



Every Nation for Itself: Winners and Losers in a G-Zero World

Public Affairs Program

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Introduction

JOANNE MYERS: Good morning. I'm Joanne Myers, and on behalf of the Carnegie Council it is my pleasure to welcome you to this Public Affairs breakfast program.

Our speaker is Ian Bremmer, and he will be discussing his most recent book, entitled [Every Nation for Itself: Winners and Losers in a G-Zero World](#). In it, Ian maps out the present and future of a new world order in which no single country or durable alliance of countries can meet the challenges of global leadership.

As he looks back at the various post-[World War II](#) alliances, especially those formed since the end of the [Cold War](#), Ian sees our time as one of extraordinary economic and political uncertainty. In the past, whether our world was governed by countries of the G7 or G8 or others, when leaders met to discuss global problems there was always the anticipation that America would take the lead. "But now we have a power vacuum," he writes, "where no one appears to be in charge. No one is leading. We have entered a G-zero world. It is a time of historic shifts which will have profound implications for all nations and corporations."

So what can we expect? With the ability to explain complex ideas in ways that are comprehensible to all, Ian describes the various reasons why no one—not the United States, not China, not the European Union, or institutions like the World Bank—is presently in a position to provide or impose global leadership.

As a result, nation-states will pursue their own interests relatively unrestrained by others or alliances. In this new decentralized world order, Ian posits that economic growth won't be enough to negotiate this uncharted terrain. The question is what this will mean for the United States and how can we shape and lead in this new world.

Whenever I've introduced Ian—I've had the pleasure of doing so on a number of occasions—I've always expressed the Carnegie Council's admiration for his talents, which he has used splendidly for maximum results. So this time when I sat down to think about what I could say that would add to the information you already have, I decided that I would focus less on his entrepreneurial skills, such as those he has used to establish the Eurasia Group, a leading global political risk research and consulting firm, or talk about his best-selling books, [The End of the Free Market](#) and [The J Curve](#), his appearances on TV shows, such as [The Daily Show with Jon Stewart](#) and [Charlie Rose](#), or the conferences where he has appeared to lend his expert analysis and predictions.

Instead, this time I would concentrate on the inner being, the real Ian Bremmer. But the question was: How? How could I accomplish this, especially as there was so much I could say but with only so little time to say it? And besides, the more I thought about it, I remembered my past experiences with Ian, which served to remind me that to tease him would only invite him to retaliate by embarrassing me. Not a good idea!

Still, Ian, I didn't want to disappoint you. As luck would have it, a little bird serendipitously came to my rescue, alerting me to an event that was happening, and soon. It is, as you know, and I now know, a major event that will transform your world. So in sharing this information, let me paraphrase words that you, yourself, have used in describing what is needed in a G-zero world.

To begin with, there will be many changes. It will require adaptability and agility, skills needed to manage any crisis, especially those coming from unexpected directions. But, knowing you as we do, the Carnegie Council believes that the transition will be smooth, as your capacity to navigate risks and take advantage of opportunities are legendary.

Going no further, let me simply say that no matter the challenges—and there will be a few—we know you will be able to maintain a healthy balance of power and continue to play a significant role in all decision making. After all,

politics and diplomacy are the tools of your trade. That being said, let me just wish you much happiness and smooth sailing in the years ahead.

Please join me in giving a very warm welcome to the groom-to-be, Ian Bremmer.

Remarks

IAN BREMMER: That's very sweet. I do have stories about Joanne which I can share. [Laughter]

It's so nice to be back at the Carnegie, it really is. It's always a pleasure. I don't even know how many times we've done this together—probably more than 10 over the years, with lots and lots of different folks, but always some familiar faces. That makes it a treat. Joanne is an old and dear friend, and we've had a chance to work together about a decade now, which has been wonderful.

[Joel](#) [Carnegie Council president], it's been about 15 years since we first met each other, and it has been a seamless friendship and collaboration. I was stunned when he first asked me to be a trustee. I was about 23. He said, "We need young faces on the Council board." He hasn't kicked me off yet. He will, because these are rotating slots, so I don't get to stay for long. But it's a real privilege.

Let me talk a little bit about what I think the G-zero is, how we got here, what the implications are, and what comes next.

How we got here I think is in some ways the most interesting question. Let me start with something that I think is important.

There has been a big debate in the United States about whether or not we are in decline. [Daniel Gross](#) has a big [book](#) coming out right now that says we are not, American decline is a myth, there's no decline. I had to do a debate last week with [Edward Luce](#) from the *Financial Times*, who wrote this great book, [Time to Start Thinking](#), because we're in decline, it's bad. He said that after that it's time to start drinking, that's next. That's worse. [Laughter]

You know, first of all, my predisposition is to be contrary. I'm the kind of person that if everyone tells me it's one way, there must be something worth exploring to why they're probably wrong. In this case, my contrariness is to say that the question of U.S. decline is really not the one we should be asking. It's sort of a narcissistic question. It's kind of an irrelevant question. It doesn't surprise me, given who we are as Americans—of course it's all about us, of course it's about whether or not we are in decline.

But let me ask you a series of rhetorical questions: Whether or not the United States is in decline, is there any possibility of us bailing out the Europeans? Are we going to write checks? Is there anyone out there that would consider, whether or not you think we're in decline, would we be doing the [Marshall Plan](#)? Whether or not we are in decline, would we be leading a global deal on climate? Would we be removing [Assad](#) from power in Syria? If Iraq falls apart, would we be sending troops back?

