

DÉBAT

Bertrand Badré, Managing Partner and Founder of Blue like an Orange Sustainable Capital, former Managing Director and Chief Financial Officer of the World Bank Group

Thank you very much. We started with fact-checking by Sébastien which, as I said, is a bit out of fashion today and we have finished with Pierre, who called on us to be realistic and reasonable, which is also a bit out of fashion, though maybe not in this room, which is good. It is time for me to open the floor to questions.

Stanislas Cozon, Executive Vice President, Capgemini

I have a question for Mr. Bark. At the end of your presentation you mentioned that one of your suggestions was that WTO countries should try to reach agreements on certain common issues. If I take the first one you mentioned, climate change, what two, three or four major countries do you think could drive this effort?

Bark Tae-Ho, President of Lee&Ko Global Commerce Institute, former Minister for Trade of Korea

Climate change issues are becoming a universal issue but the discussion we had this morning showed that the big leading nations had different positions on climate change issues. The EU is really advocating for climate change issues by introducing carbon border adjustment mechanisms or carbon pricing, but the US is not doing the same. Maybe we need to have some common principles or agreements so that many other countries can participate in this kind of movement. Of course, the US under President Trump will not support the climate change policy of the President Biden administration and dramatically revise its policy related to climate change. Therefore, the EU and other advanced nations such as Canada, the UK and Australia may be able to lead the efforts. And I think even China can play an important role in promoting climate change initiatives. Again, the main difficulty would be the US position on climate change issues.

Fareed Yasseen, Secretary General of the Iraq Pugwash Association, former Ambassador of the Republic of Iraq to the United States

I have a question about the parallel economy. What is the impact or has anybody looked at the impact of the emergence of Bitcoin on the unregulated economy worldwide?

Bertrand Badré

Who wants to discuss Bitcoin?

Sébastien Jean

I am not sure I heard the whole question but for me the question with Bitcoin is the extent to which it will play an active role in the current transformation of the monetary system, in particular in a context where financial sanctions have been spreading. I feel that so far it has played a marginal role, which might increase but I do not think it will play a major role in the near future. I would add that I do not think that the objective of many governments in that respect is to replace the dollar in the monetary system, I think their objective is just to limit vulnerability to financial sanctions, which is rather different and does not require replacing the dollar. I think that is a much more pragmatic and achievable objective.

Nicolas Piau, co-founder and CEO, TILT Capital Partners

I wondered if we were thinking about China as we see it now rather than looking forward to future weaknesses. For example, in my sector, energy, none of the PV producers are cash-generating and it is the same thing for EV producers, apart from BYD. Do you think China will continue to be this manufacturing superpower by definition or could there be mishaps?

Sébastien Jean, Professor of Economics at CNAM University, Associate Director of Ifri's Geoeconomics and Geofinance initiative

I think that over a number of years we have witnessed a major bias in Chinese policies in favor of supply in general and the manufacturing sector in particular. We know and have seen for a long time that this is not inconsistent with a very strong and harsh competition within China. It is actually typical of the way that Chinese leaders organize industrial policies favoring the sector but also favoring competition within the sector and for me that is part of the process, and I do not see any contradiction or reason to think that would weaken the general position of the Chinese sector as a whole.

Kazuto Suzuki, Director of the Institute of Geoeconomics at International House of Japan, Professor at the Graduate School of Public Policy at the University of Tokyo

I totally agree with Sébastien, I do not think any country is perfect, including China. I think that China has a lot of problems on food and energy supplies and of course, these are a weakness. However, at the same time, fierce internal competition is making Chinese products very competitive externally, but the internal framework of the economic competition and the market is more fragile and fragmented. It is also very interesting that in most cases it is government-led competition, so the government provides the incentives for the private sectors to compete and to gain access to subsidies and tax credits. Then they are competing against each other and at the end of the day, either the big guy is left, like BYD, or all the players die together as in the case of shared bikes or many other consumer products. I think that the Chinese economy is very dynamic but it also very extreme in a way so there are a lot of weaknesses but that does not contradict its position as the manufacturing superpower.

Pierre Jacquet, Professor of Economics at the École nationale des ponts et chaussées (ENPC), Member of the Cercle des Économistes

I just wanted to use this opportunity to say that there are lessons for Europe here. We cannot predict what will happen in China but the message for Europe is certainly very clear, we should invest much more than we do in research and in innovation, and that also implies public investment and European cooperation. Unfortunately, we are not currently addressing that challenge and spend much political capital on discussing constraints on government intervention for good or bad reasons. We need to find ways to combine the need to put our public finances in order with the current need for dramatic investment in research, innovation and the green transition.

