

**NYSE Corporate Forum Webcast: Top Political and Economic Risks for 2009 (Internal Only
Webcast)
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Corporate Speakers

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- Ian Bremmer Eurasia Group President

PRESENTATION

Operator: Good day, ladies and gentlemen, and welcome to the NYSE Corporate Forum Webinar, Top Political and Economic Risks for 2009. My name is Heather, and I'll be your coordinator for today. At this time, all participants are in a listen-only mode.

(Operator Instructions)

As a reminder, this call is being recorded for replay purposes. I would like to turn the presentation over to your host for today's conference, Ms. Theresa Molloy, Vice President, New York Stock Exchange. Please proceed.

Theresa Molloy: Great. Well, good afternoon, everyone. Thank you so much. We appreciate you taking time out of your busy schedule to join us today. On behalf of the New York Stock Exchange, I'm pleased to host this session and announce our partnership with Eurasia Group, the world's leading political risk consulting firm. It's a special honor to introduce Ian Bremmer, President of the -- of Eurasia Group as our guest speaker today.

I'm sure many of you know Ian's work through his soon to be six books and over 200 essays and articles. In fact, just this past Sunday, William Safire, noted journalist in the New York Times, referred to Ian's upcoming book, *The Fat Tail - The Power of Political Knowledge for Strategic Investing*. The book provides a truly innovative way to assess political risks and established and emerging markets. Ian is going to give us an overview of where he sees the hot spots of political risk in 2009 and potential on corporate leaders.

I'd also like to draw everybody's attention to the bottom of their screen where it says click here to download the presentation PDF. I did email it last night to all of our participants, but if you didn't get it for some reason, please feel free to use this, and certainly, we encourage you to share this with your associates as well.

I'm thrilled to tell you that this is going to be the first of four calls, at least four calls, that we're going to host with Ian and his group of well respected advisors. We'll certainly also be hosting ad hoc calls throughout the year, as the geopolitical environment warrants. As far as the rest of the call, I would ask you to please address your questions to us at the bottom of your screen. We are going to do our best

to address all of the questions during the session. I also wanted to mention that for your associates who could not join us today, this call will be rebroadcast. It will also be podcast, as well as the transcript will be available.

At this point, it's my pleasure to pass the program to Ian, and I thank everyone once again for joining us. Ian?

Ian Bremmer: Thank you so much, Theresa, and I'm delighted to kick this off. I know we're going to be announcing publicly this strategic partnership over the next couple weeks, with the media institutions and all the rest, but it's nice to have a chance to front run it with the clients of the Stock Exchange, and it's great to see such a strong turnout for this first event.

As Theresa said, for those that don't know me, I'm a political scientist, and I look at how politics affect the markets, something that has been growing in importance over the course of the past decade, but at no point has been more clear than in the past six months.

As you may have seen from the announcement -- I just got back from Davos, the World Economic Forum meetings. A very interesting meeting this year, in the sense that almost none of the financials showed up. Those of you watching CNBC today will see a lot of those heads of the banks talking to Congress and in relatively acrimonious and difficult conversations. They didn't show up at Davos, but 41 heads of state did. In fact, if you include Prime Minister Putin, 41 and three-quarters -- not quite a head of state, but for all intensive purposes, running that country. That's more than double the highest number of heads of state that Davos had ever gotten before.

Seems particularly appropriate to me that you wouldn't have the banking CEOs this year, and you would have the heads of state. And I say that because it used to be that New York City was the financial capital of the world, but as of right now, it's no longer the economic capital of the United States -- Washington is. President Obama came out two days ago and made a pretty stark announcement in his first press conference that if the stimulus didn't pass expeditiously, that America would face -- his words, not mine -- economic catastrophe.

In other words, didn't matter what the companies did, didn't matter what the financials did, that the help of the American economic system was in the hands of the policy makers in Washington. And it's clearly true in the United States this year, but what is interesting is it's true in a lot of other places as well. Over the past ten years, if you wanted to take advantage as an investor of the extraordinary growth story of the Persian Gulf, you wanted to go to Dubai. That was where the decisions were made, that was where the growth was coming from, that was the place that the excitement, the finger on the pulse -- as the growth of the Persian Gulf.

