

Brussels Forum

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Global Competition - Can Transatlantic Economies Compete?

Dr. Karen Donfried: I'm going to ask everybody to take their seats. We're going to go ahead and get started for the second day's afternoon. Before we turn to the session, I want to take a minute to ask all of you to appreciate with me one of the innovations we have for this 10th anniversary of Brussels Forum. I'm sure all of you notice that there are four co-chairs for this 10th Brussels Forum and they are sitting here, more or less, in the front.

One of them is Dr. Zbigniew Brzezinski, who is counselor and trustee. Now, we were intended to applaud all together later, but since my board co-chair has started a different tradition, we can applaud for each one. But Dr. Brzezinski is counselor and trustee at the Center for Strategic and International Studies in Washington. The second co-chair is Frank Friedman who is the CEO of Deloitte. We have Herman Van Rompuy who is the former president of the European Commission. And we have Dr. Dieter Zetsche who is the chairman of the Board of Management, Daimler AG.

And you have seen all of them, well, you've seen two of them perform on stage so far because Dr. Brzezinski got us off to a terrific start yesterday afternoon and then President Von Rompuy closed out day one with a terrific Night Owl on

Europe: Ten Years Later and you are about to see Dr. Zetsche and Mr. Friedman on the next panel. But first, I want to show you all a video because if you were for my opening yesterday, you will now understand where the quote from Dr. Brzezinski came from and it is this video.

Dr. Zbigniew Brzezinski: The greatest challenges facing the transatlantic community pertain to the overall state of the world.

Mr. Herman Von Rompuy: The biggest challenges are, one, in the trade area, of course the TTIP negotiations and the other in foreign policy, our common position vis-à-vis Ukraine and, of course, the fight against this common enemy, extremist barbarism, fanaticism.

Mr. Frank Friedman: We know that cyber security is a significant issue for all businesses, perhaps the most significant issue that business faces today and we know education will continue to be a challenge for all developed countries.

Dr. Dieter Zetsche: Well, the greatest challenge is that we take the transatlantic community for granted. Stressing transatlantic ties should be commonplace these days, but it's not. We need to nurture this bond to ensure it remains strong.

Dr. Zbigniew Brzezinski: The people who are participating in the Brussels Forum link together the existing dominant generation and the up and coming generation of leaders and that gives it great salience and relevance.

Mr. Herman Van Rompuy: It is a forum so people from the United States and European Union can meet together, speak with each other, know each other better.

Mr. Frank Friedman: The forum is a critical global catalyst for conversation and for change that will ultimately lead to results. It is where relationships are made and where they are strengthened.

Dr. Dieter Zetsche: The Brussels Forum is where leaders from both sides of the Atlantic meet to discuss the entire range of transatlantic issues. There's just no other forum like it.

Dr. Zbigniew Brzezinski: I would say think strategically and reflect historically. In other words, be clear as to what you want to accomplish and how and don't disregard historical lessons.

Mr. Herman Van Rompuy: Listening, having the sense of compromise, respect each other and come up with creative solutions.

Mr. Frank Friedman: Those who govern and invest with the longer term in mind and shut out the short-term clutter are generally the ones who win.

Dr. Dieter Zetsche: Don't focus on the issues that separate us. Focus on what we have in common.

Ms. Karen: So on that note, I just want to extend my gratitude to all four of the co-chairs for their support for this 10th Brussels Forum and now I'm going to ask all of you to join me again in thanking all four of them.

And now I am going to give the floor to one of my wonderful colleagues, Dr. Daniela Schwarzer, who is based in our Berlin office. She is our senior director for research. She also directs our Europe program and Daniela is going to set the scene for the next session and also explain the connections between the substance of that session and the very important work she is leading in the Europe program at GMF. So Daniela.

Dr. Daniela Schwarzer: Thank you very much, Karen. Ladies and gentlemen, welcome to the session on the Transatlantic Economy and Global Competition. As you all know, both the European and the American economy have gone through years of crisis and what we witness more recently is that, in fact, the U.S. economy is recovering more quickly than the European economy actually is. Europe is still in a phase where we are not quite sure whether we are facing a lost decade because some regions or even countries within the European Union grow far too slowly and high unemployment rates, in particular in the youth sector, actually really put strains on societies and policymakers.

So Europe is still in a phase of instability and GMF's work on Europe really concentrates on the question how Europe can be made stronger so as to live up to

its promise, which is a region of stability and peace, not only within the European Union, but also in its neighboring regions. And in the situation of economic problems on the inside, social tensions, rising populism, Europe, of course, is facing a huge threat from the east and that is, of course, Russia's aggression in Europe's neighborhood, but also its interference in a number of European Union member states.

The work on Europe at the German Marshall Fund covers those issues. What we try to do is we provide analysis and we try to provide space for policymakers to actually get together with experts, with people from other countries, they may not usually meet with stakeholders they don't usually talk to and all this very often in a transatlantic setting to discuss policy options and also challenges in the European Union.

Many times this is about reaching a joint risk assessment and when it comes to the economic and financial situation, when you go to different places in Europe, you will hear very different assessments of the situation.

So the session we are now going to listen to on competitiveness and the transatlantic economy is key to the future of Europe and to the United States, of course. Europe is in that struggle, which I described, and its future is, of course, salient also to the wellbeing of the United States.

So let me hand over to Gideon, who is going to chair the session and please enjoy this panel.

Mr. Gideon Rachman: Well, thanks for the pair of introductions and we're now straight onto the subject of the panel, which is obviously fundamental to everything we're trying to do. We're not going to achieve much in terms of policy, either domestically or in foreign policy if we do it against the background of weak and faltering economies.

We've got about an hour and at least a half an hour will be, you know, turned over to you so we'll have questions from the floor. But I'd like to start by framing the discussion, looking at a couple of things. First of all, just really taking the temperature of where we are now, because as Daniela said, the impression I think most of us share is that the American economy's come back much stronger and faster than the European economy. But I'd like to just get a sense of that from starting with our private sector participants.

Frank Friedman, I mean, what is going on in the U.S.? Do you think the recovery is now well underway, well entrenched?

Mr. Frank Friedman: I think it's time to stop talking about recovery, actually. I think we have an economy that is growing fairly robustly right now, maybe not as robust as it could be. I think we'll have the strongest growth in 2015 that we've probably had since 2005 and no place manifests it better than

employment. In the country, we hired 3 million people last year, the most since 1999. GDP was 2.4 percent, kind of low actually, but it masked some good things going on. Every quarter, consumer buying went up each and every quarter. Business investment was double that of 2013. Confidence actually is good. There are only a handful of sectors who have employment levels that are less than they were pre-recession so most are above where they were. And I think the only weakness right now that we see is a little bit in the housing market, but as people get hired, there'll be pent up demand for that as well, depending upon future prices.

