

English Summary drafted by DGAP

Summary

## **Charting Choppy Seas: The World Economy and the Future of Growth and Trade**

3rd JEF-DGAP International Symposium

at DGAP, Rauchstr. 17/18, 10787 Berlin, Germany

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### **Welcome and Introduction**

Dr. Sylke Tempel opened by welcoming guests to the third Japan Economic Foundation (JEF)-German Council on Foreign Relations (DGAP) International Symposium and introducing JEF Chairman and CEO Kazumasa Kusaka.

### **Kazumasa Kusaka**

Mr. Kusaka emphasized the fundamental changes underway in both Europe and Japan. In Europe, a wave of populism has swept aside many of the assumptions about the health and trajectory of the European project; while the French presidential election, held ten days before the symposium, ended in defeat for the isolationist Front National, the last year has seen the United Kingdom vote to leave the European Union and the United States elect a president who has promised to unwind international legal and trade norms. This return to populism has been explained as a response to the economic disruptions caused by globalization, even though there is significant evidence that digitalization has done more to upend the traditional labor market.

Meanwhile, Japan is wrestling with the consequences of a shrinking and aging population. The Japanese population is declining at roughly 1 percent per year, and many of the country's smaller communities are struggling to stay economically viable in an environment characterized by lower productivity and demand.

The three major themes laid out for the symposium were growth, innovation, and populism – especially how to use the first two to combat the trends responsible for the third. Among the major challenges for Europe and Japan will be harnessing the changes under-way in the international economic environment rather than falling victim to them, defending the international trading order in the face of protectionist policies from both the United States and China, and developing industry 4.0 capacities in a way that ensures

that the gains are felt equally, rather than concentrated among the wealthy. Mr. Kusaka emphasized the importance of deeper EU-Japan trading relations as one important step. Mr. Kusaka concluded his remarks by stressing the role that organizations like JEF and DGAP must play in informing their respective populations. Paraphrasing Gresham's Law, which states that "bad money drives out good," he noted the degree to which misinformation characterized the Brexit campaign and encouraged participants to contribute to this and other events as part of an effort to provide the public with better information.

### **Session 1: Escaping the Low Growth Trap**

#### **Naoyuki Haraoka (Moderator)**

Mr. Haraoka opened the first session by pointing out the seriousness of the growth problem today: While the International Monetary Fund predicts global growth of 3.5 percent in 2017, an improvement from 3.1 percent in 2016, the vast majority of this growth is to take place in developing economies. Advanced economies are predicted to grow 2 percent – and even there, the lion's share is to come from the United States, which has had slightly more success recovering from the financial crisis than the Eurozone. The euro area is forecasted to grow by only 1.7 percent; Japan by only 1.2 percent. In 2018, those numbers are predicted to shrink to 1.6 percent and .6 percent, respectively.

The EU and Japan are, however, facing different problems. At the moment, Europe is focused on the future integration or disintegration of the political and trade union. In the aftermath of Brexit, the EU's main task will be ensuring that other member states do not follow the UK's lead while maintaining momentum for necessary structural reforms. Japan, meanwhile, is combating a demographic shift long in the making: As of last year's census, the country's population is officially shrinking, going from 128 million in 2010 to 127 million in 2015. This decline brings commensurate limitations to economic growth.

At the same time, both countries are operating in an uncertain trade environment. The Trump Administration in the US has signaled its hostility to several international trade agreements and its interest in renegotiating others, and China, despite presenting itself as a defender of international trade, has been erecting barriers to protect its own industries from competition.

#### **Alexander Schönfelder**

Mr. Schönfelder began by emphasizing the importance of growth to social stability.

Steadily growing productivity leads to increased wages, which, in turn, continuously increase standards of living.

Recently, however, growth in the developed world has not been accompanied by increasing productivity. According to the OECD, multi-factor productivity – a measure that compares outputs produced to inputs required – has slowed to a standstill in several G7 economies, and even retreated in Italy. At the same time, there has been less investment in machinery and equipment. The combined effect of these two trends has led to an increase in labor utilization rates, meaning that even the meager growth rates observed in developed countries have often been a result not of increasing labor productivity, but rather of an increase in the number of hours worked – and that the workers filling these positions have often experienced little to no improvement in wages or quality of life.

This employment paradox – everyone has a job but no one's getting a raise – has helped fuel populism. While technological progress has been responsible for more job losses than trade, the populists are correct in their belief that the benefits of globalization have been unequally distributed.

