

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

Marshall here, welcome back to The Realignment.

On today's episode, I've got an amazing guest for a really great conversation.

I'm speaking with Matthias Stofner, he is the CEO of Axel Springer, one of the largest publishers in Europe and the owner of American brands such as Business Insider, Politico and Morning Brew.

He has a new book out today, it's called The Trade Trap, How to Stop Doing Business with Dictators, in it he proposes a broader alliance of democracies inside and outside the West, forming a new trade partnership that excludes authoritarian regimes and gets at some of the issues we've discussed with the future of Europe and Asia as regards to Russia and China.

Hope you all enjoyed this conversation, I definitely thought there was so much here and it's unusual to have a book from a CEO be so deep that we can get to this level of conversation.

Huge thank you to the Foundation for American Innovation, supporting the work of this podcast. Hope you all enjoy this conversation.

Matthias Stofner, welcome to The Realignment.

Hi, Marshall.

Really excited to be here.

I think this is a fascinating topic that cuts across a variety of areas I'm deeply interested in.

So let's just start by you introducing yourself to the audience and then after that introduction, of course, what drove you to be interested in this topic?

Yeah, with pleasure.

So I originally wanted to become a musician.

I played bass, guitar, spent some time at the Berklee College of Music in Boston, found out that my ambition is bigger than my talent.

I would never become a new Markus Miller.

And so I decided to write about music, became a music journalist, then later editor-in-chief of three different newspapers in Germany.

And then in 1998, I joined Axel Springer first as the editor-in-chief of National Newspaper Die Welt.

And then a couple of years later, I became a board member and then CEO in 2002.

And when I became editor of Die Welt, I wanted to digitize the newspaper entirely into a digital-only brand.

I almost got fired.

When I became CEO a couple of years later, I thought, OK, what I tried to do with a single paper I should do with the whole company.

So we have been pushing digital transformation at a very early stage and are today 95% digital company only in Germany.

We have to outlets with remaining print elements in America, our portfolio, which is composed of Business Insider, Morning Brew and Politico is an entirely digital publishing portfolio.

And we are now a truly transatlantic digital publisher with a lot of ambitions.

I always considered myself a journalist.

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

I'm still writing every week spontaneously, editorials, things about music, everything. Because I think it's not bad if a CEO of a media company from time to time is also doing what we are expecting from our employees, writing, reporting.

And in a way, in that context, I have also written some books, the first book that I'm now publishing in the United States first and in English language is the trade trap that is dealing with a new concept of trade policy in order to strengthen democracies.

So I wrote that book as a journalist, not as a CEO, as a citizen.

And I'm happy if it stimulates the debate that I think would be interesting and perhaps even needed.

Yeah.

And to your point about writing the book as a journalist and not as a CEO, what I love about the style of the book is you're obviously writing the policy prescription aspect, but then you're interspersing it with stories and interactions with a lot of the players who are involved in these debates, which obviously involves your capacity as a CEO.

So I want to start with a really interesting story you tell.

You talk about meeting with Vladimir Putin in the 2000s as a means of trying to handle some controversies with the ownership of Fortune Russia, which was then part of your broader media empire.

I think famously as Americans, if we think of Putin in the 2000s, we think of George W. Bush saying, I sat down with him.

I saw into his soul and we kind of use that as a metaphor for explaining how the United States was optimistic about handling the Russians post-Code War up until probably the invasion of Georgia in 2008.

So when you sat across from Vladimir Putin, what did you see when you looked into his eyes and had a conversation with him?

Yeah, that's a great question.

I met him in 2005.

The context was tragic.

It was the murder of our editor-in-chief, Paul Klapnikov.

He was the editor-in-chief of Forbes Russia, which we published, and he was shot in front of the newsroom.

And so I got an invitation by the Kremlin, by the Russian president.

The purpose was to encourage me to continue to do business in Russia.

So we've met in this kind of gigantic reception hall in the Kremlin sitting at a large table and I talked to a president that was then absolutely perceived as somebody who is driving Russia towards democracy, who is modernizing Russia.

And it was a very different Putin than the Putin we know today as a kind of clear dictator.