So by and large, I think we're optimistic, clearly, and there could be some external things that impact the U.S. economy. If Europe doesn't grow fast enough, that would affect it for sure. Certain things we've talked about in the last couple of days could do it as well, but it seems relatively strong right now.

Mr. Gideon Rachman: So I was thinking--I was about to ask you an unusual question for a journalist, which is what's gone right. You know, normally we ask what's gone wrong, but it sounds like things are on the right track. Is this just basically a cyclical recovery, the kind of thing that would have happened anyway or are there lessons that, say, the Europeans could look at and say, well, what's the States done right that's pushed it in the right direction?

Mr. Frank Friedman: That's a good question. I think over the last several years, what we learned is that--a few things. One, I think you have to be pretty bold

during a bad time and so QE one, two and three were really instrumental. We may disagree perhaps with the senator...

The Hon. Jeff Sessions: Yeah.

Mr. Frank Friedman: ...but I think that TARP was extraordinarily appropriate at the time and the government came out in fine shape as a consequence of getting its money back. I think our labor laws are a lot different than they are in Europe as well so businesses can, frankly, make cuts very quickly when they see business going down and then they recover and they start hiring people again. So I think business has a lot more flexibility at times in the States than what I understand in Europe. Those might be two or three lessons.

Mr. Gideon Rachman: Well, at some--I'll come quite quickly to our policymakers to see whether they agree with you, but before I do that, I'd like to come to Dr. Zetsche because, again, you know, we both live in Europe. The mood is much darker here and yet there is, arguably, there isn't a single European economy. I mean, Germany's done quite well, Britain's doing better. What's your view of the continental economy?

Dr. Dieter Zetsche: Well, you already made the most important point. It's not a homogenous situation and that is part of the problem, especially as far as the currency is concerned, the (inaudible) currency. The big challenge we are facing here is that on the one hand, we have to do still quite a bit of homework to get to

conditions which you were describing, and I'm not saying--which is labor market and other areas done in the U.S. is an example for Europe. We have somewhat different approaches as far as the social aspect is concerned. I think it's good where we are in Europe. But we need more liberalization of the labor market and some countries have done quite a bit in this regard. Others have done less and, in general, you can say the ones who invested more in restructuring are now seeing the benefits--starting to see the benefits, whether it's Spain, whether it's Ireland or other places. And, the call for more growth impetus is understandable, because the social tensions are getting bigger and bigger, but at the same time, it's a risk when interest rates get that low. The need, the pressure to go for further restructuring is lower.

And so, on the one hand, it might be the Federal Reserve Bank gives that--

Mr. Gideon Rachman: UCB, in this case. Yes.

Dr. Dieter Zetsche: Yes. UCB, Sorry. Gives us the room for the changes we have to make, buys us the time. But as likely as that it's a--gives their confident mind to lean back and not to act. And that would be a big risk.

In general, I'm optimistic that we have seen the worst in Europe. I do believe that all together, some ahead, some not that fast, we'll continue a slow recovery up to better growth rates, but a prerequisite for this is that we continue to do restructuring, especially in labor markets, and the number of countries. And in

countries like Germany, where some of this happened, we can't turn it back. And we started to do some of that and that is risky as well.

So, slightly optimistic. We benefit from the strength, the growing strength of the United States, the continuing growth in China and other places, where we can sell our products to, so that is obviously a locomotive which helps Europe to get out. But we have to continue to do our homework.

Mr. Gideon Rachman: Okay. Well, we'll talk about the homework.

Commissioner Georgieva, you're in a commission which is, I guess, like all commissions, says that it's committed to structural reform, to improving the competitiveness of Europe. Give us a sense of both of what the priorities of the commission are, and also how much do you feel it's within your power to turn this situation around. Or are you actually looking at much bigger forces? That there's a limit to how much you can do here from Brussels.

Ms. Kristalina Georgieva: Well, first let me say that I agree that we, for the first time, see all 28 economies expected to grow in 2015. It's a good moment for Europe. And I agree with many of the observations of how we differ between the U.S. and Europe.

I don't know whether we had seven lean years behind and we will seven fat years ahead, but that--I do know we had five years mandating this commission, and we are very determined to use every day of this mandate to boost the

competitiveness in Europe within the complicated political environment we operate. And let me just make three very quick points.

One, internal market. For us, it is a source of enormous competitive strength. It has been and it can be in the future. So you see this commission very much focused on the energy union. Yesterday discussed on the digital market. Huge opportunities for businesses on making sure that we have taxation in a more harmonious way. It would be a pain. This is the way it would be. We would be probably struggling the most on making sense of Europe, the sentiment in Europe as much as possible boosted.

On the second thing that, to me, is hugely important, the way we are really falling behind U.S. is to push for more investments. We are doing now QE. Maybe we should have done it earlier. But we are also looking at how to fill the investment gap. Not so much through public money, but by waking up the liquidity in our financial system. Money, plenty. Sleeping at the moment.

And this is where the plan comes. Everybody talks about decisive the plan. Will it be 315, will it billion, will it be less? But the really important thing of this plan is that it is focusing on the quality of the investments. Invest in R&D, where we are falling behind you. Our private sector invests much less than the American private sector in research and development. How to draw it in.

Investing in the digital market. Invest in this internal market potential more and remove barriers to investments. We almost don't talk about it, but it is at the heart of the UNCA plan. Why are good investments not happening?

And then my third and last point is to wake up the convergence engine of Europe. Look, what--if I'm to be kind of a--as a committed European to say what bothers me the most is what many of us observed, that there is divergence. You go to Munich, there's no crisis. You go to my country, Bulgaria, sure, there's crises. We are going--rather than coming closer together in the last years, we are going further apart, especially in areas of research and innovation. Finland, 4 percent of GDP in research. Ten countries are under 1 percent.

That would increase the divergence between us. And I think the--if I have one sentiment for us in the commission is to actually be much more prudent in looking at this differences among countries, not so much talk about the averages. The average--when I was in university, my professor of statistics used to say, you put your head in the refrigerator, your feet in the oven, and your temperature is what? Average, but you're dead. And I think time has come for us to be much more determined to look at specificity of our member states, especially in the quality of institutions in our member states. How do they deliver for growth and prosperity? And if we put our energy then good reforms would happen?

I agree we need to do more on the labor market. Absolutely. We are falling behind you guys. We have to be careful, though, when we do it, not to lose something that, in my view, is a competitive strength of Europe. And it is we are more equal region. We have the most equal region in the world.

Do people know what is Gini coefficient? If I may ask? Gini coefficient? Okay. So here's a Gini coefficient measures equality in a country. The higher the coefficient, the less equality. The lower, the more equality. What do you think happened in the EU in average on Gini coefficient during the crisis? Did it go up, more inequality, or it went down, less inequality? Show me show of hands.

Mr. Gideon Rachman: You should be doing the moderating, really.

Ms. Kristalina Georgieva: Now, I'll tell you. What was amazing for me was that for the 28, it actually went slightly down. But again--

Mr. Gideon Rachman: Between countries, it's doubled.

