling a whole lot of problems well, hasn’t handled Syria exit at all well for reasons of lack of cash.

Then there is the second side of the page which is what none of us know about which is where these multilateral institutions actually succeeding today partly because we’re all gloomy by instinct and because we’re all affected by the dismal science of economics. That list of what is being done positively today does not readily come to the top of mine. We could point to just purely in terms of UN terms what Hendrik pointed to before. We finally got there after
screwing around for six or seven years on the climate change compact. We did agree on a framework to deal with root causes if you like of political alienation which is sustainable development goals. There is a bunch of good stuff going on the ground as well.

The final point is in terms of how we prosecute the debate internationally and beyond the elites into local opinion the language with which it is done and with a sense of genuine strategic communication at all levels is fundamental but also all these institutions that exist at present around the world have great mandates like Fund. Great mandates. They have done good things as well and why I keep going back to G20ism whether it is G7 or G20 you just need to politically reenergize these institutions with effective mandates and effective funding and effective policy direction where necessary to take them from what has been there as it were their theory of construction into dealing with the challenges of the 21st century which are different to those of 44 and 45.
MS. FOROOHAR: Hendrik, do you want to make a quick comment?

MR. HENDRIK-ROELLER: I think this is an excellent. I think that this is also I think what defines a politician. Rather than describing what a problem is, what others do, solving problems and actually showing that we can get closure on some of these political processes. Now we have a lot of open issues and I would agree with you we have also closed some. On taxes we’ve made progress, environment we’re making progress so it is not like we’re not solving everything but it looks like when the normal people look at there is uncertainty the world is changing, the Berlin wall has come down, technology is changing there is a huge amount of uncertainty and disruption. Even in a country like Germany where people ware well off and actually have pretty equal society compared to other countries they are worried about the future. So actually in Germany it is not the growth per se it is the uncertainty about something bad happening. This is resilience or stability it is not sustainability;
it is not inclusive but it is actually resilience concept. This is by the way what our G20 is going to have an overarching theme. We want the world to be better equipped to deal with catastrophes or risks, financial, climate, refugees, healthcare, Ebola. We were lucky with Ebola by the way; it could have been a lot worse. So I think you’re right, I think for citizens to have trust in leadership you need to close some of these issues. We have an accountability report. Your neighbor usually works on that and I think on the G20 and the problems we do that ourselves so we do very well in that accountability report. But that’s a minor thing. I’m not saying the accountability report of G20 is going to solve the trust issue of the world but it is at least something. So I think that is a big issue that we need to work harder on that.

I think the last point I want to make in Europe again we have also that event happening right now which raises the issue of where is Europe going what do we want to do with Europe, are we going to
keep our living standards for our young people. We have countries with youth unemployment in Europe half of the youth is unemployed. Just that is an absolute disaster. Two thoughts we had there and the leaders expressed that again at the last summit. The first one if we want more trust in these institutions and in Europe it is very special because we are still national in a way, language, we’re not a United States of Europe. Then we have the supranational Brussels bureaucracy which is an easy target for things which go wrong. So I think what the leader said we should weed the elite however you define it. You should not talk badly about these global institutions. We actually do that in Europe and then you shouldn’t be surprised that the people don’t think very highly of it. There is the classical principle Asian problem in economics where Brussels that’s the unpopular thing which you don’t want to do nationally and then you blame Brussels for having done it actually but it is the sensible thing. So let’s not badmouth the institution.
The second one is do more what we say. I think if you look at politicians we talk about a lot of things and we need to do what we say. I think these are two credibility issues.

MS. FOROOHAR: David and Ian did you have a quick comment?

