Paulo Nogueira Batista: Can you imagine? The World Bank's loans to Ukraine exceeds the size of loans to the entire African continent.

Interview to Guancha China – Part 1

Translated from original publication in Chinese

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Paulo Nogueira Batista Brazilian economist, former vice president of the BRICS New Development Bank, and former executive director of the International Monetary Fund.

2025-12-19 Source: Guancha.cn54,926 reads

Last updated: 2025-12-19 14:27:30

On December 18, the EU leaders 'final meeting of the year was held in Brussels, where they will negotiate whether to use frozen Russian assets to provide financial assistance to Ukraine.

According to data released by the EU in November, European aid to Ukraine has exceeded €187 billion since the outbreak of the conflict, already straining its resources. Meanwhile, Western countries, leveraging their control over the international financial system, have further strengthened sanctions against Russia, attempting to weaken its economic power through various means. However, this approach has not only exacerbated international tensions but has also prompted some emerging economies to reassess their position within the international financial system.

Recently, Paulo Batista, former Vice President of the New Development Bank of the BRICS countries and former Executive Director of the International Monetary Fund (IMF), visited Guancha.cn and had a dialogue with Li Bo, General Manager of Guancha.cn. They discussed in depth the comparison and lessons learned between the IMF and the New Development Bank, the potential of the Shanghai Cooperation Organisation (SCO) Development Bank, and the advantages and disadvantages of creating a new reserve currency and the internationalization of the RMB. The following is a transcript compiled by Guancha.cn for readers' reference.

[Text by Paulo Batista, translated by Whale Life]

"It cannot be ruled out that Trump might interfere in the 2026 Brazilian election."

Li Bo: Our guest in the studio today is Mr. Paul Batista, former Vice President of the New Development Bank. It's a pleasure to see you again in China, and this is your first time speaking directly to our Guancha.cn readers. Although you've published many articles in our column, and everyone knows your name, they've never heard your voice. Today, we may have the opportunity to discuss some issues.

Let me start with a serious topic–the trade war. You just came from Brazil, could you talk to our readers about just how serious the punitive trade measures the United States has taken against Brazil? How will it affect President Lula's chances of re-election?

Batista: These issues are actually intertwined. As you can imagine, the Trump administration simply exacerbated existing problems. America's relative standing is declining, and the US is very anxious about this and unwilling to accept it. In its attempt to curb its waning leadership, the US is creating a great deal of chaos.

So what is Trump doing? He is using tariffs in an unprecedented way–not only in American history, but also anywhere else in the world. He is turning tariffs into a tool for political pressure, attacking China, India, Brazil, Nigeria, South Africa⋯ one after another, even his closest ally, Canada. Canada is now perhaps second only to Brazil as one of the biggest victims of Trump's tariffs.