Nevertheless, although it was a different Putin, you could even then sense a certain anger, if not aggression.

I also had the feeling that you could feel a certain inferiority complex.

And we were speaking about many things, but also about mutual interests, strategic alliances between America, Europe and Russia in dealing with Islamist fundamentalists, for example.

And then there was always this element of saying, yeah, we may have common interests,

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

but we may not be treated by the Americans as a colony.

We have our own pride, we have our own culture, and our culture is way older and stronger, and we have to be treated differently.

So you could feel this element, which I think from then on has played an even more important role and has led to a Putin as an aggressor who really wants to recreate a bigger Russia, perhaps in the kind of dimension of Peter the Great or at least the Soviet Union.

So it was a different time, but nevertheless, you could see and feel an element in his personality that was already frightening then.

And the reason why I'm so fascinated by that anecdote and how it kind of ends with you saying that while you continue to do business in Russia, you now regret doing so.

If we look at so many of the debates about how the broader West has handled Russia since the end of the Cold War, it basically comes down to, was the status quo inevitable or were there these various off ramps or alternative paths that could have been taken?

So if Putin is always Peter the Great and he's hiding it, then well, this was inevitable and we should have continued expanding NATO.

We should have rearmed quicker.

We probably should have given aid to Ukraine much earlier, versus if he is just a, I don't want to say well meaning, but if he is a justifiably perturbed man finding himself out of the broader global picture in the mid 2000s, one could understand how there could have been possible different off ramps.

How do you think about this dynamic?

Having met him at the time?

I tend to lean to the first interpretation.

I think there was always this element that he saw the end of the Cold War and the Perestroika-Glasnost development as a strategic mistake of Russia and that he wanted to recreate a bigger Russia.

I think that that idea was deeply rooted and quite an intrinsic element.

So it is perhaps a bit too far-fetched to say we could see that already in 2003 or 2005 and we should have known it.

I think that would go too far.

But just a few years later down the road in 2008, we had the Georgian War and I think from then on it was clearer and it was more predictable that here an aggressor is gaining ground and the relative passivity of the West has encouraged him.

Putin is a bit like a scientist of the West, like a mad scientist of the West who tests what he can do, how far he can go and since Georgia remained pretty much without consequences, he did the next step and that was then in 2014 the annexation of Crimea and I think particularly by then it was very clear that this is a war, that that war is going to continue and that the only possibility to stop that, to stop him, is a stronger West, a stronger Western alliance, a empowered NATO and I think in that respect, particularly Europe, has played a pretty irresponsible role and in particular Germany in not even really delivering the contractual agreements with regard to funding of NATO made big strategic mistakes and then on top of that, doing what they have done in the context of a irresponsible energy policy concept.

First, the nuclear drop out of nuclear energy after Fukushima for no reasonable reason,

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

only out of the emotion of the moment or perhaps for party political tactics in order to prepare the ground for a coalition with the Green Party in Germany. In any case, big value destruction in the German economy and an unnecessary dependence on Russian energy. When Angela Merkel took office, the German gas consumption from Russia was roughly 33 percent when she left office, it was north of 60 percent so has almost doubled and has created dependency, has kind of shifted a lot of funds to Putin and has in a way funded and enabled and empowered the Putin that we have to deal with and this whole development also led me to the conclusion, I have to write that book, I really want to deal with that kind of warning call because Russia is one chapter, China, Taiwan is going to be the next chapter, even bigger dimension and I think there is really an existential threat for democracy, the West has been led into a terrorist trap and we have to escape from that trap and that's why I wrote that book. Why does the dependency dynamic seem to go one way? So you're pointing out that Germany post 2011 becomes increasingly dependent on Russia due to those policy choices you described

there in terms of the miracle government but at the same time the Russians and obviously the Chinese in their own context benefit economically from their engagement from the West, this is done for a specific purpose, economic growth is an imperative especially in a dictatorship who needs to be able to offer material gains considering the constraints the economy is under. So why isn't the West able to leverage the economic relationship in the way that dictatorships are able to? I don't know, it's perhaps a combination of naivety on the one hand and also a very short-sighted opportunism because a lot of company leaders see short-term gains and I cannot blame them for that if there is a legal possibility to do that, a business leader is in charge to maximize value for its shareholders. So that's why we need this kind of very general fundamental and also political societal discussion. Let's get a bit more concrete. With Russia I think it was something that you could see coming and you could have avoided and that Germany still despite these