That's no longer true today. Abu Dhabi is where you want to be. In part, that's because Abu Dhabi has the oil. In greater part, it's because that's where the governmental power of the United Arab Emirates actually sits, and if Dubai is going to get bailed out, it's not going to be done from Sheikh Maktoum in Dubai. It's going to happen from Abu Dhabi and their government investment vehicles.

People used to talk about the Shanghai faction over the last five years and this increasingly independent group of pro globalization, pro global investment corporate with some links to the central government, but increasingly, a regional power base that wanted go-go growth, weren't [this] concerned about unemployment, weren't this concerned about social subsidy, as you saw from some in the interior of China. Look online over the last three, six months. No one talks about the Shanghai faction anymore. That power has moved to Beijing.

Even in India, an extraordinarily decentralized political system, it is not Mumbai where the decisions are being made economically. It's New Delhi. This reality that I saw firsthand in Davos and that we are watching firsthand as the global economy unfolds and, to a degree, unravels over the course of 2009 is critically related to two very important underlying trends that I think that inform my view of the world, and I think will affect all of our investment decisions for the global corporations that are online right now.

The first is that globalization is increasingly being challenged by a system of state capitalism. Globalization has been the one thing you could not afford to get wrong over the course of the last 20 years. Multinational corporations increasingly becoming the dominant economic actors in the world system, taking advantages of economies of global scale, global outsourcing, global supply chain networks, massive differentials in labor and commodities and input costs, and that was a system that, if you missed that boat, you didn't do very well economically. That's why Tom Friedman's World is Flat sold 3 million copies in the United States.

I'm not suggesting globalization was a good or a bad thing. It depends on who you are. If you're invested in Hyderabad or Bangalore, you liked globalization. If you're an auto worker in Detroit, you probably didn't. But the fact of the matter is globalization was increasingly the dominant model for how we understood the way that the global economy and global markets were working.

My argument is that increasingly, globalization is being challenged by a system of state capitalism. This started with the rise of national oil corporations, particularly in the 70s, with the oil shock in OPEC, taking away influence from multinational, international oil corporations for exploration and production. Then we saw the rise of the emerging markets in the last 15 years, particularly the BRICs, with state owned and state connected enterprises becoming increasingly important in those countries, particularly countries like China, like Russia.

Then, in the last five years, we see the rise of sovereign wealth funds. They've been around for decades, but the term didn't exist until five years ago, becoming much more important in decisions around asset allocation.

And then finally, in the last six months, we see this massive governmental response, stimulus, nationalization, and regulation in countries around the world, emerging market and developed states, making governments much more important in terms of direct economic and market outcomes. That increasing challenge to globalization by state capitalism is a structural change in the way I see the global markets and is one we're going to be dealing with much more over the course of the next few years.

The second major change is an environment that is increasingly nonpolar. We've lived, over the past two decades, in a system that largely was unipolar, the United States providing the majority of the leadership, the willingness, and the capacity. Some -- for -- generally seemed to be benign, some much more controversial. Again, not the point is to whether or not you like a unipolar system or not, but that was the name of the game.

Increasingly, the United States has neither the willingness nor the capacity to play that kind of a role globally, and yet other countries don't either. It's not an emerging multipolar system with China with its view of the world and Russia with its view of the world.

It is a Russia that has a strong view in the way its portion of the world should be run, Georgia, Ukraine, the [Cargese Republic]. It's China with a very strong view of the way its portion of the world should be run, Southeast Asia, in particular, and United States that increasingly has less willingness and capacity to do the lifting itself.

If you combine these two trends, state capitalism and nonpolarity, a movement towards both, away from a unipolar globalized system, you get less efficient global markets and a harder time pulling out of this downturn. You get regionalization of capital flows, as opposed to globalization of capital flows, which increasingly, over time, undermines the present status of a strong dollar and the dollar as the reserve currency for the world.

You also have a much more national focus in terms of stimulus and investment dollar availability. You also see, increasingly, the challenges that come to the global system. Nuclear proliferation, climate change, the creation of new financial architecture and infrastructure is not resolved, and to the extent that solutions are offered, they are piecemeal, and they are inefficient.

