

Brussels Forum

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Meeting Topic: Plenary #2: Jobs & Growth across the Atlantic

Announcer: Ladies and gentlemen, please welcome Mr. Richard Lui from MSNBC and NBC.

Mr. Richard Lui: And good afternoon, Brussels Forum. Now we shift gears and we move into the topic of jobs and growth across the Atlantic. And to set up this discussion, before we get to our very esteemed panelists, a short video.

Video: Although the recovery from the financial crisis of 2008 has been steady, especially in the United States, it has left deep scars on both sides of the Atlantic. In the U.S., unemployment numbers are down, but the quality of new jobs and lagging wage increases have tainted the overall picture. In Europe, the unsolved economic crisis has exhausted many countries, and brought the euro-zone area to the brink of collapse.

In addition, austerity measures in stricter budget rules in response to the crisis have put pressure on established social welfare systems. Both sides of the Atlantic are struggling to remain competitive in the global economy and to develop the skills that will fill the jobs of tomorrow.

Where will robust and durable economic growth come from?

Where will good jobs come from?

Are investment initiatives, such as the EU's investment plan for Europe sufficient or are broader systemic changes needed?

How do we ensure that our social safety nets do not collapse?

Mr. Richard Lui: And with that as a setup as we welcome our panelists up to the stage, which all of us are very aware of the numbers that are at stake here are quite well written about. The European Commission just recently in its February report stating that 30 percent of manufactured goods, which in the EU and US represents 30 percent of that in the world. 40 percent of services dollar value, when we take a look at services as well, between the EU and the US, of the total number in the world. So that you can see what is at stake here.

And to our guests now. We're going to start with, first of all, a snapshot of where we are today. And we got a sense of that from the video. And then we'll look at the transatlantic relationship and the partnerships that are so important when we talk about jobs and growth. And then finally, some of those items we might consider as externalities, or those issues that are really global.

So that's the way we'll go at the conversation. First I'd like to start with Mr. Frank Friedman, the Global COO and US COO and CFO of Deloitte. And in your capacity here, give me a sense of where we are at today when we look at that transatlantic relationship between the EU and the US and jobs and growth.

Mr. Frank Friedman: Well, I think we're kind of in the same position we were a year ago, actually. I think that we're each other's largest trading partners.

Mr. Richard Lui: Mm-hmm.

Mr. Frank Friedman: The exchange is about \$1 trillion. We have GDP that's not--it's pretty similar to each other, you know, the US and EU I think the US economy is a little stronger than the EU economy. The growth was 2.4 percent last year compared to 1.9. So not materially different. The difference probably is in employment.

Mr. Richard Lui: Right.

Mr. Frank Friedman: Unemployment rate in the US now has dropped to 4.9 percent. Quite a bit higher in the EU And I suspect that the US economy will be basically the same as it was last year.

Mr. Richard Lui: So Frank, you were here last year. Are you telling me, then, that what you're saying now is exactly the same as last year? I mean, what has changed in that last year?

Mr. Frank Friedman: Not a lot.

Mr. Richard Lui: Not to hold you to what you said, but.

Mr. Frank Friedman: Well, I said we would have 2.4 percent GDP growth last year.

Mr. Richard Lui: Okay.

Mr. Frank Friedman: I would say, you know, we're probably going to have 2-3 percent GDP growth this year. I think that, listen, oil prices are still down. They're 65 percent down from a year ago. The dollar's still strong. 23 percent up over 18 months ago. And the world economy is still slowing.

So, as a consequence of the world economy still slowing, we are really not that much different than we were a year ago. And the US still continues to add jobs. Three million jobs in 2014, 2.6 million jobs in 2015. And starting off very strong in '16.

Mr. Richard Lui: I want to move to your seatmate, directly to your left. And I'd like to welcome the Madam Chair, National Bank of Greece, the Honorable Louka Katseli. Thank you for being here.

The Hon. Louka Katseli: Thank you.

Mr. Richard Lui: Give us the EU perspective on that very same question that I was asking Frank here.

The Hon. Louka Katseli: Well, I would say there is a big difference between the US and Europe, apart from similarities that were noted.

First of all, one was mentioned. The rise of unemployment. Secondly, the policy mix, and the institutional setup, which are quite different, and produce different results.

Don't forget that the Federal Reserve has a very different mandate, looking both at inflation and unemployment and growth.

Mr. Frank Lui: Right.

The Hon. Louka Katseli: The ECB has only disinflation or inflation, despite Mr. (Inaudible) very ambitious moves to do kind of the quantitative easing. We have in Europe an intergovernmental process which is difficult to produce, I think, effective results always.

Mr. Frank Lui: Right.

The Hon. Louka Katseli: And we have now, and that might be a big difference, a refugee crisis, which is also--and the migration crisis in Europe, which we probably not as aware of as last year.

So there are differences. And I think we should come back to what was noted this morning about complacency. In my view, we need to have a different mindset about policy in Europe, going from short-termism and trying to extinguish fires and preventing fires from erupting. We have to think very carefully about how to have government and governance structures that can have a strategic outlook, rather than reflect and kind of try to manage crises as they erupt.

And to do a very different policy mix, which we can discuss in the process.

Mr. Frank Lui: Very good. And sitting next to you, the Honorable Jyrki Katainen, Vice President, European Commission. And Mr. Vice President, you heard what the Madam Chair just made [audio gap 09:23:03] points about. Do you believe it's [audio gap 09:23:08] too early [audio gap 09:23:11] to put in the systems that she is [audio gap 09:23:16] asking for?

The Hon. Jyrki Katainen: [audio gap 09:23:19] because we have to look at the future [audio gap 09:23:24] of Eurozone all the time. [Audio gap 09:23:27] where the strategies are and [audio gap 09:23:32] how to decide to be [audio gap 09:23:35] more result-orientated [audio gap 09:23:38] and to make a bit of coordination [audio gap 09:23:43] within the member states. Because [audio gap 09:23:48] there's a close relationship [audio gap 09:23:52] with the member states and [audio gap 09:23:55] somebody's mistakes will be paid [audio gap 09:23:59] by the other's and vice versa. [audio gap 09:24:02] so we have to look at the [audio gap 09:24:05] design all the time.

