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Jean-Claude Trichet, former President of the European Central Bank, Honorary Governor of the Banque de France

John, it is your turn.

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Thank you very much. First, I would like to thank Thierry de Montbrial for the invitation to join this wonderful conference again and I am very honored to be on this great panel chaired by Jean-Claude, who long has been one of my heroes, and whose introductory remarks I will echo in a certain way.

I will begin by referring back to the foundations of global governance in the post-World War II era. For economic and financial issues, the critical institutions were the IMF and its associate, the World Bank and the GATT, now the World Trade Organization. The character of these organizations is that they are multilateral and treaty-based. As a result, their decisions carried the force of international law. They had radical policy goals and were designed to create a rules-based, open and non-discriminatory system headed — at least in the case of the Bretton Woods Institutions — by organizations designed to take action, including in circumstances in which there was no overwhelming consensus on issues. Instead, these institutions are governed through voting rules. For most operational issues, majority rules. The policy insight guiding the post-World War II institutions was that global trade was going to be a critical and dynamic element leading global growth in the post-war era — and that this growth in trade would promote both economic and financial integration. In fact, this effort was hugely successful: From 1950 to 2007, growth in global trade was faster than growth in global output virtually every year, and that period most likely also represented the most rapid period ever experienced of sustained global economic growth.

We currently are at the fourth systemic inflection point of the 21st century in terms of our system of global governance — and the three previous inflection points have tended to undermine the pre-existing system. Therefore, the key question is whether the current, fourth inflection point we are facing will do the same or rather strengthen the system.

The first inflection point was the global financial crisis of 2007-2010, leading to the establishment of the G20 leaders' process. The G20 leaders describe themselves as the primary international forum for discussing economic and financial issues. Unlike the post-war multilateral organizations, the G20 is not treaty-based and operates on a voluntary basis without formal voting rules. This structure results in operational challenges, as the G20 is not designed for agreeing on decisive action, thereby weakening the existing global governance framework.

One of G20’s initial goals, adopted at the first G20 Leaders Summits in November 2008, was a pledge to avoid new protectionist measures and to ensure the adoption of the Doha development round of the WTO. In reality, ever since the global financial crisis, global trade has grown more slowly than global GDP virtually every year, the opposite of the previous post-war period. At the same time, global growth has been substantially slower in this period than previously. In addition, it is clear that in the wake of the global financial crisis, the Chinese authorities adopted new views about financial integration. Among other things, they have become a dominant lender to emerging markets and developing countries outside the pre-existing Paris Club system. Again, a development that undermined the pre-existing system.

The second inflection point was the COVID pandemic, that created powerfully contradictory forces. On the one hand, it created a tremendous focus on the issues of security and resilience. As a result, the focus increasingly centered on national issues of security, supply chains, etc. At the same time, it was clear that the crisis itself only emphasized the role of global forces and the challenge of providing global policy coordination in the areas of health, climate, environment, demographics and migration, etc. In other words, we have these very contradictory systemic forces but, as we heard from the Vice President of the Côte d’Ivoire, one effect has been to seriously challenge the economic and social situation in many developing countries, especially in sub-Saharan Africa.

The third inflection point was Russia’s invasions of Ukraine, which has demonstrated that in the context of great power conflict or disagreement, the G20 has become virtually inoperable in terms of being able to produce action. The lack of a voting rule means that every one of the members effectively has a veto over any action. Of course, the Ukraine invasion has created a very difficult challenge for the European Union’s economy and in general, a deformed web of global supply chains that are much less efficient, more fragile and more costly than those that existed prior to the invasion.

These are the influences that have brought us to today. I guess that one easy way to define the current inflection point is, although it is a bit too simple, the challenge of the second Trump administration. The challenge is whether America first means America alone, if it means that we are going to further complicate or obstruct free trade or global trading relations. Obviously, we are seeing similar contradictory forces elsewhere, as Gabriel showed us. The EU is in the process of trying to negotiate new international trade agreements, but is this going to succeed or are we going to move to a world of greater trade conflict?

At the same time, we all know — and as speakers already have mentioned — we also are at a seeming inflection point in terms of the potential contribution of new technologies to productivity growth and hence economic growth. In other words, there is also reason for optimism regarding global growth but, as we know and have heard, even these positive aspects are not challenge-free in terms of global governance. Of course, I am speaking of what we have taken to calling Artificial Intelligence. More generally, however, at least in the United States there appears to be underway an acceleration of total factor productivity associated with the adoption of new technology and new working arrangements. As we know, the IMF is pessimistic about global growth prospects for the next five years, assuming that the debilitating systemic forces I already have mentioned will continue, but at the same time, there are opportunities that could contradict that pessimism. We will have to see, but hopefully when the World Policy Conference convenes a year from now, we will have more clarity, which may be on the positive side but this most assuredly is not for certain.

Jean-Claude Trichet, former President of the European Central Bank, Honorary Governor of the Banque de France

Thank you very much indeed. I note that the IMF is more pessimistic in the medium and longer—term from now on than it was in the past 10 to 15 years. I have in mind that they imagine that growth in the US might only be 2.1% and only 1.3% in Europe in the medium-term, which more or less corresponds to the idea they have today on the growth potential of the two continents. The silver lining is that total factor productivity will prove to augment and be somewhat sustainable in the medium run, or at least that is the sentiment when we discussed it in the US, but I have to say less in the rest of the world. The rest of the world is more or less on the Solow observation, I see a lot of investment but no productivity progress until now, but in the US, you can see some productivity progress. I really hope that it is the US that is right and that we will see the expansion of this productivity thanks to the fantastic surge in technology.