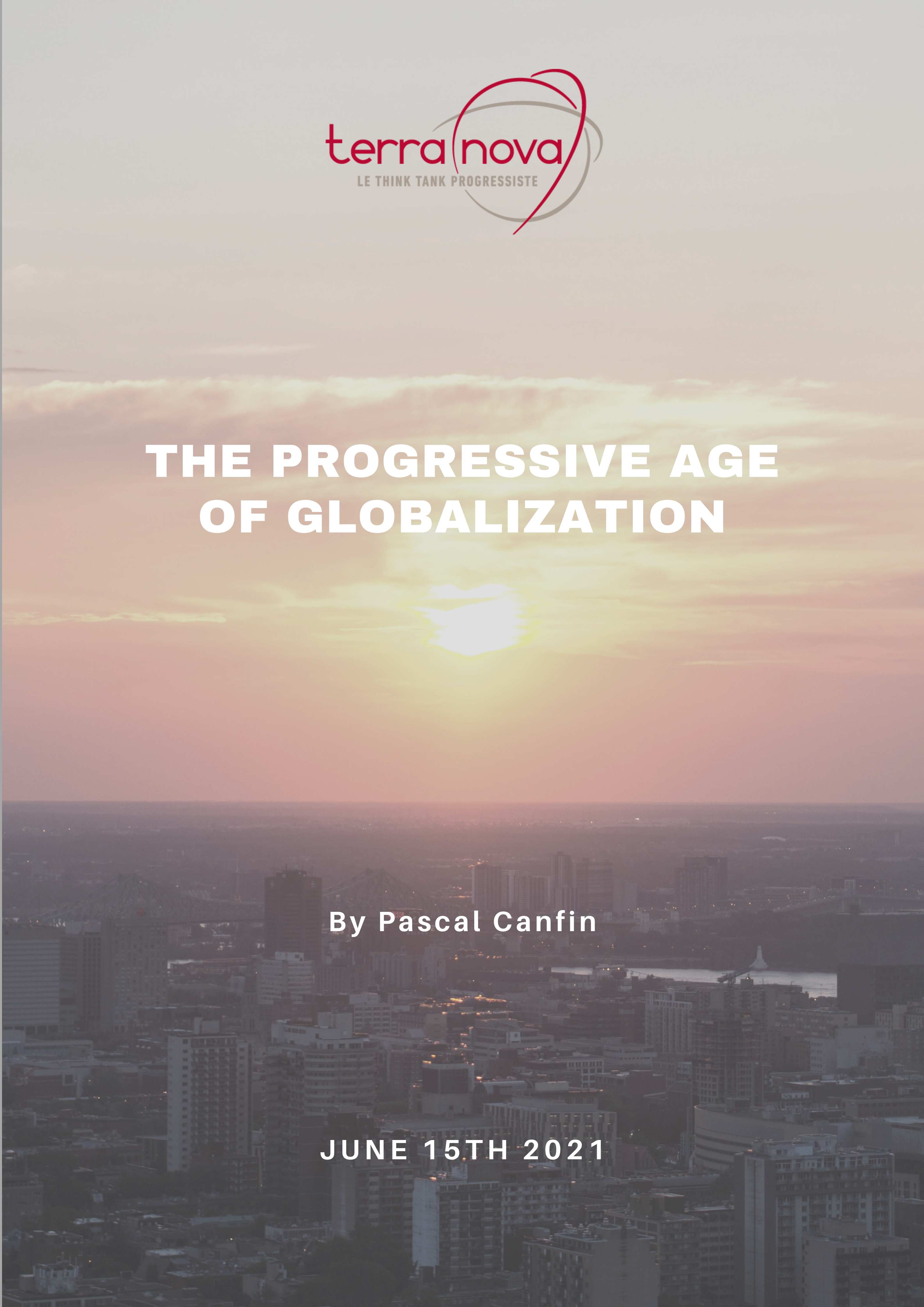

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THE PROGRESSIVE AGE OF GLOBALIZATION

By Pascal Canfin

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The progressive age of globalization

Synthesis

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A new cycle is opening ahead of us after 30 years of liberal globalization of the economy (1979-2009) seeking to increase trade, to reduce government's size and to give markets and multinational corporations pride of place. Without losing the benefits of openness, it restores the conditions of public sovereignty and places climate issues in its core to invent a new model of prosperity: a carbon-free world. It is essential to consolidate this new age of globalization to escape the rise of authoritarian nationalism and profoundly negative consequences of non-cooperative deglobalization.

History is made of phases. The elections of Margaret Thatcher in the United Kingdom in 1979 and Ronald Reagan in the United States in 1980 opened one based on the transfer of power from governments to markets, particularly financial markets, and to large companies that progressively became multinational corporations driving globalized value chains. This cycle came to an ideological end with the great financial crisis of 2008, which saw a strong comeback of governments to rescue economies that were on the verge of collapse. However, it did not lead to a new synthesis replacing the old one and giving a sense to this new cycle.

It is this new synthesis that we see emerging today: the "globalization of progressivism." This is what must be strengthened and accelerated from now on. In the following pages, I will outline its features, identity and strategic objectives.

1. REGAINING CONTROL OF FISCAL SOVEREIGNTY

The financial crisis of 2008 required huge public expenditures to "save the banks" and, through them, the financing of the economy and businesses. Such spending has increased public debts. They have also made intolerable something well tolerated so far: massive tax optimization organized by both the richest and largest companies over the last few decades became. This optimization was of course the result of companies. However, it could not have been deployed on such a large scale neither without the support of countries profiting from this lucrative global economy's specialization, not with the complicity or, at least, the consent of major powers that until recently had not sought to oppose it. Since then, major powers have been organizing their response, the heart of which being the OECD tax forum. This body largely unknown to the general public is one of the most effective and decisive arenas for multilateral cooperation. In 2014, within this forum, governments agreed to establish automatic exchange of tax information among themselves. In other words, they signed the end of banking secrecy: when a bank holds an account of a foreign private person, it is now mandatory to report it to country of its tax domicile. As a result, 5 million accounts held abroad by French nationals have been declared to the French tax administration. This first step only concerns private individuals. This is now complemented by a second step tackling tax optimization of large companies. Negotiations are now ongoing. It should result over the summer 2021 in a global tax rate on multinational corporations of at least 15% to 20% on all profits made worldwide.