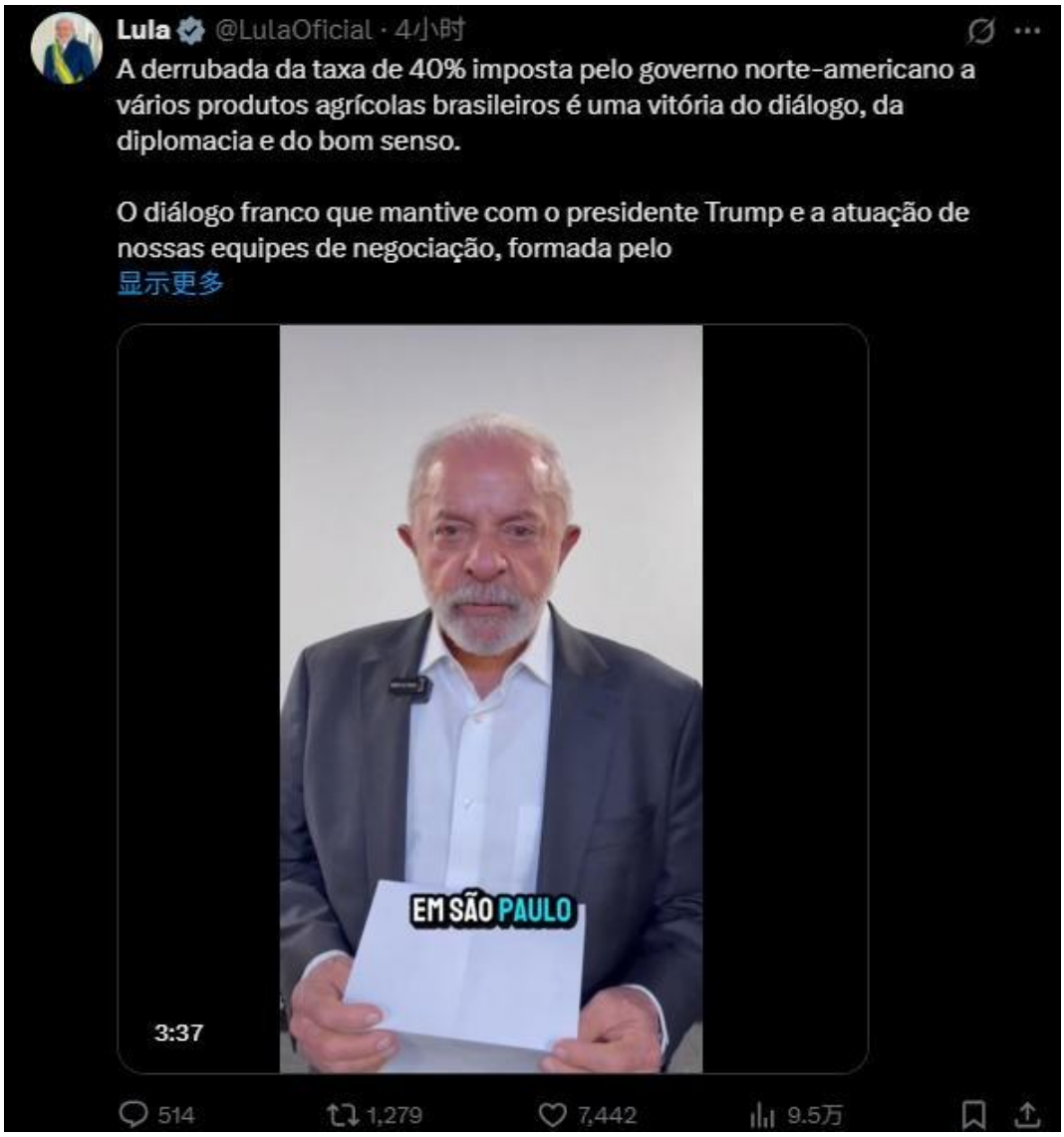
The situation is very serious. Even though Trump often retracts or withdraws his threats and policies, these actions and threats alone are enough to severely disrupt international trade.

Li Bo: So what impact will this have on Brazilian domestic politics?

Batista: Brazil isn't as heavily reliant on the US market as Canada or Mexico. Before Trump's crackdown, Brazil's exports to the US accounted for about 12% of its total exports. So unlike Canada and Mexico, which concentrate their trade in the US market, our dependence on the US isn't as high. The US is certainly important, but not overwhelmingly so. However, the US threatened to impose a 50% tariff on Brazilian goods, but ultimately exempted about half of Brazil's exports because importing those goods would benefit the US market itself.

All of this is not based on scientific evidence or case-by-case review, but is pure political abuse.

Another crucial point is that what the United States is doing now is essentially tearing up international agreements it has signed with many countries. These agreements, approved by the US Congress, are part of the international system.



On November 20, local time, Brazilian President Lula responded to the Trump administration's decision to cancel some tariffs. (Social media)

Li Bo: But we know that the United States' domestic political interests often override the so-called international agreements it has signed, and this time is no exception. However, what I see as different is that countries like China, Brazil, and India have all shown great resolve and have not backed down in the face of the Trump administration's bullying behavior. So, is this a new multipolar world order taking shape? What's your view?

Batista: I think you're quite accurate: this is a new multipolar world. China took the lead in responding to US bullying, with a firm and clear response. Later, Brazil and India were also subjected to tariff attacks. India was threatened with US action if it didn't stop buying Russian oil; China received similar threats. And as far as I know, India has maintained its position to this day.

Brazil was also hit with high tariffs by the US, primarily for political reasons. Importantly, this is the first time in my life I've seen the US use tariffs–that is, import taxes–to exert political pressure on another country. Trump has publicly stated that he is "unhappy" with Brazil because its former president was "very close" to the US, and the latter is facing legal charges. He called it a "witch hunt," but in fact, it was a legitimate legal process in Brazil, and the Supreme Court upheld the verdict.

Trump linked tariffs to Bolsonaro's legal troubles. As a result, even under pressure from Trump, Brazil's Supreme Court closed the trial and convicted the former president of "plotting a coup."

Li Bo: So you could say that Trump's bullying and threats have actually increased the chances of the Brazilian left winning the next election?

