West Destroys Global Economics System

Paulo Nogueira Batista Jr. is a former Executive Director at the IMF (2007-2015) and the founding Vice President of BRICS' New Development Bank. Batista discusses how the West is dismantling the international economics system. Follow Prof. Glenn Diesen: Substack: https://glenndiesen.substack.com/ X/Twitter: https://x.com/Glenn_Diesen Patreon: https://www.patreon.com/glenndiesen Support the research by Prof. Glenn Diesen: PayPal: https://www.paypal.com/paypalme/glenndiesen Buy me a Coffee: buymeacoffee.com/gdieseng Go Fund Me: https://gofund.me/09ea012f Books by Prof. Glenn Diesen: https://www.amazon.com/stores/author/B09FPQ4MDL

#Glenn

Welcome back to the program. Today we are joined by Paulo Nogueira Batista Jr., a former executive director at the International Monetary Fund, the IMF, and also a founding vice president of the BRICS New Development Bank. Thank you very much for coming back on the program.

#Paulo Nogueira Batista

Thank you. It's a pleasure to be with you again.

#Glenn

So, if we look at your previous positions, part of this, of course, reflects the broader changes in the world today. The formerly Western-centric economic system, which has dominated for a very long time, is giving way to new institutions that are more defined by multipolarity and, I guess, a global reach. But one of the developments that may be driving this, of course, is the loss of credibility of some Western institutions. A lot of attention is now on the EU’s seizure of Russian assets. I know this usually falls outside your main area of focus, but I was wondering what you make of this and what the consequences might be.

#Paulo Nogueira Batista

Well, I think the picture is largely based on one fundamental fact, which is that the political West, or the collective West—mainly the United States and its allies—is steadily losing ground in political, economic, financial, and demographic terms. And this relative decline is also accompanied by something very concerning to everyone: the tendency of the U.S. and its allies to use their remaining power, which is still considerable, to attack politically and economically the countries they see as rebellious, hostile, or non-cooperative. So we have a situation that’s quite concerning, because if you look at the U.S. and the European bloc, they’re still very large.

They can do a lot of damage—especially the U.S. They can, and are, doing a lot of damage, you know. We just heard today about the renewed attempt to take Greenland away from Denmark. There's the situation in Venezuela. The national security strategy recently made public by the U.S., which, among other things, focuses on the Western Hemisphere as a sphere of influence of the United States—something that, of course, is very concerning to all Latin Americans who are intent on being independent, to Canadians, even to Denmark and Europe—because, geographically speaking, Greenland is part of the Western Hemisphere, which the Trump administration now regards as its own backyard, so to speak.

So we're going through a very difficult phase. I've never seen anything like this in my entire life. I've been dealing with international economic issues since the 1980s, and we're going through a very, very delicate phase, as you know. You've often made this point in your programs. Where this will take us is something we can discuss, because there are various possible scenarios on the horizon, given these fundamental facts that I tried to summarize initially, huh?

#Glenn

I'm glad you mentioned Venezuela, because this kind of fits in with the whole development now that the rules-based approach is falling apart. As everyone knows, when there's an economic hegemon, it often has an interest in developing trust in an economic system under its administration. But the option for the political West was, of course, to transition and maintain what had been built—a stable international economic system. Instead, it appears that with their relative decline, they're pulling the system down with them.

As for Venezuela—the stealing of entire tankers, the blockade with very strange justifications—I mean, it's more honest, of course, what appears in the national security strategy. But we also see similar developments in Europe, where the international maritime corridors are no longer safe. What are the wider implications, though, for Latin America? Because, as you said, if the U.S. is turning this into its own—well, reviving, I guess, a distorted version of the Monroe Doctrine—what does that look like for Latin America in economic terms?

#Paulo Nogueira Batista

Look, what's happening is that the so-called rules-based approach—essentially rules set by the West, by the political West, by the United States and its allies—has ceased to be respected. They're blatantly violating the very rules they made up, because they've realized in recent times that these rules are no longer convenient for them. So instead of a rules-based approach, you now have an approach where no rules are in place. It's the arbitrariness of the United States that is—look, it's so serious. If you look at what happened with trade agreements, the U.S. has, over the last decades since the 1990s, signed and formally approved a number of free trade treaties with Mexico and Canada, with several Latin American countries, with Korea, and so forth.

