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Brussels Forum

A Fragile World after the Crisis

Ms. Nina dos Santos: So welcome to this panel. Thank you very much for joining us for our first panel of the day. We're going to be discussing obviously a fragile world. And I do want to bring into that the concept of the fact that fragile does mean that you can of course support the fragile economy going forward. And it does imply a certain amount of flexibility and opportunities going forward. I'm going to get into this with our panelist in what I'm sure will be a lively and informative debate.

But before we do actually get into the questions and answers, I would like to throw out a couple of key points that many of you may have noticed today that (inaudible) Racings became just another influential institution to downgrade its outlook for the major economies globally economically speaking for this year,

adding to a long list that includes obviously that the WTO, World Bank, IMF, etcetera.

So we're at an unprecedented juncture here where the markets are at record highs but the economic fundamentals seem to imply something completely different. At the same time, central banks are printing unprecedented amounts of money and that has got many of the world's biggest trading partners pitted against each other in the midst of a currency war.

Let me introduce our panelist here. So starting out, as you can see there was the far end, we have Qin Yaqing over there. Thank you very much for joining us today. Qin Yaqing, as you may well know is the professor and executive vice president of China, Foreign Affairs University. And sitting next to him is Tatiana Lacerda Prazeres there, the secretary of foreign trade at the ministry of development in Brazil. So two huge great economies in this panel. You obviously recognize a familiar face here, Bob Zoellick there who was the president of the World Bank, no less.

He's a distinguished visiting fellow at the Peterson Institute for Economics. And last but not least, we do have a change to our program because Olli Rehn can't join us, I'm afraid to say. He is much embroiled in the busy European Summit, which is taking place at the other end of the town here today. But we do instead have Alexander Lambsdorff, who is a member of the European Parliament. And he will be bringing us, I suppose, the German view as well.

Let me start out, though, first of all from the far end with Professor Qin Yaqing. First of all, let's talk about China because China is key to the future. And we'll see, we've had a huge change at the helm of the whole Chinese political system this week. What kind of role is China going to play?

Prof. Qin Yaqing: Thank you. Your question's important, what role is China going to play. China, in fact, I believe is to play a very important role in global governance and also in international relations in general.

Nina mentioned that China has a new leadership. If you look at this new leadership, the first thing I have got from the messages recently, we can see this is a reform oriented leadership. The same time seems to be it faces a lot of challenges. In order to play important role as China's economy grows and also as its power grows, definitely it will get into international system and play an effective and more responsible role in global governess. Thank you.

Ms. Nina dos Santos: This is an interesting point, isn't it, and I'm going to be coming to you, Tatiana here, because the emerging markets are key, you're in government of--in the government of a 2.5 trillion dollar economy here, but are the emerging markets actually playing the role that we need them to see played on a political basis to represent their economics?

The Hon. Tatiana Lacerda Prazeres: That's a very interesting point indeed. Emerging economies have been playing a very important role in promoting the

international recovery, economic recovery, but the international institutions are not shaped in a way that they reflect today's reality. Emerging economies have a very important role worldwide, but international institutions have not been shaped accordingly. So, yes, we want to play a stronger role, international institutions, we want to shape ideas, to shape institutions, and this is happening, and this has to happen so that we have more legitimacy, then that we are able to move forward in the right direction.

Ms. Nina dos Santos: One of the interesting aspects of your job is obviously trade, and Brazil is famous for having coined the term "currency war." We're now embroiled in what some might say is a race-to-the-bottom currency war. Where do you think it's going to go, and how will it affect Brazil?

The Hon. Tatiana Lacerda Prazeres: It affects Brazil hugely. It affects other countries as well. The fact is that we just cannot pretend the problem is not there. Expansionist monetary policies affect different

countries in different ways, and we want to face discussion. We're not naïve. We understand it takes time. It's a complex discussion. It's a complicated time to bring this discussion, but it has to be faced. We cannot pretend the problem is not there, and we're willing to engage in this discussion.

Ms. Nina dos Santos: I'd like to come to Bob Zoellick here. The United States is obviously the world's largest economy. What's the future for the U.S., and what kind of role will it play in this fragile recovery and fragile economy?

Mr. Robert Zoellick: Well, I think that's a big question yet to be answered. If you look at the U.S. in the downturn, it has more than recovered the loss of output, where Europe is about 60 percent of the way there, and Japan about two-thirds of the way there. And I actually think that the outlook for growth this year might even be a little stronger than some of the forecasts if you look across the spectrum of autos and housing and commercial real estate and others. But U.S.

has a long-term issue related to its fiscal posture strictly related to its long-term entitlements, issues of tax reform for growth. And all those are going to be important in terms of being able to play the catalytic role that Timothy Garton Ash mentioned in the system.

And part of this also connects to China, because one thing I noticed that Xi Xing Ping has said that hasn't got as much attention is the search for a new great power relationship, which fits right back with Timothy Garton Ash's logic. So far, it's a phrase, but I think that will be one of the challenges. And this time around, it'll be particularly unique, because you'll be having a rising power that's still a developing country with a developed country as the challenge to make that work.

Ms. Nina Dos Santos: If I come to Alexander Lambsdorff, obviously the access of France and Germany in Europe has been pivotal to steering this region through euro-zone crisis. Many people in this room have had other reasons to come to Brussels every couple of

months for endless Euro zone summits over the last two years, but that is changing. Germany will have to look domestically. France has its own issues. Does that mean Europe's going to become less relevant?

The Hon. Alexander Graf Lambsdorff: Well, I hope not. The big worry that I have is that we will see diverging developments between Germany, on the one hand, getting stronger, also economically stronger, with modest growth but still with growth, with shrinking unemployment, with more job creation. And on the other hand, you have a French economy that's getting weaker by the month and policies in place that I personally think are simply not the right responses to this kind of crisis. Europe, however, rests on Franco-German partnership of equals. So also in terms of perception, also in terms of politics, this economic situation creates something that makes me worried for the future of Europe right now.

Ms. Nina dos Santos: What do you think the future of Europe is then?

The Hon. Alexander Graf Lambsdorff: Well, I believe that France needs to get its act together in terms of its economic policies. There's simply no point in pursuing, I would say, very old-fashioned policies. The time, the honeymoon of Françoise Hollande should be over, should come to an end soon with the, you know, turning back some of Sarkozy reforms, and France needs to get its competitiveness back up.

Ms. Nina dos Santos: Right, so with those opening interesting remarks to a couple of sort of questions that will set the tone going forward, let me open up the floor to questions. And I'd like to remind those who would like to ask a question to clearly identify themselves with their name and where they're from, and also to keep the questions brief and pointed, because obviously the reason why we're here is to have an informed discussion rather than speeches if you like. So I'd like to give the first question to the EU ambassador to the United States, Mr. Joao Vale de Almeida. Please, ask your question. Thank you. Do we

have a microphone? Do we have a microphone, by any chance, for--thank you.