But [audio gap 09:24:08] may I [audio gap 09:24:11] the questions that you put [audio gap 09:24:15]--

Mr. Frank Lui: (Inaudible).

The Hon. Jyrki Katainen: [audio gap 09:24:18] EU's [audio gap 09:24:22] the United States relationship. [Audio gap 09:24:26] raise one issue, which I very much [audio gap 09:24:30] much, I'm very interested in.

We are at the door of new opportunities. Everything depends on [audio gap 09:24:37] negotiations. I hope when Mike Froman and Cecelia Malmstrom will sit here, they can say that they have done a deal. Because it would be a cheapest way to [audio gap 09:24:49] [crosstalk]...

The Hon. Jyrki Katainen: And because, I mean, if you create a new market, if you have a trade (inaudible) or internal market then it's logical to be a great player--believer of free trade if you believe in EU's internal market.

So, cheapest way to stimulate economy would be to have a very deep going deep. So I believe in this and everyone knows that's it a very challenging process. Nobody knows how challenging it will be in one years' time, if you don't manage to get the leave before something happens.

So, let's put our hope to Mike's and Cecelia's negotiations.

Mr. Frank Friedman: You know, last year when I was here, I talked about TTIP, and I talked about that to really grow the economy, TTIP was really important. And I still believe it is. But I'm a--I'm just a business guy. And the more ability to have trade, the better business usually is.

But I don't think it's going to happen right now. It's a bad year to push trade. And both parties in the US have gone to the extremes of basically saying, "no trade agreements this year."

Mr. Richard Lui: Well, just a business guy, you're perfect for this panel, then.

The Hon. Louka Katseli: Can I--

[crosstalk]

The Hon. Louka Katseli: --to the Commissioner?

Mr. Richard Lui: Please, go ahead.

The Hon. Louka Katseli: Do you think that, I mean, we all portrayed, and I think it would be great if we can move forward, but do you think this, if it's not going through, what we're doing is sufficient to get out of the disinflation we have? Do you think a monetary policy, for example, right now in Europe, is sufficient to restart the economy and have an investment restart in Europe? And what--and I think the idea here is to say what can help to have a restart and rejump in Europe.

Mr. Richard Lui: Give us one good idea.

The Hon. Jyrki Katainen: Well, actually, there are three issues which all are internal [audio gap 09:26:48]. So Center Bank is doing [audio gap 09:26:53] ECP is doing [audio gap 09:26:56] much as it can. It's being extremely helpful but as we can see, monetary policy [audio gap 09:27:03] will not solve the growth [audio gap 09:27:07] problems in Europe alone. [audio gap 09:27:09] We need ECP's action, but [audio gap 09:27:14] even more important is structure [audio gap 09:27:20] in our member states. [audio gap 09:27:22] without structure changes in our member [audio gap 09:27:26] no one can help. So basically I always say when I'm [audio gap 09:27:33] my American friends, who and they'll say [audio gap 09:27:37] that you should stimulate more. First of all, [audio gap 09:27:41] most of the countries, Canada fought to do it. Some [audio gap 09:27:44] has and they should do more. But it will not help if your structures don't support to grow potential output.

So, that's why structure reforms is number one. The second is (inaudible) and widening of internal market. When you create a new market, it gives opportunities and it will create, or strengthen productivity.

And third is trade. So those three structures--

Mr. Richard Lui: And let me build on number three to Neera here. Neera Tanden, who's the President, CEO, Center for American Progress. And you heard the comments from Frank a moment ago about trade agreements. Pretty much from your opinion, not worth talking about the political process in the United States, yet that was your number three, at least when it comes to EU And as I mentioned, that's so important based on the relationship as we all know here.

What's your thought?

Ms. Neera Tanden: I think I would actually very much desegregate TPP from TTIP. I think the animosity in the United States is much more focused on TPP. I think the critical issue for all of us to understand is why, not that there is animosity towards trade deals in the United States, now a bipartisan phenomenon, which it has not been in the past, but a truly bipartisan phenomenon. I think the question is not what is happening, but why it's happening.

And I think the challenges for trade deals particularly with Asia or other countries, not so much with Europe, is that people in the United States feel that globalization has had a big negative impact on wages in the United States.

And--

Mr. Richard Lui: Why?

Ms. Neera Tanden: Because there's economic data that shows that globalization--not trade deals, because the biggest impact on wages in the United States is from China in which we do not have a bilateral trade agreement.

But this, you know, David Otter, an MIT economist, very centrist economist has shown that globalization has had negative impacts on lower income working class Americans. And if you see what's happening in our politics today, both on the right and the left in the United States, I think that the answer to that, the concern that's driving that is despite our really comparatively good numbers at a macro level, we have a real challenge around equitable growth. Meaning our economy is really polarized. 58 percent of the income gains of the last five years has gone to the top one percent of workers--top one percent of income earners in the United States. That is a challenge that is at this point roiling both political parties.

Mr. Frank Lui: Yeah.

Ms. Neera Tanden: And making trade issues, which have had more bipartisan consensus creating more bipartisan opposition. And I think that is really the central challenge both in the U.S. and Europe. In the United States we've had good growth but it's not really broadly shared. U.S. and Europe has had challenges around growth itself in both places. Middle class families are not feeling growth itself. It's a big--that I think is the big challenge we're all facing.

Mr. Richard Lui: I think as a journalist of the United States my perspective would be to take a word count about the discussion of trade on our airwaves. You'd probably see a very low percentage. So I think along the lines of what you're talking with data versus anecdotal or region versus another we would probably have more granularity and more understanding visive trade and whether there actually is this gap in some spaces versus another. But we really don't talk about it necessarily in the robust way that we can. Just taking a step back.