None of those things are on the agenda. If that's true, if all the big things that we are worried about today have nothing to do with whether or not the United States is in decline, why are we asking whether or not the United States is in decline? I know we have this existential angst.

But let's get beyond that. I've always been interested not in asking the questions that make us feel good but the questions that actually matter for the world today. The question that matters for the world today is: What happens when no one takes a global leadership role, when no one is willing to, and no one is capable of doing it? That for me is the G-zero.

How did we get here? I think that there are four different ways that we got here.

Way number one is that there are a lot more countries that you need to coordinate with. That's just harder; larger table. Even if they were all like-minded, harder to actually get them together. When you have a G20 meeting, you have a larger summit. Just to get your speaking points in, never mind to truly exchange views, is difficult to do.

Even if you have a bunch of like-minded countries that all think that [Gaddafi](#) is a disaster, getting them all lined up takes longer than it otherwise would. So you can remove Gaddafi eventually, but it just takes longer, and you gnash your teeth and you wring your hands about it more than you otherwise would. That's one problem.

A second problem: [Fareed Zakaria](#), known to most of us in this room, good friend of mine, has written for a long time about the rise of the rest. I think that's not the problem. I think it's not the rise of the rest. We've actually had the rise of the rest before. After World War II, it was the United States. Actually, we brought a number of countries to rise. Japan, wasn't that the rise of the rest? Europe, wasn't that the rise of the rest? The problem we have is not the rise of the rest. If there were just a bunch more countries like Europe and Japan rising, we could deal with that.

It's the rise of the different. No one wanted to say that. It wouldn't have worked as well in the post-American world because that was much more optimistic. But it's not the rise of the rest. It's the rise of the other; it's the rise of the countries that don't agree with us on stuff. It's not the rise of the bad, it's not the rise of the malevolent or the evil, but it is the rise of the different. We, especially as Americans, have problems with different, because people are supposed to agree with us.

I mean, all of these countries that are now rising are poor. Let's just say it. They're poor. They therefore have different views on things like the environment, and they should. It's not surprising. They have different views on industrialization. They have different views on trade. They are more politically unstable, yes they are.

Frankly, they have different economic and political systems, some more hybrid systems. But, most importantly, China, of course, the world's second-largest economy, going to become the world's largest economy, is a country that has an authoritarian political system and a state capitalist economic system. If that's the rise that we are seeing, do we believe that there is going to be a meeting of the minds on stuff? No, we don't. That's the second reason.

The third reason is that the United States is less prepared to do this stuff. There are many Americans that really believe that we do not benefit, that they do not benefit, from the United States being the world's policeman, that they do not benefit from the United States being the leader and the lender of last resort, that they do not benefit from the U.S.-led globalization.

I think that one of the most important books written about the United States in the past year has been [Charles Murray's *Coming Apart*](#). Don't read the last chapter because it's weird policy stuff that doesn't work. But the rest of it, when he's just analytic, is really good. It talks about the growing schism between poorer and wealthier Americans over the last 40 years, that if you look at the top 10 percent of Americans and you look at how likely they are to get married or to have full-time employment or to be engaged in civic activities outside of the workplace and the home, or to be engaged in religious institutions, it has stayed more or less constant for 40 years. If you look at the bottom 90 percent, it has gone like this [motions downward]. That gap is significant.

As the United States comes apart, the likelihood of the world coming apart is also greater.

That's the third point, we're not as willing to do it. Why would we fix Afghanistan when we can't fix New Orleans? Why would we do that? I mean we have reasons in this room, but increasingly, many Americans don't accept those reasons. And frankly, I understand them. If globalization is taking away your job and opportunity, even if it's good for America's growth, you will increasingly oppose that.

And we do need to understand that if the United States decides we're out of [Afghanistan](#), we spike the ball, we sign the deal with [Karzai](#), we're out in 2014, and the country falls apart completely, that's a problem at the margins for the United States. I accept that. It's worse for the Afghans, it's worse for the Pakistanis, it's worse for the Indians, it's worse for the Chinese.

Now, I have spoken to senior Chinese officials about this in the last months and asked them. I said, "Look, guys, the Brits get Afghanistan, the Soviets, the Americans. Isn't it your turn? Right? Come on, hand the ball. It's a relay, four times 1,000. We can do this." [Laughter]

They said, as my mom used to say, not "no" but "hell, no," because I was a difficult child. That is where they are. They are not doing this.

If we don't do [Syria](#), and we're not doing much in Syria—the [Annan plan](#) makes it very clear that we are not prepared to do very much. Syria is a problem for us. It's going to be more unstable in the region. I assure you it's a bigger problem for Lebanon, which is starting to be destabilized as a consequence; for Turkey, where the Syrians are torching the forests on the border and other things; for the Saudis; for the Qataris. I can keep going.

There are lots of ways that the G-zero is a problem for the United States, but it's a bigger problem for everyone else. Americans increasingly realize that. So it is going to be harder to get Democrats or Republicans to strongly make the argument that we should have this global role.

And then, the fourth reason is that our allies, who have historically been with us on lots of this stuff—sometimes more so, sometimes less so—are even more distracted than we are. How much lifting do you expect Europe to do internationally while they're trying to figure out if they can keep the Eurozone together?

