

Announcer: Ladies and gentlemen please welcome our first panel; Global Challenges and Trends. Our moderator will be Gillian Tett, assistant editor with Financial Times. She is joined by panelists Peter Sands, Group CEO Standard Chartered, Jane Harman, Director, President and CEO of the Woodrow Wilson Center, and Jon Huntsman, chairman Atlantic Council and former US ambassador to China.

Gillian Tett: Now good morning everybody, I guess it's working, good morning everybody, and welcome to this first panel session of this conference. I would imagine many of you sitting here today are feeling moderately cheerful because not only is it a fabulous spring day here in Washington, we've also seen growing signs of growth returning not just in America, but across the world. Those of you who were following the recent IMF-World Bank Conferences may know that the IMF recently raised its forecast for global growth this year to 3.7%, and its predicting 3.9% next year which is not necessarily a reason to crack open the champagne, but it's certainly a lot better than the picture has looked in recent years. But the big question which hangs over the global economy right now is whether this is going to be just another false spring, because the reality is that we've had signs of spring in every sense in recent years and on every occasion in the last four years, these have turned out to be a disappointment. Many of you remember how optimistic everyone was feeling a few years ago when then the Fukushima tragedy happened in Japan and knocked global growth back. Then we had the Eurozone crisis not once but twice, slowing down global growth and then last year we had an explosion of concern about emerging markets. I remember going to the IMF-World Bank meetings last autumn and a very interesting situation had occurred because in the previous two or three years the sessions which had been completely jam packed and standing room only, were the sessions about the Eurozone crisis. Last autumn the sessions which had standing room only, were the ones about emerging markets, because a lot of people were very concerned the growth was slowing down rapidly there. So the question right now is are we finally seeing a proper spring; are we finally moving into a real post crisis phase when we can put the shocks of 2008 behind us or is there something else on the horizon this year that's going to trip up global growth once again? And we have a great panel to discuss this; I'm going to start on my immediate left, your right with Peter Sands, CEO of Standard Chartered Bank, because he's somebody who's very deeply involved with the situation with emerging markets around the world, and is very much at the forefront of trying to work out whether growth is for real, or whether the emerging markets are now presenting a risk to growth rather than a boost. And then I'll turn to Senator Huntsman and Jane Harman to get your views about how you see the current outlook for growth and what people in this audience should be expecting for this year, but Peter, what's your view about the emerging markets concerns, I mean do you think that we can still look to the emerging markets to really power growth this year, or are you concerned that much of the optimism before is basically running out of steam?

Peter Sands: Well let me start by giving myself a broader view on the global outlook, because I am in the position of being on the side of those somewhat more optimistic which is not to underestimate the risk to global growth, but when you've got a situation where GDP growth in the US is looking pretty good, what you can say about the Eurozone is at least it isn't going backwards, which is a positive. Japan has surprised on the upside, and China I'm not in the camp that thinks it's all going to go into a hard landing, I think China will deliver at least 7% growth. They've got all sorts of challenges but they also have a pretty good grip on how they are going to go about tackling them. However I think you could easily see a situation where GDP growth is quite good, trade and investment is quite good. But financial markets don't like it because the financial markets are being driven more by the dynamics of tapering the end of QE and all this sort of stuff. And that's particularly the case with respect to financial... emerging markets where you have seen since last May, a really negative stance on emerging markets from the financial world and indeed the media world has tended to follow that...

Gillian Tett: If in doubt blame journalists yes.

Peter Sands: Well exactly, but what's interesting is when we talk to our clients, and our clients range from big Asian companies, but there are also big American companies, big European companies doing business across Asia, Africa and Middle East. And you ask them where their growth is going to come from in the next five, 10 years, actually most of that growth is going to come from the emerging markets. And so there's a bit of a disconnect between actors in the real economy, who are still saying, most of the world's growth, because most of the world's growth and consumption is going to happen in the emerging world, at the same time its financial markets have decided that the emerging has suddenly become a huge problem. And I think there's a number of things that is driving that, one is that the dynamics of the withdrawal of or the gradual sort of normalization of the extraordinary central bank policies we have had since the crisis are very difficult to predict how they're going to work out and financial markets are incredibly jumpy about that. And the problem here is while most of this happened in the Western world, because the

financial markets in the emerging world are so much smaller, small ripples from what are happening, decisions by the fed or the European Central Bank turn into big waves when they hit countries like Kenya or Malaysia or even India. So there's that financial dynamic. Second is some of the big emerging markets are going through really quite dramatic transitions in the shape of the economy and the most obvious example of that is China, where you're seeing a massive rebalancing of the Chinese economy. And there's all sorts of pain points and pressure points and bumps that will happen during that transition and the problem with China is you can find a proof point for any... pretty well any thesis you want because there're white elephant infrastructures, there are roads to nowhere, there is over capacity. On the other hand, there is also in places where there are acute shortages of housing, where the infrastructure is over stretched and there is massive under capacity in the provision of services. So it's almost everything is true depending on the hypothesis you want to take. I do think politics is where a lot of the risk to growth is and that's both at the level of individual countries where; so if I take Asia, you've got some very big elections happening right now which could really have quite a profound impact on countries as big as India and Indonesia for example. And then clearly Geopolitics there will be others who probably can comment with more insight than me on the dynamics of the situation around the Ukraine, but quite apart from the direct impact of the concerns around the Ukraine, the indirect impact on people's sort of sense of confidence about how the Geopolitics works that could I think if you're looking for a source of where this could turn into a full spring it would be because Geopolitics upsets people's confidence, I'll stop there.