aggressions and developments continued to pursue the project of Nord Stream 2 is highly irresponsible

and completely short-sighted and despite a lot of warnings from the US, Germany pursued that route and of course that is in retrospect a big mistake, hard to understand how that could ever have happened. But let's take China for a moment. China became the member of the WTO after 15 years of negotiation in December 2001. I think this membership and the special terms of that membership are probably one of the biggest mistakes of the West in recent history because China was expected based on that principle that China is defined as a developing country which is quite an irony for an economy that is now the second biggest in the world and this special status as a developing country led to a lot of privileges, led to a lot of exceptions for China and with that to a symmetry. There was not any sign that the principle of reciprocity was really taken seriously in the WTO. No, China could do things that Western economies could not do. China could do in our countries things that we could never have done in China and China could simply not comply to certain principles and rules because of that status and took a very one-sided advantage in concrete figures. When China became a member of the WTO its contribution to world GDP

was 3.8%. 20 years later it was north of 18%. At the same time the contribution of the United

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

States to the world GDP went down from 32 to 24%. So that shows who is the winner, which economy got stronger. The Chinese economy is now in the same dimension than the EU economy even a bit bigger. So I mean it is very obvious that that was a move that was not mainly in the interest of Western democracies, perhaps in the interest of certain investment companies or in the interest of certain corporations, but definitely not in our strategic interest. In all fairness we have to acknowledge that perhaps when it happened there was still a kind of different vision for China. The Deng Xiaoping idea of really opening China and its economy I think it was a serious vision, but since she took office China got more authoritarian and I think it is just a reality that we have to deal with and that's why I think just to continue what we have done so unsuccessfully over the last years with all the kind of very dangerous developments that we have seen very concretely we have to come to the conclusion we should try something new and that's why I came up with that proposal of a new freedom trade alliance and alliance of democracies based on membership criteria that are outlined in that book because I think we have to have a new discussion and we have to try out new things in order to strengthen and protect democracy.

Yeah and speaking of the alliance of democracies in certain respects we are using democracies, the West, these terms interchangeably to what degree is democracy synonymous with the West and who are members of this broader trade alliance you could think of off the top of your head who would be outside of the geographic West but you think would still fit within the framework for your proposal. Yeah I mean democracy and West is very often used in that sense although we know that they are also very important democracies that are not part of the West, I mean Japan, South Korea and others so it is in the end really about freedom, open society and that is based on the rule of law and on human rights and that then leads to democracy and that is something that we should strengthen and where we should form alliances that go beyond this idea of the West. The first step I think for this alliance that I'm concretely suggesting based on three membership criteria, one is the acceptance of the rule of law, the second one is the acceptance of human rights and the third one is the acceptance of CO2 emission targets, I can explain later why that is so important but a membership based on these criteria will lead to a tariff free trade relationship. These countries that are part of that very unbureaucratic trade alliance can trade tariff free with each other which will be a huge stimulus and other countries that do not comply to these standards can still do trade but they have to pay tariffs as they do today which will shift things, will shift jobs, will shift value creation and will strengthen and empower Western democracies that are still having the upper hand. These free and partly free countries and democracies are still 70% of world GDP so we have the upper hand but we also have to keep it and I think if we want to keep it and if we don't want to allow that it is further deteriorating by kind of one-sided asymmetrical competition we have to do something and that's what I'm really advocating and I truly think that that can create a stimulus that is based on incentives not on prohibitions mainly and in theory everybody can become a member everybody can join that alliance and every country can make a decision whether a bit more freedom for a lot more prosperity is the better deal than to try to protect alt and in a way also instable autocratic or dictatorial structures.