Joao Vale de Almeida: Thank you. Thank you very much. My name is Joao Vale de Almeida. I'm Portuguese, but I represent the European Union in the United States. Pleasure to be here. If I go back one year ago--and I use the Brussels Forum as an anchor for the week in Brussels. If I go back one year ago, and I remember what I was doing, apart from attending the Brussels Forum, all my meetings were about the Euro area crisis. And I was looking for facts and figures and arguments to fight a very honorable debate in the U.S. about the state of the union. This week has been totally different. I know that my leaders are talking about some of the issues that are still very much linked to the Euro area, but most of my meetings and certainly the meetings today with some American friends were about a very positive agenda, one that tries to implement what I call the mother of all free trade areas, and certainly a very meaningful and ambitious

partnership across the Atlantic. And I'm happier this year than I was last year for a number of reasons including that one.

And I wanted to go back to a point Professor Garton Ash raised and some of you, as well, and I will use the word responsibility. I think what we're doing, Americans and Europeans, by launching this new initiative, is showing a sense of responsibility. Maybe we cannot do it immediately with all the partners we wanted to have on board, and I take the point that we should try, but our experience in the G20 is, as the French would say, "*mi ti je.*" I think we have to assume the responsibility where we can. If we have conditions now to do it across the Atlantic or across northern Atlantic, I think we have to do it, and I'm happy because we are taking steps in assuming that responsibility. And my message to our two friends not coming from the north Atlantic is to say that this is not ganging up against anybody else. This is trying to assume our share of responsibility by opening up to you

to join us in different ways, in different areas of cooperation. But I would like to start my contribution to this forum with good news, positive news, out of a more positive agenda across the northern Atlantic.

Thank you.

Ms. Nina dos Santos: Thank you very much, Ambassador Joao Vale de Almeida for that. Can I also bring in Bob Zoellick here on this point. Because you've often written about how trade agreements shouldn't be bilateral. They should be multi-lateral and negotiated within the framework of the WTO. What is your response to this free trade?

Mr. Robert Zoellick: Well, actually I was attacked for supporting bilateral as well as regional and global, so I believe a combination will work. But let me respond this way. Timothy Garton Ash talked about legitimacy, but also effectiveness, and it's very important we keep an eye on the effectiveness, not just the talk. And I guess in a realistic way, let me highlight two thoughts. One, on this U.S./European

trade and investment agreement, I think the concept is great. I don't mean to be in any way skeptical, but it's going to take a lot of work, and for those people who have actually closed trade agreements and gotten them through, you know it takes a tremendous amount of political will on both sides.

I'm very heartened by the U.S. administration's engagement of this, but frankly, we need to see who the new U.S. trade representative is, and we need to see the political world from the executive branch, because you didn't see it in the first term. Now, maybe this will change, and I think this is a good sign for structural reforms on both sides, but the worst thing would be to talk and not to act.

Now, you have a similar agreement in the Pacific, the TPP. I just flew in from Singapore. I hope that gets closed too. But so one of the challenges here as we're in this transition phase is delivery, and this ultimately in the U.S. system, given the way that Congress has authority over trade, will require a lot

of political lifting by the presidency, and we'll have to see that.

One other point on Europe. While I agree with the ambassador that, particularly given Mario Draghi's actions, the situation is a little calmer. I think it's important we not be complacent on this front either. If you go back and you look at Rogoff and Reinhart's analysis of financial crisis, you know, no model fits everything, but they point out that this type of downturn often takes about ten years to get out of, and we're only about halfway through that process. And I think one of the issues this weekend that I hope to learn more about is, we're beyond the economics of reform in Europe. We're into the politics of reform, so my concern is what happens in Spain, what happens in Italy, what happens in France, what happens in Greece, and whether the political leaders can sustain these actions.

Ms. Nina dos Santos: I'd also like to come to you, Tatiana Lacerda Prazeres, obviously as the Secretary

for Foreign Trade for a huge economy like Brazil, the reality is it's action, not talk, that matters when it comes to striking one of those trade agreements.

The Hon. Tatiana Lacerda Prazeres: Yeah, see, there's a lot of excitement because of the talks between you and the U.S., and I understand the reason for that, but we have to be aware that our preferential option, and it has been so not only for Brazil but also for the others, is the move to lateral liberalization, and we do believe there's room for that, and maybe these talks can also have a positive effect and create a new momentum and create a sense of urgency for multi-lateral talks. So maybe there is a positive spill-over of this launch, this new launch.

Ms. Nina dos Santos: Let me ask if there's any other questions, as well, from the audience. I see a hand back there, if we could have a microphone. Thanks.

Unidentified Audience Member: Thank you. Just to follow on this point about the bilateral, multi-lateral, Ms. Prazeres pointed out that there's still a

big asymmetry of power in many of the multi-lateral institutions. I mean, the over representation of Europeans is something that we often hear criticism of here in Brussels. So how can international institutions help the world really to face the challenges, not only about trade, but also the many other things that Timothy Garton Ash reminded us of in the beginning, everything from water to diseases. How optimistic do you think future leaders of Brazil and China will be? How supportive will they be of building international institutions to try to tackle these kinds of issues if they believe that there might still be an asymmetry of representation and power in them?

Ms. Nina dos Santos: That's really key. Should we start out by putting that one to you, as well, Professor Qin Yaqing, because obviously for China, it's the world's second largest economy, so many people live there. How keen is it on really engaging in these kind of talks if it feels that there is an asymmetry of power?

Prof. Qin Yaqing: In fact, I think the question itself is really great, because I believe the greatest challenge to the world is governance failure. If you look at the global level, the global institutions so far have failed to solve and deal with effectively the global challenges. We are in the year of transnational threats, but we do not have ways, effective ways, to deal with them, how should we do. So I think these require a real partnership in international institutions for providing effective and legitimate rules and regulations and so on to benefit all the nations in the world.

I do not disagree with Professor Ash when he said the West now is still the leading powers in the world, but we have to have a sense of partnership. What we do need now is awareness, a sense of partnership in the world so that we can provide solutions. In this way, I do think the developing countries, especially in the emerging economies like China and Brazil, can do a lot

in international institutions, but first of all, they should be treated as equal partners in sight.

Ms. Nina dos Santos: Ms. Prazeres, do you think, just going on the back of that question, that you're getting the kind of partnership that you need to see?