Ms. Kristalina Georgieva: No, no, no. For the 28 countries, the average Gini coefficient went slightly down for the 28, but high up in a number of countries. I'm not going to name them. I'm abusing my time. My point here is that it would be good for Europe to figure out a way to liberalize labor markets, but not to lose entirely on our competitive strength there.

Mr. Gideon Rachman: Okay. Well, you've raised so many points I'd like to come back to.

Ms. Kristalina Georgieva: I'm sorry.

Mr. Gideon Rachman: No, no, no. Very fruitful. But I'd like to now talk to Senator Sessions about what you've heard so far, and about the situation in the U.S., because obviously you're coming from the Republican side of the aisle. I suspect you won't have agreed with everything we've heard about either the strength of the recovery or what brought it about. So, I'd like to give you an opportunity to come back on that, but also to look forward a bit. Give us a sense of what you think the policy priorities for the U.S. should be now.

Senator Jeff Sessions: Well, I don't think our recovery is quite as robust as most people think. We've had the slowest recovery since the major recession, I think, in our lifetime. And so that's not been good. And I saw some numbers that our growth this year is predicted, I think, Congressman Issa, what, 2 percent? That's the latest figure I saw. And I see the European growth projections at 1.7, so you're doing better, I think. I mean, that's a pretty close situation.

We have several advantages. We got a--Tom Enders invested in an airbus plan in Alabama, says we have a very mobile labor market. People will move to take jobs more than they will in Europe. We have lower energy prices, particularly natural gas, which has been really helpful to us. And we have pretty good labor rules, but we think they should be even more liberalized. We think that's a detriment, too.

So I think the United States, hopefully, is in the right path. I would say to you that employment at good wages, good jobs for working Americans are not where they need to be. So we have a long-term concern, I believe, Europe and the United States, with technology. You go into the Mercedes plant in Alabama, and it's all you see is robots. No, that's not true. They've got 4 or 5,000 employees.

Mr. Gideon Rachman: 3,500, yeah.

Senator Jeff Sessions: 3,500 employees, but it is--I would project over the next 10 years, there will be more cars made with fewer persons per car because of technology.

Mr. Gideon Rachman: Do you have a sense of--does anyone have a solution to that, because obviously, you can't stop mechanization.

Senator Jeff Sessions: No. It's good and we're not going to stop it, and we can't stop it. I'm just saying all of us, I think, have an obligation to think about that, because it's causing--causing angst in the both our communities about people are uncertain about their future. But United States and Europe has a good relationship. When we do trading agreements, or reach an agreement with Mercedes to build a major plant there, it seems to work out. We honor our commitments, they honor their commitments.

Since they came, Alabama has added a Honda plant, a Toyota plant and a Hyundai plant, and if one of those expands, as we expect, Alabama will be the number one automobile producing state in America.

Mr. Gideon Rachman: That's incredible.

Senator Jeff Sessions: They started it how many years ago? You selected the site, right? But so I think we're in pretty good shape and, hopefully, this growth trend will accelerate.

Mr. Gideon Rachman: Since you're obviously from Congress, I mean, one of the things from this side of the Atlantic that still baffles people is the extent of--to which partisanship can lead to gridlock every now and then. You know, you've had these repetitive budget fights and so on. Is it--how much damage does that do and is there any way around it? Is it--and then we're stuck with it for quite a while.

Senator Jeff Sessions: Well, I've been a total believer in our system of parliament, Congress. But you have an advantage. You get a majority, you can run the government just like you want to run it until you get thrown out of power. Or at least most of the European countries can. And so we have two Houses, same, no bill can become a law unless it's passed by both houses, exact same words. And the president can veto it. It takes a 2/3 vote to override the veto.

So sometimes--we are finding that there is a division of philosophy about how to make America great and keep it great and we just haven't--we're going to

have to fight it out. And Democrats had some big victories, and Republicans had a big victory in November.

Mr. Gideon Rachman: Okay, and just the last thing on that--on more specific legislative agenda, obviously, something that both sides of the Atlantic are watching very carefully. Trade negotiations. Do you think we're going to get the TPP done? And the TTIP, for Europe, particularly.

Senator Jeff Sessions: Well, I think Europe and TTIP will have a better chance because we have such a confident relationship with Europe. I mean, we don't have as quite the antagonisms or disagreements like we do with some of our Asian trading partners. It's going to be harder, say, that our Asian--our Pacific face has a huge relationship with Asia so the trade promotion authority idea can pass.

I think Republicans are usually more favorable than Democrats on trade. And I think the--we have not seen the language in the European agreement. I think you have put out some of the language from your side, but we've seen none, so, but people are pretty optimistic about the ultimate success of that agreement.

Mr. Gideon Rachman: Okay. And Frank, I mean, if it gets done, how big a thing is that for business?

Mr. Frank Friedman: Yeah, I'm probably not as optimistic it gets done. At some point, it will get done. But I think it might extend beyond the election, actually, from what I've had the chance to talk to other politicians as well.

Listen. Europe, Europe is our biggest trading partner. We do a trillion dollars a year with Europe. It is very important to us. The next closest we have is Canada, at 750 billion. So it's very important.

What we really want to do is to reduce non-tariff barriers. The tariffs aren't high. It's the ability to be able to open up markets, to deal with services in particular that are really important to us, the ability have business regulations more similar than dissimilar, the ability to move people around, are critically important. So, regulation, mobility, and then data. Data issues are really very important to us. We work--

Mr. Gideon Rachman: What do you mean specifically?

Mr. Frank Friedman: Well, we live in a world where data flows back and forth. We have to be respectful of the privacy and security around the data for sure. But data is going to continue to move back and forth, and we have to figure out how to best do that in a regulated environment that protects the security and privacy of people while still allowing businesses to operate on a more global basis.

But in the end, I think TTIP in particular, given, you know, we share so many common values with Europe. We believe in democracy, we believe in human rights, we believe in open markets, we don't threaten the vital interests of each other, and so for us, having a partner like Europe is really important, and being able to expand would be critically important to us.

Mr. Gideon Rachman: Dieter Zetsche, I mean, you've obviously spent a huge part of your career on this sort of transatlantic business relationship, but we heard what TTIP could do for services. In manufacturing, is there still a great deal to be done or is a trade deal more or less kind of in place? And if that's the case, what do you want from both sides of the Atlantic in policy terms.

Dr. Dieter Zetsche: I think it's huge. TTIP is extremely important for business reasons, and we're talking about tariffs, which is not the biggest deal of it, but I totally agree. It's about merging many standards, which we can. We are wasting billions of dollars and euros by doing things twice to the same end, basically, or just slightly different. And this, all of that money can be transferred into benefits to consumers and to companies and to the economies at large.