Batista: You could say that, but not because Trump is in Lula's favor, but because of the way Lula responded. He made it very clear: national sovereignty is not negotiable. His stance was very firm, and therefore his poll numbers rose. As a result, his prospects for re-election in 2026 are now better.

However, it must be emphasized that we cannot rule out the risk that the Trump administration might make significant interference in next year's Brazilian elections.

Li Bo: This is very difficult for Brazil, and I hope that Brazil can get through this election smoothly next year.

Batista: Frankly, next year is crucial. If a candidate closely associated with Bolsonaro defeats Lula, Brazil's participation in BRICS will be threatened, as will its relations with China. Why was the Trump administration so opposed to the Lula government? Because they believed the current Brazilian government was too close to China.

“The World Bank and the IMF have become political tools for North Atlantic countries.”

Li Bo: By supporting the BRICS countries and expanding BRICS, including a state visit to Indonesia, Lula has taken a series of important steps to strengthen South-South cooperation.

Batista: Inviting Indonesia to join BRICS was a crucial step in expanding the organization. As the world's fourth most populous country, Indonesia's inclusion in BRICS was a natural progression.

Li Bo: Okay, now let's focus on your area of expertise as a banker. In particular, you worked at the International Monetary Fund (IMF) for eight years, from 2008 to 2016,

which was the middle of a period of dramatic shifts in the financial system and Wall Street turmoil. Could you share some insights with us? Because from China's perspective, although the IMF and the World Bank were established to provide assistance, in reality they have caused a lot of harm to developing countries and the Global South.

Batista: You're absolutely right. They were indeed built to "help," but they've become "harmful" in practice. Why? Because the governance structures of these institutions are outdated. The IMF and World Bank are strongly dominated by the US and Europe–the North Atlantic axis. They're unwilling to relinquish control of the institutions. Why is this so important? To the US and Europe, the World Bank and IMF are political tools, weaponized. What does this mean? They have a "blacklist" of many countries that, in the institutions' view, are not worthy of assistance.

Li Bo: You saw this list with your own eyes?

Batista: This is informal, existing within the institution's internal processes. There is, in fact, a whitelist and a blacklist. For example, Ukraine is on the whitelist; they can obtain loans and unlimited balance of payments support with virtually no barriers. Aid to Ukraine increased dramatically after the full-scale outbreak of war in 2022. But I was working at the IMF as an executive director when the "Masjid coup" happened in 2014.

I read a number of internal reports on Ukraine written by the IMF staff, which stated that Ukraine's economy was already in a mess long before the war broke out.

Li Bo: Then what other reason is there to provide loans to Ukraine?

Batista: Exactly. I expressed that view at the time and abstained or voted against several decisions. Because I believed it would damage the IMF's reputation. If you look at the World Bank, the amount of loans provided to Ukraine even exceeds the amount provided to the entire African continent–can you imagine?

Therefore, although the IMF and World Bank were established with a global perspective, they have been effectively transformed into political and policy tools for North Atlantic countries.

Speaking of blacklists, which countries are on them? For example, Iran; if Iran wanted to seek loans from the IMF or World Bank, it would be completely rejected.

Li Bo: Perhaps no employee can write a proposal.

Batista: No, it's the Managing Director who says, "Iran, please don't contact us." The same goes for North Korea, which isn't even a member.

Li Bo: So, they didn't reject it based on an objective risk assessment?

Batista: No, the decision wasn't based on scientific standards. For example, some countries are placed on a grey list. Serbia was on the grey list because of its close ties with Russia. Perhaps they wanted to seek help from the IMF, but the proposal never even reached the board level for discussion. The executive board had no idea about any possible intentions from Serbia; any initiative would be rejected at Management level.

Li Bo: However, they will leave Serbia with a glimmer of hope, on the condition that they weaken their relations with China and Russia.

Batista: Yes, you understand how this all works. In fact, the application for EU membership is another political weapon designed to manipulate countries eager to join the EU.

In October of this year, US sanctions against Serbia's NIS (National Oil and Gas Corporation) took effect, leaving Serbia in a dilemma: either the Russian shareholder withdraws or production ceases.

Li Bo: In fact, Western countries use the so-called neutral international framework for political purposes, so it's no wonder that Trump would use domestic policies as weapons.

Batista: Trump has indeed added a new tactic, namely massive tariffs. But besides tariffs, there are also the IMF, the World Bank, and the SWIFT payment system. If any country refuses to cooperate with the West, it could be kicked out of the SWIFT system. This also politicizes the dollar. Look at what happened in Russia; half of its foreign exchange reserves, about $300 billion, were frozen.

