

# Annual Meeting of the 21st Century Council

Briefing Book 2017  
The Carlyle Hotel, East Trianon Suite, 2nd Floor







Nicolas Berggruen  
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We bring together some of the best minds and most authoritative voices from across cultural and political boundaries to explore the fundamental questions of our time.

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Our objective is an enduring impact on the progress and direction of societies, and to create new ideas for a changing world.

This report is drawn from conversations over recent months with various members of the Berggruen Institute's 21st Century Council.

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# Agenda

The Carlyle Hotel  
East Trianon Suite, 2nd Floor

10:30

**Opening Remarks**

Nicolas Berggruen & Nathan Gardels

10:45

**Rethinking Globalization**

Gordon Brown & Dani Rodrik

11:45

**The Next Phase of Globalization: The View from China**

Min Zhu

12:45

**Lunch**

Versailles Suite

14:00

**Common Global Project**

Henry Kissinger

15:30

**Global Nuclear Freeze**

Fareed Zakaria

16:00

**Meeting Adjourns**

# Participants

Nicolas Berggruen, Chairman, Berggruen Institute  
Gordon Brown, Former Prime Minister of the United Kingdom  
Matt Browne, Co-Director, Renovating Democracy for the Digital Age  
Craig Calhoun, President, Berggruen Institute  
Jared Cohen, CEO, Jigsaw  
Mohamed El-Erian, Chief Economic Adviser, Allianz  
Nathan Gardels, Executive Advisor, Berggruen Institute  
Felipe González Márquez, Former Prime Minister of Spain  
Fred Hu, Founder & Partner, Primavera Capital Group  
Arianna Huffington, CEO & Founder, Thrive Global  
Toomas Ilves, Former President of Estonia  
Henry Kissinger, Former U.S. Secretary of State  
Dambisa Moyo, International Economist  
Dawn Nakagawa, Executive Vice President, Berggruen Institute  
Onora O'Neill, Philosopher & 2017 Berggruen Prize Winner  
Dani Rodrik, Professor of International Political Economy, Harvard University  
Nouriel Roubini, Chairman & CEO, Roubini Macro Associates  
Kevin Rudd, Former Prime Minister of Australia  
Eric Schmidt, Executive Chairman, Alphabet  
Michael Spence, Nobel Laureate, Economic Sciences  
Evan Spiegel, Founder & CEO, Snap Inc.  
Patrick Soon-Shiong, Founder & CEO, Nantworks  
Lawrence Summers, Former U.S. Secretary of the Treasury  
Charles Taylor, Philosopher & 2016 Berggruen Prize Winner  
Helle Thorning-Schmidt, Former Prime Minister of Denmark  
Laura Tyson, Former Director of the U.S. National Economic Council  
Hui Wang, Professor of Chinese Language & Literature, Tsinghua University  
Feng Wei, Vice President, China Institute for Innovation and Development Strategy  
George Yeo, Former Minister of Foreign Affairs, Trade & Industry, Health of Singapore  
Fareed Zakaria, Host, CNN's Global Public Square  
Ernesto Zedillo, Former President of Mexico  
Min Zhu, Former Deputy Managing Director, International Monetary Fund

# Defining the Anti-Globalization Backlash

**R**e-thinking globalization must start by clearly defining the various causes of the so-called “anti-globalization backlash.” This backlash is not just about international trade and economic relations, but about a range of issues from immigration to cultural resentment of liberal elites to the growing inequality and insecurity introduced by digital capitalism. All these factors have merged into a generalized anxiety that, in Western democracies, abetted by the truths and untruths of social media, has translated into distrust of public institutions and the collapse of the mainstream political parties.

Nationalist, nativist, and populist movements are, in effect, a revolt against the swell of seemingly anonymous global forces that have put the average citizen’s interests last behind bailed-out banks, asylum seekers, immigrants, corporate profits, or the activist agenda of post-traditional gender politics. As

a result, faith that the status quo can deliver a better life for ordinary people and their children has been fatally undermined. In the end, it is this sense of loss of control over one’s destiny at the hands of others that is at the root of the backlash. Identity politics is an effort to “take back control” – to create a safe and familiar space for you and your kind in a world of tumult fomented by strangers.

To the extent populism is a result of slow growth, inequality, and a shrinking pie since the 2008 financial crisis, Min Zhu believes it will continue at least over the next decade. Paradoxically, he notes, by cushioning the blow through easy money policies, most Western democracies have been able to avoid painful structural changes that would set their economies on a new, more highly productive growth path. By postponing the reckoning, they have prolonged the economic fodder of populism.



21st Century Council meeting at the Carlyle Hotel, New York, in December 2016.

# Populism, West & East

Significantly, populism of the sort seen in the West has not emerged in East Asia for several reasons. First, as Kishore Mahbubani notes, East Asia has been the greatest beneficiary of the American-led global trading system of the post-Cold War years. “Globalization has not failed,” says Mahbubani, “all discussions on globalization are distorted because Western analysts focus on the roughly 15 percent of the world’s population who live in the West. They ignore the 85 percent who are the rest. The last 30 years of human history have been the best 30 years that the rest have enjoyed. Why? The answer is globalization. The rise of the middle class in Asia has spread wealth, faith in the possibility of fair international institutions, and a stabilizing rules-based system that benefits the majority of humanity.” He continues, “so why is there a perception that globalization has failed? The simple answer is that Western elites who enjoyed the fruits of globalization did not share them with their Western masses.”

Ernesto Zedillo agrees. Blaming inequality and the squeeze of the middle class on trade, he argues, is a “deflection of responsibilities” by governing elites that have not done their job.

“In principle,” the former Mexican president says, “three ‘culprits’ for increased inequality are acknowledged—technology, openness, and policy, the TOP. But by suggesting that both skill-biased technological change and policies—such as taxation of capital and of highest incomes—happen to be endogenous to globalization, the latter ends up being the ultimate culprit. When this conclusion is accepted, then it becomes very tempting to proclaim that manipulation of the speed of globalization, including its reversion, could be an effective equalizing force.

The idea that policies, tax and otherwise, live inexorably in the straightjacket of globalization is also objectionable. Regressive tax policies, shrinking social safety nets, poor adjustment support, bad education and training policies, and crumbling infrastructure, among many others, are not inescapable consequences of globalization. They are explicit political choices, and not inexorable outcomes of interdependence.”

Second, George Yeo further suggests that strong “civilizational states” like China or Japan are less prone to populism because “all bow before the ideal of a common ancestry and destiny” that supersedes whatever divisions might arise in the body politic.

In this context, the instinct of the state in China, he adds, is to suppress any divisive political movements before they can take hold. Some nevertheless have argued that Bo Xilai’s “neo-Maoist” policies in Chongqing were a form of populism—nostalgia for the solidarity of the Mao era and a focus on closing the inequality gap that arose during the years of rapid development.

Third, as Fareed Zakaria points out, the case of Japan reveals that the roots of the backlash in the advanced nations has as much to do with cultural as economic causes. The decades long economic stagnation in Japan has not led to populist politics there, not only because of the relative equality that deflates class resentment, but also because it is a homogenous society with little immigration.



# Immigration & Control of Borders

Some have said mass migration is the cost associated with globalization that has disrupted local economies around the world and drawn asylum seekers to the West in order to escape poverty and war. In that context, the present immigration and asylum crisis, a touchstone for the nativist wave of populism, is the result of ungoverned globalization. As Tony Blair and Helle Thorning-Schmidt see it, the popular appeal of open borders and an open global economy cannot again gain traction unless this issue is engaged head-on with a clear-eyed view that nation-states have the right to control their borders.

Even if U.S. President Donald Trump never ends up building an actual wall along the Mexican border, it was the compelling metaphor of shutting out a menacing world and protecting his own tribe that won the day in the 2016 election. That such a message would so resonate in a nation founded and sustained by immigrants is a sign of how disruptive the fluid flows of globalization have been to any solid sense of cultural and social cohesion. Without boundaries that define “who we are,” any community is at a loss over how to secure its fate by navigating the constant churn and endless flux of today’s world.

At the same time, the great benefits of an interdependent world of plural identities should not be lost. “We know from the human genome that all people are 99.5 percent the same,” Bill Clinton argues in his persuasive way. “Some people seem to spend 99 percent of their time worrying about the .5 percent that is different. That is a big mistake. We should focus on what we have in common. We make better decisions in diverse societies than in homogenous ones. America’s great advantage is that we are an idea, not a place. We are not an ethnicity or a uniform culture. Those who promote this nativist view are

playing Russian roulette with our biggest ticket to the future.”

“Even if you believe we are headed to the first big change since the industrial revolution with robots and digital technology that will kill more jobs than it creates, we are still going to need diversity,” says Clinton. “We are going to need creative cooperation. To do that we need some fair back and forth with others not like us. Resentment based divisive politics is a mistake. This is just the latest chapter in the oldest drama of human history: us vs. them. But sooner or later we mix and move on.”