So I think a couple questions here so number one I'm in the book you specifically write about how

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

the World Trade Organization this post 1990s of approach to trade is broken in very key respects throughout other parts of the book there's pretty clear indications that this post World War II set of international organizations including everything from the United Nations to the Board Health Organization essentially no longer function I personally like to think of this moment from an establishing the stakes perspective as being similar to the you know pre-war era before World War II in the sense that you have these old structures they're not quite working you have authoritarian powers pushing etc etc etc after that pre-war period the League of Nations Treaty of Versailles Washington Naval Treaty that's all basically thrown out not only did they not work but they are rejected under your new proposal are we throwing out those post-war institutions that are struggling or are we just building a new trade alliance on top of them as we think about this architecture. My proposal is based on the idea for something new

what it means for existing institutions is a different question I'm a bit skeptical about it I have to admit that the World Health Organization has showed a very weak phase during and after the pandemic I think the UN which is these days meeting here in New York is also an organization that more and more seems to protect non-democratic players and not raising the right issues about failures and misbehavior in the countries that really damage democracy I find some of the discussions here more and more irritating but obviously the WTO is among the three the most dysfunctional institution the WTO is de facto not operational any longer and that's why I think to cease operations of WTO may be the better option than trying to renovate or reform it I think also this new trade alliance that I'm describing and that I call the freedom trade because it is really about free trade among free and democratic value-based nations this alliance should be very unbureaucratic much leaner more in the spirit of the old gut trade alliance that worked actually pretty well for quite some time until it was replaced by the WTO so sometimes less is more I think something I'm very curious about going back to your earlier point around German pacifism especially during the 21st century I'd love for you just to kind of articulate as a German how westerners or listeners outside of Germany should understand you because from my perspective I work in the international security space German and Japanese pacifism can be frustrated at certain points but if you take a step back and think about it historically that's an incredible achievement relative to the 19th and mid 20th centuries like you know German and Japanese pacifism are great problems to have in comparison to let's say the world of the 1920s and 1930s so can you just kind of help us understand on a personal level even how you think about it well the most important thing to understand is that Germany organized and executed the Holocaust which is still an unconceivable and uncomparable genocide that is deeply rooted in the traumatic history of every German now the question

was and still is which lessons do we learn from that and unfortunately after the second world war and after the Holocaust a lot of people I would say a majority in Germany came to the conclusion that the lesson that we learned from that is never ever war again never ever military action military intervention peace under all circumstances and that is in the end pacifism and I think that is a tragic misunderstanding of history because the lesson that we should have learned is very direct and that is never ever genocide again never ever racism again never ever discrimination and never ever tolerance for intolerance and that means if somebody is aggressively conquering

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

another country or harming NATO territory or if genocide is happening I think that should create a sense of urgency in Germany in order to help that these developments are stopped in time if they couldn't be avoided so I think this non-interventionist German mentality that was the paradigm for many generations of German chancellors and foreign ministers came to an end it is very interesting and almost an irony of history that particularly the green party that was based on the principle on two principles pacifism no NATO no intervention and secondly no nuclear

energy and no nuclear weapons so based on these two principles the green party was the one that has in a way reversed that principle for the first time the first foreign minister in Germany who did that was Joschka Fischer during the Kosovo war where he said publicly the lesson from our history should not only be never ever war it should also be never ever Auschwitz again and that's why we have to play an active role and now for the second time it is a green foreign minister Anna Lena Baerbock she is in office at the moment and is playing a very surprising role in the context of the Russian war in Ukraine because she is advocating more delivery of weapons and in a way more interventionism and she's turning upside down almost the pacifist paradigm of her

own party and so you could say there is a fair chance that Germany in the context of these recent developments particularly in the context of the Russian aggression is defining a new paradigm for German foreign policy where this non-interventionist period comes to an end and we learn that pacifism alone is not going to solve every problem so I have to say although I understand all the criticism that Germany is not moving fast enough and is not doing enough and not delivering enough weapons that's all true and right but don't forget these very fundamental decisions of the present German chancellor this watershed moment where he said we have to deliver weapons we have to fund NATO adequately and we also have to make sure that the German armed forces