And what did the Trump administration do with its tariff policy? It simply broke all these treaties unilaterally. They didn't even bother to say they were abandoning the treaty—it just broke it. So the credibility of the structure the West had been building since World War II is totally gone. You have a so-called rules-based approach replaced by what is, in effect, piracy. It's piracy. Mind you, it's not a creation of the Trump administration; it's been going on through these wars. But it's become more blatant, more aggressive with Trump II, even more than Trump I. This revival of the Monroe Doctrine, as I said, is a distorted version, because the Monroe Doctrine originally was—on the one hand—the assertion of U.S. power.

But on the other hand, it was a stance taken by the U.S., an emerging power, against the European colonial powers that were prone to intervene in Latin America at that time. So the U.S. was, so to speak, on our side—on the side of the Latin Americans. My own country, Brazil, was never directly subjected to European interference; it never needed the Monroe Doctrine. But we looked at it and saw some positive aspects. Now it's completely different. The Monroe Doctrine has been revived by Trump. It's simply an instrument of imperial power. And it's not only being put on paper—it's being put into practice, notably in two areas now: Greenland and, more importantly, Venezuela. If you look at the political picture of South America, for example, you'll see that by non-military means, Trump's satellites are already in power. And Milei is the most blatant case you have.

Chile now—the new right, the extreme right, won the election in Bolivia. Peru is already under a rightist government. Ecuador too. So what remains in South America that opposes U.S. imperial plans is Colombia, with Petro, and more importantly Brazil, because of its size. My country, Brazil, under Lula, the current president, is not willing to contemplate any Monroe Doctrine as understood by the Trump administration. I can tell you this quite clearly. Of course, look at the dangers we're facing. In 2026 we'll have presidential elections in Brazil, and if Lula is not re-elected and the election goes to the extreme right, we'll have another important ally subjected to U.S. plans—the Bolsonaro clan, or some ally of the Bolsonaro family, or even one of the family members themselves.

As you know, Bolsonaro—the former president, the Brazilian Trump or the Brazilian Milei—is under arrest, convicted of attempting to suppress democracy, despite Trump's initial attempt to help him. So it's quite... I think what Trump is making clear to us, Latin Americans, is the danger of relying only on soft power. My question to you, and maybe to the people listening to us, is: to what extent could Venezuela inflict losses on the United States if it tried to invade? This is a crucial question. One of Lula's advisors, Ambassador Celso Amorim, gave an interview a few weeks ago saying that if the U.S. invades, it will be a new Vietnam. I hope so. I hope so, because if the U.S. can displace a government that doesn't please it with little cost, with little effort, then it will set a precedent that might encourage the United States to further intervene in the Western Hemisphere.

I assume that the Europeans are also concerned about this, not only because of Riemann, but also because the strategy the Trump administration announced is essentially anti-European. I'm not sure I'm putting it well. I think there's something I don't understand, Glenn. Maybe you can help me with this—how the United States thinks it can make America great again by being hostile to its traditional allies, notably the Europeans. What sense does that make strategically? Don't they want to contain China? So, if they want to contain China, how can they simply ignore the Europeans in that effort? For me, it's not clear what the U.S. strategy really means. It may actually weaken the United States instead of making it great again.

#Glenn

Yeah, I think the objective is to extract some assets and resources, but also to make sure the Europeans don't trade with other centers of power. That's why it's important for the U.S. that the Europeans decouple, to some extent, from China—as well as from Russia, of course. But it's very self-destructive for the Europeans. On that note, though, how do you make sense of these asset seizures by the Europeans? They've confiscated the Russian assets, and now they're trying to find some legal mechanism, some excuse, to actually take all the money.

They weren't able to reach a consensus on this, but nonetheless, they've already taken the proceeds from the Russian assets—which in itself isn't legal either. Macron previously made the point that we can't steal the actual assets, but the proceeds, that's OK. But that doesn't seem lawful either. Do you see what would be the legal basis for the European Union to confiscate the Russian assets—either permanently, since they seem to have frozen them indefinitely now, or just to take them outright? Do you see any legal basis here? No legal basis at all.