MR. LIPTON: I just wanted to say this question about whether subjects are closed is an issue for the IMF. I think Kevin was kind and he went through his list of failures and he didn’t come up with one for the IMF. I’m sure if he thought about it for another minute he might. It is very important for us that there is progress that there is success in the subjects that we’re dealing with. Ending the extremely acute phase of the global financial crisis was something the G20 did together, the IMF played a role, I think we get a positive checkmark for that. Perhaps for financial and regulatory reform that has made banks safer. But the fact that we’re in 2016 quite a few years later in global growth is not strong enough that there is this rising discontent that in
some important countries there are important policy changes that are very necessary. That in the long run is an issue for the legitimacy of the IMF. We don’t act in that we don’t make policy for countries we give advice. We have consultations, we provide financial support but I do think that it is important that we are persuasive enough that we diagnose things well enough that we’re persuasive enough to actually help countries find success. To me part of the importance of this dialogue that we’re having is that I think for us to do that well we are going to have to integrate more of these political considerations. And something we haven’t talked a lot about I think we’re going to have to be able better deal with the non-state actors whether it is in the area of tax where corporations are becoming in a sense of too global or too complicated to tax. The Chinese finance minister made a mention at the G20 meeting last night about Alibaba saying Alibaba exists, well where do they exist? They are in China but they are sort of in the cloud, they’re everywhere.
I think there are many challenges here including that come from the new technologies. The adoption by corporations, the very international activities of corporations we’re seeing that more and more. So for the IMF to be successful we also need our members to act. We need to try to be persuasive but really do need the support of members to overcome some of the problems that we’ve talked about to deal with their non-elite population and to try to grapple with problems that we see.

MS. FOROOHAR: So quick comment from Ina and then we’re going to go to a question over here.

MR. BREMMER: Two quick points that is a fascinating topic. One is that we do know where defense companies are. We know what countries they’re in, what countries they’re from, what countries they work with. We don’t with technology companies. There is a big question as to whether that will persist. As technology companies become much more strategic and important and perceived as important for national security and for the future of economies and also for
the potential to have information that can bring a
government down or not or can help them maintain
control that is going to become exceedingly important.
I’d be surprised if China really doesn’t know in five
years where Alibaba is the way they don’t right now,
I’d be surprised. I think that is also true for Apple
for the United States or for the Europeans.

MS. FOROOHAR: What about Facebook?

MR. BREMMER: Facebook they don’t want to
know but they are being forced in that direction. The
other point is that I really do agree with Hendrik
that of course governments do a lot of things and not
only themselves but in terms of international
cooperation that aren’t moving the needle and climate
finally is a very good example of that in a visible
way. I also think that the bar is higher for
governments. Because when people look at corporations
when young people look at corporations they are very
cynical they are very skeptical they know they’re
being advertised to they know they are trying to
maximize profitability and it is very transactional.
It is I’m going to buy your stuff but tomorrow I might buy somebody else’s stuff and we kind of know how the game is being played.

With governments I do believe that around the world there has been more of a sense of that social contract really means something. And when people increasingly believe fairly or unfairly and it happens in both ways that the government makes a commitment and they’re not getting it done. They are not closing the book on that. I think it becomes the trust gap becomes actually much more yawning and much more difficult to traverse.

MS. FOROOHAR: Okay. Here in the blue shirt.

QUESTION: There has been a lot of conversation about the problems but how do you engage the citizenry on integration, the benefits? We have heard so much in the past few days about all the lack and the problems but you have to go local to get that buy in from the citizens. So Mr. Rudd and Hendrik, you’ve done the work on the ground. How do you
actually engage to get people to say integration is good? Because you’re right when you say you go to these meetings and you meet with citizens no one is going to say oh I love globalization, no one is going to do that but they will say oh I can understand why we have to ship that away or my farm can make money doing this, they understand that.

MS. FOROOHAR: Hendrik, do you want to start?

MR. HENDRIK-ROELLER: I agree. In the G20 I can give you an example of how we did it but that’s just the G20. I think that every government needs to do that and I don’t really know how international institutions are doing that. The German government is very much involved in the town halls and other kinds of local activities and it think that is important. I would give you four answers. One is subsidiarity. I think thinking about the issues what should be integrated and what should not be integrated. I think rethinking that is important. I think communicating the benefits is important and I don’t think we’re
doing that very well on trade. I think we also need to make sure that the benefits accrue to everybody. This is another point which I think domestic policies which make sure that people are not left behind. I’m not saying anything we haven’t said before. And the fourth is just transparency. I think it is important to be very transparent so that the people can follow what is going on. That has a limit in trade negotiations for example, we’ve been criticized very hard for T-Tip being behind closed doors. It is kind of hard to negotiate with tough American’s on the internet with everybody knowing so there is a limit to that but I think anyone can do for more transparency gives credibility.