The Hon. Tatiana Lacerda Prazeres: Yes, and we are optimistic about it. And, I mean, we are in favor of a more inclusive global system, and this has not to do with the others making room for countries like Brazil or China. We deserve to be there, and for the country to--for the world to function better, our voice have to be heard, and this is not--I mean, this is a place where we deserve to be, we have to shape institution's ideas, we have to be part of the leadership that will move us in the right direction.

Ms. Nina dos Santos: Let me take another question from the audience here in the front row, if we could have a microphone. Thanks. I'll come to you next, apologies.

Xenia Dormandy: Xenia Dormandy from Chatham House. I have a quick particular question particular for our Chinese colleague, but others as well. There was a meeting at Chatham House last year about Asia and the United States and one of the comments that came out of the meeting was that the greatest threat to the United States was a slowing Chinese economy. We've seen a slowing Chinese economy over the last year.

One of the real take homes from the transfer of power at the end of last year, both the outgoing and incoming leadership emphasized the inequality and the corruption in the country, and we've certainly see in the west also, huge levels and rising levels of inequality. So I would be quite interested in understanding from you perhaps, commenting on the Chinese growth path and how China's going to deal with some of the major challenges that your leadership has already identified and perhaps also, for some of the other colleagues on the panel, this idea of inequality and how do we get around and resolve, if not solve,

discretion of inequality so that we can continue to make progress in an inner peaceful and stable manner.

Ms. Nina dos Santos: Was your question directed to anyone in particular (technical difficulty), okay right. So would you like to take that one Professor Yaqing?

Prof. Qin Yaqing: That's a big question. In fact, I said it's a big question because it touches upon a lot of things in China. No country can have a growth rate always at 10 percent or 11 percent, a lot like that. Now the--I think in Chinese society you have so many problems, crushing, inefficiency, climate change, pollution, food security, many, many. I think when we look at Chinese government, a new government now, the first thing they try to deal with is the restructure of the government agencies. So I think that's a very important point for the country to continue its reform.

Second, when you have a more effective government structure, you can deal with inequality more effectively. The second is that you can see in China

it's just such a huge country. The policy to which some regions, which lack behind. That's very important and also in China, you have the inequality between regions to having inequality among groups of society. You have to focus on the weaker. This is an important policy, I think, China will take. Thank you.

The Hon. Alexander Graf Lambsdorff: The institution in England inequality for example, and the United Nations Security Council. Brazil is a country that wants to joint as a permanent member, as does Germany, but the attitude we deserve to be there and they disagree with China, simply will not budge either Americans or the Russians to make place for us. It is practical policies that align or don't align that determine the decisions of others to accommodate us within the system. If that is not taking place, we may deserve it, you know, it's like my football club. I think they deserve to play in the champions league, unfortunately, they don't and that's the problem.

The second one is material inequality. And that's

income and equality and there I think we're back at the trade discussion where I think this tap, as named by Professor Ash, is really important because the elusive thing we're all looking for is growth and if we look in potential sources for growth, at least figure them, there's quantities of easing and new public debts. That's not going to work anymore. There's increasing competitiveness, which takes time, five to ten years for the countries in the south, I would say. And then there's market taxes and I think that's key. If we have better export to the North American market, I think for many northern companies, this is going to create the growth that we're looking for. So I think that's why I think it's so important to be successful and I agree with Bob. We shouldn't talk about it. We should try to act and really implement it.

Ms. Nina dos Santos: That's a very, very interesting point. Let me give you a shot to respond to that Ms. Prazeres. That's the thing, isn't it. Even today Brazil's economy, we found out, grew yet again,

but inequality, that still remains a big sticking point.

Ms. Hon. Tatiana Lacerda Prazeres: Yes. I couldn't miss this opportunity to make reference to that. I mean, we, over the years, have been hard to lift people out of poverty. This is a great thing that has happened in Brazil recently.

We have lifted more than 40 million people out of poverty in Brazil recently and we've been able to do that combined with economic growth in a way that we're becoming a middle class country and this is very important for Brazil, not only for Brazil, but for countries that export to Brazil, that are somehow invested in Brazil and making money in Brazil. We are very proud to have been able to lift people out of poverty in the way we've done recently. This is very important for us.

Ms. Nina dos Santos: What might become one of your core strategies so here because as Alexander Lambsdorff was just saying, it doesn't matter how big you are in

the world scale, if you don't implement those kinds of policies, we won't necessarily get a seat at the table.

The Hon. Tatiana Lacerda Prazeres: We've been implementing a lot of important policies that put us in that position that enables us to give a voice and have a voice for it, and we are confident that we are in that direction. Economically speaking, we're doing very well. Politically speaking, we have a consolidated democracy in the country. We have a stabilized economy, the fundamentals are there, and we're playing an increasingly important role in the world. I mean, we're an emerging economy, developing country, but we're getting there.

Ms. Nina dos Santos: Now, let me move about because I'm aware that there are questions behind me and I've also been, rather rudely, giving my back to audience in this part of the room. Could we have a microphone over here, please? Thank you very much.

Andrew Con: Thank you. I'm Andrew Con. I used to be a British Civil Servant in the European Commission

Civil Servant. I now work in a nonexecutive capacity with a Japanese company, a Chinese company, an American company, and a British company. My question to the panel is this: If we look back at the response of different parts of the world to the financial crisis, the Chinese certainly think that they had a very good crisis. That their policies in response were very well collaborated and they got through almost untouched.

The Americans were heavily touched, but they certainly seem to feel that they took decisive action and got out of the crisis reasonably rapidly, and the European men of the European self-image, the general admission is that the Europeans did too little, too slowly, and also too modest in the crisis. Now, my question is, do you agree with those caricature or do you think it's more subtle than that, and what, more importantly, do you think the impact on great power relationships is going to be in the coming years of the very differing quality of response to the global financial crisis of these different parts of the world?

Ms. Nina dos Santos: Well, it sounds like we should start out with a European member of parliament. (inaudible)

The Hon. Alexander Graf Lambsdorff: Well, the European Union is complicated because it has to achieve complicated things and that is, of course, balancing the interest of 27, soon to be 28, members. Bob Zoellick has a different view on this, perhaps than I have, but I believe the response has not been as bungled as it's always made out to be, or often made out to be. I believe we have one really crucial dilemma that we face.

When Greece entered into its crisis and there was an instant need for liquidity, it needed an instant response and that response came. When the other countries went into crisis there was a response in the form of first aid in temporary stabilization mechanism, now we have a permanent stabilization mechanism. So the money is flowing. The guarantees are there. Mario (inaudible) then made his famous

announcement that the ECE will serve as land of last resort if all else fails. So everything was rather calm.

