



2026 GLOBAL CONFERENCE

LEADING IN A NEW ERA



Global Economic Outlook: Navigating Growth, Risk, and Opportunity

Announcer 02:01

Please welcome to the stage Executive Director, Milken Global Programming at the Milken Institute, Conrad Kiechel.

Conrad Kiechel 02:11

Thank you. Thank you, everyone. Thank you so much, and welcome to lunch, and welcome to what is one of the most important conversations of this entire important week. We're gathered here under the theme of *Leading in a New Era*, and if this morning's sessions have made anything clear, it's that the "new" in that phrase is not aspirational, it's descriptive. The era has arrived. The question before every leader in this room and at this conference is not whether to respond to it, but how. And that challenge is at the heart of the panel you're about to hear. We all know the world today is in a moment of extraordinary turbulence. Labor markets are being restructured. Trade flows that bolstered decades of growth are being reshaped or even blocked. Monetary and fiscal policy is walking a tightrope between growth and stability. And beneath all of this are structural forces that are quietly but steadily rewriting the rules of competitiveness, productivity, and long-term value creation. These are not problems that we can solve in a single quarter or a single year, and they are not problems that any one sector can solve alone. And that is precisely why the Milken Institute exists, and precisely why this conference matters. For nearly three decades, we have dedicated ourselves to a simple proposition, that the right ideas connected to the right capital in the hands of the right people can change the world. The question this panel poses, how do we balance short-term volatility with long-term growth in a fragmenting global economy, is not an abstract one. It is the present challenge for every organization here. And remember, the conversations that happen at Global Conference don't stay at Global Conference. Their insights show up in boardrooms, shape policy, and drive decisions that will define the next decade. I'm looking forward to our panel as much as I know all of you are. Before it begins... [coughing] One moment, please. A little too much talking over the weekend, I'm afraid. Before it begins, we want to thank the sponsors whose support makes Global Conference possible. Please join me in recognizing their generosity, and thank you for being with us today. Bye now.

Announcer 04:48

Before we begin our program, please turn your attention to the screens as we take a moment to appreciate our sponsors. We thank the following organizations for their support, allowing us to achieve our mission of accelerating progress on the path to a meaningful life. Please welcome the panel on "Global Economic Outlook: Navigating Growth, Risk, and Opportunity," moderated by Zanny Minton Beddoes, editor-in-chief, The Economist.

Zanny Minton Beddoes 06:59

All right. Hi, everyone. Thank you, Conrad, for that fine introduction. We are going to talk about the global economy, and that basically, I think, means talking about two things right now. It means talking about the two biggest shocks facing the world economy. The first, the short-term one, and possibly medium and long-term as well, is the energy shock. The consequence of the Strait of Hormuz being closed for over two months, what has been called the biggest energy shock in history, and something that everybody in this room should be worried about. And the second shock is the thing that everybody in this room is thinking about, which is the advent of AI and how AI is going to transform not just your businesses, but the world, the societies that we live in. And it seems to me that these two shocks, the geopolitical and the technological, are by far the biggest factors shaping the world economy right now. And from my view, at least, we are massively underestimating the consequences of both. And I hope to be corrected on this by this fantastic panel. We have here Mohamed Kande, global chairman of PwC. You have your finger on the pulse of every CEO in the world, so you're going to tell us what people are really thinking. Kristalina Georgieva, managing director of the IMF, a woman who knows where the global economy is going better than anybody else. Ariel Szarfsztejn, CEO of Mercado Libre, which if you don't know it, you should. Latin America's biggest e-commerce and biggest FinTech company, kind of Alibaba and Alipay all together, or Amazon and I guess the US doesn't have a single big FinTech like that, but Amazon and something else. Something, yeah. And Mike Wirth, chairman and CEO of Chevron. So let's start. I thought we'd start first with the energy, then we'll talk about AI, and then we'll put the two together. And Mike, I want to start with you, the oil guy. The closure of the Strait of Hormuz has taken out some 14 million barrels per day of global oil supply, and every single model that I've seen suggests that in order to destroy enough demand to eliminate that, you have to have oil prices above \$150 a barrel or even higher. And just today, for those of you who haven't been glued on your phones, we've heard reports of an Iranian drone attack on the UAE, and we've heard reports of the United States sinking six, at least, Iranian military boats. So this ceasefire is very, very, very shaky. Simple question first, why on earth is the oil price only at \$115 a barrel, which it is right now?

Mike Wirth 09:44

Well, first of all, the world uses about 100 million barrels of oil a day. 14 million's a pretty good number for what's off. It's about 20 percent of the 100 goes through the Strait. Some now can get out through the Red Sea. But that's a huge gap in the ability to supply the global economy. There are really three primary shock absorbers in the system that buffer the price when we see some sort of a disruption. It's commercial inventories on land, it's inventories in ships at sea, and then strategic inventories that are held in countries

around the world. So in the first weeks of this, we saw releases from strategic reserves. We saw ships that were at sea, and there were more at sea than typical because with sanctions against Russia, Iran, and Venezuela, there was a lot of dark fleet, illicit sanction evasion trade. So there were more ships out there at sea. And then we had commercial stocks actually coming into the year that were higher than typical. So we had pretty good ability within the global energy system to absorb a supply shock for a period of time by relying on those buffers. All of those have been drawn down. The last ship that came out of the Gulf is actually offloading at the Port of Long Beach today. The release from strategic stocks is underway, and you can see in the data now commercial inventories are being drawn very rapidly. And so what has thus far buffered this price signal into the market is losing its ability to do so. So that's in the physical world. And then the price you actually see quoted most often in the media is the futures price, which is a forward contract. The Brent price, which most people follow, doesn't ever deliver physically. It's just settled financially. It's two months forward, and it really trades a little bit more on narratives than it does on physical realities. Physical barrels are pricing much higher than what the Brent quote that you see in the media is, so the price actually is higher than what typically gets reported. And right now, because of the lack of these buffers and the military action that you refer to today, it looks as if things are going to continue to extend longer, and I'm afraid that that puts more upward pressure on price.