Japan has had 17 prime ministers in 22 years, and they're about to have 18 if they don't get the consumption tax through, which looks unlikely at this point. Actually, the [one](#) they have now is pretty good, but he's not going to last.

And then, I could even give you a fifth reason, which should be obvious but nonetheless I'll throw it out there, which is that all these other countries that are rising, even if they had it in their inclination to provide global leadership, have no experience doing so. Their diplomatic corps are not as seasoned or as global. Their

multinational corporations have only been global, if any of them are, for a very short period of time. They don't have the same institutional heft, durability. It just isn't happening.

One of those reasons would have been sufficient to make us feel dicey about global leadership. You put all of them on us at the same time and you get G-zero. This is where we are.

What does that mean? What are the implications of G-zero?

The biggest implication is that we will no longer see U.S.-led global institutions. The IMF [International Monetary Fund] or the World Bank or [Bretton Woods](#), all of this architecture that was created by the United States to be global, that's done, it's over.

Going forward, what are the choices? You can either have U.S.-led institutions that aren't global, or you can have other institutions that are not U.S.-led, or you can have neither.

From the American perspective, the right answer is U.S.-led institutions that aren't global. Let me give you an example.

We are all concerned about climate—some of us more, some of us less, but we're all concerned about it. We all now understand that it is an issue that we should be dealing with. We have now seen a number of global summits on climate—[Copenhagen](#) (I start the book with that), [Durban](#), [Cancún](#). How many global summits do we need to have it end in complete failure before we understand that global summits will not accomplish anything?

The answer to that is stop doing global summits. The answer to that is find a coalition of the willing, find a smaller group of like-minded countries that can do something. It won't be ideal, it won't be optimal, but it will be something. If you do it soon, maybe there will be adaptation. If you wait, maybe there will be mitigation. If you wait longer, it will be geoengineering. But it will be something.

On trading, we are starting to get this joke. We understand as Americans that we are done with doing global trade deals; they won't work. So instead of pushing for [Doha](#), which no one talks about in Washington anymore, we talk about the TPP, the [Trans-Pacific Partnership](#), a smaller group of like-minded countries to do deeper trade arrangement—the United States, Mexico, Canada, Japan, South Korea, Australia, New Zealand.

Now, you go and talk to my friend [Bob Zellick](#) down at the World Bank and he'll tell you he doesn't like TPP. He doesn't like TPP because he thinks even that is too ambitious, it's too hard to get done, it won't work. He'd rather see a U.S.-Japan FTA [free trade agreement]. It's an interesting perspective.

The point is smaller, more like-minded, get something done. The G-zero lesson: Do not allow the great to be the enemy of the good geopolitically. Do not allow that. We can't afford that.

We need to see coalitions of the willing not just on Afghanistan and [Iraq](#); we need to see coalitions of the willing on economic statecraft and on cyber security and on monetary policy and on trade and on climate, and keep going, and keep going. That's what we need. That is an honest-to-god policy recommendation. That's where we need to go. That's kind of the direction I think that we might see the world head. But it's going to take time.

Now, in a G-zero world, winners and losers are different. In the old environment, you focus a lot on growth. U.S.-led globalization, we're very excited about growth in that environment, emerging markets across the board get very attractive, and you just see which ones are aligned with globalization.

In a G-zero world, risk is much higher, volatility is much greater. There are a couple of things that come from that.

Number one, you don't just look for growth; you look for growth and resilience at the same time. Resilience becomes much more important. Developed states look comparatively more attractive, much more flight to quality. That means yes, people go to the yen; it means yes, people turn to Germany; it means yes, people turn to treasuries.

The United States is not a loser in the G zero world. The problem the United States has is what I call the "safe-haven curse." You're heard of the resource curse—you have lots of resources in the ground, it allows you to not bother with political and economic reform until it's too late because you can just take advantage of the money. The safe-haven curse is the U.S. equivalent of that in the G-zero.

Everyone is concerned about global risk so they continue to plow money into U.S. treasuries. "S&P downgrade us? Go ahead, downgrade us. Do it again. We don't care because you have nowhere else to go." That means that we don't need to engage on the deficit in the near term. It means that if we do nothing in 2013, that's okay.

The problem, of course, is that long term we create more unsustainability. That's the curse. That's how the United States looks in the G-zero environment.

Of course, the right answer is we need to take advantage of the opportunity that is provided to us by the G-zero to invest in the long-term future. We will see whether or not that is actually a credible policy recommendation or not. But everyone knows that. That's almost a banal thing to say at this point.

The other winners are countries that can pivot, countries that can adapt, because in a world of much greater risk, where resilience is more important, you want options. You do not want just growth that is stuck to one country. You don't want to be Taiwan, which grows like crazy as long as China grows like crazy.

Mexico vs. Canada—big story here. Mexico looks really good right now, but Mexico has the potential to look a lot worse. It's all about the United States. It's remittances, it's tourism, it's trade, it's drugs—it's all U.S.

When I was with the Canadian foreign minister [John Baird](#) a few months ago—it was too late to make it into my book—the first thing he said to me was, "I'm very proud that as foreign minister my first trip when I got the position was to China and not to Washington."

"Why?" I asked.

"Because the West is in inexorable decline, and Canada's future is in Asia."