However, on the other side, what the countries that give the guarantees and it supports, particularly in the south here, is structural reforms. These, however, take time. Where you have an instant need for liquidity infusions here and you have a demand for measures that will take five to ten years to really be seen and felt on the ground in the statistics in the lives of people. This is a political dilemma, and I think we haven't faced too badly in that.

Ms. Nina dos Santos: Are you confident that Europe will manage to get its house in order, though, before it's positioned in the world economic ranking starts to slip significantly?

The Hon. Alexander Graf Lambsdorff: I don't think we're going to start to slip significantly really. If Europe gets its act together, they're still the largest economy in the world. They're a 17 trillion dollar

economy. I mean even Greece has, you know, more than twice the GDP per capita of Brazil. I mean, we are looking at a very wealthy region at the largest single market in the world, and I don't think Europe is going to slip on the country. If we get our act together, we will be fine.

Ms. Nina dos Santos: Well, key to these kind of policy responses is obviously being institutions inside the world bank and the INS. You were the at the World Bank during this critical time.

Mr. Robert Zoellick: Well, let me connect the second part of the question because I think Alexander asked the first one, but about the shifts, just to give people a bit of a reference point. In the past five years, two-thirds of global growth has come from developing countries and as recently as the 90s, that would have been maybe a quarter or a fifth. And if you looked at developed country exports, ten years ago, 25 percent of their share went to developing countries. Now it's 45 percent.

Fifty percent for the case of the United States. But at the same time, if you talk to people in developing countries, they're not taking their situation for granted. It's a big discussion in China to (inaudible) Brazil about something thing called the middle income trap, which is where you tend to see when economies grow at certain rates, reach incomes, they tend to slow down. And again as a reference point, some of the work the bank did pointed out that in 1960 there were, out of a hundred so called middle income economies, only 13 made it to high income 50 years later and one of those was Greece. So it's a tough problem.

But it connects a little bit to this institution point because Tatiana and I were talking beforehand, while there's various regional agreements, people should keep in mind that the WTO has a services negotiation going on right now. And services sectors are often the key to increasing productivity to avoid the middle income trap. So you'll see that some of the

reforms that China's looking at will be to bring competition in the services sector. This will be an issue in Brazil. So I hope that the United States and Europe, at the same, they're pushing their bilateral agreement or doing the TPD. As Tatiana said look at the WTO in services accord. There's discussions about a second stage of ITA. There could be a smaller package that could be put together based on some of the negotiations in the (inaudible). So I think the key here is you got shifting powers, but developing countries also face unique challenges. And there's ways you can use the international system to try to support both.

Ms. Nina dos Santos: Yeah, that's right. Developing economies do face their own challenges and they're very, very desperate in different challenges, aren't they? Between, say, France, China, and Brazil.

The Hon. Tatiana Lacerda Prazeres: That's for sure. We have our own challenges we are facing. Then suddenly, for example, infrastructure and education in

Brazil between fortune bottlenecks, and we are investing hugely in order to tackle them, but apart from that, we had to take the international backdrop and we're still living in a crisis of (inaudible).

Ms. Nina dos Santos: Professor Yaqing, this is an interesting one isn't it because China, well, Jim O'Neal of Goldman Sacks often says to me, he likes to say meet the point of Greece and China and says what China creates the Greece in GEP every month, if you like, if not every week. But China has been watching what's going on in Europe very, very carefully. To what extent has it learned from the policy response?

Prof. Qin Yaqing: I think if you look at the Chinese economy, the past two decades it's really a miracle, but the greatest challenge to Chinese economy is that you must have a sustainable development. You can not only focus on wealth, you have to pay attention to other aspects of development. For example, the pollution now is very serious. People have to look at Beijing to see the smog there. It is so serious.

Everybody have to use a smog mask. So that is the problem for China. China faces a lot of problem, but China has one way to deal with it, that is how you can do it when you find the problem. When you identify, okay, this is the problem, you have to deal with effectively.

And the second thing is that from talking with many of my colleagues back at home and colleagues from the developing countries, seems that sometimes may feel these national institutions at the global level are not effective and may provide not solutions. That's why it seems to me we have regional cooperation. We have in fact, a lot of regional cooperation, cooperation of (inaudible)and so on and so forth. So this reflects one aspect. The global level, we cannot deal with them.

Ms. Nina dos Santos: Yeah. This goes back to the interesting topic of getting all aspects of your house in order, not just economically speaking to get a seat at the table if you're an emerging market. Let's take a few more questions from the audience. See if there's

another one from this side. We have one there in the front. Thank you, very much.

Professor Chintamani Mahapatra: I am Professor Mahapatra from India. And today in *Washington Post* there is a report, the latest report of UN DP and the report says that the combined economic output of China and Europe here in South Africa, will be more than the combined economic activities and output of the U.S., Canada, Germany, France, Italy, Britain put together.

Secondly, 70 percent of the consumers will be in a few developing countries by 2030. Now, here we are talking about the TTIP and the TAP, the countries I mentioned, including China and Brazil, are not part of TTIP or TAP. And the consumers who are going to live in some of the developing countries are not part of the TTIP or TAP. And we are talking about fragility of the world. I don't know how to tackle it, so how do you look at the role of this developing country in China, Brazil, India, South Africa?

Ms. Nina dos Santos: And your question is directed

to who, in particular? Should we get Bob Zoellick to take that one?

Unknown: Yeah, yeah.

Ms. Nina Dos Santos: Be quite interesting.

Unknown: That is because the U.S. is both, you know, part of the TTIP and the TAP.

Ms. Nina Dos Santos: We get--your point, essentially, is that this huge amount of middle-class wealth and consumerism isn't actually being encompassed and included inside the trade system?

Mr. Robert Zoellick: Yeah, you have to be a little careful about just looking at this as a governmental issue. As I suggested, in the private economy, it's happening. And so that's the real economy. But I think in a lot of these issues, the question is, can you find some win-win possibilities? So let's take the challenges ahead for China.

The World Bank did a report called China 2030 with the Development Research Council in China past year. And frankly, the new Premier Li Keqiang was, in a

sense, the Godfather of it on the Chinese side, so we'll see whether some of those aspects are pursued by the new government. My own view is it won't be a big bang but it'll be ongoing incrementalism.

And a number of the actions that China needs to take in its own interest to increase its productivity, to avoid the middle-income trap, could offer opportunities for expanded private sector in China, expanded foreign investment, expanded services sector, the whole series of urbanization challenges that, as China goes from 50 to 70 percent urbanization, a company like Siemens has a whole urban sector focused on this.

So I think there are a lot of opportunities. We talked about in Latin America, Brazil and many other countries face a real infrastructure challenge. One of the things the World Bank was trying to do was to try to help develop models of public-private partnerships for infrastructure to move these from one-offs to a deal flow.