Zanny Minton Beddoes 12:09

So just tell us what is going to happen if the Strait stays closed. Let's say, just posit it stays closed for a number of weeks or even months. Talk us through what will happen to supply. I mean, the prices will clearly go through the roof, but will there be physical rationing? Like, how is this going to work? Just let's have an honest conversation about how bad it's going to get.

Mike Wirth 12:30

Well, you're asking about the worst scenario, and I think that's something that's at least worth thinking about right now. We've been planning different scenarios, and our best-case scenario we discarded a few weeks ago. So I think it is worth at least giving some thought to a scenario for a prolonged disruption. These inventories that I made reference to will be drawn down further because you simply can't replace that much supply, and we will start to see physical shortages, and there are signs of this already in Asia, in Europe. And we haven't seen a lot of demand destruction yet, but at some point, what needs to happen is demand needs to adjust to meet the available supply. And if supply is that constrained, and we really work our way through all these inventories, economies are going to have to slow, activity is going to have to slow, demand is going to have to slow. And, that's not a good—let others on the panel speak about what that means for the global economy—but that's not a good scenario at all. It'll be more acute in some parts of the world than others. I think developing economies have the least ability to absorb this, and I think the pain will show up there first. Asia is heavily dependent on exports from the Middle East, and so we already see signs of this in Asia. Europe is right behind Asia in terms of its dependence. The United States tends to be a little more insulated from the standpoint of actual supply shocks because the US is a net exporter today. And so I think that the price will flow through into economies around the world. But the actual supply shortages and the consequential economic impacts probably show up in the US last, and I think the rest of the world is going to feel that much sooner.

Zanny Minton Beddoes 14:16

Thank you. So, Kristalina, you've just heard that from Mike. You, I think, three weeks ago put out the World Economic Outlook where you said that, and I quote, "Assuming the conflict remains limited in duration and scope, global growth would slow to 3.1 percent." But you had a couple of—an adverse and a very serious scenario as well. Which of your scenarios are we in, and how bad is it going to be for the world economy?

Kristalina Georgieva 14:43

Well, we had a relatively mild impact of a short-lived crisis. This scenario with every day then passes is further and further behind in the rear-view mirror. So I can say responsibly that, a mild impact with minor slowdown of growth, minor increase in prices, is no more a valid reference scenario. So where are we today and where we are headed? Today, we look at three things. We look at price of oil and how long it may stay around or above \$100. We look at what is happening with inflation and inflation expectations, and then we think about impact on financial conditions. On longevity of oil prices around or above 100, now our working assumption is that we are talking about through most of this year, therefore, our adverse scenario is in place. We look at inflation, it is starting to pick up, but long-term inflation expectations are still anchored, so we are not yet in the most dangerous zone. And as a result, understandably, central banks take a wait and see position, meaning that financial conditions for most of the world are not tightening. Now, if this continues into 2027 and we have oil prices \$125, more or less, then we have to expect a much worse outcome. Then we are going to see inflation climbing up, and then inevitably, inflation expectations would start de-anchoring. And I want to make three points. Point number one, we have to watch carefully what else is being impacted in supply chains. Fertilizers, for example, 30, 40 percent more expensive. By our calculations, in 12 months, we will see food prices up somewhere between 3 percent and 6 percent. Then we have chip production. We have MRI. We have a number of industries that are being impacted. And what I want to stress is that this is really serious. This is a slow-moving price impact that we have to be very conscious about. My second point is that this shock, unfortunately, has not yet brought the best of policymakers.

Zanny Minton Beddoes 18:07

How surprising.

Kristalina Georgieva 18:08

What we are seeing is policymakers still acting as if this is going to be a couple of months, and they're putting in place measures. Two-third to three-quarter of the measures today are actually to reduce the impact on consumers and businesses. In other words, to keep demand for oil bigger. Everybody in this room knows that if your supply shrinks, your demand has to follow. So don't throw gasoline on the fire. My third observation is very important, and I'm actually going to illustrate it because I feel very strongly

that we are missing the perspective of countries that are going to suffer the most. So here is our asymmetric impact story. What you see on the screen are oil exporters in yellow, oil importers in blue. 80 percent of the world is importing, and by the way, some of these exporters today don't export. But if you try to see the world differently, who has reserves and physical space to absorb this impact? Then we can put ratings, these dots start moving. Above the line, you have countries with fiscal capacity, with reserves. They can act. Below the line, you have countries with nothing. And among those countries with nothing, this is Sub-Saharan Africa. And when I think of the world today in this asymmetry of impact, we can very well see a time in the future when large energy exporters, like the United States, or large economies with major reserves of oil, like China, still holding and maybe even doing kind of okay. And a big chunk of the world, this quadrant on the left down, what I call the quadrant of vulnerability, in deep recession. Why should we worry about that? Because of supply chains. If we have part of the world dysfunctional, believe you me, we will feel it everywhere. What can we do? Well, ideally, get a resolution of the crisis in the Gulf. But then also policymakers, do the right thing. Don't make a bad problem worse.