#Paulo Nogueira Batista

As I said, this is part of the overall piracy that the Europeans and the Americans are practicing. With respect to Russia's international reserves, you have, in effect, three stages. The first one, which is also illegal, was to freeze them—to prevent Russia from drawing on these resources. The second stage is to confiscate the proceeds, the interest on these frozen assets. And the third stage would be outright seizure, outright confiscation. What does this do? It reinforces the view in the Global South, and in the world as a whole, that the euro is not trustworthy, that the European financial system is not to be trusted—that Europe, like the United States, cannot be trusted, you see.

They expected the Europeans to be more hesitant than the Americans, but in fact, the Europeans followed suit and initially froze and confiscated the Russian assets. So these countries—the U.S., Europe—you know that, we all know that, they're built on respect for property. That's the cornerstone of their legal systems. Well, if you look at the political and legal structure of the West, the fundamental tenet is respect for property rights. Now, what they're doing with Russia, with Venezuela, with Iran, with other countries, is simply disregarding the property rights of those nations. In the case of Russia, they initially froze the assets—that's already illegal.

Now they appropriate the proceeds. You mentioned the explanation that Macron gave. This is quite serious—quite serious to see the president of a country as important as France speaking openly about why it's all right to seize the proceeds of Russia's frozen assets. That's a step further. What does this mean? It means that the president of a country is speaking openly in the language of pirates. If you combine that with Trump’s language, for example, against Venezuela—what does he say? Initially, it’s because of narcotrafficking. Now it’s the oil they have. “It’s ours. They stole it from us, so we’re getting it back.” Ships are intercepted, seized, confiscated, and the cargo is appropriated by the United States.

Despite the disagreements between Europe and the United States, they’re united in one thing: they behave like pirates. They seize the assets of countries. You know, what Trump did in Venezuela is already a scandal. He first argued that he was fighting against narcotrafficking, which was clearly a pretext. Now he openly says he wants Venezuela’s oil and that Venezuela’s oil belongs to the United States because it was somehow stolen from them. So what’s going on in the West—in the political West—is a sharp decline in the quality of leadership, in behavior that’s self-destructive, I believe, you know.

This destruction will be gradual because, if you look at the United States, if you look at Europe, they’re very developed nations—high income standards, high social indicators, very good social indicators. So the destruction will be a long process, but it’s ongoing. It’s ongoing, and it has accelerated, you know. Now, if you combine that with economic problems, financial instability, weak leadership—all this combined leads, I believe, to an acceleration of the decline of the political West, with no exceptions. I mean, you can’t single out any country in the collective West that’s escaping this trend of decline. And this, I believe, is a key aspect to understand what’s going on in the world today.

#Glenn

I noticed that in Europe, whenever someone talks about international law or the instability of the financial system, it’s immediately countered by some kind of normative, moralistic argument. They’ll say, “Well, Russia caused a lot of destruction in Ukraine, so it’s only fair that they should pay for it. We’ll seize their money and do this.” But that’s a very strange principle. Many countries have gone to war—not just the Americans, but Europeans as well. The idea that the world should start seizing everyone’s money and giving it to whoever they think is the innocent party—that’s not how it works. Also, Orban made a comment. He said that because the Europeans have essentially made loans they can’t really cover, they’re now invested in the war. That is, they can’t afford peace anymore, because they need Russia to pay reparations—they can’t afford to give back the money they’ve already taken. How significant do you think this is?

#Paulo Nogueira Batista

You see, one thing would be, after peace negotiations, to include as part of the deal that Russia, in one way or another, helps reconstruct Ukraine. But that’s not what they’re asking for. That’s not what the Europeans are saying they’re going to do. They’re saying they’ll do it anyway, unilaterally. And that brings all the negative side effects for Europe that this kind of measure inevitably causes. Now, what I fail to understand is why Europe seems to believe that Russia wants to control the

European continent, invade several other countries—that Ukraine is just the first step. There's no evidence of that.