To spur inclusive growth, a number of steps need to be taken. Competition and investment in production capacity needs to be encouraged at the policy level. This can be achieved through both macroeconomic policy and government investment in training – Dr. Schönfelder emphasized both quality traditional education and “upskilling,” or re-training employees in industries rendered obsolete to work in new fields. The startup sector should also be supported.

Finally, trade has been stagnating for the past year for several reasons. First, many companies are relocating their production capacity to be closer to their end markets. Second, more and more countries have organized themselves into trading blocs, and trade agreements between these blocs are more difficult to achieve than trade agreements between individual countries. Third, much of the growth in international trade over the past decade may, in fact, have simply reflected the rising economic importance of China – and as China's growth slows, the pace of international trade may slow with it.

### **Prof. Mitsuhiro Fukao**

While Japan's nominal GDP remains flat, its real GDP has been growing – a reflection of the Japan's deflation from 1997 to 2013, a trend that only ended when the Bank of Japan stepped in to expand its money supply on a massive scale. Over the past two decades, the Japanese economy suffered from deflation almost continuously as the country was hit by

a financial crisis in the late 1990s and the global financial crisis of 2008-09. Now, using the “core-core” consumer price index (CPI), which includes all consumer goods except food and energy (which helps to remove volatile global commodity price movements), Japan's rate of inflation is hovering between 0 and 1 percent, and its economy is operating at the potential GDP level. . Japan's deflation has ended and its labor market is getting very tight.

Growth, however, is limited by Japan's shrinking population. Even if Japan were to achieve productivity growth rate of 1.5 percent per annum which is comparable to that in the United States, the 1 percent annual population decline caps GDP growth at roughly .5 percent per year. The shrinking population has meant a steadily decreasing labor supply – and with steadily diminishing domestic demand, companies have had little incentive to invest in domestic production capacity, meaning that the country cannot counteract diminishing numbers of workers with increasing productivity per worker. In fact, potential labor input peaked in Japan in 1990, and has been declining ever since.

Despite these obstacles, Japanese corporate profits are doing well, with the current profit-to-GDP ratio 1.4 times the level it reached at the height of Japan's bubble in the late 1980s. The Nikkei 225 index is relatively low, in part because many of its components are larger and older companies that are no longer growing quickly, but the market capitalization of Tokyo stock exchange is fairly high.

To translate this economic health into sustainable growth, Japan needs to shore up its dwindling labor supply. Professor Fukao suggests that could be accomplished through lower barriers to immigration: despite high demand for workers, Japan only accepts about 70,000 immigrants per year. Prime Minister Shinzo Abe has, in fact, suggested easing access to visas and residency permits; these policy proposals could be revived.

### **Dr. Klaus Günter Deutsch**

Dr. Deutsch opened with an overview of improvements in the global economy. While China has reduced its 2017 growth projections to 6.5 percent, cyclical improvements in Europe and Japan have made up some of the gap, for a global real growth rate of 3.5 or 3.6 percent. Part of this is due to the work of the central banks, which generally responded effectively to the financial crisis.

However, this does not mean that all is well. US projections currently call for 2.5 percent growth in 2017, but that is based on the assumption that the Trump Administration will successfully pass fiscal policy and tax reforms, an assumption that could prove overly

optimistic. The administration itself is currently mired in a series of overlapping scandals concerning the relations of several of its members with Russia, and the Republican-controlled Congress has already struggled to make good on its promise to “repeal and replace” the existing health care law, its first legislative priority – and come summer, it will have to pass a new budget to fund government operations and address the looming debt ceiling, a process that has become contentious in the past. And even if the administration successfully passes any sort of structural reforms, the steps it has proposed so far are not necessarily those that economists would recommend or prefer.

China, meanwhile, has taken steps at odds with its own rhetoric. While the country has pledged its support for free trade – President Xi Jinping indicated at the January meeting of the World Economic Forum in Davos that China would step into the United States’ traditional role as champion of free markets, saying that “pursuing protectionism is like locking oneself in a dark room” – its actual policies have moved in the opposite direction. The government has been supporting state-owned enterprises to provide goods that would otherwise be imported, and has made it extremely difficult for foreign-run firms to enter several sectors, notably the service sector.

Things have been slightly better in Europe. France has undertaken significant product market reforms, Italy is reforming its judicial system and labor market, and the United Kingdom is talking about investing more in the industrial and R&D sectors. At the EU level, several energy-sector reforms have been discussed, though insufficient attention is being paid to financial markets and the service sector.