are adequately funded that is quite a fundamental shift and what Anna Lena Baerbock is doing is also quite a big surprise so yes it may not be fast enough and it may not be bold enough but it is going into a very interesting if not surprising direction of a more mature Germany. And I don't want to try to impose my viewpoints on Germany too much because obviously there would be a limit to that. Also then we have a discussion perhaps. No of course. So reading your book I kind of placed myself in the perspective of someone like let's say in the medical government which you're criticizing post 2011 what seems that I would have done but this is why I'm not German so I'm not going to have the same relationship I mean I mean I'm from a you know Jewish family so obviously that the never again stuff is going to resonate differently than it would even just with the with the German but I guess what I'm really saying here is what I would have done is that look we think that engagement works we want to keep putting at the table that's what Nord Stream 2 is that's what economic trade is blah blah blah blah at the same time though and this is my American viewpoint I would have strengthened deterrence I would have made clear you still get your trade deals you still get this this thing but just so you know we would consider a further extension of Russian power under Ukraine to be such a worldview shifter that you will now see us supporting the admittance of new states in the NATO you would see German military spending going to even higher than 2% etc etc etc why did that moderate option not happen because that seems to be the most I think reasonable response to

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

let's say your position let's say in 2014 so if I understand you correctly I fully agree that that would have been the wiser option why it didn't happen I think because of a lot of lobbyism for short-sighted opportunistic trade relationship with Russia and for that reason let's not provoke them by a through a more kind of deterrence and self-confident position and the other element may be simply a wrong and perhaps naive misunderstanding of Putin's agenda there was this consensus that he would never do that I mean I remember at the Munich security conference just two weeks before the invasion in Ukraine happened I was in Munich and I would say 95% of the Europeans that were speaking and particularly the Germans were deeply convinced including the

German secret service BND that an invasion is never going to happen that it is just a tactical move of Putin but he would never do that at the same time 90% of the American guests at the conference

where deeply convinced he's going to do it based on serious information of American intelligence so how could such a kind of different assessment happen my answer is a mix of opportunism and naivety I want to go back to the third plank of your your trade proposal the inclusion of CO2 carbon emissions limits I listened to your episode you do with Scott Galloway so I am I'm not asking you to comment specifically on American domestic politics I know you're reluctant to do so on a couple of levels but what I really am asking so I'll be very specific in this question my concern with the third plank and obviously you'll defend the third plank in a second but my concern is that it's an attempt to do a little too much in a fractious political environment if there's a case to be made for serious CO2 emissions limits some case that I would support I would maybe say we keep the first two planks and then we separately attempt to put together a broader climate alliance let's say why do you think they should be tied together with the first two planks because I simply cannot imagine that it is in our interest to be at the forefront of very ambitious climate targets which in direct competition with a super powerful player like China who does not respect it at all and who is the biggest co2 emitter in the in the world with 32 percent of the global co2 emission and has quadrupled its coal plant power in 22 compared to 21 that this asymmetry can work and can be in the interest of our economies I think it is almost a self-destructive

way to get to more and more ambitious standards in an asymmetric way so if we do that and if we say the western alliance or the democratic alliance is based on a consensus of mutual co2 targets then at least we should have the advantage for that in direct comparison to a player or two players who do not comply to that and then they have to pay high taxes that high tariffs that at least partly compensate for that asymmetry it is I think it needs to be an element of that because otherwise it's a self-destructive policy that is not solving the climate issue because China alone together with some other non-democratic allies can do so much harm to all these goals with their behavior so it's not going to solve the problem but it is weakening our economies and I think that is a very bad deal so that's why I think it has to be on the table if we discuss a new trade order I want to go back to your origins as a musician and music journalist to kind of get to the cultural aspect of interchange and interaction I recently had a guest on who was you know very prominent in in Hollywood and in the music scene and he very explicitly believes at the end of the day that the Cold War was won by the you know especially in the case of East Germany versus West Germany in the case of you know blue jeans and rock and roll and all that sort of cultural