Like Clinton, Canadian Prime Minister Justin Trudeau is right to argue that the diversity that comes with immigration is a core strength of society—it is linked to creativity, innovation, and even security. Yet, the key to Canada’s success is that immigration policies there are based primarily on the skills and economic needs of Canadian society and not mostly family-based as they are in the United States and much of Europe. In the United States, about two-thirds of permanent residents are admitted to reunite with family members. Less than 20 percent are admitted because of their professional skills. In Canada, by contrast, it’s almost the opposite: more than 60 percent of permanent residents are admitted via the economy class and only a quarter are admitted because of family reunification.



Nathan Gardels and Eric Schmidt discuss the future of work.

Unless Europe and the United States more closely hew to this Canadian model of matching immigration with economic needs, there is little chance to turn the tide of rising nativist sentiment. Bad faith results from good intentions if the capacity to absorb new arrivals is not properly managed. (The U.S.–Mexico/Central America have specific characteristics to bear in mind, namely, large demand for low-wage, unskilled labor in the United States and a ready and large supply just across the border. What makes sense here is some kind of managed migration that matches supply and demand.)

Paul Martin has further argued that Europe must invest in infrastructure and good governance in Africa if it is to ever stem the tide of economic refugees headed north across the Mediterranean.



Reid Hoffman and Dawn Nakagawa panel talk on renovating democracy in the digital age.

# Jobs at Risk from Technology, Not Trade

To the extent the backlash concerns job loss and economic security as a result of open trade, it is behind the curve. To a significant degree, the job loss damage of globalization in key areas of manufacturing in advanced economies has already happened; its pain is only now being registered politically. Going forward, the inequality gap this has opened up, even as global equality has improved, will be compounded by technological upheaval of labor markets. As MIT's Eric Brynjolfsson observes, "off-shoring is only the way-station to the automation of labor." Toomas Ilves, the e-savvy, former president of Estonia, sees an even greater populist tsunami coming in reaction as the creative-destructive churn of innovation accelerates and displaces labor at a far greater level than trade.

Economist Laura Tyson points out that the consensus among economists is that about 80 percent of the loss in U.S. manufacturing jobs over the last three decades was a result of labor-saving and productivity-enhancing technological change, with trade coming a distant second. <http://www.nber.org/papers/w23285>

As she points out in a recent paper (<http://www.hup.harvard.edu/catalog.php?isbn=9780674504776&content=toc>) with Nobel Laureate Michael Spence, skill-biased and labor-displacing intelligent machines, and automation drive income inequality in several ways, including winner-take-all effects that bring massive benefits to superstars and the luckiest few, as well as rents from imperfect competition and first-mover advantages in networked systems. Returns to digital capital tend to exceed the returns to physical capital with an outsize share of returns again accruing to relatively few actors.

Technological change, they point out, has also had another inequality-enhancing consequence: it has

"turbo-charged" globalization by enabling companies to source, monitor, and coordinate production processes at far-flung locations quickly and cheaply in order to take advantage of lower labor costs. Given this, it is difficult to distinguish between the effects of technology and the effects of globalization on employment, wages, and income inequality in developed countries.

Computer scientist Kai-Fu Lee adds that, since big data advances will take place most rapidly in large-scale unified economies such as China and the United States, the advantage of their scale will build on itself and cascade into global dominance. This will generate great wealth but broadly displace labor and diminish the earning power of workers in both countries.



Bijian Zheng at the 21st Century Council meeting in Paris, France 2011.



Mohamed Ibrahim at the 21st Century Council meeting in Paris, France 2011.



# The Belt & Road Initiative as a “New Phase of Globalization”

**W**hile the United States retrenches as the main driver of globalization under President Trump, China is barreling ahead, building out a revived Silk Road that seeks to tie together the world from the Far East across Eurasia to Africa and Europe. As post-Cold War Globalization 1.0 fades into the past, a post-American Globalization 2.0 is coming into view.

Ideologist Bijian Zheng sees China's Belt and Road initiative as the vanguard of what he calls “a new phase of globalization” that promises to build “the spirit of a ‘community of common destiny for all mankind’ through a more balanced distribution of existing and innovative forces of wealth production.” In terms of purchasing power parity Zheng explains, “the size of developed economies as a whole versus that of the developing economies as a whole was at a ratio of 64:36 in 1980 and 50:50 in 2007. In 2018, this ratio is expected to reverse to 41:59, tipping the scales toward the developing world.” If this trend can be sustained,” he continues, “it means that the global economy as a whole, driven by the developing world, will continue to gather new momentum for growth in the second, third, and fourth decades of this century. The more rapid growth in the developing economies will in turn stimulate renewed growth in the developed world by becoming an even larger market for its goods and services. The new phase of globalization will thus be a reverse from the past in which the developed world was the growth engine.” By investing massively in infrastructure across these regions, Zheng argues, China can boost that growth potential.

“China now appears to be changing from an adapter to a driver of globalization,” economist Stephen Roach concurs. “In effect, the Next China is upping the ante on its connection to an increasingly integrated world

and creating a new set of risks and opportunities along the way.” Roach sees the new Belt and Road initiative as a necessity to compensate for the slow pace of domestic reforms. “China's leaders have, for all practical purposes, now conceded that a consumer-led growth strategy is tougher to pull off than originally thought,” he says. “The consumption share of GDP has risen just 2.5 percentage points since 2010—far short of the boost to personal incomes that might be expected from the 7.5-percentage-point increase in the share of services and a 7.3-percentage-point increase in the high-wage urban share of its population over the same period.”

Economist Fred Hu and Michael Spence agree that, as China transitions from an economy led by exports and investment to one based more on consumption and services, “its economy faces strong headwinds, including excess capacity and high corporate debt.” They also warn that, “should the United States withdraw from its leadership role, China would not be able to supply the world economy with a large and accessible market for other countries' exports, deep capital markets, or the kind of strong institutions, such as the Federal Reserve and the IMF, that have allowed Washington to stabilize the global financial system for decades.”

By and large, key architects of the previous phase of globalization embrace China's vision of the next phase with caveats. Former U.S. Treasury Secretary Lawrence Summers sees China's Belt and Road initiative “as constructive connectivity and infrastructure is constructive. It is constructive to help countries develop. The question will be if it is done in the spirit of altruism that ultimately also benefits the altruist, or a more narrow, mercantile interest on the part of China. I don't think that is entirely clear.” Critics

have pointed out that the high-speed rail line planned from Beijing to Vientiane, Laos—ultimately to reach Singapore through Malaysia—offers little to Laos itself except a load of debt the Asian Development Bank says it can't afford. In some countries, such as Indonesia, obtaining land rights in a vibrant democracy make it difficult to advance rail projects rapidly.

The former Governor of the Bank of India, Ragurham Rajan has a similar take. "If the Belt and Road is part of a larger attempt to build out infrastructure it is good," he says. "Obviously, there is a certain degree of China centrism in this. But if the capabilities being built while building out this infrastructure allows for a further set of ties for development—logistical networks and citizen networks connecting different places—it can only help boost economic activity."

But, Rajan warns, "the Chinese do have to be careful about the political implications of this project. It shouldn't be, and shouldn't be seen, as isolating certain groups or enabling certain countries at the expense of others. I'm not only talking about India, but globally. When one country pushes for a certain structure it is important to show inclusiveness and disinterestedness." Former Pakistani Prime Minister Shaukat Aziz has few doubts. "This will be a game-changer for Pakistan," he says. "Linking up the Gwadar port with China through the rest of the country will vastly enhance our infrastructure. When roads, rail lines, and telecom links are constructed they will open up whole areas of the country where there was little connection before to anything."

Former U.S. President Bill Clinton lauds the Belt and Road effort but sees it as only part of what's needed. "The Chinese are able to aggregate more walking-around capital than the West does right now. So it is fine for them to build infrastructure. But you've still got to have healthy, educated, creative people with access to the means of upward mobility and good governance to maximize the impact of infrastructure," he argues. Clinton proposes joint efforts in Africa in which Western institutions and civil society organizations invest in health care and

education systems to complement China's investment in hard infrastructure. Like Summers, Clinton believes the United States should join the China-led Asian Infrastructure Investment Bank as long as it sticks to Jin Lique's pledge as its president to be "lean, clean, and green."

With respect to China itself, Clinton sees that "China also has an enormous opportunity to grow its economy from within by doing what the Japanese did decades ago, which is to heavily invest in modernizing its environmental sector and cleaning up the waste and pollution of rapid growth as quickly as possible. They have to clean up the air. They have 40 million acres of land that could become arable if the poisonous wastes were cleaned up. They have tremendous opportunities to do well." Fred Hu has similarly argued that investment in China's ecological infrastructure is a key area of sustained growth.

As other developing countries advance into middle-income status like China, they can no longer offer cheap labor. Such places, Hu argues, "should follow China's lead by investing heavily in the high-tech sector. Doing so has helped China transition away from traditional manufacturing and leapfrog over some of its competitors in a number of promising new industries, such as robotics, renewable energy, mobile messaging, and e-commerce."

# Innovation Gap Between the United States & Europe

**T**he future of globalization does not only concern immigration or trade conflicts between the United States and China-led Asia. It also involves the “innovation gap” between Europe’s still essentially analog economies and the turbo-charged digital capitalism of the United States.

