



Ian Bremmer

EDITORS' NOTE Ian Bremmer is a prolific thought leader and author, regularly expressing his views on political issues in public speeches, television appearances, and top publications, including *Time* magazine, where he is the foreign affairs columnist and editor-at-large. Once dubbed the “rising guru” in the field of political risk by *The Economist*, he teaches classes on the discipline as global research professor at New York University. His latest book is the national bestseller *Superpower: Three Choices for America’s Role in the World*. In 1998, Bremmer established Eurasia Group with just \$25,000. Today, the company has offices in New York, Washington, San Francisco, London, São Paulo, Singapore, and Tokyo, as well as a network of experts and resources in 90 countries. As the firm’s president and most active public voice, Bremmer advises leading executives, money managers, diplomats, and heads of state. He is credited with bringing the craft of political risk to financial markets – he created *Wall Street’s* first global political risk index (GPRI) – and for establishing political risk as an academic discipline. In 2007, he was named a Young Global Leader of the World Economic Forum, where he is the founding chairman of the Global Agenda Council on Geopolitical Risk. He is the Harold J. Newman Distinguished Fellow in Geopolitics at the Asia Society Policy Institute and serves on the President’s Council of the Near East Foundation, the Leadership Council for Concordia, and the Board of Trustees of Intelligence Squared. Bremmer earned a master’s degree and a doctorate in political science from Stanford University, where he went on to become the youngest-ever national fellow at the Hoover Institution. He received his bachelor’s degree in international relations from Tulane University. He has published nine books including the national best-sellers *Every Nation for Itself: Winners and Losers in a G-Zero World* and *The End of the Free Market: Who Wins the War Between States and Corporations?* Bremmer’s next book will be published in February 2018 and is titled *Us vs. Them: The Failure of Globalism*.

A Global Unwind of the Geopolitical Environment

An Interview with Ian Bremmer,
President and Founder, Eurasia Group

COMPANY BRIEF *Eurasia Group* (EurasiaGroup.net) is the world’s leading global political risk research and consulting firm. By providing information and insight on how political developments move markets, they help clients anticipate and respond to instability and opportunities everywhere they invest or do business. Their expertise includes developed and developing countries in every region of the world, specific economic sectors, and the business and investment playing fields of the future. They have on-the-ground experts and resources in more than 90 countries.

When you created Eurasia Group in 1998, what had led you to that point and what was your vision early on?

Political science is a field. One finishes a Ph.D. and goes into policy or academe, but there wasn’t a path to go into the private sector. There wasn’t applied political science. I didn’t know that when I started my Ph.D. because I was so young. I moved to New York and pitched myself to many companies because it was clear the work I had done, primarily in the former Soviet Union, was very relevant to markets. It was important to understand what the governments were up to – the regulatory processes, the electoral processes, the rule of law, and the way they would handle contracts. It wasn’t just about the economy in terms of having a successful investment or understanding how or why to take a position in the bonds. There were many people in New York that treated me very well but they didn’t have a job for a political scientist.

After a year of meeting these great people, I asked each of them, if I was to hang a shingle, would they become clients. I don’t remember who the first person I even asked was, but he said yes. Within a few weeks I had commitments to be clients from 10 major corporations. I didn’t know exactly what the product would be, but they knew me well enough that they were prepared to take that step.

That’s how I incubated the company. I called it Eurasia Group because Eurasia is the region I happened to be an expert in. I knew many of the leaders in that part of the world.

If you look back at how Eurasia Group has evolved from the early days, did it play out as you imagined it would?

Yes and no. I believed that I was not taking a risk. I started a company where I didn’t have to raise extra capital because I did consulting

on the side that could support it. I was providing expert testimony for people seeking asylum from certain countries in that part of the world, and that paid me \$250 per hour. There was no pressure on me to make the firm successful or face the consequences of running out of money. This was a low-risk proposition as long as I didn’t care whether I succeeded within a year.

It was clear that this was going to work since companies like Goldman Sachs were signing up as clients. However, if you’d asked me if I was going to build a company over 20 years that would become a global institution defining the field of political risk, I’m not sure I would have agreed.

I wasn’t sure of that for a few reasons: first is because when I started working on it, political risk was about country risk in emerging markets. Over the past few years, we’ve seen that there is now a global unwind of the geopolitical environment. When I first started, the U.S. was not only the world’s sole superpower but, in the new world order, the U.S. was uncontested with our allies.

Since then, the U.S. failed after 9/11 with the disastrous Iraq and Afghanistan wars. It doesn’t want to undertake that role anymore – it doesn’t want to lead global trade, and many Americans believe that isn’t good for the country. The U.S. also doesn’t want to accept refugees.

These factors are further complicated by the rise of China, the weakness of Europe, the weakness of transatlantic relationships, and the problems with Russia. For the first time, looking at the marketplace over the next few years, the principle uncertainties are not about economics but about politics, which was not the case when I started the firm.

