

A couple big themes this week: where we stand on refugees, following my opening panel and a series of meetings at the IMF spring meetings. And the growing challenge on global health, with some interesting takeaways from connected meetings I had on the sidelines of a chamber of commerce gathering. Then two quick and interesting "behind the scenes" about a few headlines: the Russians getting aggressive with an American destroyer in international waters, and the White House floating the idea of expanding weaponry to the Syrian rebels.

Refugees

It's telling that the IMF managing director **Christine Lagarde wanted the focus of the IMF's spring meetings to be refugees**. While there are big economic issues at play and at stake, fundamentally it's a political challenge – not the traditional IMF mandate. (I found the organization's "global challenges, global solutions" tagline for the meetings to be particularly ironic here, given the blatant illustration of the world's broader leadership gap in the very limited engagement of the world's three largest economies on the issue). But absent a real response by the White House, UN security council, G20, or really anybody else, Lagarde's view is that the IMF being on it is better than nothing.

All of it making for a challenging context for the discussion. **My takeaways:**

1. The economic story is mixed. There's a widespread, but by no means unanimous, view that the refugees are an economic opportunity for the countries that they travel to. The most educated are the ones that tend to make it to Europe, and while that still equates to blue collar jobs once they settle into a European destination, there's a need for that labor (at least for now) among a majority of demographically-challenged European nations.

Further, aid to refugees in Europe is an effective near-term stimulus to the economies in which they live – those \$14,000 in direct subsidy per refugee in Germany are going directly into consumer consumption, one of the only counter-austerity trends we're seeing from the German leadership.

But even at the lower end of the wage scale, many countries receiving refugees don't fit that win-win mold. Greece's economic devastation means that jobs of any sort are hard fought over; lower wage rates in Turkey create an acute sense of competition with the local population; while in Jordan the competition's with pre-existing generations of refugees.

And aid for the countries that can't afford the strain of housing and caring for the influx of migrants falls well short. That's a particular problem for Greece, Turkey and, in the Middle East, Iraq, Lebanon, and Jordan. As of 2015, United Nations collection efforts have amounted to about half of what the organization views as necessary to provide minimum services for the refugee populations – and that gap is set to expand this year. For the Middle Eastern states, the situation's starting to create uncomfortable tradeoffs in their fiscal spending. Absent a dramatic change in fiscal contributions from the international community, that's going to lead to serious strain on political stability in a series of additional countries in the region.

2. Outside of the economics, the negative side of the story is even clearer. That's true socially: over the past 12 months, willingness to engage in social integration of refugee populations has moved from mixed to almost universally negative across Europe. Hence creating refugee populations that are more insular, disenfranchised, and receptive to criminality as well as recruitment from radical Islamist organizations.

Politically, there's no longer a majority constituency to support an open door policy towards refugees in any of the European nations; in many cases, the issue's overwhelmingly unpopular. Which means growing support for populist movements, anti-establishment parties, and Euroscepticism. Mainstream political leaders that support compromise on the issue do so at their political peril.

Meanwhile, security's become the top concern for governments in France and Belgium following unprecedented, successful terrorist attacks in their countries. German officials now recognize they underestimated the ability of terrorist organizations to use refugee flows to hide new cells, and intelligence officials warn of a fast-growing security threat accordingly in that country. While in Britain, security issues related to refugees have become a compelling item for supporters of the Brexit campaign.

3. I did speak with a number of ministers and international officials that were hopeful about turning the corner on the refugee crisis: they're optimistic about the success of the Turkey-EU deal; they feel that German chancellor Angela Merkel is still committed and still has the political capital to lead to greater acceptance of the remaining refugees flows; and they believe that Jordan and Lebanon can handle the economic and related strains of the crisis.

To be clear, though, I'm not convinced about any of these three points – particularly the first. Those officials' optimism is predicated on refugee flows being reduced significantly in 2016 and 2017, and that strikes me as particularly unlikely.

Just last week, the limited cessation of hostilities in Syria started to fray, with expanded fighting between the Syrian government and rebels on the back of a Syrian election hosted by Bashar al-Assad against the wishes not only of the Americans and Europeans but even of the kremlin. Further fighting, atrocities by both sides, and a Syrian GDP that is now literally 50% of what it was when the war started 5 years ago guarantee significant further outflows for the next year or two. So too in Yemen, where the war continues and GDP is some 30% below (more recent) pre-war levels. And in Afghanistan, where the Taliban and Al-Qaeda together now control more territory than at any time since 9/11.

The potential for progress in negotiations in Libya paints a less bleak picture. As does progress in the war against the Islamic state in Iraq. but overall, stability trends across the Middle East continue to deteriorate, and with them expectations for an expansion of the refugee crisis should grow. In terms of the political risk profile, that means heightened concern for macro trends across Europe for the foreseeable future.

Global health

The US Chamber of Commerce asked me to keynote the release of a report they've been working on around the **impact of chronic health problems on economies around the world**. The headline: for the 18 countries they studied (major economies among emerging and developed markets) there's an average of a 6% hit to GDP from growth in expected chronic disease and related underperformance by populations at work (absenteeism, "presenteeism," and early retirement).