While hundreds of billions of euros of profits (between 500 and 600 billion dollars according to estimates[1]) escape any tax today, it will now be taxed either in the country where they are made or where the company's headquarter is located. Thus, digital giants' profits will no longer be located in Ireland and then in the Cayman Islands without ever being taxed either in the United States or in the countries where the purchases are made, such as France or Germany. In the same way, profits of luxury giants will no longer be located in Switzerland where their brand management subsidiaries pay almost no tax, but will be taxed either in countries where the products are sold, such as the United States and China, or where the

[1] https://www.imf.org/external/pubs/ft/fandd/2019/09/tackling-global-tax-havens-shaxon.htm

company is headquartered, such as France or Italy. The sharing of this new global tax on multinational still needs to be negotiated. However, the essential objective is already agreed: this agreement will end tax impunity of multinationals that steal citizens and governments of developed but also poorest countries.

These two major steps mark a return to governments' ability to get along among themselves in order to regain control of their fiscal sovereignty. Other examples highlight the same trend. The latest is the European agreement on "country-by-country reporting" struck in June 2021. Complementing the agreement reached at the OECD in 2016, it will require all large European companies and companies operating in Europe to publish the profits made in each EU country where they operate. Until recently, companies were only required to publish their consolidated income. In other words, tax authorities could not identify profits located in the Netherlands or Ireland that should have been taxed in France. After years of inaction, the European Commission made a legislative proposal in 2016. However, it was blocked in the Council by European champions' countries of tax secrecy. The situation has changed: an agreement has been reached. The general public, notably NGOs and media, will finally have access to the location of profits by country. They will thus be able to participate much more effectively in the fight against tax evasion, since large companies will have to play transparently within the EU. They will thus be under pressure to limit abuses linked to the so-called "transfer pricing" mechanism. It consists, for example, in transferring intangible assets such as property rights or the right to use a brand name to a subsidiary based in a tax-free country. This leads to artificially shifting tax values from the countries where the products are actually sold to countries in which companies have almost no real activity.

This makes money: in 2019 alone, the French government recovered 12 billion euros in tax revenues that were previously invisible. According to initial estimates, the agreement on multinationals could bring in more than 100 billion dollars in annual tax revenues globally, including an additional 4 billion euros each year for France equivalent to the entire budget of the Ministry of Culture. The return of fiscal sovereignty is of course a long-term project. Many issues remain unresolved, but the direction is clear. The first results are visible and they are spectacular. A global tax on multinationals, long considered unrealistic, is the most visible symbol of this trend reversal.

2. MONETARY AND FISCAL SOVEREIGNTY

The generalization of quantitative easing has given monetary policy a power that put an end to financial markets' possibilities of speculation on public debts. Symbolized in Europe by Mario Draghi's famous announcement that he would do "whatever it takes" to defend the euro, this new monetary policy structurally ensures low interest rates thus giving governments the possibility of financing their public debt at a low cost. Following the first 2009-2011 phase in response to the financial crisis and the subsequent Eurozone crisis, the Covid crisis has further increased central banks' balance sheets. The figures are overwhelming: the ECB's balance sheet increased by more than 2.2 trillion euros in a few months over the year 2020 (equivalent to France's annual GDP) and the FED's balance sheet by nearly 4 trillion dollars between March 2020 and March 2021. Governments have responded by moving on from any budgetary limits to the economic and social crisis generated by the Covid and associated repeated lockdowns. Budget deficits have reached historic levels, ranging from 0.6% to 7.2% on average in the Eurozone, and reaching 17% of GDP in the United States, a record since 1945. Despite this, the question of whether markets would buy this additional public debt has never been raised. First, because financial regulations adopted after the 2009 crisis require banks and insurance companies to hold significant levels of government debt in their accounts as it is considered risk-free asset by regulators. Secondly, because government debt's buyers on financial markets – banks, pension funds, insurance companies, etc. – are sure that they can almost immediately deposit these government bonds as collateral in their respective central banks. According to the Bank of France, 59% of government bonds issued since the beginning of the Covid crisis in the Eurozone have been purchased by the ECB! This partial monetization of public debt offers exceptional protection for public powers' action. For example, it allows France to have a debt service burden of 38 billion euros in 2020, or

1.45% of GDP when its debt is 116%[2] of GDP, while the cost of its debt was 46 billion euros in 2012, or 2.5% of GDP when the debt-to-GDP ratio was only 90.2%. This monetary cushion brings life back to governments' budgetary sovereignty. They can therefore approve huge stimulus plans, up to 18% of GDP in the United States taking into account the plan voted under the Trump administration and the one voted under the new president, Joe Biden. This breathing room allows them to implement progressive public policies in terms of social protections and investment in the sectors of the future. By providing a new system of assistance to the unemployed and for health care ever seen before, the United States thus invented a short-term welfare state from scratch, while Europeans supplemented their welfare state by adjusting it to the crisis. France has set up an unprecedented system of partial unemployment and guaranteed loans to companies. It is now considering setting up a "universal youth guarantee" which would provide a form of minimum income on a permanent basis for young people who are neither employed, nor students, nor in training (the famous "NEETS").