Germany, however, is faced with a problem many countries can only dream of: it is saving too much money. Germany has a huge current account surplus, but is investing far too little in infrastructure maintenance and improvement, particularly in the IT sector; in fact, German companies are limited in the productivity improvements they can undertake by IT infrastructure deficiencies. Germany has only avoided productivity drops because of the influx of Eastern Europeans and refugees over the past few years.

In the future, it will be essential that Berlin shifts its focus from a balanced budget – the so-called “Black Zero” policy advocated by Finance Minister Wolfgang Schäuble – to investment in the country’s industrial future. Dr. Deutsch recommends that 3.5 percent of GDP be devoted to R&D, while more investment is directed to infrastructure improvement and taxes are restructured to incentivize modern manufacturing. At the same time, labor market policies should be tailored to integrate refugees, immigrants, and low-wage workers.

## **Session 1 – Q & A**

The questions asked of the first session's speakers focused on what the G7 and G20 could actually hope to accomplish, how to spur investment in startups and small businesses in Japan and Germany, and where further investment might come from considering present levels of European and Japanese indebtedness.

On the first question, panelists agreed that one of the main goals of the G7 and G20 should be simply preventing the United States – and, to a lesser extent, China – from doing anything to upset the order of global trade. They agreed that these organizations were not likely to undertake any ambitious new projects in the immediate future, and would instead focus on mitigating the damage caused should the US decide to withdraw from international trade agreements or erect significant barriers to trade. Work could be done, however, to further integrate Turkey and India.

On startups and small companies, it is difficult to say what the effects of specific policies actually are. Infrastructure improvement is one step that could encourage the creation of new companies, but a larger concern may be that successful startups are frequently bought by larger American and Chinese firms. Any discussion of how to respond to this would have to entail a larger discussion of what it means for a company to be “Japanese” or “German” as opposed to American or Chinese – that is, given the globalized nature of production, whether ownership has as much economic impact as the location of operations.

Finally, while some European countries are struggling with their debt loads, Germany is not; Berlin has ample room to maneuver when it comes to investing in the country's future, especially if it de-emphasizes the “black zero”. Japan, meanwhile, has a significant debt problem – it has used low interest rates to take on significant amounts of debt, amounting to 250 percent of GDP in 2016 – but has resisted raising taxes despite a generally strong economy. Tax increases would probably be tolerated, and inflation would ease the country's debt burden.

## **Session 2: Populism, Protectionism, and the Future of Free Trade**

### **Dr. Henning Hoff (Moderator)**

Dr. Hoff opened the session by stressing the importance of the nexus between populism, protectionism, and free trade to both Germany and Japan. Free trade has suffered a number of blows over the past year, from the Brexit vote in the UK to Donald Trump's election as president in the US. However, despite leveling threats

against China, Japan, and Germany during his campaign, it is still unclear what Mr. Trump's trade policy will be – or how Japan and Europe can respond.

#### **Dr. Claudia Schmucker**

Dr. Schmucker presented a broad picture of the trajectory of international trade. After two generations of steadily increasing trade, the tide is beginning to shift: due in part to slowing global growth and increasing inequality, the benefits of free trade are being questioned in Europe. Meanwhile, the Trump Administration is upending trade policy in the United States – his withdrawal from TPP and his statement that the United States will not necessarily abide by WTO dispute settlement mechanisms in the future raise the specter of a new era of protectionism. The March G20 meeting at Baden Baden was not encouraging: the administration used one of its first international summits to pressure international finance ministers to drop their traditional pledge to keep trade free and open (and to fund efforts to combat climate change). In subsequent meetings, Trump representatives said that the United States reserved the right to employ protectionist measures as it saw fit.

These shifts will change the future of international trade in several ways. The focus of European trade policy may shift East: with the United States no longer a reliable partner, the EU will work even harder to solidify its trade agreements with China and Japan. The former may prove difficult – desperate rhetoric to the contrary, China's government maintains significant barriers to trade. The latter relationship will prove much easier; over the past year, Chancellor Merkel and Prime Minister Abe have stressed the importance of the EU-Japanese relationship and their interest in ambitious new trade agreements. The EU may also look to other partners to strengthen the framework of international trade – Dr. Schmucker mentioned the importance of negotiations already underway with Mexico and Mercosur.

#### **Dr. Sota Kato**

Dr. Kato began his discussion of the roots of populism by pointing out that, while economists cannot understand why protectionism should exist, political scientists cannot understand why free trade should exist – that is, despite the economic benefits, free trade can carry such high political risks that it is a constant temptation for politicians to restrict it strategically. The trade barriers that arise are a nearly natural phenomenon, the points of friction between economics and politics.