Zanny Minton Beddoes 21:02

Well, that was two very sober interventions. Mohamed, when you listened to that, tell us about the conversations you have with CEOs. Do you think businesses are prepared for this? Because this is potentially a very, very big shock, and indeed, a stagflationary environment in the short to medium term.

Mohamed Kande 21:20

So you know what we are seeing, based on the conversations we have had with our many executives around the world is—actually most of them were not prepared for this. That's a reality. Nobody expected the Strait of Hormuz to be closed for so long, and including all the issues between the countries themselves in the Gulf, like Iran attacking some of the other Gulf countries. So nobody predicted it. But now the reaction is very different, as Kristalina, as you say, depending on where you find yourself in the world. Because it seems to many that it's an oil and gas issue, but it's also a fertilizer issue. But it's also about helium, it's also about petrochemicals. It's about soap. Companies that are manufacturing clothes or shoes are struggling today. And if you are in the Western Hemisphere, it's about the cost of energy. In Europe, in the US, we see the price of gas. You find yourself in the Eastern Hemisphere or the Southern Hemisphere, in what we call the Global South, people are using oil and gas just to power their businesses to get electricity at home. It's not just to move the cars around. It's a very, very different problem. And when you think about factories in countries like in Vietnam and in Indonesia and Bangladesh that have to be powered by not by the power grid, but by oil and gas, they have a completely different problem. But today, to the point that Kristalina made, it's a supply-side problem that we're having today. How do you react to that supply? The demand-side issue and the inflation issues are going to happen in a few months because if a farmer or if a company is manufacturing things today and the cost of their inputs, including energy, is 20 percent or 40 percent more, you know the cost of oil today in places like Pakistan is 200 percent more. It's not 40 percent. So you know that they will have to pass this cost to the consumer. So there is a delay effect. But to answer your question, that was unexpected, and it was so fast that many organizations today are scrambling, not only to make sense of what is happening today, but also what will happen in a few months.

Zanny Minton Beddoes 23:31

That's really what it feels like. It feels like something where people are readjusting their expectations, kind of in real time. Ariel, because we've talked now a little bit about different impacts in different parts of the world, in some sense, your part of the world may be relatively insulated, right? You've got a lot of oil producers. And you have your finger on the pulse of the Latin American consumer.

Ariel Szarfsztein 23:47

Yeah. I'd say Latin America is doing fairly well given the circumstances. On the one hand, because this crisis is landing in an environment that was already challenging, meaning inflation was already there, purchasing power was already hit. The whole ecosystem was trying to navigate a context that was complex, and in some way, has the muscle and the ability to deal with volatility and risk. But also, to your point Argentina and the big economies in Latin America are net exporters of oil and gas. To Kristalina's point, they are on the right-hand side of the chart, which puts them with some advantage in order to deal with the short-term pressure. But simultaneously, from the inside, what I see with a company that operates and can analyze consumption of over 120 million people across the region, is that this environment also creates opportunities, right? And you see people, when the macro is impacting pockets, you see people trying to look for transparency, pricing, and so on. So they do come to our platform, and they do buy online. So the shift into the digital economy is happening actually faster than it was before. And those who try to consume online also need to solve financing, because financing is not a luxury, it becomes a need in order to be able to afford whatever you want to buy in this environment. So financial services creates financial inclusion in Latin America, becomes so important. So I would say, I still see governments trying to do what Kristalina was describing. So you see governments like the Brazilian one trying to lower taxes in order to compensate some of the oil price increases. You see some of the national oil companies trying to contain price increases in order to deal with short-term volatility. But at some point, the hit will come in terms of pricing. But the Latin American consumer, and our operations in particular, has not necessarily yet seen the whole impact that this could bring.

Zanny Minton Beddoes 26:03

So we'll get onto the longer-term impacts in a second. But just, Mike, one more question for you, because the US is more insulated, but nonetheless, the price of gas is an extremely powerful political phenomenon here. And because the US, you will know this, but for those of us in Europe it's always very striking because you pay so much less tax on your gasoline. And bizarrely, the change in gas prices has been much higher here than it's been in Europe. We pay a lot more, but you've had a bigger increase. If we get to a world of \$5, \$6 gasoline a gallon, is there anything—there's going to be huge pressure to do something. What can be done?

Mike Wirth 26:46

Well, there are a few levers, and we've already seen them activated. So releases from strategic reserves have been announced in the US. We have a shipping law that requires the use of a very limited portion of the shipping fleet to move things around from one US port to another. That's been relaxed, which allows us to bring in more shipping capacity to get supplies to where they're needed. Specification waivers, there's some Defense Production Act things that have been done. This is a supply situation, it's been said already, and so things that increase supply and increase flexibility to have supply move to where it's needed are things that enable the market to work. Things that cap price aren't helpful, right? These are the policies that Kristalina mentioned that they don't send a signal to consume less and produce more. It's the opposite. It sends a signal to keep consuming, and it makes those who might produce more wonder whether or not they're going to be able to recover their investment. And so things like export bans, price caps, generally, they're well-intentioned, but history says they have unintended consequences that can make things worse, not better.