This return to fiscal sovereignty, backed by a monetary cushion, is the exact opposite of the ultra-restrictive monetary policies put in place during the liberal revolution of the early 1980s, generating soaring interest rates (17% in the United Kingdom in 1980, for example[3]). In Europe, the comparison with the fiscal management of the previous crisis in 2009 is particularly striking. In 2009, the European Union failed to agree on a joint recovery plan and to tighten budgetary valves early, leaving the Eurozone in a situation of chronic under-investment (the average investment rate in the Eurozone in 2017 had still not returned to its 2007 level when the financial crisis exploded). This time, it introduced a 750 billion euro recovery plan and decided to suspend the rules of the Stability and Growth Pact in the spring of 2020. In the 2021 spring, the European Commission itself proposed continuing applying the so-called general escape clause in the Pact until the end of 2022. Finally, while the 2009 crisis led to a tightening of European budgetary game rules, the 2020-2021 response will lead to a revision of these rules in the opposite direction. This revision will aim at a better

[2] https://www.insee.fr/fr/statistiques/5347882#:~:text=Fin%202020%2C%20la%20dette%20s,pr%C3%AAts%20accord%C3%A9s%20par%20l%27%C3%89tat.

[3] https://tradingeconomics.com/united-kingdom/interest-rate

consideration of the economic cycle and protecting public investments while ensuring sound fiscal management. Current debates in Germany in the run-up to the September general elections focus on how to increase public investment in the economy. There are discussions in France about a second European or even national investment plan, not so much to boost the economy as to invest more in the key sectors of tomorrow, such as digital or the ecological transition. These developments bring opportunities to complement on the long term the choices made in the heat of the crisis in 2020. They will also be in line with the current dynamic in the United States with the Biden plan introduced in March 2021.

3. CLIMATE SOVEREIGNTY

Progressivism of the 20th century created the welfare state and the social market economy. In different forms and with varying degrees of success depending on the national context, the 1945-1975 period saw the creation of health insurance, pension systems, progressive taxation systems, minimum wages and the generalization of consumer society everywhere in the world. At no time questioning has been made of the environmental sustainability of the economic growth model underlying these social advances. "Energy slaves"[4] resulting from the enormous quantities of fossil fuels accumulated in our subsoil for thousands of years and released into the atmosphere in few decades have worked to improve living standards of a minority of human beings. The GDP per capita of the United States increased by 169% between 1948 and 1973. First warnings only appeared in the 1970s. It took more than 40 years before they were really taken seriously. In 2009, at the Copenhagen Summit, China and the United States preferred to oppose each other on climate change rather than cooperate. Massive stimulus packages that followed the 2008 financial crisis also largely ignored the climate issue. The turning point finally came with the Paris Agreement and more precisely with the 2014 agreement between China and the United States, which decided to bury the hatchet on climate and make it a subject of cooperation. The election of Donald

[4] Term first used in 1940 by R. Buckminster Fuller then taken up in France by Jean-Marc Jancovici for which he gives illustrations starting in 2005 in: *Combien suis-je un esclavagiste?*, then taken up by Alain Grandjean in 2006 in *Le Plein si il vous plait*

Trump then suspended all ambitious international cooperation in this area for four years. Nevertheless, and this is notable, even Donald Trump did not succeed in "killing" the Paris Agreement. When deciding in 2017 to pull the United States out of this agreement, he thought many countries would follow. None did, not even the Gulf countries. The multilateral framework of the "first agreement of the 21st century" survived the offensive allowing Joe Biden to bring back in the United States back during his first day in office.

The stars are now sufficiently aligned for new progressivism to start the large-scale deployment of new public policies that will help invent a model of prosperity compatible with our planet's limits. This is a new industrial revolution, that of a carbon-free economy, in which, as in previous ones, the trends at work are common to all industrialized countries. Europe took the first shot in 2019 by adopting the goal of being climate-neutral by 2050. It was followed by the United States in 2021, Japan and South Korea in October 2020, and China in September 2020, which set this goal for 2060 in line with the Paris Agreement. The rules of the game are consequently changing: Europe is embarking on a Green Deal that will require changing over 50 European laws between 2020 and 2022. A carbon price of 50/60 euros per ton of CO2 for an accelerated exit from coal; the end of sales of gasoline and diesel cars in the 2030-2040 decade for them to be replaced by electric cars; unmatched green investment shocks with the 2020 recovery plan, which stipulates that at least 37% of the 750 billion euros be dedicated to climate investments and that not a single euro go to expenditures "harmful to the environment and the climate". In the United States, the commitments are similar: a target of reducing emissions by 50 to 52% by 2030 (2005 base), a 100% decarbonized electricity production system by 2035, a stimulus plan devoting 174 billion dollars to electric vehicles, etc.

Everything has now fall into place. The new progressivism can start deploying at large-scale new public policies that will help invent a model of prosperity compatible with our planet's limits. This is a new industrial revolution, the one of a carbon-free economy, in which, as in previous ones, the trends are common to all industrialized countries. Europe took the first shot in 2019 by adopting the goal of being climate-neutral by 2050. It was followed by the United States in 2021, Japan and South Korea in October 2020, and China in September 2020, which set this goal for 2060 in line with the Paris Agreement. The rules of the game are consequently changing. Europe is embarking on a Green Deal that will require changing over 50 European laws between 2020 and 2022: a carbon price of 50/60 euros per ton of CO2 that will accelerate the coal phase-out; the end of gasoline and diesel cars' sales in the 2030-2040 decade that will be replaced by electric cars; unmatched green investment shocks with the 2020 recovery plan dedicating at least 37% of the 750 billion euros to climate investments and prohibiting a single euro to go in expenditures "harmful to the environment and the climate". In the United States, commitments are similar: a target of reducing emissions by 50 to 52% by 2030 (2005 base), a 100% decarbonized electricity production system by 2035, a stimulus plan devoting 174 billion dollars to electric vehicles, etc.