MS. FOROOHAR: David do you want to say anything?

MR. LIPTON: I wanted to link this to the question on the elite. The IMF doesn’t have as its mandate to communicate directly with the populations. We are a member organization and our first and most immediate goal is to give advice and to have
consultations with governments. Now we do more and more we are transparent, we speak publically, but we are not speaking to everyone although we would like to have everyone read our speeches and our papers but we understand that we’re dealing with a kind of technocratic league, a group that is interested in economic issues and has a certain sophistication or certain experience with it. We write papers with words like multipliers, net stable funding ratios, and structural primary surpluses, and this is not for Main Street in the first instance and that is by design. We’re dealing with issues that are complex and have to be explained. We try to explain in straightforward language but we understand that it is not for everyone. But the key is we’re trying to get members to be in a position both to take action that will help and then people will see the benefits or will experience the protections and that is our job.

I say that but I’ll also say that when I think about what might be a historical precedent for the situation we’re in right now what comes to mind to
me is the period about 100 years ago maybe 105 years ago when there was discontent with capitalism with Robber barons and the reaction of populism was progressivism. In the United States you saw whether it was Teddy Roosevelt or eventually in the presidency of Woodrow Wilson you saw suffrage inclusion, you saw progressive income tax dealing with inequality. Anti-trust dealing with competition. The Federal Reserve creates macroeconomic stability. These are bolder actions and initiatives then are on the table in most of our countries. Now circumstances are different so I’m not saying those are the things people need but the first point in this was a progressive movement that led to quite amazing change. The second point is it didn’t work. What followed, I mean it took another decade but what followed for other reasons was an inability to maintain what was then the first round of a truly globalized economy of an international system now it was built on the gold standard which had its shortcomings and what followed of course was not a desirable outcome. So I think we have our work cut
out for us. I hope that with the Bretton Woods Institutions with more discussion like this if we can be analytic and come up with good ideas and if we can convince our members to act that then their actions will speak for themselves.

MS. FOROOHAR: Good time for maybe one or two more questions.

QUESTION: A quick question on free trade actually. Could each of you give us a quick analysis of how the U.S. government performed in the T-Tip negotiations so far and a question specifically for Mr. Roeller. Why does the German government think that Brussels is good enough to negotiate CETA but not good enough to ratify it in the parliament and the institutions of the European Union because that doesn’t make any sense to me.

MS. FOROOHAR: Go ahead.

MR. HENDRIK-ROELLER: So the last question is on CETA on the agreement with Canada which is a mixed agreement which mean that both as you say Brussels which is the European council and the
European parliament have ratified it after the council has done it and then it goes to be ratified at the national level. Brussels, when you say Brussels you have to also say what you mean you probably mean the commission? Well the council I’m not so sure. I think the commission I think at some point argues that the trade competence may be all in Brussels so that national ratification would not be necessary simply speaking. But that’s not the way it is currently.

The German government’s position on CETA is that’s the way it is and the German government actually thinks it is a mixed agreement as member states think it is a mixed agreement and therefore national governments currently would have to also ratify. So in CETA we still have that more with national ones.

MS. FOROOHAR: Any other quick comments on trade and then I’m going to take one final question.

QUESTION: I have a question to address to Ian and Professor Roeller maybe. What we see today in economics and in particular in the pace of innovation has a lot to do with the fall of the wall. And since
then we have seen a sprat of market economy or capitalism whatever we prefer to call it as we have never had that in history. But we have seen this sort of end of globalization. I think there was a book (inaudible) had this title. My question is (inaudible) think that new technologies in particular in the very disruptive technologies of digitalization would offer many more opportunities than I have heard someone (inaudible) skepticism on the panel here. There were some firms mentioned and it occurred to me that none of these firms was older than 25 years. So probably among the younger people in this room and being an angle investor we can see how many firms are founded now in the U.S., in Israel and in China much less in Europe who will disrupt even more. Couldn’t we see that there are also opportunities to use (inaudible) for the wider public instead of just a smaller group of people which some people call elite or pioneers who lead them in uncharted waters.

