

CENTRE FOR
ECONOMIC
POLICY
RESEARCH

Economic Security : A European Perspective

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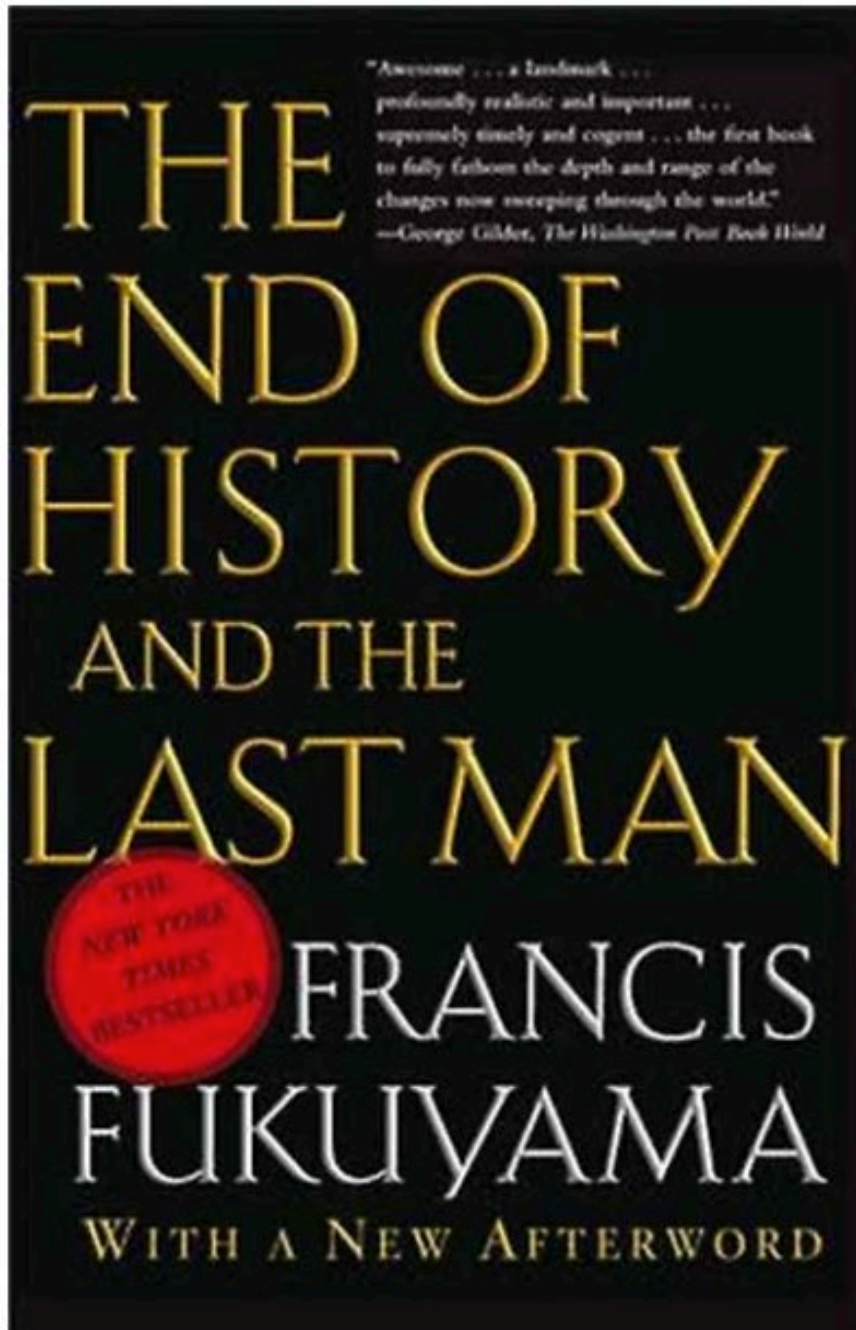
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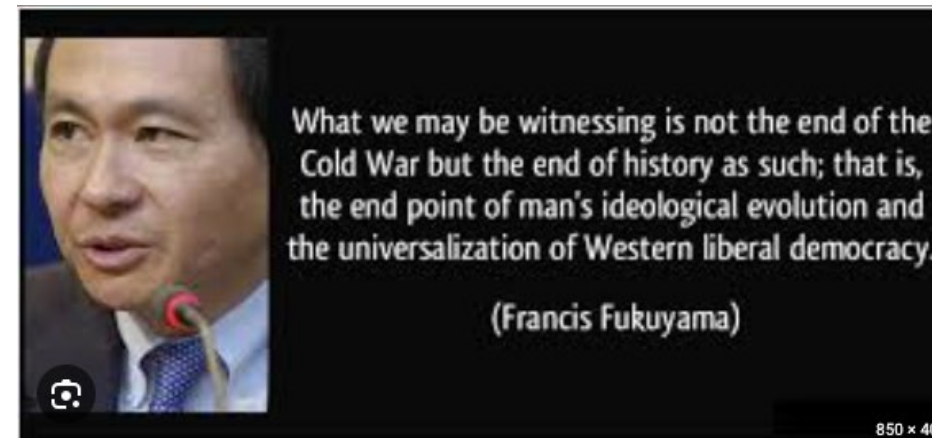
Overview