So I'm totally convinced that TTIP opens a huge opportunity from a business point of view, with hundreds of billions additional benefit on both sides, with additional jobs on both sides. But for me, it goes far beyond that. I do believe we are at kind of a crossroad, whether we want to continue to stand up for the same values, which we historically share, to the future, or whether we want to separate and say, well, the opportunities are lying in Asia or somewhere else and go transpacific or the other way around, and then both of us will be weaker in the sense of common values.

And therefore, for me, it's much more economical and business question. It's, for me, a historical decision, and I don't see it as something we do this year or next year or the year after. I think we have a window of opportunity. It hasn't been as good ever before, and we make it happen now, or I am afraid we won't see it for many, many years.

And the arguments, which are brought forward against it, are so ridiculous. They are emotional, they are irrational, they are exploded in their relevance while they are ridiculous. So we really, we all have to stand up for it if we believe in any transatlantic relationship for the future.

Mr. Gideon Rachman: Yeah, commissioner, I wanted to ask you, but about just--specifically on that point of these ridiculous arguments, because if you follow the debate, and a lot of us dip in and out of what's happening in the European parliament, there is a lot of suspicion of America on a range of issues, whether it's data, whether it's GMO foods. I mean, how do you win that debate and convince people it's doable and should be done?

Ms. Kristalina Georgieva: First, we have to recognize that a small phone can have a very long shadow because a lot of the emotion in Europe is actually connected to some, shall we say, not very politely, listening to other people's conversations.

Mr. Gideon Rachman: Oh go on, spit it out, you mean the bugging of Merkel's phone, yeah?

Ms. Kristalina Georgieva: Yes. But, you know, speaking about it, it does turn into a suspicion on the best partner we have in the world. I spent my last five years as commissioner for humanitarian aid. I have witnessed every day how much more fragile the world is becoming and how much more important it is for the U.S. and Europe to stand together.

So this overall security environment, we also have to factor in. But how do we deal with this? We have a problem in Europe. How do we deal with it? One thing we have already done, transparency. We are putting everything out so nothing is being hidden from our people. But then we need to go virtually segment by segment, country by country. In different countries, there are different reasons for suspicion. And that engagement cannot be done just by the commission. We need our member states to recognize their economic interests because rough estimates tell us that it would contribute a half percentage growth to Europe if we sign, half percentage growth.

We are struggling to push our growth, and here is an agreement that can do it for us. But unless we take the conversation country by country, region by region, city by city, we may end up having a wonderful agreement and kind of lousy--

Mr. Gideon Rachman: Dieter, you wanted to add something?

Dr. Dieter Zetsche: Just very briefly. I totally agree that we need transparency, education, information, totally agree, but I'm asking for some courage on the political side, as well. We don't need a vote, a European vote, on TTIP at the end.

Ms. Kristalina Georgieva: Right.

Dr. Dieter Zetsche: I think if we are convinced that it's the right thing to do, just do it.

Ms. Kristalina Georgieva: Could I just say thank you to Mrs. Merkel because Mrs. Merkel came 10 days ago, was it about a week ago, and she very clearly stood up for TTIP, although the mood in Germany may not be entirely supportive. Indeed, we need all of us, well, especially the member states, but all of us, we need to stand up and be counted. It is a critical alliance. And if there is one thing that would define our competitiveness, it is actually us working together.

Mr. Gideon Rachman: Senator Sessions, Dieter Zetsche did raise the problem, though, that we might be running out of time. I mean, you thought that if we don't get it done, it could just disappear. And obviously the Obama administration, you know, is running out of time. It's in its last quarter. You're going to be in the throes of a presidential election.

If you don't get fast-tracked soon, and you said you haven't even seen the text yet, is it really doable?

Senator Jeff Sessions: The president is going forward, I believe pretty confidently, with the Asian treaty first. That could be controversial and it could put off this treaty for some time and that could get into a presidential election year, when the conventional wisdom is these things don't happen in presidential elections. So you could be looking at that kind of situation.

I do think the United States has the lowest percentage of Americans in the working years working, actually with jobs today, since the 1970s. This is not a healthy trend. We've had--we've lost 11,000 manufacturing plants in the last 10 years, and we keep telling our constituents we've got another trade agreement, and you're going to have more jobs and better pay. So that's getting a little thin. At some time, we're going to have to have more jobs and better pay and--

Mr. Gideon Rachman: You mean people aren't believing the kind of statistics that the commissioner was putting out?

Senator Jeff Sessions: Yeah.

Mr. Gideon Rachman: They've heard it, but they don't feel it.

Senator Jeff Sessions: Right, they don't feel it because it's not happening.

Mr. Gideon Rachman: Yeah.

Senator Jeff Sessions: So our businesses are doing well, you know. Mr. Piketty (ph), a company would point that out, wealth gaps and all that and so--

Mr. Gideon Rachman: It's interesting, may I say, to hear you, as a Republican, say that because Republicans generally have been a bit more skeptical of the whole income inequality argument. But I get the sense that, from following the debates on your side, that it's also an issue you're running with now.

Senator Jeff Sessions: I was probably one of the first ones to talk about this on our side a lot, but I just--I mean, it's reality. It started at least about 2000, an erosion of the middle class, and it's accelerated in recent years. So this is a real thing and you just can't deny it. I mean, the facts are plain.

So what do we do about it? One thing, the United States has been lax in trade agreements, and then we don't hold our partners to it. A trade agreement is a contract. I'll do this if you do that. And a lot of our trading partners don't do what they promise. Europe is much better than others, but they still find some excuse not to buy our chicken, even.

And your ad guys are pretty aggressive, I understand. We are pretty aggressive, too. So it's not a perfect deal. And I think there will be more expectation that the agreements that the administration produces are going to protect legitimate interests.

But I do believe there's a majority--the Republicans have both houses now, and Republicans have been traditionally more free trade. So I don't know what the

next president--what President Obama is pushing, said he's going to advance these treaties, too. So we have a good chance, I think, if we can get them up.

Mr. Gideon Rachman: In about five minutes, I'd like to turn to the audience. But before I do, I'd just like to push you all a bit because it strikes me that only appropriately at a transatlantic forum, you're all believers in the transatlantic relationship, in its economic importance, its political importance. But what about those who say, look, its time has gone and that we're in an increasingly Asian century. You see it reflected in the famous Obama pivot to Asia, a lot of businesses are more excited about Asia now than about their traditional markets. So what about those who say, well, you know, this is yesterday's agenda?

Dieter Zetsche, I mean, Daimler, surely, you look at Asia, that must be where the growth is coming fastest.

Dr. Dieter Zetsche: Well, first of all, 40 percent of the automobile market of the world is the combined U.S. and European market. Whether they have small growths in wealth, this is still a very, very important chunk of the total business.

Secondly, yes, Europe does not provide for huge growth prospects and demographics are a major reason for that. That's why immigration is important for us, even though some people don't like to recognize that. On the other hand, the U.S. is a growth market and continues to be a growth market, to some extent because of demographic reasons, as well.

