



CARLOS GHOSN

Chairman and CEO of Renault-Nissan-Mitsubishi, Chairman and CEO of Renault, Chairman of Nissan Motor Company and Mitsubishi Motors

I will try to answer the question I understood, which is how to evaluate the situation in light of all the hiccups we are seeing towards globalisation. Every business leader, particularly when you are making a product like a car and dealing with mobility – because we know this will continue to grow, no matter what happens, in the next 20 to 30 years – we have a double responsibility. We have a responsibility in the short term and a responsibility in the long term.

I will tell you why it is important. Globalisation, without any doubt, is facing hiccups in the short term, and we cannot be indifferent to this. We have to look very attentively to the situation and the risks, and how we adapt to the risks. This is in the short term. Then you have to look at and analyse what you will do in the long term, 10 years plus; that is what I am talking about. Frankly, there is a trend toward globalisation which will not stop in the long term, and there are 1,500 reasons why.

However, in the short term we have to recognise that there will be hiccups we have to face, and we cannot ignore them, because if we ignore them, we are not preparing for them. I will give two or three examples. They did not turn into tragedy so far, but they can do so, particularly for companies that did not prepare for them. The first hiccup was when President Trump said he wanted to renegotiate NAFTA. This was the first hiccup. These were the rules for all industries for the past 20 years, and all of a sudden, the main economic power was saying it does not recognise this agreement and wanted to renegotiate it.

This is a big hiccup which cannot be ignored, because you have investments in Mexico, the US and Canada, you have organised trade according to existing treaties, and all of a sudden, the most powerful member says it does not recognise it, so you have to start preparing for the different scenarios that might happen. This ended positively in a certain way, because today we have an agreement and now we have a new treaty, and this gives us stability for probably the next 10 to 20 years.

There is a second one which is Brexit, with total uncertainty, and no one knows exactly where it will end up. We cannot say we do not care and it will not affect us; it will affect us. Objectively, it will affect us. The way the UK establishes its relationship with Europe will have an impact whether you are established in the UK or not, because, no matter what, this is a large market, it is part of Europe, and it is a very serious issue.

Where will trade relationships between China and the US end up? You cannot ignore all of this. They represent bumps in the evolution of globalisation. This is not a threat to globalisation in the long term because of all the advantages that globalisation brings for everybody, but we have to take it seriously, meaning that for every single bump you have different scenarios in which you are not caught by surprise.

Thierry DE MONTBRIAL

You are operating in a number of theatres, to use the military-strategic concept, but I also understand that you do not try to operate in all the potential theatres of operation. You have chosen China in particular, if I am not mistaken, as a main theatre of operations, but not the US. That is a strategic choice, of course. Can you explain that further?

Carlos GHOSN

That means that for Nissan the US and China are the primary market, for Mitsubishi it is Southeast Asia, Japan and the Middle East, and for Renault the primary market is Europe. Renault is also very strong in South America and Africa; it is the number one brand in Africa.



That is why I cannot talk only about Renault. You will ask how we can ignore the US market. Nobody is ignoring the US market, but the beauty of the alliance is that you do not have to pursue the same target. Every company pursues one particular geographical hub, and then the three companies together are pursuing the global market. Therefore, Renault is not ignoring the US; it is now focusing on China after establishing itself as the leading carmaker in Russia and having also established an offensive strategy in India, but it is leaving the US for the moment because it has to concentrate on China. One day or the other, maybe, if it makes a lot of sense, Renault will go to the US.

Therefore, I do not think we can summarise our strategy by limiting ourselves to one company. You have to understand what each company is doing to understand how the alliance is approaching the global market.

Thierry DE MONTBRIAL

How does this kind of flexibility protect you against Trump's diktats, or more generally within the framework of the China-US dispute?

Carlos GHOSN

Thinking about political obstacles cannot help us, but what helps us is the fact that we are different companies and cultures, with different strengths and weaknesses, allowing us in a certain way to avoid blind spots. The French and Japanese are very different, with different cultures and understandings of the world, and there are different strengths in each culture. That is the beauty of the alliance – when you are facing an unknown situation, whatever the political situation might be, or when you are facing an unknown technology where you do not know where it will lead you, the fact that different cultures are looking at the same phenomenon with different eyes allows many more opportunities and chances to get to the right answer.