This manifests itself in many ways, notably the anti-monopoly prosecutions of European Union regulatory authorities against America’s digital giants—Google, Microsoft, and Apple. It also manifests itself in worries over data storage, privacy, and surveillance.

The innovation gap has largely resulted from the practical impact of free-wheeling entrepreneurial culture of the United States, particularly Silicon Valley, and the stiff regulatory regime and rigid labor market rules that have made start-ups a challenge in most of Europe.

And then there is Brexit and the crisis of E.U. integration, which compounds the innovation gap. Michael Spence and Fred Hu have outlined the challenge: “The United Kingdom, home to Europe’s most important capital market, is about to exit the E.U.; the terms remain unclear, but there is no question that Brexit represents a victory for anti-globalization, nativism, and nationalism. Meanwhile, much of the rest of Europe is plagued by low growth and high unemployment, factors that, alongside the refugee crisis, have fueled support for populist parties across the continent. Europe is trapped in a failing economic system that has too few adjustment mechanisms. Growth and inflation remain too low to reduce high unemployment and debt levels, and debt restructuring would be almost impossible without breaking up the eurozone. The euro’s exchange rates with other major currencies are too low for Germany and some other countries in the north, driving up their trade surpluses,

but too high for those in the south, which remain far less competitive.”

The election of the post-partisan and post-ideological Emmanuel Macron, who broke the momentum of the populist wave in France, could begin changing this imbalance. His chief aim is to remove the roadblocks to dynamism that have left France and most of the rest of Europe behind the curve of innovation. He sees no reason why Europe can’t have its own tech champions to match Google and Facebook in the United States or Tencent and Alibaba in China.

In June, Macron announced a new Tech Visa and invited entrepreneurs from around the world to come to France and help make it a “start-up” nation that could drive Europe forward. He invited “the pioneers, the innovators, the entrepreneurs of the whole world to come to France and work with us on green technologies, food technologies, artificial intelligence, on all the possible innovation.” “I want France to be a nation that works with and for startups,” declared Macron, “and a nation that thinks and moves like a startup.”

In a remarkable turn away from the dirigiste mentality, Macron has further argued that the world today “is innovative and changing at aspeded that had never been imagined before. This is why I want this government to be different... not a government which regulates everything.”

“The role of the government should not only be to regulate and sanction,” the new president argued, “It should be to help support and facilitate success”. Yet, even as Macron seeks to pry open Europe’s rigid labor markets, he also seeks to curb foreign ownership of European companies, especially by China.

The next phase of globalization will thus not only be defined by China's Belt and Road initiative or its "Made in China 2025" strategy to renovate manufacturing through the Internet of things. Nor will it be defined alone by Silicon Valley and America's other robust ventures in big data and the biosciences. Macron's success or failure to close Europe's innovation gap will also be a determining factor in the constitution of the next world order.



Private dinner with Canadian Prime Minister Justin Trudeau and members of the Renovating Democracy for the Digital Age project in Montreal, Canada 2017.



# Global Governing Institutions

Whatever else is unclear about U.S. foreign policy under Donald Trump, one thing is clear: the administration has no interest in bolstering or building global institutions. This passive worldview contrasts sharply with the imperative of bolstering global governance seen by others. Former U.S. Secretary of State Henry Kissinger sees the G-20 as the key “mechanism of adjustment” of the ongoing global power shift because it is the only institution that includes the major players of both the advanced and emerging economies. “It will be a big and difficult effort,” he says. “There is no certainty of success, but the effort is critical if we want a stable world.”

Former Governor of the Bank of India, Ragurham Rajan is skeptical. “International bodies can work well in crisis,” he observes. “They work less well in normal times. Countries fear loss of sovereignty, so outsourcing too much detailed policy to the G-20 runs the same risk as we see in Europe where publics don’t want to outsource decisions to Brussels. So there are limits to how much coordinated effort we can have.”

Chinese President Xi Jinping is on the same page as Kissinger. When he met the 21st Century Council in Beijing in 2015, President Xi said China “wants to cement the important role of the G-20 as a platform for global economic governance and make it more effective in the long term.” (When then French President Nicolas Sarkozy proposed a permanent secretariat at the G-20 Summit back in 2010 to make the organization more effective, China supported that position.)

Though the G-20 has proven ineffective as a proactive body absent times of crisis, the 2017 Summit in Hamburg revealed a different value: a forum to defend open economies and climate change action vis-a-vis the world’s most powerful economy, the United

States, in the face of a retreat from those policies.

Despite the limitations that Rajan points out, the only way to avoid what political scientist Graham Allison has called the “Thucydides Trap,” in which established powers inevitably end up in military conflict with rising powers, is through evolving present international institutions to accommodate the common interests of both in much the same way a reunified Germany was imbedded within broader European institutions. Within those global institutions, the United States and China—as the world’s largest economies from two distinct civilizational spheres—must be indispensable partners. As the late Zbigniew Brzezinski argued, “To the extent the United States and China have worked together over the years since the normalization of relations, it has not been for the evil purpose of war or conquest, but for the good of enhancing the security and stability required for each to pursue their own interests. In today’s world, China can’t lead alone. Neither can the United States.

To put it in sharper, if seemingly paradoxical terms, if America tries to go it alone in the world without China it will not be able to assert itself.” Kissinger has made a similar point: in today’s interdependent world, partnership must be an integral part of the balance of power. If “balance of power” is only pursued in military terms, open conflict is more likely than not.

Fu Ying, chairperson of the Foreign Affairs Committee of the National People Congress (NPC), positions China in this evolving context. “The current international order, although imperfect in its efficiency and execution, is the closest to fairness that mankind has achieved. It does, however, need to be improved using the wisdom and drive of all its members to bring about change. China has reaffirmed that it has no intention of creating a parallel order. Rather, it would

like to see a 'world of nations' under the same roof, big enough to house all countries." Madame Fu has usefully outlined in clear terms where the old and emerging new orders converge and diverge—and suggests how the ultimate balance can be struck:

"The international order which China attaches itself to is the framework centered on the United Nations (U.N.) and its institutions, including the World Trade Organization and the World Bank. This order was created by the victors of World War II as a safeguard for an ideal world of nation states, and a "world government" built on multilateralism. It represented historic progress for humanity, by incorporating international relations into a framework of rules and putting world finance, trade, and development under universally recognized rules of governance. The Western developed countries have played a major role in designing and building this order.

However, although the Western world is committed to this U.N.-centric international order, it has not confined itself to this framework. After emerging victorious at the end of the Cold War, the United States crowned itself as the world leader and has tried to extend the Western order to be the new world order.

The American version of world order does overlap the U.N. led international order, however, it also goes beyond it. For example, it pursues security through U.S. led military coalitions, and puts its members' security interests above those of non-member countries'. Politically, it seeks to transform non-Western countries to a Western political system and set of values with evangelical zeal. When addressing world or regional issues, they focused on pursuing their own interests, using the UN framework if it meets their needs, and if not, they take unilateral actions, some of which have led to a succession of blunders, leaving ensuing turbulence for the rest of the world to deal with.

China has been an active supporter and participant in the U.N. led international order. China agrees with, and is fully committed to economic globalization and has complied with the rules that have been governing world trade and the financial functions. It has required painful adjustments for China to adapt to the trend of economic globalization, but this country has pushed forward and thus has been rewarded with the benefits of faster integration into the world economy.

However, on security, China has been ostracized by the Western military coalition, with its values dismissed as being "alien" to the U.S. led world order. To safeguard its own security and stability, China has been wary of the political and security agenda promoted by the West. However, over recent years, its growing strength has given China more authority and influence internationally, enabling China to join the efforts promoting more balanced global development through long overdue reforms and improvements. However, this has caused unfounded suspicion by some that China's departure from its longtime passive posture is a sign of it challenging the U.S. led world order.

World history shows that order does not evolve in a linear way. Over time, old orders have given way to new ones due to clashes among major powers or through the decline of the superior power. A successful order should be able to accommodate the growing interests of all its members."

Notably, Madame Fu does not address the foremost economic concerns of the Trump administration, as well as others in the West, namely, the dilemma of formally labeling China “a market economy” within the WTO despite the dominance of its state-owned industry and the lack of reciprocity in demanding access to intellectual property as a condition for foreign investment.

If we take note of the recent wave of anti-globalization populism across the Western democracies, it is ironic that, in many ways, rising Asia believes more in the international institutions built by the post-war American leadership than the West itself, in particular the United States, does. This was most sharply manifested in America’s withdrawal from the U.N. Paris Climate Accord.

This circumstance has prompted in turn new possibilities of global cooperation by non-nation-state actors, namely cities, provinces, local states, NGOs and businesses that can work with each other—as well as with nation-states—on global issues like climate change. Just as “coalitions of the willing” gird for war, “networks of the willing” can join together for peaceful ends. The iconic moment that affirmed this new modus vivendi of global action occurred when President Xi Jinping broke protocol to meet one-on-one with California Governor Jerry Brown to discuss ways to work together to battle climate change in the immediate aftermath of President Trump’s repeal at the national level of American commitments in Paris. To further foster this cooperation, the Berggruen Institute and the Leonardo DiCaprio Foundation are working with both the Chinese government and the California government to align what will be the world’s two largest carbon-permit trading markets. Such an arrangement would be akin to the European Coal and Steel Community of the early 1950s that helped bind former rival nations at the structural level.