Ms. Neera Tanden: That is entirely fair. I would say in the political discourse, Donald Trump talks about trade a good third of his speeches now. Senator Sanders speaks about trade subversely. So trade has actually become a stand in for economic dislocation in the political context. But I take your point that the full robust understanding of its impact has not been clear to (inaudible).

Mr. Richard Lui: And I bring something like the auto industry.

The Hon. Jyrki Katainen: I fully accept your--or I appreciate your point that polarized society is going to create a very severe problems to political decision making. There's a kind of western wide phenomena which is rather worrisome. Some sort of right of nationalism plus populism which leads to end of trade thinking. So if the politics is it making this more difficult because of populism is based--what is done is

based on only national narrow interest. And anti-globalization movement is taking over. Then we should be really worried about the world economy future.

Mr. Richard Lui: Alright I want to get to the audience. We've got so much brain power out here today. And if you could go to your apps for me I'd really appreciate that. The question I have, the word cloud question and then we'll get your reaction to the results of this word cloud question. This is the question. What is the most important event, issue, and or public policy affecting jobs and growth in 2016? Again on your app the word cloud question is, what is the most important event, issue, and or public policy affecting jobs and growth in 2016?

Ms. Neera Tanden: They seem stumped.

Mr. Richard Lui: Here come the results.

The Hon. Louka Katseli: Event or policy.

Mr. Richard Lui: Wow. Okay.

Ms. Neera Tanden: These are say perhaps two different ideas.

Mr. Richard Lui: Alright we've got more. I'd like to go to Roland Freundstein, there you go. What's your reaction to what we're seeing so far in terms of the results? A mic's coming your way. Here we go.

Mr. Ronald Goldstein: Yeah, this is depressing in deed. You know it seems like--

Mr. Richard Lui: What part of it Roland?

Mr. Roland Freundstein: That democracy seems to get in the way of economic progress. You know this is dramatic. I mean we're seeing it in other topics in Europe over refugees and so on. But here is something we could all profit from. We could get more jobs and growth and sustainable growth and yet democracy seems to stand in the way. And this is actually my question to the panel, how can we overcome this? And just to add one more point. You know, it's not only about trade. TTIP is not only about trade. TTIP is about merging regulatory frameworks. So the catch 22 here is that when two systems, countries, EU and the United States start to negotiate such a merger, the first thing they become aware of is their differences. And that transpires into public discourse especially in Europe. So you know, what is our answer to the fears that consumers will lose out? Workers will lose out. It's not only about losing jobs or something. It's about quality going down because allegedly quality is so low in so many aspects in the United States market. So I think this is not just about the question of free trade. This is about regulatory frameworks.

The Hon. Louka Katseli: Not only that. I would say not only regulatory frameworks. It's also compensating mechanisms. Political economy has to do with any policy action. Somebody gains. Somebody loses. The presumption that we have is that the gains, those who gain could compensate the

losers. If losers are not compensated at all there is discontent. And so I think what we have missed and it comes to the third question of this panel is how does our economic policies affect livelihoods and what does affecting livelihoods profoundly mean for democracies and for the political systems? And we've come to a point where policies especially inequality, poverty, etcetera, has actually delegitimized political systems. And I think is what we should worry about. And that's what I worry about Europe as well. At this point there is a Europe pessimism is growing because people feel that they're decent livelihood that they cannot have a decent livelihood in Europe. And I think this needs very rethinking of both institutions and policies.

Mr. Richard Lui: Neera, we'll go to you. We also have a question back here. But to you first Neera.

Ms. Neera Tanden: I'll just briefly build on those remarks. I think in the United States versus Europe, Europe has traditionally actually had much stronger support for trade than in the United States if you just look at public polling across institutions. And one of the reasons why I think that is has been in the case historically has been that in the United States we don't have--we have not had a history of robust welfare state. That in Euro's people from the disadvantages from trade policy so that they're more embracing of them. I think it is an interesting phenomenon that there has been much more bipartisan consensus around these issues that is probably breaking down across on both sides of the Atlantic in some degree. But it's a more, in some ways a much more conservative country has had much more anxiety about trade which has been difficult to us.

Mr. Richard Lui: Reaction and question here.

Mr. Christoph von Marschall: Christoph von Marschall from the German daily *Der Tagesspiegel*. I would a little bit like to challenge the opinion that the public mood is against any trade deal in the United States especially when we talk transatlantic. I have been following the debate. I've been following the primaries and of course the candidates came out against trade deals in general. But not one was coming out against TTIP. It was always about Nafta. It was about TPP. So it is about trade deals with countries that have a lower level of income. But it would be very difficult to make this point that a trade deal with Europe would be a danger for the level of American income.

Mr. Richard Lui: It's a point well taken because we do not talk about TTIP. It's always TPP, at least the candidates, as well as Nafta.

Mr. Frank Friedman: You know I don't think the Americans, this is my cents, pay much attention to the labels of TTIP or TPA. What they care about is are they losing their job some place and the more likelihood is they would lose their job with TPA and the Asian stuff. But they're only concerned about, "Am I going to be able to raise my family? Am I going to lose my job? And is my income going to be

around?" And when you have the 40th percentile really having income declines, when you have the 40th to 90th that are stagnated basically and only above 90 is rising, that's where the American public gets concerned. And there are big voting bloc. So today both parties are playing to their base right now and the base is this enfranchise. Now what happens after they get nominated and move to the middle and get elected? Who knows? But I think the worry is the labels, no one cares in the States. It's about, "How does it affect me?"

Mr. Richard Lui: So what you're saying is TPP, Nafta, TTIP, it's all the same alphabet soup when folks, voters, specifically is what you're talking about, are thinking about trade.

Mr. Frank Friedman: I think so. I don't think they distinguish between them.

