

Seminar Series - The Shifting Global Economic and Political Landscape: Integration or Fragmentation?

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PARTICIPANTS:

Introductory Remarks:

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Professor Zhang Yuyan is Senior Fellow and Director of the Institute of World Economics and Politics (IWEP), Chinese Academy of Social Sciences (CASS). He is also a member of the Foreign Policy Advisory Group, Ministry of Foreign Affairs of China; on the Advisory Committee for Economic & Trade Policy, Ministry of Commerce of China; and, President of the China Society of World Economy. He obtained his Bachelor Degree in Economics from Peking University and Master and Ph.D. Degrees in Economics from CASS. His main academic interests include institutional economics and international political economy.

Welcome Remarks:

CAI FANG, Vice President, CASS

Cai Fang is Vice President of the Chinese Academy of Social Sciences where he is also Director of the Institute of Population and Labor Economics. He is a member of the Standing Committee of the National People's Congress of China and Vice-Chairman of the Chinese Association of Population. A top demographic scholar and economist, he is a graduate of Renmin University and earned his Ph.D. in economics from CASS.

Moderator:

YANQING YANG, China Business News

Yanqing Yang is Deputy Editor-in-Chief and Anchor of China Business News (CBN). Previously a senior reporter covering finance and business in Liberation Daily, Ms. Yang is a media leader and moderator at various events, including World Economic Forum, Shanghai Forum, and IMF conferences. She holds a BA, MA, and PhD in Economics from Fudan University. She was a visiting scholar at Johns Hopkins University, USA.

Panelists:

DAVID LIPTON, First Deputy Managing Director, IMF

David Lipton has been First Deputy Managing Director of the IMF since 2011. Before coming to the IMF, he was Special Assistant to the President and Senior Director for International Economic Affairs at the White House. Previously, he served as Under Secretary for International Affairs at the U.S. Treasury.

IAN BREMMER, Professor, New York University

Ian Bremmer is the president and founder of Eurasia Group, the leading global political risk research and consulting firm. Dubbed the “go-to-guru on political risk” by the Wall Street Journal, he is Time magazine’s foreign affairs columnist and a global research professor at New York University. His latest book, Superpower: Three Choices for America’s Role in the World, was released in May 2015. Bremmer earned a PhD in political science from Stanford University in 1994.

WING THYE WOO, Professor, University of California, Davis and Distinguished Expert, CASS

Wing Thye Woo is Professor of Economics at the University of California at Davis and Fudan University in Shanghai. He is also National Distinguished Expert at the Institute of Population and Labor Economics at the Chinese Academy of Social Sciences in Beijing; President of the Jeffrey Cheah Institute on Southeast Asia at Sunway University in Kuala Lumpur, Distinguished Fellow at the Penang Institute in George Town, Malaysia; and Director of the East Asia Program within the Center for Sustainable Development at Columbia University in New York City. An expert on the East Asian economies, he helped found the Asian Economic Panel (AEP) in 2001, a triannual forum of 50 leading specialists on Asian economies. Professor Woo was a consultant to China for the tax and exchange rate reforms implemented in 1994, a special advisor to the U.S. Treasury from 1997-98, and an advisor to the Prime Minister of Malaysia in 2005.

MINGHAO ZHAO, Research Fellow, Center for Contemporary World Affairs

Minghao Zhao is a research fellow at the Center for contemporary world affairs and at the Charhar Institute. He is also an adjunct fellow at the Chongyang Institute for Financial Studies at Renmin University of China, and a member of the China National Committee of the Council for Security Cooperation in the Asia Pacific (CSCAP).



Zhang Yuyan



Cai Fang



Yanqing Yang



David Lipton



Ian Bremmer



Wing Thye Woo



Minghao Zhao

MR. ZHANG: (Speaking in Chinese) Good morning. Please be seated. Ladies and gentlemen, good morning. Today we are very honored and pleased to have this seminar: The Shifting Global Economic and Political Landscape: Integration or Fragmentation?

This is a very big topic, not only about economy but also about politics. At our Research Institute of the CASS, Institute of World Economics and Politics, our direction of research is about world economics and politics, so that's why we have chosen this topic together with the relevant departments of the IMF.

Economy and politics are intertwined with each other; without economy it is difficult for us to fully understand politics. Without politics it also sometimes makes us confused about the economy. Today's world is presented with a lot of challenges as well as opportunities. The growth rate of the world has been slowing down, and with the rapid accumulation of debt, there are many different reasons but one of which is related to the intertwined relationship between the economics and politics.

Integration is a megatrend under the framework of globalization. There is increasing interdependence between the different economies and the politics. On the other side we see also that under the megatrend of globalization there is also the tendency of fragmentation. There is also the de-globalization, re-globalization, or anti-globalization, different phenomena, especially this U.S. Presidential Election, and during the campaign debate period.

And also during the process of the Presidential Election there were a lot of discussions about globalization, about the TPP, about free trade or trade protectionism. The President-elect, Mr. Trump, has a lot of his own opinions and proposals about the world economic policies, investment policies, and et cetera, but whether what he said during the election could be achieved, there's a question mark, but this phenomenon is already enough to catch our attention.

During the election process, he also raised a series of proposals, talking about China manipulation of exchange rate, and about the penalty tariffs. As a think tank in China we are also concerned about these issues, the role of China's economy and that of the world is massive. China's growth has also been contributing a lot to the world economic growth, so the whole world also pays great attention to the development of China.

So, on behalf of the two organizers, it's the CASS, and the second is Yicai (China Business News), so the two organizers. And first of all, I'd like to welcome Mr. Cai Fang, the Vice President of CASS, to share with us about his views, about the (inaudible) -- the economy, and the world economy.

And Madam Yang Yanqing will be the Chairperson for the panel discussion part. We are very honored to have several panelists, especially Mr. David Lipton, IMF's First Deputy Managing Director, and his colleagues. A little bit later, Yanqing will be moderating that session, so we

will be talking about, and having discussions about: The Shifting Global Economic and Political Landscape, Integration or Fragmentation? Thank you. Mr. Cai, please?

MR. CAI: (Speaking in Chinese) Distinguished Guests, good morning. I would also thank Mr. Zhang. I am very pleased to be here for this meeting, and also I congratulate on the convening of this seminar: The Shifting Global Economic and Political Landscape: Integration or Fragmentation? And we know that one of the organizers is the Institute of World Economics and Politics of CASS, and Yicai (China Business News); so a very a famous think tank, and also a very famous financial newspaper, co-hosting this seminar.

We are also very pleased to have very authoritative speakers, such as Mr. David Lipton, IMF's First Deputy Managing Director; and Professor Ian Bremmer; and Woo Wing Thy, Zhao Minghao; so all these people are very authoritative. And I also know that the people present here, the audience, also is the best.

I'm not an economist or expert on finance, and I'm not in the field of world economic research, so before you actually enjoy the brainstorming a little bit later, I would like to first of all, talk about the Chinese economy a little bit, because while we talk about the integration or fragmentation we always think about their implications for the Chinese economy.

So, what kind of growth rate should be expected for China? I know that the whole world attaches -- pays a lot of attention to the growth in China, and some people also think that China's growth rate slowdown has been a main contributor to the slowdown of the growth rate of the world economy and even the slowdown of normal trade. I don't think this is an accurate view, and I think we should pay more attention to the economic risks instead of the growth rate of the economy. So if there could be any negative impact to the world economy, it's not the speed of the growth in China, but the risks in the economy, of economic growth in China, and I think this, too, are also interconnected with each other.

But if you do not pay attention to the right issue, and your efforts may not produce very good effects, so that's we, first of all, look at the speed of growth in China. The world economic growth, especially featuring the advanced economies is a kind of new mediocre, and mainly it's because of the demand side reasons, but in China, the main reasons are from the supply side, and causing the slowdown of the growth rate. So that means, so we are actually changing our -- we are in a different phase of development. We have actually enjoyed over 30 years of population dividends, and there is abundant labor supply, and abundant workforce, because of these reasons, our return of capital was also very high, and delaying the shrinking return of the capital, and also there's also the efficiency of the full productivity factor.

So when population dividend decreases, things change as well. So while we are in a different demographic phase China's economy is also in a new -- a different phase. So the different variables in production are not playing the same effect as they used to or they have -- or some of the factors have already been reversed or changed, and some of the factors may -- used to support the economic growth. But in the future, the same factors may cause the economy to even slow down further. And so this is something we should pay attention to.

Secondly, up to today, I think that the growth rate in China is in line with its potential growth. Based on the changing model, and based on the changes of those factors, and we estimated about China's growth rate, so during the 13th five-year plan period, and the one year, no significant reforms, if we just follow the old reforms so we could only achieve 6.2 percent. Several years ago, it wasn't much higher, but this year we could probably achieve 6.7 percent, but 6.2 percent could be the benchmark, to look at all the kind of bottom line for the growth rate during the 13th Five-Year plan period.

And so far the growth rate is higher than its benchmark, and this is actually in line with the underlying regularities of the economic growth in China, but also it is in line with the stimulus of the macroeconomic policies, and also the reform dividend effect. But please remember 6.2 percent should be the bottom line for the economic growth in China.

The third view is that based on our analysis and modeling, a reasonable range of growth for China, I mean during the 13th Five-Year plan, should be between 6.2 and 6.7 percent, and 6.2 is a scenario without new reforms, and 6.7 would be a scenario with the addition of the new reforms, or the effects of the new reforms.

But it won't exceed 6.7 percent, so 6.7 percent is the up limit, so in the next four years, I think that China's economy, if it maintains a rate of about 6.5 percent, then it could be very good, because if it's a little bit higher than 6.5 percent, and it could be just a little bit too high, but lower than 6.5 percent then just a little bit too low. So I think -- that's why I estimated that 6.5 percent growth rate average, and we can gradually slow down from 6.7 percent to 6.5 percent for the next four years, then that would be very good.

So, if we do not break this 6.2 percent floor, then we wouldn't have the cyclical unemployment. Currently our urban unemployment is about 4 to 4.1 percent, and according to our surveyed unemployment rate, we say it's like between 5 and 5.1; at the same time the surveyed unemployment rate does not really cover the migrating workers. However, you probably know that with the migrating workers, their unemployment rate is also very low for example, only around 1 percent. So, considering that the migrant workers take about more than one-third of the overall employment in the cities, so the actual surveyed unemployment rate, if fully covering all the population, we believe it will be also about four or less than four.