Li Bo: Because the Global South countries do not want to be threatened by these weapons, we must unite to innovate and promote new international mechanisms. How can we address this issue from the perspective of a new type of international governance? In 2015, you came to Shanghai from Washington to join the newly established BRICS New Development Bank. Could you share some of the progress this bank has made in the past ten years?

Batista: Before getting to the main topic, let me briefly explain that the New Development Bank and the BRICS Contingent Reserve Arrangement (CRA) were created because we recognized that reform of international institutions under the Washington system was unlikely to be achieved.

Li Bo: Is this the trigger that led to the establishment of the BRICS mechanism?

Batista: That's right. Our goal is to make the New Development Bank (NDB) an alternative to the World Bank, and the CRA an alternative to the IMF. That's our plan, a clear objective. In 2015, then-President Dilma Rousseff of Brazil invited me to serve as Vice President of the NDB. So I came to Shanghai from Washington to leverage my experience at the IMF to participate in the development of the NDB. That was ten years ago.

“What challenges does the New Development Bank face in expanding its membership?”

Li Bo: Could you talk about why the New Development Bank was established in Shanghai?

Batista: That's an interesting question. Actually, India, South Africa, and China all vied for the hosting rights. Ultimately, China, especially Shanghai, came up with a very attractive proposal. They said, "We can build you a magnificent 20-story building in Pudong, entirely for your use, so please accept this offer." Then we asked South Africa and India, "Can you come up with a similar proposal?" And so, Shanghai was chosen.

In fact, this was my first time back in Shanghai since leaving, and I visited the newly completed New China Development Bank building, which was absolutely stunning. It's another brilliant example of China's infrastructure development. When I was working in Shanghai, the building was still under construction, so I never actually worked in it. But I can tell you, it's the best bank office building I've ever seen, and arguably the best in the world.

So now we have a building, nearly 300 employees, and the current president is former Brazilian President Dilma Rousseff, who is in fact one of the founders of the New Development Bank, but she was still president when it was founded.

Li Bo: Did you see her this time you came here?

Batista: No, because Rousseff is in Brazil now, but she was the one who arranged for me to take this position.

Li Bo: What progress has been made since you left? Has the CRA (BRICS Contingent Reserve Arrangement) replaced the role of the IMF's Special Drawing Rights (SDR)?

Batista: The CRA is effectively in a stalemate, with the authority falling into the hands of the central banks of the member countries. They are all very conservative and worried about how the CRA might develop. So it has been frozen, despite detailed plans negotiated among the central banks of the five founding members, but 10 years later, it has not actually been operational.

They worry that providing currency swap support within the CRA system for countries with fragile balance of payments could destabilize the foreign exchange reserves of some nations. For example, China, with its substantial foreign exchange reserves, has little to worry about. But I can tell you, the Brazilian central bank is deeply troubled by this. They are concerned that they might need to provide currency swap support in US dollars for South Africa–the only one of the five BRICS founding members that could potentially require balance of payments support. Therefore, unfortunately, the CRA's implementation has made very limited progress.

Li Bo: Okay, then why is the number of member countries of the New Development Bank still limited to 11? Was this set by the founders?

Batista: No, it's a different story. There are similarities, but here's the thing: when we started this bank, we envisioned it as a global bank. But ten years later, when I visited the bank this time, there were only ten flags on the flagpole outside–just "5+5".

Li Bo: Isn't this some encouraging news?

Batista: Yes, the expansion is too slow. However, Governor Rousseff recently admitted Colombia–it just completed all the accession procedures. And Uzbekistan is also joining. The New Development Bank is also in talks with Indonesia about joining.

Dilma Rousseff, President of the New Development Bank of BRICS

Li Bo: But does the accession process require a simple majority within the member states, or is it a veto system? Is it a political process?

Batista: If I remember correctly, the bank's articles of association stipulate that new members must be approved by the Board of Governors with a "qualified majority." The procedure is as follows: President Rousseff will proactively contact the interested countries, and the staff of the New Development Bank will also communicate, and then a proposal for accession will be formed. This proposal will first be submitted to the Board of Directors for discussion, and then the Board of Directors will submit it to the Board of Governors for a vote, which is composed of the finance ministers of each member country.

Li Bo: In other words, the bank president himself has the motivation to actively promote the expansion of the bank.