He went on to argue that populist movements do not necessarily lead to protectionist

policies, and that in fact protectionist policies do not necessarily originate in populist movements. Many forms of protectionism can be traced back to the political efforts of particularly strong interest groups; in these cases, small and well-organized groups have overwhelmed larger but less committed publics, and the abstract politics of trade have had little salience. These campaigns may use populism as a tool, tapping into general hostility towards trade to achieve specific goals, but they are ultimately interested in the conditions of a certain subset of entities within a specific sector rather than any broad philosophy of free trade or protectionism. This sort of protectionism can actually be combated by populist appeals: when traditional constituencies of his Liberal Democratic Party (LDP) opposed the TPP, Prime Minister Abe was able to utilize his own high public approval rate to overcome their objections.

There are four reasons for populist movements that result in protectionist policies: trade may create redistribution problems; voters may be uninformed; voters may be irrational; and economists may be wrong about the benefits of trade.

The first reason is one that has been better addressed in Europe than the United States. The flip side of an open economy has to be a robust social welfare state, one that ensures that the gains from trade are relatively evenly distributed; in the absence of such a redistribution mechanism, the benefits of free trade can be dramatically uneven, contributing to economic inequality and populist anger.

The second and third reasons are related. In advanced democracies, voters generally have very limited information and are “rationally ignorant” – given the impact of their individual votes relative to the margins that decide policy questions or the makeup of governments, most decide not to bother informing themselves. This was especially evident in the aftermath of the Brexit vote: among the top questions Googled immediately after the results were announced were “What is the EU?,” “What does it mean to leave the EU?,” and “What will happen now we've left the EU?”

This means that voters are often unable to decide whether free trade or protectionism is more beneficial for their economic well-being, rendering them vulnerable to politicians who would employ protectionist rhetoric. This underlines the importance of think tanks, academics, and media outlets, which can help inform voters on the actual impact of real or potential trade policies.



### **Tetsuro Fukunaga**

Mr. Fukunaga began by discussing the characteristics of opposition to TPP in Japan. He pointed out some interesting and similar aspects to what has been seen in movements across Europe against TTIP/CETA.

First, the anti-TPP campaign utilized anti-American sentiment, with opponents arguing that TPP would destroy Japanese culture; a central part of the campaign was the work of a website called “Think about TPP!” operated by the “Network to Protect Japanese Food, Life, and Health,” which leveraged social networks effectively to dramatically expand its reach. Second, the fight surrounding TPP represented, in a sense, a proxy fight for a larger debate within Japanese society about whether Japan should be more or less open to the outside world. The Democratic Party of Japan responded to opposition with a public relations campaign, holding town hall meetings in 47 prefectures and clarifying that Japanese health care would not be affected, and by taking up measures to mitigate the effects TPP would have on various Japanese sectors, including income support for agricultural workers.

However, the DPJ never clarified its final stance on the TPP – successive administrations refused to commit to Japanese participation out of fear of a public backlash, and it was only when Shinzo Abe's Liberal Democratic Party took over government in 2013 that the country formally decided to join. TPP was characterized as the third pillar of Abe's “Abenomics” platform, and benefited from confidence in the new prime minister's negotiating ability; Abe promised that TPP would not force Japan to unilaterally eliminate tariffs, a promise that helped reassure domestic constituents. By creating public confidence in his administration, Abe could convince the opposition within his own party and the country that Japan should join the disputed TPP negotiations.

By moving forward with their own free trade agreements, the EU and Japan could do more to harmonize their regulatory environments, helping set international standards for the future.

### **Dr. Ilja Nothnagel**

Dr. Nothnagel disagrees with the idea that the Brexit vote was about trade; in fact, in his conversations with British colleagues, there has been general consensus that Brexit was largely a vote to curtail immigration. This ties into a fundamental obstacle in combating populism: To attack populist movements effectively, it is essential to first understand what actually triggers them.

Dr. Nothnagel argued against addressing Trump Administration policies directly, saying that the White House may simply remain a difficult partner for the duration of Trump's time in office. Instead, it might be most effective to improve education on the actual local effects of free trade – to undermine the appeal of protectionist policies, average voters need to be shown how much the costs of everyday items would increase in the absence of free trade. This is a stance Dr. Nothnagel has heard echoed in his work with small- and medium-sized businesses, which stress how reliant their businesses are on free trade agreements to keep their production costs low.