We have also done some estimation in the past, like the natural unemployment rate is about 4 to 4.1 percent in China, so that's why we think that in urban areas the actual unemployment rate is a little bit higher or similar to that, which is also in accordance with our GDP growth. So, as long as it doesn't fall below the floor growth rate, we will not have the cyclical unemployment. Secondly, if we take this potential growth rate, plus the dividend of the reform, the GDP growth at around 6.5 percent or even a little bit lower, we expected that in year 2020 we can achieve the doubling of GDP from 2010.

So that means from the \$4.09 billion in 2010 at the flat rate price, to about \$8 billion, or 8.1 billion at the flat rate. So we can double that. And also that can ensure that the income of the residents will be doubled. Another point I want to make that such GDP growth is good enough to make Chinese economy to contribute to the world economy, and in 2015 that China's GDP

is about \$10.8 trillion, and also the world economy is about \$73.4 trillion. So, China accounts for about 14.8 percent, and according to our estimation of the reasonable GDP growth, that means China's economy every year will contribute to about 1 percent of the world GDP growth.

So that means, in the next few years, if the world economy is growing at about 2.5 to 3 percent, then I think that China can contribute a quarter or even a third of the world economic growth. So this is something that the world can expect from the Chinese economy.

Another point I want to make, that if it's above the ceiling we have, then it's not potential GDP growth or the reform dividend, that means there will be some stimulants in the economy. These stimulants in the economy will lead to the overcapacity, higher leverage, and also leading to more asset bubbles and also leading -- which is not the same direction with our reform target that is to reduce the capacities. So that will also lead to higher risks we have in the financial systems.

So that's why we say that the GDP we are after is not without flaw or without ceiling. We want to maintain that at a reasonable rate, and also as one of the largest economies, the importers, exporters, the FDI investors in the world, and also the foreign reserve holders, the bond markets, commodity markets, so the growth of the GDP in China is very important, but we also need to remember that all in all the world economy needs to have a long-term and a sustainable growth rather than using some temporary pain killers to stimulate the GDP.

So when transforming this economic growth, when the Chinese GDP become more inclusive, more rebalanced in the future, we want to have a long-term and a sustainable growth, and this is something that we have been after, and what we would like to see in the future. And also, finally, I want to congratulate the holding of this seminar. Thanks so much. (Applause)

MR. ZHANG: (Speaking in Chinese) Thank you very much, Mr. Cai. Mr. Cai has given us this wonderful keynote speech, and he talked about the GDP growth of China, and also he gave us a range, like 6.2 to 6.7, and he thinks that if we can maintain that at a 6.5, that would be ideal. He also talked about the Chinese economy's contribution to the world economy, what has already contributed, or will contribute about one-quarter or one-third of the world GDP growth.

So, I think this has also demonstrated about the role of the Chinese economy there. At the same time China is also firmly maintaining or defending the free trade, so this time you will know our President, he is visiting Lima in South America, and also he mentioned that we want to defend the free trade in the world and we -- against the protectionism. So now, this is the first session we have. And now we will give the floor to our partner, our long-term partner, Ms. Yang.

MS. YANG: (Speaking in Chinese). Okay. Thank you very much. And also, thank you very much, Mr. Cai. So, today, our panelists, they will speak English. So I will use English. And we'll have the simultaneous interpretation.

Good morning, everyone. My name is Yang Yanqing. It is my great pleasure to moderate this morning's session, and work with such a distinguished panel. And before we start the discussion this morning, let me very briefly introduce this very distinguished panel.

To my left is Professor Wing Thye Woo of the University of California, Davis, and CASS. And also he is the President of the Jeffrey Cheah Institute of Southeast Asia, in Malaysia. And next to him, everyone knows that Mr. David Lipton, he is the First Deputy Managing Director of the IMF, we call it FDMD. It is a very prestigious position in the Fund. And next to him, Mr. Zhao Minghao, Visiting Fellow at Chongyang Institute of the Renmin University. And then last but not least, Professor Ian Bremmer of the New York University.

We know that our discussion topic of today, which is the fragmentation and integration of the global economic and political landscape, is extremely timely, when the assumption that the globalization benefit everyone actually is in serious doubt, and so we have an anti-establishment -- anti-elite, and nationalism rise from U.K., U.S. and Europe.

So our task this morning is to examine the status quo of the world we are having today, and we are going to try to find us some options and the solutions to navigate through, let's say, uncertainties in both economic and political fronts.

So let me start with the FDMD, David Lipton. We know that the mandate of the Fund is the macro economy, and also the financial stability, so why are you talking about the politics and the economy together this morning, here.

MR. LIPTON: Thank you. Great question. First, let me say how pleased I am to be here in Beijing, and to be at this event co-sponsored with CASS. Let me answer your question by speaking a little about the subject. My friend, Ian Bremmer, and I have been discussing, even arguing, about economics and politics for many years and, as we have that discussion, we realized that economists and political scientists really should spend more time talking to one another.

In the United States economists work in economic think tanks, and foreign policy experts work in foreign policy think tanks. Economists work in ministries of finance; political scientists work more in ministries of foreign affairs. But, as we are seeing in the world, political trends are now starting to affect economics in ways that we haven't seen before, and economics surely has affected politics, creating the political situation that we are seeing in a number of countries, which is a lot of discontent.

Discontent about globalization, about the effects of interconnectedness, how what happens in one part of the world affects people all over the world, and I think this surely shows the need for us to understand the connections better; the connections between economics and politics.

I hope we can broaden the subject though, because I think the links are not just about, say, how discontent is rising up within the system, there are also threats of other kinds. There are abuses of the system: corruption is a clear example of ways in which abuses within the system can delegitimize governments and impair the functioning of economies. There are also threats from outside the system, whether it's war or terrorism. The rise of ISIS and the

refugee flows to Europe, are clearly affecting not just the politics, but also the economics in the Middle East and in Europe.

We see the rise of non-state actors playing an important role, that threatens the system, whether it's in the area of cyber-attacks, or for that matter, legitimate entities, like corporations. They now have very substantial influence, paying taxes in one jurisdiction rather than another, using finance to affect campaign contributions, and other means to influence political developments in democracies. These are companies that control a lot of data, that control the news that you read in many places. These are changes that are going to be important because they'll affect the economy and the ability of governments to navigate economic policy.

So why is this interesting to the IMF? Which was your original question; the IMF's goal in its Articles of Agreement and its mandate is to promote growth and stability through international cooperation. China is a member, a long-standing member of the IMF, and I think we bring benefits to China by promoting growth and stability, and by convening countries to cooperate with one another. But now, these trends, the various trends that I spoke about, are leading to risks, risks that will cause people to not quite want to cooperate the way they did.

And I think that means that for the IMF to carry out its mandate, we have to think about this. We believe that globalization and interconnectedness are still important goals, that the world has a lot to gain from a continuation of globalization and interconnectedness, and fragmentation could be damaging. Here in China, and across emerging markets and developing countries, there's a need to continue to have trade links, to have investment links, to import technologies that will allow emerging markets and developing countries to grow rapidly, to see living standards rise, to have convergence to the living standards of advanced economies. And, if globalization and interconnectedness are somehow unwound, that would be very unfortunate.

So, at the IMF, we continue our focus on growth, but we are broadening our approach to suggest that we really need, also, to think about the side effects of interconnectedness, the fact that there are negative effects, that not everyone gains from trade, that there are spillovers when there is a shock in one country, or a policy change in one country, that it's going to affect others as well. And, we believe that we need to look at both growth and the side effects of growth.

Growth still is important. Our main conclusion about the world is that growth has been too low, for too long, and that it has benefited too few. And so I think that this dual focus, of growth and the distributional effects of growth, is very important. And I hope that we can have a very good discussion here today. I think we have the right people to discuss this from different perspectives; from an economic perspective, a political perspective, not just an Asian perspective, but a global perspective. And so I'm very excited about this conversation, and I look forward to it.

MS. YANG: Thank you, David, for stressing the urgency for us to think about our world, a

future in the perspective, together with the economic issue, and also political issue. And also we are very happy to hear your statement that the IMF still supports for the globalization, and also the interconnectedness in spite of the spillover effect.

So, I will go to Professor Woo. Do you think -- How will China, and including Asia, will fit into, let's say, a globalization discussion? Also, would you like to talk a little bit on the G20?

MR. WOO: Well, I'm very glad to be here. I must thank (Inaudible) and (Inaudible) for including me in this panel. Globalization is certainly near and dear to the heart of all Asians, because it is globalization that has turned East Asia into the workshop of the world, and speeded up the economic development of the region.

I agree with David that the probability of a significant rollback in globalization has gotten much higher recently. And I agree with David, that this is a development that has to be resisted. This is not to deny that the globalization process has not been without problems, especially in the last 20 years, it has caused some severe economic and social problems for many countries. But getting back to the last time that globalization was quickly reversed on a comprehensive scale was in the 1930s, and the great economic historian, Charles Kindleberger, identified the ways widespread protectionism to have been responsible for turning what was a deep recession into the Great Depression.

For us today, what is particularly important to think about is the hypothesis that he proposed, that for the systemic economic stability of the world, you need to have an economic hegemon. You need one, big economic power to be able -- and economic hegemon that's such overwhelming economic force, that it could be able to resist the collapse in global aggregate demand, and be able to mobilize the rest of the world who joined in collective macro stimulation.

And in this wheel that the period of 1850 to 1910 was a period of great prosperity, because the United Kingdom was the country with overwhelming economic force. It imposed order and everything turned out well.

1910 to around 1940 was a period of poor economic performance and global strife, largely because by then the rise from the United States had eroded the economic dominance of the United Kingdom. Furthermore, at that point in time, the United States was both not big enough, nor mentally prepared enough to become the economic hegemon of the world. So, on that note, the hypothesis is that of a multi-polar world is a leaderless world, and because of its leaderless nature the world engages in self-defeating beggar thy neighbor policies.

