

THE GLOBAL AGENDA

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The Economist's annual Global Agenda meeting provides a welcome opportunity for leaders from business, politics and civil society to exchange ideas on the major geopolitical, economic and social changes of our times and what they might mean for business.

Making sense of the changing landscape is never easy, especially in a year of Brexit and the election of Donald Trump in the United States. While no one can predict what lies ahead, Global Agenda helped shed some light on where the pitfalls and opportunities might lie, and how businesses can respond. We thank all participants for their invaluable contributions.

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The world is holding its breath. Will president-elect Trump go through with his most controversial policies? What happens in America will have far-reaching consequences, some of which are already playing out, and uncertainty reigns as to what president-elect Trump's presidency will bring. The markets hope for 'Trump-lite' rather than 'Dark Donald'.

Europe is in turmoil. The European Union is reeling from Britain's decision to leave, and Europe is set for further turbulence with Italy's forthcoming referendum in December, followed by elections in France and Germany next year. How this will play out with an increasingly disaffected electorate remains to be seen.

Beyond politics, Global Agenda also looked at the role of technology in business. On the one hand, technology offers businesses the possibility to provide new services to customers, though it also has its dangers. A careless tweet can bring a company to its knees.

Millennials and Generation Z are central to many of the changes seen in business and politics. Disenchanted with politicians who they believe fail to deliver on their promises, they are making their voices heard. Business leaders, meanwhile, are under pressure to deliver new ways of working to generations that demand transparency, early autonomy and flexibility.

Led by *The Economist's* senior editors, the highlights of Global Agenda 2016 are presented in this summary paper.

Opening address

With the US presidential election top of mind, it was fitting that the Global Agenda opening address was from Matthew W. Barzun, Ambassador of the United States of America to the United Kingdom of Great Britain and Northern Ireland.



senate majority leader, Mitch McConnell, has said it is not a priority. On healthcare, Obamacare is not perfect – but the Republicans won't kill it. There are 20 million people who benefit from Obamacare, and that is a big group of people to hurt. The Republicans will have to do the work of making it better.

The conversation moved on to the future of democratic institutions and the example that countries like the US and the UK should look to set. The UK and the US need to up their own game and then encourage others to follow. We must ask how are we doing on governance, and how we take care of our democratic institutions, the ambassador said. We need to look at the respect for these institutions and where the problems might be. US voters don't like the idea of governance, but they benefit from it. This needs to be emphasised.

In terms of commerce, Ambassador Barzun stressed that the relationship between business and government needs work. Government seems to be in a place where it has to make the rules of the game, but hates the game it is governing. Businesspeople,

on the other hand, sound like they hate having rules. Rules need to be in place and if they don't work, they must be improved.

Ambassador Barzun was asked what some of Mr Trump's priorities might be in terms of the UK. He noted that engaging with young people is crucial. As a sweeping generalisation, the people in the UK who love America are white male Tories over 65. The group with the lowest opinion is BAME (black, Asian and minority ethnic) progressive people under 30. Interestingly though, while this latter group have a low opinion of the US, they rate President Obama highly. Engage with the next generation because they will drive the future, the ambassador said.

This idea of engagement resonates strongly with the ambassador, who gave several examples of its importance. He spoke about how crucial bridge-building is at all levels – within communities and between countries.

For example, trust in law enforcement has broken down in some communities. Language is powerful and can be divisive if we don't choose our words with care. He pointed to an exercise

where the seemingly neutral word 'housekeeper' was shown to two different groups: representatives from the community and law enforcement officers. The first group associated the word with housekeepers they knew: hard workers, or indeed their aspiration to have a housekeeper. Law enforcement officers, however, associated the word with 'thief' – because they only had met housekeepers when they had been accused of stealing things.

Governments and businesses need to take a close look at the language they use. Phrases such as 'intellectual property protection', 'transatlantic trade and investment partnership' – even 'Global Agenda' – can antagonise parts of the population. There are people who hear those words and think 'thief'.

He gave a personal example of bridge-building. A man sent Ambassador Barzun a hostile email accusing he and his boss President Obama of knowing very little about the average person trying to make a living in a low paid job. The ambassador's initial reaction was to fire back an angry exchange but he paused



and instead looked at it from the man's side. Then he tried to explain the efforts he had made to understand the issues. After a series of email exchanges, the man became less hostile.