Two things I would say about that globally. The first is that neither of these systems, either nonpolarity or state capitalism, are necessarily equilibrium points. They're not likely to last forever, even for decades, but they are going to become more entrenched before they start to break down. You'll need larger shocks to push the world out of these systems towards something else.

The second point is those shocks will become greater in severity and in number until that happens. So if I look at something like the G7 moving towards the G20, the G20 is harder to organize, not just because there are more countries, but also because a number of those countries don't share basic values in how a global system should be run or that a global system should be run with the United States and the G7.

That is increasingly going to lead to implications -- market moving implications for so many of these challenges that are going to be hitting the headlines over the course of the coming year. So, with that as a backdrop, let me make a few more specific points, both for this year, as well as for some countries, and then I'll open it up for questions.

In terms of this year, 2008 was not a significantly dangerous or risky year from a geopolitical perspective. So much of what we saw -- the subprime issue came out of the private sector, the economists much better on this sort of thing than the political scientists are at least, they should be in principle.

But in 2009, with the strong exception of Iraq, where we have seen, effectively, a movement from an active war to a peace keeping operation, though I wouldn't announce it as such, yet that's kind of the direction you're going. With the exception of Iraq, all of the major potential geopolitical risks for the markets are going to be worse in 2009 than in 2008. That's clearly true for Iran and Israel, elections in both of those places, and also, the Iranians likely to go nuclear this year, unless there are strikes from the Israelis. Clearly, sanctions from the US will get worse either way.

Afghanistan and Pakistan, and to a degree, India, on the security side. More money, more troops coming from the west, more political capital being expended, but the security situation -- all three of those countries likely to be considerably worse the end of '09, [than] the end of '08. Mexico, with the war by the narco-cartels against the Mexican state picking up significantly in impact and in breadth, which will have a -- an impact on both the Mexican government, as well as on border security with the United States. Russia and the challenges that the Russian government will have both domestically, as well as the willingness to provoke conflict internationally.

All of these issues are likely to be more significant in '09 than '08, and yet, with the headlines being dominated by the financial crisis, the surprise that these political conflicts will have to the market will be much greater than they otherwise would be. And when the United States went to war against Iraq this last time around, everyone knew it was coming. The troops were there in Kuwait. The only real question was when it was going to start. It was priced into markets accordingly, so when the war actually started, the markets actually picked up, because that uncertainty was gone.

That is not the case for the sort of conflicts we see percolating in 2009. Obama's administration didn't send a team to Davos this year. They haven't been engaged on the foreign policy side. They are focused almost completely on the domestic economic situation. That's entirely understandable and appropriate until a foreign policy crisis hits, in which case it's going to be much harder to manage and deal with.

The second point for 2009 is that increasingly, a lot of the political risks are coming from the potential for overregulation inefficiencies and the rest from the developed states themselves, particularly from the European states and from the United States. We're obviously seeing that with the market downturn just yesterday, almost 400 point drop on the basis of a feeling that the stimulus package is not moving ahead as transparently as clearly as -- or as quickly as the markets would like.

There's -- it's very hard to get this 100% right from the perspective of US government or the European governments, and yet, a lot of the stimulus is already priced in that it's coming, so there's a lot of potential downside there.

Those are the political risks that you see for 2009. That's a fairly bleak picture. What about the upside? There is a lot of upside. Let me mention a few of those places now. First, China. There was no question that the winner, in terms of who came across well in the -- in Davos presentations, was Premier Wen Jiabao.

A year ago the Chinese were saying, oh, we're a little country. We're just growing up. We're still developing. We're still second world. Don't ask us to do too much. We're not leaders. Just let us, sort of, continue to grow. This year China really understanding that from a power perspective, they're probably the second most important country in the world. They understand that. They relate to it, and they're making speeches accordingly.

Doesn't mean that they're going to help the United States, sort of, create a new Bretton Woods agreement, doesn't mean that they're going to be supporting US Treasuries, medium or long-term, but does mean that they recognize the importance that their government has globally, that they are taking their -- the necessity to be more, I'd say, forthcoming about what their stimulus package is going to look like, very seriously. That has been a positive.