Now, let us look at today. Today the U.S. is no longer the overwhelming economic power in the world, and if you were to look 15 years from now, we would see that China would be stronger, but it still would not have overwhelming political power vis-à-vis the United States.

How about, let's say, 35 years from now, 2050. Optimistically let's think that China manages to catch up to the GDP per capita of the United States, which means that China's GDP will be four times that of the United States. But even then China is unlikely to be the dominant hegemon with overwhelming economic power in the world. Actually because I think in the

next 35 years, India would have figured out how to grow the way that China has been growing.

And even if India were, in 2050, in GDP per capita, 40 percent smaller than China, but then its population would be at least 15 percent larger than China. So China's gross GDP at that time would be roughly 30 percent larger than that of India. So, my point is that from this point onward, I do not expect to see an economic hegemon appear, we will go -- will be living in a world of what we call oligopoly world.

Today it is U.S., China, possibly EU, in 2050, China, India, possibly the United States. So given the fact that there is now no hegemon but an oligopoly, just someone who is the first among equals, not one country greatly exceeding the others. We are at the point at what a famous social scientist once said, "History repeats itself first as tragedy, and then as farce." It is the obligation of this generation, therefore, to come up with creative mechanisms that make collective leadership effective, and to be able to address some of the great flaws in globalization.

So, coming up with new institutions would be like reformulating the mission, the work agenda of the IMF, and to create new institutions, like the Asian Infrastructure Investment Bank.

MS. YANG: Yeah. We will go back to the AIIB and NDB later on.

MR. WOO: Okay.

MS. YANG: But now let me just jump in. Do you agree, Ian, and Zhao Minghao, do you agree with Professor Woo that the future of the world will be three powers; China, United States and India? Do you agree? Ian?

MR. WOO: 2050!

MR. BREMMER: Well, the beautiful thing about a country like China, is you think in these wonderful wide swaths of history, because you have a lot of history. The United States does not. And I certainly -- I completely accept the notion that we are very rapidly moving from a Pax Americana which I believe is over as of 2016, to a G-Zero world, a non-polar world where there is no -- never mind economic hegemon, there is no political hegemon. There is no willingness to provide that level of leadership. The U.S. isn't going to do it, China is not capable or willing to do it, no one else is even close.

But I would say that when you talk about, not 2020, but 2030, or 2040, technology is going to overwhelm geopolitics, overwhelm it. So, I would not talk about which powers are going to be in charge on the global stage, I'd be talking about whether the state system continues to function. I'd be talking about non-state actors; I'd be talking about the importance of humanity changing, artificial intelligence in an advanced way. I mean, these state systems we are talking about are very different than --

MS. YANG: (Crosstalk) I'm sorry -- How do you think that the new technology, including AI will change the whole landscape in terms of the approach, and maybe inequality and politics, do you think that we will be -- will be changed by the machine someday?

MR. BREMMER: Well, I mean, look, again, that's long term. We can see right now, we can say that a major reason why the U.S. Government and the European Governments are seeing political transition that is radically different than anything we've experienced in generations is because technology is taking away, it's hollowing out the working and middle classes, and it's allowing these individuals to not only learn about what's happening, but speak with a loud voice and identify and align themselves through identity politics. Right?

I mean, technology isn't creating more globalization, technology is actually creating connections along much more narrow political lines. Democrats versus Republicans, Sunni versus Shia, rich versus poor, that kind of thing, that's only on the U.S. and Europe right now, really undermining the social contract. But unless you think you can stop technology, we have a U.S. election that people are going to want to talk about a little bit, in that election, we have not -- speaking about globalization, if globalization is the problem, if you could just build a wall you could help these people.

Building a wall ain't going to help these people, because is not going to keep the technology out, a wall is not going to stop driverless cars and trucks which, by the way, drivers are number one or number in terms of number of jobs in every one of the U.S. 50 states. And those jobs are gone within 10 years, all of them. So that's not going to be stopped with a wall. As that technology explodes, unless we believe that the political formulations of countries like the U.S. and China will truly prevent technology from moving.

Unless Luddism is going to take over; I don't believe that. Then that implies that the social contracts that are presently being fundamentally questioned and causing instability in the U.S. and Europe, are going to hit the emerging markets. They are going to hit China, they are going to hit India, not by 2050. Right? This is 10 or 20 years.

So, I'm not suggesting that China won't still be a world power, but I think if you want to ask, what are the things that worth thinking about, because we don't talk about -- it used to be you talk about centuries, it's useless to talk about centuries going forward, if we are lucky we can talk about a decade, because the change is happening that quickly. And I think for a country like China that's done so much in the last 40 years, the question will be: To what extent the state is fit for purpose, and how will it adapt, and will it still be a central government in terms of how we think about the longer term.

MS. YANG: Thank you. Minghao, how do you think about the future?

MR. ZHAO: Yes. And so pleased to join today's panel discussion. And I think when we look at this century, we need to change a new policy strategic lens to see, the challenges in this new century, 21st Century. Personally I don't buy that, I don't think we should look into the future through -- just through the interaction between major powers, because today's world is

different. It's fundamentally different. That's why I don't argue for a kind of precision-oriented grand strategy for China.

There's no sense for us to pursue, kind of number one, number two in the world. Think about how to modernize our (inaudible) to your national governance. Think about how to safeguard the wellbeing of ordinary people and, I think, for China we should pursue... kind of a connectivity-oriented grand strategy, rather than precision-oriented grand strategy.

So, maybe the fact is the economy, the overall economy of China may surpass the U.S. in some days in future years but, however, that will not make sure the good external environment for China's peaceful rise. So, speaking for the globalization, and I think China has been the beneficiary of this process, and the globalization, we should bear in mind that the globalization in essence is a process of the good, the bad and the ugly, and if we look into history the globalization is a process full of ups and downs.

And for now, de-globalization is -- or how to say -- potential threat to China. I would make it crystal clear, because our President Xi Jinping has just reaffirmed the Chinese commitment to free trade and globalization, I think yesterday at APEC meeting. Why de-globalization is so worrying or disturbing developmental for us, we not only say, Donald Trump, U.S. President-elect Donald Trump's victory, and we see the underlying forces that make Donald Trump elected -- you know, possible. Because this year we will see elections in France and Germany, probably the right-wing populist political parties, they will gain political power in the elections.

So, our big question here, I think a big question for the strategic circles in Beijing is: if the de-globalization as the sentiment is becoming kind of fixed or determine the trend, global trend in years to come? Because if the answer is yes, that will fundamentally alter the policy thinking -

MS. YANG: Professor Zhao, just to put the question in a more clear-cut way. Actually, against the background we have been talking about, anti-globalization, anti-establishment, anti-elite, everywhere. So it's now, it's China that's just to step up efforts to support the globalization in a global platform. So do you think that -- How will China's leadership deal with also the populism and the nationalism atmosphere in China, within China? How do you think -- the policy makings we should have?

MR. ZHAO: Sure. As I said, China is the beneficiary of globalization, not because that globalization enables China to become the largest trading power in the world, but also (inaudible) to China's own domestic reforms in last three decades. When we think about the role China can play in pushing forward with globalization in years to come, I would say from our China's perspective, the globalization in past two decades actually has three obviously flaws.

The West dominance, the capital wins, and the state retreats. So, I think so far, we think about pushing forward with a kind of a new type globalization, and such new type

globalization would fix these problems, these flaws like we have to pay more attention to development, on --

MS. YANG: Do you think China will correct these flaws?

MR. ZHAO: I think China is striving to make efforts to correct the course, and as the G20 (inaudible) suggested that China wants to put more emphasis on development, because in the globalization of, you know, next decade, the politics of distribution rather than the politics of growth would matter more to the world. I think that's one direction China wants to make its efforts.

MS. YANG: Yes.

MR. ZHAO: And another thing, very short, it's China's own connectivity-oriented grand strategy suggested by the OBOR Initiative, One Belt and One Road Initiative. I think the OBOR, we could describe the logic very simply, infrastructure, facilities connectivity, connectivity guarantees peace. I think that's the essence of the OBOR, and I think that will be very imperative and healthy for the globalization if we look forward.

MS. YANG: Yes. Thank you very much. Before we talk about the new President in the United States, let me very quickly ask the view from David. Do you agree with Wing about the future; China, United States and India?

MR. LIPTON: I think it is very likely that we will see a world where many countries will have to interact with one another, without one being so dominant. And I think that it poses an important challenge here in China. As was just said, a very strong emphasis is placed on multilateral cooperation. The Chinese presidency during this past year of the G20, showed how much value was placed on that; but, for this to work in the present circumstances, I think everyone has to listen to one another.

The global financial crisis was a crisis in the United States and Europe, it really wasn't a financial crisis here in Asia and the rest of the world, it has left scars in the United States and Europe. The technological change has had more effect on people's employment and labor, and so far more in the United States and Europe than here. So China, on the one hand, needs to understand the reasons for the discontent that we are seeing in the United States and Europe, and understand those changes, and be willing to work together, with the United States and Europe; at the same time, the United States and Europe need to understand the challenges that China faces.

China has long been engaged in reform, it is trying to accelerate reform that stands to gain tremendously from continued interconnectedness. And so I think there surely should be a basis for continued international cooperation for mutual gain. I should say, China has also been a champion of the prospects for other emerging market countries and developing countries, and sees the future as bright for those countries when everyone is working together.

So I think it really is key that we try to promote growth, but we also take much greater account of the side effects of interconnectedness, and that we work together to deal with the various other threats. China is fighting corruption. I think many countries around the world will have to deal with the rise of non-state actors and what that means for the changing role of the state in the world. There is a need to do this together; no leader can solve the problems of his own country and provide what his people want all by himself, because we are all interconnected. There really is a need to do this together.

MS. YANG: Thank you. And Ian, how do you assess the outcome of the United States, the election of the President? Where will this new President lead the whole world to?

MR. BREMMER: Well, look, I mean, from a China perspective it's really interesting. Right? Because I mean, there is a big piece of Trump that has a lot of admiration for what the Chinese and Russian system actually brings to bear. Right? I mean, there's no question -- Trump talked about the fact that Putin is a stronger leader than Obama. Right? That's obvious, because Putin runs an authoritarian system, but Trump also thinks that that's a bad thing for the U.S.