Now, I'm not asking you to agree with that. It doesn't really matter. The point is that if we decide not to build the [Keystone XL pipeline](#) to Canada, I can think of 1.3 billion Chinese that would love that opportunity. The Canadians are more capable of pivoting than the Mexicans.

But there are some countries out there that are incredibly capable of pivoting.

Look at Turkey. I believe the country has opened 12 embassies in Africa in the last year. Those are countries that these guys couldn't find on a map 10 years ago. They have hurt their relationship with Israel, [Erdogan](#) has done that politically, and yet that has made it much easier for them to work with just about everybody else in the Middle East. In other words, some of that is quite strategic.

It used to be, two years ago, Italy was the second-largest trading partner for Turkey. Today the second-largest is Iraq. So the Turks can do Russia, they can do Caspian, they can do the Middle East, they are candidate members in the EU process but will never become actual members. Turkey actually pivots well.

Ukraine pivots badly. Ukraine would love to join the Customs Union in Europe. It's never going to happen. [Angela Merkel](#) just came out a couple weeks ago and [said](#), "You, Ukraine, are a dictatorship." That is not the way to endear yourself to the Germans anymore. [Laughter]

Indonesia pivots well. Vietnam thinks they pivot well; I'm not sure they do over the long term. But pivot states become important in this environment.

Growth and resilience; a very different kind of investor mix. We don't do emerging markets across the board. We worry about countries that are potentially shadow states, that are only in the shadow, politically, economically, or strategically, of one large country.

What does this mean? Where are we going? What's next? The G-zero is not sustainable. It's a vacuum. In a vacuum you will not have responses to crises as they grow, and those crises will get larger. I'm not saying this to be a pessimist. I'm actually a pretty optimistic guy. I'm just saying that we are heading through this unusual period of geopolitical creative destruction. It is an interregnum.

What comes next? What is on the other side?

Two questions you need to answer: Number one, what's the relationship between the United States and China, the two most important countries economically in the world? Second is how much do other countries matter to global outcomes; do they matter a lot or a little? If you can answer those two questions, you know where we're going to go.

I don't have a strong answer, it's not definitive. But if the G-zero was born with the [financial crisis of 2008](#), that was the proximate cause. It has been coming for decades, but the proximate cause was 2008.

My answers to those two questions so far:

Number one, U.S.-China is getting worse, getting more confrontational, and that is fairly clear. We're getting better at managing the problems as they come up, we are actually, because we understand the importance of the relationship.

With Russia, for example, it's irrelevant. With Russia, we can send [Mike McFaul](#) as ambassador, who is a pro-human rights/democracy guy. We would never do that with China because it's too important to screw up. With

Russia, we don't care if we offend them. That is the reality.

[Romney](#) can say that Russia is the number-one geopolitical foe in the world to the United States. He can say that because it's costless to say that. You can't say that about China. That's dangerous. I like to call China "the [Voldemort](#) of countries." This is an older crowd. It is the-country-whose-name-must-not-be-spoken. That's a [Harry Potter](#) reference for the folks in the back. That's where we are, the Voldemort of countries. We can't say it.

But the relationship is getting worse, and it is getting worse on security and it's getting worse on cyber and it's getting worse on digitization.

I'll tell you what worries me the most. I'm going to be on [The Diane Rehm Show](#) later today, which is always fun, and we'll talk about the global slowdown.

She is asking me in the pre-interview, "What are you worried about? Is it Europe, the United States?"

I said the one I'm most worried about is China, because China is experiencing the same part of the global slowdown that everyone else is. The Chinese response to that will be, "Oh, my god, we can't export the way we used to so we must double down on what we can do, which is state capitalism," which puts the Chinese in a much more antagonistic relationship with the United States.

It would be so much better for us if the Chinese were growing 15 percent than if they're growing at 6 percent, because at 15 percent they can afford to be more flexible. At 6 percent they can't. That's bad. It's almost better for us if they grow a lot just economically speaking, but of course worse for the world from a commodities perspective.

It's like [Tom Friedman](#) said, "Let's have gas at \$8 a gallon because it forces us to do good stuff, it's good long term." There are so many edges to that sword, it's like a quadruple-edged sword. I don't know what you do with that. You bleed a lot, but that's about it. [Laughter]

I think the U.S.-China relationship deteriorates. It has been deteriorating and it will deteriorate.

I also think other countries matter a lot. They matter a lot in part because we won't do as much and the Chinese won't do as much, so it will give them diplomatic space. But they also matter a lot because some of them are actually starting to matter more—yes, the Turks, and yes, the Brazilians, and yes, the Indians over time; and also Europe, which I fundamentally do not believe craters, but I believe that this is a crisis that will make them stronger ultimately.

They will not waste their [crisis](#) the way we wasted our crisis in 2008—and we did waste our crisis in 2008. I would not wish us to have another crisis to get it right, in part because I would fear that we would waste it again, and then all you get is crisis, and that's not fun. So I think they're going to matter a lot.

If that's true, if other countries are going to matter a lot, and if the U.S.-China has a more confrontational relationship, then the world that comes after the G-zero has no global institutions. It's regional, it's a world of regions. Regions matter a lot more.

What's interesting is it's not lots of little globalizations because those regions will be radically different from each other.

In Europe, common political and economic values; in Europe, largely voluntary, largely institutionalized.