Mr. Richard Lui: From our European friends, what's your perspective about the average citizen in the EU and their perspective when they hear about trade agreements?

The Hon. Jyrki Katainen: According to the latest jury, there's only three countries in which more than half of the population is against TTIP. Germany holds Luxemburg. In the rest 25 member states most of the people seems to be in favor. To be honest I don't know how many people know about TTIP. And in principle I think Europe as you said is more willing--I mean this is a trading continent. So it's not that big issue. But the worries which are amongst our population relate to standards whether they lower our living standards and whether they lower the quality of our security of food for instance. And also they'll lean to the inequality or at least the sense of inequality whether it leads to something which is out of the hands decision makers. And that's why we who are strongly in favor with more open trade and TTIP especially, we should also at the same time take care of pay attention to the inequality because it's really big disease of the western world not only here in Europe and not only in the United States. But also I mean western world disease even though many of us don't really feel it. But something has happened which has raised insecurity. And more open word as you said also, you can see it as a threat of losing job because it's more dynamic and you cannot touch the mechanisms as you did in previous work.

Mr. Frank Friedman: And then when you combine inequality with lack of mobility and people see themselves in the same position that they saw their parents in,

Ms. Neera Tanden: Or worse.

Mr. Frank Friedman: Or worse and no hope. And they don't feel that there's a hope of moving up it just compounds itself.

The Hon. Louka Katseli: Experiences in Europe are very different. I come from a country it has lost 25 percent of its GDP in five years, six years. The unemployment rate has gone from 8 percent to 26 percent.

Its debt to GDP ratio has gone from 120 percent to 190 percent and most of its young people who are educated leave the country. So the end--now we have a refugee crisis. So very few people I think have even thought about a trade agreement. People try and see how to live, how to meet basic needs on a monthly basis. And I think this experience which has been extremely traumatic, I think needs to make us reflect about what went wrong and not only in my own country which many things went wrong. But what can we learn from experiences such as this for European economic policy and European politics. And even though things have not been traumatic in other countries my sense is that in many other members' fates you have this disconnect between elites and the people. And the fact that we are even discussing about Brexit, the fact that in most of southern Europe you have this disconnect and this delegitimization of major political parties, means that we're not doing things right. And because we are very--I'm a very staunch pro-European it seems to me that we really need to reflect very deeply again as to what needs to be changed. And if I can say one word. I think we need to have a different mindset. Be much more proactive. Look ahead and change the policy platform away from a kind of a one dimensional emphasis on fiscal consolidation and financial stability which is extremely important. It's necessary but it's not sufficient. And put much more emphasis on coordinated approaches for investment promotion for public and investment for RND and for job creation because if we don't do that now, in five years' time, our kids will not find jobs in Europe.

Ms. Neera Tanden: And I'd just like to quickly build on that before the next question which is I actually see a deep convergence between what's happening politically in the United States and what's happening politically in Europe. We are seeing the rise of right wing populism in the United States and we are seeing a rise of left wing populism in the United States. One side may capture a major political party. But there are real continuities between what's happening in a lot of our European friends' politics, even in Germany and their recent elections.

And I think the real challenge we have is that people are disillusioned with established institutions' ability to solve the crises they see in their everyday lives. And my own view is that politics will become more and more disruptive until our societies figure out a way to deliver economic growth for the middle class and people struggling to get into it.

Mr. Richard Lui: We have a comment and question here. I'd like to get your reaction as well as we sort of shift gears, perhaps moving on with your question. A reaction to our word cloud here. As you see two of the pieces, and this is because of a head nod to Davos is it not. We have technology and automation, the fourth industrial revolution if you will words. Your view on what this means to the problems and the dynamics that have been outlined by our panelists and then to your question if it's related to that.

Jerkov: It is related. My name is Jerkov. I'm a member of the European parliament from Denmark. Thank you so much. And I think I want to say first my comment. I mean I think we all support trade here. We all support finalizing the single market in Europe that will also spark growth.

But I still need an answer to I think Katainen you said it. You know, we need to do structural reforms in our economies, I think in Europe but also in the U.S. I would like to ask you, you know, what type of structural reform would actually target the fundamental problem we have that social mobility is now decreasing, that inequality is increasing and that people have a sense of losing in globalization.

So what type of structural reforms do we need to tackle that problem? I think that's a real question, because when we talk about structural reform as a buzz word we don't define what it is. And then to your question on technology, I think technology is part of the solution is well. But then in my opinion then we should invest much more in Europe and U.S. in education, not only in higher education of course, also that, but education for all people and skills for all people that they can apply so they are useful and they can, you know, have a job at the labor market really.

These type of things, how do we do that, that's the question. I think that will help in the technology field. So your question, what type of structural reform are we looking for?

Mr. Richard Lui: Mr. Vice President.

The Hon. Jyrki Katainen: The demands on the quandary, demands on the problem actually the police state. What the commissioner is thinking should be done there, they all are listed in country reports which we just published a few weeks ago. We did an in-depth analysis of the country's situation and identified for instance (inaudible) investment.

So the basic problem is that if our structures don't support job creation, then all the social indicators are going downward. So that's why more dynamic labor markets in some countries in which it doesn't function more encouraging social security systems in the country in which it's more encouraging to stagnating. The stagnation should be reformed. In some countries, energy costs are too high only because of a bad energy policy, et cetera. In Nordic countries, including Denmark or my country Finland, we can be considered by the average American like a socialist country because we have free education, free universal social security and healthcare.

But all the Nordic are very global, open economies. So I believe that the best friend of a welfare society is a very dynamic, fully open economy. Because you have to bring the money to your country from abroad if you want to finance a very generous welfare society. And that's why it focuses, it forces the countries to reform all the time in order to be the most competitive in the world. If you look at the presentation which

I just distributed, it was done by John Hopkins University, and look at the competency index [audio gap 09:49:47]. All the Nordic countries are amongst the 10 best performers in the world.