I mean, I've talked to Trump's advisors, talked to his son-in-law where, you know, he expresses a lot of concern, that when the Chinese go around and they want to invest in another country, it's not just them, they tell their companies to move, the companies jump. In the United States, companies do what they want. They don't listen to the government. Trump clearly likes the idea of having much more control over the media and information, which China and Russia do a fantastic job of.

The United States, you know, you can -- it's, obviously, there's a lot more pluralism, but also a lot more criticism of the process. So I think, first of all what you are going to see from Trump is a more transactional orientation towards alliances. Trump is not going to come to China and criticize you on human rights. Trump is not going to go to Russia and say, you assassinate journalists. Right? He's not going to do it.

MS. YANG: But what about the social media? We have seen a lot of fake news(crosstalk) on social media.

MR. BREMMER: It was so interesting. Social media is so interesting because, you know, in some ways China's concerns about organizations like Facebook in the United States, you now see the Americans grappling with this themselves. You see the alt-right having infiltrated American social media, and originally Mark Zuckerberg saying, no, it's not a problem, fake news. And now recognizing he's got to do something about it. And you'll have Trump creating his own RT (Russia Today). Right?

I mean, I think there's going to be a very significant fight between Silicon Valley and the White House over information, over the message, the narrative, social media, in a way that, frankly, Silicon Valley and social media was the part of the United States that was least politicized, when you meet these people, they were libertarian, young entrepreneurs living in the Bay

Area, and they basically said: leave me alone, Washington, you don't even understand my business.

I want to be global, I want to link to all of you. And what you are now seeing with the Trump administration, very similar to China, is that this is suddenly becoming the most strategic sector. It's becoming a part of national security. I mean, if you want to have a credit rating score in China, social credit. Right? It's not just about how well you do economically, it's how do you behave, who are you connected to; right? I mean, why would you want to bet big economically on someone that might end up politically unsatisfactory, or maybe even in jail. I think in the United States, the Trump administration is going to stop wrestling with topics like this. And that's fascinating.

MS. YANG: Yes. Then how to look at the tax policy, the infrastructure and also the foreign trade policy of this President?

MR. BREMMER: I actually think, I am less pessimistic on things like tax and infrastructure with Trump. It's true that he has less policy experience, less government experience than literally anyone that anyone has ever seen here in the presidency. Right? We know that. But he has a Republican House and Senate. He has connections to a lot of the Republicans that are generally pro-market forces, he wants to reduce corporate taxes, he wants to reduce individual taxes, he wants to reduce regulations, he wants to spend on infrastructure. And unlike Obama, he is going to have a Congress that's going to be willing to play ball with him to a greater degree. So, I think it's quite reasonable to expect.

MS. YANG: But do you think that he will initiate trade war with China?

MR. BREMMER: The trade is a bigger issue. And I certainly think that in the same way that he sees -- So, U.S. versus Russia, it's going to be a much warmer relationship, a deal will be cut, because he sees the U.S. as failing under Obama on Russia, and there are lots of ways, Ukraine, Syria, cyber, NATO, values, a lot of ways that Trump can work with Russia.

On China, it could go either way. You know, note that Prime Minister Abe gets on a plane immediately, goes to New York. Why? Security relationship is critical, both are concerned about North Korea, both concerned about China. I think it's uncertain. You know, Trump talks a big game about the Chinese ripping off the Americans, he even said that climate change was a myth being perpetuated by the Chinese. He said a lot of weird stuff, but you know --

MS. YANG: So, it's uncertain, in terms of (crosstalk)?

MR. BREMMER: But in the case of the U.S. and Russia, the Americans fundamentally disrespect Russia. They don't think Russia is all that important; they don't treat with a lot of seriousness. That's not true with U.S. and China. There's a recognition that the U.S. needs China economically, that the Chinese need the Americans economically, and even though I can imagine that you'll see more pressure from a Trump administration on industrial espionage, on intellectual property, on CFIUS and where -- what is the strategic sector where the Chinese can invest, and reciprocity. Right?

You'll see that. But I have a hard time imagining that a Trump administration says: 45 percent tariffs across the board on Chinese goods coming into the U.S. I would be stunned if that were actually to occur; because that causes direct damage back to the U.S.

MS. YANG: I think larger scale of the trade war with China is less possible, but there is some minor trade war with China is possible.

MR. BREMMER: I think that there's a -- the Chinese that I've met with in my short trip here, and also the delegation in APEC, there was a view that Trump is a businessman, and you can just -- it's going to be very easy for the --

MS. YANG: To strike a deal?

MR. BREMMER: -- China first, America first, no problem, let's get together, let's do business.

MS. YANG: Yes.

MR. BREMMER: I think you are going to have to do a lot more work than that. I think you will see a lot of hawks on foreign policy in the Trump administration, you will see some significant protectionists; you will see a lot of mistrust of China. You will also see a Trump that doesn't have a lot of interest on foreign cultures. When he went to Hong Kong, right, he wanted to only eat American food, and he couldn't wait to get out of there.

MS. YANG: I think that -- Yes.

MR. BREMMER: Like recognize, that like the cultural sensitivity of what's important isn't going to be there.

MS. YANG: I think that you would -- Yes. I think it will be better for you to advise Trump how to work with China, it will be a better future for both of us. Then, Professor Zhao, let's talk about the pivot in Asia; a lot of experts are expecting that a pivot in Asia strategy will be terminated by this new President. How will this affect the region?

MR. ZHAO: I would say, no; because I think for the U.S., the pivot to Asia makes strategic sense; in light of the importance of Asia in the globe, whether economically, and security perspective. However, I do see, probably Donald Trump would be a one-term President, and the domestic -- probably -- I would not --

MS. YANG: Do you think that China would be (inaudible)?

MR. ZHAO: Sorry?

SPEAKER: He'll maybe finish four years.

MR. ZHAO: And I think the domestic policy would be his top priority. And to heal the divide and rifts, domestically, would be his priority. And in terms of foreign policy, I think the Middle East, the Syrian War, and how to defeat ISIS, would be much -- you know, more pressing issue for him to deal with. However, I don't think the U.S. would stop, or would terminate its

rebalance to Asia. But however, I just think it's a time for both the U.S. and China to think how to recalibrate U.S.-China dynamics in this region.

Because as David said, for now, the nexus between politics security and economy is so important we have to think about how to guarantee the development momentum of Asia in this time of turmoil, this very tumultuous time, because Asia is also -- how to say -- have to deal with the long (inaudible) of kind of New Cold War. If not, there's no Cold War, but we have to be very attentive to the possibility of Cold Peace in this area. And I do think it would harm the overall environment for development of the regional countries.

So, for me, I think to recalibrate U.S.-China dynamics in this region, the U.S. -- the American side has to deal with the primacy problem, because the U.S. values its primacy, its dominating position in this region. But, however, you have to rethink it. And for China, I think the whole problem is to think about how we use our new-found power, and how we can assure the neighboring countries in light of China's rapid rise.

And the last point I want to make is that I think for the new U.S. administration, both China and the U.S. have to deal with a number of very pressing challenges. Like North Korean nuclear issue, because I know many American experts say that could be top priority for Donald Trump's Asia policy. That's the crisis management part. And at the same time, I think the two sides have to seriously think about the regional security architectural problem, and how the U.S. align system in (inaudible), and how accommodates Chinese or legitimate security concerns.

And last, I want to emphasize, is opportunity management. So think about the U.S.-China cooperation in this region. On Afghanistan, and help regional countries to operate their infrastructure, even on, make where Abe succeeds. So I do think there's a lot of room for U.S.-China cooperation in this world -- in Asia, and I think Donald Trump is a good dealmaker, but the question is that how the U.S. and China side can grasp this window of opportunity, and to make their interactions in Asia sustaining and healthy.

MS. YANG: Thank you, Professor Zhao. Wing, let me come back to you. And when we talk about China's role in Asia, especially in the Southeast Asia, it seems to me that the region would like to see this, in Asia there's going to be a balance between a power, and another power, of China and the United States; if the pivot in Asia strategy will be terminated by the new President. Do you think that Southeast Asia will be a little bit maybe, unsettled with, say, maybe the balance had been broken here?

MR. WOO: I think on the South China Sea, the first thing is to recognize that China does have legitimate security concerns. Like, if a rocket was accidentally fired in Colorado, the Chinese has time to react to it, and do ascertain that it is an accident. But if a rocket is accidentally fired from an American battlegroup in the South China Sea, the Chinese would not have the time possibly to do anything about it, and to be able to be confirmed that it was an accident.

So, on that part you could see why China does have concern about the South China Sea security arrangements. Now, but the way that China has been going about it, basically has

been pushing Southeast Asians into the arms of the Americans. So the so-called pivot towards Asia, it's like Asia pivoting towards America largely because it feels threatened. The claim on the islands, the building of the air bases, I think that China has to make the following distinction, the distinction between national security and ownership of the islands.

If you could have an arrangement where there could be no more than one American battlegroup in the South China Sea at any one time, then you really don't need to own the islands, because there would be no sudden mistake in attack on China, but if you insist on explicit ownership and occupation of those islands, then it spurs up the nationalist elements within Southeast Asia. Like, for example, when the Indonesians now are on a mission of catching poachers who are fishing in their waters. When they would catch a Malaysian fishing boat in Indonesian waters, they burn it immediately.

But in the case of China, they have the courtesy to pull it to shore instead of burning it. But when they were pulling it to shore, what happened? A Chinese Coast Guard came and knocked the Chinese fishing boat free. So politically what does President Jokowi have to do? He had to put on an admiral's hat and sailed into that area on an Indonesian battleship to show that "this is our waters".

Indonesia is the country that has shown the least interest in the South China Sea dispute. Malaysia, Vietnam, the Philippines, have been on the frontline of it. And somehow by Chinese actions have provoked the Indonesians to be closer to the Americans, so I think that the big thing is to come to an arrangement on what are the military hardware that could be, you know, South China Sea. Ownership of those islands I think could be ambiguous -- the important thing is the minerals underneath, we can make a deal on how to divide up the resources.