In Eurasia, coercive, security and energy relations towards Russia, much more informal, much less institutionalized.

Middle East, you don't have one driver of integration, you've got three, maybe four over time—you've got Turkey, you've got Iran, you've got Saudi Arabia, maybe you get Egypt. They all want different things. What is driving integration in the Middle East is sectarianism. The Saudis support Sunni Arab monarchies; the Iranians support Shia disenfranchised populations; the Turks largely support middle-class and secularized in the urban centers. As nobody else plays a big role in the Middle East, the Middle East fragments more; a dangerous, dangerous situation.

In Asia, life gets really interesting, because you integrate towards the Chinese economically, but you want to keep your integration with the West and the United States from a strategic perspective. For how long can you do that? It gets more challenging over time to keep your ability to pivot in Asia.

Africa pivots really well. They do very well in this environment because there's no natural one country but everyone wants to come in.

Latin America is quite insulated from this environment because you don't have natural geopolitical players, so

they are also able to take advantage of many.

That's where I think right now we see the world evolving post-G-zero—again different winners and losers. Interesting I hope, provocative I think, and I hope you enjoy the book.

That's a little bit from me. I'm delighted to have some discussion and engage in questions. Thank you so much.

Questions and Answers

QUESTION: Susan Gitelson.

That was fantastic. But, since you are a contrarian, permit me to add a contrarian kind of note. That is you have been discussing globalization in terms of the post-World War II world. When you talk about the decline of America, we really have to see this with a much longer perspective because in the 19th century and 20th century the United States was very much a peripheral country, and it was only after the two world wars that there was a vacuum and the United States came in and constructed the Bretton Woods system. It really helped at the time. But that doesn't mean it has to go on forever.

You raised the question, "What happens next?" which is very valuable. I was going to say "What about the regionalists?" but you brought them in at the end. In this vacuum, the important thing is that trade relations do continue, that multinational corporations become very important. There are other ways of conducting world affairs without a central group or a G3, a G5, a G-whatever. What do you think?

IAN BREMMER: Yes, I think that's all very valid.

I thought it was interesting that [Putin](#) two weeks ago brought up the United States in the World War II environment and said, "Look at how much damage, look at how many atrocities were committed, on both sides of the world before the United States was willing to come in," implying that could happen again, which would have been much more credible for Putin to say if he then didn't decide not to get on a plane and come to the [G8](#), because he's not part of the solution on this issue. But it is a valid intellectual point, even if he shouldn't be the one making it.

We do have this history. The United States has not always had this role. The United States is insulated geographically. It is insulated because of its abundant economic wealth. It is insulated because it is the world's largest producer of calories. It is insulated because of the energy revolution happening, unconventional oil and gas in the United States. We don't need to do as much.

Now, what then happens? Well, the world continues to live, even if it doesn't have global agreements and global standards and global trade. You can do it regionally. But I tell you, it's less efficient. That's the problem.

So we have a world that we thought—we built an Internet and we made the Internet global and you had one system. Facebook just had an [IPO](#) [initial public offering] a couple weeks ago. Now, you could say, "Well, it didn't do so well." But, frankly, I thought it did particularly well given that Facebook doesn't have any access to the 500-plus-million Internet users in China and won't. It's not a global company.

Yet the Internet is supposed to be global. It's not, it's fragmenting. You will see the same thing with the development of 4G and 5G standards internationally, as the Chinese have their own and will want to use their own. Investment people will say that.

Over time, of course, that will also impact the U.S. dollar as the global reserve currency. It does well in G-zero, but as we look out 10, 20, 30 years, in a regional world you won't have that, which means you have to hedge currencies more and it costs more.

Now look, I'm not suggesting that the only correct global standard is the American one. What I am suggesting is that a world that has one set of global standards is a more efficient world than a world that has fragmented standards. We have been incredibly fortunate over the past half-century-plus to have a world not only of one set of standards but to happen to be the country that made those standards. We benefited from that, and our multinational corporations have benefited from that, and our shareholders have benefited from that, and many Americans have benefited from that. Even the lower classes of Americans have benefited from that, though not as much recently, but they have.

I am suggesting that that is over. We're done with that. So it is going to be different and it is going to be more problematic.

But I am also suggesting that from a relative gain—look, if you could tell me, "Ian, you've got a portfolio and you can invest today in the U.S. today or in the U.S. 20 years ago," I'd pick the U.S. 20 years ago. That's a no-brainer. Thankfully, that portfolio doesn't exist. What you can invest in now is you can invest in the dollar or you can invest in the euro; you can invest in our equities or you can invest in Japanese equities; you can invest in oil or gold.

You've got to pick something now. In the world of now, going forward, the U.S. is a better bet.

This is another reason why the decline stuff so absolutist, and yet we live in a relative world and we are relative people. We know this.

I think the most important book that I've read in the last five years was the wonderful [Daniel Kahneman's *Thinking, Fast and Slow*](#). If you have not read that book, read that book. He's such a lovely human being, the Nobel Laureate cognitive psychologist who explains why we are all relative thinkers in the most coherent way that anyone has ever put forth. If you think this is not relevant for geopolitics, which are agglomerations of individuals that think relativistically, then we haven't gotten very far.

QUESTION: Hi. I'm Andrew Medvedev.