These four dimensions – fiscal, monetary, budgetary and environmental – should gradually create positive interactions that will accelerate the deployment of this new model. As we have seen, this is the case of the link between monetary and fiscal policy. It is also the case of a profound cultural change underway in the world of central bankers, which gives monetary policy a role in the fight against climate change. As with taxation, these discussions are taking place in a body unknown to the general public: the Network for Greening the Financial System. Initiated by the Bank of France, this network brings together 90 central banks and financial supervisors, including the FED, which joined in 2020 after Donald Trump's departure. The conceptual revolution in which central banks such as the ECB are now involved is the consideration of uncontrolled climate change as a systemic risk to financial stability. Maintaining financial stability is a key element of their mandate. Therefore, it justifies they use their firepower to sustain the reduction of greenhouse gas emissions. Once the change in doctrine is achieved, they will move on to practical work: this year and in 2022 the ECB is carrying out a stress test on the Eurozone banks to measure their resistance to the economic impact of uncontrolled climate change. The same is true of the Bank of England, but also of the New Zealand Central Bank, for example. Work is underway to draw conclusions from these stress tests and to decide how central banks will progressively reduce their exposure to companies with a high carbon footprint and that do not align their activities with the Paris Agreement. Whatever technical tool is finally chosen, it will increase the financial risk associated with the targeted companies, thus increasing their cost of access to capital, and conversely give a green "bonus" to companies that play by the rules of the fight against climate disruption. Given the impact of central banks' game rules on the financial sector, we can measure the potential of this mainstreaming of the fight against climate change in the realm of monetary policy.

The political context we are living now at the beginning of the 2020s is outlining a new age of globalization. An age made of globalized progressivism based on innovative international cooperation, such as the Paris Agreement on Climate Change, on negotiations within the OECD for a global minimum tax on multinationals, and on the central banks' network mobilization in favor of greening the financial system.

Of course, this trend is encountering resistance and opposition. It also has its own internal tensions and shortcomings. It is essential to identify them in order to overcome them.

4. THE CASE OF CHINA

China is now the world's second largest economy. It has been Germany's largest trading partner since 2015 overtaking France. This says a lot about the intensity of the economic relationship between China and Germany and the differences in approach between Paris and Berlin on China. One of the key objectives of the Chinese Communist Party is to fulfill an - often stated but little-known - ambition outside China: to make China the world's leading power by 2049. Yet China is one of the most authoritarian regimes in the world. One has only to remember that the scientist who 'discovered' COVID 19 in Wuhan and raised the first alarms was thrown into prison, where he died in February 2020. Tensions with neighboring countries and the West keep multiplying: non-compliance with agreements ensuring democracy in Hong Kong, growing military pressure on Taiwan, serious rights violations[5] of the Uighur minority, muzzling of social networks, non-compliance with trade reciprocity… It

[5] Parliament resolution on the situation of the Uyghurs, 17 December 2020 : https://www.europarl.europa.eu/news/en/press-room/20201211IPR93641/human-rights-breaches-in-china-iran-and-egypt

is feared that tensions will increase as China becomes more and more locked into authoritarian nationalism, while gaining economic and military power.

In this context, can we imagine international cooperation with China despite our differences? A first option might be to leave China out. However, this option goes against fact checking. For example, it is impossible to win the climate battle without China: it is the world's largest emitter of CO_2 and it has built three times as many new coal-fired power plants as the rest of the world in 2020. Global progressivism will therefore have to find a balance between confrontation and cooperation with China. Whatever our deep disagreements on human rights, a form of "climate realpolitik" requires securing the space for cooperation with China on this subject, as on the tax and trade issue. It requires us to make several simultaneous bets.

The first is that the implicit deal between the communist regime and its population - 'I give you access to material wealth in exchange for the absence of political freedoms'- will have to incorporate new features that will drive cooperation. For example, the horrible air pollution in Chinese cities is the primary cause of middle classes activism on social networks. Yet, it is impossible to improve air quality without reducing coal emissions and switching to electric mobility. Both are also good for the climate. This explains why China is the world leader in electric buses and why the country was the first to set a target of 20% electric vehicles in total vehicle sales by 2025[6].

The second gamble is that China cannot afford to remain on the sidelines of a momentum carried jointly by the European Union and the United States for the sake of industrial leadership. The battle for carbon neutrality is also a battle of standards, technologies, patents, production sites, market access rules, etc. However, there are two ways of looking at our dependence on China. It is true that we are dependent on Chinese's productions for which it has a quasi-monopoly: this became clear to everyone in the spring of 2020 when the closing of China's economic borders due to Covid broke global value chains. On the other hand,

[6] New Energy Vehicle Industry Development Plan (2021-2035), issued by the Chinese State Council on November 2, 2020 : http://www.gov.cn/zhengce/content/2020-11/02/content_5556716.htm

China is dependent on its main export markets: the United States and Europe. It must therefore adapt to the standards we set in order to continue exporting.

Finally, China intends to go beyond being the world's factory: it aspires to become a world leader in technology. It already is one in digital technology, where it competes with the United States, Japan, and Korea... It will also be a world leader in decarbonized technologies. Chinese leaders are well aware of this. They have understood that they have more to gain from cooperating with us on climate than from staying out of the game.

5. WHAT ARE THE RULES OF THE GAME IN TRADE?

Rules of the game in trade is always a key question in all forms of globalization. History teaches us that the globalization of political cooperation always goes hand in hand with the globalization of trade flows. On the contrary, the rise of political tensions leading to military conflict always goes hand in hand with a restriction of trade. Globalized progressivism therefore implies providing an innovative answer to this equation.

First, by accepting that not all globalization of economic flows is "good for business". This idea has long been the dominant ideology within institutions such as the European Commission, which considers that a trade agreement is good "in itself" because it involves more cooperation and openness. This view also led to the integration of China into the WTO in 2001 without any trade-off. This decision was taken with two strategic objectives in mind for Western policy makers.

The first one was that the resulting international division of labor and the forced transformation of China into the "the world's factory" would bring more purchasing power to consumers in the North thanks to lower prices of imported products. This was effectively achieved in many sectors such as textiles, electronics, etc. However, Asian giant's arrival on the world market created a divide in developed countries. On one hand, the winners of the globalization - those whose jobs are not threatened by Chinese competition and who have therefore benefited as consumers. On the other hand, the losers - who have found themselves in direct competition with employees who are paid much less than they are and who have ended up losing their jobs. This loss of employment of course cancels out all the gains in purchasing power associated with globalization. This gap is now one of the deepest divisions within Western societies and is a powerful factor in electoral behavior.