That is how we are looking at it. I do not think we will avoid the risk, but when facing the risk, you will probably get a much better answer than if you were looking at it from only one angle. I am limiting myself when I say Renault is a French company; it is not only a French company – it is a French company with a global reach. Nissan is not only a Japanese company – it is a Japanese company with a global reach. Therefore, Chinese, American, Russian and Indian people work in the company, but what is also important is the culture of origin, which will stay with it for a very long time.

Thierry DE MONTBRIAL

I will ask the same question from a different angle. Today the German automotive industry feels threatened by Donald Trump in terms of the trade dispute. Would you say that you are much less vulnerable than the German automotive industry? How would you compare the two situations?

Carlos GHOSN

You have the immediate threat, the short-term threat and the long-term threat. The geopolitical issues are not long-term threats but short-term threats, in my opinion. The risk of a trade war between Europe and the US is mainly short-term, as is the risk of a trade war between China and the US. I do not think we can imagine a situation where 10, 15 or 20 years down the road we will still be in this situation, because it is not in the interest of any of the parties. Therefore, we see it much more as a short-term threat.

It is true that today our German colleagues are finding themselves in a storm, because the Chinese-US war translates into difficulties for the Germans, and the risk between the US and Europe is mainly a risk for the Germans because the French carmakers are not established in the US, so in a certain way we have absolutely no stake in this battle. I am talking about the car industry; there may be other stakes.

This does not mean it will give us a competitive advantage or something like that, because it will not be long-term but short-term. Fundamentally, no one has a long-term advantage in maintaining this situation. Coming back to the subject of globalisation from an industry angle, there are a lot of misperceptions of it. One of the biggest misperceptions is that



people think that global companies like it; they do not, and I will tell you why. Globalisation is tough on whoever produces, and it is tough on whoever works. Why? You are competing against everybody everywhere. Life is obviously much easier if you have less competition or no competition at all. You can gain market share or make money much more easily if you are alone in a market or if you are up against local or weak competition.

When you look at a carmaker profitability, in a certain way it is higher in protected markets. It is obvious. Therefore, even though we support globalisation because it opens up a lot of markets, it is very demanding on whoever produces, and it is to the benefit of whoever consumes. This is the way it goes. Therefore, putting up walls against globalisation and increasing protectionism will be to the detriment of the consumer and to the benefit of the producer, in a certain way, so that is the way it goes. The risk is that, at the end of the day, the limitations on globalisation will end up being paid for by the public and the consumers in all markets worldwide, not only in emerging markets. The public in developed markets will pay the price for it through inflation and no access to the latest technology, etc., and it will make life easier for the workers, the producers and the companies, because, in a certain way, when you have to compete with fewer companies and when you have fewer products competing against yours, it is much easier.

However, it is not sustainable, because even if you can get benefits in the short term, at a certain point in time the walls will crumble, and people will ask for more competitiveness and more access to products and technologies. Should you have fallen for the delusion that you will be profitable and live and grow easily, you will pay a high price for it. I have a great example from Brazil, because it still has a lot of protectionist walls, and we had been complaining for a long time that steel was very expensive and so on. Why? It was because it was protected. Every time an industry is protected it becomes lazy, because you have no competition, you do not have to make an effort or go the extra mile, you start to become complacent with your unions and with your people, and at the end of the day, making money without making an effort is everybody's dream.

The only way to avoid that is to open the doors and allow global competition to ensure that everyone is standing on their toes, and this is one of the main reasons for which I think globalisation has a lot of foes, but also has a lot of support. The foes are obvious – the people who do not like globalisation know exactly why, and the people who benefit from it are not very conscious of it, until they see the bad consequences of the limits you put on globalisation.