So this is what I mean when I'm talking about structural reforms. I don't mean lowest possible wage [audio gap 09:50:03] or things like that, because I don't believe in these kind of structures.

Louka T. Katseli: Looking at two things I think I would agree completely that it depends very much on the country. And the second point that was mentioned that [audio gap 09:50:22] rigorous kind of social systems are not antithetical to competitiveness promoting policies. But still I would add two words of caution. First of all, many time what we call structural reforms are fiscal measures in disguise and are not actual structural reforms. And secondly there were two very interesting studies that just came out, one actually from the IMF and the other one from Danny Roderick and others who have looked at all the international experience with structural reforms.

And structural reforms improve the efficiency of markets over the long term. They are not pro-growth in the short run. And actually if structural--If you initiate structural reforms at times of recession or disinflation, the results can be devastating. So the important thing even though in general structural reforms are good, it's extremely important how you sequence structural reforms and when you initiate structural reforms.

And one of the problems, and allow me to say in my own country, has been exactly this. Structural reforms were and are sorely needed, but in my view wrong structural reforms were chosen at the wrong moment and we have not learned from that process to correct it.

Mr. Richard Lui: I want to move into what was brought up and then I'm going to get to your question right over there in just a second. One of those issues that was just brought up was of course the U.K., Brexit or Bremain.

And I would like to ask our panelists here which they think will happen. I know that it's looking into that window that we don't not quite know at this moment. The polls as of late are within that margin of error as we like to say certainly when we look at polls. So what do you think will happen and what the effect will be to the EU and the U.S. And to our American friends might say I'm not sure many Americans know what Brexit is. Who would like to react?

Mr. Frank Friedman: They may know what it is, but to your first question I'd just go with the bookies.

Mr. Richard Lui: Okay. Go with the bookies, alright.

Mr. Frank Friedman: And the bookies are saying--

Mr. Richard Lui: You're from Las Vegas I guess. Is that right?

Mr. Frank Friedman: Well I think they're probably as on top of it as anybody. So I don't know what the impact will be, Richard. I think it's yet to be known. I think it'll take a few years to figure out what the impact is. You know, the U.K. economy is relatively strong right now and I don't know what impact that would have to the U.K. as well.

Mr. Richard Lui: Anybody else on our panel?

Louka T. Katseli: Well the only thing I could say is I'm very happy that Grexit is not in the pasture and that we've gone over that. And things start getting normal again. But Brexit is actually something that the outcome comes out of the discussion we had, that there is a disconnect. There is a resentment and we need a new narrative for Europe why people, what are gains from the European experiment. What are the net gains?

Mr. Richard Lui: Quick comments from our other two panelists. We have two questions over here.

The Hon. Jyrki Katainen: I have thought that I cannot speak about Brexit. The only thing I can talk about is Bremain.

Mr. Richard Lui: That is tweetable I believe, Mr. Vice President.

Ms. Neera Tanden: And I think this discussion is exactly the same as the trade discussion, which is I think for us we really need to think through why this is on the table, why particularly for the U.K. which is such a global economy, right. I mean London's growth is fueling the U.K.'s growth. London's growth is so precipitated on being a globalized financial sector, and yet this is a very live question.

And my general political sense is the group that is most exercised about any issue tends to win when things are equal. But it's really not my forte to predict U.K. or elections.

Mr. Richard Lui: Okay, so if we answer the question I would also like for you to answer this question. Our panel, who would like to give me a one-sentence answer to this? What should the United States president do in relationship to Brexit and the possibility of that? What's your one-sentence answer to that?

Ms. Neera Tanden: I mean the U.S. policy is to be very for the European Union.

Mr. Richard Lui: What should the president do?

Ms. Neera Tanden: I would say if the British prime minister told Americans how to vote, it would probably be taken poorly this election cycle. So I'm not really sure that President Obama, although quite popular in the U.K., should lobby on either side.

Mr. Frank Friedman: Stay out of it.

Mr. Richard Lui: I'm not going to push the two of you.

Alfredo Valladão: He should say shut up and wait. I'm Alfredo Valladão. I'm professor at Sciences Po in Paris and unfortunately I'm Brazilian, so I apologize. Nobody's perfect.

Ms. Neera Tanden: I like Brazil.

Alfredo Valladão: I know. Everybody loves Brazil. What I would like to say is when you talk about inequality, I understand that we are in Euro/U.S. angst here. [Audio gap 09:56:09] but if you look from Brazil, from China, et cetera the happy globalization years were very good. There were hundreds of millions of people who got out of poverty, who had good salaries, et cetera, et cetera.

So it's more a problem of low skills workers in the U.S. and Europe. And these low skill workers are losing jobs not because of trade or globalization, but because of technology, of innovation, of creating all this. So we are in the middle of a real important, new, industrial revolution. And the problem with governments is that they cannot control that because it is a global revolution. Innovation and creativity is everywhere. So my question is do national governments today, even the American government which is very strong, still have the capacity not only to control this thing but even to redistribute wealth in their own territory?

Because what is happening now is it's not social inequality. It's regional inequality. You have polls in the United States and in Europe. You have London. You have Paris. You have Silicon Saxony, et cetera. You have in the United States a lot who are thriving and other places that are in misery. So how can you reconcile that if you don't have any more of the instruments, economic, cultural, political, informational, et cetera, to control the whole process?

Ms. Neera Tanden: I guess I would just respectfully, a very respectfully slightly disagree with you. So technology and globalization are forces that do not start or stop at any border, right. However, in the last decade, decade and a half, we have seen median income growth in certain countries. So Canada, Australia, many of our Nordic friends have been able to reduce median income growth. They've had a series of policies to address these issues, skills, higher minimum wages, corporate cultures that produce more.

When a company is profitable, it's shared more with workers. So I think this fatalism around technology is misplaced. [Audio gap 09:58:35]. And I think it actually, if I could be candid with folks in this room, I think it is an excuse for policy makers to ignore the challenges their middle classes are facing. We know that we can do these things. Countries have done them. We do have more data on globalization than we do on technology.