Empathy is crucial to bridge-building. So too is really listening to the other side. This was President Obama's first piece of advice to Ambassador Barzun as a new diplomat, and it always rings true. Even on the uncomfortable issues, listening to what others have to say is key.

In conversation with Zanny Minton Beddoes, Editor-in-Chief of *The Economist*, Ambassador Barzun was asked what a Trump presidency might mean.

For Britain, the ties will remain strong. The country should not worry about its 'special relationship' with the US, he said. Since Winston Churchill first coined the phrase, the two countries have always been close. The relationship is broad and deep and there is a great deal of forward momentum. This is not a cause for concern.

As for America's relationship with the rest of the world, Ambassador Barzun said that Mr Trump's views on NATO

and what the US contributes compared to other countries is not unreasonable, and this has been stressed for over 40 years. Asking for 2% of GDP is not a particularly high bar, and it is only Britain, the US and three other members that hit that mark. It is this idea of fairness that connects with US voters and this is what Mr Trump tapped into.

The ambassador was asked which parts of Mr Trump's ideas the Republican Party would support. Corporate tax reform should be on the agenda and it will be interesting to see if the senate will back the president elect's plans for infrastructure, given that the

The shifting social and political landscape

Disaffection with establishment politicians is creating turmoil.



having a say. The reality for someone earning £15,000 a year is far different from that of a business leader or a politician, and this must be remembered. It was argued that we need to see life as others see it, and not use our own prejudices to predict political outcomes.

We should not be surprised by what happened in the US, a delegate argued. Middle America harbours significant cynicism for US politicians and many people there think that what happens in Washington is divorced from what is happening in their lives.

These people are fed up with the status quo and feel they need to try something else – it just happened to be Mr Trump who was able to articulate their concerns.

Slogans like 'Brexit means Brexit' and 'make America great again' have resonated with a disenchanted electorate, but the complexities involved in actually delivering workable policies to achieve them are huge. What will happen when politicians cannot deliver? Voter cynicism and yet more strife may follow.

While markets reacted favourably to the news of Mr Trump's victory, it is worth

remembering that markets can't possibly predict with any certainty what will happen. The implication seems to be that investors are imagining a 'Trump-Life' – like a Bush III or a Reagan II – that will favour the things that markets like such as tax cuts and infrastructure spending, while cutting back on the things they don't like, such as trade restrictions and the deportation of workers. But the difficulty is that this isn't exactly what president-elect Trump's voters supported. It is also worth noting that the Reagan boom was driven just as much by big cuts in interest rates in the 1980s and that the Bush boom ended in the financial crisis of 2007 and 2008. In other words, even if Mr Trump does what the markets want, the end result may not be positive.

Mr Trump also can't bring back the jobs of the people in the Rust Belt, given that steel is already at overcapacity. This is a situation that is way out of his control, and this is the problem for all politicians. Today's issues are complex and global. Voters want answers that are simple and local but that is not the reality.

But while populist revolts continue, it is important to note that not everyone is raising their fists in anger, said Philip Coggan, Buttonwood Columnist and Capital Markets Editor for *The Economist*.

Brexit and the US elections were close. Mr Trump did not win by a landslide, nor was it a working class revolt against the elite: Hillary Clinton won 52% of the vote of those who earn less than \$50,000 a year, compared to 41% for Mr Trump.

However, it's clear that a large number of people feel alienated. They think that the world has changed around them without them

Lessons from history?

Mr Coggan took an historical approach to assessing whether or not the challenges brought about by social, economic and technological change could provide some insight into our current political situation.

In the period after the Second World War, there was phenomenal growth propelled by the rebuilding of shattered infrastructure, explained Mr Coggan. Some of Europe's economies were still quite agricultural and, as in China today, moving workers from agriculture to industry boosted productivity. There was a move from protectionism to increased trade links. This logic was guided by Keynesian-style fiscal policies which economists thought held the key to managing the economic cycle. When this cycle broke down in the mid-1970s there was the kind of political turmoil we have now. Indeed, there were so many strikes in Britain that some called the country ungovernable.

As the economy rebuilt and entered the boom period of the 1980s, there was a move from fiscal to monetary policy. From 1982 to 2007, central banks substantially lowered interest rates, which gave a big boost to the global economy. Monetary policy was seen as the answer to managing the cycle.

However, this all broke down in 2007 and 2008 due to an excessive buildup of debt and the creation of

high asset prices. Political leaders had few options – they had a burst of fiscal stimulus in 2009 and then a move to austerity. Monetary policy rescued the world from a big depression but lower interest rates and quantitative easing became less effective with each increased cycle, prompting a sluggish growth rate. This started to make Western politicians look clueless. Neither centre right nor left knew how to restore things.