Steven Erlanger, Chief Diplomatic Correspondent, Europe for *The New York Times*

I wanted to press a bit further on de-dollarization and defending oneself from American sanctions, because that is what we are mostly talking about. You seem very calm about it, and I question that. I see Iran and China maneuvering around Russian sanctions to buy Russian oil, people are maneuvering around Iran sanctions. A lot of people, the Chinese and the Europeans, have been talking about defending themselves against American sanctions on the JC trade, they have failed. They tried to set up their own exchange mechanism and failed. I am curious; why do you seem so calm about it, and don't you see other factors, particularly with Trump coming in?

Bertrand Badré

Maybe one of the reasons for that is that there is no American on the panel. Thank you very much for your question.

Vladislav Inozemtsev, Director of the Center for Post-Industrial Studies in Moscow, Special Advisor to Middle East Media Research Institute's Russia Media Studies Project in Washington, DC.

I agree that there is actually the trend and that all the countries affected or threatened by sanctions are actively working on this. I would not say that we can expect the invention of a new currency that could challenge the dollar, but it is more about the new systems of settlement, some clandestine and some official, which can be used for quite huge numbers and amounts to evade sanctions and to organize an alternative kind of monetary or quasi-monetary sanctions. It could be Bitcoin, Crypto, etc., but the system is on the rise, and I think that it will somehow manifest itself in the next 5 to 10 years.

Kazuto Suzuki

I was a former member of the UN panel of experts on the sanction on Iran, so I was looking at how Iran tried to circumvent the dollar scheme. However, the currency market is basically a question of demand and supply and if there is no demand for the Iranian currency, the rial, then it is not a commodity, it is not on the market. The renminbi is probably the most powerful among these non-dollar currencies, but it is still under government control, so demand and supply is not met, and neither the Russian ruble nor the Indian rupee are global currencies, so

there is no replacement for the dollar at the moment. Cryptocurrencies, Bitcoin, etc., can potentially be used to circumvent sanctions but the value of Bitcoin or any cryptocurrency is so fragile and fluctuates so much that it is not very attractive as a currency. It can be attractive as an investment like gold or diamonds, but it is a commodity rather than a currency. From that point of view, even though there is a willingness to go towards de-dollarization, nothing can replace the US dollar.

Tania Sollogoub, Head of research on Emerging countries and Global Geopolitics, Crédit Agricole Group

My question is for Vladislav in particular. Do you think that circumventing sanctions is also creating new routes, because globalization is also a story of roads, especially multimodal routes coming from Central Asia to Turkey and creating very intense traffic? Do you think that trying to escape from the Malacca trap through new routes could be a gamechanger, even for China?

Vladislav Inozemtsev

No, I do not think so because there are two parts to the problem of evading sanctions. One is evading direct sanctions, for example, to go on with trade in semiconductors, gold, some other strategic commodities, dual use goods, etc., and I would say that the volume of all such goods is quite negligible. For example, to supply semiconductors for the entire Russian defense or military industries, five to ten 24 feet containers per year are quite enough. Therefore, I would say that the evasion of sanctions by itself will not create this new route. However, there are goods that are not formally sanctioned, for example, personal computers, smartphones, etc. – in this case producers, many of whom formally quit the Russian market, are still supplying their goods not directly and officially from Europe to Russia but in semi-official manner through Armenia, Kazakhstan, Kyrgyzstan, Turkey and many other countries. In this case, yes, maybe, but it is not a sanction evasion, I would rather call it a sort of “trade optimization”. Sanctions evasion *per se* is a very sophisticated and minor process that will not create new trade routes.

Bertrand Badré

If there are no other questions from the floor, I have a question for all of you. In my introductory remarks I quoted Reid Hoffman, the founder of LinkedIn, who said that AI is a soccer match between the US and China and the referee cannot win. My question is whether there is still a referee in this match.

Sébastien Jean

If I understand your question correctly, I think it reminds us of the importance of third parties and middle powers, as Thierry called them in his introduction, which is vital for many issues. We can see this with sanctions, for instance, if you want to impose efficient sanctions you cannot do it alone, except in very rare cases, of which the dollar is one to some extent. However, we see that in top-end semiconductors, even the US needs allies and if you do not have allies, at least you need support or consistent behavior from partners. We are increasingly in a multipolar world, and I think it is having a growing influence on how the world

economy behaves. Perhaps that is a silver lining in what to expect with the new Trump administration, perhaps Trump is better prepared for his objectives than he was eight years ago. I also think that a lot of countries around the world are also better prepared to play a positive role in building up the resilience of the international economic system. My answer is not specific to AI but is more general and I am not sure to what extent it applies to AI.