Gillian Tett: Right, okay well that's a lot of issues to unpack there but in a nutshell you're saying you know don't believe that the... don't believe the journalists, don't believe the financial markets it looks much better than it actually is effectively.

Peter Sands: Yeah, and I'm a banker.

Gillian Tett: Great, great, well I'm sure there's plenty of people in the room who would agree with that but I mean out of those complex of issues, China is perhaps the one which provokes most debate of all at the moment because the Chinese economy has become so critical to the global economy recently, not just as a competitor to the US but also the drive, a source of demand as well and driver of growth. So Senator Huntsman, as someone who has spent a lot of time looking at China, and the China-US relationship, how do you assess the stability of the current Chinese economy, do you think that it's potentially heading for slow down, and could that create problems for the US?

Jon Huntsman: Well we're fundamentally entering a new phase. Where we're going as a global economy, I mean the stepping off point here is not unlike 1815, you know after the treaty of Paris or 1914 or 1945, or 1989. Yeah the question for China and for the United States really would be, does it look like the post 1914 world or the post 1945 world, where you had institutions that supported growth and you had real leadership on the world stage. So that takes me to China where I believe you do have some serious leadership now steering the policy direction of their country. You've seen the rise, the emergence of Xi Jinping who is the fifth generation of leadership after Mao Zedong and Deng Xiaoping, and Jiang Zemin and Hu Jintao, and now you've got Xi Jinping, 61 years old, son of Xi Zhongxun, who was imprisoned by Mao because of his reform minded tendencies. So he has reform kind of running through his DNA and he wakes up every morning, and he surveys the landscape of 1.3 billion people surrounded by 14 or 15 Asian states some of them fairly unpredictable and hostile. And he is looking at how he maintains 7.5 % growth, because if he doesn't he'll have political instability which could be disastrous for China's future. And he knows he has to keep his foot on the gas pedal, and that to some certain will ensure that China will remain an engine of growth increasingly less an exporter driven by their investment export model and more an importer, driven by the need to consume by expanding their commercial base and driving incomes up the ladder, entrepreneurship and innovation, creating more research universities. This would all be part of their future, but what I'm impressed with is the fact that, the first time in 10 years you actually have a leader who is doing something in China. I would argue that you had 10 years under Hu Jintao, of failed leadership largely because of in-fighting within the communist party largely because of the economic turmoil which confronted him about half way through his 10 year term. And now you got a man consolidating power like no one since Deng Xiaoping since probably 78... 79 period, he's won over the party you know 75 80 million people in 3,500 out post across the country. He's won over the PLA because he has military experience he worked for the minister Guangbiao in the late 70's and the early 80's and he's won over the princelings, which you need to win over to get anything done in China because he is one himself. So he'll now look at debt which is sizable, particularly in the provincial regions of the country and he'll have to do something about it, and that will be very difficult, because he'll have empower the provincial leaders and the municipal leaders to begin to take responsibility for that which is allocated to them. Which means the five tier financial structure of the

country will likely be consolidated, maybe to three, and the ways in which dollars pass back and forth from the periphery to Beijing will have to be changed, because of the corruption and because of the inefficiencies. And you have to look at the roaming populations within the country which is anywhere between 150 million and 200 billion people, because of the collapse of the agricultural system, mostly people moving towards the big cities where there will be stresses about strains on infrastructure on the old Kuzco system the labor the way in which labor is allocated and he will have to fix retirement and the health care and labor mobility and all the while ensuring that he doesn't have restless elements of his population pop up in response to bad policies by the party. So he has a very difficult task ahead but I believe he will get there because the right, if you...if you break down the standing committee, the seven people their all of whom are fairly credible and competent people, and then the 25 members of the politbureau who are fairly dynamic and more importantly the 370 members of the central committee, who are some of the most competent people on the world stage I think I have ever encountered in financial and fiscal policies but also in national securities and military policy. so they have the leadership and the ...and the brain power to move forward but I think most of all the fact that [si shi shing ping] will have ,between now and the 19 party congress to consolidate power which has done a masterfull job doing so far. And between the 19th and the 20th party congress, which will be another 5 years really to implement his reform agenda will give him the time ,the power base and hopefully the external environment, which is to say north east Asia, which is highly unpredictable, In order to get done when it needs to be get done

Gillian Tett: Right. And that was real opportunity for United States because we will be exporting a whole lot more to china. We...china will become the largest export market for every city and every state in this country and we will have to figure out how best to navigate a pro growth, pro export policy in a country, that really hasn't done so yet.