Thierry DE MONTBRIAL

Assuming the US-China rivalry does not head towards a military confrontation of some sort, which is your assumption, though this is being discussed by many experts today – the so-called The Thucydides Trap – I tend to share your position on this. Assuming that this trade war is not a long-term problem, how do you see the future of competition in your industry? Do you believe that your alliance model is something that will lead to other competitors forming similar alliances? How do you see the future of the industry?

Carlos GHOSN

I fundamentally believe in the power of a system where companies work together, but at the same time, working together is not a threat to your own identity. The threat to identity is the basis of a lot of conflicts, not only in companies but at the country level or inside countries between different cities, religions, etc. We have illustrations of this everywhere. People are ready to cooperate when they have a common project as long as this cooperation is not a threat to their identity.

It is the same with companies – Renault will not cooperate with Nissan if the cooperation is a threat to Renault's identity, and Nissan is the same. They are ready to be in the alliance and have a common project within it, but they do not want this alliance to be a threat to their identity or to Japanese identity. When Mitsubishi joined us, I told them, based on our 19 years of experience, that there was no risk in the plan, there was no risk to their identity, and they would keep everything as it was. There would be an obligation on performance, and there would be an obligation not to duplicate with the other companies. Therefore, I believe in the power of the system, except that this is a system which is extremely demanding and very difficult to manage, because it can involve a double game. You will have to ensure that you will do what you say and nothing else, because people are very sensitive to the question of identity, and every

time they have the impression that you are talking out of both sides of your mouth or playing games, they will retract and hide in their own identity.

That is why I think it is a very powerful system but one which requires a very high level of integrity, making sure that everything you say is being done and that their perception is that you are playing by the book and nothing else.

Regarding our competition, the car industry is changing a lot, as you know. Ten years ago people were saying that cars were a commodity and were changing, that there was no more interest, etc., but today this is not the case, because so many breakthrough technologies are coming our way, between artificial intelligence and digitalisation. The fact that we have sensors which are much less expensive and more powerful will allow us to move toward electric cars, connected cars, autonomous cars, shared mobility – all of this is moving toward a transformation of the industry. Therefore, you cannot view competition in terms of being able to make a better car tomorrow; it is whether you can transform your company in order to ensure you are ready for the competition, which is mainly electric, connected, autonomous and being able to offer service mobility.

Regarding all the people who try to analyse the future and see what is coming for humankind for the next 20 years, there is one thing on which everybody is certain – the demand for mobility will explode. The level of growth for mobility will be greater than any other human need, much more than food, telecommunications or health. Mobility is not measured by the number of cars but by the number of miles travelled. 45 million miles are travelled per day, and people who analyse this say this will triple in the next 20 years. Obviously this will not triple the number of cars on the planet – we cannot sustain this – but it means that not only will there be more cars but that they will be used in a more efficient way. We will have more shared cars, shared mobility, a lot of systems where cities will make agreements with carmakers in order to organise transportation and mobility. A lot of things are coming our way, and all of them are possible because of the technological advances.

Thierry DE MONTBRIAL

Will you invest in vertical mobility?

Carlos GHOSN

No, not at all – this is a good question because people think that carmakers develop their own technologies, which is not true. We are architects, we assemble technologies and parts, we assemble know-how to make a product. We have to develop our own modules or technologies from time to time because it does not exist in the market, but when it does, we leave it to the market, to the suppliers, so we can concentrate our efforts on what is our own job, which is bringing to market this final product with the functionality people are asking for.

Therefore, it is a back-and-forth process; from time to time you internalise or you outsource depending on the evolution of technology and also depending on the competitive forces. I have a very small example, the battery for electric cars. There was no battery compatible with the emergence of electric cars in 2008, so we developed a battery internally, as there were none on the market. Today there are at least five large producers of batteries who are capable of competing against each other and driving the costs of the battery down. We sold our battery business, not because we did not consider it important, but because we thought somebody else would focus on it while we concentrated on autonomous cars, mobility services, etc., on something nobody can do in the market except carmakers.

That is why this story of verticalisation is obsolete. You internalise or outsource depending on the need – it is very dynamic – and as a function of who is ready to develop the technology for you, and whether they are in a situation of competition, so you can be sure you will not be trapped by somebody getting a monopoly on a specific technology.