The other positive is that the Chinese government has a great deal of political capital. [It's been] growing for 30 years economically, on average, 10% a year. That's created an enormous amount of support for Beijing from the average Chinese citizen. To the extent the Chinese are upset about the downturn, they largely blame the West -- not Beijing, and the Western model of free market capitalism.

The danger is that that means that they may believe that the Chinese system doesn't need to change, and you see problems then in terms of movements on corporate governance, rule of law, transparency. You also see state preferencing for Chinese corporations, so Western multinationals have a harder time in terms of profitability in penetrating the Chinese market.

But in terms of Chinese growth, in terms of the Chinese government to avoid instability and all of what that means for commodities and for general demand for Chinese trade, for growth in Chinese consumer demand, we're generally much more bullish than the markets have been, both in terms of the numbers we're likely to see through 2009 and also the ability for the Chinese government to continue to weather this through the short to medium term. That's one clear piece of upside, the flexibility of China in dealing with this downturn.

The second is the Gulf, with the strong exception of Dubai, because there is going to be a political fight with Abu Dhabi. They're going to lose a lot of power, and the money is not as available as it would have been from the ADIAs and the Mubadalas as a year ago. Also, Dubai has [a lot of Iran risk], because over 90% of the money the CIA is tracking, illicit transactions out of the revolutionary guard and the rest, in Iran go through Dubai.

But if you leave that alone, Saudi Arabia, Abu Dhabi, Qatar, Bahrain, Kuwait, all look very strong to me. Even at \$40, \$45 oil, these guys run significant profitability, as opposed to, say, Venezuela, where under \$90, they run a deficit. There's a lot of political stability in these countries, ability to engage and

willingness to engage in significant infrastructure expenditure to stimulate growth through what they consider to be a short term downturn.

Given my view on China, as well as geopolitical risks around energy, the likelihood of a continued downturn on commodities, broadly, and on oil, as we look at a three year or a five year period, is very, very low indeed. The Gulf States generally accept that. Makes me very bullish on those countries, their ability to survive a downturn, local support, and the viability of their policy practices. The willingness that they have to look to the long-term, in terms of education, in terms of support for improving the judiciary, in terms of opening, increasingly, markets to broader investment creates lots of opportunities there.

One other sort of quick point. 58% of new university entrants in Saudi Arabia are women. That is unheard of. Five years ago you wouldn't have thought that was possible. Doesn't mean they're treated equally, doesn't mean they can drive, doesn't mean they get great jobs, but they're freeing up a large part of their labor force.

The Saudis are ahead of the curve, compared to a number of other countries, and the region right now, again, surprising, compared to, say, after September 11, to many. But even places like Qatar, we -- and some of the other Emirates outside Abu Dhabi, we see some movement there. All promising from an investment perspective.

Then I would make the -- look at Brazil, with Lula at about 80% approval in a democratic system, some of the world's largest oil finds offshore. They are the Saudi Arabia of agriculture and biofuels -- all things we should be positive about longer term.

Lula's popularity has meant he has a much better shot at actually ensuring that the succession process after he's gone is going to go smoothly. He's also been able to ensure a significant amount of economic reform, even through this downturn. In a very good position to be able to continue that. As a consequence, whether we're talking about consumer, real estate, engineering, and certainly, on the energy and agri commodities side, Brazil looks quite good to us.

So those are some of the places that we think are going to have significant ability to get through this. One other place I'd mention is India. The security situation is getting worse. The political system is becoming more decentralized, not less. We've got elections coming up in April. There's a pretty good chance, and a growing chance, that neither the congress party nor the BJP wins, and that you end up with a group of smaller parties, which means long time to get the government together and no effective policy making.

Despite all of that, there's an enormous amount of local political stability in India. It is, what I would say, the slowest moving good story in the world. It's frustrating, it is difficult. There are now security problems to overlay, but if you're taking a ten year horizon or longer as a major corporation -- again, I know we have lots of different sectors represented on this call, you have to be more optimistic about India.

I didn't mention Russia among the BRICs yet. Putin is probably the single most powerful individual in the world today. It gives him a lot of flexibility to take policy measures that may be unpopular, but it also allows him to close down the country if he wants to. There's been a lot of instability in terms -- and disagreement in what political leaders have been saying about how bad this downturn is within Russia, more than we've seen at any point, really, since 1989. Not even in the '98 crisis did you see that. That's dangerous, in terms of the possibility the reformists get shut out completely in Russia.