In a similar vein, former WTO chief Pascal Lamy calls for a move from “multi-lateral” to “pluri-lateral” modes of cooperation which include sub-national entities as well as business and NGOs. These kinds of active

partnerships based on convergent interests will build an enduring community of interests going forward and weigh within the overall balance of relations.

# "Positive Nationalism"

**D**onald Trump and British Prime Minister Theresa May have been quite clear that their electoral mandate is to put their nations before global obligations. “There is no such thing as a global anthem, a global currency, or a global flag,” Trump has said. Chiming in, May says “If you believe you are a citizen of the world, you are a citizen of nowhere. You don’t know what citizenship means.”

Those in opposition to this perspective, including some of the early architects of globalization, nonetheless are taking into account public sentiment in the reformulation of their worldview. Lawrence Summers is arguing these days for “a responsible nationalism” that does not favor a closed world, but does not put its citizen’s last. He calls for “international economic policies which benefit the average person more than the global corporations, such as closing tax loopholes and shutting down tax havens as a priority over securing intellectual property protection for pharmaceutical companies.” “Right now,” he says, “when we discuss the global economy, we mainly talk about things that improve ‘competitiveness’ and are painful to the regular worker.” Bill Clinton similarly calls for a “positive nationalism.” Building up one’s own country, he insists, is not in contradiction with global cooperation; it is the precondition for it.”

Advisors to French President Emmanuel Macron in France call his approach “progressive nationalism,” opening up the dirigiste economy and preparing it to compete globally, but also restricting foreign investment (as noted, mainly from China) in key industries deemed in the national interest. Canada’s Prime Minister Justin Trudeau also fits this progressive internationalist category—promoting diversity as a key strength of a dynamic society but strictly limiting immigration so it matches the needs of Canada’s economy.

Xi Jinping might also be said to fit this category, taking the stage at Davos in 2016 to declare his faith in globalization, and telling the 21st Century Council in our first meeting in 2013, “the more developed China becomes the more open it will be. It is impossible for China to shut the door that has already been opened.” Yet, he spares no effort in blocking global internet companies because of national security concerns while protecting certain industries seen as key to China’s overall development.

The alternative to a backward-looking, closed world economy clearly is not the old “Washington consensus” of no-holds-barred free trade, investment, and capital flows. There are comparative advantages from trade beneficial to all parties if the proper domestic policies to cushion change through a safety net, public investment, and progressive taxation are put in place. Getting the balance right—a mostly open global economy in which the key players agree to a set of rules the results of which don’t undermine national interest by creating more losers than winners—is the key challenge of “the next phase of globalization.”

# There's A Way Out Of North Korea

*By Fareed Zakaria for the Washington Post*

**T**he confrontation between the United States and North Korea is in a more dangerous zone than at any point in decades. Each side has announced tough positions, issued threats and underscored that its positions are non-negotiable. Each side is now boxed in, with little room to maneuver. How to get off this perilous path?

The Trump administration has made a huge mistake in ramping up its rhetoric without any solid strategy to back it up. It remains unclear as to why it has done this. Partly, it seems this White House wants to reverse every Obama-era policy. Partly, it is the undisciplined approach that characterizes so many of this administration's policies, with top people freelancing and showboating. U.S. Ambassador to the United Nations Nikki Haley, for example, appears to take a hard line in order to outflank Secretary of State Rex Tillerson, effectively auditioning for his job.

But perhaps most fundamental is that President Trump likes to be the tough guy. Previous presidents reacted with sobriety to the bellicose statements of leaders such as Nikita Khrushchev and Mao Zedong. The United States was always disciplined and cautious; it was the other guys who did the crazy talk. But Trump seems determined to have the last insult.

We need to tone down the rhetoric and formulate a strategy. North Korea has one—indeed, it has had one for decades. It has determined that given how isolated and threatened it is, it needs a nuclear deterrent. And Pyongyang has made astonishing strides in getting there. Nuclear weapons are all that is keeping Kim Jong Un from suffering the fate of Saddam Hussein or Muammar Gaddafi. The regime will not give up this insurance policy. If you were in Kim's position, would you?

The denuclearization of North Korea right now is a fantasy. It will not happen unless the United States is willing to wage a war on the Korean Peninsula. Everyone knows this, but no official in Washington is willing to publicly admit it. So the United States has adopted a zombie policy, one that has no chance of success but staggers along nonetheless. It means that we cannot make any progress on what is in fact an achievable and desirable goal—to freeze the North Korean arsenal, end further tests, and place the weapons under inspection.

A way out of this paralysis would be to reframe the issue and broaden its scope. Joshua Cooper Ramo, co-chief executive of Henry Kissinger's consulting firm, has devised and shared with me a plan—one that has been circulating among officials in Washington—to convene an international conference on nuclear proliferation. All existing nuclear weapons states would agree not to test or expand their arsenals for some period of time—say, 36 months. Inspectors would verify that these limits are adhered to. All other nations would affirm that they do not intend to acquire nuclear weapons. Crucially, North Korea would be invited to sign onto this agreement as a nuclear weapons state, with the idea of freezing progress for now and aiming to later denuclearize the country.

Ramo says that the advantages of this approach are that it lodges the North Korean problem in the broader context of global proliferation, giving everyone an exit ramp so previous nonnegotiable statements don't apply. It creates a global coalition that could be marshaled to sanction North Korea if it were to renege or cheat on its commitments, giving cover to China to

truly clamp down on its ally. The plan also deals with Beijing's core security concerns: preventing the collapse of North Korea and keeping South Korea and Japan from acquiring nuclear weapons. (Ramo, who has a deep knowledge of China, believes that this broader approach would allow the Chinese government to change its position.)

The specifics of such a plan could be adjusted. Perhaps the conference could be an effort to update and expand the Nuclear Nonproliferation Treaty itself, which is somewhat dated. (The treaty, crafted in 1968, assumed a clear line between peaceful nuclear energy and weapons, but that distinction is much harder to detect these days.) Perhaps it could be done as a regional forum, emphasizing the participation of Japan and South Korea, so that their commitment not to acquire nuclear weapons is seen as key—as is the implicit threat that if there were to be no agreement, they would in fact be free to move in that direction.

There is no good—let alone perfect—policy for the North Korean problem. But the Trump administration needs to stop the insults, get serious and try to find some way to stabilize the situation. Otherwise, we are on a road that will force Washington to either go to war or tacitly admit defeat to the Little Rocket Man.

# Appendix I

## Specific Policy Proposals

*Lawrence Summers proposes four key policies for the U.S. in addressing the opportunities and insecurities of globalization and technological change that could form the basis of politically centrist “responsible globalization”:*

**A** policy of investment in infrastructure; building things that everyone shares and can be proud of. This has the virtue of employing people who are having a tough time in the current economy. It is the best way to provide a general economic stimulus. A trillion-dollar commitment over the next 10 years would be a great step—paid for by carbon taxes or other measures that are pro-environment.

A commitment to monetary policies that create an economy in which we’d face a shortage of workers rather than a shortage of jobs. That creates a more equal leverage between employers and employees which is the condition for real wage growth for ordinary workers. We don’t even have a central bank that takes a 2 percent inflation target seriously. We’ve gone eight years with inflation nowhere near that. We need to target 2 percent, not just be comfortable with the forecasts of inflation inching minimally up.

We need a much greater level of investment in young people and their transition to work. Some of that has to do with the debt burden of a college education. More importantly, we don’t do anything for people who don’t go to college. They are left to either sink or swim, and mostly they sink. The kind of vocational apprentice arrangements that Germany has implemented successfully are a model. The “flexsecurity” policies of the Scandinavian countries that focus on interim benefits for those who lose jobs linked to demand-led retraining and placement in new jobs also fit this category.

We need to reorient our international economic policy toward what benefits people, instead of benefiting the rich and focusing on the priorities of corporations. Why is it that corporate tax loopholes, which mean that ordinary Americans need to pay more taxes, are not a priority? Instead, intellectual property protection for pharmaceutical companies are at the top of the international agenda. (U.S. Commerce Secretary Wilbur Ross was recently very proud about getting credit rating agencies into China. Who cares? The shareholders come from all over the world—and the jobs will be created for Chinese people in China.) Why not tackle tax competition, jurisdiction arbitrage, and tax shifting instead, all of which allow corporations to avoid their tax obligations. Tax avoidance and tax havens are the clearest example of bad international policy. And international agreement should aim as well at stopping races to the bottom on labor and environmental standards.

This should be the orientation—protecting regular people rather than protecting the interests of the people who know a lot about the international system and how to game it.



## Breaking the Class Ceiling: Inequality, Taxes, and Spending

**A Different Metric of Equality.** Ricardo Lagos argues that there needs to be a different metric for equality/inequality besides the gini coefficient on income alone. It should include access to health care, life expectancy, access to quality education, environmental and housing conditions, etc. Investing in these areas diminishes the inequality of conditions and life chances and provides overall well-being despite levels of income.