Two real quick questions. One is: Why do you think Europe is not wasting the crisis and we did, and what is the dynamic there?

The second one is that—you know, we were lucky in a sense that Britain was declining and sort of passed the baton to us right as we were ready to step in, and that liberal empire kind of kept going. We are not so lucky now. Who do you think is the next candidate 20-40 years out to take that banner of the empire, and will it be liberal?

IAN BREMMER: So two easy questions. [Laughter]

The first one is easier. Why is Europe not wasting the crisis? I thought it was very interesting, at the G8—G7 as it turned out . . . I love the fact that we used to call it "the G7 plus one," because think about "plus one." If you go to a wedding and you've got a plus-one option, if you've got a girlfriend or a wife, you bring her; you don't bring a plus-one. That's not going to go well for you. Nothing is happening and it will stop you from meeting other people. [Laughter]

That's kind of the way I feel about Russia in that group. Their not coming was only a benefit. In Syria and Iran they are actively problematic. On Afghanistan and the euro crisis, they are actively irrelevant. If they had come, [Obama](#) would have had to have a big private meeting with Putin that wouldn't have gone well, would have actually hurt normalizing trade status with them with Congress. So it was actually all the way around useful that Putin didn't show.

With Europe, Obama said at that G7 meeting that he felt that the Europeans should be taking a big bite as opposed to all of these incremental little bites. I don't believe Obama is stupid, so it's obviously a political statement that he made and it was just for the American audience, because it is very clear that the incremental steps on the part of Europe are the only ones that have a chance of working.

The reason for that is because Europe is not one country. You've got different domestic constituencies. They have different electoral periods. If you took one big bite, what was the possibility that you got [Mario Monti](#) in as a technocratic government in Italy? Zero. What's the possibility that you would have gotten the kind of austerity that you've seen so far from the Spaniards and the Portuguese? Zero. What's the chance that you could move and use the markets as a stick to get fiscal compact done and move towards banking union? Zero.

So the Germans understand that the only way you take advantage of this crisis is by wielding the markets as a stick. You must cause enough pain that will force people to actually take difficult long-term decisions that are unpopular in their own constituencies. The Europeans are not wasting this crisis.

We, on the other hand, got through a couple quarters of recession, pronounced it was over, and decided to do [health care](#), the single biggest mistake of the [Obama administration](#) in my view, whatever the Supreme Court decides. I'm not telling you I don't like the health care bill. I don't actually care. That's not what I focus much on, health care domestically. It's just not what I do. What I focus on is international politics.

But I tell you, if you get a financial crisis and you have the chance to really fix financial architecture in the United States, with the popularity Obama had, you take it. They didn't, and that was unfortunate. It's too late now. What you get is [Dodd-Frank](#), which is usually complex and only half-measures, and some of it will get implemented and a lot of it won't—though [J.P. Morgan](#) has given us another opportunity, so that's a plus.

Who is next? Who is after the United States? First of all, you asked in 40 years, which is probably the right question, because in 10 years, in 20 years, nobody is next. In 40 years, I have no idea.

First of all, we don't do centuries anymore. You think about how many countries are there going to be in 40 years. A lot more. What kind of governance? How important will states be in 40 years compared to super-empowered individuals?

One thing that will happen if the G-zero continues for a long period of time is you will get much more powerful plutocrats because they will have the ability to hedge very effectively between an arbitrage, different kinds of

trade environments and standards and the rest. That's a great environment to be an oligarch. That's not a liberal trend. So in that regard I would say that G-zero is not a liberalizing trend.

But you're asking me what's the next nation-state. When you start talking about 40 years from now, you start wondering what is the relative role of nation-states in terms of global power and architecture.

Now, nation-states were becoming somewhat less important over the last 40 years, in part because there was global agreement on architecture. When the G-zero hit, suddenly nation-states became much more important. But they are not handling it well. If they continue to not handle it well, they will start to be subsumed. I don't just mean by super-empowered individuals and by multinational corporations; I also mean by agglomerations of individuals that fall off the grid.

When you have large numbers of people who are very poor but can play a role as global consumers through their cell phones, suddenly slums become interesting. But they are not part of government. Are they important? What role do they play? Do they become autonomous? Do they become actors? How do we think about that?

So I really think that the question is much broader than just "pick a country in 40 years." I think it becomes a very interesting question, and somewhat of a philosophical question.

QUESTION: My name is Adam Scheuer, with J.P. Morgan actually, working in international government relations, and also with an organization called [Young Professionals in Foreign Policy](#).

IAN BREMMER: YPPF is a great organization. I am actually speaking with them in D.C. in a couple weeks. They're a wonderful group.

QUESTIONER: To what extent did the Western financial crisis tilt the direction of your analysis of the G-zero versus broader underlying systemic trends?

IAN BREMMER: I think that the financial crisis was the proximate cause. It was going to happen anyway. The question is, when? If you're standing out there on a pier and the pier is eroding and waves keep hitting it, at some point you don't even need a tsunami; at some point all you need is a wave and it just buckles. As it turned out, we got a tsunami.

Now, I would argue that we are actually fortunate that, given that it was inevitable, it actually happened when it did and not in 2018 or 2028. The reason for that is because when the financial crisis hit, the United States was still by far "big man standing." That means that the ability of the United States to play a very meaningful role in determining what kind of world comes next is actually much greater. That's really the way we should look at it.