The second strategic objective was that China's integration in world trade would gradually spread a Western way of life, values and aspirations in the country, which would eventually weaken the Communist regime and cause its collapse. At least so far, this strategy has completely failed.

It can therefore be tempting to opt for "non-cooperative de-globalization" by denouncing existing trade agreements, unilateral policies that are not compatible with the rules of the World Trade Organization, etc. This is the logic of Trumpism, and of the European far left and right. Like any strategy of tension, it entails a simple risk: one knows when and how it starts; one does not know at all when it stops. Above all, it amounts to making multilateral game rules, such as those of the WTO, devoid of substance, including the mechanisms for enforcing them, such as the Dispute Settlement Body. It is no coincidence that Trump effectively shut down this body during his term by refusing to appoint an American judge, thus preventing it from functioning. It is impossible to imagine a globalization of governance and cooperation when it suits us, if our strategy is to suppress it when it disturbs us. The consistency that we demand from our partners must logically apply to ourselves.

Refusing this "non-cooperative de-globalization" does not mean opposing the relocation of certain activities, particularly in the field of food or in connection with the development of the circular economy. It is quite the contrary. But this ‘bottom up" de-globalization does not imply an openly non-cooperative strategy towards our political partners. It amounts to favoring public policies that effectively de-globalize the economy without violating or calling into question international agreements and the multilateral framework, i.e., without initiating “a top down” non-cooperative de-globalization. There are many examples to highlight. Within the framework of its public procurement law, Europe already allows the inclusion of quality and origin labels (AOC, AOP, etc.), which effectively ensure a supply whose geographical origin is guaranteed. In addition, in the framework of the Green Deal, the European Union is considering going further by broadening the scope of criteria that will effectively favor local production. The development of electric mobility means replacing imported oil with electricity produced in the relevant country or area. Promoting seasonal food, both in collective catering (school canteens, public hospitals, etc.) as well as in home consumption, means limiting imports of fruit and vegetables from the other side of the world... As part of the European Circular Economy Package, the Commission will introduce legislation at the end of 2021 aimed at creating a "right to repair" for European consumers, guaranteeing, for example, that electronic devices such as mobile phones can be repaired instead of having to be bought back. If this new right leads to the creation of a large-scale European repair business, it will help to relocate this sector of the economy.

In addition, it is worth exploring a third path that is emerging today and will form one of the key aspects of the new progressive synthesis. This third path is that of the effective and sanctionable conditionalization of trade rules to social and environmental standards, as defined by the major international texts themselves. Europe should probably be the first to write this new chapter in global geopolitics. It has the two necessary conditions to achieve it: a greater sensitivity and maturity in public opinion on these subjects than elsewhere, and the market power needed to establish a sufficient balance of power. The major battles currently being waged outline this ongoing (r)evolution.

A first step has been reached. The European Union will no longer sign trade agreements with countries that withdraw from the Paris Climate Agreement. It is this new European doctrine that has led Brazilian president J. Bolsonaro not to follow Donald Trump's example, or risk losing the chance of ratifying the trade agreement between the Mercosur countries (Argentina, Brazil, Uruguay, Paraguay) and the European Union. This is a good start, but it is not enough. It is not because Bolsonaro has renounced to take Brazil out of the Paris Agreement that this has changed in any way the current Brazilian policies of accelerated deforestation of the Amazon. We must therefore go further.

Europe will define its new trade doctrine before the end of 2021. It is essential that Europe require binding Sustainable development chapters for any new agreement, capable of generating in-depth sanctions, sector by sector or product by product. These chapters already exist today but they are inefficient. Indeed, in the current chapters, in the event of non-compliance with these clauses, and if the disagreement persists after formal exchanges between the two parties, the only possible decision is to use the "nuclear weapon", i.e., the dissolution of the entire agreement by a unanimous decision of the members states! In other words, nothing actually happens when these chapters are not applied and the pressure of formal exchanges is not enough to change the practices of the party concerned. The new trade agreements must therefore contain clauses ensuring that an increase in import quotas or a reduction in trade tariffs will be cancelled in the event of non-compliance with social or environmental commitments in the sector in question.

The second step is to set standards for entry into the European market that impose what economists call "qualified market access". Europe is already doing this, for example with the REACH regulation on chemicals. Wherever a product containing a chemical substance banned in Europe is manufactured, the producer must comply with the European text if it wants to access the single market. Today, it is a matter of extending this approach of extraterritoriality of European law, which creates the right level playfield for companies. Even the largest companies cannot do without access to the world's second largest market. In July 2021, the European Commission will put on the table the first law to end imported deforestation. It proposes to ban access to the single market to agricultural raw materials, such as soybean meal from the Amazon or palm oil from the forests of Indonesia, Malaysia or Central Africa, that will not be able to demonstrate that they are produced without damaging primary forests. Europe is also looking for ways to prevent food products made with pesticides banned in Europe from being exported to the single market. A proposal in this vein will be made in 2022. This may seem like common sense, but the legal basis allowing Europe to consider that a Brazilian product cannot be marketed on the continent, not because it poses a risk to the European consumer, but because its production method sacrificed the biodiversity of the Amazon or the health of Brazilian agricultural workers, is not easy to find! This implies considering that Europe would share a form of sovereignty over the Brazilian Amazon, which of course is not the case in law. The Commission's legal experts are therefore considering how the notion of a "common good" or a "common heritage of humanity" could justify such a practice. They are also seeking how to use international commitments in the area of biodiversity in a binding way in European law to make them enforceable against third countries. Using such concepts currently unknown in trade law for governing trade relations with the Union would be a first step that would open up many opportunities. These concepts will have to be controlled and framed so as not to become purely discriminatory rules. It is always important to remember that these qualified market access policies, whether they concern toys, food, chemical products, etc., are not protectionist policies: they are imposed as much on European producers as on those who want to export to Europe. In this way, they protect European consumers, contribute to the achievement of our environmental objectives on a broader scale and make economic competition between European and non-European producers fairer.