Likewise, in the late 19th century, globalisation was enabled by the steam ship and the railway as goods were brought in from places like Argentina and the US, thereby undermining European agriculture. At the same time there was a big shift towards industrialisation in Europe. This all brought about huge changes and mass migration. This wasn't much of a problem while the economy was growing, but by the First World War things changed and an era of globalisation came to an end.

We are now witnessing a second era of globalisation, but unlike the first, we are moving ideas rather than goods, and rather than one country producing



the finished product, there is a global supply chain with different parts made all over the world. This is enabled by technology, cheap communication and trust in the system. But this shift has seen industrial capacity move to the developing world, with political consequences in the Western world. In the Rust Belt states, for example, the jobs that blue-collar workers could rely on no longer exist. The jobs that have been created are in the service sector: jobs that many men don't want to do. It is this disenchanted base of people that Mr Trump appealed to.

The impact of a Trump presidency

Many people are worried about some of the more extreme policies that Mr Trump has declared on his campaign trail, but how seriously should we take them?

It has been said that Trump supporters take him seriously but not literally, while his opponents take him literally but not seriously.

Nobody thinks he will do all the things he says, though he gives off the idea that he is on the side of the average white guy and that is what won him the vote, said a delegate.

Regardless of what was said on the campaign trail, it was argued that the United States is not a country that leans hard left or hard right, and that the power Mr Trump has when surrounded by 535 members of congress

is quite limited. The idea of an actual wall between the US and Mexico –one of Mr Trump's most controversial statements –would never be implemented, said another participant.

But if we can't take Trump literally, how can businesses plan for his presidency? It is a challenge, and delegates looked at how to incorporate risks into their models. But the sheer unpredictability makes this nearly impossible. Mr Trump won the election and the market reaction was positive – could that have been predicted?

Companies can respond to these uncertainties by being conservative, but that risks being uncompetitive.

The conversation moved on to what a Trump presidency might mean for the green agenda amid fears that Mr Trump could withdraw from the Paris climate accord. Climate change is a serious threat to global security and China and America need to lead on this. It was added that we already have a migration crisis and that people are not only displaced through wars but also climate-related disasters.

of the biggest barriers to it is permission, which must be granted at a state level.

It could however be a decent year for consumers, given that Trump voters are likely to spend more. But running counter to the idea of this economic populism is the push for a more hawkish Federal Reserve; having a fiscal splurge and then very tight monetary policy does not make sense.

The business community hopes that Mr Trump will stick to the more token elements of his policies such as anti-dumping regulations on hard-hit sectors like steel and car parts. Anything heavy-handed would bring trouble to corporate America. Mr Trump sees trade in very national terms, but today's supply chains are global. Targeting a trade barrier against one country will hurt others in the chain.

While it is impossible to predict what will happen, it is likely we will see more of the first element of 'Trumponomics, and a token part of the second. If this comes to pass then it could be good for those outside of America. But, on infrastructure, for example, Mr Trump might resort to soft protectionism or deals for businesses that require them to source more of their

goods in America, in order to benefit from tax cuts.

The combination of reflation, selective tariffs, capital inflows, and domestic demand-led growth will lead to a strong dollar – add in a hawkish Fed, then even more so. This would be positive for those selling into America but the Trump administration would probably work against that.

What happens with the dollar should be a cause for concern for the rest of the world. A stronger dollar has a contracting effect globally. During the years of quantitative easing and a falling dollar, there was strong incentive for companies in emerging markets to borrow in dollars. But when the dollar starts to rise again, there is a classic short covering trade where companies think they should pay off their dollar debts. Money then comes out of emerging markets, resulting in a feedback loop that makes the dollar even stronger.

China, in particular, faces a problem. The wobble in the yuan last year brought about a clampdown on capital outflows. This was successful but was helped by the dollar being in retreat. Recent data suggests that the rising dollar is seeing

money leak out of China again. If this is sustained, the Chinese authorities will have to either let the yuan go or tighten monetary policy domestically.

As for Europe, 40% of trade growth in the Eurozone has been to America. It is not clear how this will play out under Mr Trump. What is worrying however is that Mr Trump's nationalistic message had traction in the US – people in Europe are watching carefully. If the single currency is to function properly, Europe needs more cross-border cooperation, not less. Nationalism is against anything to fix the euro.