Just globalization is definitely creating wealth in the world and that is an important value. As a progressive I believe that is an important value. But we are seeing today, and I believe we are seeing it in

both the United States and Europe, that if we do not have an answer to globalization's losers in western democracies, we will face disruptions, political and economic disruptions, that will have severe consequences. So we need a balance. We need governments to say you're not on your own. We have a path for middle class, economic growth.

And we need--And we can then have global economies which are fluid and flexible and provide growth. But we are seeing if we just have one side of that equation, which is the globalization side with no response, I think we're seeing on both ends a severe challenge. And my only disagreement is that there are real solutions here that we need to tackle. You can't just say it's not going to come.

Mr. Richard Lui: I want to get to those solutions, but first I'd like to poll. This is an issue I can tell resonates with the audience. And it's great to see. I want to get to all of your questions. But I do have a question for all of you. You can pull out your app one more time for me. And this is visa-vis exactly what your question is. What can the U.S. do, right, to help solve and bring these gaps together? To you on this app, how much more or less does the U.S. need to do when it comes Transatlantic economic growth? One, much less two, less three more, four, much more. So if you can pull out your app and then we're going to continue on this topic to our panel. How much more or less does the U.S. need to do when it comes to transatlantic economic growth? Again, one. much less two, less three more, four, much more. More. All right.

To our panel. The ayes are in. More. So to the other three, what is that more? Take your time. Frank, I'll call you out again, since you're from the U.S.

The Hon. Louka Katseli: Well, let me say, first of all, even the trade deal we're talking about is one action. But much more--even the conflict right now between the IMF and Europe on debt restructuring is an interesting issue. The U.S. could exercise much more pressure on actually more coordinated approach to macro policy and to imbalance correction across Europe and the U.S., and also in terms of really tackling debt issues that--and exchange rate issues, also.

I think we need, in general, much more coordinated policy across the Atlantic.

Mr. Frank Friedman: Well, I don't think government solves wages issues. I don't think government solves job creating issues. I mean, they can invest in infrastructure and I think that helps. Ultimately, the businesses drive economic increases. But I do think--so to the gentleman who asked the question about technology and low-skilled workers, as a business person, you still look abroad. Most companies look at India, for example or China, for example. And it's not technology that's caused low-skilled worker jobs to go overseas, it's arbitrage, which has also caused low-skilled workers to go overseas.

And in the end, I think for the U.S. and probably for Europe, it's two-fold. One is education and two is investment. And so the venture capital investment in the U.S. last year was \$74.5 billion. In Europe, it was \$13 billion. And we need to be investing a lot more in innovation, you said it, in R&D, infrastructure. Those types of things help create jobs.

But education, I think, if low-skilled jobs are going someplace else, the education environment has to be much better than it is today. And in states, I think, in particular, on the elementary school up to high school, because the university system's pretty good. But we need to think much more about vocational jobs, we need to think about jobs people can always get. In accounting, kids come out of school with accounting degrees, get jobs. We, Deloitte U.S., will hire 25,000 people this year. Kids come out of school with jobs. And so we need to make certain that people understand where the job market is, where the job market's going and educate these kids to get jobs.

Mr. Richard Lui: Right. We have three questions and then I'll--

The Hon. Louka Katseli: But security is also important, I mean, for growth. And that's something that also governments could do a better job in terms of providing security in specific areas, for example, the Mideast, Africa, etcetera, etcetera. The debate that we had before in the previous session is relevant also for growth because you cannot have investment in a very unstable environment.

Mr. Richard Lui: I'd like to get a quick reaction from the panel, since you did bring that up, Madam Chair, and that is the issue of security and terrorism and how it is impacting. That's a very big subject but if we can touch on that, because you did bring it up here. You know, in November, when I sat there in Place de la République and we were talking about what was very improbable, it was probable because it happened.

What is the result of that concern and the preparations thereof on the economic growth in that transatlantic relationship that we're talking about today?

Mr. Frank Friedman: From my business perspective, it's--the security issues we faced in November just makes us more conscious of where we go and where we travel and what we do and our surroundings, but it has not stopped our investment in any part of--

Mr. Richard Lui: Did it enable our growth, did not slow your investment?

Mr. Frank Friedman: It did not.

Mr. Richard Lui: What did you see, Jyrki?

The Hon. Jyrki Katainen: We have not seen any data which would support that investments or (inaudible) have declined because of secret threats. But of course, it's one additional element which raises concern and there is, for instance, my present issue, the other structural weaknesses in various member states, and

we're going to talk about Europe. And then terrorist attacks, which is a new normal, unfortunately. I mean, terrorists are willing and capable to attack in the middle of Europe and unfortunately, I must say that it seems to be a new normal.

Mr. Richard Lui: Okay. Three questions. You first and then you in the green (inaudible) over there, too.

Unknown Audience Member: (inaudible) foreign ministry. I would like to go back to the tough question. And if you look at the situation in Europe, particularly the youth unemployment is dramatic and it's just not Greece, it's also Italy, its Spain. We're up to 50 percent of youngsters without a job. The U.S. seems to be doing much better in that regard. So what is the reason and what could be the next big job machine? Is it digitalization? And what would be the transatlantic aspect of that? Would the transatlantic digital space be a thing to link the U.S. job market to the European job market? Would this be something?

Mr. Richard Lui: Great question. And question number two here.

Ms. Esther Brimmer: Thank you very much. Esther Brimmer, Washington D.C. George Washington University. I would like to pick up Neera's point, particularly, to say that we actually have some very good tools that governments can use because governments can invest in social and physical infrastructure. Three most important I'd flag for my U.S. colleagues, some lessons we've learned from Europe. First is health care. The reason to actually pass the Affordable Care Act not only was, of course, to cover people with health care but to make us more competitive because companies were carrying the costs of health insurance. The second thing would actually be education. A structural change would be to change the way we fund education from elementary schools through high schools, which is local. If you are in a poor neighborhood, you have poor schools. If you're in a wealthy neighborhood, you have wealthy schools. We need at least state or federal-level greater funding there.