So I think there are huge opportunities but then part of the challenge is, of course, these countries are very diverse. So you mentioned India. I mean, India obviously has slowed, it needs additional infrastructure. I think the debate in India suggests it needs additional opening. My own guess is the way that will happen is state by state. The Union government will not have the power to get all the states to open up, but some states in India are liberalizing and they'll be like China, where some provinces push others. So I think you really kind of have to disaggregate here.

And the challenge--and I'm glad that a couple of people mentioned this. When you talk about legitimacy for international institutions, it's not only a question of voting rights or who sits at the table, it's a question whether they get things done. And one of the challenges is, frankly, as you have 195 countries try to deal with something like climate change, you might ask yourself whether the 20 or 30

countries that are going to be most important might be more effective in doing some mini-lateral solutions as opposed to trying to get 195 countries to agree to something that would make central planning look like a small exercise. So I think this is partly where the international system is also going to have to adjust. But the power relationships will include a number of the emerging economies.

Ms. Nina dos Santos: It certainly will. Let's take another question from the gentleman in the back over there, please.

Mr. Steve Biegun: Thank you. Steve Biegun with Ford Motor Company. I'd like to ask for a little more insight from the panelists on the issue of the currency wars that are going on. The Japanese Yen just since late last year has weakened almost by 20 percent. Not surprisingly, and probably in reaction, for the last five days, the Yuan has been retreating to a weakening position. Countries like Brazil are enacting protections for their markets because of some of these

issues. At some point, China is going to be baited to get back into the game.

The G20 leaders met in Moscow a few weeks ago and they released a statement that was the equivalent of whistling past the graveyard, where everybody agreed to stop intervening in their currencies and everybody resumed it at the end of the meeting. So my question is this; when are the international institutions or governments going to get their arms around this issue? Because it is having a real impact in the real economy for companies like ours, trade flows are being distorted, investment decisions are being affected. The question is, when are the governments going to get their arms around this and do something about it?

Ms. Nina dos Santos: This must be a huge issue for somebody at Ford Motor Company, of course, as the Japanese try to weaken the Yen to try and support their own automotive industry.

Let's go back again to Bob Zoellick because we've privately had various conversations about the currency

war. And a lot of people would say that there's fairness in that statement, that there's no point in whistling in the wind.

Mr. Robert Zoellick: My answer would be not soon. And I think it's part of a bigger problem, Steve, and that is, you know, this session is talking about fragility. I think one of the dangers whenever you have the types of downturn we've had is that well-intentioned efforts sometimes lead to unintended consequences.

And I think monetary policy is now veering in that direction. And actually, one of my worries, even before competitive evaluation, is whether we're setting up potential assets bubbles. You see this in farmland in the United States. It's already above the real highs. Frankly, it's not a surprise that equity markets increase when you've got liquidity. Equity markets like liquidity.

And I'm not necessarily being critical of the policies taken so far, but one does have to ask whether

they continue, what is the net sort of benefits of this? And at a minimum, you have to anticipate, you know, how will we withdraw all this liquidity from this system? What will be the effect on bond markets where a lot of people put money into bonds thinking they're safe and when interest rates go up, they're not going to be so safe. What will be the effect on equities?

So you can go through market after market, and I honestly think this is something at least I've been trying to urge more attention to, but central bankers, you know, are their own priesthood and they're kind of seeing it in their own context. I think it comes back to the point that Alexander made. In a sense, a lot of our economies have relied so much on fiscal and monetary policies, they're not doing the difficult structural things. And the difficult structural things will be the fundamentals for long-term growth.

Now to come back to the currency issue in particular, Tatiana and I were talking about this. I, you know, there's something called Article 15 of the

GAT, so from the founding of the GAT that basically suggests countries are not supposed to manipulate exchange rates to take away their trade benefits. And it has kind of a cross-reference to the IMF, so it's never really been used. I think Brazil actually did a good thing, which is that they started a discussion in the WTO.

Now, this is a difficult, controversial issue. The U.S. has dealt with this by action from the Congress about currency manipulation. I think Brazil's approach is actually a more multilateral approach on this.

I think you're going to need more of this, I mean, and at a starting point, what I've written is you should ask the IMF to at least start to be a referee, even if it can't have penalties in this process. This is one way of anticipating this problem. Because I think you're right. I think as we get through these later stages of monetary policy over the course of future years, you're going to find more of this and it's best for the multilateral system to get ahead of

it.

The Hon. Alexander Graf Lambsdorff: And it's good that we will have increasing pressure in Europe on this, as well, because President (inaudible) already mentioned it that this is something that he's deeply worried about, it's something that has never played a role in the German political debate because our experts were strong anyway. But the debate is going to start in Europe, as well.

We have a Euro now at 1.30 to the dollar. We started out at \$.85 ten years ago, so we are fairly high up still. And the French are going to put pressure on this.

Ms. Nina dos Santos: Well, that's one of the intricacies, isn't it, of the euro zone being a currency for so many different countries. It may be weak for Germany but it's particularly strong for countries like Portugal, I imagine.

Let's come back to you. Obviously, Brazil has been at the forefront of this currency war. And

protectionism looms large.

The Hon. Tatiana Lacerda Prazeres: Let me elaborate on that. First thing, currency manipulation has to be addressed. We cannot, I mean, want to increase your exports, make your exports cheaper or imports more expensive by manipulating your currency and just, I mean, and the others just sit and wait.

Getting back to the motto of this session. Having your house in order cannot be at the expense of the other. You cannot just put your garbage in your neighbor's backyard, maybe. Brazil has taken a very constructive and serious approach in this issue by presenting trade documents at the WTO to engage members into discussion. There has been some interest in that topic but again, we understand it's complex, it's difficult but it has to be addressed. And we have taken a practical approach towards that. Let's discuss, I mean, how it affects trade and what members should do about it.

So we understand it's important, it has to be

discussed and we have present concrete proposals to make this discussion move forward.

Ms. Nina dos Santos: Professor Ash, I suppose some might say the difficulty here is that if you don't actually do what a lot of people think people should do and brand some countries currency manipulators, if they're deliberately weakening their currencies, it just saps confidence in the whole currency system because everybody competitively devalues. And this is where your question is pertinent to China. China was almost branded a currency manipulator, just about managed to avoid that, but it could be enticed back into the game, don't you think?

Prof. Qin Yaqing: I--my feeling is that in the past decade or so, Chinese currency has been kept devaluating always on this track because of many different things, the political pressure, trade with other countries. But I think for China, good experience, definitely I believe the Chinese currency will get integrated in the world financial system, no

doubt about that. It takes time for such huge, complex economy.