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

exchange and obviously someone who holds that view would be concerned that any sort of trade limitations or business limitations would cease that sort of cultural interchange which at a core level is going to be a strength of the democracies like my view on that question is you can't start the story of Berlin and West Germany with blue jeans in the 80s you have to start with the Berlin airlift you have to talk about deterrence you have to talk about Berlin in 1961 the the military side of this equation was at the other was was the starting foundation and then you could have blue jeans snuck across the iron curtain I'm just curious how you speaking once again your experience in music culture in the industry how do you think of the cultural aspect of trade interaction well that the American pop culture is one of the most influential cultures of the recent history is pretty obvious it's loved all around the world it's lived all around the world it particularly also in countries and cultures where there's a lot of deeply rooted anti-americanism which I always find very funny and absurd I have to say so we all love the beauties of American culture and pop culture but nevertheless we love to increase anti-americanism and anti-american stereotypes however now very concretely what does this proposal of a trade alliance of democracies do in that context I think it is protecting the strength of let's say US influenced culture pop culture and the culture of freedom ranging from movies to fashion because the likelihood that America could continue that if they decouple unilaterally from China or from other non-democracies is very small what a unilateral decoupling will do it's not going to solve the problem like in the context of climate policy it is not going to solve the problem but it is weakening America in the American economy if Europe would come to the conclusion we have to do our own thing and pursue an own third way to kind of model through and deal with China and with America and with everybody with every autocracy they won't get away with that Europe will become a theme park for nostalgic tourists but value creation is not going to happen in Europe so Europe is way too weak for that but to do it alone but America too so there is no other option than to re-establish this transatlantic alliance as a basis then invite more and more other democracies from Canada to Australia to Japan in the first place to African countries let in American countries Asian countries India of course will play a very important role it is on the edge at the moment but should be invited and should be kind of part of that bigger alliance and with that critical mass I think also the likelihood that other non-democratic players will give up their very authoritarian approach and benefit from tariff free trade and this alliance is higher and that will then also help to still continue globalization and with that globalization perhaps not for everybody not for every player but at least for 70 plus it is also going to help that let's say the culture of the free world which is very much the US culture will prevail. I've made this conversation somewhat too easy by focusing purely on the Russia aspect because there are obviously some very specific tactical and on the ground level debates about the specific policy in Ukraine specific GDP percentage is spent on the military between the United States and Europe but broadly speaking there is just actual agreement that okay in late stage 2023 Vladimir Putin is a threat we want Ukraine to survive x y and z where the actual tension comes and I think is on China related issues especially Taiwan so can you just take them I can go wherever you want to go how should we understand how the China side of this debate is so much more difficult

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

from a transatlantic perspective than the Russia one is. When I prepared the proposal for my book four years ago I predicted in the proposal that Russia would invade the entire Ukraine and I said in the next step will be Taiwan so since we have seen what happened in Ukraine I think the likelihood that for China this is a very important test case and if Putin gets away with it and the West is too passive or too half-hearted or not aligned enough and nature is not bold enough in order to stop that then I think they would feel encouraged and they would definitely go for Taiwan. I have not met any reasonable Chinese in the recent past who told me no no this is not going to happen the only discussion was when it is going to happen is it going to happen in 35 or is it going to happen in 28 or is it going to happen in 24 but it is going to happen if China feels encouraged by a failure in stopping Vladimir Putin or if China for other reasons thinks and sees that they can do it without consequences. Of course the whole semiconductor topic plays a very big role in that context and that's why timing is of the essence that is a very big leverage in the hands of China this dominance in semiconductor production of Taiwan and so I think it is a very obvious very concrete and way bigger threat for world peace than what it is happening at the moment in Ukraine. This is the real focus and that is why I really had the feeling I got to write that book I have to stimulate the discussion because we cannot simply continue what we have been doing for the last decades it's a failed concept and if something fails we have to acknowledge it and we have to try out new things I'm not saying that this solves all problems and I'm not saying that it can be implemented like that tomorrow it's a process will take many many years but it is time for a change. You know in this last section I think we should be very specific about what has failed so at the start of the book you have a very very helpful just sort of laying out of three different ideas that have failed post-cord war and of history we've had Francis Fukuyama on the podcast before I think folks really know that idea before you then go into kind of Yvonne Harari's Homo Deus idea obviously this like the factual movement towards a world that's more peaceful healthier etc etc etc that one's pretty straightforward