And thirdly is the minimum wage. And ultimately, you need to have a floor that's high enough to provide. We need to take that on, is dealing with a minimum wage at the federal level. So there are good examples internationally. We need to borrow those and apply them to create the social and physical infrastructure investments to advance jobs.

Mr. Richard Lui: Do you have a question there related to those three points?

Ms. Esther Brimmer: Yes. I'd like to actually ask someone if we see that there are ways to actually--if there are other good lessons that can be drawn, very specific things to help advance jobs. Thank you.

Mr. Richard Lui: Okay. Are there good lessons? And then a question here in red.

Ms. Theresa Fellon [PH]: Thank you to the panel. My name is Theresa Fellon, European Institute for Asian Studies. I have three comments and a question. President Obama will visit the U.K. in April and

many expect that he'll try to lobby them to stay in the EU. A U.S. general has recently stated that if Britain leaves the EU, it may weaken NATO, which would put more pressure on transatlantic relations. And in a Brexit scenario, trying to look at the positive side, the sterling will probably collapse, so it'll be a great place to go on holiday.

So my question is, is Britain making a bet on Asia rather than Europe? By leaving the EU, it may be--and it's many regulations. Does it--is it kind of buying a stock after it's peaked? I mean, China's having so many economic problems now, so is Britain thinking, as Prime Minister Cameron said with Xi Jinping's visit, you know, "We want to be your best friend, your golden friend." So is Britain kind of looking at Asia rather than, you know, the future as Europe or--and the second part of the question is, what is the future of these large trading blocks like TPP and TTIP? If countries like Britain think that being small and nimble they can maybe make quicker trade agreements, but it seems that the only fast trade agreements Britain will be able to make may be will be with Japan and Australia because they don't have car issues or agricultural issues. So perhaps you can comment on that. Thank you.

Mr. Richard Lui: Okay. Again, the three questions, youth job growth, the second was other good lessons when it comes to job growth, in general, then the third, Britain making a bet on Asia, not the EU. For our panel.

Ms. Neera Tanden: I would like to pick up your question. Three points. First, that a lot depends on also macro policy and demand. And there is--we should not forget this. If you have very harsh or scary policies, no matter what you do with active employment policies, the outcomes is no. Second, social economy. I think that this is an area where we have some very good experiences in Europe with both social entrepreneurship and social economy jobs, which can help. And third, new financial instruments. Things like microcredit, kind of innovate in devising financial instruments that suit specific needs of specific groups, especially young people.

The Hon. Jyrki Katainen: If I may continue. I'm sorry, I think we both are in a position in which we cannot comment on U.K. issue at all. But--at least, I am (inaudible) but I'd like to come back to this industrial revolution because it has a link to social infrastructure.

Industrial revolution, I understand that it's somewhere, they are coming but I think that I have felt--I have lived through industrial revolution during last 20 years because I come from a small, fully-open market economy which is where 50 percent of the GDP comes from export. So China phenomena was the first industrial revolution and we have (inaudible) it through. It didn't cause major losses because of welfare structures and especially because of education, the quality of education. And what I see now because--I try to understand to what extent the new revolution is different than what the old economy has already

seen. I don't know. There may be a bigger--but at least, we have seen it happen in quite significant manner.

So what is different now is that industrial revolution touches all the rest of the world, even the countries which are not that export-driven because digitalization, etcetera. And the new phenomenon is a global trend of growing inequality. And it has a big impact to societies. So I would put all--if I should choose what basket I put all my eggs, I would put to education basket.

It's the, I mean, it's the best possible you can do. If you don't know what it will produce, it will produce something positive anyway.

And it's the way you strengthen individual to face unknown.

The Hon. Louka Katseli: Empowerment.

The Hon. Jyrki Katainen: And empower individuals. And also, it's the way to strengthen people's capacity to innovate and be creative. So coming back to the European perspective, I was surprised when I came to this position and I visited all the 28 member states. That the education was not top priority in most of our member states. And I was surprised that it is not taken as seriously as road building, for instance. Road building or things of that, they are more important because you can--for the politicians because it's tangible. You can say that I'm in the government, I put 200 million euros to this small highway and once it's straight, you can say that, "This is my road, by the way. Was my party." But if you put more money to research or teachers' training, by the way, which is the most important thing, teachers' training, quality of teacher training, nobody can see what you have done. Sorry to speak for too long but I am quite passionate on this.

Mr. Frank Friedman: Because those people who put the money into the road building and want to get reelected next time can say, "Here's what I did. I employed your--you got employed because of me." The other thing is just--it's a generational issue. It takes time to see it. It's probably the right long-term strategy but it's tough for a short-term politician to be able to articulate why it's so good.

The Hon. Louka Katsel: Just to build on that, and both (inaudible).

Mr. Richard Lui: And there also, you can build on that, as well as talk about what the question was about Asia, India in the relationship we're talking about. You can either comment about whether the U.K. is making a bet on China versus the EU or just that context in general.

The Hon. Louka Katsel: Yes, I'll do both. So on the issue of education, you know, I do take the incredible lessons from Finland and their education system. It is a incredible model for the world of having a highly

equitable and highly productive education system. The results in Finland are quite important for the world about how to ensure that everyone has access to education.