Batista: Yes, it requires proactive pushing. The proposal has to reach the board. You know, during my tenure, there was a problem—Russia desperately needed the bank and didn't want new members joining, thus competing for funding. So Russia gave us a huge headache. But later Russia changed its mind. But then a new problem arose: now the New Development Bank won't lend to Russia because it's afraid of Western sanctions.

Li Bo: In reality, there are no substantial major obstacles for the New Development Bank to attract more members, can you say that?

Batista: Actually, it's just a lot of work. Each country has its own specific needs, requiring separate coordination and handling, but it's entirely feasible. Look at the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank, established around the same time; the former now has over a hundred member countries. Why are we still stuck with only ten? This indicates that there are indeed internal problems.

Li Bo: Do many countries feel that joining the New Development Bank will label them with some kind of political tag? Personally, I think the political risks of joining the New Development Bank should be lower than those of joining BRICS, right?

Batista: Not necessarily. Iran joined the political process of BRICS expansion–but not the New Development Bank. I can tell you that when I first came here to work in 2015, Iran was the first country to formally submit a written application to join the New Development Bank.

Li Bo: What are the reasons for the internal opposition?

Batista: I personally support it. But the internal opposition is that if Iran joins, it will damage the New Development Bank's credit ratings with Moody's, Fitch, and S&P, leading to higher debt issuance costs for the bank and potentially squeezing it out of the international capital market. This concern is very real.

My counter-argument was: let Iran join as part of a group of countries so as to minimize the risk. We even conducted detailed calculations to prove that this was entirely feasible. But ultimately, we failed to push it through.

The IMF and the World Bank have blacklists, and in fact, Moody's, S&P, Fitch, and the international capital markets in New York and London also implicitly have similar blacklists. We made a mistake in designing the bank's structure: we positioned the bank as "part of the Western system." So when I was in office, we proactively approached Moody's, S&P, and Fitch, and even tried to issue bonds in New York and London.

This has ironically tied our hands. The New Development Bank is now in a predicament where it can't even lend to Russia, a founding member country that holds nearly 20% of its capital. You can see how serious the situation is.

To illustrate how Western countries can cause significant losses, let me cite a real financial example: Before the outbreak of the Russia-Ukraine war in 2022, the New Development Bank approved numerous projects for Russia, and according to the contracts, funds should have been disbursed. However, these disbursements have now stopped. This constitutes a breach of contract–a violation of a perfectly legal and valid contract between the bank and its member countries.

The banks were concerned that even fulfilling payments based on pre-war contracts would negatively impact their credit ratings in international markets. I certainly hope that this problem has now been overcome.

Mauricio Claver-Carone, the Trump administration's special envoy for Latin America, stated in March that Argentina must end its currency swap with China, or the United States will not support IMF loans.

Li Bo: But do banks really rely so heavily on Western market financing ratings for their funding? Haven't member countries already paid up their capital contributions?

Batista: It's not that simple. The initial paid-in capital of member countries was $10 billion. But this size was merely the basis for "leveraging"–banks needed to expand their financing scale by issuing bonds. Of course, issuing bonds in China doesn't require rating agencies like Moody's, but outside of China, especially in the dollar market, it's essential to rely on rating agencies. And we've already issued dollar bonds–which is tantamount to "tying" ourselves into the Western financial system and putting us in a passive position.

Li Bo: But ten years ago, you couldn't have foreseen that the situation would develop like this today, could you? The competition has become extremely fierce, and there have even been hostile confrontations.

Batista: Yes, when we were negotiating to establish the bank between 2012 and 2014, we did not anticipate that geopolitical tensions would become so acute. After the "Masjid coup" in Ukraine in 2014 and Russia's invasion of Crimea, the first wave of sanctions against Russia by the West occurred, and we had just arrived in Shanghai at that time, with no time to restructure the legal structure of the NDB..

Li Bo: In 2018, Trump launched a trade war against China, followed by a technology war.

Batista: Yes, but the decisive breakdown came after the outbreak of the Russia-Ukraine war in 2022, when Western sanctions against Russia were escalated across the board, severely impacting the New Development Bank's operations. Even though Russia is trying to repay the bank–yes, they are still trying, and they are very serious about it–they also need to find ways to circumvent the SWIFT system.

The reality is that the West is undermining international law and international contracts. The New Development Bank's predicament is just one example; this situation is becoming increasingly common. You just mentioned that the New Development Bank has been "hijacked" by the Western system; the Asian Infrastructure Investment Bank is in a similar situation. But is this permanent? Not necessarily.

We can use a strategic and patient approach to gradually help this bank reduce its dependence on the Western financial system.

(End of Part 1)