LES RENCONTRES ÉCONOMIQUES
AIX-EN-PROVENCE

35 think tanks internationaux débattent aux Rencontres Économiques d'Aix-en-Provence 2025

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DIALOGUE ÉCONOMIQUE MONDIAL

GLOBAL ECONOMIC DIALOGUE

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Les Rencontres Économiques d'Aix-en-Provence, Europe's biggest open-to-all economic and social forum

Every year, more than 400 speakers — researchers, business leaders, public officials, civil society representatives and young talents — come from all over the world to Aix-en-Provence (France) and debate the major issues of our time: growth and inequality, ecological transition, technological transformation, social cohesion, the future of Europe, and more.

Over three days of discussion and debate, *Les Rencontres* explore the consequences of geopolitical and macroeconomic shifts at every level — international, European, national, as well as in the daily lives of businesses and citizens.

It is within *Les Rencontres Économiques d'Aix-en-Provence* that the Global Economic Dialogue was established, as a high-level intellectual coalition serving collective reflection.

Les Rencontres Économiques d'Aix-en-Provence, plus grand forum économique et social gratuit et ouvert à tous en Europe

Chaque année, plus de 400 intervenants — chercheurs, chefs d'entreprise, responsables publics, acteurs de la société civile et jeunes talents — viennent du monde entier débattre à Aix-en-Provence des grands enjeux de notre temps : croissance et inégalités, transition écologique, mutations technologiques, cohésion sociale, avenir de l'Europe…

A travers 3 jours de débats, le forum aborde les conséquences des évolutions géopolitiques et macroéconomiques à toutes les échelles : internationale, européenne, nationale, mais aussi dans la vie des entreprises et des citoyens.

C'est en leur sein qu'est né le Dialogue Économique Mondial, coalition intellectuelle de haut niveau au service de la réflexion collective.

OPENING

Largest open-to-all economic and social forum in Europe, *Les Rencontres Économiques d'Aix-en-Provence* have a new instrument, and with it, a renewed ambition for the future.

Last year, for the first time in their history, *Les Rencontres d'Aix* welcomed thirty-five leading international research and policy institutions – think tanks, clubs and foundations. Over three days of debate, their representatives, who travelled from all over the world, enriched our discussions with their expertise. We are deeply grateful for the trust they placed in us.

Their participation is significant in several respects. They helped all those involved (the public, financial and institutional partners, major media outlets, speakers, regional stakeholders, and many others) to better decipher a world that has become increasingly opaque. In partnership with *Le Cercle des économistes*, they brought the kind of analytical rigor that is now indispensable for guiding action. They also broadened our discussions, enriched our visions of the world, and helped to shift and decenter our perspectives.

This first Dialogue naturally calls for a second edition, and hopefully a third, and a fourth one... We intend to broaden this initiative and open it even further to all regions of the world, including the most distant ones.

Our ambition is clear. We now want to open this intellectual coalition to all and to place it at the service of the common good. Together, let us make Aix-en-Provence, the foremost laboratory of ideas in Europe.

This is why the following publication is a landmark in the history of *Les Rencontres Économiques d'Aix-en-Provence*. It introduces a new and exciting chapter.

PR. JEAN-HERVÉ LORENZI,
PRESIDENT, LES RENCONTRES ÉCONOMIQUES D'AIX-EN-PROVENCE

ÉDITORIAL

Plus grand forum économique et social gratuit et ouvert à tous du continent européen, Les Rencontres Économiques d'Aix-en-Provence se dotent d'un nouvel outil. Et, avec lui, d'une ambition renouvelée pour l'avenir.

L'an dernier et pour la première fois de leur histoire, Les Rencontres d'Aix ont accueilli trente-cinq grandes institutions internationales de réflexion et de recherche, think tanks, clubs et fondations. Pendant trois jours de débats, leurs représentants venus du monde entier ont apporté leur expertise et leur regard à nos débats. Nous leur sommes reconnaissants de leur confiance !

Leur participation est majeure à plusieurs titres. Les *think tankers* présents ont aidé l'ensemble des acteurs impliqués à Aix (grand public, partenaires financiers et institutionnels, grands médias, intervenants, partenaires régionaux...) à décrypter un monde devenu illisible. En partenariat avec le Cercle des économistes, ils ont apporté une rationalité aujourd'hui indispensable pour penser l'action. Ils ont aussi largement diversifié nos discussions, enrichi nos visions du monde, décentré nos approches.