The study's release gave me an excuse to tie together a number of themes we've been working on in the space. One clear point is an analogy between the broad political risk environment and governance around global health. As in global political risk, the big problems in global health are chronic, not acute – but the policy and international resource focus is overwhelmingly driven toward the acute: infectious disease. Which drives more headlines, is scarier, and is (comparatively) easier to resolve. Tackling Ebola or Zika

(once it crosses borders to the developed world and passes a certain threshold of international cases) gets both the political attention and the cash. dealing with diabetes or other "behavioral"-oriented diseases that decimates an economy over the long term... much more challenging. And it's made even harder by the gutting of the budget and capabilities of the world health organization (which has the principal international mandate to frame policy responses and direct resources) since the 2008 financial crisis.

Emerging markets are set to take the brunt of the economic hit. they're already where out of pocket medical costs are frequently more significant than any spend aside from food – and drives an estimated 150 million into poverty every year. As their populations get wealthier (and older), they are quickly developing the chronic disease patterns of the developed world. But the costs and redistribution trade-offs associated with effective health care policy make it one of most politically-fraught areas to make progress in. Accordingly, it usually requires a crisis to put upgraded frameworks into place: think brazil after the return to democracy. And it takes time: South Korea's universal health care system took 12 years to bring to fruition (and it's generally considered one of the fastest and most successful introductions of a modern health care system into society). Those governments that haven't already been ramping up attention and resources to the issue are likely to see healthcare create political crises in the coming decade.

Places I'd be most concerned about on that front: Brazil where, despite high dissatisfaction from the middle class already, there's been little action on the issue aside from quick populist response (bringing in lower-cost Cuban doctors) since the Cardoso era. Saudi Arabia, where health care spending was brought down 34% in the last year (though it was artificially high before that, in part because of the mers crisis), and austerity plans will hit up hard against strong expectations of full government support. Less worried: Turkey where, despite poor governance in a host of areas, president Recep Tayyip Erdogan and the AK party have made a well-run and well-funded health program a successful cornerstone of the government's tenure. And China where, at least for now, government stimulus is successfully prioritizing building medical infrastructure and expanding access to care for the emerging middle class.

Two final points, and better parts of the story. For some countries, the ageing population concerns will be mitigated by an unusual and otherwise destabilizing angle: the impact of technology taking labor out of the economic growth equation. China (and for that matter, Japan and South Korea) having fewer workers is a top line consumption problem, yes, but it's not necessarily an instability problem if greater productivity doesn't require more employees.

And while healthcare is considered a long term cost that emerging market governments frequently don't adequately address... it's also tightly interlinked with other areas of investment that are being prioritized: infrastructure improvements like sanitation and air quality; education; and the like. Healthcare studies tend to focus on politically-weak ministers of health and their budgets. But to accurately assess where we're likely to see big improvements, it's critical to look at this bigger picture too... a factor that makes me more optimistic longer term about countries like India and Indonesia that would otherwise look much more troubled with a narrower "health policy only" lens.

Russia - US

Big headlines around Russian fighter jets repeatedly and dangerously buzzing (coming as close as 30 feet!) a US destroyer 70 miles off the Russian coast of Kaliningrad. It's certainly provocative, and the Americans, like the Turks a few months ago, said they would be within their right to shoot down the Russian jet.

Putin upping the stakes and putting his manhood on international display? Surely, no small hands for Mr. Putin. But a little context is helpful: the Americans were well aware this was only muscle-flexing – the Russian jet was unarmed... and an actual attack would have come from a cruise missile, not a plane like that one. So absent a fatal mistake by the fighter pilot, there was no chance of American miscalculation here.

And the destroyer in question – the USS Donald Cook – was just upgraded to include the US aegis ballistic missile defense system. Those systems in Russia's backyard have been a particular sore point for Moscow, And a focus of the Kremlin's ire. The reason for sending an aircraft towards another country's ship isn't just proving a point, it's also that you get data from the radar coming on and seeing the response of (in this case) a new technical system. Not much surprise in the fact that the Russians are looking for information here. Putin just has a specific (and surely personally-ordered) way of acquiring it.

US - Syria

And while I'm writing on military bluster, there was a report last week that the White House is discussing sending new, more advanced weapons systems to the Syrian rebels. There's support for that policy –many in the administration, particularly the us intelligence agencies, have been frustrated at what they see as the White House's overly-cautious approach to supporting Syria's opposition. And so they're happy to air their preferred policies, but that's a far cry from Obama approving them.

The report is interesting because of the nature of the system – man-portable air defense systems (the famous “manpads”) – that would essentially ground the Syrian airforce... but which Russians, with their ability to fly higher and still bomb with precision (and with helicopters that can effectively fly lower), could avoid. So it's also a useful message to the Syrian government.

Except... it's not going to happen. I can't see the Syrian rebels getting weapons that the us government has refused to send to Ukraine (despite repeated entreaties). Especially given how little control the US has over the nature of those rebels' actions and allegiances. The Obama administration is hopeful that it'll make progress in engaging Russia on cessation of hostilities efforts, but barring that, it's come to the conclusion that it can't resolve Syria within its last few months in office. And so it's not prepared to unilaterally take on significant additional risk in its remaining months.

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And as expected, an easy vote for impeachment by the Lower House in Brazil. Now the discussion goes to the Senate – where a simple majority brings vice president Michel Temer into office temporarily while there's an impeachment trial. But we're not out of the woods. Presuming that vote goes through, Temer starts strong, appoints a solid economic team, and announces market friendly reforms. But those reforms will prove very difficult, while the lava jato corruption cases continue. He may well be forced out himself. Even if not, Brazil's not out of the woods yet – it's going to be a long and messy story.