**Pre-Distribution Policies.** While progressive taxation, especially as wealth concentrates in the new digital industries, is necessary, the most important complement to reducing inequality, as Laura Tyson, Branko Milanovic, and Nathan Gardels argue, is to increase the assets and skills of the less well off before taxes, rather than trying to fix it afterwards through redistribution of wealth alone. Following the point made by Lagos, even co-called regressive taxation (VAT, consumption taxes) can have a more impactful overall progressive outcome if revenues are spent on health, infrastructure, a clean environment, and public higher education, all of which disproportionately benefit the less well off. Consumption taxes on everyone are politically justifiable because the revenues are spent on public goods that everyone who pays such taxes benefits from.

The way to increase assets is through collective savings accounts which are invested in mutual-fund type accounts with a portion dedicated to venture capital so that, in the digital economy, all have an equity share in growth. These can be individual or family accounts that are portable (not linked to the workplace). Lessening inequality is as much about enhancing assets of the small saver as taxing the top. Singapore's Central Provident Fund is a model. In the United States, the Social Security trust fund could be allowed to invest more in equities so that all Americans share in the growing wealth of the overall economy.

**Universal Basic Income, Minimum Wage, Wage Subsidies.** A floor can be put under income by raising the minimum wage or providing a "conditional" universal basic income in return for civic obligations—the tax cost of which can't outstrip the payouts, thus defeating its purpose. This will be an increasingly important debate as the perpetually innovating knowledge economy displaces jobs and generates underemployment. (Elon Musk argues that universal basic income may well be viable because of the dramatic drop in prices that the efficiencies digital capitalism will bring, thus reducing the level of funding a basic income would require and making the program less onerous.)

Lawrence Summers and Nobel Laureate Ned Phelps suggest wage subsidies as an alternative to be considered in key areas where there is not a readily apparent business model—but for activities which are critical to a good society such as elderly care, child care, and other types of socially beneficial activities.

For Bill Clinton, the main issue is the imbalance of income going to capital over labor within firms. He suggests revamping the capital gains tax in the United States to extend it out at least five years so companies reinvest in their own long-term growth and their workforce instead of look to short-term returns. He also argues for stronger labor unions—but unions which work together with companies to increase productivity, instead of being against innovation, and can then use their bargaining power for better wages and benefits.



## Financial Regulation

Finance has grown in many of the advanced economies to 30-40 percent of GDP. Its disproportionate salaries and compensation packages increase inequality and its practices promote money-shifting and profiting through small fees off of huge deals and trades instead of being an efficient channel matching available capital with investment in the real economy. Ricardo Lagos argues that the bond market should not dictate public policy; public policy should create a framework for finance. Lawrence Summers thinks financial regulation is not the key issue, pointing to Japan, which has had the biggest bubble burst and long years of stagnation despite the absence of financial innovation. "Finance should not be seen as a public utility," says Summers.

## Immigration and Diversity

Canadian Prime Minister Justin Trudeau, among others, is right to argue that diversity is a core strength of society. But, as in Canada, immigration policies must be linked to the skills and economic needs of the host country and not simply family based. Every country has the right to control its borders and insist on criteria (including language, knowledge of laws, and acceptance of host country values and norms) for citizenship. Former U.K. Prime Minister Tony Blair is emphatic on this point: "There is no chance of progressive regaining power if they don't take this kind of line on immigration. As it is, the sense of host country citizens in Europe is that, there are no rules."

## Trade

To ensure trade, and trade agreements, are fair and reciprocal, common rules must be agreed so that no global rules can be said to overrun sovereignty. Mickey Kantor, the U.S. Trade Representative who helped negotiate China's entry into the WTO, proposes the following:

Dispute Settlement Courts/Bodies need to have a level playing field so that globe-spanning corporations do not have the upper hand over civil society groups and communities. The WTO court in Geneva is weakly staffed, so the big players dominate.

At the national level, countries should set up a Trade Prosecution Office to pursue complaints. In many cases the rules aren't bad—they raise environmental, health, and social standards across the board—but are weakly enforced.

To deal with divergence between nations with state-owned industry (China) and free market or subsidized industry, global conferences that set quotas on overproduction (to avoid dumping) should take place instead of tariffs. This is true for steel, aluminum, solar panels, etc. today.

Large and persistent trade imbalances cannot be remedied by trade restrictions. They are the result of imbalances in savings and consumption among countries. The United States has run large and continuous trade deficits since the 1970s, well before China's rise or Germany's rebound in the 1980s.

Systemic, nation-wide vocational-apprentice programs are necessary to keep up with jobs displacement, whether a result of trade deals or technological change.

## Global Cooperation

The United States should join the Asian Infrastructure Investment Bank and the One Belt One Road Initiative.

Complementary cooperation between Chinese infrastructure building in Africa with the development of self-sustaining health and education systems with the help of Western foreign aid agencies and NGOs.

The G-20 should establish a permanent secretariat.

“Networks of the willing” and “pluri-lateralism” to achieve common global ends. In particular, align the specifications for the cap and trade systems of California, China, the northeast United States, Canadian provinces, and Europe to meet the goals of the Paris Climate Accord. Broadening and deepening the global market for carbon permits will create liquidity that will vastly enhance trading exchange, thus effectively setting a global carbon price.



21st Century Council meeting at the Carlyle Hotel in New York in December 2014.

# Appendix II

## Other Working Groups of the 21st Century Council

### [Renovating Democracy](#)

Chair: Fernando Henrique Cardoso

Meeting held in Lisbon, Portugal

April 2017

### [Risks of Social Media to Democracy](#)

Chair: Pierre Omidyar

Meeting held in Palo Alto, California

May 2017

### [Renovating Democracy for the Digital Age](#)

Chair: Dawn Nakagawa & Matt Browne

Meetings held in Washington, D.C., and

Montreal Canada



Top: Canadian Prime Minister Justin Trudeau and Nicolas Berggruen at the 2017 Global Progress Summit in Montreal, Canada.

Bottom: Nathan Gardels, Antonella Nonino, and Alain Touraine in Lisbon, Portugal for the Renovating Democracy Working Group.

## Some Interim Conclusions

**Participation Without Populism.** The new political awakening across the democratic world must be embraced by a new hybrid mix of representative democracy, direct democracy, and non-partisan mediating bodies to sort out trade-offs among contending interests and deliberate wise, long-term choices of policy. If mediated, direct democracy mechanisms such as the citizen's ballot initiative can ensure that there is a venue for public interest voices to be heard when legislatures are locked up by organized special interests and the short-term horizons of electoral cycles.

This can be done through proactively soliciting public concerns outside the legislative process through deliberative polling and focused policy juries where issues that are unattended by government can be voiced and heard. Non-partisan review and drafting commissions would then formulate the foremost public concerns into sound propositions to be voted up or down by the public at large, or legislatures as the case may be.

**Social Media Regulation and Self-Regulation.** Peer-driven social media is now the greatest influence in the democratic discourse. The algorithm that equates legitimacy of information with its popularity and business models based on virality—whether the information shared is fake news, alternative facts or hate speech—must be challenged. In Europe, China, and elsewhere the state may play a greater role in regulating social media (i.e. China's censorship; Germany's stiff fines on hate speech). In the United States, where the First Amendment is absolute, it will have to involve industry self-regulation, civil society watchdogs, and third party mediators.

The key issue here is whether large information platforms are, or are not, defined as media with editorial responsibilities. Some point out that algorithms themselves are editorial decisions about which content to promote or not. One problem is the speed and virality of information, whether good or bad. Bad information (misinformation, fake news, hate speech, bot-driven tweets, etc.) must be culled out by algorithms that don't suppress bad free expression, but suppress its distribution, slowing down its speed of diffusion with obstacles (like second clicks) and other technically-designed speed bumps. The Palo Alto group is working privately with Google, Twitter, and Facebook to further the development of these mechanisms.

In November, Pierre Omidyar, Nicolas Berggruen, and Dawn Nakagawa met with Facebook CEO Mark Zuckerberg and Facebook COO Sheryl Sandberg to discuss how Facebook might respond going forward to the issues raised by the Palo Alto group.



## Renovating Democracy for the Digital Age - Project Update

### Recent Developments

1. Since participating in the round table discussion in Montreal, Frans Timmermans, the First Vice-President of the European Commission, has launched a commission to gather experts and hold public hearings on the extent of the misinformation and its impact on political perceptions. We have been working with Frans to launch the new initiative, advise on experts to include, and are preparing to organize a round table discussion in late spring to advise the process.

2. We are in discussions with the Omidyar Network to develop a partnership on the Renovating Democracy for the Digital Age project, which they will co-fund. The project will involve launching a commission, working with the governments of France, Germany, the United Kingdom, Italy, Sweden, Canada, and the European Union to develop an agenda for protecting democratic institutions. This may include shaping the agenda of the upcoming G7 agenda in Canada in June 2018.

3. The meeting with Facebook has led to assignment of two point people to coordinate with about the work of the Renovating Democracy for the Digital Age project. We will use this opportunity to learn more about efforts at Facebook and ways to improve communication between government and technology companies. We also attained a tentative agreement for a representative of Facebook to participate in a meeting (maybe Sheryl, more likely Elliott).