So as much as there are opportunities in Asia, and we have to make sure that we exploit them, the foundation of all of that is the transatlantic market and relationship. And therefore, if I have to set priorities, it's always first transatlantic and then going together for all these fantastic opportunities, and as our competitors, as well, of course, into these other markets.

Mr. Gideon Rachman: And Frank, do you buy that, as well, still first transatlantic?

Mr. Frank Friedman: Yeah, I mean, there's no question that Asia is becoming more and more important, but they are, you know, up and down, there's not--it's not smooth sailing all the time, and they're subject to a lot more, you know, volatility than I think Europe and America are.

Together, we constitute 11 percent of the world's population and 50 percent of GDP. And in the end, you know, you might think Asia's important, but 50 percent of the GDP, it'll take a lot of years before that changes at all. So still for us, it's clear that the transatlantic has to continue to be of high priority.

Senator Jeff Sessions: Commissioner?

Mr. Gideon Rachman: Yes, so Senator Sessions.

Senator Jeff Sessions: If you look at the investment journals and magazines, they're saying watch out for emerging markets, put your money in Europe. That's happening, too, to some degree today.

Mr. Gideon Rachman: Commissioner, I mean, do you think we--do you think in Brussels we were slow or the Europeans were slow to pick up on what was going on in Asia? Because they were so focused on building their own project and also concerned by what was going on on the other side of the Atlantic, but maybe we were being caught out.

Ms. Kristalina Georgieva: I think it is very important to remember that if this is marriage, it is based on history, but also values. We share the same values. And let's think of the world of tomorrow. Who is going to be defining the norms of this world? Would it be us in the 50 percent or we would allow that other norms are being imposed that may not necessarily respect these values?

Plus, I think what we are going to face, more and more, is a very strange thing from the business that would want predictability of regulations and everything, but also that they are not prescriptive, that there is more agility, that change is captured in regulatory term.

Dr. Dieter Zetsche: Less regulation altogether.

Ms. Kristalina Georgieva: Well, less regulation, but still you want some predictability on what this regulation is. And I do believe that we have a joint interest to figure it out because if we don't, somebody else will, and why not us?

Mr. Gideon Rachman: Okay. Well, with that, I'll invite some questions from the floor. So I'd like you to--yeah, before I just take some points, can I just lay

some rules? If you could ask a question and say who you are, that would be perfect. Do we have a microphone?

Mr. Marc Leland: Marc Leland, I co-chair the German Marshall Fund. Very interesting discussion, but one of the big issues that all of you talked about is trust. And so, and the one thing we all hoped with Henry Kissinger starting it was a phone call to Europe would be a phone call to Europe. What is the reaction by each of you on the issue of trust to something not yet discussed here, it's my own bailiwick, is the treasury? To me, it's just extraordinary that you could have a bunch of European nations join a bank with China and the United States not know about it. Does that shock you? What does that do to trust? What's that going to do to TTIP? Where's the confident--I used to be on the phone every day, practically, with my counterparts in Europe when there wasn't such an EU. Is this something that concerns you going forward when you talk about trust, that it could happen, and America says it didn't even know they were joining with China?

Mr. Gideon Rachman: Does anyone want to take a crack at the Asian Infrastructure Investment Bank?

Ms. Kristalina Georgieva: First, what Europe and United States need to take more to heart, the institutions we do have, World Bank, IMF. I think--and it is just to throw it back on where are we going to be headed, I think we have been neglecting these institutions. The U.S., not so very interested. Europe, we have

multiple seats on the boards of these institutions. So what is happening is now China is aggressively stepping into an area where, if we were to pay more attention, we would've had normal established leadership. So that's one problem that I'm very worried about. Not going to dwell anymore.

So China then. Second comes China and says, huge investment shortage in nature. We have an idea how to do it and you're welcome to join. By joining, you have a seat, you may be influencing the way this functions. So U.K. jumps on the board. Now, has anybody talked to anybody else? I'm not in privy to know so I'm not going to comment on that.

But what I would comment is that we have to take seriously the global institutional infrastructure. And if we are not taking it seriously, then accidents will happen.

Mr. Gideon Rachman: Okay. Well, Senator Sessions, actually, yeah, could I pick up on that? Because some people say, well, it's partly the U.S. Congress's fault, dare I say, for not passing IMF reform, you know, letting the effort to give China and others a fairer representation in those institutions to sit there. Do you accept any of that?

Senator Jeff Sessions: Well, there's been disagreements about voting rights, to some degree, and I guess you could say that irritated people. I happened to bring this article, *The Washington Post* on Thursday. "China Takes Jab at U.S. as

Europeans Back Asian Bank” is the headline. Another line, but the European decision to break ranks with Washington represents a significant diplomatic setback for the United States, which I think is correct. So I don’t pretend, it’s not my committee area, don’t pretend to know all the ins and outs. But I think this could be an unfortunate event and it might be bigger than we understand today.

Mr. Gideon Rachman: Well, I must say I was actually in Asia when it happened, and in South Korea, which is a country which has not signed up yet. But when they saw the Europeans beginning to sign up, they clearly--they’re not going to sign up. So it’s just going to be the U.S. and Japan.

Senator Jeff Sessions: Here’s the thought. You know, feelings do have some importance. The Chinese news media described the United States as petulant and cynical. It said the bank was open to all nations, but Washington’s sour grapes left it looking, quote, “isolated and hypocritical.”

Ms. Kristalina Georgieva: But I’m sorry, but we still--

Senator Jeff Sessions: Nice little comments from my friends.

Ms. Kristalina Georgieva: --we still have to look into why this happened and how come that years after an agreement was taken, with the participation of the U.S., to change the voting rights in the fund and in the bank, we are still not able to implement this agreement. I think it is shortsighted. I think it should’ve been done.

We should've been reforming these institutions to be more inclusive and we need to pay more attention to them. Well, rest my case.

Mr. Gideon Rachman: Okay. Very good. Gentleman just here.

Mr. Karim El Aynaoui: Thank you. I'm Karim from Morocco, I lead the think tank. On this issue, when you're a middle-income country or a low-income country and you face huge development needs, you turn and you see who are your partners and who is coming up with an answer. And all the Chinese project to recycle international capital into infrastructure, much needed infrastructure investment, and the rest is a response to a real need which you need--and it has to be pragmatic. Of course, you know, countries like to have multiple partners, they don't want to be under one partner. They like a portfolio approach like you, you want to have China, you want to have Europe, U.S., et cetera. But it has been so difficult to convince our traditional partners that this is a real need that China is addressing. And we don't--

Mr. Gideon Rachman: Could I--

Mr. Karim El Aynaoui: I work for the World Bank, so I live that, this experience.

Mr. Gideon Rachman: Can I just ask, I mean, you're in Morocco, you know, which we think of it as obviously just across the Mediterranean from Europe. But is China a presence there in terms of investment infrastructure and so on?