A lot of uncertainty around the direction that Russia is going in, but I'm telling you, if I were thinking about a big investment decision in Russia right now, given the volatility there, I would be waiting for three or six months, something that -- frankly, the range of outcomes in Russia, the possibility of businesses getting shut down wholesale, greater than we've seen at any point since Russia became the independent state -- something I would be watching out for. Also consequent risks for those of you that are invested in Ukraine.

I could go on and talk about places like Turkey, Mexico, a few others that we've got -- Venezuela -- we've got of more concern. Generally, I like Africa as a continent for lots of reasons we can talk about, but I promised I'd only go for 20 minutes in the opening on this call before we got to Q&A. I've just hit that 20 minutes.

So with that, I'd like to turn it over to Theresa, and we'll have some moderated Q&A. Please feel free to send over any questions you might have.

QUESTION AND ANSWER SESSION

Theresa Molloy: All right, excellent. Well, we do have quite a few questions, and why don't we start with Israel? The most recent elections are -- left the country in a little uncertainty, and the question is regarding the current election status and the prognostication for the political environment there, as well as the current situation with Iran, and how do you see this playing out in 2009?

Ian Bremmer: Start with a nice, easy question. We've got -- we had the elections, as you all probably know, yesterday, and the outcome is uncertain. As it stands right now, BB Netanyahu, the Likud Party, has -- looks like 27 seats in the Knesset, and Tzipi Livni with Kadima, the more centrist party, though they have moved to the right -- the entire political spectrum has moved to the right, except Labor, and they got crushed -- eking out 28 seats in the Knesset. And neither of those a majority -- it means that anyone that wants to form a government is going to have form it with other parties.

Now all of the votes haven't been counted yet. Military votes haven't come in. I believe the military votes come in on Thursday. Now everyone in Israel serves in the military, so generally, the military does reflect the entirety of the population, but the professional military, the careerists, tend to vote a little bit more right wing.

So Netanyahu may get a little bit of a bump there, plus for those parties that have agreements with other parties that didn't reach the minimum to get into the Knesset, they can allocate their votes to other parties. That's more likely to hit on the right, so BB might make it there. Might end up with another seat. You could have a 28-28 tie by next week.

Then you have to wonder who is actually going to form the government. Again, Netanyahu has a little bit of an easier time, because he can form it a right wing government with Avigdor Lieberman's party, than would Kadima and Tzipi Livni with Labor that's really underperformed, but there are other options. You could also have a situation where you have alternating prime ministers. It's happened once before, and then the question is, who goes first? Now I'm getting into very abstruse, and I recognize I don't want people to tune out.

The point is, on balance, the political spectrum of Israel has shifted to the right, because of Gaza, because of Iran, national security right now much more important than economic issues in terms of outcome, and that helps Netanyahu. On balance, he looks more likely to win, but it is not certain yet. If Netanyahu wins, likelihood of strikes against Iran are higher than they would be otherwise. So there is, obviously, a play for those of you that are involved in the region. Around that, there's also concerns around potential impact on oil prices.

The United States is not going to engage in military strikes against Iran. They will increase sanctions, because the Iranians aren't going to do much on their nuclear program. No matter who wins in Iranian elections, coming up in June, and there are competitive elections there, too, with the reformist Khatami and the sitting President, Ahmadinejad. But no matter who wins, they're still going to move forward on the nuclear program.

The real question, then, is, does -- do the Israelis decide to strike? And they might. The likelihood is higher than the markets generally think. They consider it an existential threat. They're very concerned about Iran's capacity to support proxies in the region, like Hamas, Hezbollah, and Islamic Jihad, as they go nuclear. If the Israelis are doing it without the explicit US blessing, it's much more hard to -- much harder to do militarily. Doesn't mean they won't do it.

The greatest dangers of this will be in about third quarter. Certainly, Obama's going to have a chance to see what he can accomplish, and you'll get through Iranian elections. But third quarter, there's going to be a lot of danger around this. We're going to be watching it very, very closely. I'm sure we'll be talking to you about it.