check out Noah's work the final one and this is the one that deals the most with the book frankly is just trade changing the minds of unaligned dictatorships or authoritarian or semi-democracies can you really just lay out what you see as failed and why there's basically no alternative to I think the conversation we're having here today. I remember very well when I traveled to China first together with the then German Chancellor Helmut Kohl in 95 and that was shortly after this kind of euphoria about China began also the context of China's WTO membership all big German business leaders were on the plane of the Chancellor they went to China in order to shape deals to make business to do business with China and to benefit from that incredibly attractive growth market and the broad consensus was if we do trade with China there is only one outcome China will become more open-minded will become more democratic will become more freedom oriented it will shift away from the old autocratic system towards the Fukuyama idea and we have seen

the developments China of today is way more authoritarian than the China of 95 and that is true on all levels I mean of course the human right examples of people just killed because they say something that is in contrast to the official communist party opinion are one side but also if you go into the more sophisticated elements of surveillance with digital data and face recognition

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

and a kind of total control policy on all levels the social scoring system then of course the very obvious examples during the pandemic where even the most committed friends of China were a bit irritated how brutal China handled this pandemic and we have to acknowledge that the idea of change

through trade definitely has failed if it was meant that that change was a change towards democracy you could only say ironically yeah change through trade has happened it has empowered autocracies it has strengthened the Chinese economy it has increased the leverage of a non-democratic Chinese government and that's why their actions are way bolder just to share with you

one anecdote in order to illustrate that it is totally naïve to think that this economic dominance comes without any political influence I mean not only has Annalida Baerbock just recently

been very aggressively kind of treated by the Chinese government because she stated the obvious that China is a dictatorship but also on a more subtle level when a couple of years ago a big German car company Daimler used a quote of the Dalai Lama a very harmless quote about look at things

from different angles and then you will come up with better solutions so very harmless quote of the Dalai Lama led to an official apology of the CEO of Daimler towards the Chinese government and he did it once that was considered to be not sufficient he did it a second time

officially and publicly and I will never forget when I met a couple of weeks later the Chinese ambassador in Berlin and I asked him did the CEO of Daimler really had to apologize for that advertisement and the ambassador smiled and said no not really except if Daimler wanted to continue

to sell cars in China then he had to apologize and that gives you a little flavor what is going to happen and we should not be naive about it we should know that these trade dependencies have a price and the price will be democracy but I truly think we may not trade freedom for profits that would be a terrible deal you know something that's fascinating to me is your invocation of values human rights freedom etc because as you no doubt know about the United States political scene you know we recently had the you know anniversary of 9-11 there's a lot of exhaustion on both sides of the political spectrum around freedom discourse human rights discourse just once again coming out of the wreckage of the Iraq war and then obviously the let's just say not great way the you know US presidents and Afghanistan ended as a German how if I may say if I may say so I don't only defend that and advocate that because of ethical reasons I also do it because I love capitalism I think capitalism is the best form which basically is way superior to all kind of ideas and ideologies that want to distribute money top down and are kind of influenced by by by socialism so I'm a kind of intrinsically motivated capitalist and as a capitalist I also want to illustrate that if we continue on that path that may look nice on a short term basis and may maximize profits in the very short term in the midterm and in the long term it's kind of destroying the fundament on which good capitalism can grow last three questions here so question one

authoritarian powers and various folks who serve as their mouthpieces are at their most rhetorically effective when they point out American hypocrisy all these questions right so think of Vladimir Putin's speech in 2007 lambasting the way the United States unilaterally pursued the

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

invasion of Iraq obviously with you know Great Britain and a variety of other countries there too as a German obviously Germany did not participate in the Iraq war Germany was in Afghanistan but it was not in Iraq war I think Germans are particularly at both ends of the post-war order in the sense that you get the end of the Cold War you get the reunification of Germany

and then you also have the lack of joining the whole Iraq War Club so how do you think moving forward the West broadly can behave appropriately and in a way that doesn't leave itself rhetorically and materially open to critique from outsiders who are trying to use that and I think disingenuous manners to to advance their own objectives so to cut it very short I think in Europe the idea of non-interventionism has failed and came to an end Europe needs to be mature and pragmatic and needs to understand that if we want to defend our freedom our democracy and our