Cette première édition en appelle une deuxième, une troisième, une quatrième... Nous souhaitons surtout élargir ce Dialogue et l'ouvrir encore davantage à toutes les régions du monde, y compris les plus lointaines.

Notre ambition est claire. Ouvrir cette coalition intellectuelle à toutes et à tous et faire œuvre utile. Faisons ensemble d'Aix-en-Provence, le plus grand laboratoire d'idées d'Europe.

C'est en ce sens que cette publication est un événement dans l'histoire des Rencontres Économiques d'Aix-en-Provence. Elle marque le début d'une nouvelle page ô combien enthousiasmante.

PR. JEAN-HERVÉ LORENZI,
PRÉSIDENT DES RENCONTRES ÉCONOMIQUES D'AIX-EN-PROVENCE

INTRODUCTION

From pilot to platform : establishing a Global Economic Dialogue from Aix-en-Provence

Dialogue is possible only if interlocutors mutually recognize one another's right to hold a point of view. This view is not a mere matter of intellectual courtesy; it is a political condition. When we launched the Global Economic Dialogue in Aix-en-Provence in 2025, we tried to take that condition seriously. In a world marked by polarization, fragmentation, and distrust, the objective was not to convene yet another summit. Our aim, rather, was to lay the foundations for a new space, for a different kind of conversation. A place where thinking proceeds not from a single center, but from the diversity of contexts, disciplines, and intellectual traditions.

This coalition was built against the grain of homogenizing logics. Thirty-five leading think tanks from Latin America, Africa, Europe, the Middle East, Asia, and the United States agreed to engage on equal terms, without hierarchy or ideological filters. Such an undertaking requires a discipline, consisting in accepting the legitimacy of another's perspective, even when it diverges from one's own. It also implies that the pathways of economic, cultural, or military cooperation must be reinvented. When policies and ideological blocs confront one another, solutions may emerge from research institutions.

The contributions gathered here attest to the collapse of past certainties. "The era of strategic trust is over," writes Raquel López-Portillo Maltos (COMEXI), noting the birth of an age of commercial suspicion. For Omar Oscar Ashour (Doha Graduate Institute), Europe has no choice but to become a "producer of security." Heidi Crebo-Rediker (Council on Foreign Relations) calls for building a multilateral economic architecture capable of withstanding the assaults of time. Xuekun Wang (Chinese Academy of International Trade) reminds us that "openness drives progress, while closure breeds stagnation." These diagnoses are not identical, but they are united by a shared urgency to redefine the terms of a world economy that is simultaneously unstable, interconnected, and fractured.

This is the ambition we will pursue looking ahead. To make the Global Economic Dialogue a lasting instrument at the service of all. Not a one-off event, but rather a working method. A platform at once rigorous, open, and structured, capable of informing major arenas of ideas—*Les Rencontres Économiques d'Aix-en-Provence*, of course, but also public decision-making bodies, partner think tanks, international institutions, and regional networks.

Aix-en-Provence aspires, with our intellectual partners, to become an essential laboratory of ideas. A place of unfiltered debate, of useful diagnosis, and of enduring intellectual alliances.

VINCENT PUYBASSET,
ECONOMIC ADVISOR TO THE PRESIDENT
OF *LES RENCONTRES ÉCONOMIQUES D'AIX-EN-PROVENCE*, COORDINATOR
OF THE 2025 GLOBAL ECONOMIC DIALOGUE

INTRODUCTION

Du pilote à la plateforme : instaurer un Dialogue Économique Mondial depuis Aix-en-Provence

Il n'y a de dialogue possible qu'à condition que les interlocuteurs se reconnaissent mutuellement le droit d'avoir un point de vue. Cette pensée ne relève pas d'une simple politesse intellectuelle. Elle est plutôt une condition politique. En lançant le Dialogue Économique Mondial à Aix-en-Provence en 2025, nous avons voulu prendre cette condition au sérieux. Dans un monde traversé par la polarisation, la fragmentation et la défiance, il ne s'agissait pas de réunir un énième sommet. Nous avons souhaité, au contraire, poser les fondations d'un espace nouveau. Ou encore d'une discussion d'une nature nouvelle. Un lieu où l'on pense, non à partir d'un centre, mais depuis la diversité des contextes, des disciplines, des traditions intellectuelles.