There was no way, given the rise of the other, and given that that is structural, there was no way to put off the fact that the old architecture was broken.

But it was also unrealistic to believe that we were going to dismantle that architecture before we were forced to. That would be nice. The best possible outcome would be a bunch of folks sitting in a room and saying, "Okay, in 20 years this probably isn't going to work, so let's get ahead of it." That ain't happening, right? That's just so antithetical to human nature on every count.

So we needed the crisis to come along. We got one. We got one that didn't destroy us. It wasn't a nuclear war; it wasn't cyber security that brought down economies. It was a financial crisis that we got through in a couple of years. Actually, it happened early. I think that in the grand scheme of things that's a blessing and it's an opportunity.

By the way, a funny thing. At Davos this year, I was doing a speech for the New York Stock Exchange, and Jeff Taylor came up to me and asked me a question that was very similar to that. I mentioned the fact that I thought that it was creative destruction, and creative destruction coming early is better than later when it's going to happen, and he fundamentally got that point. It was really interesting. This is clearly a J.P. Morgan cultural thing.

QUESTION: Richard Valcourt, *International Journal of Intelligence*.

Ian, what do you see as the future of the European Union?

IAN BREMMER: As largely the same group it is right now. It is possible that Greece will leave or be forced out in some way. If you had asked me six months ago, I would have said it was nearly zero percent chance, maybe 5; now I might say 10 or 20 percent. I still think it's low likelihood, but it could happen.

But short of that, I think the European Union stays together. I think there are incredibly strong dynamics on the part of most of the core governments, certainly the German multinationals and banks, and also very importantly, European institutions.

The ECB [European Central Bank], it's entire raison d'être is making sure the European Union stays together. There are a lot of people in the ECB. They're smart people. They have jobs. They have families. They will work incredibly hard to ensure that their lives are not made meaningless.

I think we should not underestimate the bureaucratic inertia and strength that exists from putting together a significant union, as flawed and incomplete as that union may have been. I'm a political scientist, not an economist, so I tend to look more at those sorts of features.

I also realize how stable these countries are. For all of the [problems](#) that Greece has had and all of the contraction of their economy, there are no demonstrations in Greece, there is no instability in Greece. You've got some folks on the main square by the Grand Bretagne Hotel. You've had some anarchists. That's it. The rest of the country is incredibly stable.

In Portugal, as they say, they don't go to the streets, they go to the beach. That's what they do. [Laughter]

I was with some Argentineans yesterday who were telling me that their friends in Argentina all laugh about Spain. They laugh and they say, "Look at Spain's problems." Any of those guys in Argentina go to Spain in the same relative perspective in society, they're living a lot better in Spain. They are more comfortable. Life is easier for them. That's just reality.

When I say that the emerging markets, that the rise of the different, are more politically unstable than the developed world, I mean that. I define emerging markets as countries where politics matter as much to market outcomes as economics, at least as much to market outcomes as economics.

With the 2008 financial crisis, does that make me feel less that way? No, it makes me feel more that way. That's why the S&P downgrade was so inane, because it implies that all of this stuff is equivalent whether you're an emerging market or a developed state. It is not. That comparative stability matters.

The problem with being a developed state is there's no urgency. If you're an emerging market and you get this stuff really wrong, you're done, you're in real trouble.

Some emerging markets are emerging. Brazil has many more characteristics of an advanced industrial democracy than any of the other BRICs [Brazil, Russia, India, China] do, and frankly than Brazil did five years ago or 20 years ago. That speaks well to Brazil. But let's be clear, Brazil is not Spain. We need to remember that.

QUESTION: Leah McFarland.

One could argue that with regard to most of the global issues that you mentioned, aside from Syria, the main reason the United States hasn't engaged in greater global action is we are facing incredible fiscal difficulties right now, and that with safe haven status, given everything else out there, that could give the United States time to recover economic dynamism within the decade. That's one point.

The second point: the U.S. military is arguably the greatest public good that the United States has provided to make the world safe for capitalism. No other military force comes close to challenging that.

So with the economic dynamism and the military infrastructure that the United States has globally, one could argue that the United States will be the preeminent power for the foreseeable future. I wonder what your response would be to that.

IAN BREMMER: Well, if you had to make a bet on who comes out post-G-zero looking like the biggest leader out there, you would still bet on the United States. You'd make a smaller bet than you would have made 10 years ago or 20 years ago.

I accept both of the points that you just raised. But there are big caveats.

So military; the United States has the world's biggest military by far. That's still incredibly important. Is it as important as it was 20 years ago? No.

Why is it not? Well, when I was at the Hoover Institution back in 1994-1995-1996, the senior fellows used to engage in a pool to try to figure out what year you'd have the first terrorist nuclear incident against a major city. I did not participate in this pool, but there was one and they discussed it frequently.

Now, I don't know if they still have that, but if I were at the Hoover Institution today and inclined to engage in such sorts of betting, I would put together a pool of what is the first economy that will be brought down by a cyber-tech, which I think is a much more plausible and credible thing. The United States doesn't have the kind of superpower capacity on cyber that we do on military. Let's be clear: That's a problem.

When you don't have a global free market but you have state capitalism versus the free market, suddenly the

United States has to pay much more attention to economic statecraft. [Hillary Clinton](#) gave a great [speech](#) on this back in October, I think the single best foreign policy speech I've seen in years come out of the United States, worth taking a look at.