Mr. Karim El Aynaoui: Not so much, but potentially more and more. But it respond to a need and we perceive it like this. Because Morocco is a middle-income country today and we know what it is to not have the infrastructure in your country not so long ago. You guys have forgot what it is like to have the right roads, the ports, the whole logistical chain. China went through that, they know about it. Africa is desperately in need of that. So it's urgent to reform the IMF. I left the central bank where I was, you know--I was dealing with those institutions ten years ago. It was there ten years ago, it's still not signed. Sorry, I'll just finish. The size also is an issue. The World Bank is too small when you look at the size. As a single country, you can get, what, 500, \$600 million and you hit all the credit worthiness risks, limits? It's too small. What is this 500, 600 million? It's two ports, one highway. When you see the needs of a country like Congo, like Ethiopia, 100 million people today, et cetera.

Mr. Gideon Rachman: Well, I'd normally rebuke you for not asking a question, but actually, that was a very interesting comment, so thanks.

Mr. Karim El Aynaoui: I can ask a question. What do you want to do?

Mr. Gideon Rachman: Thank you very much. Okay.

Ms. Kristalina Georgieva: I guess I'll pick it up since, I mean, first, let's remember that European Union, despite all our difficulties, 20 percent of the world economy, 50 percent of development assistance. So I don't take it very lightly--

Mr. Gideon Rachman: And that was your former port failure, as well, well, humanitarian.

Ms. Kristalina Georgieva: Humanitarian aid--but 50 percent in humanitarian aid, too. So let's not forget that we are still putting the biggest buck, in terms of support, for development. But I agree that it is much more productive to try to bring additional donors, the so-called new donors, in the existing infrastructure. And when we fail to do that, we should not be surprised that there would be alternatives and then we have fragmentation in terms of development finance. Not necessarily we cannot coordinate, not necessarily, we cannot find a way to coordinate, but it would only happen if we pay attention.

If it is benign neglect, if this is what it's going to be, I think we will, in a sense, achieve less for development, we will create less conducive conditions. Because, yes, China would bring the money, but the Chinese themselves would say they don't mind if there is somebody else to bring the policy expertise, the structural reforms expertise. And I think we have to be focused on the infrastructure we have before we start worrying about the one to come.

Mr. Gideon Rachman: Okay. Further questions? Yeah, I'll take two now. The gentleman there and then the lady right at the back, as well.

Mr. Hari Hariharan: My name is Hariharan, I'm from New York. This is a question for the senator. I guess we shouldn't be very surprised about what's going

on because, after all, at a time when China is expanding a lot, we are debating whether we should get to the (inaudible) bank. So that's an observation.

But a more basic question for you, Senator, partisan politics aside. In two recent instances, are we Americans beginning to belittle the office of the presidency? First, we had the Israeli prime minister in Congress against the White House desire, and then we had a letter to Iran, which is a bit of a shock. So from a perspective of a transatlantic partnership, when the Europeans look at events of this sort happening, are we, in some way, weakening ourselves?

Mr. Gideon Rachman: A slightly tenuous transatlantic angle there. But Senator Sessions, do you want to respond quickly to that and then I'll come to the lady at the back?

Senator Jeff Sessions: Well, I think there are two sides to that story. The United States Congress feels like it should be a partner in the Israeli-Iranian negotiations and the president is talking about not only signing an agreement suggesting that it's somehow almost equivalent to a treaty, but now they're talking about going to the U.N. and trying to ratify it and give it some sort of permanence contrary to the Constitution of the United States.

So there are some hard feelings about that. The president has indicated he's going to use his power and his pen openly and dramatically, and Congress is a coequal branch. It has Constitutional powers. And the whole thing was set up from

the very beginning by Madison and company that there would be--each branch would defend its own interest, its own rights. And if it doesn't, then it becomes permanently eroded, really. So I think Congress is being pushed beyond what we've seen previously in many ways and it's sporadically seeking to defend its interest.

Mr. Gideon Rachman: Okay. There was a lady right in the back.

Ms. Esther Brimmer: Thank you. Esther Brimmer, now at George Washington University, but I had the honor of serving four years as assistant secretary for international organizations. I think multilateral diplomacy is actually a central portion of our international system, and I think that we have a profound question I'd like to ask the panel about how we, in the transatlantic community which created the global institutions, including the IMF and the World Bank, welcome in the new powers who wanted to play a role internationally. And I do think the fact that we've not been able to ratify the reallocation of votes at the IMF, it's a profound impact.

And so I would suggest that when we look at things like the Asian infrastructure investment bank, that we do have to look at are we meeting all of the needs of member states? We use our multilateral organizations, for example, to fight poverty. But we have not been investing as much in infrastructure. We also have the Asian--the new development bank which has come out of the BRICS

structure, as well. But that, itself, also, will rest on the IMF and will eventually rest on the IMF rules, as well.

So it seems to me what we really have to ask is how do we expand the multilateral structure? Because we quite often ask the emerging powers, they need to be stakeholders in the system, but we have to make a place for them to be stakeholders.

Mr. Gideon Rachman: So could I ask you a question, perhaps slightly unorthodoxly? Does that imply that what we're doing when talking about a transatlantic discussion is actually the wrong way of doing it? Because it's kind of exclusively Western. And if we're trying to create a new global architecture, should we even be doing it this way?

Ms. Esther Brimmer: I think this is part of the conversation because, indeed, we are still the core of the international institutions. We share values which are fundamental to our global society, whether it's our views on peace and security, human rights, the open-market economy. Those are structural things where the transatlantic pillar will need to be important, but we'll need other pillars, as well, so we want to ask who's in the next circle, who wants to be stakeholders and also invite the larger communities to talk about how we work on those shared values, which are shared with other key countries in other parts of the world. So then we

need both the transatlantic conversation but we need to be also having the global conversation, as well.

Mr. Gideon Rachman: Okay. Anybody want to chip in on that?

Ms. Kristalina Georgieva: We were told to be short. Agree.

Mr. Gideon Rachman: Okay. All right. Well, Frank, do you--

Mr. Frank Friedman: I'm just kind of a simple business guy. I go where there's open markets and less regulation. And if we can have open markets and less regulation that promotes trade, we're going to go there. Right now, the transatlantic for us is clearly a important market.

Mr. Gideon Rachman: Okay. Yeah.

Dr. Dieter Zetsche: I mean, you could take a very naïve perspective on this discussion about who finances what. When I give money to some projects and there's not enough money and somebody volunteers and says, I want to give some money, too, first place, that's not that bad. So now to be jealous about it, who does it first, who sets the rules could be the second discussion. But the first place, to have more funding, I like it in my company.

Mr. Gideon Rachman: Right, okay. That's a nice, practical answer.

Senator Jeff Sessions: Well, I tend to agree with that. Think about Bill Gates, he puts his money where he thinks it goes best. So we got a European-United States, basically, relationship to help fund infrastructure and projects

around the world. And we've been doing that for a long time. I think history would record it's one of the most open and decent things any group of countries has ever done, and so I think that's a positive thing.