Zanny Minton Beddoes 27:57

But there will presumably be some political pressure to do things like that.

Mike Wirth 28:00

I think the prices you quoted, every idea comes back on the table, good and bad.

Zanny Minton Beddoes 28:06

Kristalina?

Kristalina Georgieva 28:07

Just two reactions. One is, this is a global shock. So no country, even a major oil exporter with huge physical space, can avoid the impact of higher prices. Why? Because it is a global commodity, it is traded globally. And this is something that I see parts of the policy audience ignoring, saying, "Oh, but we are exporters. We're going to be just fine." No, you won't. But here is the good news. Over time, every oil shock, every energy shock, has driven efficiency up. What we have seen over time is the energy intensity of economies going down, down, down. This is what save us right now that we have taken this road. I have no doubt that we would see that impact. The problem is it will come 18 months from now, and in meanwhile there will be pain.

Zanny Minton Beddoes 29:18

Yeah. There will. Okay, we've done enough gloom. I think we've all agreed that it's going to be pretty grim for the next few weeks and months.

Kristalina Georgiev 29:27

Except for AI.

Zanny Minton Beddoes 29:29

We're going to come onto AI. But just before we come onto AI, what are the long-term consequences of this? Because if this is the scale of oil shock that you're talking about, the 1970s oil shock reshaped global energy markets very fundamentally. Last week, the UAE announced it was leaving OPEC. There are big changes coming. Do you see, and I guess this is a last one for you, Mike, before we get more onto the others with AI, are we going to see an increase in demand for oil, or are we going to have peak oil brought closer because of this? Will it be as fundamental a change as the 1970s was?

Mike Wirth 30:06

Well, I think it potentially is as fundamental as what we saw in the '70s. Now, in the 1970s, energy demand in the world was much smaller. And there was a lot of oil used in power generation. That's gone out of the system now. We really don't use oil to produce power, so the substitution alternatives are different today than they were then, and the market is much larger. I think Kristalina is exactly right. The one thing that you know for certain is the economy will become more efficient. There's huge incentives. Some of these can show up in the near term, right? Ride-sharing and other ways to optimize energy use. Others come up over time as capital gets deployed into more energy efficient plant and equipment decisions as they're made. But there is no doubt that after a price shock, the economy will become more energy efficient. I think in the short term, restocking of some of these inventories will support demand the same, it's the inverse of what's going on right now. And then we're going to have to see what happens with OPEC, what happens with infrastructure projects to avoid the Strait of Hormuz. I mean, you could build a pipeline up to access the Mediterranean. There are other choke points in the system that could see more investment in infrastructure because whether or not the world likes it, oil is going to be a big part of the energy system for a long time to come. So there are, I think, going to be some structural changes in oil markets and infrastructure that will follow. But I think the bigger macro phenomenon is the one of more efficient use of energy across the board.

Zanny Minton Beddoes 31:36

Mohamed, yeah. Go ahead.

Mohamed Kande 31:37

If I may add one more thing on this one. Mike is absolutely right, but what we are seeing in parts of the world today, it's two different trends. The first one to move toward renewable energy, solar panels, wind farms, and all this to compensate for the lack of access to oil, and especially in economies where access to energy is a critical supply. Again, it's not a discretionary supply. It's critical for households, for people, for companies, et cetera. We're also seeing the other, the opposite. People are actually looking at dirty sources of energy—coal. More and more for them to start burning more coal today because they're saying, "Hey, what are you going to do if you're sitting in some part of the world and you cannot have electricity in your house?" So all of these two trends are now playing out. Unfortunately, they are not being reported. But it's not because we don't hear about them that they're not happening.

Zanny Minton Beddoes 32:33

And presumably also, countries are going to say, we're going to have to, as you say, have bigger stocks, bigger oil reserves, more gasoline refineries, more sources of supply so that we're not so subject to this choke point approach.

Kristalina Georgieva 32:46

We may see a situation in which after a period of tight supplies, many countries that can increase production do so, and then with the exit of UAE from OPEC, there could be potentially time when supply is quite excessive and prices go down. That's not out of the question. So you wanted to bring something positive, hey, gas may go down to dollar.

Zanny Minton Beddoes 33:18

I'm not sure Mike would think that was so great, but, you know—

Mike Wirth 33:21

We prefer stable markets that are—

Kristalina Georgieva 32:46

We all prefer stable. Right. I'll tell you for the world economy, actually, what, OPEC Plus has done to bring a sense of stability is an asset, and—

Zanny Minton Beddoes 33:37

Right. So all of this has happened in the last couple of months, kind of from nowhere. At the same time, as we have seen in the last two, three months, extraordinary sort of threshold changes in the AI revolution. First, the really sudden arrival of agentic capabilities. I don't think I'd heard of Claude Code agentic capabilities four or five months ago. Suddenly everybody has five agents. I'm sure you have hundreds. And then we also had the Mythos moment just, what, a month ago, where suddenly everyone woke up and thought, "Oh my god, everything is hackable immediately." So I think anyone who hadn't realized that this technology was coming with the speed of a high-speed train is now kind of woken up to the fact that it has. So that's on the one hand propping up, I think, share prices, part of the sort of optimism in equity markets is about this, but it's also presumably causing all of you a lot of thinking of—are you doing the right thing. So Ariel, I wanted to start with you because you're probably, without offending anyone, I can say the most tech-forward on the panel. Tell us how you are thinking about what's going on, where things are going, and are most people sort of aware of just how dramatically this technology will change things?