Cette coalition s'est construite à rebours des logiques d'homogénéité. Trente-cinq think tanks de référence, venus d'Amérique latine, d'Afrique, d'Europe, du Moyen-Orient, d'Asie et des États-Unis, ont accepté de dialoguer à égalité, sans hiérarchie ni filtre idéologique. Cette démarche suppose une discipline, celle d'accepter la légitimité d'un regard autre, parfois différent. Elle implique aussi que les voies de la coopération, qu'elle soit économique, culturelle ou militaire, doivent être réinventées. Là où les politiques et les blocs idéologiques s'opposent, la solution peut venir des institutions de recherche.

Les contributions réunies ici témoignent d'un effondrement des certitudes passées. « L'ère de la confiance stratégique est révolue », écrit Raquel López-Portillo Maltos (COMEXI), soulignant l'entrée dans un âge du soupçon commercial. Pour Omar Oscar Ashour (Doha Graduate Institute), l'Europe n'a plus d'autre choix que de devenir « *productrice de sécurité* ». Heidi Crebo-Rediker (Council on Foreign Relations) appelle à construire une architecture économique multilatérale capable de résister aux assauts du temps. Xuekun Wang (Académie chinoise du commerce international) rappelle que « l'ouverture stimule le progrès, tandis que la fermeture engendre la stagnation ». Ces diagnostics ne se confondent pas. Ce qui les relie, c'est une même urgence. Celle de redéfinir les termes d'une économie mondiale instable, interconnectée et fracturée.

C'est là l'ambition que nous portons. Faire du Dialogue Économique Mondial un outil durable au service de tous. Non un événement ponctuel, mais une méthode de travail. Une plateforme à la fois rigoureuse, ouverte et structurée, capable de nourrir les grandes scènes d'idées, Les Rencontres Économiques d'Aix-en-Provence d'abord, mais aussi les instances de décision publique, les think tanks partenaires, les institutions internationales, les réseaux régionaux.
Car les Rencontres d'Aix aspirent à devenir un laboratoire d'idées incontournable, un lieu où l'on débat sans filtre, où se forgent des diagnostics utiles, où se bâtissent et se rebâtissent des alliances intellectuelles.

VINCENT PUYBASSET,
CONSEILLER ÉCONOMIQUE DU PRÉSIDENT DES RENCONTRES ÉCONOMIQUES D'AIX-EN-PROVENCE,
COORDINATEUR DU DIALOGUE ÉCONOMIQUE MONDIAL 2025

SPECIAL THANKS

The authors of this document wish to express their most sincere gratitude to all those who made this initiative possible and who, let's hope, will help ensure its continuity and success in the years to come.

First and foremost, the members of *Le Cercle des économistes*, who have organized *Les Rencontres Économiques d'Aix-en-Provence* for the past twenty-five years. Especially its founder, Professor Jean-Hervé Lorenzi; its President, Professor Françoise Benhamou; and the Chair of its Supervisory Board, Ms. Marie Castaing; and Bertrand Badré and Hélène Rey who moderated the discussions during the forum.

We also extend our special thanks to the representatives of our partner and thank them for their trust and insights. It takes real commitment of time and energy to travel (sometimes across thousands of kilometers) and contribute to a high-level intellectual coalition.

Since their creation, *Les Rencontres Économiques d'Aix-en-Provence* have benefited from the steadfast support of the French public authorities and, above all, of the diplomatic network. None of this would have been conceivable without their engagement and help.

Several financial partners of *Les Rencontres* have likewise agreed to lend their support at various stages, in a spirit of collaboration of extraordinary value.

Finally, the organizational team, without whom none of this would be possible, and of course the editing work of Camille Hellot.

REMERCIEMENTS

Les auteurs de ce document souhaitent exprimer leurs plus sincères remerciements à toutes celles et ceux qui ont permis à cette initiative d'aboutir et qui permettront, espérons-le, sa pérennisation et son succès dans le futur.

Les membres du Cercle des économistes d'abord, qui organisent depuis 25 ans les Rencontres Économiques d'Aix-en-Provence. Et en particulier son fondateur, le Pr. Jean-Hervé Lorenzi, sa présidente, la Pr. Françoise Benhamou, et la présidente de son Conseil de Surveillance, Madame Marie Castaing, ainsi que Bertrand Badré et Hélène Rey, qui ont modéré les échanges pendant le forum.