MS. YANG: Yes. Okay. Thank you very much. David, I leave the most difficult question for you, about the RMB. If this new President labels China with a manipulator of its currency, what is the position of the Fund?

MR. LIPTON: I don't want to comment at all on what the incoming administration may do, as President Obama said the other day in Lima, I think it's best that we wait until the new administration is in office, and see what their actions with the policies are. But I'll say a few things about China's external situation. You know, the IMF does look at this question, and we look at it from two perspectives: one is whether the currency is in line with fundamentals, and we look at this once a year, earlier this year--mid-year--when I was here, we expressed our judgment that the exchange rate was in line with fundamentals, and over the medium term, and we'll take another look at that in the middle of next year.

But we also have made the judgment for a number of years that China's external position, its current account surplus, was too large, it was very high, it was as high as 10 percent and it has come way down. But our view is that it still isn't in line with fundamentals, that there is still some gap, and so we have been recommending policies that we think are useful for China, but are also appropriate in a global setting. We've been recommending that China move to a more flexible exchange rate system. China is moving in that direction.

We've recommended that China undertake reforms to rebalance its economy, away from export orientation and towards the household sector, to find ways to build household incomes and household consumptions, build more of a service economy, we think that rebalancing is important. China agrees and has begun working in that direction. We've argued that China has done many liberalizations, but that the governance, especially at state-owned enterprises, lags behind, and that one of the features of that is that there are many areas, many sectors, where state enterprises continue to produce despite lack of profitability, and contributing supply where there is global excess of supplies.

So, we've argued for restructuring of unprofitable state-owned enterprises. China is beginning to work on that area. So I think all of these are policy directions that are good for China, I think the Chinese Government agrees with that, and what's really important is continued implementation of those reforms. I think that process will be good for China. It will also lead to diminished external imbalances, and hence could be contributing to some greater harmony internationally as well.

MS. YANG: Now, thank you for all the suggestions. Let's talk a little bit more on RMB. We know that because the dollar is going to be stronger and stronger down the road, as expected by all the economists, so again, this background according to the new mechanism, that the RMB, the PBOC tried to stop the pegging of RMB to the dollar, then RMB tried to maintain the stability of the basket.

The when the dollar rises, the RMB will -- as resultant -- action and reaction to the dollar, then it will depreciate, but this aroused a lot of the -- the loss of the confidence in terms of future of this currency. We know today that RMB began to appreciate a little bit, but still people are thinking about maybe RMB will further and further depreciate. How do you look at the mechanism of the PBOC to work with the future, to have a free-floating of the currency? But at this time, we have to have a dirty floating of the currency.

MR. LIPTON: First, I don't think anybody knows what's going to happen to the major currencies of the world, if they did, they'd be the richest hedge fund owners known to man. Right now the markets do believe that the incoming administration's policies will be supportive of the economy and that that will lead to some economic recovery, and with recovery, some rise in interest rates and as a result, there has been some dollar appreciation.

This poses an issue for China because the question is: if a stronger dollar is appropriate for the United States, is a stronger renminbi appropriate for China?

MS. YANG: What is your answer on that?

MR. LIPTON: I think that the PBOC has appropriately, over the past several years, decided more and more to give weight to a basket rather than to think about the renminbi parity just vis-à-vis the dollar. And you know, you can look at the trends that have happened over the past years, but see that clearly some greater weight is being attached to the parity with the basket. I think that we should be looking at that issue; looking at the renminbi against a basket.

But of course the main point is that more and more the PBOC is allowing flexibility and market forces to be a determining factor, and what we are seeing is that the renminbi tends to move more with the basket than with any particular currency, the dollar, or any other.

MS. YANG: Yes. Let's take the dollar a little bit further. History taught us, every time when the dollar begins to appreciate, the crisis will happen at elsewhere, in Asia or in Latin America. Will this be different, this time be different?

MR. LIPTON: Well, I surely don't know or have any clue about what's going to happen with the dollar, or you may, and --

MS. YANG: I do.

MR. LIPTON: Then you can join a hedge fund and get rich. But I think you're right that, in the past, realignments of major currencies have had major consequences, but there have been changes, some have been changes suggested by the IMF: many, many more countries have floating exchange rates now than, say, at the time of Asian financial crisis. At the time of the Asian financial crisis, the U.S. administration had a line: the strong dollar is good for America. It was something that the then Secretary of Treasury used to say.

Clearly during the Asian financial crisis, when countries had pegs to the dollar, and their currencies strengthened with the dollar, we found out that a strong dollar was not good for some of the Southeast Asian countries. But now what we are seeing, in fact, is that as the dollar strengthened in the past few weeks, the floating currency regimes, say in Mexico, in Brazil, in other emerging market countries, have served as a shock absorber, and so we don't see the same patterns that we saw in the past.

We don't see the transmission of interest rate increases in the same way. We don't know what will happen in the future, but I think that the improved policy environment, the fact that many emerging market countries have reserve buffers that are more substantial and have more sound policy frameworks, in terms of their budget and macro policy management, it gives us some reason to expect that the emerging market world will be more resilient. Now, we at the IMF are here to help our members, and so, if countries do experience some stresses and strains, we are here to give advice or, if need be, provide financial support.

MS. YANG: Yes. Thank you. Ian, let's talk about Europe. We know that Sarkozy has pulled out of the primary, and also Mrs. Merkel is regarded as a warrior, the only warrior in Europe to fight and defend for the liberal there. So how do you look at the future of Europe, and how will the discussion of the integration, fragmentation will -- and also the anti-globalization, anti-elite, will shape the future of the euro?

MR. BREMMER: Well, I guess I would say two things, one is that Europe, all of the major geopolitical challenges that are emerging in the world, China, the U.S., Japan, the world's three largest economies are actually very buffered from them, in terms of terrorism, refugees, failed states, all that sort of thing. All of that is aiming at Europe. Right? And that's caused an enormous hit to Merkel, she said, okay, we can take these people, we have to. Right? And no

one supported her. Not inside her country, not outside her country. That's a serious problem, and it's brought her popularity down.

In addition to that, you have this considerable security problem with Russia, now the United States has put sanctions on when the Russians went into Ukraine. Trump has already said, Crimea, basically Russia. Southeast Ukraine, there are no Russians in there. He actually pushed the Republicans in the convention to take off of their platform U.S. support for the Ukraine Military.

Newt Gingrich, who has been an advisor to Trump, says the Baltic States are basically just a suburb of St. Petersburg, and not clear why the Americans should defend them. And Trump has said, if the Europeans don't want to pay for NATO, why should we pay for NATO? So, clearly you are going to see a much greater security concern in Europe vis-à-vis Russia; for the United States, not such a bother.

The final point, look inside these European countries and in all of them, populism is growing. In all of them the legitimacy of their existing institutions is deteriorating. Brexit, which is, you know, ultimately this massive political risk, uncertainty for the U.K., but also for Europe and the Trans-Atlantic Alliance, came because a larger number of Brits decided that they did not want to hear facts anymore. That all they wanted to do was express their anger with people in power, all the establishment and political leaders, the bankers, the media, the corporations, you name it. That's quite a message.

And what you are now going to see is that the new U.S. President, he is actively going to be campaigning with and for people like Nigel Farage, UKIP, who went to the U.S. to help Trump actually win. Nigel asked Theresa May, the Prime Minister, I can be a bridge between the U.S. and the U.K. She said, I want none of that. In France, Madame Le Pen, big supporter of Trump; in the Netherlands, Geert Wilders, he actually has on his website, make the Netherlands great again. I don't know when it was great in the first place, but nonetheless they want to bring it back.

The point is that if you are a European leader right now, the geopolitical – you are wealthy countries, you actually have a lot of stability. This isn't the Middle East, it's not about to fall apart, but the geopolitical risk, externally, and internally, is at the highest level, we've seen since World War II, that's reality. And so the number of things -- I don't want to predict that Le Pen is going to win. I don't know if Italy is going to fail in their Referendum and the Five Star Movement comes in, but some of these things will happen.

The big terrorist incident, this sort of thing, there's still going to be some major risks that hit the Europeans at the precise time when Merkel is weaker, when the Brits are leaving, when the French aren't as aligned, and when the Americans just aren't paying much attention. Now I think that's a very severe issue. If you asked me to look around the world right now, and say what's the geopolitical tension that I think might cause the biggest trouble long-term for the world, I might well focus on how the Trans-Atlantic relationship is falling apart. That's more a Europe issue than it is a U.S. election issue.

Final point from me is that, you know, we've talked a little bit, you and me, at least about Trump, but I do want to recognize that when David and I decided that this was a good idea at the beginning, it was well before Trump. It was well before Trump was even a glimmer in the alt-right's eye. It was much more about the structural reality that the United States was becoming more inward-looking and unilateral, that Europe was becoming more fragmented, and the relationship was weaker, the Middle East was starting to fall apart, China was getting stronger economically, Russia was causing more trouble from a security perspective.

That was going to happen with Hillary. That would have happened with anyone you picked in the U.S. So I do want us to recognize that a lot of the reason why the politics are injecting themselves, this period of geopolitical recession, is much more structural than what the next President of the United States happens to do or not do in two months' time.

MS. YANG: Yes. Thank you so much. Before we open the floor to receive questions from you, let me very quickly ask a question for Wing and Minghao. Do you think the TPP is dead?

MR. WOO: I think that TPP is dead --

MS. YANG: Is dead?

MR. WOO: -- but on the other hand, it was a meaningless competition in any case. If it was a competition between TPP and RCEP --

MS. YANG: And FTAAP?

MR. WOO: If it is a competition the people in each -- of this alliance should be different. But if you have the same people on both groups, what kind of competition is that? So, if TPP was meant to be a competitor at the outset, it was never could be, because countries like Malaysia, would volunteer to be in both camps in order to collect presents from both groups. Like TPP participants of President of Malaysia, Malaysia, gets to -- basically, everything was waived, because Obama could not afford to start a club in which nobody joins.

So, how could you persuade Najib to join. You say, all these requirements, don't worry about them, we'll give you exemptions. So that's why Malaysia joined TPP. And, if you look at the way that the first ASEAN-China FTA was formulated, it was unilateral liberalization by China. Malaysia did not have to do much until much later. So you could see that the Southeast Asians do not see TPP and RCEP as competitors. They see them as goodies dropping out from the two big brothers. But they realize; however, the goodies dropped only if the conflict between the two big brothers is medium-level tension.