But from experience, China has with these Asian nations. I think the most important thing is how should--you should have really a sense of partnership, how you trade your neighbors, how you trade your partners. You cannot, as you said, put trash on the door of the other people. This is the most important thing for me. Chinese currency, I think I do have the belief Chinese currency will get integrated into the world financial system.

Ms. Nina dos Santos: So you don't think that China will be enticed back into the game and start keeping its currency even lower?

Prof. Qin Yaqing: It takes some time, I do believe, because of the complexity there. If you go to China, you can see how complex the society economy is.

Ms. Nina dos Santos: So that's not a direct no, I suppose, in the sense of things. Let's take a question over there at the back.

Mr. Robert Zoellick: Can I just--to be fair to China on this, the Renminbi has appreciated but it's another good example of the policies that I think the new government is setting to internationalize the Renminbi and open capital accounts. If you then have a floating exchange rate system, we'll move towards a solution. So it's a good example of how domestic reforms can support the international system if people see the interconnections.

Ms. Nina dos Santos: Okay.

Mr. Giorgos Papakonstantinou: Thank you very much. Giorgos Papakonstantinou, former finance minister of Greece. I would like to go a bit beyond the currency and go out and focus more on China and ask a question to Professor Yaqing. There's a broad consensus among economies and politicians that the excessive current accounting balances among China and the States or even within the euro zone between Germany and the South of euro zone have been a major factor in both the global financial crash and also in the European debt crisis.

And we all agree that in order to avoid the risk of--or minimize the risk of financial disorders in the future, we should correct this current accounting balances. Moreover, the existence of these deficit countries in the South of Europe, in the rest of the world besides China (inaudible) deflationary bias in their economic policies, so there is a demand gap which leads the world into a low-growth trap. Therefore, my question is rather simple. Besides the question of your currency, which I accept your point that eventually, it will be integrated in the global financial system, how strongly and how quickly is China prepared to take part in this rebalancing of the world economy by boosting domestic demand as opposed to investments? Thank you very much.

Ms. Nina dos Santos: Yeah, we'll also get into this, I think, with Alexander Lambsdorff later on, about how--well, about that question. But I do want to come to you, Professor Yaqing, with an answer to that. So eventually, the Renminbi will be in the system, but it doesn't sound like from any time soon.

Prof. Qin Yaqing: I think it will take time, as I said. I think they--depends upon many different things. Three factors are really important. The first is how China's economy goes. We can see that China's economy has already been slowing down. The second, I quite agree with Mr. Zoellick that China's restructuring of its financial system, domestic reform. In fact, that part in China is quite fragile. It takes time and takes patients.

The last, but not least, is that how China's economy in the future will develop in a healthy way, combined with other factors of the country and of the world. So the last point, I think, is quite important to see we cannot only blame China for saying, okay, you have so many problems. You cannot manipulate your currency, and so on and so forth. But the Chinese situation sometimes is really very, very complex. If you look at China's export, you say that is an imbalance. China gains a lot from its foreign trade. I think for many years, in-fact, China's deficit with

other young countries was very much similar with China's surplus with the United States. The situation varies. It's not so clear, not so black and white.

Ms. Nina dos Santos: Let me come to you, Alexander Lambsdorff, because Europe is in an interesting situation. I suppose you could almost draw a similar parallel, but countries like Germany are seeing, as I was saying before, their benefiting because they're major exporters and they're benefiting from the fact that the Euro's at its current level. The Deutsche Mark would be much, much stronger if Germany did have the Deutsche Mark. And then, as we were just hearing, it does penalize peripheral European countries, these kind of imbalances.

The Hon. Alexander Graf Lambsdorff: Well, I mean, I would agree with you that a German currency isolated would be stronger than the euro right now, vis-à-vis other currencies, and also inside the European Union, you would continue to see the competitive devaluations that we've known in the past with the (inaudible), the

peseta, the Franc, and so it's ongoing down.

However, I think if one limits one's self to this kind of explanation to explain the debt crisis overall, I think that would be too shortsighted an explanation. If one looks at the crisis of public finances in our Western democracies, one has to find--see that, for example, Japan has a level of indebtedness of about 200 percent. The United States are at about 100 percent, the euro zone by and large is at 80 percent with discrepancies inside, of course. So I believe it's really a political, a systemic crisis that we face in the west when time and again, election after election, we make promises that cannot be financed unless we go into further debt. And this has come to an end in Europe now with the access to capital markets being interrupted by these very markets for countries like Greece, Ireland and the others.

So I think looking at the discrepancies inside Europe is not enough. There may be something to it but we have a transfer system via European budget. I think

the crisis goes much deeper than that.

Ms. Nina dos Santos: So briefly, you wouldn't agree there with the former Greek Finance Minister--

The Hon. Alexander Graf Lambsdorff: No, not completely.

Ms. Nina Dos Santos: --that these two imbalances in particular could be a major threat to the world economy going forward. As much as they have over the last two, three years.

The Hon. Alexander Graf Lambsdorff: Well, I don't think, for example, the countries in the European Union that are strong in export, the Netherlands, Germany and others, are to blame for the current situation that we have. There is--you can make the calculations that, of course, our current account surpluses must be mirrored by capital account deficits elsewhere. But it's very difficult to tell a German Mittelstand company to stop, to desist from exporting its machine tools to other countries. They are just very successful, very competitive and their products are sought after.

So I think it's much more complex than this and I-- at the end of the day, I believe it's a political question that needs to be answered at the political level.

Ms. Nina dos Santos: It's an issue that comes up time and time again with large corporations, so I know from personal experience. Let's take another question coming from the audience. Do we have another question here in the front row with the purple tie? Thank you very much.

Mr. Marcus Freitas: Yeah, I have two questions. One is for Mr. Zoellick. You mentioned initially about the issue of political capital. My name is Marcus Freitas. I'm from Brazil. The issue of political capital. And President Obama, in the past, has said that the United States is a Pacific nation. So if you're going to use political capital between trade with, you know, improving trade with Europe and Asia, how do you think it's going to be spent, how is it going to be managed?

And second thing I wanted to ask Alexander, is last

year here is when we were discussing the issue of the problems of the political leadership in Europe that wasn't able to handle the situation, has it improved over the last 12 months?

Ms. Nina dos Santos: Let's start out with you, Bob.

Mr. Robert Zoellick: Well, I'm not the best one to ask how President Obama's going to use his political capital. But I would say this. Trade negotiations are unusual compared to other bargaining because what you're being asked to do is open your markets and make them more efficient. So unlike something where you're paying for something, your, quote, concessions actually make your economy more effective. So when you give away agricultural subsidies, when you open your markets, it's actually a plus as opposed to if you're in a transaction where you're buying something.