Are there any bright lights in all of this? Yes, but not many. India is a domestic-demand led story and is insulated from a lot of the big global trends so long as the oil price stays low. It is difficult to imagine that the sorts of protectionism that Mr Trump might come up with will have a big impact on India's business outsourcing, for example. While there are many reasons not to be optimistic on India, Mr Trump is not one of them. Pakistan will also be unaffected.

Russia could indeed benefit as it is more likely that sanctions will be eased.

The world waits

John O'Sullivan, Economics Editor for *The Economist*, examined what the outcome of the US election might mean for the world economy.

Much depends on two elements of 'Trumponomics' and how they play out. The first is macroeconomic populism, which would bring about a high degree of government spending, reflation and cheap credit. These are crowd-pleasing policies that boost demand. While they are good in the short-term, they are

detrimental in the long run. The second element is trade protectionism populism, which is detrimental at all levels. How much Mr Trump delivers on the first element will impact how much he will stay away from the dangers of the second.

A high degree of government spending might be accompanied

by corporate tax cuts. Tax reform is long overdue and there is money abroad that could be enticed back to the US with more sensible tax policies, creating a larger pool of money for business investment.

As far as infrastructure is concerned, Mr Trump's infrastructure boom may not come to fruition. One

The role of business

If politics looks more uncertain than ever and social upheaval continues as people become increasingly unhappy with their lot, then perhaps businesses should be more proactive.



Business leaders must participate in the macro-economic task of inventing solutions at a political level, a delegate said. Otherwise, we will face the same problem as charitable donations to Africa, which although well-intentioned, never get to the root of a problem.

Another delegate echoed the sentiment that businesses should do more. Research found that 80% of under-35s thought brands and corporations have more power to effect positive change than governments. Corporations are complex global players that connect companies and audience groups

and they need to play a deeper role in society, the delegate said.

But while companies may have a responsibility to participate in politics and wider society, they need to tread carefully. Showing any kind of political affiliation can alienate the customers who voted the other way.

The Brexit fall-out

The implications of Brexit were discussed in detail.

The vote itself caused widespread confusion, with no coherence on what it was really about. Those who voted to leave believed that doing so would give Britain better control over immigration and free up money for the NHS. Meanwhile, those that voted to stay perhaps did so with a heavy heart knowing that the EU project is far from perfect.

John Peet, Business Affairs Editor for *The Economist*, said that Brexit was an anti-London and anti-immigration vote, and that it was a stance made by those who feel they have lost out from globalisation rather than benefited. In spite of the warnings by economists that Brexit would damage the economy, those who voted for it either didn't believe it, or thought it a risk worth taking.

Confusion now reigns over how Britain leaves and what the end result will be. Ultimately it will be a long and tedious process, and the two years that precede the triggering of article 50 are only the start.

There isn't a strong mandate for a so-called 'hard Brexit'. It is not clear that the 52% of people who wanted to leave the EU all wanted to leave the single market, for example. While there

is a strong political force looking to push for a hard exit, other forces will push the other way. Business lobbies will make a difference as various industries look for special protections. There is also some optimism in that it seems the government is listening to what businesses have to say.

Public opinion on the matter will be influenced by what happens to the economy. Trouble may be brewing. Consumer confidence is currently high given the circumstances but retailers warn of inflation ahead. If the public see their living standards go backwards, there could be a backlash. There is peak unhappiness with the old system but it is not clear that the supposed 'cure' that people voted for will actually help, a delegate said. In a year's time, we will see a big change in consumer attitudes.

Delegates looked at business planning in such an uncertain pre and post Brexit environment. It was noted that this is particularly the case when trying to attract inward investors. Even those prepared to accept the uncertainty have to try to make sense of what the actual practicalities might mean.

Highlight a pertinent point here.

The audience discussed concerns over how Britain is now viewed by those in the European Union. They won't be of a mind to do us any favours, it was said. We've kicked this club in the teeth and their main priority is to keep it together.

A delegate argued that Britain has always concentrated on what it wants rather than what would be good for Europe as a whole. Britain needs to be creative and come up with a package where there are some parts of its economy that work with Europe, and a plan that would also help address some of Europe's woes.

Others saw Brexit as a warning to the EU. The risk is that the EU may see Britain's decision as bigoted and small-minded rather than as a wake-up call to think about how to fix the European project.