L'ensemble des représentants des think tanks partenaires, ensuite, pour leur confiance et leurs éclairages. Il faut accepter d'engager son temps et son énergie pour parcourir parfois plusieurs milliers de kilomètres et collaborer à une coalition intellectuelle de haut niveau.

Depuis leur création, Les Rencontres Économiques d'Aix-en-Provence bénéficient en outre d'un soutien indéfectible des pouvoirs publics français, et en premier des réseaux diplomatiques. Rien n'eût été envisageable sans leur intercession et leur fidélité.

Plusieurs partenaires financiers des Rencontres ont également accepté de prêter leur aide à plusieurs moments, dans un esprit de collaboration extraordinairement précieux.

Enfin, l'équipe d'organisation dite « Mermoz », sans laquelle rien de tout cela ne serait possible, sans oublier le travail d'édition et de mise en page de Camille Hellot.

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INTRODUCTORY CHAPTER
FACING THE SHOCK OF REALITY

CHAPITRE PRÉLIMINAIRE **AFFRONTER LE CHOC DES RÉALITÉS**

The 2025 edition of *Les Rencontres Économiques d'Aix-en-Provence* decided to dive into a bold theme. What does it mean, in practice, to face the shock of reality that our world experiences? Which shocks are we exactly facing, and how do economies and societies adapt to them?

Liberal orders are tested when assumptions collapse. Across these pages, a common diagnosis emerges. The era of strategic trust has ended, and with it the comfort of reflexive reliance on familiar anchors. For Europe, Washington's unpredictability exposes an overdue imperative, the one of building a real strategic autonomy, economically and militarily, rather than presume it is secured. At the same time, liberal democracies must recover the capacity to act, at a time when their proceduralism threatens to become paralysis.

Looking beyond Europe, authors from Africa and the wider Global South insist that the "shock of reality" is neither new nor abstract. States long accustomed to budgeting for geopolitical risk are adapting faster when institutions are disciplined and domestic resilience is cultivated. The proposal is to repoliticize Europe–Africa relations, and to move past narrow technocracy to a strategic partnership that recognizes "geo-economic connectors" and mobilizes patient capital for long-horizon infrastructure, aligning security, development, and demography. This is less a plea for aid than a blueprint for mutual capacity-building under conditions of scarcity.

Latin America, meanwhile, reads the moment as an interregnum. Globalization recedes, protectionism rises, and a transactional logic advances amid heightened U.S.–China rivalry. The region's proposition is pragmatic: to become a reliable supplier in reconfigured value chains by leveraging strategic minerals, energy, agri-tech, and AI-enabled productivity, while using geopolitical neutrality to attract high-value investment on a "win-win" basis.

Taken together, these four contributions chart an agenda. Europe must learn to act; partnerships with the Global South must be reframed as strategic compacts; and economic security architectures must be redesigned to function under stress.

The program is an ambitious one. That is why the media *L'Opinion* decided to make it its own, by publishing these first four contributions as opinion pieces.

L'édition 2025 des Rencontres Économiques d'Aix-en-Provence a choisi d'aborder un thème audacieux. Que signifie, concrètement, affronter le choc des réalités que connaît notre monde ? À quels chocs faisons-nous précisément face, et comment les économies et les sociétés s'y adaptent-elles ?

Les ordres libéraux sont mis à l'épreuve lorsque leurs fondements s'effondrent. Au fil de ces pages, un diagnostic commun se dégage : l'ère de la confiance stratégique est révolue, et avec elle le confort d'une dépendance réflexe à des repères familiers. Pour l'Europe, l'imprévisibilité de Washington met en lumière une urgence longtemps différée : construire une véritable autonomie stratégique, économique et militaire, plutôt que de la présumer acquise. Dans le même temps, les démocraties libérales doivent retrouver leur capacité d'action, à un moment où leur caractère procédurier risque de se transformer en paralysie.

Au-delà de l'Europe, des auteurs venus d'Afrique et du Sud global rappellent que le « choc des réalités » n'a rien de nouveau ni d'abstrait. Les États depuis longtemps habitués à budgéter le risque géopolitique s'adaptent plus vite lorsque leurs institutions sont rigoureuses et leur résilience interne cultivée. La proposition consiste à repolitiser les relations Europe-Afrique, et à dépasser la technocratie pour établir un partenariat stratégique reconnaissant le rôle des « connecteurs géoéconomiques » et mobilisant des capitaux patients pour des infrastructures à long terme, en alignant sécurité, développement et démographie. Il ne s'agit pas tant d'un appel à l'aide extérieure que d'un plan de co-construction des capacités dans un contexte de rareté.