This makes us truly relevant in a global environment and has allowed us to create offices worldwide and to be a significant piece of what CEOs are doing and thinking about all around the world. I would not have imagined that when I began.

As you’ve grown, how hard has it been to stay engaged in all aspects of the business?

We grew to where we had 50 people and then needed expanded management. That’s not my expertise or interest and threatened to take me away from the things I’m good at.

The firm has been very successful, although it was started and owned by someone who clearly had no background in starting or running a company. I have no interest in running

it and I never have, so when I had the money to hire a COO and CEO, we did. We engaged external advisors to help us figure out how to hire those people.

There were many people in the firm who presumed that even with a new CEO, I was still never going to take my hands off the machinery, but that is not the case.

Our management team is pretty large. I have no capacity to run a global consulting firm and I don't even try to. I don't stick my nose inside the decisions that are being made. They run it, and I do the things one would hope I would do, which is to be an external face of the firm and the lead global macro voice as a political scientist. I talk to CEOs, hedge fund owners, heads of state, and thought leaders, and that helps us create an articulate understanding of the way the world works.

What impact do you see from the shift from economic to political?

It's daunting in two ways: one because I am fundamentally an upbeat guy. Nouriel Roubini is one of my best friends, and he's always looking for things to go badly. That's not me. I grew up in the projects, so the fact that I'm alive is extraordinary. If I'm not happy every day, there is something wrong with me.

My persona rebels against the fact that I'm frequently the bearer of bad news. I don't like going into a company to deliver bad news.

The second element is that there is generally much more uncertainty in the global marketplace right now. The global recession happened in 2008 and, if one had attended Davos in 2009 or the G20 meetings that year and asked anyone what they were worried about, they would have all said the recession. They wanted to avoid a depression. We were in a geopolitical recession, the first one since World War II, and people were worried because it wasn't affecting the world in the same way as previous recessions.

We have more refugees than the world has ever seen in recorded history and yet they can't get into the U.S. We have massive concerns in the Middle East and Europe over terrorism and yet Obama calls ISIS the JV team in their ability to hit the U.S.

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Despite the uncertainty and the tail risk of a potential confrontation over North Korea, this is a vastly more problematic time for someone sitting in the Middle East or Europe than it is for someone in the U.S., Japan, or China – the three largest economies in the world. This makes it more challenging to assess and also makes one realize that this is going to get worse before it gets better because there is no urgency.

We just experienced the most important election in the world of our lifetimes in the U.S. last November and barely 50 percent of Americans bothered to vote. That tells us that there is much more complacency, disaffection, and apathy than there is anger in the U.S. People are having a hard time getting their heads around that.

Is it correct to think that many of those geopolitical issues won't directly impact markets?

Over the course of the past decades, globalization has been all about moving one's manufacturing base to the cheapest location around the world and producing for global distribution from there. For example, Walmart would want their production in China. To the

extent that labor cost differentials become less significant to manufacturing, the next phase of globalization will question why one would want to produce globally out of a country like China. Wouldn't one be better off producing where their consumers are, especially if China has stronger local competitors, no rule of law, no independent judiciary, and concerns over their long-term stability?

A major concern of globalization is supply chains and labor forces unwinding and becoming fragmented. It is not clear if that is happening based on the data, because there are many corporations and governments that want to control the data regarding inputs and outputs they have in a localized way. China wants their own Internet which is very different from Twitter, Facebook, and Amazon. We could easily make the argument that the global economy is becoming less interconnected than it was for those reasons.

In a world where the Middle East is exploding and Europe is experiencing an existential crisis, another point is that money needs to go somewhere. Much of it is coming to the U.S. as the world's largest market and because its borders are Mexico, Canada, and two big bodies of water. The U.S. is much more stable.

The U.S. might do things that could start to make things more problematic. If we actually institute much stronger border controls and cut back on H-1B visas and, if anti-Islamic sentiment were to spike in the U.S., tourism could take a big hit and parents would not want to send their kids from countries such as Pakistan to become engineers in the U.S.

There are some early stage indications that this could be starting to happen in the U.S. Do I believe that a level of geopolitical volatility is necessarily bad for the U.S., especially in a relative sense? I would say, no, it is clearly the cleanest dirty shirt. It may actually be a relatively clean shirt. Not only is it the biggest market but it will soon be the world's largest energy producer. It is also the world's largest food producer and dominates in many of the key technologies that make a difference.

I did not like Brexit because I thought a strong Europe was good for the U.S. and the world. But if one is of the belief that Europe is

falling apart no matter what is done, and many trends are moving in that direction, the question is not if one wants Brexit but only if one wants it early. Early is better than late when it comes to preparing.

If one looks at the U.S. with all of its benefits in human talent and natural resources, as well as its geopolitical environment, and then looks at the rest of the world and how it is coming apart, would they not want an exit earlier as opposed to later? How long will the U.S. want to be a policeman in the Middle East when it doesn't need that energy and when, no matter what it does, it seems to be blamed for it? It's also really expensive, unpopular with the population, and seems to be a problem without a solution.