The technology paradox

Technological innovation continues apace, bringing both threats and opportunities for businesses and society



Tamara Ingram, Worldwide Chief Executive Officer for marketing communications company J. Walter Thompson Company, in conversation with Daniel Franklin, Executive Editor for *The Economist*, looked at what some of the key technology trends will be, and their implications.

Before moving to the debate, Ms Ingram was asked for her take on Mr Trump from a marketing perspective. Whatever your views on the man himself, businesses can perhaps take a lesson from him in terms of branding. Mr Trump was consistent; had an authentic voice and delivered his message with clarity and simplicity,

Ms Ingram noted. He also promised that he would deliver a benefit – ‘to make America great again’ – while Ms Clinton talked a great deal about breaking the glass ceiling and her achievements rather than what the direct benefit of electing her would be.

Mr Trump also used both social and public media well. He was clever at recognising the value of television and rallies, but also used Twitter to be spontaneous and personal. For brand marketing and business leaders this is key – young people in particular want to hear from an authentic voice. Mr Trump was also good at branding his rivals. He reiterated his ‘Crooked Hillary’ comment until it became ubiquitous.

Another lesson we can take from the US election, and also from Brexit, is that we didn’t see what was coming because we failed to put ourselves in the shoes of others. Ms Ingram noted that this is important for brands, as they need to understand what people want and how this relates to what is really going on in their lives.

Technology can enable this but Ms Ingram noted that there is a paradox. While technology allows

brands to know people’s preferences, where they are and what services they might need at any given moment, the privacy concerns that accompany technology must not be taken lightly. An example might be a text message for a traveller at the airport that tells them when his or her flight is ready for boarding – useful for some, but others may find it intrusive.

Ms Ingram gave some innovative examples of how marketing and technology are coming together. There is a growing trend for technology meeting utility and providing a real benefit in making the world better. These examples include a technology company producing ink that prints braille for blind people or a way for fathers to feel the heartbeat of their unborn baby.

The conversation moved to talent. Businesses face several challenges: in a post-Brexit world, there may be a limit on the flow of talent; they are also under pressure to ensure that their workforces fully reflect society. Diversity and divergent views are essential for creating fast-paced entrepreneurial businesses, Ms Ingram said.

But where can companies get the talent they need? Rather than just relying on headhunters and university graduates, it is necessary to cast the net more widely. Blind recruiting, unconscious bias training and working with schools are some ways to bring in talent that might otherwise be overlooked. We need to be challenged; there are people starting companies in their bedrooms at the age of 21 and we should be open to their thinking, Ms Ingram said. Delegates added that these are the types of people that should be included on boards, even if they lack the traditional experience.

This idea of engaging the young was explored further, both in the workplace and in politics. While we must be cautious of generalisations, it is clear that many younger workers expect collaboration and early responsibility, and they want to make a difference quickly. If they don’t see it, they leave. Work needs to provide a sense of joy. Feedback and transparency are also vital; hierarchy is not desirable. This all has implications on how business leaders actually lead.

Delegates said that there

is a serious challenge in politics. Both the results of Brexit and the US election could have been different if more millennials had turned out to vote. But the problem is that they don’t believe that their votes make a difference to what is happening in their lives, and they don’t believe that politicians keep their promises.

Young people think they can make a difference by following another path. That can be dangerous in some ways. The idea of young tech billionaire philanthropists giving away money to the charities of their choice is applauded. But this is done without democracy and governance. Young people see this as a way to give back, but not through the institutions of government they believe have failed them.

A delegate added that what millennials want can sometimes be contradictory. They demand that their employers are companies that do good and they want to be associated with ethical brands – but on the other hand, there is a desire from some for cheap fashion and illegal drugs, the provenance of which

they don’t really think about.

But Ms Ingram countered that what brands do really matters, and we’ve seen examples of how businesses can be damaged in a short space of time as social pressure on unethical behaviour gathers pace. Businesses must behave transparently.

Ms Ingram was asked about the impact that technology has on how a business is run and how it reaches its customers. The world has shifted and is entirely digital; the challenge for leaders is to ensure that their businesses have the capability to deal with that, she said. But it is an exciting time in terms of what technology can enable brands to do to deliver extraordinary services and products to customers.

Technology will also have an impact on the types of jobs available but Ms Ingram is optimistic that if we take a long-term view, this will not be the disaster some predict in terms of automation causing mass unemployment. It is an age-old argument that advances in technology decimate the workforce, but as different jobs and opportunities open up, social adjustment follows.