Gillian Tett: Well that is a fascinating point. I would love to come back to it later on to ask about how you actually go about doing that. You do underscore Peter Sands point that politics is becoming increasingly critical for working out where Asia is going right now. But I am curious I like your pretty experiment, how many people in the room sitting here now have business which is linked to china? yeah well that explains exactly why this is so critical and I would imagine if you do that poll in a few years time that proportion be even higher but, I would like to turn to Jane now and just perhaps set this in to go historical context because, it's very valuable as Senator Huntsman said tio step back for a minute and try and look at this, it's not just in terms of short term trends or the time table or what congress is doing or the latest TTB forecast but look at the bigger picture. Just at the sense of history, I think most of you in the room may not know that we may actually have chairman Hochberg's mother here today who created a wonderful company that's

Jane Harman: Yes.

Gillian Tett: who In fact created a wonderful company that's been exporting over the years as well, and gives us an additional historical aspect of it ,but Jane when you look at the picture today what do you make out of the current outlook though global growth?

Jane Harman: Well let me first do add to your shout out to Lillian Vernon if anyone has not heard of Lillian Vernon shame on you. And she built the company, Fred helped out. but hey, she built the company, here she is yeah, so I was sitting here thinking that I'm a recovering politician having served 9 terms in united states congress John Huntsman did not serve in congress, he ran a state and was an ambassador so maybe his record is a little more successful than mine but geo-politics does matter and it would be nice to have China's growth continue for five years along the path that John sketched but. what about a possible war between China and Japan over a bunch of rocks in the south china sea or what about the total implosion of Ukraine and feckless leadership possible elsewhere and no deal in the middle east either with Iran or between Israel and Palestine, and the Arab winter becoming darker etc and what about all that, and how...how does that affect business I mean it seems to me that terrorism and a threat of war are not good for business and not good for economic growth, and we have to think about the context in which all of this happen. So here I am as the president CEO of Wilson center which is a marvelous pristine and perfect...expression of Woorow Wilson's ideals, at least we try and Fred Hochberg is on our board so that makes it even better and we look out across the world, we hope that through various alliance, this good economic trends will continue but we see dark spots too and I do think we have to put that out. And let me just make a couple comments about the US role in this. I suppose I was an anachronism, I was a pro trade, pro defense democrat who worked on a bipartisan basis in congress and I think most of that doesn't resonate with folks but there are not that many folks in congress right now who we could say they are pro trade in either party, I mean the notion that trade promotion

authority TPA, the mechanism by which congress approves trade agreements on an up or down vote has not only expired but is now considered at least for the short term dead is shocking to me. the best pivot to Asia for our country it seems to me would be robust trade with Asia, not just with China but with all countries in Asia that is what TPP is supposed to deliver but their won't be a TPP if there isn't TTP. Similarly with Europe the best economic policy with Europe would be ... for TTP to pass but their won't be TTP without TPA and what worries me is that ...yesterday in the new York times a lead article said that the middle class in America is no longer the best off middle class, and it seems to me we going to be left out, if we dot step up our game and that is why EXIM Bank and so many other especially EXIM bank of course EXIM Bank matters. Fred EXIM Bank matters ...and it is very important on a bipartisanbasis for congress to support it. So we are not the only game in town that's the first point, second point our economic power is our best foreign policy tool, both in terms of trade but also in terms of our ability to execrate sanctions against those who, preferably on a multilateral basis, those who are...misbehaving in a variety of ways the sanction policies against Iran have been effective. A sanction policy against Russia in my view given its inappropriate conduct first in Crimea and now threats against Ukraine and they NATO allies is very critical. And we have to step up that game too and if we can't think about economic power as a tool for peace in the world I think that puts our geopolitics in better order and allows for the kinds of things that Peter and Jon have just sketched out which are obviously in the self interest of the United States and in the interest of it seems to me people around the world.

Gillian Tett: So in practical terms how concerned are you that there's going to be a backlash against trade over the next year or two?

Jane Harman: How concerned am I?

Gillian Tett: Yes.

Jane Harman: I'm very concerned through the midterm elections that would be November of this year. And then I don't know what happens I think it depends on who wins those elections and I think it depends on, on leadership in the United States. Its, it is more important in my view to do the right thing than to get reelected. And we need more people in elected office who put our country first and if we think about it that way what is really in America's interest I would say short, medium and long term it is to engage with the economies of the world and we can only do that through sensible and carefully constructed trade regimes. And that should be our foremost, foremost foreign policy tool and I hope we get there.