Finally, the third battle underway is the implementation of a carbon adjustment mechanism at the borders. While the price of carbon will increase significantly for European industries with the Green Deal (the reform of the carbon market is scheduled for July 2021 and should lead to a carbon price of 50/60 euros per ton compared to a few euros historically), it makes sense to preserve the competitiveness of these companies by ensuring that their competitors pay the same carbon price when they sell the same product in the Union. This is a logical argument, but one that has long been taboo because it has been seen as too uncooperative with Europe's trade and political partners. Nevertheless, the Commission will propose a law on it in July, on the same day as the reform of the carbon market. It is essentially a matter of bringing the climate issue into the trade rules of the game. Until now, this reform has not been implemented because the majority alliance of emerging countries -which consider the opening of Northern markets to be a key element of their development - and of liberal Nordic governments, had nipped it in the bud. The full-scale test of the negotiation of this mechanism will therefore be decisive in establishing a new international compromise on this subject. The approach of the new American administration is symptomatic of a form of indecision: while this measure is included in candidate Biden's program platform, it has already been criticized by John Kerry, the US President's special climate envoy, during his visit to Europe in spring 2021. In order to respect one of the essential principles of the globalization of progressivism, namely the respect of multilateral rules of the game, this mechanism will have to be compatible with the World Trade Organization. Many analyses[7] show that this is entirely possible. Agreement on this measure, which is scheduled to apply to Europe's borders from 2023, will be a key element in building a new trade playing field.

6. WHAT FISCAL JUSTICE?

On a global scale, progressivism is not about defining a model of "just society" or even trying to reach an international consensus on what is the right sharing of effort to achieve climate justice. These 'top-down' approaches are doomed to failure. This is regrettable, but it is the way it is. For instance, the Copenhagen climate negotiations in 2009 failed because the approach sought to define a universally equation of the fair share of the effort for each country according to its past CO2 emissions, its current level of wealth... The Paris Agreement took the opposite path, "bottom up", by offering concrete ways to make the climate battle fairer: financing, but also technology transfers, lowering the costs of green solutions thanks to investments of Northern countries, etc. And this made possible to satisfy the demand for greater climate justice without defining it as "shared responsibility" as such.

This pragmatic approach is also being used in current international negotiations to reclaim fiscal sovereignty. It is not a matter of agreeing on the "right" tax rate for multinationals, but of setting a floor, around 15 to 20%, which would put a de facto end to tax havens. There is nothing preventing each State from continuing to set the rate that it considers fair at a national level, either close to the minimum or well above it.

One could imagine such an approach for the taxation of the highest assets, say the famous 1%, or even less. It is unrealistic to think that States could reach an agreement on an identical taxation of large fortunes. On the other hand, I am convinced that the time will come for a discussion on the possibility of a minimum compulsory levy of a few percentage points on the wealthiest, including in emerging and developing countries, to finance global public goods

[7] https://www.oecd.org/sd-roundtable/papersandpublications/The%20Climate%20Challenge%20and%20Trade...%20background%20paper%20RTSD39.pdf P. 7

such as global health or the fight against climate change in the poorest and most vulnerable countries.

Other elements of international tax rule making are under discussion and their positive conclusion will, I hope, consolidate the ambition of the new progressive synthesis on this issue. I am thinking in particular of the European tax on financial transactions. This has been under discussion for a decade. Reaching an agreement between the 11 European countries that are part of the so-called "enhanced cooperation" would mark the first international agreement on the taxation of financial transactions. Even if limited to a narrow scope at first – the key technical issue being the inclusion or not of derivatives in the scope of the tax – this agreement would be a strong political signal that could pave the way for next steps, increasing the number of participating countries.

I am also thinking of the creation of a club of countries with a carbon tax. I believe it is totally unrealistic to think that an international agreement can be reached on a single carbon price. Indeed, a single carbon price has very different consequences on production processes depending on the economy's degree of carbon intensity. In addition, given the different levels of development, an agreement on a single price will come up against the necessary "differentiation of responsibilities", a key principle of UN climate negotiations. On the other hand, there is nothing to prevent the creation of a club of countries on a voluntary basis, which adopts identical or mutually compatible rules. This club could then set common rules for countries that are not members of the club. This is one of the possibilities for the development of the international discussion, which is starting now based on the future European carbon border adjustment mechanism. Europe will proceed unilaterally, in accordance with WTO rules, but is also open to continuing and consolidating this dialogue with the framework of such a club, whose weight in the world economy would be even more significant than that of the European Union alone.

Within each country, the way in which progressivism adapts tax systems to reflect its own purposes and policy effects is an important aspect of the political dynamics at work. Two examples: the current monetary policies' impacts on inequality and the anti-redistributive effects of carbon taxes. In the first case, accommodating monetary policy generating negative interest rates is likely to lead to higher asset prices. For example, lower interest rates give sellers of real estate more room to increase their prices. This raises the value of wealth and increases inequality. This phenomenon, known as “asset bubbles", is a direct consequence of monetary policy that ensures states' sovereignty. The two are therefore closely linked. The perverse effect of increasing wealth inequality must therefore be corrected by the tax system. This is why I am in favor of a one-off tax on the beneficiaries of this “surplus wealth" created by monetary policy, following an objective analysis to measure precisely this impact.