### Next Steps:

- Finalize project description with Omidyar Network
- Create our own global commission, hopefully chaired by Pierre Omidyar
- Organize a round table in Europe in late Spring 2018



Pierre Omidyar, Sheryl Sandberg, Nicolas Berggruen, and Dawn Nakagawa at the Facebook Headquarters in Palo Alto, California, November 2017.

# 6 Ways Social Media Has Become A Direct Threat To Democracy

*By Pierre Omidyar for The WorldPost, a partnership of the Berggruen Institute and The Washington Post.*

While it's hard to believe that helping strangers connect through the Internet was ever a radical idea, when I started eBay 22 years ago, it felt more like a social experiment than a business endeavor. And in many ways, it was.

For all the ways this technology brings us together, the monetization and manipulation of information is swiftly tearing us apart. From foreign interference in our elections to targeted campaigns designed to confuse and divide on important social issues, groups looking for an effective way to infiltrate and influence our democracy have found generous hosts in the world of social media.

But the time has come for these unwelcome guests to leave the party.

For years, Facebook has been paid to distribute ads known as “dark posts,” which are only shared with highly targeted users selected by advertisers. When these ads are political or divisive in nature, their secrecy deprives those affected by the ads the opportunity to respond in a timely manner — say, before an election concludes. It also allows outsiders, such as the Russian government, to influence and manipulate U.S. citizens from the shadows.

Facebook has since shared its plan to protect the integrity of future elections and increase transparency and monitoring of its advertising. It's an aggressive effort, and I am cautiously optimistic about the company's dedication to addressing the vulnerabilities of its platform. But even if these safeguards are successful, we're still just beginning to address how social media across all platforms is being used to undermine transparency, accountability and trust in our democracy.

The Omidyar Group works to address, in part, how to support and protect our democratic values. Recently, a team from two of our organizations, Democracy Fund and Omidyar Network, assembled to investigate the relationship between social media and democracy. The initial findings are detailed in a paper that identifies six key areas where social media has become a direct threat to our democratic ideals:

## 1. Echo chambers, polarization and hyper-partisanship

In many ways, the design of certain social media platforms mirrors the growing volume of partisan media in traditional channels. As they increasingly become a primary distribution channel, social media platforms create bubbles of one-sided information and opinions, perpetuating biased views and diminishing opportunities for healthy discourse.

## 2. Spread of false or misleading information

Viral disinformation or misinformation, commonly dubbed “fake news,” runs rampant across social media channels, disseminated by both state and private actors. These false and distorted pieces of information can intensify divisiveness and make it difficult for people to trust both what they read as well as the people and institutions they are reading about.

### 3. Conflation of popularity with legitimacy

The idea that likes or retweets can be used to measure validity or mass support for a person, message or organization creates a distorted system of evaluating information and provides a false pulse on the popularity of certain views. This is compounded by how challenging it is to distinguish legitimately expressed opinions from those generated by trolls and bots.

### 4. Political manipulation

Such trolls and bots, disguised as ordinary citizens, have become a weapon of choice for governments and political leaders to shape online conversations. Governments in Turkey, China, Israel, Russia and the United Kingdom are known to have deployed thousands of hired social media operatives who run multiple accounts to shift or control public opinion.

### 5. Manipulation, micro-targeting and behavior change

Advertisers and their sophisticated targeting mechanisms drive the attention economy. Not all of these messages look like ads or are visible to anyone outside the target population, as was the case with Facebook's recent admissions surrounding Russian-sponsored ads purchased during the U.S. election. This model further widens the gap between publishers and journalists and erodes the revenue and sustainability of traditional news organizations charged with holding the powerful accountable.

### 6. Intolerance, exclusion and hate speech

Various policies and features of these platforms can amplify hate speech, terrorist appeals, and racial and sexual harassment. These environments can deter those targeted by hate speech from engaging in the conversation.

Our hope is that this research will serve as a starting point for social media leaders, policymakers, government officials and other key stakeholders to delve deeper into the impact this technology is having on our nation and, ultimately, to identify tangible solutions. This isn't a partisan problem, and it's not

something any one person, company or government can fix. But someone must lead the charge, and I respectfully call upon the social media companies at the center of this issue to drive this critical dialogue.

Just as new regulations and policies had to be established for the evolving online commerce sector, social media companies must now help navigate the serious threats posed by their platforms and help lead the development and enforcement of clear industry safeguards. Change won't happen overnight, and these issues will require ongoing examination, collaboration and vigilance to effectively turn the tide.

But with midterm elections just months away, the tide is rising quickly, and the time to act is now.

## MEETING NOTES WITH FACEBOOK

### Participants

Nicolas Berggruen, Samidh Chakrabarti, Tessa Lyons, Dawn Nakagawa, Pierre Omidyar, Sheryl Sandberg, Elliott Schrage, and Mark Zuckerberg

### Key Takeaways

- Facebook appears to be taking the threats to democracy presented by misuse of the platform seriously and are addressing it in multiple ways, though they continue to struggle with making decisions about who can and cannot use the platform. They may be considering some fundamental shifts in its policy of neutrality.
- Research has been undertaken to devise tools and mechanisms for overcoming particular negative developments. In the case of polarization, for example, Facebook has implemented presenting an alternative perspective or a fact checkers analysis of a particular piece of fake news. The results are not promising.
- There is an urgent need to create mechanisms for communications between the various stakeholders and include Facebook in the conversation. Intelligence and media companies that are discovering abuse on the platform are not disclosing this information directly with Facebook, leaving executives to read about it when the story breaks. It is also clear that the leadership does not have a clear understanding of the extent of the misuse of the platform by nefarious actors.
- The company is clearly feeling pressured and is somewhat frustrated with being told they are not doing enough. They also feel that what they are doing is not being recognized and they question their own effectiveness at communicating their efforts to the public.
- They have assigned Samidh Chakrabarti, Product Manager for Civic Engagement, to be the point person on the project with us and are open to further discussion and engagement.

### Pre-Meeting Memo

**Objective:** For Facebook to take a leadership role in working with government and civil society to build resilient democracy for the digital age; Open a dialogue of on-going cooperation; persuade them to work together with government, civil society, and other social media and digital communications companies with common cause to address the crisis of democracy; gain commitment to assigning a point person to be involved with our efforts, someone who reports to Sheryl; gain commitment for senior leadership to participate in one round table discussion.

**Argument:** Democracies are threatened by nefarious forces intent on committing civic and social vandalism in the virtual public square. Social media, and the algorithms that drive them, have made it possible to micro-target populations with propaganda weaponized to manipulate individual triggers. Facebook alone is not responsible for the corrosion of civil discourse or the deepening of political polarization that threatens our democracy, but it is currently taking the lion's share of the blame and its own actions and reactions have not helped this. Facebook is perceived as resistant, in denial and uncooperative. There is growing distrust and hostility both among governments and civilians toward Facebook and the backlash promises to be fierce.



Facebook wants to be a force for good in the world and wants to be understood as such. It is led and driven by the lofty ideals of a moral leadership who believe in democracy and want to protect democratic values. They had no interest in letting their platform play a part in compromising those values or the institutions established to preserve them. But here we are.

Facebook cannot solve this problem alone but history will judge them as largely responsible if swift action is not taken to stop what is happening and repair the damage that has been done. It is going to take robust collective action by social media companies, governments, and civil society working together to reduce the vulnerabilities, build resilient institutions, and repair the damage that has been done.

However, the level of hostility and distrust on the part of governments and the defensiveness of the tech community is stalling progress against this evolving crisis. We have to overcome this and work together in a spirit of cooperation because this is bigger than any one of us. It is in their self-interest that we all work together to solve this problem precisely because they alone cannot fix what is broken but they are being held largely accountable and will be judged by history as responsible.

**Our Proposal:** Omidyar Network (Democracy Fund) and the Berggruen Institute aim to be civil society partners with members of the technology community, governments, and other civil society organizations to help broker constructive dialogue and shape solutions. We are in conversations with governments across Europe and Canada will be organizing information sessions and round tables in Europe and d in Canada in advance of the G7.

**Ask:** A high level point person with Facebook to engage on this project as we move forward and opportunities to have the leadership participate in key meetings.