So I take that as a critical issue. I think the challenge we've had, I mean, we've had discussions about globalization and technology and education for my entire life in public policy, which is 15 years. I think the challenge we're seeing is just as you said. This is a decade's bet. . Right? If you invest in quality education right now, higher--you know, for skills training from even zero to 22 to 25, you--that is--that is not answering the problems that people are having today. I believe Finland is better positioned because of its education system. It's also very different from the United States in that it is a massive exporter. The United States is still a consumption based economy. We are still 60 percent consumer based. Exports are growing, but they are a fraction of domestic consumption in terms of our GDP. So I think the challenge for us--I absolutely agree that education is the answer over the long term. That is a [audio gap 01:01:15]--not a sufficient answer for what people are experiencing today. And if policy makers only discuss that topic, they in some ways help fuel the t--the anxiety people have because when you are a 50 year old manufacturing based worker in the United States, that is not an answer that is going to solve your problem. As we again are seeing in elections in our primaries on both sides. In terms of Asia, a nice pivot-

Mr. Richard Lui: Good segue.

Ms. Neera Tanden: When you don't have one you just say it. I--you know, I think the issue with India and China, from my perspective, I think China is--if people want to make a global bet on China and more away from stable partnerships in the U.S. and Europe, I understand that. it's just given the actions of the last year [audio gap 01:02:16] by the Chinese government in relation to the market, I will just say many American companies have greater anxiety about the long term competitiveness and ability to really have rule of law in China than they have in previous eras. So U.S. China policy has definitely been anchored by a strong business community interest in the Chinese market. And, you know, we have definitely heard--we have a track two dialogue with China. We have definitely heard more anxiety about the long term ability for business to do work there than in the past.

Mr. Richard Lui: We're in our last five minutes here, but I cannot help but get more information from you. as a journalist I must do this. and we've been talking about other countries, China, Finland and--the list goes on. To you, this final Word Cloud question as we close out this session, and this is the question I have for you, if you could just pull out your app one more time. Outside of the United States, other than the United States since you--63 percent of you said more in that category, who will or needs to lead more when it comes to global economic issues outside of the United States? Again, who needs or will need to be more--take on more leadership when it comes to global economic issues?

Ms. Neera Tanden: Defense.

Mr. Richard Lui: We have Defense so far. That's a--

Ms. Neera Tanden: I would say China.

Mr. Richard Lui: You're--okay. Pull out your app, please. That will work. Europe, France, Germany.

Ms. Neera Tanden: Europe, France, Germany, yeah. Europe--

Mr. Richard Lui: Any reactions as we are getting this data in from our panel, very quickly, before we close out here? Does India of this surprise you?

Mr. Frank Friedman: India, no. Not from me, but china should be big. Yeah. Germany is always going to be important, critically important. Those don't surprise me at all.

Ms. Neera Tanden: Oh, sure.

Mr. Richard Lui: It's a great way to close out as we try to understand, of course, what has been our topic in this Transatlantic relationship when it comes to jobs and growth. And so as we close up this fantastic panel which have laid the groundwork for us as we go forward in the next two days here at the Brussels Forum, I'd like to do something that sort of summarizes what we've talked about today. And it's--I did warn you. Normally, I do not. But I showed mercy. And so we have a very short lightening round. And I just have a series of words. And I want--I can say as many words as I want. You can only react with one word. That's the way it works.

Ms. Neera Tanden: That does not seem fair.

Mr. Richard Lui: Yeah.

Ms. Neera Tanden: But that's okay.

Mr. Richard Lui: So Mr. Vice President, jobs.

The Hon. Jyrki Katainen: Productivity.

Mr. Richard Lui: Madam Chair, Jobs?

The Hon. Louka Katseli: (Inaudible)

Mr. Richard Lui: Frank, wages?

Mr. Frank Friedman: Increase.

Mr. Richard Lui: Wages, Neera.

Ms. Neera Tanden: I--can I go with two.

Mr. Frank Friedman: No, no, no.

Ms. Neera Tanden: Increase. I can say increase. I'm for increase.

Mr. Richard Lui: (Inaudible).

Ms. Neera Tanden: negative.

Mr. Richard Lui: (Inaudible).

Mr. Frank Friedman: Negative.

Mr. Richard Lui: GDP growth.

The Hon. Jyrki Katainen: Higher.

Mr. Richard Lui: GDP growth.

The Hon. Louka Katseli: Possible.

Mr. Richard Lui: I like that. You (inaudible). 2017, to you, madam chair.

The Hon. Louka Katseli: 20?

Mr. Richard Lui: 17.

The Hon. Louka Katseli: Hope.

Mr. Richard Lui: And Minister.

The Hon. Jyrki Katainen: Investment.

Mr. Frank Friedman: Investment.

Ms. Neera Tanden: Progress.

Mr. Richard Lui: T-tip.

Mr. Frank Friedman: Not--not 2017.

Mr. Richard Lui: There was a dash in there, obviously.

The Hon. Jyrki Katainen: (Inaudible)

The Hon. Louka Katseli: Challenge

Mr. Richard Lui: T-tip.

Ms. Neera Tanden: Fine.

Mr. Richard Lui: Fine. TPP.

Ms. Neera Tanden: Disconcerting in the public.

Mr. Richard Lui: TABLE TOP.

The Hon. Jyrki Katainen: opportunity.

The Hon. Louka Katseli: I'd say opportunity.

Mr. Richard Lui: Frank?

Mr. Frank Friedman: Same.

Mr. Richard Lui: Transatlantic collaboration. Frank?

The Hon. Louka Katseli: Optimistic.

Mr. Richard Lui: Needs more. No dash. Okay.

The Hon. Jyrki Katainen: Values.

Ms. Neera Tanden: Growing.

Mr. Richard Lui: And, finally, I cannot finish our lightning round without this one. A world beyond disorder.

Ms. Neera Tanden: Possible.

The Hon. Jyrki Katainen: Possible

The Hon. Louka Katseli: Lots of work needed.

Mr. Richard Lui: The longest one-word today. And to you, Frank, finish us off.

Mr. Frank Friedman: Now, good.

Mr. Richard Lui: Thank you, all four. Thank you all for jobs and growth. And with that there is now a coffee break. So get on out there and get some caffeine. We'll see you after the coffee break.