MS. FOROOHAR: This is a good question and maybe Ian we’ll start with you. We were talking about
this before in the green room that actually there is a great stat that McKenzie Global just put out even though flows of traditional good and services are flattening or down digital trade flows, digital information flows have increased 45 times in the last 9 years and are predicted to increase. There is also a larger percentage of small mid-sized businesses involved in those flows which has the potential theoretically for inclusion. Do you agree?

MR. BREMMER: We’re not going to need coders going forward but we’re going to need all sorts of data analysts. Microsoft just actually created a division of 5,000 workers doing AI and that is clearly a very explosive field. But if you compare the number of workers required in these new technologies to say what AT&T was employing 30 years ago the numbers are smaller. When I think about the CEO’s I talked to in literally ever sector across the economy, overwhelmingly they need a lot less people. I’m not someone who is saying that we’re not going to have all sorts of extraordinary labor opportunities. I think
there is going to be a gap and frankly the next 10 years 20 years given where the geopolitical environment is that gap is coming at a bad time. And so for me the government is going to have to respond precisely in the interim otherwise you’re going to have levels of populism that will create much more dysfunction. So you may well be right that we can get through this and the wealth will lead to new types of jobs and people will be able to retool for them and indeed learning technologies will be able to get them to retool for them even faster. But I still would say that I am erring on the side of much more disruption socially in the next decade as a consequence of this well before we get to the climate issues where I do think that it is big enough that the governments are starting to respond. But frankly the impacts are much longer lasting and hitting that what we’re seeing right now where it is.

Final point, I think about a country like China where they are so aware of so many problems but these are problems that they’ve had a lot of time to
get aware of I worry and this is a question for Kevin, to what extent if this actually hits the way I fear it might in the next five to ten years will a government like China be able to respond to this challenge fast enough.

MS. FOROOHAR: I’m going to give you the last word then Kevin on that.

MR. RUDD: Well on the aggregate analysis of Ian about where we are going to in terms of deep and profound labor market disruption I am virtually sold on the research that I have seen. I am basically a center left, pro-market, globalist from central casting and haven’t changed much in my views for a long time. So that’s where I’m coming from in the analysis. And I’ve always seen since the industrial revolution frankly labor displacement taken up in new industries et cetera. But I’ve also always had this conditionality which is in my country which is a free trade country I come from the center left and we had a bitter 15-year-long debate within the center left parties there about turning it into a free trade party
which now they are. It was on the condition that we had a rolling policy of what we called in our country structural adjustment what was now called in literature social inclusion and what might be broadly called a new conditionality to the liberal capitalist project. Otherwise, you’re going to burn your constituencies and this brings up back to the question both globally and on China. Unless in a new and I keep using the term social contract domestically in a new social contract globally which a vehicle can be a sustainable development goals whereby you accept the dynamism and the creativity and the improvements which come from extraordinary technological innovations and the capital enhancements by firms such as your sir. But at the same time you’re going to have a bigger and bigger and more unruly bunch of people who perceived they have lost all who objectively have. As they see your very fast car past them as they walk slowly along the street wanting to have a car of any description at all.

So unless we are into the inclusion business
what I would say within countries and societies and between then it is going to fall apart. For the Chinese, people talk about what currently is on the minds of the Chinese leadership a lot. If we were sitting around a meeting (inaudible) then I believe one of the critical and continuing issues on the table is what they conclude to be the problem of sustainable growth and the emerging problem of equality within cities, between cities and towns, between rich provinces and poor provinces, between coastal provinces and the west. And what they are doing as a fiscally conservative culture by longstanding tradition is realizing that this is going to require massive investment in what we would call social inclusion to keep the entire national project rolling. I would say to defense hawks in Washington, D.C. if you’re concerned about the future of the Chinese PLA and China’s military capabilities your best ally will be the Chinese health budget and the Chinese welfare budget and the Chinese inclusion budget. Because with a growing population product of the one child family
the fiscal dynamics which that is injecting into the Chinese system will be formidable to deal with.

MS. FOROOHAR: Well, that’s going to be a good place to stop bringing full circle the same challenges that are really being grappled with in different ways in the west. We could go on but we are a little over time. Remember that this is going to be a rolling series, this is just the first iteration. Tune in to for the next show in Beijing in November. Thank you to the amazing panel and thanks to all of you for being here.

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