Gillian Tett: Governor Huntsman and apologies for either demoting or promoting you by calling you senator instead you can choose which one you prefer.

Jon Huntsman: I was downgraded temporally.

Gillian Tett: To senator okay you have now been...

Jon Huntsman: But you call me Jon.

Gillian Tett: Exactly.

Jon Huntsman: You know there's a reality called politics that plays into our, our export posture and our view of the rest of the world and sadly when unemployment gets up seven, eight, nine percent we lose our sense of security. We become a bit insecure as a nation. So I governed a state when we had 2.5 % unemployment and we could do anything in terms of export initiatives, trade missions, public private collaboration, and then over night with the collapse of Lehman brothers in 08 the bottom fell out literally and figuratively and things froze. And we lost our sense of confidence in 08. And we're just barely beginning to recover that sense of confidence and I think for anybody on Capitol Hill for any policy maker to try to get too far out front on trade initiatives it becomes difficult until unemployment improves. I would argue you got to have two things going for us in this nation to really hit it out of the ball park. A, we got to get unemployment down we got to regain our sense of confidence in this nation. And B, you've got to have leadership like Jane mentioned and she was terrific at it with a sustained sense of the right policies. Export related policies, pro-growth policies a sense of the world that speaks with confidence. And when you bring those two together we may be a couple of years away from that being the case then I think we're back in

the game. But right now we still have some externalities that make it pretty difficult for most Americans really to kind of jump behind a strong pro-export pro-trade policy.

Gillian Tett: Well we are at least seeing unemployment inch down slowly. So the first part is they're coming with agenda. The second part well you know we can discuss it later but Peter.

Peter Sands: As the non politician on the panel

Fred: The banker is outnumbered.

Peter Sands: I'd actually like to be polite about politicians which is to say I think one of the triumphs of political leadership in the post crisis world is that we didn't see the surge of protectionism that you saw in the, 1930's. And it's the sort of the dog didn't bark but we should actually celebrate that fact. We may not have made as much progress on trade initiatives as we would like but we at least didn't go too far backwards and collapse into the kind of tit for tat war on protectionism that I think we could have ended up in. However I don't think one can be at all complacent particularly because one problem that in talking to politicians almost everywhere in the world is rising up the political agenda and is influencing the discussion around trade is that in most countries in the world inequality is rising. And as inequality raises a larger proportion of the population are saying what's in it for us. It may sound good all this trade stuff for those at the top but for the rest of us, we can't quite see what's in it. And I do think there is a political challenge not just here I think it's true everywhere its true in China, of being able to make the case and prove the point that globalization is not just good for the, the one percent but that globalization actually is good for, for everybody.

Gillian Tett: I mean that is obviously a particular big challenge in America today given this perception that jobs have been going to China rightly or wrongly. And that you know essentially the manufacturing middle class has been hollowed out as a result of a rising globalization isn't it? I mean what do you say when you speak to, people in Utah or anywhere else who argue that actually you know globalization is not good, it doesn't work.

Jon Huntsman: The reality for the United States is we've never been in a better position to compete. When you look at new found raw materials I mean for a Huntsman corporation you know our price for raw materials is the equivalent of, \$15 to 20 barrel of oil economics. China is paying \$100, the UK is paying \$100. We in the United States on the manufacturing side we are paying 15 to 20. This is the greatest gift we've been giving as it relates to a new found engine of growth and it this relates to China they begin to price themselves out of the market. You know I'm sure on the board of Caterpillar and Ford motor company among a couple of others and if you would've told me that you know Caterpillar would have closed down a plant in Asia and reopened it in Georgia I would have called you crazy a few short years ago. But the labor cost dynamics, the raw material advantage we have, the predictably of the market place, strong rule of law, commercial adjudication, access to strong markets around the world really gives us a preferred position if we see it as such. So I don't worry about our competitiveness, I worry a bit about the political rhetoric that is based on division as opposed to unity which is a really bad thing for this country and I worry a little bit about how we bring up the next generation of workers how we give them skills and training and education beyond just the traditional four year degree because not everybody is going to go to a four year degree institution. And how we align that with our industries for tomorrow whether that will be biotechnology which will, we will lead the world in to the next 100 years whether it be in energy which will be a huge industry of growth for this nation or just basic manufacturing. So I'm an optimist in that regard than losing jobs to China where that's yesterday argument. We now have tomorrow to look forward to and we right in the drivers as that, as that goes.

Gillian Tett: Jane would you agree?

Jane Harman: I do agree and I'm looking at these amplifiers here they say JBL. JBL is a Harman company. Harman is a New York stock exchange traded company that was founded by my late husband in another century and that has manufacturing abroad we were all founded in another century.

Jon Huntsman: Those are good huntsman products made of...