But it shows that geopolitics increasingly has not just conventional security backdrop but also economic backdrop. We are not set up well to do industrial policy. The State Department doesn't focus much on the private sector. Commerce is very weak and has poor human capital. USTR [the Office of the United States Trade Representative] is better but not a part of Commerce. Energy is separate, which makes no sense in this environment. We don't have MITI [Ministry of International Trade and Industry, Japan], we're not Japan. We're not set up to do industrial policy. So that makes us weaker on that front too.

I certainly agree that the United States has the ability to show huge multiples given the right kinds of investment. If you look at nanotech or biotech or unconventional oil, you look at patent generation and where that money is being generated, it is not just in the United States; it is overwhelmingly in the United States. And if it's not in the United States, it's with American allies. It is not China, it is not India, and it is not coming soon in those countries. So we will dominate those fields.

But I mentioned coming apart. I think a structural danger in the United States is you are not just betting on us getting it right, you're betting on us getting it right and having the bottom majority of the country not benefit from it and be willing to continue to not care. That's hard.

So I am dispositionally inclined to agree with your two points, and yet I see a starting-to-swim-against-the-current on both of them.

QUESTION: I'm David Hunt.

Islamic jihad against Christian countries, do you see this continuing for the foreseeable future or do you see the impetus for these terrorist and other types of actions against the Christian world petering out?

IAN BREMMER: I think that these are problems in the United States and Europe. I don't think they are going away. But I think they are becoming more domestic and less internationalized.

First of all, the United States has put an enormous amount of money into tracking people coming from countries that could potentially be on target lists, and packages, and the rest, and they have stopped a lot of that stuff. That has been a success. It has been a success with very large economic cost, it has been a success with some cost to privacy and human rights in the United States and abroad, but it has been a success. So if that's what you are focusing on, you say you've got a good grade on that.

Having said that, I think one of the growing concerns for Islamic terrorism in the United States is the incarcerated population, largely minority, largely black. That's a very large and growing population. There is an enormous amount of Islamic radicalized proselytization going on inside those prisons, and those folks are becoming more of a danger and security threat, which will be harder for the United States to monitor and track. So I see that as a problem.

In Europe, it is domestic populations. It's British citizens, it's French citizens, who are not being integrated into those societies. We see that across the board. We also see hard-right reaction, as we've seen so horrifically in countries like The Netherlands and Sweden recently, not places you expect to see this kind of violence. That is a growing threat as well.

As far as the local populations themselves in the Middle East and in Pakistan and Afghanistan, clearly the violence is likely to intensify, but it's likely to become more localized. The United States is playing less of a role. You can't blame the United States as much for it. But certainly in those cases when it becomes more localized it also becomes more sectarian.

This is one of the places I just so disagreed with [Sam Huntington's *Clash of Civilizations*](#). The most violent cleavages in the Islamic world are intra-Islamic cleavages. They're not between Islam and Christianity, and we don't care because those lives haven't meant as much to us, they don't make our headlines. But they mean as much to them. Huntington was so much of a Western paradigm.

This is the other side of the G-zero argument, which we do need to pay attention to, is that the rise of the different, that different does not mean worse. We need to understand that.

The Chinese have a radically different perspective on climate than we do. In their view, the Arctic is—Hillary Clinton just came out and [reiterated support](#) for the [Law of the Sea](#) the other day, which the United States is trying to get done because they're concerned about China. The Arctic is melting. We all know this. As it melts, there are fantastic reserves underneath it.

The Chinese perspective is: Nobody lives up there and these are global reserves for humanity, and the Chinese

have some 20-ish percent of the world's population, so they deserve 20 percent of the reserves that are under there. That is their perspective.

From the humanist perspective, I get it, I understand where that comes from. As an American, I look at them and I say, "They don't have geographical contiguity. They get none of that. We've got some space up there. We bought at the right time, right? Buy low, sell high." [Laughter] We did that. I assure you that we will not agree with China on that and there will not be a meeting of the minds.

Canada can say they want to pivot all they want, but if the Arctic gets messy, I'll tell you which side Canada will be on, because they won't have a choice. They'll be on our side. I had that conversation with the foreign minister too. They know that. They think they can forestall, but they know that.

But the point is "don't care/made to care." We have fundamentally different views on the environment with the Native American population too, but we don't care. Why? Because how many of them are there left? We don't have to deal with it.

With China, we have to deal. This is why the rise of the different matters. That's the point, is that Americans have historically been really good at pretending that we have agreement because none of these other folks have enough capacity to engage a voice to make us care. But they now do.

That is a dispositional problem for us. It's almost an existential problem for us. We have conversations about which of our values and standards are we prepared to truly compromise on to get an organization like the G20 to work? The answer is none of them. And I understand that.

But if that is true, that then goes to the policy recommendation, which is: Stop doing global because it won't work; instead, get like-minded countries and let's actually work on things that we know we can actually progress on. That's kind of where I come out on all this.

JOANNE MYERS: Ian, I have to say there was nothing relative about your performance. It was absolutely special.

IAN BREMMER: Thank you very much.

JOANNE MYERS: Thank you for coming.

[Ian Bremmer](#), [Joanne J. Myers](#)

[Ian Bremmer](#)

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