Ariel Szarfsztein 34:56

So I'm definitely on the optimistic side of the equation, for sure. Definitely, the world changed three years ago, OpenAI, ChatGPT, and so on. And it's been changing over and over on a weekly basis because you couldn't really keep up with the innovation on a weekly basis. But I would say end of last year, everything changed dramatically, almost from one day to the other. We basically shifted from powerful gen AI into an incredibly powerful and amazing agentic AI. Meaning from technology that could generate output, that could respond to whatever questions, into agents that could do complex tasks proactively. And that is basically shifting the whole paradigm around AI. But in my view of the world, the way to think about this—it relates to the cultural approach to the problem. So there are many people, many organizations that are thinking, "Okay, AI will just start killing jobs and will replace all the work that is done by X, Y, and Z." And the way we think about it is AI will actually start multiplying opportunities. And so, in some way, we need to rethink what AI means for everyone. AI is not a tool to make your job better or more productive and with that, to eliminate some employment. AI should completely change the way we work. So in the end, it's not about only augmenting what we do, it's about bringing opportunities to do new things. Yeah.

Zanny Minton Beddoes 36:39

I was just thinking, as you're saying that, how has it changed the kinds of tasks you have in Mercado Libre? Tell us how it's changed your company.

Ariel Szarfsztein 36:48

Quick example. On the one hand, we have 20,000 developers working in Mercado Libre. Over and over, I used to ask the team, "Okay, who is using AI and what percentage of the code is generating with AI?" And they used to give me the stats, "Oh, 90 percent, 80 percent, 30 percent of the code, 90 percent are using AI, 30 percent of the new code is generated by AI, 35." Last month, I asked the team the same thing, and he said, "You know what? You're silly. You should stop asking that." "Why?" I said. They said, "All of the code is generated by AI." Now we are reviewing code. We are deploying and generating, writing code twice the speed that we were writing before. And that's for the internal use. But the most interesting things are happening for the external use, the consumer-facing app. So our FinTech app, think of a digital bank in the pockets of Latin Americans, already has an agent. That agent is week after week improving features and functionalities. It's basically becoming a CFO, a personal banker in your pocket that you can use for anything you want related to paying your bills, managing transfers, and giving money to your kids, programming stuff, allocating investments across multiple asset classes, and so on. We're complementing that with an AI shopping agent that will allow you to manage the whole shopping experience and buying needs of yourself. And think of the possibilities that these two platforms combined generate for everyone, right? Of course, if you go to Mercado Libre today, you will see search results that are much more accurate and tailored to your specific needs as opposed to mine, when you look for any given query and so on. But those are kind of tiny features. But the real impact that this is driving in engagement and consumer adoption from the agentic experience we are deploying is just huge. I can go on, but—

Zanny Minton Beddoes 38:42

Mohamed, I'm sure you're hearing stories like that all the time, but sort of talk us through at a more—I guess, at a strategic level—when you distill all the things you hear from different people, has there been a step change in the past two, three months?

Mohamed Kande 38:55

We have seen the step change as Ariel just mentioned, and especially about agentic AI. But the step change has been at two levels. First is moving from experimentation to production. So you do have agents working within organizations today, as you just described, and it's no longer an experiment. People are using AI today to accomplish tasks and activities. Today, what we have not seen yet, is AI executing complete workflows. And that is why you see a lot of the surveys that we're getting today, many of the CEOs or executives saying that they are not seeing the return on investment on AI first. Why? Because it's optimization of task, not complete processes or complete workflows. That's what we're seeing today. So the step change, yes, it's no longer an experiment. Nobody's waiting, but everybody's now thinking about the next phase of AI.

Zanny Minton Beddoes 39:50

And are they also—because the other thing that is happening right now is that there seems to be a bit of a supply shock within AI as well. I mean, the shortage of compute—the cost. Are you seeing that amongst your clients, too?

Mohamed Kande 40:04

What we're seeing today is actually not the availability of compute that gets in the way. It's more the ability of organizations to change. That's what you just mentioned. It becomes actually a change in adoption from—people fear AI, depending on where you find yourself in the world. That's what we're seeing today. So it's less around the availability of the technology today. It's more around what can you do with it and what the return on investments are going to be.

Zanny Minton Beddoes 40:29

And what about cybersecurity? Mike, this must be something as a CEO of a huge critical company, what happened when you heard about Mythos? Were you suddenly—did it alarm you?

Mike Wirth 40:42

Well, I think the specific reports around Mythos certainly are alarming. I think for some time now, we've been able to see this coming, right? And the ability for these powerful systems to defeat our current cybersecurity defenses. And so, I would put Mythos along the continuum of work that's been underway to try to build up the capability to prevent malicious attacks. Energy's a sector of the economy that is a frequent target of nation-states and bad actors, for sure. We work closely with a number of the organizations that have access to Mythos now, and have seen what they've identified. Are working with them to help implement patches and fixes within their systems where we're a client. And we're also now using those insights to get to other parts of our IT ecosystem that don't reside in the cloud with Microsoft or with one of our other partners, but that are our areas of vulnerability. So we've accelerated a lot of our activity based on what we've learned from Mythos, yes.

