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Let me make a few points to get the discussion going. I am really happy to be here and I congratulate the World Policy Conference for having these meetings. It brings us together as very good friends. The first point I would like to make is that I am an optimist in terms of medium to long-term growth in the world economy. There is a tendency now for some quite good minds to be pessimistic. Just a few days ago, Larry Summers sent around a rather pessimistic message on world growth.

In the long run, there will be a combination of technology that is still advancing very fast and continuing really large human needs. While thankfully there is a strong middle class in the world now, there are still 3-4 billion people who are very poor. There is a need for infrastructure investment and there is new technology. I think with the combination of all these things and if the macro-economic balances are well managed and the socio-political context is well managed, this could allow the world to grow at a rate of 3.5-4% for about 2 decades more. It is hard to say what will happen after that. But I think the medium-term drivers and sources of growth remain very strong.

There is the climate issue which I will not get into. I think it can be managed, though one has to be careful about it. If the prices and incentives are right, the technologies will come forward to help manage the climate problem. The second issue that came up quite a bit at the IMF-World Bank meetings in the fall was the slow-down of emerging markets. You alluded to this somewhat. Here, one has to make the distinction between the crisis period and the longer run.

From the late 1980s, the emerging markets grew at about two or two and a half percentage points faster than the advanced countries, on aggregate. During the crisis period from 2008-2012, the differential went up to four and a half and that is exceptional. Therefore, I do not expect the emerging markets as a whole to grow at four or five percentage points faster than the mature economies. However, I do believe that there is the catch-up of technology, high investment rates in Asia and the drive of great needs, including in Africa. Growth of the emerging markets and the developing countries can remain quite strong. I would say it will be 5-6% on aggregate over the next few years.

Having said that, one should not generalise too much, just as one should not generalise for advanced countries. There are some countries that have a high savings rate and a high investment rate and are not dependent on foreign capital flows. These are in emerging Asia. You can take out China, which is a case in itself. Even excluding China, emerging Asia has a savings rate of close to 30%. Then you look to Latin America, where the savings rate is more like 16-17%. I think there is a difference there. The growth rates in Latin America and emerging Asia will be quite significantly different. Latin America will grow much more slowly. I remain an optimist about Africa, but we will discuss this more during the conference. I think Africa is making institutional progress from a very difficult situation. I can easily see Africa growing at 6% or so over the next two decades.

Then there is also the demand side of growth, rather than the long-term supply side referred to above. I do believe there is an overall problem of income distribution in the world. The statistics are not the same everywhere but I think we have all seen the most dramatic ones. In the US, the post-crisis recovery income growth of 94% of total income growth accrued to 1% of the population. Whatever we think about this from an ethical and a political point of view, I do not want to get into that. One can have different views on income distribution and mobility.

However, from a purely macro-economic point of view, this is also a problem. There were periods when you had a much wider distribution of the benefits of growth and everything was not concentrated at the very top. Today, the strong and healthy middle-class demand which was the driver of growth for so many decades in the advanced countries is not there. There is also a general sense of tension and even conflict that inequality brings with it. I do believe that there are ethical issues, which are separate but apart from them, from the viewpoint of pure macro-economics, we need to pay more attention to income distribution, to how growth is taking place and to how it is spreading through societies. I am very happy that the President of the United States, President Obama, has put this at the forefront of his agenda for his second term. In many speeches, he describes the problem. I am personally very happy that the President of the United States is taking a leadership role on this issue.

I will make one last point, though there are many other points that I will leave to my colleagues. It is in terms of global imbalances. It was actually at the World Policy Conference last year in Cannes where I made this point strongly. I remember that Jean-Claude Trichet reacted with great interest. I am glad he is at this conference and I have great admiration for him. I think the imbalances in the world are shifting. China is not going to have a large current-account surplus this year. Germany has a current-account surplus that is much higher than China's.

Regarding the Eurozone, adjustment took place in the Southern countries of the Eurozone, which have eliminated their deficits now. However, the Northern countries are not really contributing to the adjustment. We find that the there is a USD260-270 billion surplus in the Eurozone as a whole. The Mediterranean countries are trying to adjust and they are doing it to a great degree, with some pain and not always in the most efficient way. Nevertheless, unit labour costs in Spain, Portugal, Greece and Italy are falling, but the euro is appreciating. Vis-à-vis the competitors outside the Eurozone, if I am a Spanish enterprise or a Spanish worker, I am becoming more competitive. However, looking at the world as a whole, because the euro is appreciating, all these efforts are coming to nought. I really do believe there is a need for adjustment in the Eurozone and Northern Europe in particular has to contribute to that adjustment.

I stressed that very much last year. At this point, as you know, the European Commission has started a procedure vis-à-vis Germany, looking into the German surplus. The United States Treasury has complained strongly about it. While I admire the sense of dynamism in Germany and so on, I think there is a real issue regarding economic policy for Germany itself. I do not think it is a question of transferring resources to others, but there are huge investment needs within Germany itself. There are huge things that can be done for the welfare of the German people themselves which will indirectly help others. It will not only attract imports but it will have some influence on the value of the euro and it will prevent an appreciation of the euro which is too strong, as this would be very bad for Europe. These are some of the points I wanted to start with.