1. Japanese and European perspectives
2. The End of History and The (Brave) New World
3. A peek preview of the Paris Report 2024

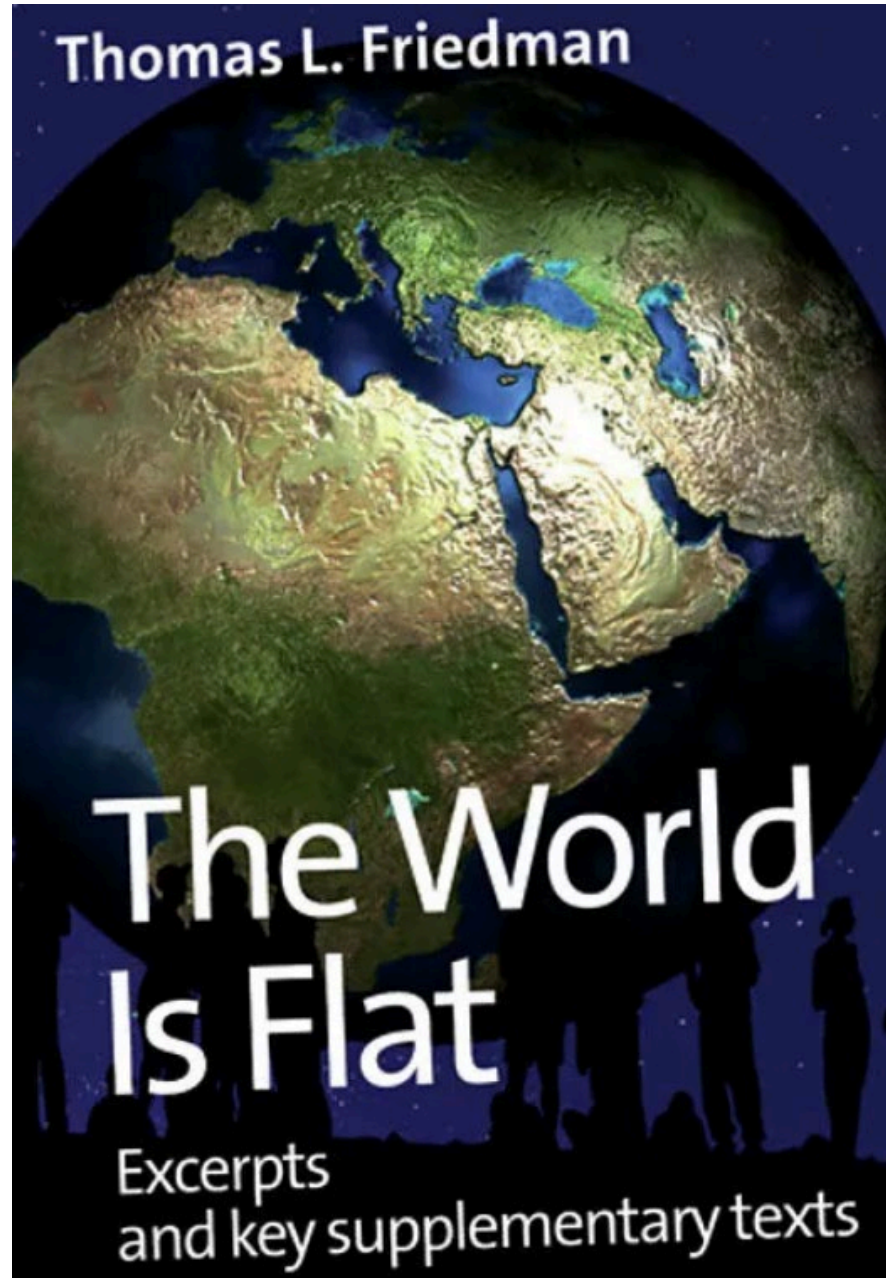


The end of history

End of ideology,
End of geography
End of poverty



That was 1992



What happened then

The world flattened

1. great moderation
2. falling inflation
3. falling real interest rates
4. falling poverty
5. falling inequality between countries
6. rising globalization
7. global value chains
9. dollar dominance
10. global citizenship