I've heard several of your programs with many experts, and all of them make this point quite clearly. Really, I don't understand Trump's attitude toward his allies. I don't understand Europe's insistence on confronting Russia and effectively undermining any attempt to reach some sort of peace arrangement. And why do they think they need to prepare for a war against Russia? Does Russia really have the strength to challenge Europe as a whole, to invade? Does it have any interest in invading Poland, Romania, or the Baltic states? Russia doesn't need territory. It's already the largest country in the world.

How come it needs to sacrifice its people, its economy, its political standing in the world just to gain territory? It's not plausible, you see. This whole way of thinking has become—well, I believe it's still true to say that most average Europeans believe in this Russian threat, which is a fabrication, in my view. A fabrication on the part of some European elites and the European media, and that's leading to immense economic costs for Europe—economic, political, social. It's really a disaster. So, I mean, the traditional leaders of Europe—the traditional right wing, let's put it that way—Macron now in France, Merz, Starmer in Britain. These are failed leaders. They're failing.

They're losing support. And perhaps the only solution will be for Europe to move—not to the left, because the left is weak, right? Everywhere. But to the new right. The new right may be, in the end, better for Europe than the traditional right that now governs the main countries, you see? So maybe the new right—the extreme right, as they like to say—may be more prepared to settle with Russia. That's what you hear from Alternative für Deutschland, for instance. That's what you hear from the Front National, I believe. And that's what you need to do, really, in the name of European interests. What European interests are gaining from this confrontation is very hard to see from the outside.

#Glenn

Well, in Germany, it seems the entire center has become the most radical part, while what they call the far left and far right are actually where you find people talking about peace—from the Middle East to peace with Russia. They're talking about reindustrializing. But to what extent do you think Europe has gone too far down that road now? Because it seems it's not just alienating the Russians and the Chinese, but increasingly the United States.

But it seems to be starting to fragment a little bit as well, because, as we talked about, these rules for seizing money—this isn't even something they agree on within Europe. They fear that countries such as Hungary, the Czech Republic, Slovakia, or others could start voting against it, because they're supposed to vote every six months on whether to keep freezing Russian assets. Now they've just suspended their own rules. So they're dividing themselves too. There's so much of this—it's somehow self-destructive behavior. But when you look at countries like Germany and all the economic deindustrialization, how significant do you think the decline of Europe is? Is this now beyond repair, or is it systemic?

#Paulo Nogueira Batista

I would say they've gone far down that road, and I wouldn't say it's beyond repair, but there's no doubt that even if they reverse some of these attitudes they've had toward the rest of the world, there's a loss of credibility—a loss of trust—that will be very difficult to regain. You know the old saying: trust is easy to lose, difficult to regain. That applies to the West generally, and to Europe in particular. And it's fragmenting, you're quite right. I mean, the European Union was always a fragile construct, built on decision rules that are difficult to achieve or apply—for example, unanimity or very strong qualified majorities. Let me give you an example from last week. I don't know if you followed that.

I don't know how big the repercussion in Europe was, but the president of Brazil, Lula, was determined to sign the large-scale economic agreement between Mercosur and the European Union last Saturday. And because of fragmentation inside the European Union, this didn't happen. At the last moment, Italy joined the opposing bloc led by France, and that created a blocking minority. So the Europeans and President Lula—the European Commission and the Brazilian government—had to abandon the hope of signing the agreement. Let me tell you, this agreement is bad for us—Brazil, Mercosur. I never expected the difficulty to come from Europe. I expected that we would have resisted more to an agreement that effectively opens the Brazilian market to European industrial corporations, especially the German ones.

So this agreement, from the German point of view, would have been a way to minimize the losses their industry has been facing—because of the loss of access to cheap Russian gas, the competition from China, and the tariffs imposed by the United States on European exports. So they were looking for a way out. And the Brazilian market is large. Mercosur's market is large. So you see, again, this is another illustration—yet another illustration—of how fragmented the European Union has become. They're going to try again in January. President Lula called Prime Minister Meloni, and she said that, depending on how much money Italy gets from the Common Agricultural Program, she would join the agreement in January.