Jane Harman: Already abroad and here and manufacturing has moved back and forth but I think Jon makes the right arguments. We have the most innovative work force if we train kids using stem skills and other skills to fill the jobs that come available, we're going to grow the jobs here. They are not going to go somewhere else and there is oops

one problem our broken immigration policy. It makes no sense whatsoever that 50% of the, of the graduates of Caltech have to live the country. Wouldn't it be smarter to have the right immigration policy that so they could stay here and create jobs. There're the smartest products we are producing I mean some are America grown too but hey I mean immigration is a fuel that this country should be using for our own growth and we short change it by the failure of congress to enact comprehensive immigration reform.

Gillian Tett: And do any of you have concerns that this idea that globalization is going to go in one, one direction might actually be wrong because Ian McKenzie has just come out with a fascinating study which I think is been published today. Which predicts that it's actually globalization is just getting deeper and deeper and I think they're suggesting it's going to triple the rate of globalization by, 2025. And it's very much looking at this idea that due to digital technologies and supply chain linkages we will becoming more and more deeply integrated and that can't be reversed. But of course you do have something like the post world war one, the post depression era to act as a cautionary note from history are you at all concerned that this little confidence of globalization that's going in one direction might be wrong?

Jon Huntsman: Well we have our challenges along the way there's no question about that but we are fundamentally in a new era. And I think that new era started in spring of 1991 with the privatization of the internet. And as we see a new platform with which to market to sell and aggregate capital and distribute products, we're fundamentally in a new place. And I don't think we can accurately forecast or predict where this is going to go. We can accurately predict and forecast that there will be tension and fissures around the edges of globalization but I think this is an inexorable. This will continue and it will continue to integrate regions and I suspect that when we wake in 50 years, you know we look at a strong Asia but maybe even a stronger Indian Ocean with the rise of Africa and the sub continent. I suspect that we will see the Americas which will be a billion in population by, 2050, more of an integrated market particularly around energy with Canada, Mexico and the United States probably providing the vast percentage of resources necessary to fuel the global economy if we're smart enough to take advantage of it and Europe we will remain pretty much stagnant at a billion people, by 2050, so we'll see some shifting but globalization is inexorable and I think it will produce some regional markets that are well beyond the isolated markets that we see today.

Jane Harman: Could I just add to that, I think it's inexorable and I think it's wonderful and I think embracing it and shaping it is what nation states should be doing. Building barriers against it, is counterproductive and I think you've written about you know about... has, is the nation state declining? And I think in some ways the role of the nation state, in some ways it should decline, it should train people for the global world, it should embrace people for example some of the fastest growing economies in the world are in Africa. What an opportunity to reach for those economies and to connect them if we're just talking about America, to Americas exports. And to do some offshore work that grows the benefits for our people, I mean what are the values that America stands for? The rule of law of course and opportunity here but I think opportunity around the world. A peaceful world is good for business. And we really should get that, and globalization can be good for business. Let's understand that there's an underside, the underside is terrorism. The terrorist exploit globalization and ignore national boundaries and there are threats. But again if we live our values that's the best way to win an argument whether some kid in the boonies of Yemen trying to decide whether to strap on a suicide vest or join the global economy and I would say we have a shot, at winning the hearts and minds of that kid.

Peter Sands: I'm going to be boring and agree that globalization is inexorable it will be driven by economics and technology. It's a great thing because it will make people's lives wealthier and richer and build understanding. However I don't think we should underestimate the degree to which vested interests in every country will fight back, and that will create all sorts of tensions and distortions and actually the vested interest that is probably the one that is most threatened by globalization, are governments because actually globalization is quite subversive to national governments, and national governments... and this is true of both emerging market ones but also western governments find the power of the internet the power of international business, the power of international financial markets, really quite disconcerting, because it, makes it much harder for them to exercise their authority.

Gillian Tett: Alright.

Jon Huntsman: This comment on special interest is exactly right and yeah so, what is the biggest challenge that... at least one that Xi Jinping has now in China as he looks over the next few years, they are state owned enterprises.

And so you look at you know China probably 110 significant SOE's, of which five are the key players the EOL guys, to the bankers, and the exporters and he'll be the first leader ever to stand up to what is the newest of phenomena in China which are special interest players they didn't have before, but now the SOE's are the special interest players in Chinese politics. And he will have to tell them, no more writing the rules of the game like you have the last 10 years. You're going to have a new playbook, and your cost of capital is going to be different and your transfer pricing economics internally would be ...your price for raw materials will be different, and you'll have to have transparent governance going it forward. And all these will be hugely consequential but it's the special interest players I think that will drag their feet ultimately with markets opening and markets integrating with the rest of the world, and that will not be an easy task.