Mohamed Kande 41:57

If I can mention one more thing about Mythos, the revelation around Mythos is that acknowledging that the speed at which the cybersecurity landscape is going to change, but also that you need AI to fight AI. So you are now seeing a lot of development now in new tools to counteract Mythos now, because you cannot just—we're going to do all the basics, that's what we see, around patches, new technologies, centralization of data, etc. But to fight AI, we actually need other AI tools. And now, nobody talks about it,

but there is a new set of investment going into how do you fight this? You're not going to fight Mythos with people. You need AI to help do that.

Zanny Minton Beddoes 42:35

Well, yeah, and it's also fueling the whole question of do you need open-source capabilities to do that? And argues against the limited release. So that's one huge area that people are focused on now. But the other one, as you mentioned earlier, is jobs. And Kristalina, I want to turn to you for that, because I know the IMF has been doing some really interesting work on this. How do you see the impact on jobs? Because in this country and here, I'm sure everyone is extremely enthusiastic, but if you actually ask Americans, seven out of ten Americans think their jobs will be detrimentally affected. The degree of fear in this country is really, sort of the highest of any international country.

Kristalina Georgieva 43:15

So let's start by saying that the survey is almost right on the mark. What we calculate approximately is that 60 percent of jobs in advanced economies will be impacted by AI, one way or another. Part of the jobs will be enhanced. They'll pay more. Part of the jobs would disappear, and part of the jobs would be created that we have no idea they may exist—completely new stuff. So we decided to look into the evidence. What is actually happening? Lift up the hood. What is happening in the labor market? And what we found is very interesting. In the United States, one in 10 jobs already demands higher skills, and it pays more. Because it is more productive, it shrinks jobs of this category. But people with more money in their pockets, they go out, they spend more. Demand for services, for restaurants, for spas, for this, for that, is up. So low-skill jobs are increasing and the total impact of local employment in the study we did, and I admit it may be different in different circumstances, the total impact is slightly positive. What is the problem?

Zanny Minton Beddoes 44:55

Well, it's not so great.

Kristalina Georgieva 44:56

There are, by a tiny little bit, more jobs created than those that are eliminated. But what is the problem? The problem is these are low-paying service jobs. So if you're a college graduate, the routine jobs that are normally your entry level are gone. Do you really aspire for a career as barista? Maybe not. And that puts in front of us a really serious question. How do we prepare society for the world of AI? I personally believe that, yes, reskilling is important. Yes, opportunities for jobs, very important. But the most important change we need to do is here in our heads. We have to get more entrepreneurial. Our kids have to assume that

the world will be changing very rapidly. They have to have the skills and capacity to adjust. I'll tell you a personal story. I grew up in Bulgaria. I was a professor in academia for 14 years. At that time, I was absolutely convinced that I would go up in the ranks in my university, boom, boom, boom, and retire at the age of 55 as full professor. I'm not going to tell you how old I am. But my past day behind me, and I changed continents and careers, and I want to communicate to everybody. That's the world. Do not be nostalgic for the predictable past. Embrace the unpredictable, exciting future. And I'll finish with this. I had a meeting with my own staff at the IMF to give them a pep talk on AI, and I started by saying, "AI or die."

Mike Wirth 47:02

Damn, okay.

Zanny Minton Beddoes 47:03

Okay. But your point is a very well taken one, the need to be entrepreneurial. And Ariel, I think that means going to you.

Ariel Szarfsztein 47:09

Yeah, I—

Zanny Minton Beddoes 47:10

Because two questions. One, might it be that regions like Latin America, where you're used to volatility, you're used to things changing suddenly, actually could be, in mindset terms at least, much more open to adopting AI faster and therefore would in fact—because there's often a narrative that the rich countries are going to be far ahead and emerging economies are going to be behind, but maybe that's not the case.

Ariel Szarfsztein 47:37

Yeah, let me link this with the previous topic. And I think there's an issue on mindset and the gymnastic that we have. So in many places, I think instability and volatility are considered a predictor of failure. But you, or at least the way we see the world, you need to consider it a design principle. So an input for designing how to operate, right? So having flexibility, adaptability, an entrepreneurial company, organization, or even beyond the government that can adjust to a changing environment becomes even more relevant because the world is changing day after day. So if you pretend to have a business model that will stick around for 50 years, that will not be the case anymore. You must be willing to cannibalize

your own business model, your revenues, in order to generate long-term value for your users, for your shareholders, and so on. You need to be willing to take risks. Of course, calculated and with discipline, but you need to invest today in order to capitalize in the future. If you look at this environment as potential failure, what would you do? You would just stop. You would try to analyze every single detail of the decisions that you have to make because you would feel that it's life or death. And that would probably mean that you will miss the opportunity to do great things. So, in the end, you need speed, you need adaptability in order to capture the opportunities. You need to invest for the long run and not let the short-term pain or fear just take away the opportunities that are in front of you, for sure. And with AI—it's the same thing, to Kristalina's point, and as I stated before, the idea or the mindset of trying to think of AI as a multiplier that will generate not only a new type of job, new value added for a company, but also it will create new occupations, new ways, or new services that we will have for consumers and so on. So I think the whole landscape will actually be reshaped in the near future.