The end of the end of history

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



It's a New World

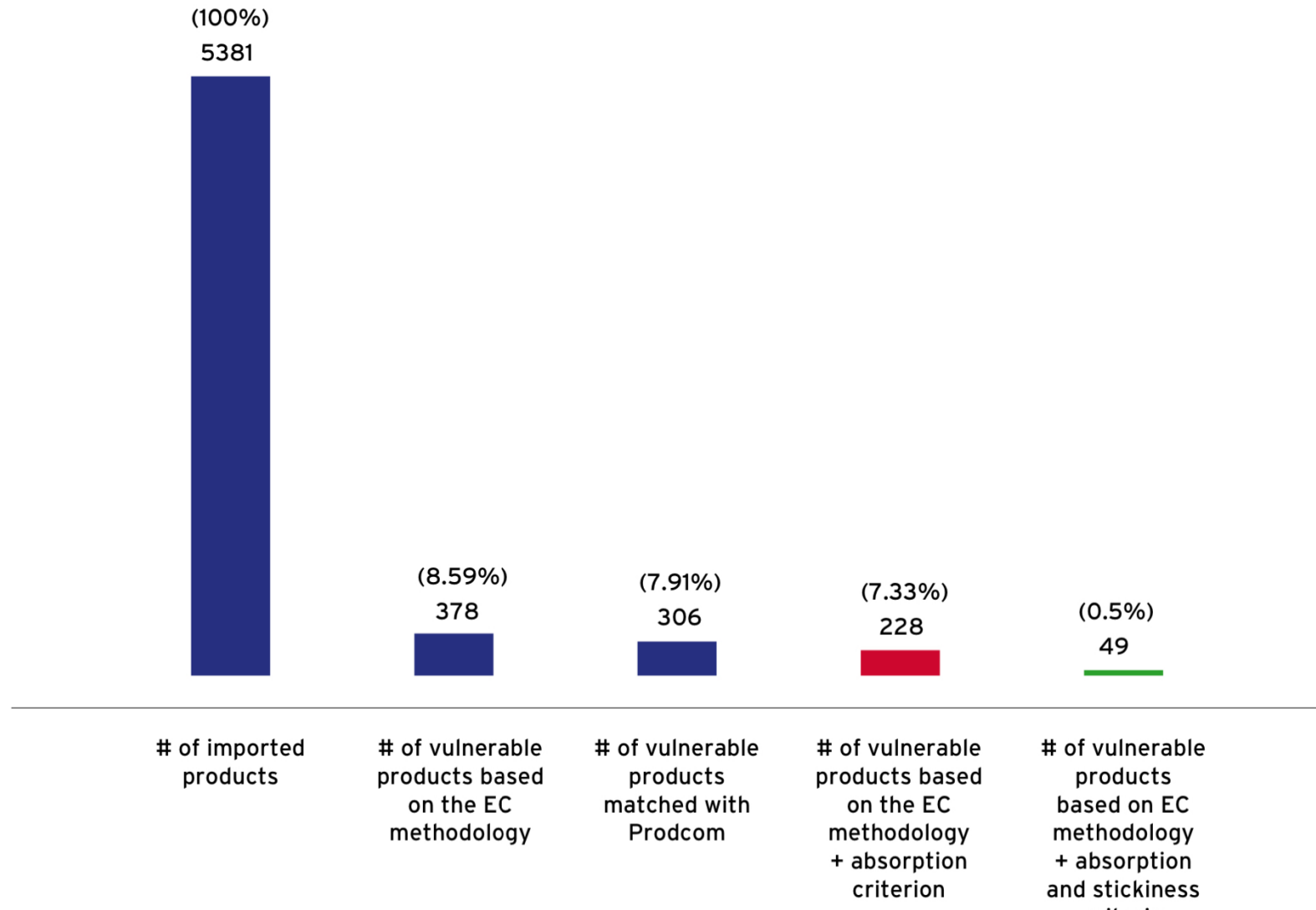
Paris Report 2024: European Economic Security

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

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

Import dependence – defined precisely

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



How to derisk

Objective	Available instruments	Problems
Reduce import dependency for critical products	<p>Important Projects of European Interest (IPCEIs)</p> <p>European Chips Act</p> <p>Critical Raw Materials Act</p> <p>Net Zero Industry Act and related sections of the Temporary Crisis and Transition Framework for State Aid</p> <p>Health Emergency Preparedness and Response Authority (HERA)</p>	<p>Imperfect match between critical products and targeted products.</p> <p>Lack of cost-benefit analysis</p> <p>Weak EU level instruments</p> <p>Weak governance - actions and funding rely mostly on member states and lobbying by large firms.</p>
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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