If it is high-level tension, then both the U.S. and China would say, if you are not with me, you are against me. So, basically then Southeast Asia would be forced onto one side or the other.

MS. YANG: So TPP is dead, is good for you.

MR. WOO: Yes.

MS. YANG: Then Minghao, what is your view on that?

MR. ZHAO: Probably it would be dead because it's impossible for the TPP to get ratification before the -- in the months to come. However, I think we -- Chinese are actually pondering the consequences of the potential death of TPP. I think it would have a double-edged effect; one thing when people would be happy to see, maybe the RCEP can gain more momentum, but on the other hand, we have to be aware of the potential danger of -- how to say -- the overall free trade, trade agreement environment in this region. So I would be very cautious with the consequences of the fate of TPP.

MS. YANG: Yeah. Thank you very much. I think it's time for us now to raise some questions from our host, of their distinguished audience here. I think that's (Speaking in Chinese), and all of you will have some questions. Yes. Please. (Speaking in Chinese)

AUDIENCE: Liwei from Caixin . So a question to David on debts; you warned quite vigorously about corporate debt situation in China, I think several months, ago. So, also I know China is kind of exhausting some of the capacity on the household sector by leveraging up the kind of property market; what's your kind of persuasion point for Chinese Government? Should they finally get to a more central government level debt? And are you by anyway concerned by the debt situation in the U.S. if Trump pushed forward his infrastructure and tax cut plan? Yes. Thanks.

MS. YANG: Thank you.

MR. LIPTON: We've been concerned about corporate debt. When we look at the public sector debt--even at a quite augmented view of that counting not just the central government but local governments and the various official vehicles--the debt has risen somewhat, but it's not at an alarming level. But I think that the level of debt of the private sector, especially the corporations, is very high. I mean, it's in the neighborhood of it getting close to 200 percent of GDP, and it's not so much the debt level as the question of whether the people who owe the debt, the companies that owe the debt, have the ability to pay.

Now they could have that debt relieved, but what's really potentially injurious to the Chinese economy, is if companies that aren't making any profits, and have incurred high debt, can continue to borrow, produce, and employ, despite that high debt. I think there is a question about governance in China. The liberalization has allowed everyone, every company, and many individuals to do what they want, and to participate in financing as investors and holders of financial securities, and things like that, but in the company sector, there hasn't been an increase in responsibility that goes along with that.

The responsibility should be that, if you borrow, you are responsible for repaying the debt, and, if you can't, that there are consequences. So we worry that the corporate debt, if it continues to rise, could become such a burden on the economy that, because of the sovereign linkage: the fact that the government would feel obliged to take action to prevent a widespread problem on output and impact on jobs, could lead to the sovereign debt rising to an unacceptable level.

So what we would like to see is that steps are taken to control credit, to control the flow of credit to companies that really shouldn't be borrowing, and to see restructuring of companies that really don't have future prospects. In the United States, you know, while the sovereign debt level is somewhat higher, the returns on infrastructure are very substantial, mainly because U.S. infrastructure has been allowed to lag behind, and there's a lot of maintenance of existing infrastructure that needs to be done.

So the returns are high, but meanwhile the borrowing costs are very low, the 10-year bond yield, even the 30-year bond yield are low enough, that it is clear that undertaking infrastructure, as long as project selection is done well, will enrich the United States because the return will be higher than the cost. I don't think that the issue of debt overwhelms that. I think it's more likely that the return will contribute enough to GDP that it will make it worth the while in covering the debt.

So we at the IMF advocate infrastructure improvements for the United States. Now that's not to say we advocate any odd project, it's important that if an infrastructure program is developed, it's not just a giveaway, to give a subsidy for an investment that would otherwise happen anyway, but if the U.S. can identify and execute new infrastructure investments, where there are substantial returns, or it can undertake some of the delayed maintenance, then the country would be better off.

MS. YANG: Thank you for the question, and also thank you for the answer. Let me add a little bit on that, on a problem in China and we'll get back to you. And when we talk about the debt crawling up in China, the reasons that the -- because the corporate cannot have enough profitability to sustain so they have to borrow to sustain the daily -- the day-to-day operation. That's the biggest problem. So when we have this situation, the Professor Minsky called it a Ponzi economic growth. How will this situation bother you in China?

MR. LIPTON: Well, again, this comes back to the issue of governance: if a creditor assesses a company it should only -- and I think in many countries, would only lend if they saw that the use of those funds was going to lead to profits. And at some point, I mean what happens in many countries, and to some extent it does happen here, you know, when the creditor believes that the borrower is insolvent, they have the ability to prompt either a bankruptcy that leads to restructuring, or a bankruptcy that leads to liquidation.

There are examples -- I heard from a leading official here -- a story of how restructuring can work when a creditor, a leading creditor, conducts a restructuring through debt/equity swap and brings about management change that leads to restructuring in companies. The problem is that this doesn't happen when companies, whether state-owned or private, have sufficient political power and influence.

If the debtor can resist the intervention by their creditors, or if their creditors are instructed not to assert their right as creditors, the process doesn't work. So that is to say, sometimes there is good governance, but sometimes there isn't, and I think China needs to broaden the breadth of governance across the many actors in the economy so that freedom of opportunity comes with responsibility.

MS. YANG: Yes. So they've got -- corporate governance here is a key. Thank you very much. We are going to have more questions. And the lady there in the purple; please identify who you are, and try to be brief with one question.

AUDIENCE: Okay. I'm Li Jing, from Capital University of Economics and Business. I'd like to raise one question about integration and fragmentation. So far China is highly involved in the globalization, and now China is championing a new round of reform. So, I'm thinking about any proposal for China to overcome the policy for any fragmentation in China; for example, active results. And a follow up of this question that for the global --

MS. YANG: Sorry. Only one question. What is your specific question here?

AUDIENCE: It's the first one, how the proposal about China to overcome the policy fragmentation inside China?

MS. YANG: What do you mean a policy fragmentation in China?

AUDIENCE: Because we are championing a new round of (inaudible), for example, we have different policy in different areas, especially the Free Trade Zone Policy. Thank you.

MS. YANG: Yes. There is a question here, so maybe, Wing, would you want to talk a little bit on that, and maybe others?

MR. WOO: I think the greatest fragmentation in policy in China is the Hukou system.

The Household Registration system, whereby you have people who are effectively second-class citizens, in their country, and I think the good news is the ending of this fragmentation would result in a major improvement in the Chinese economy if the government undertakes reforms in other areas as well. Specifically, it would, I think, have to allow the largest cities in China to grow and stop pretending the people like to move to medium-sized cities in the middle of China.

I think that if you look at the size of Shanghai, Beijing, Guangzhou, according to the population size of China, these cities are too small. The only reason that that's a natural limit to the size of cities, it could be the infrastructure and the public health constraints that you face. But nowadays, I think given China's great prowess in construction, and in social organization, I do not -- and also the possibility of doing low-cost housing, urbanization in China will not produce the kind of slums of Calcutta that you see.

The lessons of Hong Kong and Singapore in urbanization could be well used; but again, urbanization in environmentally sustainable way. Given the fact the people are moving out from the villages anyway, why can't you put more of the new industries, and cities in the south, where there's enough water, rather than letting them expand in the north, where there's not enough water.

In fact, there's so much water that's being sucked up, that spy satellites shown often China to be sinking 0.5 millimeters a year. Basically, you have the sinking feeling, because of the shortage of water. So, I would say that number one fragmentation is to address --

MS. YANG: Let me ask, Free Trade Zone policy in China?

MR. WOO: I think that you should make the rest of country a Free Trade Zone as well, in other words, if there are advantages to be given to everybody, it's the same thing as, if there are advantages in being an urban citizen, then give it to everybody. Similarly, it means that things like, especially low points for university admission for people within that city. That is, I think, a fragmentation that is along the line of the Hukou system, and has to be ended.

MS. YANG: Thank you, Wing. David, do you want to add something here?

MR. LIPTON: No.

MS. YANG: Yes. We can have more questions. Yes. The gentleman here; yes, please?

AUDIENCE: Thank you. I'm Ping Jing. I'm postgraduate of Institute of Law, of CASS. I have just one funny question to ask Mr. Zhao. I want to know, why do you say the U.S. President, Donald Trump, can only serve one term? (Laughter)

MS. YANG: Very good question, for I am wondering how, too.

MR. ZHAO: You know, I should stick to no interference of domestic policy doctrine by China. But how -- Actually I just came back from the U.S., I did a recent trip there, and I think many American experts shared their (inaudible) on the upcoming U.S. new administration. They think given the political polarization, and given the -- how to say -- deep-rooted domestic divides, reasons Mr. Donald Trump could be a one-term President. But maybe Ian or David would have their different views.

MS. YANG: I think it's not proper for David to comment on that, but Ian would be in very good position to talk (crosstalk).

MR. BREMMER: My wish is irrelevant at this point, you know, I think that --

MS. YANG: But what is your wish?

MR. BREMMER: Well, look, I mean, I clearly think that on balance you want to have someone who is more experienced and more stable running the world's largest economy.

MS. YANG: That's (inaudible)?

MR. BREMMER: No. I think people here need to recognize that this is a radical change.

SPEAKER: Yes.

MR. BREMMER: Right? I mean, yeah, I understand it before, I said that the big geopolitical changes are structural, and that's true but, you know, this is someone who is profoundly outside, you know, sort of the political spectrum in the U.S., and someone that does not owe anyone anything to get where he was. You know, the mainstream Republicans threw him under the bus, and he still won, and his personality is one that implies that he's going to go after enemies, and that's potentially an issue.

Look, I think that there are two issues here. One is, I don't think he's one-term. I think he's either less than one term, or he's two-term.

MS. YANG: Or more than one term. (Laughter)

MR. BREMMER: Or he's two-term.

MS. YANG: Yes. I agree with you.