Second example: the deployment of decarbonized economic models implies putting a higher price on carbon, which in all economists' models is done through the so-called "carbon tax". However, since carbon-intensive expenditures such as fuel purchases or gas or oil heating bills are inversely proportional to income, a carbon tax limited to these two types of consumption is automatically "anti-social." This makes its social acceptance particularly difficult, as shown by the emblematic case of the Yellow Jackets movement in France. This problem occurs everywhere: for the same reasons, American Democrats are very reluctant to implement a carbon tax, and, despite repeated commitments from summit to summit, the G20 countries are not reducing their level of subsidies to fossil fuel subsidies by continuing to massively tax-exempt diesel fuel for farmers or truckers. To break this deadlock, it will be necessary to consider other policy options such as a carbon price that increases according to consumption, all sources combined, or a differentiation of taxation on assets (real estate and financial) according to their degree of contribution to climate change. These debates will be similar to those that took place in our societies a century ago when all states gradually implemented income tax. Basically, whatever the chosen technical solution, the political challenge will be to answer a simple question: " what is the fair financing of the adjustments linked to the transition to a carbon-neutral world in each country?"

7. WHAT RELATIONSHIP BETWEEN STATE AND MARKET?

The 20th century was marked by a permanent confrontation between the proponents of public property and the proponents of free markets. In the 21st century, progressivism approaches this question more calmly by seeking to take the best of both. The role of the state is reaffirmed at least at three levels: the strategist state, the regulatory state and the investor state. The fact that public authorities are able to guide economic choices from a strategic point of view can be seen both in the new Biden administration's program and in the new European vision of industrial sovereignty, with strategic sectors that should not simply be subject to trade, but should be controlled by Europeans. The Covid-19 crisis has reminded us, if it were necessary, of the importance of this strategic state. The regulatory state has a role to play particularly in the reorientation of the economy towards climate neutrality. In Europe, 54 laws will be changed between 2020 and the end of 2022 to adapt the rules of the game to the new 2030 climate objective. This legislative dynamic is also at work in the Member States. In 2021 alone, Spain, France and Germany will have passed climate laws to complement European law. In the United States, the Biden administration is working on the legislative translation of its new Climate Goal announced in April 2021. And the expected changes in the fields of energy, mobility, etc. are very close to European legislative revisions. Finally, the investor state has regained a preeminent role with the recovery plans. It enshrines both the return of legitimate social spending to deal with the crisis and a capacity for strategic investment in key sectors of the economy, such as digital technology and decarbonization.

But this return of the state is not going against the market. On the contrary, it is designed to leverage private investment. The central issue is to organize collaboration between the public and private spheres to optimize the role of each. This requires several methods. I will detail two of them here.

The first is to formalize this shared vision and to clarify the role of each by adding up the funding, adjusting regulations to facilitate the deployment of the right technologies... This may seem like common sense, but this grammar of public action is not so frequent. The European Commission, for example, has long been content with a competition policy without a strategic vision of cooperation between public and private investments, whether in the field of energy, digital technology or the ecological transition. Conversely, the leftwing mindset, particularly in France, was resistant to any collaboration between the state and businesses. It preferred organize large public companies, which were generally not very agile or transparent. What to say about the large public companies in the fossil fuel sector? Three of the five largest CO2 emitting companies in the world are state-owned: Gazprom, Saudi Aramco and the National Iranian Oil Company. These companies are highly secretive, insensitive to external pressure and largely behind their private competitors' climate commitments, which are still too weak. The nationalization route has therefore in no way proven its environmental effectiveness.

In the area of climate transition, in order to overcome this divide and organize public-private cooperation, a common software is now being deployed to agree on roadmaps to accelerate investments in an optimal way. The Netherlands' *climate tables* or the Fossil Free Swedish initiative serve as inspiration. In Sweden, since 2014 and at least until 2024, the role of this body is to identify all the concrete obstacles to the deployment of Sweden's political objective of being one of the first carbon-neutral countries in the world in the 2030 decade. To do so, it will seek to propose changes game changing measures to the government and to build "Roadmaps to Zero Fossil Fuel Competitiveness" with businesses. These roadmaps are now recognized in the European climate law adopted in spring 2021, as well as in the French Climate and Resilience Law negotiated at the same time. The European Commission is also working on industrial ecosystems that will enable us to achieve our strategic objectives in the fields of digital technology, decarbonization and cybersecurity, to name just a few.

A second method is to change the rules of the financial system in order to use the firepower of global savings. Financial markets have long been the heart of liberal ideology and benefited from massive deregulation that blew away all previous rules of prudence in the 1980s. Ronald Reagan and Margaret Thatcher provided the initial impetus. But this ideology was so entrenched that financial market deregulation laws were passed in France under a left-wing government (the 1984 banking law and the 1986 financial deregulation law) and in the United States under Bill Clinton (scrapping the Glass Steagall Act in 1999). The resulting financial crisis of 2007-2008 changed the game and put regulators and risk management back in the spotlight. We are now taking a new step forward by seeking to use financial markets' power to support the climate transition. The world's major financial centers, from New York to the European stock exchanges and the City, are all reviewing their game rules to better capture the risks associated with the climate crisis, internalize them in corporate behavior and further accelerate the financing of climate action while reducing the financing of climate-damaging activities. All of this is moving forward, still too slowly, but the philosophy is clear. Here again, Europe got a head start by adopting a "taxonomy" that defines what is green and useful or harmful to the transition. This will become the new market standards, negotiating for the adoption in early 2022 of an integrated financial and non-financial reporting system, both considered equally. In addition, discussions are underway to modify the rules of capital charges for banks and solvency rules for insurers in order to introduce climate issues into the heart of the economy's financing.

These initiatives prelude a "responsible capitalism" that does not emerge spontaneously but through the combination of two forces: progressive public action and the awareness of the gravity of the climate crisis by enough private actors who consider that "business as usual" is not an option. We must continue to move forward in this direction without taboos. Let’s take the case of accounting rules, a subject that is politically non-existent but nonetheless key for the evolution of the system because these are the rules that govern the assessment of the value of companies. It is notable that one of the key reforms of the neoliberal wave was to impose 'fair value' in the 1990s, i.e. the calculation of the value of a company according to the price of its shares on the day the accounts closed, which gave finance a new dimension. I believe that we will not bring about “responsible capitalism” and a new progressive model if we do not change the way we evaluate our companies because, in economics, "what is not counted does not count". Yet, for the time being, very few politicians are interested in this, and NGOs are largely absent from the debate. This is a new frontier we need to explore. The same applies to shareholders' rights, in order to encourage long-term involvements. In my opinion, it would be normal for shareholders who hold a share in a company only for a few minutes or a few days for "speculative" reasons to have fewer rights than a shareholder who has held a stake in a company for years. It would also be logical to put an end to, or at least more strongly regulate "stock lending", which allows short-term shareholders to be lent shares by long-term shareholders in exchange for an interest rate, as this allows short-term shareholders to benefit from the rights associated at the time of the board meetings and to exert short-termist pressure on company management.

