CENTREFOR ECONOMIC POLICY RESEARCH

Economic Security : A European Perspective

Beatrice Weder di Mauro

RIETI, Tokyo April, 2024







1. Japanese and European perspectives

2. The End of History and The (Brave) New World

3. A peek preview of the Paris Report 2024

"Assessment a landmark profoundly realistic and important supremely simply and cogens ..., the first book to fully fathom the depth and range of the changes now averaging through the world." -- George Gilder, The Winhinston Post Back Highl HISTOR AND THE _AST MAN FRANCIS FUKUVAMA WITH A NEW AFTERWORD

The end of history

End of ideology, End of geography End of poverty



What we may be witnessing is not the end of the Cold War but the end of history as such; that is, the end point of man's ideological evolution and the universalization of Western liberal democracy.

(Francis Fukuyama)

850 × 40

That was 1992

Ō.



What happened then

The world flattened

- 1. great moderation
- 2. falling inflation
- 3. falling real interest rates
 - falling poverty

4.

5.

6.

7.

9.

- falling inequality between countries
- rising globalization
- global value chains
- dollar dominance
- 10. global citizenship

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The end of the end of history

Crisis, populism, pandemic, trade war, China Anocracies on the rise, War in Europe and?

The Future of Banking



Global Economic Consequences of the War in Ukraine Sanctions, Supply Chains and Sustainability

CEPR PRESS

Edited by Christian Gollier and Dominic Rohner Peace not Pollution How Going Green Can Tackle Both Climate Change and Toxic Politics

Ry, Giancarlo, Corset IL, Barry, Elchenooreen Xavier Vives and Jeromin Zettelmeyer

The International Economic and Financial Order After the Pandemic and War

ESE Banking

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Edited by Shekhar Aiyar, Andrea F. Presbitero and Michele Ruta

Geoeconomic Fragmentation

The Economic Risks from a Fractured World Economy



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It's a New World Paris Report 2024: European Economic Security

J Pisani-Ferry, B Weder di Mauro, J Zettelmeyer

		Origin		
		Domestic shock	External shock	Deliberate action
	Trade and investment		External economic security risks	
	Financial	Economic	crises	National
Propogation	Disease	Epidemics/pandemics sec		security risks
	Military			
	Other			

Import dependence – defined precisely



FIGURE 2 NUMBER OF PRODUCTS FOR WHICH THE EU IS IMPORT DEPENDENT ACCORDING TO MEJEAN AND ROUSSEAUX

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Objective	Available instruments	Problems
Reduce import dependency for critical	Important Projects of European Interest (IPCEIs)	Imperfect match between critical products and targeted products.
products	European Chips Act	Lack of cost-benefit analysis
	Critical Raw Materials Act	Weak EU level instruments
	Net Zero Industry Act and related sections of the Temporary Crisis and Transition Framework for State Aid	Weak governance – actions and funding rely mostly on member states and lobbying by large firms.
	Health Emergency Preparedness and Response Authority (HERA)	
Diversify concentrated export exposures at the firm level	None, except for intention to negotiate additional free trade agreements with "friends".	Lack of instruments leaves the European Union vulnerable to coercion
Deepen the single market and make it more flexible	Internal Market Emergency and Resilience Act (IMERA)	No economic security-motivated deepening agenda
Deter economic coercion	Anti-Coercion Instrument	Council majority required to allow the Commission to deploy ACI powers
Limit overall trade dependency on China's market	None, except for intention to negotiate additional free trade agreements with 'friends'.	Economic cost of sudden decoupling may deter appropriate action by the European Union

Summary

- 1. The world of the great moderation is gone, unfortunately
 - 1. Geography is back,
 - 2. Political and economic fragmentation
 - 3. Ideology is back
- 2. Paris report recommendations; Be prepared, "buy" insurance
 - 1. Reduce dependence on critical imports
 - 2. Reduce dependence on concentrated exports (coercion risk)
 - 3. Dedicated anti-coercion instruments
 - 4. Single market one voice
- 3. Avoid : Protectionism , capture by special interests

Thank you

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Beatrice Weder di Mauro