So it really depends on, you know, the president's judgment about whether he's willing to do the political lifting. This would be a nice area where you could tend to get more republican support. The Republicans have

traditionally been more supportive of the trade agreements, they press for the conclusion of the Columbia, the Peruvian and the Panamanian agreements. And I think the U.S.-EU agreement creates a better context for the president with his party because sometimes in the past, the Democratic Party has been concerned about labor standards.

Well, obviously, you've got high labor standards in Europe. And all I can say is when I've asked some of the senior administration officials with the TPP, which includes about most of the countries or about half of them, the U.S. already has free trade agreements with, is I've asked, well, so if you're going to try to upgrade them, what are you willing to give? The answer was, the Canadians will open their dairy market, which was interesting because you're trading away the Canadian stuff.

So this is a big question to be answered. And I don't mean to be negative about it because I'm delighted, if these agreements could get done. But I

want to keep pushing the point because I think there's a danger sometimes that people engage in rhetorical negotiations as opposed to actually going through the effort to conclude them. And if you start--here's a practical suggestion for the U.S.-EU. The United States has a free trade agreement with Korea. The EU did a derivative of the same trade agreement. So rather than do--start from scratch, why not take those two free trade agreements, find out where the differences are and work off those?

So again, I put my weight on this effectiveness-results business as opposed to talk.

Ms. Nina dos Santos: That's an interesting practical suggestion. Perhaps one for the EU Ambassador to the United States. Alexander Lambsdorff, the second question there.

The Hon. Alexander Graf Lambsdorff: Has the political leadership in Europe improved on the euro crisis? In one sense, it has improved, I think. There is a greater understanding now about this dilemma that

I've spoken before with the immediate (inaudible) liquidity and the patience that we need, the strategic patience we need for--to see structural reforms work.

On the other hand, we've had the two super Marios, Mario Monti and Mario Draghi. One of them, unfortunately, is no longer there, at least not in the former role. And for the life of me, I cannot say that the Italian election have improved the political leadership in Europe. I'm really worried. That's the third largest economy in the euro zone. We've had with Mario Monti, somebody who was respected, who did the right things, who did, you know, at least engaged in some of the reforms that everybody agrees are needed. And then election result like this one, of course, comes as a shock to the system. You could see (inaudible) go from 4.2 to 4.9 in no time, overnight, and the downgrade coming shortly afterwards.

So I said it's a political crisis that needs to be solved politically. That goes for Francois Hollande, that goes for whoever is getting to run Italy. These

are the two countries that really matter now for the future of Europe. Then I'm optimistic. I said earlier that, you know, I'm optimistic for Europe. I am but it really presupposes a solid management of the economies in France and in Italy.

Ms. Nina dos Santos: Briefly, though, are you not worried that we're entering a period of a false dawn here? Because if you take a look at the results on the Italian election, and given the fact that we still don't have a government there, the yields aren't rising in anywhere near the same kind of way we would've seen a year or so ago.

The Hon. Alexander Graf Lambsdorff: Because they're not--

Ms. Nina dos Santos: The market's increasingly becoming decoupled from the fundamentals here.

The Hon. Alexander Graf Lambsdorff: I think the announcement of Mario Draghi still stands and it's understood that it is going to apply to a country like Italy, as well. However, the false dawn, when you

mentioned that, that's the one thing that really worries me. Not the false dawn, the golden dawn, the rise of political extremism in a country like Greece where now you have Nazis and communists inside parliament fighting each other, completely incapable of engaging a constructive solution. If that happens across other countries, we are in a real problem. I'm very optimistic, for example, or positive of Portugal, where this hasn't happened, despite the cringe, I mean, this contraction.

Ms. Nina dos Santos: Yes, it's true. Portugal has been somewhat, say, a model of excellent behavior during times of austerity and the balance from austerity to growth is shifting.

I want to come to you, Professor Yaqing. China. If it does face a hard landing, even if it is a bit of a soft landing, and we're seeing huge change in power here, we're seeing growing middle class that wants something completely different over the next ten years. Less corruption, more strict environmental rules,

better health and safety on the food side. Is there a specter for unrest there?

Prof. Qin Yaqing: Basically, I'm optimistic about that. I don't think China will have a big, hard landing and disorder and something like that. Because you can see China's middle class has kept growing the past two decades. And the middle class demand for what? I think so many things are very important. They need stability, they need prosperity and also, they need progress. So they will push forward all these things and as the number and influence is growing, I think they will play a more important role in Chinese society. And our side, I think the basic Chinese middle society needs a peaceful international environment, so they will also push for peace. I would say peace, prosperity and progress. These three Ps are important for Chinese middle class.

Ms. Nina dos Santos: Bob Zoellick. Christine Lagarde often mentioned this prospect of a lost generation of young people who are neither in work nor

employment. And that's been one of the big stories of the last couple of years. Doesn't matter which economy you're in, with the exception of perhaps Brazil with there's a lot of young people who are in employment, it really is an issue for social unrest going forward.

Mr. Robert Zoellick: Yeah, let me just--since we're at the start of this session in Europe, let me just make a--take that as a starting point because, look, I've actually been an outlier on the U.S. scene because I believe that the European commitment to the euro is much stronger than Americans believe. You certainly see that in Germany, you see it with the two main (inaudible) parties. But as Mario Draghi properly warned, one has to be careful about complacency, and so his actions last summer clearly bought time. But you've got three interconnected problems here. You've got a problem of sovereign debt, you've got a problem of competitiveness for some countries, you've got a problem with the banking system. Those are very difficult problems.

And I agree with Alexander, part of this is that there's a miss-match of time as you start to undertake these with the support of the system. But what I really am concerned about is when I look at those unemployment numbers in Spain, in Portugal, Prime Minister Samaras and I were at a meeting in Berlin and I asked him on the side, I said, "How much time do you have?" And he said, "By the end of the year, I have to be able to show progress because I've got people on the left and the right that are threatening the political system."

So this is just--it's not an American trying to tell the EU or the euro zone, "Oh, well, it won't work." But I am suggesting that I think, as Europeans understandably are fatigued after five years, they have to be very alert to the social dangers. I mean, here's the European Union, designed to bring Europe together, to overcome old animosities, and you actually see the animosity starting to extend. So the work, by any means, is not done.

The Hon. Alexander Graf Lambsdorff: Can I say

something about that? Fully agree with what Bob said. We've seen the president of the Czech Republic being elected on an anti-German platform and we've seen an Italian election (inaudible) clearly used anti-German rhetoric to distance himself. We've seen (inaudible) in France using the same kind of rhetoric when he ran on part of the--

Mr. Robert Zoellick: Well, look at Hungary.

