DEBATE

A Qatari participant

The speakers mentioned that the US economy cannot even be partially isolated from the world. Should the Trump administration go ahead, as promised in his campaign, with eliminating TPP, NAFTA and the other agreements that he said he would eliminate, how would that affect the global economy, how could other countries take advantage of it, and who exactly could take advantage of the elimination of these agreements? Could there be an alternative? We know that the US cannot be isolated from the global economy, so what alternative could there be? Could the US propose another agreement and could it be accepted by China? You mentioned that China's growth is already dropping below 6.5%. How could it accept or refuse to accept such a new agreement, especially given TPP and the others?

Taeho Bark, Professor, GSIS, Seoul National University

I will respond to some of your questions. Trump will abandon TPP and dramatically change NAFTA. What will the impact be? Regarding TPP, you are simply losing the potential gains you could earn from it, because you are not implementing it, so there is not that much damage. However, if they abandon or renegotiate NAFTA, Mexico could be tremendously damaged, and that does not mean Mexico alone – all the multinational companies, even including US companies, operating in Mexico, will have a hard time with high tariffs or whatever. Therefore, it will be damaging if Trump pursues and implements this kind of new policy.

However, I want to say just one thing. An alternative to this kind of environment is for all the leaders to seriously consider saving the multilateral trading system. They cannot do it immediately, but they should open another track for multilateral trade negotiations. Nobody paid attention to multilateral trade negotiations, especially the Doha Round, so I want to emphasise that we have to go back to the basics in this regard.

Secondly, many news media and trade experts are saying that, because the US is reverting back to protectionism at all levels, maybe China can lead trade integration or a world trading system. This makes sense, but it also requires very strong leadership from China to open up more, especially in the RCEP negotiations. It is not making any progress, so we need very strong leadership, which is different from the past, because we are entering a new kind of environment, so I also hope that China shows some leadership in the RCEP negotiations.

Masood Ahmed, Director, Middle East and Central Asia Department, International Monetary Fund

I was struck that, in this session on the main issues facing the world economy, none of you raised the issue of the impact of adjusting to lower oil and commodity prices. It is obviously a big issue for the region. Do you think that, from a global point of view, whatever cost there was to this adjustment has now been borne, and going forward, this is no longer a major issue?

Jean-Claude Trichet, President of Bruegel; Former President of the European Central Bank

The panel had to address all possible questions. I do not think you should interpret that as the fact that we consider the price of oil and commodities as a very meagre problem. It is a major issue, and from my standpoint not only a major issue, because if the price is too volatile and erratic it creates a lot of uncertainties in terms of investment in particular. It is also an explanation for the lack of investment the world over in the present period, because I do not see any real investment in this domain, and it is part of the global problem.

However, seen from the Central Bank standpoint, it is absolutely clear that part of our problem, namely very low inflation, desperately low inflation, and by way of consequence nominal interest rates and so forth, also comes from the abnormally low price of oil and commodities. We were expecting that the price of oil and commodities, and of oil in particular, would remain at the somewhat higher level that it had attained in the past, and that we could progressively eliminate the impact of the very low price from the CPI, the measure of inflation. Unfortunately, it appears that this is not the case, and this has a lot of consequences not only for the real economy and global systemic stability, but also seen from the Central Bank perspective in terms of maintaining this very abnormal situation of very low inflation rates.

John Lipsky, Senior Fellow, Foreign Policy Institute at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies (SAIS)

Energy prices especially have been very much affected by technology. It was only a few years ago that people were talking about peak oil, and things change very dramatically of course, so I am looking forward to the subsequent presentation on the hydrocarbon market to give us some insight as to how things might be going.

Bertrand Collomb, Honorary Chairman, LafargeHolcim

John Lipsky pointed out that one of the problems was a low level of investment, and as a consequence a lower level of productivity increase. I think he said that it was not clear why we had that situation. Do you think that the behaviour of the financial markets and investors is one of the reasons for that low investment? High-tech companies can walk on water, but with other companies, investors are increasingly asking for dividends and share buybacks for any entrepreneurial behaviour or any risk-taking investment. If that is the case, what can we do to change that behaviour?

John Lipsky, Senior Fellow, Foreign Policy Institute at Johns Hopkins University's Paul H. Nitze School of Advanced International Studies (SAIS)

I said that there is no single, simple explanation, and there have been some recent factors that should have been favourable, such the decline in energy prices for investment in the non-oil sector, historically low real interest rates, record corporate profits as a share of GDP, especially in the US, high corporate liquidity, etc. However, when you are looking for explanations, among other things, there is the lingering uncertainty from the crisis. Secondly, the ageing of populations may have affected investors' preference for safe assets over risk-taking. The financial sector, as you pointed out, is part of the problem.

Therefore, there is no simple, single answer, but let me tie a final statement to the theme of this conference, which is global governance. I would say that the G20 actually produced a very good result in a moment of crisis – effective collective action – and since that time we have seen a drift away from that commitment to coherent and cooperative action, especially at the level of macroeconomic policy, and that has undermined, or at least not helped to boost, the kind of confidence that would be necessary for strengthening, among other things, investment.

I would also like to say that a new test will come in the immediate future of the resilience of global governance, because clearly we are about to move into a new era in which there is perceived divergence of policy plans and policy focus that could tend to further undermine certainty if not well controlled. We will have the Fed raising interest rates in a context where markets are beginning to suspect that the US could be moving to more expansionary policies, and in a context where the ECB has remained very committed to its loose policies. The Bank of Japan has committed to new easing and China has eased its credit policies. This will be, potentially, a real test.

Virginie Robert, Foreign desk Editor, Les Echos

Thank you very much for listening and for your insights this morning.