And we'll have our feelings hurt a bit when our colleagues sort of run off and--anyway, I'll push that agenda without the United States. And, of course, China is perfectly free to have its own and all the allies it can choose and provide any loans that it chooses to provide. And it remains to be seen whether they will come close to contributing to the world as well as Europe has.

Mr. Gideon Rachman: Okay. The gentleman in the front row wanted to ask a question, and then I'll take one from the lady a few rows back. And then I think that's probably it for--

Representative Darrell Issa: I guess you didn't recognize me. You called me a gentleman. The two questions I'd ask, really--

Mr. Gideon Rachman: Give them your name.

Senator Jeff Sessions: Yeah, give us--

Representative Darrell Issa: Oh, I'm Congressman Darrell Issa from--I represent parts of California, including Rancho Santa Fe, La Jolla, San Clemente. Anyone that wants to visit, the weather is wonderful right now.

And Deiter, you kind of hit the answer already. I mean, look, if China wants to come in with no strings, no corruption and they genuinely want to invest in

infrastructure, it will be news. But it'll be a good thing. So I've got no problem with it.

And I think that's the first question is, why would we not want as much investment, assuming, if you're sitting in Congo, you're sitting in Nigeria, you're sitting somewhere, you see this as genuine investment and not a lesser benefit than maybe going to the IMF, who doesn't always meet all your requirements and who does, by the way, ask for reforms. They're not just an investor, they're an investor with a reform agenda that you can take or leave. But if you leave it and you go to China, you take a different bag.

The other one, though, and it's a much more rhetorical one--and Senator Sessions I think could ask the same question--is would the world want Congress to allow us to become a dictatorship? Because if we have a president and all foreign policy and all decisions and all funding belong to that president of either party, then we abrogate what has kept America from being a dictatorship for 237 years.

Mr. Gideon Rachman: I think put like that, there are not many takers for a dictatorship.

Representative Darrell Issa: Well, and putting it in European terms, would anyone want to stifle the loyal opposition to the Parliament? Because if you take away the minority voice, two things happen in your Parliaments. One is, you never

get a change in government, which is ultimately a dictatorship. And two, you never find out what the government is doing wrong, if not for the minority.

So I would ask all of those questions to those who would say, well, why don't you just go along with the president and assume that he can use his pen instead of reading the Constitution? Because I think that for all of us, it's ugly. It's not a pleasant thing to watch on either side of the pond. But it's what you expect us to do if you really ask, what would happen if we did the alternative, if we just gave up and said to the president, you do it and we'll go home and take \$174,000 a year salary and a nice pension.

Mr. Gideon Rachman: Okay, Congressman, well, that point is well made. Can I ask you a question about what you were saying earlier, where you said, you know, China is free to make--set up this bank but you have some question marks about whether, you know, they'd do it in a non-corrupt kind of way that we would approve of. The question, though, is do you think the U.S. was right to lobby its allies not to join this bank?

Representative Darrell Issa: I think that if you join the bank, you join in either the good work that the bank does or the corruption that has historically occurred in which China investment often leads to a big payoff to somebody in the government and vast resources being contractually going to China. Those kinds of

quid pro quos historically are not something that Europeans want to be part of, nor Americans.

So that's the point is, if you're joining to an organization that's different than past Chinese central investment, of course, it's reasonable. And so I guess I would say, join. But join not at your own risk. Join with your eyes open and make sure you're ready for the consequences if it doesn't end up being the equivalent of an expansion of similar dollars.

Mr. Gideon Rachman: Okay, thanks. The lady just behind there. There.

Ms. Sa Jubojuani (ph): Hi, I'm Sa Jubojuani from New York. And I just had a question. One of the speakers briefly mentioned immigration. I'm struck by the absence of the conversation of immigration, particularly because we know that it has a significant impact, despite what our very partisan senators might think on the economy of America, a positive impact. So I wonder if you each could speak briefly about the impact of immigration and what you can--what we can learn from each other on both sides of the Atlantic, particularly about immigration as it relates to our economic growth and vitality.

Mr. Gideon Rachman: Well, we have just as heated a debate in Europe really about immigration, also internally within the EU. But who wants to have first crack at that. Yeah, Dieter.

Dr. Dieter Zetsche: Well I'm totally convinced that, starting with Germany, Germany had basically no future without immigration. And it's absolutely of existential relevance for us, certainly, with certain rules and definitions. But it's in our best interest to have people come into our country and to--into Europe altogether. On the one hand, just to allow us as a demographic society to grow. But beyond that, to create diversity. That is the biggest richness you can have, diversity, in all kinds and all forms. And thinking that just as white and in many cases male Germans or Europeans, we can go for the most promising future is entirely wrong. And therefore, for all these reasons, immigration is absolutely essential for us and we have to find the right ways. We have to accept that and work on that we do it in a good form but not if we do it.

Mr. Gideon Rachman: Well, Commissioner, I mean I suspect you probably agree with the basic premise of that. But how do you sell it to European publics, who I think increasingly see immigration as a threat to living standards, even connected possibly with terrorism, with people coming in from North Africa and so on.

Ms. Kristalina Georgieva: Well this is the big problem for us in Europe. We have two demographic bombs ticking. One inside, tick-tick-tick, we are an aging population. We don't have enough people to maintain a competitive economy. But the other one is outside, especially in the southern neighborhood. And it is ticking

the other way, too many people, I mean, I think of Sahel, Northern Africa. And that has made the debate in Europe so very difficult. Because if you are in the business community, you hear the first bomb, tick-tick-tick. But for the ordinary people who are worried about high unemployment, worried about terrorism, they hear the second bomb ticking. And so we have started finally a debate in Europe in earnest on this issue of immigration. It is a member state responsibility. The Commission, as an honest broker, can bring all these voices, the business voice, the rational voice, but also to what do we do?

Dr. Dieter Zetsche: Are those two different voices, the business and the rational voice?

Ms. Kristalina Georgieva: No, I thought--

Mr. Gideon Rachman: Absolutely.

Ms. Kristalina Georgieva: I actually thought I was making a compliment. The business voice--

Dr. Dieter Zetsche: Oh, that was a confirmation. Okay, thank you.

Ms. Kristalina Georgieva: Because I didn't--you cannot hear my comma. The business voice, comma, the rational voice, comma. But that is a new--it is an early-day debate. And there is a lot we can learn from the United States in this area and I do hope we will learn it. I mean, green card comes immediately to mind.

Mr. Gideon Rachman: Frank, yeah.

