HENRI DE CASTRIES

Chairman & CEO of Axa

You will not be surprised if I agree with most of what Kemal has said. I just have a couple of points on the long term and I may comment on the comment term. Regarding the long term, I would add demography and longevity to the factors you have mentioned. I think these are two very important drivers of the growth going forward. In 10 years, Africa will have 300 million more people and Japan will probably have 4-5 million less people. It will have an impact. Longevity is still progressing and this is potentially a very significant source of wealth creation, if well handled, so I think this is an important driver.

When I look at the medium-term economic situation, I think the situation is better but fragile and uneven. Despite the appearance of decent growth, we have very powerful underlying trends which are creating disruptions. You have mentioned the inequality in income. I think we are underestimating the impact of technology on many of the industrial sectors, but also on many of the services industries. If I look at my own industry, the way both big data and digital technology are going to fundamentally change the landscape within the next 5-10 years is grossly underestimated. 2% growth can dissimulate -20% in one sector and +20% in another. This is within the existing economies and creates risk of disruption.

The other area where I agree with you is that I do not think that emerging countries are as they were for most of the last five years; one bag with similar animals. I think you have emerging countries which have sound balance sheets. There are ones which have more issues, either because they have deficits in their balance of payments or because they are slow at implementing their structural reforms. To mention the elephant in the room, I think most of the very large investors have been disappointed by what has happened in India over the last 2-3 years, because they were expecting a change at a much faster pace.

If I look at Europe and the US, we are pretty optimistic as an institution about the US. We think that the combination of technology and the energy revolution are creating a sound basis for a restart of the US economy. This is true even if they find even an awkward compromise on the budget. In the medium term, we are not pessimistic about the US. We are more cautious when we look at Europe. We think the situation there is uneven. Some countries have started to address their issues in terms of structural reforms and others are lagging behind.

If you look at what has been going on, I think the European Central Bank has been doing a marvellous job in trying to fix the issue a little more than a year ago. However, it does not dissimulate the fact that the pace of structural reforms in some countries is still insufficient. I think if this does not change now and does not change fast, the risk of significant disappointment and significant disruption lies ahead of us. The Central Bank has used most of the tools at its disposal to compensate for the lack of decisive actions by some governments. So if a new crisis happens, what is going to remain in the toolbox? We should not underestimate this problem.

Technology, demography, flows of capital and flows of talent are going in the right direction. Therefore, even if we should not underestimate the disruption risks on the road, I feel optimistic for the medium term.

The last point I would mention relates to global governance, because this is one of the issues of this Forum. I am very impressed by the fact that we are probably seeing the end to the Westphalian states. Classical borders are becoming irrelevant in more and more areas. It is true as far as the Internet and big data are concerned, but these are not the only places where it is true. If you look at the sources of tension in the world, the dividing lines are often not the borders anymore. They centre on religion, cross-border economic centres, which are complex issues. This is going to force us to reinvent the way we look at communities, communities being states as much as economic or social groups.