MR. BREMMER: And I guess the question I have to ask, look, it's very clear that he controls the Senate and the House and he's going to control the Senate in 2018 as well, because of the seats that are available, so for years, he's going to have a Republican run, which means he has the ability to get a lot done, and if that goes well, being the President confers extraordinary advantages of incumbency to get a second term. That's been true for a long time. That's typically your system.

The question is: what happens if he's not successful? What happens if things go badly? What happens if there's an international crisis economically, or there's, God forbid, a major cyber attack? Or just that the level of scandal around his conflict of interest and other things get so great.

MS. YANG: Do you think he has a challenge to dealing with the button for the nuclear weapon?

MR. BREMMER: No, no, no. But I think that if he gets weak. I mean, I was there in Cleveland when he gave the speech when he became the nominee; that was not a Presidential speech; that was an authoritarian speech. That was a speech that inspired hate and anger. And that is not the same speech that we've seen in the last few days from Trump, on balance, but we know that, you know, you're 70 years old, your personality doesn't magically change. Right? I mean he is who he is. And this is the sort of person that if things go badly against him, his likelihood to lash out and act in the way that we see from someone like President Erdoğan in Turkey, right, and try to crush dissent, and use the power of the presidency to do so, is very significant.

Now I don't think that's the end of American democracy, I don't think that's a nuclear war, but I think that's incredibly divisive inside the U.S.

And I also think that that's going to really damage American alliances around the world. So, we shouldn't underestimate the risks that come. I know again, the view is, a businessman, it's

fine. We shouldn't underestimate that the world's only superpower has just elected someone that will inject massive uncertainty and volatility into the global system. That is a reality.

MS. YANG: Yeah. Let me ask a very straight question. Your sense, your best guess for this new President, will be a good one, or a bad one?

MR. BREMMER: No, that's a very complicated -- there are clearly good things that --

MS. YANG: So it's a guess?

MR. BREMMER: No, no, no. It's not a guess. There is a fact that if Hillary Clinton had been elected, the most establishment candidate that either party could have fielded that she would have been incredibly competent. She would have had a lot of really smart and experienced people around her, but she also would have very attached and captured by a lot of special interests. And her ability and willingness to address the concerns of all of those deplorables that she referred to them, the disenfranchised in the U.S., probably wouldn't have fixed it.

Now I don't believe that Trump is going to fix this, but I do believe that he is articulating and identifying with them, and that has the potential to lead to some positive change in the United States. The single thing that should have worried you most about this election, was not Trump's win. The single thing was, this is the most important election in the U.S. of any of our lifetimes, and 45 percent of Americans didn't think it was worth bothering to vote. Right?

MS. YANG: Yes. That's the issue.

MR. BREMMER: The level of apathy in the U.S., not only are they upset, and is the American dream eroding, while the Chinese dream is picking up. This incredibly wealthy country, the American dream is eroding, and this country that has everything going for it, so it's really -- it's unimaginable really, to understand how that's happening. At that point you'll have someone who potentially really upsets the systems, and almost 50 percent of the people could not be bothered to vote. I think that tells us something very meaningful about the state of the global order today.

MS. YANG: Yes. Yes, please, Minghao.

MR. ZHAO: A very short sentence. I think it's not so important that we judge Donald Trump would be a one-term or two-term President, but however, Trump, in fact really matters. Trump, in fact, really matters. And I think the people, the American ordinary people in Midwest, they came out during the election and they voted for Trump, and they sent a very clear message that we are not happy with the status quo, in the United States.

And most of the people are from the so-called Rust Belt region, and Bill Clinton said, "It's the economy, stupid", but I think in this election the message is that it's not economy, stupid, it's about, more about identity politics, it's more about the social insecurity, it's more about the people's --

MS. YANG: Inequality?

MR. ZHAO: Yes. Insecurity, inequality; inequality and insecurity --

MS. YANG: And discontent.

MR. ZHAO: And so many American people just wanted to bring their own country back. I think it's a more fundamental thing, it's a more (inaudible) thing we need pondering about whether now, how to see that -- whether Donald Trump would be one-term or two-term President.

MS. YANG: Yes. Thank you very much. We still have time for a few more questions. Yes, please?

AUDIENCE: Peter Foster, I work with the London Daily Telegraph newspaper. We stand on this panel, and blithely talk about the benefits of interconnectedness, all of the panelists appear to agree with that, but we can see from politics in Europe and America that actually people, fundamentally, not only disagree with that, but they actually -- they wish to rip the system up. You know, it's a very aggressive, adversarial system. I wonder whether any of the panelists can talk about what, within the political constraints of these countries, can be done to address the concerns of those people who wish to rip the system up, and whether that can be done without destroying the system as we know it?

MS. YANG: Yes. A very good question.

MR. LIPTON: I'll say a few words about that.

MS. YANG: Yes, please.

MR. LIPTON: I think we've heard a lot of anger, and we understand that there's a great amount of discontent, but it's also our job to analyze what's causing it, and I think when we do that, it's not just about interconnectedness. The global financial crisis hurt a lot of people, their house prices went down, many lost jobs, their pension values went down, the growth since then has been low, so their consumption levels have not been recovering very rapidly. So part of this is about the global financial crisis, that would have happened with or without globalization. It was about a whole constellation of things that --

MS. YANG: And maybe the crisis is a result of the globalization.

MR. LIPTON: Well, no, I don't think so. I don't think so, because this crisis was more about the combination of financial engineering in the U.S. financial institutions and poor supervision of banks and of mortgage operations throughout the United States. And, as well, a bit about the financial connections, to be fair to your point, a bit about the financial connections between European banks and the U.S., because European banks participated in the mortgage finance business. But my point was that part of this was about the global financial crisis, so part of the lesson then is fix the growth problem.

Secondly, a lot of it is about technological change, and the fact that technological change has been labor-saving, robots that replace people, artificial intelligence, and so on and so forth. You know, even if the United States put on high tariffs, and trade went down, if it makes

sense to replace a worker with a machine you'd do it, and frankly, if the tariffs allowed people to get higher wages and import-substituting enterprises, there'd be all the more incentive to replace the people with machines.

So, there, one has to deal with the technological changes. It's a complex subject I won't go into it in detail, but surely there's more to be done through training and education than through de-globalization. Now it is partly about globalization, there's no question that we know that trade brings gains, but they are not uniform. Some people gain from trade, others lose. In a nation that gains from trade, the wins are bigger than the losses, but there are gains and losses.

So, what do we do in this setting? I think it's the role of the IMF to try to analyze, as I have, but in more detail to try to explain really what the options are going forward. The truth is that there isn't a state in the United States that doesn't have a very large fraction of people working in businesses that depend upon exports.

And so this is not about the Rust Belt. I mean, whether you are talking about the Rust Belt or North Dakota, people work in enterprises that depend upon trade and interconnectedness. So, clearly still -- people may be angry, and they maybe, as you say, wanting to see the curtain come down on globalization, but I think that wouldn't serve them particularly well. I think from our standpoint as an institution, a member-based institution, the IMF, with the U.S. as our largest single shareholder, it's our job to try to help analyze the situation, make suggestions for how best to deal with it; I think --I made the case earlier that globalization and interconnectedness continue to be hugely important for emerging markets and developing countries that aspire to raise living standards. I think it's well worth our while giving sound policy advice to countries like the United States and Europe.

MS. YANG: Yes. Thank you very much. Very quickly, Wing?

MR. WOO: Yes. I just want to register the opinion that a very good case can be made that globalization did have a role in the global financial crisis. It was not globalization, per se, as much as the mishandling of globalization. Specifically, you could see that what is the biggest jump in globalization from the 1970s to now, I would say the biggest jump in globalization occurred between January 1, 1990, and before Valentine's Day 1992. Because on January 1, 1990, was when this integration of the Soviet Union began, December 1991 was when India begin integrating into the international division of labor in response to a normal balance of payments crisis.

And in early 1992, Deng Xiaoping came up with socialism with Chinese characteristics, to thoroughly integrate China into the global -- international division of labor. What that means is, if you look at 1990 the workforce of the world is 2.1 billion people, of which 1.2 billion were in the Soviet Block, India and China. So what happens is the integration of all of these people into the international division of labor, means that the world supply curve of tradeables shifted outwards and that is a deflationary phenomenon.

Output shifts outward but Alan Greenspan, and most graduates of globalization, the Western central bankers, with the agreement of the IMF, continued the practice of inflation targeting. Inflation targeting would necessarily mean the amount of money that is printed is excessive. But because of the continuous shift in the global supply curve, the excessive expansion of money did not lead to inflation, but to higher trade deficits with the developing countries, and it stuck. What Alan Greenspan called irrational exuberance, the housing bubble, and the stock market bubble --

MS. YANG: So it's the fault (inaudible) of the global economy?

MR. WOO: No. The thing is that the IMF was too nice to the U.S. at that point. The IMF should have cautioned the U.S. under Article IV consultation regarding the amount of debt that was being generated, the fragility of the system of financial engineering. The IMF is not fair.

MS. YANG: I have to stop you, Wing, now, because we don't have enough time. We still have questions -- Zhou Hong? I'm sorry.

MR. WOO: No, no. That's fine.

MS. YANG: (Speaking in Chinese)

AUDIENCE: Time-wise I have a very short question. I'm concerned about the future of TTIP, or T-T-I-P, what do you think about it? The EU is a very important establishment in between the globalization and nation state. Do you think it is going to be first to be sacrificed by this kind of trend in Europe?

MS. YANG: Zhou Hong, the Former Head for the European Studies here at CASS, so she has a lot of knowledge on Europe. So, David, would you want to comment a little bit on that, and maybe Ian, TTIP --

MR. LIPTON: I don't know what the future of TTIP is. I think that it's a potentially beneficial agreement for both the United States and Europe. There's no question that some of the measures that are envisioned there, including the harmonization of standards and regulations, are a new frontier in trade negotiations, and it would be, if properly designed and implemented, very valuable to both sides.

But in this environment, I mean, already well before the U.S. election, resistance to TTIP had become quite strong in important quarters in Europe, and so I think this is something that will have to be revisited, and it may well be, that with the sentiment that we've just been talking about for the last hour and a half, it's going to be some time before it can be taken up again.