Zanny Minton Beddoes 49:44

It's a really good point. So let's put the two halves of our conversation together. If I'm right that these are the two big shocks buffeting the world, energy shock, and then, in a much more meaningful and longer-lasting way, the AI transformation. Let's figure out which are the winners and the losers. Or at least let's pick some globally, because I think very different things, prospects lie ahead for very differently parts of the world. Mohamed, how do you think about that? Point me to somewhere that you think that's going to be a winner in terms of a part of the world, and where are you most worried about?

Mohamed Kande 50:20

Based on the two shocks that we're having today?

Zanny Minton Beddoes 50:22

Yeah, if you put all of this together.

Mohamed Kande 50:23

Well, I wish—if I could predict this, I would be in a very different place today. But honestly, I won't try to predict the future, but I would believe that what's happening today with the two shocks that we have, because there's another thing that we haven't talked about. We have two shocks going on, AI, and also what's happening, the oil and gas energy crisis that we have. But I'm also looking at the trillions of dollars that are currently being invested in that AI ecosystem. And what we have seen in the past, that when you have so much capital investment, it creates a new age of innovation. So I truly believe that many countries tend to benefit from what's happening today. There will be some short-term pain, to your point, but there

will be an evolution around energy consumption, sources of supplies, et cetera. But I will tell you that when it comes to AI, I'll start with saying that the Western Hemisphere and also the Global South can benefit, but very differently. For example, we don't talk about the benefits of AI when it comes to healthcare. The improvement we can have in healthcare just here in the US or in the Western Hemisphere can be phenomenal. We're running out of nurses today, and they spend half of the time writing up documentation. Imagine what AI could do for them at scale. Think about the Global South today. The Global South could be a winner. Why? Because AI can democratize access to knowledge and education, and we all know that in addition to access to capital, access to knowledge and education is one of the biggest force to reduce the economic gap between countries. So that is why it's not the same game that people are playing, depending on where you find yourself in the world. But I truly believe that at the end of this, I'm an optimist by design. You never waste a crisis, no pun intended, but you're going to have winners and losers, but for very different reasons.

Zanny Minton Beddoes 52:18

I hear you, that nothing is determinative, and it's not necessarily true that some place will do better than others. But Kristalina, I'm going to pose a somewhat similar question to you because I have to say, as a European, I'm a little worried that Europe doesn't look so great from either shock. The energy shock is going to be bad for Europe, and we're a bit behind in AI. So I think I would—if I was asking myself my own question, I'd say Europe would be a place I would worry about.

Kristalina Georgieva 52:43

Maybe, and even in Europe, there would be different parts of Europe. You have countries with abundant, renewable, cheap energy in Europe. You look at Spain, Spain shifted to renewable energy. Their economy is doing quite well. And similarly, you can look at some of the Nordics, hydropower, renewable energy—that positions these countries in a different place. When you look at—if you put these two things, energy and AI together, there are three things that stand up. First one is that countries with reliable, low-cost energy, all other things equal, are better positioned to benefit from AI. The second thing that stands up is that countries that create environment for innovation, that have deep liquid capital markets with venture capital willing to take more risks, all other things equal, they benefit. By the way, this is the biggest problem of Europe. Europe, for all its beauty, has been remarkably slow to bring its single market, its biggest strength, to fruition. Europe cannot get its act together to complete the capital market union, even after it renamed it Savings and Investment Union to make it more palatable for people who don't like the word capital. So I'm closing the Europe break, and then I look at the rest of the world, the emerging world. At the IMF, and this is my third observation, you have to look at multiple aspects of our countries to get ready to take advantage of AI. Of course, energy is one. In our preparedness index, we look at four things. First, digital infrastructure. Now, when in the continent of Africa, we still have at least 40 percent of the population with unreliable energy supply and no access to the internet, that is a big drag on their opportunity curve. Second thing we look at is labor markets. Are they flexible? Are people at ease to move from one place, one job to another? Is there some thought about how you do this well? And by the way, Europe, Denmark is a great example with flexicurity, making it easier for people to change jobs. The third thing we look at is diffusion. And by the way, the United States has to reflect a bit more on that. Is AI

adoption going across all sectors of the economy, rather than having these giant companies that stand up very well? But is agriculture changing? Is transportation changing? Is healthcare changing? And the fourth thing we look at is regulation and ethics. Developing economies fall short on the first, they fall short on the second. Advanced economies, surprisingly, some of them have shortage in labor markets, too inflexible labor markets. But universally, we fail in regulation ethics. Today, we have three different regulatory models for AI. The European model, which is privacy concerns, tighter regulation. The American model, it is about fraud and innovation. The Chinese model, which is about, in a sense, kind of control in how this would develop. So who is bringing these three models to interface? And I would say if I worry about, on AI, I don't worry so much about energy and this and that, but I do worry about this last thing, regulation, guardrails, and ethics, the ethical foundation of AI.

Zanny Minton Beddoes 57:17

Well, I would add one coda to your very good topology, which is, yes, the US is currently, on every metric, way ahead and focused on growth. But I am very struck by the pace of political backlash against AI that I think is growing very rapidly in this country, in both parties. In the edges still, but when you have seven out of 10 people worried about their jobs, I suspect we will be having conversations about the political backlash here. But in our remaining minutes, I wanted to ask you all one question, and Ariel, I want to ask you about a piece of advice for everybody here. This is a room full of investors, full of businessmen. Just give one piece of advice for how to navigate this world that we have been talking about, a world of big shocks.