So there's going to be another attempt. My reading is that Meloni is blackmailing the other Europeans—"Okay, I'll go along with this agreement, provided you give me more money under the Common Agricultural Policy." And this also works as a kind of coercion on Brazil, because Brazil has been so committed to signing this very questionable agreement that, effectively, Meloni holds power over Brazil's declared interests, you see. But the main point I think you're driving at is that the European Union is not functioning as a bloc anymore. Its association is still important, but the word "bloc" is much too strong to describe Europe now, given these very sharp internal divergences.

#Glenn

You know, I think that's a predictable development. When the United States begins to deprioritize Europe and the world becomes more multipolar, the interests of the Europeans will start to diverge more and more. So it creates a dilemma: there's less unity, but because national interests are so divided, we're supposed to push those national interests aside. But if you do that—if you don't act in your national interest—you're going to have big problems down the road and leave a major political vacuum. And, yeah, on the collapse of the rules, I saw the EU foreign policy chief, Kaja Kallas, trying to reassure the prime minister of Belgium that it's okay to seize the Russian assets.

Because, yes, the Russians could sue, given that this is obviously illegal. But she tried to reassure him that there are no courts in Europe that would side with the Russians. I mean, if this is true—and I hope it's not—but if it is, then there's a profound problem with the legal system as well. If the idea is that no European court would ever side with Russia simply because they hate Russia, then there's no rule of law anymore. That's quite concerning. But as all these things are happening in Europe, we know that BRICS, the SCO, and other arrangements are trying to set up a new economic architecture to rebuild some trust. How do you see BRICS, for example, trying to restore what the political West is destroying?

#Paulo Nogueira Batista

Before I go into that, let me tell you, as someone from outside and an admirer of Europe—I've always been, throughout my life—I think the best approach for Europe would be, or would have been, to follow de Gaulle's view of Europe: an association of independent nations, not a deeply integrated economic bloc. Now you have this situation where Kaja Kallas is completely... well, what you just told us about her statements—it's irresponsible, even childish. I mean, she can't speak for all the courts of Europe on this issue. This affects the credibility of European courts if they go along with that kind of statement. But coming to your question about BRICS and the Shanghai Cooperation Organization, the SCO—it's true that we've been trying to build an alternative economic architecture. I was deeply involved in this back in 2015, 2017, and even before.

And let me tell you, it's important—it really is. I think China is the most successful country in building these alternative structures. But it's a long, drawn-out process. You know, one thing people outside the BRICS don't realize is that none of the BRICS countries wanted confrontation with the West—not even China, not even Russia. I can tell you from long experience, from contacts with Chinese officials, that China is very cautious—very cautious in its language. They didn't want confrontation. They wanted to keep competing within some kind of order with the Americans and the Europeans. And they were being successful; they didn't want to change that. So, since the BRICS started meeting back in 2008, I can tell you, as someone who participated, the Russians and the Chinese were very moderate in their approach.

The BRICS were never seen as an anti-West group. We're seen as a pro-BRICS or pro–Global South organization. The SCO is a Eurasian association—very relevant—and it's not bent on attacking the West. You know, I just visited China and Russia for nearly a month; we met in Valdai, right? And the Chinese scholars I spoke to often use this language: the economic architecture we need to build is not anti-West, it's post-West or non-West. That's typical of the Chinese. They're very reluctant to escalate. Look at the history of this confrontation between the West and China, between the U.S. and China—every time an aggressive step was taken, it was by the United States, and China was responding.

China, now in 2025, responded in a very major way and showed that it's capable of effectively countering American goals. But I can tell you, they don't want this. Even Russia—you know Russia very well—was warning the West: don't expand NATO, don't bring NATO to our borders, don't do that, we won't allow it. They warned several times, and the West kept ignoring the red lines, just going on and on. One of the last things was a total disregard of the Minsk agreements. So it's very important to realize that the BRICS and the SCO are not on a campaign to weaken the West.

We're trying to build alternative ways, alternative options, because the Western-dominated system is vitiated—enormously vitiated. This was before Trump, but with Trump it became even worse, because he introduced a new element: the aggressive, unilateral, major use of tariffs against everyone, or nearly everyone, in the world. So it's become chaos. And, you know, one thing that may force us—us BRICS—to respond more rapidly and perhaps more aggressively is if there's a collapse of the Western financial system, something on the scale of what we had in 2008 and 2009. Because at that time, the U.S. was not as weak, and Europe was not as weak as it is now, economically and financially.