If that doesn't happen, there is a greater likelihood that the Israelis go in this summer to Lebanon and try to clear out Hezbollah before the Iranians actually go nuclear. That's one other consequent risk. So it's a very complicated story. It's one where the risks are going up.

The final thing I'd say is if the Israelis don't strike Iran in 2009, in 2010 the risks will go down, because either the US will say, okay, they're nuclear. Now we have to cut a real deal with them, like the US and the Chinese did with North Korea. Or they don't do that, but the Gulf states, the Germans, the Chinese,

the Russians all say, okay, they're nuclear. The US is less relevant. Let's start working with them. Either way, Iran gets more integrated, if the Israelis don't hit them in '09.

Theresa Molloy: Okay, great. Thanks. You just mentioned something about the US being less relevant, and that just dovetails on our next question. You also mentioned that Putin is, right now, the most powerful man in the world.

So, how does this -- how does the United States get back on track in a leadership position? You also mentioned earlier in your discussion that we're in a -- I think you said, a -- I'm looking for the word that you used. I apologize. A unipolar, I believe, is the word that you used, environment. So how is the United States going to regain the power, both the economic and the political power that it once had?

Ian Bremmer: That's a -- it's a very good question. It's a very deep question. The first point I want to make, just on Russia. I said Putin is the most powerful individual in the world. Russia is not the most powerful country, by a far cry, but Putin just has no institutional constraints. I mean, in China, you have a Communist Party, [but] Wen Jiabao is Premier.

But in order to get anything done, you actually have to get an enormous of agreements, lot of [pass of pendencies], a lot of limitations in how quickly they can move or change policy. Obviously, the same thing holds true, to a greater degree, in the United States and in developed countries and transparent -- liberal democracies. In Russia, that's not the case.

But what does the United States do? How does the US get back its mojo? And I think there are a couple of things I would say here. The first is, on some issues they won't. I do not believe that the US dollar will come back to the status that it has had as the world's reserve currency. I think in five years' time there will be a considerable decentralization of where people are holding their wealth, because if you are a sovereign wealth fund in Abu Dhabi or in China, your first priorities are increasingly political, they're around local growth, local support of local markets, local stability.

And so, that means the willingness that you have to put cash into American assets, especially in the context of a downturn in tougher times, will decrease. And I don't think there's anything the US can frankly do about that, aside from print money, which they will do, and we'll end up in a more inflationary environment. So this present deflationary environment, with everyone coming to the US dollar, is not sustainable in my view.

Does that mean that the United States loses its position in the world? Not necessarily. There are a couple things --. I mean, I could easily make the argument that a Treasuries bubble for the medium term is not the worst thing to do strategically. Two main reasons. The first is, clearly, in 20 years' time, you're going to have new emerging technologies that supplant oil for energy production. There will be new emerging technologies in dealing with climate change. There will be new emerging technologies around nanotech, biotech, genetic engineering.

And even though other countries are catching up with the US, the advantage the US has, and its graduate institutions and education, the advantage the United States still has in terms of scale and the advantage the US has in terms of relative transparency and rule of law means that the majority of the patents for those new technologies are likely to still be held in the United States in 20 years' time, which means that throwing a lot of cash right now that you don't know how you're going to pay for, with the understanding that you need to stimulate the economy to avert meltdown, when in 20 years' time, you're still going to have another shot at the -- at global leadership, economically, is not necessarily the worst strategy. It's a riskier strategy than you'd like, but it's not necessarily the worst strategy in the world.

The second point is the United States still dominates the world in terms of military spending and technology. US has the world's only blue water Navy. The Chinese do not have one. They're not developing one anytime fast. When the US asked the Chinese to help out with the piracy off of the coast of Somalia, the Chinese sent a frigate. That's not exactly going to stop the problem.

As the Chinese, as the Indians, as other countries go all over the world, Africa, Latin America, to assure access and availability of increasingly scarce commodities, the only way they will have access, ultimately, is if the United States is taking the lead in providing access to those transit routes, which means that the United States and -- that China will have to cooperate, to a much greater degree, with the United States. Ultimately, that relationship, geopolitically, will be more stable than it will be economically.