The Hon. Alexander Graf Lambsdorff: Yes. Well, Hungary's a different--it's different problems. But we do have this danger of national tensions boiling up again, and that is something we must avoid at all cost because that's really what the European Union is about.

Mr. Robert Zoellick: One last observation, because I think I want to get this on the table. One of the things that's interesting, having worked on German unification, is, you know, the Europe of the past 50 or 60 years had the Franco-German relationship. It also had the key role for Britain and Italy. Germany is in a very difficult position now because there is no doubt

that Germany is the dominant economy in Europe and it does not want to dominate but it is dominant.

So frankly, the Franco-German relationship, that is now partly history. So the challenge will be how a new European Union construct is put together, and this is related to some of the issues about--Prime Minister Cameron has raised about Britain and others. So it's a challenge of structural issues, where German, whether it wants to or not, is thrust in this position, that is going to determine the future of this Europe.

Ms. Nina dos Santos: Let's move on and talk about just one last different type of trading relationship and on the excess of power that we've seen in Europe so far. But it's also Brazil, and Brazil's relationship with countries like Portugal that are in the midst of a pronounced cycle of austerity. Um, how is Brazil viewing what's going on in Europe at the moment?

The Hon. Tatiana Lacerda Prazeres: Of course, we watch very carefully what happens in Europe. About 20 percent of our exports go through Europe and, of

course, Europe is a very important investor in Brazil. But we are confident that the situation's getting better in comparison to last year. I mean, this is quite, quite clear for us. A lot to be done and hopefully, with strength and cooperation with the emerging economies, we'll be able to get out of this crisis sooner than later.

Ms. Nina dos Santos: Brazil's going to be a major player in the energy scene in Latin America going forward. What's the outlook like from the Brazilian government for your country?

The Hon. Tatiana Lacerda Prazeres: Yes. Well, we are an important player in different areas of energy, Oil and renewables and others, and we are working with different companies, tracking for investment, the idea for us is to play an increasing important role in that area and we've been doing so.

Ms. Nina dos Santos: Okay. Well, we're almost out of time but before we go, I want to ask each one of our panelists, in just a couple of seconds, if I may, about

what they view is the future and the main risks and opportunities. Starting out with you, Professor Yaqing.

Prof. Qin Yaqing: I still believe that the greatest challenge is global governance failure. We do not have a sense of partnership. But there exactly is the field we have opportunity, especially for major powers to cooperate. I really worry about, well, going back to the (inaudible) world. We need to cooperate. The greatest platform is global governance. Thank you.

Ms. Nina dos Santos: Ms. Prazeres?

The Hon. Tatiana Lacerda Prazeres: I'd like to then focus again on trade. I think there's a lot of interesting things going on at the same time. The regional agreements are proliferating and I think we have to keep in mind importance of nondiscriminatory liberalization. Brazil is willing to move forward.

Mr. Robert Zoellick: I'll play off Timothy Garton Ash's point. And if you put this in a historical perspective, over the past 60, 70 years, you had, fundamentally, a trilateral system. It was a system of

nation states where the EU, the U.S. and Japan were, in a sense, the key architects of this order.

Coming out of this crisis, you have sort of an acceleration of the role of the emerging markets. Europe is struggling with its basic existence, Japan is trying to figure out kind of whether it can get moving forward, and U.S. has to get its act together. So I frankly think the U.S. is going to be the best positioned to play that role, but there are a lot of questions U.S. has to face at home, too.

And it's going to be a very interesting challenge because the developed world is going to ask developing countries to assume more responsibilities. But developing countries will legitimately say, "Well, wait a minute, we still have three-quarters of the people living under \$2.00 a day, so we can't take that full role and responsibility." So managing that shift regionally, integratedly, global systems is going to be the challenge for the next decades.

Ms. Nina dos Santos: And for you?

The Hon. Alexander Graf Lambsdorff: It's a bit of a difficult situation because I happen to agree with what Bob Zoellick just said. I also think, will the current system of global governance be capable of integrating the new emerging countries like Brazil and others into its structures? Will it be an adaptation, will we be able to see a situation which we overcome the crisis of multilateralism?

I believe that the big multilateral summits do not yield the results anymore they yielded 20, 25 years ago when there were real commitments that bound member states, that set an agenda like the (inaudible) development goals or others of Rio or Beijing, you name it. Now what we see is a crisis of the Doha Round, we see a crisis of the climate negotiations. Will the system of global governance be able to cope with the changing world? Because then, at the end of the day, if we achieve partnership, I think we'll stand a much better chance for a better future.

Ms. Nina dos Santos: Never thought I'd hear an MEP

advocate less talk and more action. But thank you very much for that, Alexander Lambsdorff. After having covered so many European summits, thank you very much for that. Little bit of a English joke, considering as, apparently, Britain is considering its position within the European Union, as Timothy Garton Ash mentioned before.

So thank you very much, everybody. I think we've learned quite a bit, that there's a need for partnership, for more cooperation, for a greater stay at the table of the world, burgeoning emerging markets, and that also, trade policies need to be all-encompassing going forward and that obviously, some of the world's big emerging economies need to bring on board polices, as well, aside from their economic policies, to get in a seat at the table.

And when it comes to the future for the euro zone, well, you heard it from an MEP there, we're not completely out of the woods, it sounds like.

We're going to be taking a coffee break. I'd like

to ask you to come back at 1715, so 5:15, for "What does the Future Hold for Europe?" So this discussion will be continued, I suppose then. Thank you very much.

Mr. Craig Kennedy: Thank you so much. Hold on a second. Don't leave the room. Thanks, that was really a terrific session. We've noticed that lots of people are tweeting, that's great. #Brussels Forum. Please don't violate the confidentiality rules of any session. I also want you to just stay for a quick second.

Last year, one of the suggestions was we needed to keep one session free that could really respond to things that are in the news. And so we created a mystery session, which will be on Sunday morning. Nik Gowing, our good friend, is going to moderate it. Here's the three choices, then we're going to ask you to vote. One is on religion and politics, new Pope, lots of other reasons to focus on religion and politics. Second is cyber security and the third is North Korea.

So let's just do a quick show of hands. How many

people for religion and politics? Okay. Got it. How many for Cyber Security? Okay. Okay. And how many for North Korea? Okay. We'll do all three (inaudible) North Korea, one more time? Over here, too? Okay. We'll give you the vote count in a little bit. Thank you so much. We're going to have the first of our Brussels Forum cafés, it's kind of around the corner in the lounge area. Charlie Kupchan's going to be there with his book, *No One's World*. Have a coffee break and we'll see you back here in about 20 minutes.