Ariel Szarfsztein 58:04

I'd go back to the idea of considering shocks and instability as a condition for your design and not as a risk of failure. And with that, really building an organization or a project in which you keep flexibility, keep adaptability, but simultaneously invest for what is right in the long run. Then you need business models that do fit with this environment, right? You need cost structure that does match revenue structure, and you don't want to have mismatches there. You want to be thinking on the consumer and not the transaction, because in the end, when volatility comes and bad things happen in the market, you need to preserve the relationship with the consumer. You need to invest for the long run, as I was saying before. But the idea that volatility is part of the day-to-day or the business as usual as opposed to an external shock that sometimes happen, I think changes the whole perspective in how to deal with an environment like the one that we have in front of us.

Zanny Minton Beddoes 59:13

Mike, what would be your answer for that? What's your piece of advice?

Mike Wirth 59:16

Well, there's a famous quote from an American baseball player, which may not resonate with everybody. Yogi Berra said, "Predictions are really difficult, especially about the future." And I think a lot of times, businesses anchor in a view of the future. We're talking about two things here that are unknowable, how the energy system's going to evolve and how AI is going to evolve. And so I think you need to use scenarios and tools that allow you to consider a range of potential futures, and then test your strategy and your plans in those different environments, as opposed to trying to predict things that are essentially unpredictable. And it may go against some of the things you learn in business school about how you build a strategy and look at the macro environment and then do all that work. But these are two great big variables in everybody's plan that are essentially unknowable. And so I think you need to have the ability to contemplate, including the end members, as Kristalina talked about, that may be low risk but high impact and just understand what that might mean if you find yourself in that world.

Zanny Minton Beddoes 01:00:24

So those two bits of advice are great together. Build an approach that embraces volatility and do a bunch of scenarios so that you can test out what happens in different ones. So that's from our two CEOs. I'm going to ask you, Mohamed, something slightly different, which is I'm going to ask you to give us something optimistic about this world that we haven't thought about yet.

Mohamed Kande 01:00:47

Now that's interesting. So, I'm an optimist by nature.

Zanny Minton Beddoes 01:00:53

I can tell.

Mohamed Kande 01:00:54

And again, I look at the signals. The signal that we are seeing today are a lot of capital is being deployed around the world. As long as capital is flowing, what we have seen in the past, it creates innovation. It may take time. We cannot predict the future, we just have to be ready for it. Many organizations are actually trying to create that future. So, that's why I'm very optimistic. But to be optimistic in that environment, I believe it requires challenging our own assumptions all the time, and not assuming that our assumptions are facts. Because the same problem that we just talked about today, energy crisis and AI, are playing very, very differently if you find yourself in the US, in Latin America, in Europe, but also in the Eastern Hemisphere. There is not one answer, so it requires a degree of sophistication to understand what is

happening. But once we understand the landscape and take the time to do that, then we see that the future is going to be bright.

Zanny Minton Beddoes 01:02:02

Very good. So Kristalina, I could ask you about something optimistic, but I feel that as head of the IMF, your job is to clean up crises. And so what I'm really interested in is what keeps you up at night.

Kristalina Georgieva 01:02:13

So my job is to worry, and I worry a lot. What mostly keeps me awake at night is the next shock to come. I was talking in this audience, I think—and I said, I don't know, it was before the closure. I don't know what the next shock is going to be, I just know it's going to come. And when it comes, it is always the poorest, the most vulnerable families, countries, that take the biggest hit. When we talk about the dots I have been showing here, just imagine the Pacific Islands. They're in the end of a very long supply chain. Would any oil get to them? So again, I don't know what the next shock is going to be, but ladies and gentlemen, there would be one. If I were to have an advice, I would sum up your very good wisdom in two words, buckle up. And it is for me to then be sure that we as institution lean forward in the shock, that we have the resources and the capabilities, and most importantly, the trust of our membership so we can offer a helping hand. We are right now poised with \$20 to \$50 billion, likely, new lending for the yellow and orange dots that you saw on my graph. And I can say, the best we can do is to actually recognize how interconnected we are and take better care of our world of connectivity.

Zanny Minton Beddoes 01:04:20

That is a very good place to end, and I guess I would only add one thing, which is we will have another shock, and this one may get worse. What concerns me, and I like you, am a born optimist, is that I am not sure we have the ability right now between countries to cooperate in a way that is necessary to deal with it. That's what worries me the most.

Kristalina Georgieva 01:04:42

So here is an interesting thing.

Zanny Minton Beddoes 01:04:44

You have 30 seconds.

Kristalina Georgieva 01:04:45

I agree—we have a minute or so—the IMF hosts twice a year in the spring and in the fall, finance ministers and central bank governors. They come to our meetings. With every shock that hits us, the attendance level goes up. So yes, these meetings this spring, record high attendance. It went up 12 percent vis-a-vis the spring when we had the tariff problems and attendance jumped up. So there is natural understanding that looking through the fog of uncertainty together is better than doing it alone.

Zanny Minton Beddoes 01:05:33

Excellent. Well, that's why meetings and conferences such as this happen. Yes. Thank you very much indeed. Thank you.

Disclaimer: This transcript was reviewed by individuals for accuracy and serves as a reference. However, it may still contain errors or omissions. Please verify any critical information independently.