So at the time, there was a paradoxical thing that won't happen again, in my view: a flight to the U.S. dollar as a safe haven, despite the fact that the crisis originated in the U.S. financial system, in the European financial system. Nobody knows for sure, but I believe that this time, if we have another major financial sector collapse, the dollar won't be the safe bet. The dollar will be—this might even accelerate—the flight from the dollar, which is already ongoing. Countries and individuals are dumping their U.S. investments, their U.S. assets, and going for gold, going for silver, going for the euro, at least a little bit, going for other Western currencies, going for the renminbi to some extent.

So we're already in this process, and I think it would accelerate enormously—and that would be a challenge for us. So what are we going to do about it? The United States is wrecking the system; it can't control it anymore. Are we going to sit by and watch, or are we going to try something else? I'm of the view—and I know I'm in the minority among the BRICS—that we need to build a different system more quickly. Again, not anti-West, but post-West and independent of Western sanctions and aggression. It's a tall order, I recognize, but do we have a choice? I don't believe we do.

#Glenn

I’ve always thought that distinction is important—between being anti-American and anti-hegemonic. It’s very different, because many still want to cooperate and work as closely as possible with the U. S. and the West, but of course not be under their boot. But it’s strange that there are no safeguards for when the next economic crisis hits, because I think—and again, as you said—post-Western just means that if the West makes it impossible to use its technologies, its banks, its currency because of economic coercion, or if it’s no longer sustainable, if you see an economic collapse unfolding in the West, then it seems responsible to have a plan B. And if anyone should make a plan B, you’d think it would be the BRICS. It just seems like a lot of people are now starting to see where this is all going, because there seems to be a crisis around the corner. But just as a last question—do you also see this? Do you see an economic crisis coming our way?

#Paulo Nogueira Batista

I don't really know whether we'll have a large-scale financial crisis. There are signs of vulnerability, signs of a bubble, but it's a distinct possibility. If you look at the last 40 or 50 years, one thing clearly shown by the U.S. financial system—and by the EU’s financial system—is that these systems are prone to crisis. We've had repeated crises, the last and largest being the 2008–2009 one. So I’d say we can’t exclude this. Many experts who look at the U.S. stock market see strong signs of a bubble that may burst. Given the size of that bubble and the size of the U.S. capital market, if it bursts, it’s likely to have a large-scale effect on the U.S. economy, the world economy, and the U.S. dollar.

So I totally agree with what you just said. We need a plan B. I’ve made this point, in different words, several times in internal discussions with Chinese and Russian scholars. We need a plan B because if a sudden collapse of the financial system in the West does occur, everyone will be scrambling for alternatives. Just think of the Chinese—what will happen if the U.S. dollar is no longer seen as a safe haven? They may face a large-scale inflow of speculative capital fleeing from the U.S. This will present the Chinese economy and the central bank with very hard, unpleasant choices. If they allow large-scale appreciation, it may hurt their competitiveness.

If they buy it—buy dollar assets and sell renminbi to avoid appreciation—they’re buying what they don’t want to hold anymore: U.S. or euro assets. The only alternative, which wouldn’t be fine but would be less costly, I believe, would be for the Chinese to block the inflow, to reinforce capital controls at the entry point. Now, this isn’t costless, because it would distance the Chinese currency even further from the status of a convertible currency. So China has every interest, in my opinion—but I don’t know if the Chinese agree with me—in pursuing a plan B. Actually, without China, I think a plan B cannot be put in place, given the size of China relative to the other BRICS.

#Glenn

Well, thank you for taking the time and letting me pick your brain, and for explaining the situation in front of us, because this is very unusual—really unusual. I've never, in my lifetime, seen anything like this. I mean, for a while, yeah, we saw a bit of gold being seized from small or medium-sized countries, maybe an Iranian tanker being hijacked, but... but of course, we keep going further and further down this road. And going after a large, resource-based country like Venezuela, or a great power like Russia, is going to be much, much worse. I think we're already seeing the consequences. So, thank you again.

#Paulo Nogueira Batista

Thank you. It’s always a pleasure to be here.