Interestingly, that's not the case with a country like Russia that produces a lot of these commodities themselves has a vastly smaller and shrinking population. That's one of the reasons why Russia represents much more of a threat to the US geopolitically, and to Europe, than the Chinese actually do.

Theresa Molloy: Okay. Great. We have time for one more question, and this refers to a comment that you made earlier regarding protectionism and overregulation. And your opinion about are we moving into an environment right now, particularly here in the United States, as it relates to protectionism? And how is that going to impact the growth of the US?

Ian Bremmer: Well, I think it's pretty clear that the Obama administration is not itself protectionist, but that doesn't mean that they are going to be able to prevent protectionism from becoming more of an issue, both in the US and globally. And also, I mean, one person's subsidy is another person's protectionism, and if the US is going to pump a couple trillion dollars into their economy, and they're going to support and bail out the automotive industry, that will be used by other countries, both friends and foes, to justify subsidies that they want to put in anyway.

And it's very easy for that sort of spiral of self justifying behavior to become a tit for tat protectionism trade war. Now you did see in the last discussions around the stimulus package that Congress tried to put a mechanism to buy American around steel and other commodities in -- as part of the tie to the money going into infrastructure spending. Now Obama came out pretty clearly and said he didn't want that, and they ended up having to compromise.

But clearly, Congress is of a mood where they see very little downside for their own constituencies to put these sorts of mechanisms in place, and as the global economy continues to worsen as the developed states lose more jobs through 2009, and none of the serious economists out there believe this is really over until at least first quarter 2010, you're going to see much more internal push for subsidies and for protectionism.

You'll see it in Europe. You'll see it in China. You'll see it in other emerging markets as well, and that will happen at the same time that the United States is not paying as much attention to foreign policy. So you won't have the same level of coordinated support for US/China strategic economic dialogue under the Obama Administration as you did under Bush, in part, because Geithner is a little busier than Paulson was when he was putting that together, in part, because there's just a much broader group of people with China interest in the Obama administration.

It's going to be less coordinated than it was where people were effectively seconded to Paulson from state -- from National Security Council on China policy. All of that means that the support -- the institutional support to keep the ship of US/China relations righted while you're going to have these structural challenges to the relationship because of the downturn and the populace response to that on both sides, it's going to be very serious. So at the very least, I expect US/China relations will deteriorate over the course of '09, but conceivably, there's a serious downturn risk that we see broader protectionism.

And again, because of a number of organizations -- state organizations having more control of the bottom line in investment decisions. Again, you go to these sovereign wealth funds it used to be that Western based portfolio managers were making a lot of decisions of where they should allocate their funds.

These folks have really lost their credibility, and now the decisions are being made by the political heads of these organizations, parts of the governments of these countries, and they're focusing much more on their own national priorities, which, again, starts to look more like protectionism from the perspective of other countries that want access that's equal.

So, as we move towards -- from globalization towards, say, capitalism, clearly, protectionism is a greater risk. As I suggested at the outset, that leads to less efficient markets. It leads to less global growth. It changes the nature of who the winners and who the losers are, and it also leads to regionalization of capital flows. So, I mean, that's the way I would respond to that question.

I should also say that any of the folks online, if you'd like to follow up outside of this with us, please feel free. Get in touch with your colleagues at the New York Stock Exchange. We are happy to have some of these conversations offline and talk in a more tailored way, specifically to these risks and opportunities as they affect your individual organizations.

Theresa Molloy: Excellent, Ian, and I -- what I'll do is I will send an email to everybody who participated today and those who did not have an opportunity, and I'll extend that very, very, very gracious offer from you and the rest of your team.

Well, I -- we're just about out of time. I want to say thank you so much, Ian. You did an exceptional job. I think that this was extremely helpful and very, very, very insightful. And again, to everybody who is on the phone, please encourage your associates to login and either download the presentation via your MP3 player or take a transcript, because it really is a tremendous amount of very, very interesting and helpful information.

We will be in touch with you over the next month or so with the schedule for the -- for our next webinar. Once again, on behalf of the New York Stock Exchange, thank you so much. This was extremely helpful, Ian. And until next time, thank you on behalf of the New York Stock Exchange.