Jane Harman: But let us give some kudos to leaders who step up and face this for example Penia Nieto the leader of Mexico, who is deregulating or trying to, his energy market is a huge deal and lets also put on the table the problem of corruption across so many governments. John just mentioned transparency, it's a huge problem in the Ukraine, if the west as the west helps Ukraine, Ukraine has to clean up its own act. And it is very important that if there can be a fair election in Ukraine and at the end of May, that whatever government is elected is a government pledge to transparency and most of the candidates are [??] [0:34:26]from various segments of the economy and those [??] [0:34:31] didn't accumulate their wealth in a transparent way but it is very important that they field a government that will clean this up for their country or their country won't move forward and that's true in many other countries including in China, something that president Xi is working on.

Gillian Tett: That's really... I'm going to turn to the audience in a minute and give any of you who would like to the chance to ask questions. But while you are just gathering your thought, and I believe there are microphones in the hall, while you are gathering your thoughts, I would just like to ask if any of you want to comment on Ukraine and the degree to which you think that may or may not put a spoke in the wheels of growth and excitement about the emerging markets this year. Are you concerned the talk about sanctions is going to undermine these trade flows or that in general add to unease about the emerging markets? Peter how is it looking?

Peter Sands: Short answer yes, the... a lot of people even those who aren't directly connected and we're not obviously this is in Asia, Africa, Middle East, we are not really directly involved. We're thinking through the potential scenarios and what it could do to commodity pricing, energy pricing, the price of emerging market debt; the flows of money around the world and it's very difficult to predict the consequences. Jane mentioned the tensions around... between China and Japan earlier. Actually if I talked to our copper client base in Asia, about what they're worried about, that's the one they're worried about. They're worried about some misunderstanding or mistake leading to two of the largest economies in the world, getting into a situation which neither quite intended, but history tells us that accidents happen. So I think both the Russia-Ukraine situation and China-Japan situation, there is risk there which markets would react very, very strongly to. And I think one of the things that has changed since the crisis is now everybody is obsessed about black spans and fat tails and we see them everywhere. While we all know that really, really bad things can happen, and I think a lot of people would react to a sharp deterioration in the Ukraine situation or some sort of incident between China and Japan and or more generally in the South China Sea with a very, very strong market reaction.

Gillian Tett: Right.

Jon Huntsman: I'm a little more sanguine about the East China sea for this reason, I think there's its under girded by strong trade investment and economics all of North East Asia and even East Asia, certainly South East Asian. And having lived in Taiwan twice in my life, I have to say that that was probably the most dangerous neighborhood in the world at one point, for all the reasons that we're talking about here today. But they problem solved. And they've got 350 flights per week back and forth, if you told me that when I lived there in the late 70's I would have called you nuts. And if you told me they would, that I would live long enough to see a free trade agreement between Taiwan and China I would have called you totally certifiable. But that's where we are today, so there is an element of problem solving that's goes on in the region. The unpredictable thing about Putin and the... and the element of megalomaniacal leadership, which doesn't exist in Asia with the exception of North Korea and Kim jong Un but he's in a box, he can't move beyond certain parameters. With Putin anything is possible, because of his aspirations for a Euro-Asian empire with Moscow at the center. He has 110 billionaires in Russia today, all of whom have made a lot of money mostly from the gas and oil plays. And the question really will be is it the 72% approval that he desires and you ... because of Crimea or is it the backlash that the markets will likely articulate to him because of the out

flow of capital and the diminution in the Moscow stock exchange which lost probably 50 or 60 billion the first week of the debacle. People are going to speak up about that but in the East China Sea, the war of words of course will be there, and there is I think deep animus between Abbey San and Xi Jinping for all kinds of the reasons, its generational its territorial, its political, its familial. But I think you've got an issue there that's played out since 1895, in some way shape or form. So the red lines are there, I think people know not where to cross, because they would destroy the golden goose of the economy that keeps everybody going. I think Abbey San knows that I think Xi Jinping knows that, the unpredictable element there, really is an unintended incident in the air or the sea because you've got probably half a dozen nations doing surveillance missions around those islands whether Russia, Japan, Korea, the United States, China even Taiwan. And that provides a traffic pattern on the sea and in the air that that is a dangerous one and there is no de-escalations strategy is what I think is most alarming. I don't worry about the war of words that will be what it is, it's the misadventure it's a yeah.

Gillian Tett: Some of those fishing boats and strange rocks really matter right now. I mean the point about no de-escalation strategy is critical, having worked there myself, Jane Harman what do you think I mean.

Gillian Tett: Jane what do you think?