These examples show a path that combines the best of public power and the best of the innovative capacity of companies. The articulation of the respective roles of companies, markets and states is a structuring element of any political synthesis. The way in which progressivism will deploy it, beyond the elements that are already taking shape, is still to be written.

8. THE CONTINUING RISK OF NATIONALISM

At the beginning of the 2020s, globalized progressivism is far from being the only possible horizon. Nationalism may impose itself as the dominant ideology. We must make a clear distinction between the "national fact" and nationalism. The first is inescapable and all those who have tried to deny it - from the pacifist internationalists of 1914 to the promoters of the duty to intervene and world governance in the 1990s - have come up against it heavily. The nation is the fundamental common ground of our political identities. But, unlike nationalism, the national fact does not impose any superiority, any imperialism, any monopoly of the political construction. Nationalism, on the other hand, relies on the mobilization of the national fact to create conflict between a "us" and an alleged hostile "them". Today it is undoubtedly a key element of Trumpism, of Xi Jinping's view for China, of the Brexiters, of Bolsonaro, of the conservatives of the Iranian Islamic regime as well as of the Israeli right... Tomorrow it may become the dominant force governing our relations. In this case, we can forget the possibility of building an organized and progressive globalization, since our relations will be governed by a simple argument: "I do what I want at home". Concern for human rights in China will then only be seen as an expression of "Western human rights" that does not conform to the Chinese value system; concern for climate protection will be seen as "green neo-colonialism" aimed at preventing the development of southern countries; and the desire to combat tax evasion will be seen as undue interference in national strategies for capturing economic added value. And, in Europe, nationalism necessarily leads to the unravelling of our common rules. German nationalism would lead to the cancellation of recent economic policies such as the European recovery plan or the unconventional policy of the ECB. This is actually why the German far-right party AFD has taken these two decisions to court. The Irish or Luxembourg nationalist would make fiscal cooperation impossible. The French far-right nationalist would not stand for common budgetary or migration rules.

This ideological battle between progressives and nationalists is one of the main driving forces of the current political period. Progressives should not seek to overcome the "national fact", but instead take on the development of "multiple political identities" that allow us to think and act on different scales of action to solve the problems of our time.

9. GEOPOLITICAL RISKS OF DESTABILIZATION

The profound changes that progressivism seeks to achieve will have negative effects for some countries. For example, non-cooperative jurisdictions, or "tax havens", will be affected by the global minimum tax on the profits of multinational corporations. But these countries do not have enough power to create destabilization risks beyond their own national scope. Moreover, the process of overhauling the game rules that created tax havens has not yet been completed. Despite the positive reforms of country-by-country reporting, the automatic exchange of information, the end of banking secrecy and the global tax on profits, there are still enough grey areas for non-cooperative jurisdictions to continue to exist. More reforms on the fight against money laundering, on the transparency of the final beneficiaries of financial products, etc. will be needed to put an end to this.

The risk is different with regard to the announced end of oil and gas rents linked to the invention of a carbon-neutral economy. The decarbonization of the economy automatically implies a drastic reduction of fossil energy consumption (coal, oil and gas). However, many regimes owe their stability only to the export of gas and oil, which provides the bulk of the state's income. Think about, for example, Saudi Arabia, Qatar, Russia, Algeria... More than 50% of the Russian government's tax revenues come from the export of gas and oil. These regimes are authoritarian regimes and the gradual decrease in fossil fuel revenues will weaken them. As a democrat, I welcome this. It is one of the windfall profits of the fight against climate change to organize the shift from an oil and gas based economy to an economy based on the massive electrification of our consumption. And, it is difficult to see how the same rent model could emerge from a renewable based system, since, unlike gas and oil, renewable energies, in their diversity, can be produced everywhere. However, like any destabilization, it brings about risks, opportunities and forces of resistance. Thinking about these developments is a geopolitical, strategic and democratic necessity. As the Arab springs have again recently demonstrated, the collapse of yesterday's authoritarian regimes does not necessarily lead to democratic regimes...

CONCLUSION

At the beginning of the 2020 decade, we are at a turning point where the globalization of progressivism can be structured and accelerated. It can be structured by shedding more light on its very existence. A political project is first of all a project that gives meaning, that explains the world and the evolution of societies, answers their aspirations, manages their tensions... Before being a practice and an action, politics is first and foremost a narrative. The narrative of progressivism needs to be acted out. A summit of the world's progressive leaders ready to further this worldview would be a useful and important event from this perspective.

Its acceleration is made possible by an unprecedented alignment of the stars, the central principle of which is the alliance between the United States and the European Union. Its political spectrum ranges from the green parties of government to the center-right, including social democrats and centrists. It can take the form of a multi-party coalition or a synthesis within a broad-based party (like the Democratic Party in the United States).

This progressivism does not belong to any political force per se. It depends on the partisan, electoral and cultural systems that structure national political life. As was the case for the development of the welfare state in the 20th century, globalized progressivism will win by aggregating different political forces. It is indeed impossible today to answer the question "Which party built the welfare state?" Depending on the country, it was social democrats, Christian democrats, the Labor Party, Gaullists, sometimes even with the support of communist parties in Western Europe.

Through the political decisions taken over in recent years and the current international negotiations underway, of which I have summarized the most significant, this progressivism on a global scale offers a historic opportunity. It is both powerful and still fragile. It is a fight that we must win.

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