However, such a campaign may be an uphill battle. At this point, publics in various countries are questioning the basic concept of free trade rather than the particulars.

## **Session 2 – Q & A**

Questions following the second session focused on the Trump Administration.

The speakers said that, despite damaging free trade, President Trump can claim one positive achievement. His reversal of decades of American trade policy has pushed European countries closer together, forcing them to reconsider their relationship to each other and to the EU; in the words of one speaker, he has made Europeans more pro-European.

At the same time, it is difficult to assess the actual damage his policies could do, as it is difficult to predict what those policies might be. Trump's advisers represent several different stances on trade, from Steve Bannon's nationalist protectionism to Jared Kushner's relatively conventional pro-business inclinations. It is difficult to tell whose viewpoint is ascendant at any given time, and thus which direction the administration will pursue – to date, despite all its heated rhetoric, the Trump Administration has done little beyond withdrawing from TPP.

## **Session 3: Staying Competitive Through Digitalization**

### **Dr. Christian Mölling (Moderator)**

Dr. Mölling opened the third session by introducing the speakers, noting that the contrast between them was significant – Mr. Shiga from Nissan Motors represented, in a sense, traditional industry; Mr. Bültmann from HERE Deutschland represented new digital enterprise; and Mr. Rinke, as a political correspondent covering Chancellor Angela Merkel closely, was well-placed to comment on the German government's perspective on questions

of digitalization and “Industrie 4.0”.

### **Toshiyuki Shiga**

The first three industrial revolutions simultaneously improved general well-being and led to social discord. With the advent of steam, mass production, and electricity, goods became cheaper while labor needs plummeted – work that had once required significant manpower suddenly required much less, if any. As a result, each new technology triggered a period of social disruption before its benefits could be generally appreciated. The fourth industrial revolution, the digital revolution, is no different: while digitalization promises vast improvements in standards of living, it has also meant dramatic changes in the labor market, including the elimination of many jobs once assumed to be stable.

Toshiyuki Shiga joined Nissan in 1976, and can thus comment on how the movement towards digitalization compares with the last industrial revolution. In his opinion, one of the problems with any significant shift in production methodologies is that large businesses tend to benefit much more than small ones: because small businesses often rely more on manual labor, and because they rarely have the kind of capital to invest in productivity upgrades that is available to larger corporations, they are often left behind.

Japan is particularly well poised to benefit from the “post-industrial” revolution. For one thing, the country's productivity is currently low among OECD countries, particularly in the service and agricultural sectors – in fact, given that the average age among Japanese farmers is 60, the Japanese agricultural sector is unsustainable in its current form. A combination of AI and robotics technology could rebuild the agricultural sector, increasing planning ability and efficiency while simultaneously providing much-needed labor.

For another, white collar workers tend to be less productive than blue collar workers in Japan, a problem exacerbated by the difficulty of firing unproductive workers – and, owing to their seniority, the least productive workers are often paid the most. Big data could help address this issue, making it easier to highlight and address inefficiencies in a corporation's structure.

Mr. Shiga concluded his talk by pointing to three problems preventing Japan from developing the kind of innovative, entrepreneurial culture that would better allow it to take advantage of these opportunities. First, there is currently very little investment in Japanese startups. Second, Japanese workers tend to be wary of the unpredictability of the startup environment, preferring careers with stable, predictable trajectories. Finally,

there is too little collaboration between Japanese startups and universities, making it difficult for smaller companies to recruit young talent.

### **Michael Bültmann**

Mr. Bültmann, managing director of HERE Deutschland GmbH since 2014, began by explaining what HERE does: By capturing data from drivers, HERE provides mapping and related data to companies and consumers. It currently collects this metadata in 200 countries. In Japan, HERE is working closely with Pioneer, a company once known for manufacturing car audio equipment that now also has a significant presence in the “Internet of Things”.

According to Mr. Bültmann, the key trends shaping the future of industry will be the rise of megacities, the increase of the global population to 9.5 billion, robotics, artificial intelligence, quantum computing, the drive for sustainability, data analytics, augmented reality, and neural networks, among others. HERE works to harness several of these trends at once: it uses big data to both alleviate traffic congestion in metropolitan areas and make transportation safer, more efficient, and more environmentally friendly.

Mr. Bültmann then expanded on the work done at HERE to comment on changes in the economy as a whole. HERE owes its success to a position that takes advantage of several prevalent trends at once. Conversely, companies that fail to take advantage of these trends – investing too little in data, for example, or neglecting to build out their platforms early – will find themselves in increasingly difficult positions; these trends, after all, do not just represent new tools companies can decide to use or not, but entirely new economic structures. Further, national regulations intended to level the playing field can have dangerous unintended consequences: in an increasingly interconnected global economy, any regulatory structure that only affects businesses located within a single country or economic area has the potential to harm local businesses while helping their global competitors.