open society model we have to defend it forcefully and that requires intervention and a bold security policy including adequate funding that is the European lesson I think for America from my perspective

the most important question is will America continue to remain a multilateral player who is reaching out to strengthen alliances and motivate allies to achieve goals together or is America moving towards an isolationist route and I think that isolationist route would be suicidal for the United States I'm sure that if America think that it can do things better alone and that would mean not only America first but America only America alone I think America will weaken itself that is true for decoupling that is true for all security issues America will be weakened its economy will be weakened and America will end up as a former superpower so I think it is quite existential for both players for Europe and for America to understand that we can only solve the big problems of our time the big challenges of our time security challenges challenges of competition of systems autocratic model versus open society including climate challenges all these things can only be solved together stronger strengthened by an alliance of values and alliance of interest but alone we are lost then second to last question there obviously are going to be costs no there's no free lunch there are going to be costs and not pursuing maximal economic relations across the entire globe so you can leave us with a what what what what positive world on the economic and climate building towards by pursuing this so in a way my proposal about a new free trade alliance based on these three criteria is a bit like a tax reform at the beginning it looks very frightening and you think oh we may lose so much money it's going to be terrible and how can we can we finance everything and then it turns out if you're really bold if you do a kind of courageous tax reform the positive effects are overcompensating all the short term losses and

I think the same thing is true here of course these actions will create disruption and certain industries take the German car industry will suffer from that no question but I think in the very midterm future you will see the overcompensating effects by new jobs that are created by a lot of

value creation that is happening in these democracies and I think that would be a concept in order to continue growth continue value creation in democracies and not only in the non-democratic countries which were the major beneficiaries of recent growth developments this has to be changed I think we have to kind of recalibrate value creation and I think that concept

[Transcript] The Realignment / 408 | Mathias Döpfner: Escaping the Trade Trap - How to Stop Doing Business with Dictators

is is going to help and if it really works if the critical mass is given because there are enough members in that alliance then I think the magnetism of that alliance will be so strong that more and more countries on the edge or even countries that are coming from a pure play autocratic

system are going to realize okay a bit more freedom is helping us to achieve a lot more prosperity which makes people happier because there's a growing middle class and makes also the political system more stable and avoid social tensions and instability revolutions and everything so I think in the end if it goes really well that can create not only prosperity in the countries that are democracies today it will empower and strengthen also countries that are now on the autocratic side and it will lead to more international cooperation and in that respect it will strengthen globalization and avoid a re-nationalization which I think would be the worst answer to the real challenges that we face so final question to take us out you and I share similar political instincts and you have a great quote when critiquing the past 30 years you basically say that you know for the past 30 years centrously minded politicians have effectively failed to step to the plate this podcast has a more than decent representation of politicians aspiring politicians and their staff what is your piece of advice broadly when it comes to the failure to raise to the task given the stakes we're trying to lay out here today there is this wonderful old saying of Otto von Bismarck politics is the art of the possible and that is very often misunderstood because people think that means you as a politician can only do what is possible in that very moment and that's why you should perhaps follow the polls you should try to find out the majority consensus and do what the majority expect from you and what the polls or the headlines of the next day are telling you and I think that is a misunderstanding of Bismarck's word the art of the possible is an art it's not something that everybody can do and if it's an art then you need to go beyond what seems to be possible today so sometimes just be bold and go beyond what seems

to be possible I think that would also have a very very encouraging effect for people who are a bit disappointed about centuries leaders and they're saying oh you see they are so short-sighted and they are only looking after themselves and they are not courageous and they are not saying what they really mean come up with a bold idea execute it go beyond what seems to be possible and then you will get the reward and that is a lot of people who are again re-energized by the possibilities and the power of centrist politics excellent place to end thank you so much for joining me on the realignment thank you very much it was a lot of fun to talk to you with you hope you enjoyed this episode you learned something like the sort of mission or want to access our subscriber exclusive q&a bonus episodes and more go to realignment.supercast.com and subscribe to our five dollar a month fifty dollar a year or 500 for a lifetime membership rates see you all next time you