Pierre Jacquet

The analogy with the role of referees does not seem fully appropriate. First, we are not in a game between A and B, and C, D, E, F, G, H are also around and actively taking part in the game. Second, there are in fact a lot of referees around, but one of the characteristics of the world we are in is the need for collective, joint action. By definition, that is not a game between one country and another, that others observe and comment, it is a dynamic that calls for everyone to take part and not sit on the fence and judge. Politics is back, it will define and shape attitudes and actions, and this is not a time for playing referees.

Bertrand Badré

Thank you. I think we will leave the question of AI to the tech panel to see whether or not it really changes anything in our conversation.

Jean-Claude Gruffat, Member of United Way Leadership Council, Board member Atlas Network, Managing Director of Weild and Co LLC New York

We have talked about currency, trade, etc., and currencies are a way to settle trade but at the same time they are also a reserve instrument. When we talk about using one currency versus another, we have to think about the fact that if you trade you get some currencies, you create a balance, and the question is whether you want to keep it. For me, the issues of convertibility and liquidity are pre-eminent and in that sense I think that one of the superiorities of the dollar is the fact that, although it is under the control of the Federal Reserve Bank of New York, unless the US uses it, as it has done in some situations, every trade in dollars is settled by eight o'clock New York time every day, so you cannot avoid it going to the US. I'm thinking about a very large French bank that had to pay USD 9 billion for trying to bypass sanctions and forgot this fact.

Bertrand Badré

Having been the CFO of two large banks that were not fined as much as the one you mentioned, I know the feeling. Who wants to pick up that question?

Sébastien Jean

Indeed, there is some kind of contradiction between the very large imbalance and the frequently announced willingness to decouple. As long as you have these imbalances you are somehow linked through their settlement and that is why interdependence has continued so far, which does not mean that it is healthy or will continue forever.

Vladislav Inozemtsev

Before all the sanctions and the return of global confrontation, of course, the value of the dollar and the euro was universal in the global financial system and everything Sébastien said applied to both currencies. However, as those additional restrictions have been put in place, I would say that many governments are now facing a very complex challenge because in addition to the virtues of the dollar or the euro, they need to reflect on a lot of other obstacles. Of course, the dollar and the euro are the best possible reserve currencies but some countries – such as Iran, North Korea, and now even Russia – cannot afford them because their leadership believes they are risky for their financial systems. Therefore, there is a huge list of options from the most to least favorable ones and so the competition is distorted, and, for example, Russia now really needs the renminbi because it cannot afford operations in dollars, and gold may also rise as a huge reserve asset, which was not the case 10 or 20 years ago. Things are changing because of the politically motivated elements of economic competition.

Bertrand Badré

I think it is time for me to try to reach some temporary conclusions to this very interesting panel. I am glad that the room was full, and I checked that not many people were asleep, so we passed this test.

My first conclusion is that the jury is still out on whether we are facing de-globalization or re-globalization, or anything else. Second, in a world where there are competing narratives, I think words matter, the way we talk about things is extremely important and it was very interesting to see the way people approach the various conversations. It is true that when you talk about globalization people think about trade and finance first, and less about people, data, etc., and that might change over time. Third, we passed several tests, and thank you for providing the cases, we failed others but there is more to come so, as you say, Vladislav, stay tuned and don't jump to conclusions too quickly because things move fast these days. Fourth, and thank you Sébastien, even if it is out of fashion, fact-checking remains extremely important, I think it is important to be serious and not fuel the buzz and easy narratives. Interdependence, and I think duality is an important word, and also the connection between things that were previously separate – economics, domestic politics, international politics, geopolitics, climate, etc. – are more intertwined than ever and they require a lot of time from decision-makers everywhere and it is extremely difficult. My personal observation is that we also have to take into account the fact that even if the state comes first in our discussions, we have discussed the role of international organizations and then there are new actors. The new tech players and NGOs are actors in themselves, so they also contribute to this changing globalization pattern. As I said in my introduction, I think we should also focus on what I call planetarization. I think there are challenges to our planet and the human species, which are not yet at the front of people's minds, and I think that it is important to keep this in mind. I heard everybody say that globalization as we knew it is over, the rules-based system is very challenged, we are moving to something that is more transactional and contractual. The question is whether this transaction or contract-based system will continue to be in a rules-based pattern, agreement or paradigm. For me that is one of the challenges today, whether we can follow some generally accepted principles or if we are moving in one way or another towards the law of the jungle.



In conclusion, I think we have tried to be reasonable and realistic, and remaining reasonable may be the biggest challenge in today's world. The only realistic conclusion I can draw from all of this is that this topic is probably going to be on the agenda of many more World Policy Conferences because there is still a lot to come.

Thank you very much to our panel, they deserve a warm round of applause.