Jane Harman: Well coming back Ukraine which is the original question, I am for tougher economic sanctions. I understand there is short term cost, but Vladimir Putin had not learned Colin Powell pottery barn rule sorry Lillian which is if you break it you own it. And he now owns the broken economy of Crimea and he's had to make efforts to bring Crimean's up to Russian economic standards, which are costing him a fortune. His stock market is tanking. John McCain is right that Russia is a gas station, you know in search of a country with massive corruption in the hands of these oligarchs not all of them live in the country. They you know, they hold up, they crop up or inflate the real estate market, lets understand this in New York City, London and the South of France. So they lead good lives, they keep him in power and it seems to me that the right tactic against the bully with grandiose visions is a serious and focused strategy where we put our strength against his weakness. What's our strength our economy, what his weakness, his economy and I think moving to or almost moving to and I would suggest moving to sanctions against oil and gas, yes well heard short term, BP, Exxon and some interests that matter to us. But they will I think cause him to change his behavior and if his behavior changes, everybody wins and that's a lot better than a land war or than Russian aggression across parts of Europe and possibly parts of Asia, which will be much more destabilizing in the medium and long term.

Gillian Tett: Alright I mean that's fascinating before I turn to questions I'd like just to ask the audience to do a little of work and say how many people in the room right believe that sanctions should be imposed in relation to Ukraine and Russia? That's a pretty strong show of support. I should have asked you first what you thought the answer would be actually and we can test you out.

Jane Harman: I'm very persuasive I needed that

Gillian Tett: Or we could have a before and after vote, second I'm curious how many of you are likely to be actually affected by sanctions? That's also quite, quite striking right okay well on that note I'd like to see if there any questions from the audience. It would be courteous but not compulsory to identify yourself, please keep your questions very short and if you'd like someone in particular to answer it, please indicate whom. But please no long grand standing statements because we don't have very much time even on the Ukraine especially on the Ukraine. Well we have a question at the front, do we have a microphone? . To add to the suspense it's coming

Person: I'm [inaudible] from American University Kogod School of Business. The question is what you just mentioned about the emergence or growing importance of emerging markets. How do you reconcile that with the less than desired involvement of emerging markets in managing financial institutions like the IMF and the World Bank?

Gillian Tett: So essentially the question is why don't the emerging markets have a bigger role in the IMF is that the questions, okay who would like to address IMF reforms briefly.

Peter Sands: Short answer is I think they should have a louder voice but I don't think we should just think about the IMF I think if you, as a banker things like the financial stability board, the Basel committee and banking standards

the dominant voices in there actually remain transatlantic voices. And we do need to get more representation and more articulation of the perspectives and needs of the emerging world across the international and financial institutions.

Gillian Tett: Governor Huntsman would you support say China having a bigger role at the IMF?

Jon Huntsman: Well inevitably they will be based, just based on the sheer size of the economy.

Jane Harman: Just a little history here I believe it was Tim Geithner as treasury secretary who suggested the IMF reforms that are now under review in the United States congress, which will give emerging markets a bigger voice and every other member of the IMF except for the United States has ratified those reforms. I think its pretty bone headed of us not be doing this and you know in a longer term participation of the whole world especially the increasingly successful parts of the world in international financial government helps everybody win.

Gillian Tett: Yeah and exactly the position does look rather odd at the moment on the part of congress. Any more questions, we have a question over here, microphone?

Person: I'm Prakash from [inaudible] group of companies I would like to put a question to Mr. Peter Sands, he mentioned about India and Indonesia election about his experience in these two countries and with China, what he thinks comparing the China and India as for the US trade which is connected with the two countries which is going on what will be your perception in their banking sector for these three places?

Peter Sands: China, India and Indonesia well we are very fortunate as an institution in that we are the largest international bank in India, the second largest international bank in China. And I don't know but we are probably the second or third international bank in Indonesia. So we've got big operations in all three countries and I can get very positive about all of them. They are very different, China is by far the largest I mean make no mistake about it, China is in its own category as emerging market because it is just so big and is powering ahead. India as you will know well, Prakash, has been through really quite a challenging two or three years. And this election is interesting because it could well it could represent an interesting turning point in terms of the pace of the reform agenda. And India does have some great strengths if you look at in the longer term demographics plays to India's advantage much more than to China's, the English language actually is a great strength. And one of the things that India has it sort of a mirror image in some ways of China, China has actually fantastically affected bureaucracy and actually quite a nascent private sector economy. India actually has some very, very good private sector economies and it has taken all of the down sides of the British approach to bureaucracy and turned them into an art form. In Indonesia and Indonesia actually is a country that I think most western businesses and western governments don't pay enough attention to its one of the largest countries in the world by population, it's actually got a very broad based economy. It's been doing pretty well over the last few years the... I can't call how this election will come out but we could well end up in a more reforming, a more opening up, a more business oriented government there. And actually I think that a very positive thing not just for Indonesia but for Indonesia's engagement with the rest of the world. So the opportunities for companies from the US and so on to do more because it's a very large population who are increasingly wealthy and want to buy goods and services from the rest of the world.

Gillian Tett: So good Indonesia, got a question here in the center and again if we can have a microphone. Stokes: My name is Stokes from Pan African the chamber of commerce. I was at it when and I knew that Africa has one of the faster growing emerging markets. My questions is we have a lot of franchise in US especially in Georgia which seems lead the world in Franchise, why are we also not exploiting their concept, taking franchise for aviation pharmaceutical, telecommunications. And then also what is being done to have leadership in renewable energy which seem to be the way to go now as again do drill and how can we put this towards Africa and get into the emerging markets and slowing down this pace of China which seems to be taking the lead right now thank you.