# Appendix III

## 21st Century Council Members

Shaukat Aziz, Former Prime Minister of Pakistan  
Nicolas Berggruen, Chairman, Berggruen Institute  
Gordon Brown, Former Prime Minister of the United Kingdom  
James Cameron, Film Director  
Fernando Henrique Cardoso, Former President of Brazil  
Juan Luis Cebrián, Chairman, PRISA and El País  
Jared Cohen, CEO, Jigsaw  
Jack Dorsey, Cofounder, Twitter  
Mohamed El-Erian, Chief Economic Advisor, Allianz  
John Elkann, Chairman, Fiat Chrysler Automobiles  
Francis Fukuyama, Political Scientist, Stanford University  
Felipe González Márquez, Former Prime Minister of Spain  
John Gray, Philosopher, London School of Economics  
Reid Hoffman, Cofounder, LinkedIn  
Seok-Hyun Hong, Chairman & CEO, JoongAng Media  
Fred Hu, Chairman & Founder, Primavera Capital  
Arianna Huffington, CEO & Founder, Thrive Global  
Chad Hurley, Founder, YouTube  
Mohamed Ibrahim, Founder, CelTel  
Walter Isaacson, President & CEO, Aspen Institute  
Alexei Kudrin, former Minister of Finance, Russia  
Ricardo Lagos, Former President of Chile  
Pascal Lamy, Former Director General, World Trade Organization  
Eric X. Li, Founder, Chengwei Capital  
Kishore Mahbubani, Former President of the United Nations Security Council  
Paul Martin, Former Prime Minister of Canada; G-20 Founder  
Alain Minc, Adviser to French President Emmanuel Macron  
Festus Mogae, Former President of Botswana  
Dambisa Moyo, International Economist  
Elon Musk, CEO Tesla & SpaceX  
Xavier Niel, Deputy Chairman of the Board of Directors & Chief Strategy Officer, Iliad  
Pierre Omidyar, Cofounder, Chairman of eBay  
Ragurham Rajan, Former Central Bank Governor, India  
Nouriel Roubini, Chairman & CEO, Roubini Macro Associates  
Kevin Rudd, Former Prime Minister of Australia  
Nicolas Sarkozy, Former President of France  
Eric Schmidt, Executive Chairman, Alphabet  
Gerhard Schroeder, Former Chancellor of Germany  
Peter Schwartz, Senior Vice President, Salesforce  
Stephen Schwarzman, Cofounder, Chairman & CEO, Blackstone  
Amartya Sen, Nobel Laureate, Economic Sciences  
Jeff Skoll, Founder & Chairman of Participant Media  
Patrick Soon-Shiong, Chairman & CEO, Nantworks  
Michael Spence, Nobel Laureate, Economic Sciences  
Evan Spiegel, Founder, Snap Inc.  
Joseph Stiglitz, Nobel Laureate, Economic Sciences  
Joseph Tsai, Executive Vice Chairman, Alibaba Group  
Lawrence Summers, Former U.S. Treasury Secretary; President Emeritus, Harvard University  
Laura Tyson, Former Director, U.S. National Economic Council  
Park Won-Soon, Mayor of Seoul, South Korea  
Tadashi Yanai, Chairman & CEO, Fast Retailing  
Jerry Yang, Cofounder & Former CEO, Yahoo! Inc.  
George Yeo, Minister of Foreign Affairs, Trade & Industry, Health, Singapore  
Fareed Zakaria, Host, CNN's Global Public Square  
Ernesto Zedillo, Former President of Mexico  
Lei Zhang, Chairman & CEO, Hillhouse Capital Management  
Bijian Zheng, Chairman, China Institute for Innovation and Development Strategy  
Min Zhu, Former Deputy Managing Director, International Monetary Fund

# Appendix IV

## Participant Biographies

[Nicolas Berggruen](#) is the Chairman of the Berggruen Institute. The Institute develops and implements systemic political governance projects and thinking. Through its Philosophy and Culture Center, it fosters fresh ideas and aims to bridge understanding between the East and the West. Committed to leaving a legacy of art and architecture, he sits on the boards of the Museum Berggruen, Berlin, and the Los Angeles County Museum of Art. He has worked with some of the world's leading architects on projects spanning from India to Turkey and the United States. Nicolas Berggruen is also Chairman of Berggruen Holdings, the investment vehicle of the Nicolas Berggruen Charitable Trust.

[Gordon Brown](#) is the United Nations Special Envoy for Global Education and former Prime Minister of the United Kingdom. He served as Prime Minister of the United Kingdom from 2007 to 2010 and is widely credited with preventing a second Great Depression through his stewardship of the 2009 London G20 summit. He was one of the first leaders during the global crisis to initiate calls for global financial action, while introducing a range of rescue measures in the UK. In April 2009, he hosted the G20 Summit in London where world leaders committed to make an additional \$1.1 trillion available to help the world economy through the crisis and restore credit, growth and jobs.

[Matt Browne](#) is the Co-Director of the Renovating Democracy for the Digital Age project, a Senior Fellow at American Progress, and Executive Director of Global Progress, where he works on building trans-Atlantic and international progressive networks. Previously, Matt was the former director of Policy Network—the international network founded by Tony Blair, Gerhard Schroeder, Goran Persson, and Giuliano Amato—and remains a member of the organization's governing board and advisory council. During his time at Policy Network, Matt worked closely with a host of progressive leaders, prime ministers' and presidents' offices across the globe, and international organizations such as the United Nations and the World Trade Organization.

[Craig Calhoun](#) is the President of the Berggruen Institute. Before that, he was the Director and President of the London School of Economics and Political Science (LSE), where he remains Centennial Professor. He led major efforts to strengthen LSE's faculty and its leadership in interdisciplinary, international social science and public policy analysis. Earlier, he was the President of the New York-based Social Science Research Council for 13 years. He has also been University Professor of Social Science at New York University.

[Jared Cohen](#) is the founder and president of Jigsaw, a technology incubator at Alphabet Inc. previously known as Google Ideas. He also serves as the senior advisor to Alphabet's Executive Chairman Eric Schmidt and is an adjunct senior fellow at the Council on Foreign Relations. From 2006 to 2010, he served as a member of the Secretary of State's Policy Planning Staff and a close advisor to both Condoleezza Rice and Hillary Clinton. In 2013, he was named as one of TIME's 100 most influential people in the world.

[Mohamed El-Erian](#) is the former CEO of PIMCO and now serves as the Chief Economic Adviser of Allianz. He has been widely published on international economics, including a monthly column in *Foreign Policy* and as contributing editor to the *Financial Times*. He was ranked among *Foreign Policy*'s "Top 100 Global Thinkers" from 2009-2012. Before joining PIMCO, El-Erian spent 15 years at the International Monetary Fund and served as Managing Director at Salomon Smith Barney/Citigroup and President and CEO of Harvard Management Company.

[Nathan Gardels](#) is the editor-in-chief of *The WorldPost* and cofounder and senior adviser to the Berggruen Institute. He has been editor of *New Perspectives Quarterly* since it began publishing in 1985. He has served as editor of *Global Viewpoint* and *Nobel Laureates Plus* (services of Los Angeles Times—Syndicate/Tribune Media)—since 1989. These services have a worldwide readership of 35 million in 15 languages.

[Felipe González Márquez](#) was the Prime Minister of Spain from 1982 to 1996. He was the General Secretary of the Spanish Socialist Workers' Party from 1974 to 1997. During his four terms in office as Prime Minister, he

consolidated Spain's fledgling democracy, oversaw continued economic growth, and brought Spain into the European Economic Community.

**Fred Hu** is Chairman and founder of Primavera Capital Group, a China-based global investment firm. He was formerly a Partner, Managing Director and Chairman of Greater China at Goldman Sachs and was instrumental in building the firm's franchise in the region. He also served as an economist at the International Monetary Fund in Washington D.C., where he was engaged in macroeconomic research, policy consultations and technical assistance for member country governments including China. He has been Co-Director at the National Center for Economic Research and Professor at Tsinghua University since 1996.

**Arianna Huffington** is Founder and CEO of Thrive Global. Before establishing Thrive Global, she was the Co-founder and Editor-In-Chief of the *Huffington Post*. In 2003, she ran as an independent candidate for Governor in the California recall election. In 2009, Arianna was ranked #12 in Forbes's first-ever list of the Most Influential Women In Media. She has also moved up to #42 in The Guardian's Top 100 in Media List. As of 2014, she is listed by Forbes as the 52nd Most Powerful Woman in the World.

**Toomas Ilves** is the former President of Estonia, a role he served from 2006 until 2016. Ilves worked as a diplomat and journalist, and he was the leader of the Social Democratic Party in the 1990s. He served in the government as Minister of Foreign Affairs from 1996 to 1998 and again from 1999 to 2002. Later, he was a Member of the European Parliament from 2004 to 2006. He is currently a Distinguished Visiting Fellow at Stanford University's Hoover Institution.

**Henry Kissinger** was sworn in on September 22, 1973, as the 56th U.S. Secretary of State, a position he held until January 20, 1977. He also served as Assistant to the U.S. President for National Security Affairs from January 20, 1969, until November 3, 1975. In July 1983, he was appointed by U.S. President Reagan to chair the National Bipartisan Commission on Central America until it ceased operation in January 1985, and from 1984-1990 he served as a member of the U.S. President's Foreign Intelligence Advisory Board. At present, Kissinger is Chairman of Kissinger Associates, Inc., an international consulting firm.

**Dambisa Moyo** is an international economist and author who analyzes the macroeconomy and global affairs. She currently serves on the boards of Barclays Bank, the Financial Services Group, Seagate Technology, Chevron Corporation, and Barrick Gold. She worked for two years at the World Bank and eight years at Goldman Sachs before becoming an author and international public speaker. She has written three New York Times bestselling books: *Dead Aid: Why Aid Is Not Working and How There Is a Better Way for Africa* (2009), *How the West Was Lost: Fifty Years of Economic Folly – And the Stark Choices that Lie Ahead* (2011), and *Winner Take All: China's Race for Resources and What It Means for the World* (2012).