This was the big reason why Trump and Sanders did so well in the U.S. election and why Hillary did so badly. I don't think that the lessons have been properly learned there.

Does the U.S. need to be heavily involved in trying to effectively address these challenges?

There are differing opinions on this since 2.5 million Americans served in Iraq and Afghanistan, and those were failed wars. As much as I believe that American values of democracy and rule of law and human rights are important both at home and all over the world, if I were a family member of one of those men and women who returned home with PTSD or injuries or worse, with the veterans administration not caring about them and with for-profit universities acting in a predatory manner to give them educations that aren't fit for purpose with loans they aren't able to pay back, I would be pretty angry.

I like free trade. It has been great in my opinion. But I don't feel it's right not to respect that easily half of Americans feel that, even though the goods have gotten cheaper at Walmart, opportunities are not there for them. Look at the incarceration rates and opioid addiction rates. It is difficult to convince people that free trade has been good for them.

If you ask me what is best for the top-down numbers for the U.S. economy and the dollar, then I can make a case for continuing to play this global role. However, this neglects the growing structural inequality. If the establishment political parties, the bankers and CEOs, the public intellectuals, and the mainstream media refuse to address this, then the only recourse one has is a protest road. I don't in any way resent the fact that this is the way a large part of the population has chosen to articulate their feelings.

Which issues are most concerning to you?

The greatest concerns are all connected to the same structural causes. The fact is that the geopolitical order is unwinding from the top down. This is now a G-Zero world as opposed to a G7 or G20, which means that so many of these headline risks are now percolating and they are linked.

There is one big thing happening right now, and it's having a number of effects. These effects are radically different in their likelihood of coming to fruition, in the impact they will have when they occur, and also in how soon they're likely to manifest themselves.

Looking at the likelihood of Chinese instability, one would say it's unlikely. There is very strong leadership and patriotism and strong economic growth, and their people have benefitted from this. As a consequence, they feel good right now.

Looking at elections across Europe, the Netherlands was never really a worry because there were 28 political parties – even if the far right had won, they would never have been able to govern. However, with Le Pen in France or with Brexit in the UK, the bad outcomes are real and plausible.

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It's quite easy when we focus our expertise on these individual issues to be able to comparatively rank and assess not only the likelihood but also the impact on a particular client, which is different than the impact on other clients. We can then assess their risk appetite and develop a strategy for what they want to do.

Where do U.S./Russia relations stand today?

They're changing. It's very clear that Trump wanted to improve the relationship with Russia as a high priority. His ability to do so has been massively constrained by some very significant conflicts of interest and corruption that have come to light among those that have been involved with the Trump team and, in some cases, with the Trump Administration.

There have been leaks and an active FBI investigation. The media has been hitting him hard, and the Senate has been loud about this, even among the Republicans.

The ability of Trump to actually affect a strategic realignment of a U.S./Russia relationship that was very deeply broken at the end of the Obama Administration – in part because Obama made some big mistakes – is highly unlikely.

On the one hand, this is sad because there are some good reasons to improve the relationship. On the other hand, we should take solace in the fact that our checks and balances work. The efforts of a president to move the needle through actions that clearly transgress the bounds of the way governance is supposed to work in the U.S. will meet incredible resistance.

You've said that by nature, you're an optimist. Looking around the world today, is it hard to be optimistic?

My optimism is more existential. If one thinks for a moment about what it means to exist and be living at this time with the choices that we have and the opportunities to develop wealth, it's incredible. We have no business complaining in this environment. That drives my optimism more than anything else.

I also would say that even in this environment, with the world moving in a direction that is clearly disturbing and causing a lot of pain for many people, the fact that I'm actually in a position where I can not only talk about it, but do something about it, means a lot. This entity that I have built with my team, colleagues, and friends has now reached a point where we can make a difference. Even if it's a small difference, it infuses us with a great deal of optimism because it gives us a sense of purposefulness.

Smart, energetic people ultimately want purpose and mission. Whether that means having a great family or doing something charitable or making a difference, it sticks with them.

At the time I finished my Ph.D., there was a presumption that the world was going to become more American, more Western, and that democracy was taking over.

There is no question that not only is it the case that democracy doesn't necessarily win, but there are some truly disturbing trends around technology that empower authoritarianism to a far greater degree than any of us would have imagined 20 years ago. Those are dehumanizing trends that are very troubling.

Many things in the U.S. itself are also broken. Much of the regulatory environment has been captured by for-profit institutions and other special interests that ultimately may enrich themselves and not take care of the average Americans while hiding behind fiduciary responsibility. This is why we're seeing the backlash we're experiencing today.

Do we have the leaders necessary today to address these issues?

I don't think so, certainly not on a global stage. There are individuals we can point to who are making a tremendous difference, but most leaders I see are not stewards, and stewardship is a critical component of leading. This incorporates the idea that, while one may be in a leadership role, the importance of that role is not about that leader and the current constituents but about making sure the organization and the system that the organization is a part of becomes better and more durable for those that it's passed on to. ●