The creation of the European Union as we know it, with a very large number of countries, was a very important accomplishment. Wing referred to the coming down of the Iron Curtain, and the reintegration of countries that had been outside the economic system. The opportunity to join the European Union provided a kind of magnetic force for countries that wanted to be

normal again, and wanted to join Europe. It disciplined politics, it led to great reforms. These reforms have led to spectacular improvements in Eastern European countries' economies.

But that leaves you with a membership in the European Union that's very heterogeneous, some more advanced countries, some less advanced countries, countries with different political attitudes, and with weak growth at the heart of the Union-- in the Euro Zone portion of the European Union, and continuing legacy from their financial crisis. I think one sees really quite a variety of attitudes around the European Union about what the future is going to be.

Clearly, the aim of the members is to maintain the strength of the Union, the strength of the Euro Zone, and as our member countries, we are trying to help them accomplish their goals. But I do think it's fair to say that the challenges are greater than they were in the earlier period.

MS. YANG: Yes. Ian, very briefly, TTIP?

MR. BREMMER: Well, I think that given all the risks that are going to be confronting the Europeans both internal and external dealing with the Brexit, weaknesses of a lot of these government's potential of populists winning, it's hard for me to imagine it, and the U.S. that you have to negotiate with, which is not going to be an actively pro-free trade posture, it's going to be very hard to move on that. I don't have a specific timeline or projection, but I do think that David's point is very well taken, that there's a lot of diversity in the EU, and I don't expect to see a lot of additional exits.

I think we should take the broader view, understand what they have failed at. That when Europe was initially conceived, the European Union, it was the world's most ambitious, ever, super-national experiment. And they wanted to create an identity, they wanted people, after having dealt with two wars, which were so incredibly destructive and costly, they wanted people to identify with more than their individual nations and develop a loyalty and attachment to this place where you would have human rights, civil society, rule of law and independent judiciary, all of these things.

That has failed. And that has failed, in part, because it got too big, and in part because we haven't seen enough economic growth to help. I mean, the fact, you look in countries like Turkey and Hungary, and Greece today, and you look at where Austria is heading and a number of others --

MS. YANG: But do you think that EU will collapse down the road?

MR. BREMMER: Well, again, if you ask me down the road --

SPEAKER: It gets smaller.

MS. YANG: This is a (crosstalk).

MR. BREMMER: Down the road, I think it is much more likely that cities are going to be more effective nodes of governance, because if you are running out of jobs, rural areas and

hinterlands are going to be impoverished, and if you don't govern well, and don't fix the social contract for the whole country, those are the people that are easy to forget about, right.

So I think that -- I don't think that Europe will fall apart, but I think the governance will evolve in an environment where actually -- where the action is, and increasingly where the sovereignty is, in a world where energy is decentralizing, the Internet is decentralizing --

MS. YANG: And the finance is decentralizing too.

MR. BREMMER: -- arms -- National security, cyber drones decentralizing. It's not going to be about massive standing armies, it's not going to be about navies that defend sea lanes. If that's true, then nodal connections between cities is the future of geopolitics, and that means -- and Europe and that environment is actually fairly well-positioned over the long-term, because their cities are reasonably robust and well-governed.

MS. YANG: Yes. Thank you. Zhou Hong -- Yes? I don't think we have enough time. We have had a very good discussion in this debate. I'm sorry we cannot take your question, maybe later on. So I think it's time for us to wrap up. I would like to wrap up, and ask you a very -- interesting two questions. The first one is very light, the next will be a little bit serious. The first one is: What is your best guess of the next Secretary of the Treasury in the United States? (Laughter)

SPEAKER: Treasury?

MS. YANQING: Yes. (Inaudible)? Or someone else, or Ian, do you have a best guess, or Wing; Minghao?

MR. BREMMER: My best guess for State is that it's not Romney. I don't have a Treasury guess.

MS. YANG: Okay. Not Romney?

MR. BREMMER: Not Romney.

MS. YANG: Yes. Minghao?

MR. ZHAO: I have no (crosstalk).

MR. WOO: I don't know that one.

MR. LIPTON: No. I have no idea.

MR. WOO: I wish it were David. (Laughter)

MS. YANG: Good choice. And the final question will be a very serious one. What do you think that the -- which is the best role for China in today's global community when we are struggling to try to navigate through all this uncertainties and anti-establishment, anti-globalization, and everything? So maybe, Ian, first?

MR. BREMMER: Well, you know, actually -- It's an interesting question, you know, because we started with this discussion before our panel, the introductory comments on 6.7, 6.5 maybe 6.2, but let's do 6.5, that is a conversation we've heard from China for a very long time. China's role in the world, and they it has expressed itself, and the way we have seen it from the outside, is for 35 years, engine of growth, show me the money, build me the numbers, but in a world that is showing not a Pax Americana but a G-Zero, in a world where globalization is being challenged, and we see more fragmentation, China is going to have to do a lot more than present its growth members.

And there's no question that I saw a speech from Xi Jinping in Peru that was a significant step towards that. It was one of China not saying we are too small, we are too poor, we can't do leadership, but actually we are going to play a greater role in creating international architecture, in infrastructure building and in working to ensure stability. One of the best pieces of optimism out there, is that China is becoming a more status quo power, in a way that Russia is not. Right.

And that's going to cause tension between China and Russia. But I mean, again, I know South China Sea, and a lot of things that China does necessarily like, this is today. I do believe that in the --

MS. YANG: In short (crosstalk) fix.

MR. BREMMER: -- over the medium term that role, that willingness of China to become a responsible stakeholder, as they define it, is actually a quite constructive one, and one that we as Americans, as Europeans, as multilateralists, will increasingly be able to work with.

MS. YANG: Yes. Thank you very much. Minghao?

MR. ZHAO: I think, Ian, in the century, in the years to come, if you want it to be a truly influential, major player in this world, you have to own, you have to persist, the connectivity power besides hard power or soft power. And I think for China the connectivity power, the connectivity means a lot of things for China. Openness is the lifeline of China, and I do think it's in China's fundamental national interest to sustain the momentum of globalization. That's why one argues for the so-called connectivity-oriented grand strategy for China.

As for China's role, I would say China can play kind of facilitating leadership role, facilitating leadership role, rather than dominating, or rather than to be -- or hegemonic power on the world stage, as AIIB, OBOR, among other initiatives suggested. I think China is striving for such -- for facilitating leadership role. That is, China is not seeing -- no power, China just wants to see, how can I do help you. How can I help you?

MS. YANG: But do you think that leaves less responsibility for China? As well, just facilitating, we are not leading?

MR. ZHAO: I think it helps us actually it's (inaudible). That's the connectivity -- connectivity means, and so basically the bottom line is that, and I think China can do a lot of meaningful things, and powerful things, like help making AIIB succeed. How to say? To safeguard, to

resist the de-globalization wave, we don't want to ride the wave of de-globalization, we have to be a good agenda setter, a good action enabler, a good consensus builder, and a good messenger.

And China wanted to send a very clear message to the world that we want to continue, we want the globalization process to go on. In light of the very (inaudible) crisis from within, from the West, because I see from the U.S. election, or the right-wing populist -- to the political situation in Europe, has been a very fundamental danger since the end of the Cold War. This is the first time we see, the true danger, the true crisis from within, from the core of liberal international order, so we wonder what the U.S. and Europe want, what do you expect from the globalization, what alternatives you have if you want, you know, such -- how to say -- kill free trade, if you want to -- how to say -- withdraw into isolationism.

And we take this danger seriously because globalization and our openness are associated with globalization is truly a lifeline of China, and in terms of its peaceful rising. Thanks.

MS. YANG: Yes. Thank you very much. Wing first, then David, final and closure.

MR. WOO: The question is: what is the most important contribution China could make to the world? Think of the analogy, if your laptop doesn't work, is it hardware failure, is it software failure? China should be fixing things for the world that only China could fix. Only a large country like China could fix a power supply failure, because what is a power supply failure? Existential threats to the world: climate change, the other one is nuclear proliferation.

The Trump administration is saying its allies should pay more for its own defense. Basically, that's an encouragement to Japan and Korea to have their own nuclear bomb. And what is the way to stop Japan from having a nuclear bomb? Perhaps the deal is, North Korea will now no longer have nuclear bomb. That would ensure greater safety for Japan. China and the United States are the two countries who actually can make the difference, to make or break the agreements on climate change and on nuclear proliferation.

And this is the kind of global role for China to focus on. Not merely its base structure (the economy) and superstructure (the politics), but the power supply that makes the whole world run safely.

MS. YANG: Yes. Thank you so much. David, final word.

MR. LIPTON: Thank you. First I want to say thanks to everybody, this has been a great discussion, and I'm really glad that everyone has come and participated. I would make three points. First, China has to take care of itself. If you look at the United States or Europe, where the financial crisis caused so much damage, where politicians have had to spend their time fixing problems at home, and haven't been able to tend to international cooperation and governance, there's a lesson in that, and so I think the most important thing for China to do is to press ahead with reforms, to fix the governance in the country, to make sure that finances are kept in check, and to worry less about having the fastest possible growth rate, and focus on having the fastest sustainable growth rate.

Second, be multilateral. It is often said that China acts unilaterally in the security realm, but it's always struck me that China acts very multilaterally in the economic realm. China values its role in the IMF, and sees the IMF as an institution that it can cooperate with, and we have many, I think, quite useful cooperations that benefit China, whether it is what we do in Europe, what we do in the Middle East, what we do in Africa.

And I think continuing to press for international cooperation, and in all of the spheres, is important at a moment when so many in other places are questioning that. It's important that China, as it did in the G20, as I think it did with your President's participation in APEC in the various fora, press for multilateralism.

But third, as you press for multilateralism, listen to your partners. There is discontent in other countries. There are questions the discontent has, as we've discussed in this session, has real economic roots; there is no point in butting heads, and in a way that assumes that there is no valid point, no valid reason for the discontent, no valid reason for demands, for reexamination of the way in which countries interact. I think that China has to listen to its partners.

So, to me, the three points are: take care of yourselves first; be multilateral; but, as you are multilateral, listen to what your international partners are saying.

MS. YANG: Yes. Thank you very much. Excellent! Please join me with a big applause to thank our panelists. And thank you very much. (Applause) And this concludes our discussion today. Thank you.

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