**Dawn Nakagawa** is the Executive Vice President (EVP) of the Berggruen Institute and Co-director of the Renovating Democracy for the Digital Age project. As the Institute's EVP, Dawn is responsible for building the institution to become an organization of global reach and influence. Prior to joining the Berggruen Institute, Dawn was the Executive Vice President of the Pacific Council on International Policy, a global leadership network dedicated to enhancing awareness of and developing solutions to global challenges. She also co-directed the project on California's Adaptation to Climate Change, recruiting the members of the taskforce which ultimately was appointed by Governor Schwarzenegger to be the California Adaptation Advisory Council to the State.

**Onora O'Neill** is the 2017 Berggruen Prize Winner. She is one of the most eminent moral philosophers in the world today. Her philosophical work is a critical development of the Kantian tradition in ethics, in which she combines profound historical scholarship with a deep analysis of the central questions of moral life. Indeed, she can claim to be one of a small group of philosophers who began the modern resurrection of that tradition and have given it resonance in our present age. She has argued persuasively that moral principles must be not just applied but enacted, that duties are more fundamental than rights, and that mutual trust provides the necessary background for autonomous human lives.

**Dani Rodrik** is an economist whose research covers globalization, economic growth and development, and political economy. He is the Ford Foundation Professor of International Political Economy at Harvard's John F. Kennedy School of Government. He was previously the Albert O. Hirschman Professor in the School of Social Science at the Institute for Advanced Study in Princeton (2013-2015). Rodrik is currently President-Elect of the International Economic Association. His newest book is *Straight Talk on Trade: Ideas for a Sane World Economy*.

**Nouriel Roubini** is the Chairman and CEO of Roubini Macro Associates, LLC. Before assuming this role, he was the Chairman of Roubini Global Economics, an innovative economic and geo-strategic information service and consultancy named one of the best economics websites by Business Week, Forbes, the Wall Street Journal and The Economist. He is also a professor of economics at New York University's Stern School of Business. Nouriel has extensive policy experience as well as broad academic credentials. From 1998-2000, he served as the Senior Economist for International Affairs at the White House Council of Economic Advisors and then the Senior Advisor to the Under Secretary for International Affairs at the U.S. Treasury Department, helping to resolve the Asian and global financial crises among other issues.

**Kevin Rudd** is the former Prime Minister (2007-2010, 2013) and Foreign Minister (2010- 2012) of Australia. He led Australia's response during the Global Financial Crisis—the only major developed economy not to go into recession—and helped found the G20. A Senior Fellow with Harvard University's John F. Kennedy School of Government, he is undertaking a major research project on U.S.-China relations. He co-authored a report of the UN Secretary General's High Level Panel on Global Sustainability and chairs the World Economic Forum's Global Agenda Council on Fragile States.

**Eric Schmidt** is an American software engineer, a businessman, and the Executive Chairman of Alpha bet, Inc. Eric has spoken about technologies he thinks will change the world in the next 5 to 10 years, including self-driving cars (a Google project), 3-D printed buildings, fake meat, virtual reality, and machine learning in education. Eric essentially functions as Google's global ambassador, and has toured some of the world's most tightly controlled regimes to promote open Internet access, including Cuba and North Korea. From 2001 to 2011, Eric served as the CEO of Google. He has served on various other boards in academia and industry, including the Boards of Trustees for Carnegie Mellon University, Pennsylvania, and Princeton University, New Jersey.

**Michael Spence** is an American economist and recipient of the 2001 Nobel Memorial Prize in Economic Sciences, along with George Akerlof and Joseph E. Stiglitz, for their work on the dynamics of information flows and market development. He has served as the Chairman of an Independent Commission on Growth and Development, with a focus on growth in emerging economies (2006 to 2010). He is Professor of Economics in the Stern School of Business at New York University and a Senior Fellow of the Hoover Institution at Stanford University.

**Evan Spiegel** is an internet entrepreneur and Cofounder and CEO of Snap Inc. He attended Stanford University.

**Patrick Soon-Shiong** is a surgeon, professor and researcher, entrepreneur, businessman, and philanthropist. He is currently chair of NantWorks, LLC, Executive Director of the Wireless Health Institute at the University of California at Los Angeles, and an Adjunct Professor of Surgery at UCLA. He is also chair of the Chan Soon-Shiong Family Foundation and chair and CEO of the Chan Soon-Shiong Institute for Advanced Health, National LambdaRail, and the Healthcare Transformation Institute.

**Lawrence Summers** is the Charles W. Eliot University Professor and President Emeritus of Harvard University. During the past two decades, he has served in a series of senior policy positions in Washington, D.C., including as the 71st Secretary of the Treasury for President Clinton and Director of the National Economic Council for President Obama.

**Charles Taylor** is the 2016 Berggruen Prize Winner. He is one of the world's foremost philosophers and is influential throughout the humanities, social sciences and in public affairs. He has been a leading voice for the unity of Canada and the preservation of the distinctive identity of Quebec. And he is a global leader in deepening understanding among different intellectual traditions and civilizations. Among the most influential of Taylor's many books are *Explanation of Behaviour* (1967), *Sources of the Self* (1989), and *A Secular Age* (2007). His newest book is *The Language Animal* (2016).

**Helle Thorning-Schmidt** is the former Prime Minister of Denmark, where she led a coalition government from 2011 until 2015, successfully steering Denmark through a difficult period of transition after the global financial crisis. She is currently the CEO of Save the Children International, where she oversees humanitarian and development programs that reach 55 million children in around 120 countries. Save the Children has 25,000 staff, working in some of the most difficult and challenging contexts in the world, and an annual budget of over USD \$2 billion.



[Laura Tyson](#) is an economist and former Chair of the U.S. President's Council of Economic Advisers during the Clinton Administration. She also served as Director of the National Economic Council. She is currently a professor at the Haas School of Business of the University of California, Berkeley. From 2002 to 2006, Tyson served as the first female Dean of London Business School.

[Hui Wang](#) is a professor in both the Department of Chinese Language and Literature and the Department of History and the Director of the Tsinghua Institute for Advanced Study in Humanities and Social Sciences at Tsinghua University in Beijing, China. His research focuses on contemporary Chinese intellectual history and Chinese literature. He was the Executive Editor (with Huang Ping) of the influential magazine “Dushu” from May 1996 to July 2007. Foreign Policy named him as one of the top 100 public intellectuals in the world in May 2008.

[Feng Wei](#) is Vice President of the China Institute for Innovation and Development Strategy and serves as the Berggruen Institute's China Advisor. Feng joined the Chinese diplomatic service in 1986 and served successively as Attaché of the Chinese Embassy in New Zealand, First Secretary of the Chinese Mission to the United Nations in Geneva, and Director of the Information Department of the Chinese Foreign Ministry. He co-founded the China Public Diplomacy Network of the Chinese Foreign Ministry in 1999 and has been devoting his time mostly to public diplomacy and engaged extensively in international political and economic events including World Economic Forum, Trilateral Commission and, the Bo'ao Forum.

[George Yeo](#) is a business executive and a former politician. He is the current Chairman and Executive Director of Kerry Logistics Network. Yeo was also the Chancellor of Nalanda University and a member of the University Governing Board (earlier the Nalanda Mentor Group). Yeo represented the People's Action Party (PAP) in the Singapore parliament from 1988 to 2011. He served in the Singapore Cabinet from 1991 to 2011 as the Minister for Information and the Arts (1991–99), Minister for Health (1994–97), Minister for Trade and Industry (1999–2004) and Minister for Foreign Affairs (2004–11).

[Fareed Zakaria](#) is host of CNN's flagship international affairs program, Fareed Zakaria GPS, a Washington Post columnist, and a New York Times bestselling author. He was described in 1999 by Esquire Magazine as “the most influential foreign policy adviser of his generation.” In 2010, Foreign Policy named him one of the top 100 global thinkers.

[Ernesto Zedillo](#) is the former President of Mexico. Since leaving office, Ernesto Zedillo has been a leading voice on globalization and a strong advocate of multilateralism. He is Director of the Yale Center for the Study of Globalization and Professor of International Economics and Politics. He was with the Central Bank of Mexico for a decade, then served in a number of distinguished roles with the Government of Mexico. He was Chairman of the Global Development Network, the Oversight Board of the Natural Resource Charter, and the High Level Commission on Modernization of World Bank Group Governance, and remains a member of the Global Commission on Drug Policy.

[Min Zhu](#) is the former Deputy Managing Director of the International Monetary Fund from 2011-2016. Previously, he served as Special Advisor to the Managing Director of the International Monetary Fund from May 3, 2010 to July 25, 2011. Zhu, a native of China, was a Deputy Governor of the People's Bank of China. He was responsible for international affairs, policy research, and credit information. Prior to his service at China's central bank, he held various positions at the Bank of China where he served as Group Executive Vice president, responsible for finance and treasury, risk management, internal control, legal and compliance, and strategy and research. Zhu also worked at the World Bank and taught economics at both Johns Hopkins University and Fudan University. Currently, he is the Vice Chairman of the board of the Chinese Institute for Innovation and Development Strategy. He is also the Chairman of the National Institute of Financial Research.



2015 Understanding China meeting in Beijing, China.

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