The European Union offers an example of the latter pitfall. Strict regulations on the use of data in several EU countries do more to impede the success of European businesses than protect European consumers; Mr. Bültmann described EU data regulations as focusing on potential harm, rather than potential benefit. This is in sharp contrast to the business culture in the United States, which Mr. Bültmann described as being more interested in the potential of big data than its possible drawbacks. American companies now have a significant first-mover advantage against their European counterparts, and European players may well be relegated more or less permanently to the industrial

fringes, forced to play catch-up to credibly contest even a relatively modest share of the market.

### **Dr. Andreas Rinke**

Dr. Rinke offered what was in many ways a counterpoint to Mr. Bültmann's presentation: while Mr. Bültmann's talk stressed the ground European and Japanese firms have already ceded to American companies and the urgent need to encourage their growth, Mr. Rinke emphasized the complexity of the government's task in this field and the need to proceed with caution. While businesses are free to focus entirely on their own financial interests, governments have to pursue several goals simultaneously, balancing the needs of one constituency against those of others; as simple as it may sound to cultivate a more data-friendly business environment, governments also have to consider the potential ramifications on the labor market and the rights of their citizens. Mr. Rinke summed this up by pointing out that while businesses can strive to be the “winners” of the post-industrial revolution, governments have to see to the well-being of the losers as well.

That being said, the next ten years will be crucial to Germany's economic future. Chancellor Angela Merkel earned derision for calling the Internet a “Neuland” in 2013, but time has borne her out – the digital revolution has fundamentally changed the world, especially the economy. German businesses that do not adapt, whether because they under-estimate the necessity of doing so or out of an impulse to defend their existing business models, risk becoming merely the workshops of the larger American and Chinese IT companies, handling the less innovative (and less profitable) implementation work of larger international concerns.

Germany and Japan have to do more to cultivate innovation domestically. In Germany, there is a tradition of maintaining distance between business and government; this may need to change in order to foster a policy environment that is more engaged with the needs of the business community. At the same time, these countries' governments have to consider the rules in place governing foreign acquisitions. In several cases – Mr. Rinke mentioned KUKA, a robotics company bought by the Chinese Midea Group in 2016 – promising European startups are cannibalized by larger foreign companies once they achieve a certain level of success, further weakening the innovation culture in Europe.

### **Session 3 – Q & A**

The questions following the third session began with one Mr. Bültmann directed to Mr. Rinke: HERE employs 1,000 people in Berlin as data scientists, which would seem to argue that industry 4.0 benefits the labor market more than it harms it. Does this not argue for a more data-friendly policy framework? Mr. Rinke responded that automation and artificial intelligence will replace more and more jobs every year, and that for every data scientist employed, several workers in other fields will be rendered redundant. For digitalization not to be disruptive, government will need to play a role acclimating the labor market to this disruption, including through retraining programs.

Other questions included how much Merkel has actually done to spur innovation and how digitalization should be handled to avoid the disruptions that accompanied trade. On the first question, Merkel has done a great deal to put data on the policy agenda, but she faces an obstacle in German culture: Germans tend to craft consensus-based policy, and do so at a slower, more deliberative pace. This is in stark contrast to American policy culture, which tends to move more quickly and fix problems as they arise, or Chinese policy culture, in which government directives face less public accountability.

On the second question, one thing that is needed is transparency: one of the consistent complaints about trade deals has been their opacity. With digitalization and data, it will be essential to be open about how data is used from the beginning, possibly even finding ways to compensate consumers for the use of their data.

### **Closing Remarks**

#### **Dr. Sylke Tempel**

For all that globalization has been vilified, it has improved lives and lifted millions out of poverty. Now, after decades of free movement of goods, one of the issues most in need of attention is the free movement of people. Different European countries have had varying success managing immigration over the past few years; further discussion will be needed in this area in the future, especially as part of a larger effort to combat populism and protect the international liberal order.

#### **Kazumasa Kusaka**

Mr. Kusaka thanked participants for a productive conference. He closed by describing a successful conference as one that each participant leaves with their

opinion changed, and hoped that the participants of this year's DGAP-JEF summit took away new insight from the day's three sessions – and that the dialogue on trade and growth would continue in the future.

End of Symposium