

ANDRÉ LÉVY-LANG

Founder and Chairman of the Louis Bachelier Institute, former CEO of Banque Paribas

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

André, you have the floor.

André Lévy-Lang, Founder and Chairman of the Louis Bachelier Institute, former CEO of Banque Paribas

I will make a brief presentation on some research we did at the Louis Bachelier Institute on what we call the intermingling of geostrategy, geopolitics and finance, its consequences and where it is going. Of course, the sanctions were applied by using the dollar and applied to the banks because if they trade using the dollar in the way they can face very heavy fines, which in some cases could make a bank insolvent, and even the Chinese banks have been very careful not to use the dollar. The second aspect of the sanctions was on the financial infrastructures and the main one affected is SWIFT, and of course, China, India and Russia have tried to create systems to go around SWIFT. One of the things that made that possible is that the dollar remains by far the main trade instrument as money or to use in trade. China's efforts to use the renminbi have limited the use of the dollar to some extent but if you look at the numbers, the dollar is still by far the main currency used in trade. In the same way, in capital markets the US capital markets today represent in volume the same amount as the sum of the 10 next largest capital markets in the world. If you add the UK, China, France, etc., you reach the level of the value of the US capital markets. Therefore, the US remains a leading financial power, and this is going to last for some time.

If we look at the trends, of course, central bank reserves are increasing their gold, with a small portion of euros being maintained but the dollar is still the number one reserve, even if it slightly less than in the past. Therefore, the consequences of the sanctions will be felt in the structure of trade, as Sébastien Jean mentioned. Of course, the new channels that have been developed over time to get around the sanctions are operating very well, which is true in oil and gas, components and almost every area, with new trade channels developing. Again, as Sébastien mentioned in his presentation yesterday, there is no such thing as de-globalization, there is a change in the volume and channels of trade, but the overall volume of international trade has not been dramatically reduced.

The conclusion of this analysis is obvious but was substantiated by the numbers, which is that the US remains the leading financial power in the world by a long distance and the dollar will remain the main tool of geopolitics for the US.



Since I have been very brief, I will make a quick mention of the euro. The euro is still an important currency, and I would like to mention two reports that have been published over the last couple of months. One is by Mario Draghi, which very few people have read and certainly not the politicians, where he stresses that Europe has a huge level of savings that should be mobilized through European bond issues. It is unlikely to happen, but it would change the picture dramatically if it happened. There is also a report by Christian Noyer, formerly of the Banque de France, on the capital markets in Europe. Again, there is a lot of work to be done, which is not being done right now, to unify the capital markets in Europe and take advantage of the still important position of the euro. This could happen but is unlikely in the short-term, but it could change the picture slightly.

Jean-Claude Trichet

Thank you very much indeed, André. Again, you are alluding to issues that I think we will discuss, notably the reserve assets and the size of the capital market.