Mr. Frank Friedman: Well, I think from a business perspective, boy, if we had tax reform, entitlement reform and immigration reform, I think it would do wonders for the U.S. economy. And for us, in the business that I'm in, where we look particularly these days to the STEM areas and we know that about half of all the students getting STEM graduate degrees are foreigners who have to go home, that's a big deal. And we are--for those skilled laborers, we need them. And for us, even the H1B visas, which are set at like 65,000, the first week you'll see 175,000 applicants probably. And we believe we need to do it smartly. But we need to increase that visa limit as well. And so it's really, in the business I am in, it's very important to us.

Mr. Gideon Rachman: Well, Senator, there was a mention of H1B visas. And then you were just saying, back there, that you'd been having hearings on that very subject last week. Can I ask you about those? And also a broader question, I mean, it gets--listening to the business people, they're pretty unequivocally all pro-immigration. Is that what you hear from your voters? I suspect not.

Senator Jeff Sessions: Well, I don't hear that from my constituents, no. And a lot of businesses favor this. It pulls down wages. Question, immigration's going to help everybody. The Congressional Budget Office scored the comprehensive immigration bill that failed as pulling down wages and increasing unemployment. How could it not? This idea that on--we admit a million people a year lawfully in

the United States, the most generous nation in the world. We also have other programs like H1B that bring in large numbers of workers. But I think a nation has to ask itself, does it have jobs for these people?

Professor Borjas at Harvard has done a--I think he's the most authoritative person, he's been studying it for years--he says that per-capita GDP will go down if you--under the bill that was offered and failed--per-capita GDP. Yes, GDP will tend to go up, because you got a lot more people and you tend to have some more GDP. It also allows businesses to have the ability to keep wages low.

Why are wages not up? If we had these shortages people tell us, why haven't wages increased? The high-tech workers, the IT, I used to think that was the one area where we had a shortage. We just had a hearing that decimated that argument. The Census Bureau of the United States--these two professors and actually a half a dozen professors who've studied all this say the same thing, 75 percent of the people who graduate in America with STEM degrees don't find STEM jobs, aren't working in STEM jobs, science, technology, engineering, mathematics. Wages are not up. They're flat since 2,000.

If we have a shortage in STEM degrees, why aren't wages going up? And then you have the H1B abuses like California Edison that replaced 400 people in its IT department by bringing in or contracting with a group of foreign workers who work for on average \$40,000 a year less than the people they laid off. And

these were not entrepreneurs who are going to develop a new business and cure cancer. These were people who are going to work in the computer room processing data for the power company.

I'm just saying there's a lot of--you're shaking your head because the business community is utterly convinced of this. The business community is utterly convinced that there's this shortage and we've got to bring in all these high-skilled workers. And we don't have jobs for our own people. And we've got more people on welfare than we've had in a long time. And so we've just got to be careful in our immigration policy.

And I'll say one more thing and I'll hush. As my wife said, you messed up, now you've got him started on this. I do believe, in the million people we admit every year, we surely should be smarter about focusing that on people with higher skills. It's absolutely clear that a man who comes to America with two years of college, with some language skills, tends to do very well. But people who come with--illiterate in their own countries or are poor tend to struggle and tend to have to have government assistance to get by. Well, I think that's a part of the solution.

Mr. Gideon Rachman: I must say, listening to you, it strikes me that there is something transatlantic going on. We have a very similar debate going on in the U.K. and in Europe, the whole question about pressure on wages, skills, non-skills, et cetera. I don't know whether any of us the perfect solution to it. But it's a very

similar debate. Now I can see--I'm just actually going to apologize to you rather than call upon you because I'm afraid we've got about three or four minutes left.

So I'd like to just give the panel each a minute to summarize, rebut, whatever you want to do just to round out this debate, looking back particularly at this theme that we've got of what we can do together on both sides of the Atlantic to improve the economy, improve competitiveness. I'll start with you Dieter Zetsche. What's your last word on this?

Dr. Dieter Zetsche: Just one sentence. If we can't get the people to where we work, we have to go where the people are. So that is what was left out of this equation about demand and offering. But independent of that, I think the great thing is that we can sit here together and discuss the things which are--they are unified to us, and discuss the things where we have differences and discuss them openly and try to explain to each other what we thought by doing this and that, and then get along and come to the next step. And I think that is the great value we share and what makes me ultimately optimistic that we will continue to grow the Transatlantic partnership and not deviate into different directions. And that's what I'm working for every day.

Mr. Gideon Rachman: Frank.

Mr. Frank Friedman: You know, I know over the last couple of days, we've talked about a lot of bad stuff sometimes, the risk that exists and military

intervention going on in different places. But by and large, I'm optimistic about the future of our transatlantic partnership. I know there are things that we have to improve upon. There are things that business would like around regulation and perhaps immigration, perhaps. But I think there are more positive things about the Transatlantic than negative things. And we need to keep that in mind as we think about the future.

Mr. Gideon Rachman: Commissioner, your last thoughts.

Ms. Kristalina Georgieva: We didn't answer the point of the Congressman on fundamentally global development. I'll start from there. We talk about competitiveness. Of course, if the world expands, if the whole world develops, all other things equal, there is more for everybody. And in this sense, we should not be speaking with the two sides of our mouths on the emerging markets. We tell them, more wealth means more responsibility. You have to invest more in development of others. We have to engage constructively to make sure this happens. It's good for them, it's good for us.

But then for us here in Europe, I am an optimist for our relations. I'm also an optimist for Europe. We tend, Europeans, we tend to be very down on ourselves. Maybe because I lived in United States and picked up from your great genes of optimism. I think there is a great potential--we, in Europe, we have wonderful institutions, great people, lots of opportunities. What we are lacking a little bit is to

believe in ourselves. And if we don't believe in ourselves, why would others believe in us? So I would tend upon this in Europe, yeah, we are great. As it used to be famous to say, yes, we can.

Senator Jeff Sessions: Yes, we can.

Ms. Kristalina Georgieva: So we must.

Senator Jeff Sessions: I agree. I think Europe is just such a fabulous place and such a contributor to the betterment of the world, and it's so important that United States, which is just a progeny of Europe, so fundamentally. And that we remain close and work together. We have ups and downs in what we do, but it really is important that we do that.

I just left the Budget Committee, the reason I wasn't here yesterday, we went and voted. We bumped up defense spending \$20 billion above the amount of money we said we wouldn't spend, because the world's a more dangerous place. Europe needs to step up. You got to be there on that. The United States cannot continue to sign trade agreements that don't serve its interests. The day that we can sign trade agreements to provide advantages to trading partners and competitors to disadvantage the United States is over.

We're having a hard time with the deficits we have, big time deficit. So I'm just going to say I believe we're coming back, I believe we're going to be strong. I

believe Europe is coming back. But we do need to maintain discipline and it's on my heart right now to say, Europe, we need you to do better on defense too.

Mr. Gideon Ranchman: Okay. Well, that's a positive and slightly cautionary note to end on. So thank you very much to all the panel, and I'd like to--

Dr. Karen Donfried: Our thanks go to Gideon and to the panel. And I'd like to invite you all to join us for a coffee break. Thank you.