Gillian Tett: Would anyone like to address the question of how is the America trying to counter the role of China in Africa and that was the question?

Jon Huntsman: I'm sorry I didn't really get the question.

Gillian Tett: How is the America trying to counter the role of China in Africa?

Jon Huntsman: Well here is the problem, here is the problem China disperses money liberally in Sub Saharan Africa and as a group of western African ambassadors told me while living in Beijing. A billion dollars here and a billion dollars there actually solves some problems for us, you all come in and talk about human rights and a clean government and transparency and that didn't create job for us, so we have a problem. So here is the dilemma, you know we have a tradition of standing on a soap box which is probably our best and our worst characteristic as a country. And lecturing about values that are near and dear to us and we are not going to change in that regard that's just an expression of the American tradition and our founding documents. China on the other hand will go through a significant metamorphosis in terms of how they deal with the rest of the world; it would have to go from more transactional which it is today. So we send a 100,000 troupes in Afghanistan secure the country lose a whole a lot of lives and dollars in pursuit of our objectives and China moves in and gets the mining concession, it's all transactional. And the biggest challenge for China among others will be how do you ascend to the world stage where they find themselves today along with the United States? And how do you begin acting like a globally responsible player? How do you sit at the table of decision makers and talk responsibly about Syria, about Iran, about the East China Sea, about Sub Saharan Africa. So I suspect under Xi jimping over the next eight years, you are likely to see China move from more of a transactional dynamic which is mostly a 100% of what's goes on in virtually every country of Africa. As I've tracked the investments and the trade that have played in Sub Saharan Africa to more of a responsible player, which is working with the Unites States working with others in cleaning up hot spots, in dealing with insurgencies, in dealing with issues of health and the environment. I think that will likely be where China begins to make a transition, not because they want to but there will enormous pressure for them to be a more responsible player in that regard.

Jane Harman: If I could just add something on Africa though I don't think our role is quite as dismal as Jon has portrayed it. For one thing in Northern Africa where there is in the Sahel region an enormous increase in terror training and so forth due in part to failing government, we are working to shore up those governments. And to teach them political capacity skills, I think that's something very useful to do, I don't think their economies can succeed if there is not stability in the country. But the other things are that China so far as I know in many parts of Africa not only invest but bring its own workers. And then extracts resources from Africa and that's resented in Africa and it seems to me a much better strategy one which we could pursue and I hope we are pursuing is to invest with Africa and to employ Africans in Africa as we invest and build resources and capacity there and I think that will pay off robustly for the United States.

Jon Huntsman: And listen don't get me wrong on Africa. I think we've had some really profound important initiatives, the African growth and opportunity act; you just look at the WAMU countries so West Africa Monetary Union. You know from probably Senegal down to Nigeria and there were a lot of good market of opening measures, decent leaders who led the country forward and even in the South Africa's custom union you know South Africa, Namiibia, Swaziland, Lesotho and Botswana which you know is the oldest trade union in the world which goes back to 1910. We attempted to negotiate and I was overseeing Africa at the time at the trade office a free trade agreement, we got so far and that needs to be picked up on and move forward because we need some examples of growth and economic integration on the continent that I think would be a very, very important next step.

Peter Sands: One practical initiative which both EXIM bank and Standard Chartered is the President's and Power Africa which he launched just under 12 months ago. And I think that's a very tangible one that is getting real traction because it's addressed at solving a real problem across Africa which is energy is scarce and it cost too much and it's one that American technology can go a long way towards addressing. I think there is a broader issue about Africa the ... is that the demographics of Africa is such that Africa would be the biggest source of working age people over the next I don't know what it is 20, 30 years. To put this in perspective Nigeria has as many children as the whole of EU, so there is a phenomenal numbers of young people which is either going to be a phenomenal asset if they can be skilled and given the opportunity to create livelihoods and jobs and so on. Always going to a huge problem not just for Africa, but it's going to a problem for the world. So I think the stakes are very high in terms of the way the rest of the world engages with Africa.

Gillian Tett: Alright well I know we have one more question but sadly we are just about out of time I'm afraid, so I do apologize for that and I think Peters point actually sums these and the message of the panel rather well. Which is that we are standing at a moment of growing globalization and you all assume that globalization is now unstoppable, you all assume that trade has potentially great benefits to bring America. And globalization and trade could be

working tandem to deliver great good but as ever politics remain the big questions and the question of whether this globalization is going to be used in a positive way or a negative way still very much hangs in the balance. So it just remains for me to say thank you very much, indeed, the panelists for a fascinating discussion, thank you to the audience for voting, and best of luck.