L'Amérique latine, quant à elle, lit le moment actuel comme un interrègne : la mondialisation recule, le protectionnisme progresse, et une logique transactionnelle s'impose sur fond de rivalité exacerbée entre les États-Unis et la Chine. La région adopte une approche pragmatique : devenir un fournisseur fiable dans des chaînes de valeur reconfigurées, en misant sur ses minerais stratégiques, son énergie, l'*agritech* et la productivité soutenue par l'intelligence artificielle, tout en tirant parti d'une neutralité géopolitique pour attirer des investissements à forte valeur ajoutée sur une base « gagnant-gagnant ».

Prises ensemble, ces quatre contributions dessinent une feuille de route : l'Europe doit réapprendre à agir ; les partenariats avec le Sud global doivent être redéfinis comme des pactes stratégiques ; et les architectures de sécurité économique doivent être repensées pour fonctionner sous contrainte.

Le programme est ambitieux. C'est pourquoi le média *L'Opinion* a voulu s'en emparer, en publiant ces quatre premières contributions sous la forme de tribunes.

Europe Facing Itself: Washington Will No Longer Come to the Rescue

BY DANIELA SCHWARZER

Daniela Schwarzer is Board Member of the *Bertelsmann Stiftung* and is a leading expert on European and international affairs. In this article she calls for a stronger and more united Europe capable of defending itself in an increasingly unstable world. This article was originally published in French. The following English translation is our own.

Since January 2025, Europe has been experiencing a rupture it long feared: Donald Trump's America is no longer a reliable ally, but an unpredictable power, ready to exploit our economic and security dependence. It is now up to us to take responsibility for something we should have prepared for long ago: our strategic autonomy.

On the economic front, the shock is already palpable. Even under Biden, the *Inflation Reduction Act* and the *CHIPS Act* signaled a shift toward a more protectionist economic model in the United States. With Trump, the escalation is unprecedented: 20% tariffs on our imports — currently suspended until July 9 — and already 50% on steel and aluminum. Transatlantic trade, a cornerstone of our prosperity, is under intense pressure, while the U.S. administration seeks to attract more direct investment and repatriate supply chains in an increasingly conflict-ridden world.

But it is on the security front that the lesson is the harshest. On issues like Israel or Iran, America acts without consulting us, highlighting our growing marginalization. At last week's NATO summit, no U.S. withdrawal was announced — but that outcome guarantees nothing. Europe must be prepared to defend itself alone, as it can no longer rely on Washington's consistency. Europeans must quickly reach 3.5% of GDP for defense spending, and above all, use these resources coherently in the service of collective security on our continent.

Furthermore, Europe must urgently deepen its strategic thinking — within the EU-27, and among the most powerful states — such as France, Germany, the United Kingdom, as well as Poland and the Netherlands, in coordination with other partners like Spain, Italy, or the Baltic states — all of whom must take greater responsibility for European security before the United States scales back its presence. What will we do if Washington turns its back on Ukraine? What will become of Eastern Europe if U.S. deterrence against Moscow weakens? We must answer these questions together.
Ideologically, the fractures are becoming increasingly visible. In February, Vice President J.D. Vance urged Europeans to "return to democratic values." In the same speech, he accused Germany of restricting freedom of expression. A provocation? No, rather a strategy of division and influence. The Trump movement is expanding its networks with anti-European forces, for example through the *Conservative Political Action Conference* (CPAC), which has taken root in Budapest and Warsaw.

All of this strikes at the heart of the European model: a common market based on rules, collective security, and open societies. Faced with this turning point, it is no longer enough to proclaim European sovereignty. We must build it. Invest in credible defence and technological sovereignty, strengthen our alliances, and protect our democracies. Europe will not be saved from the outside. It will only be saved by itself.

Facing the Reality of Democratic Paralysis

BY HEIDI CREBO-REDIKER AND DOUGLAS REDIKER

Heidi Crebo-Rediker, Senior Fellow for Geoeconomics at the Council on Foreign Relations, and Douglas Rediker, Non-Resident Senior Fellow at the Brookings Institution, co-authored this opinion column. They warn that liberal democracies, constrained by their own procedures, risk paralysis unless they recover the capacity to act decisively if they are to remain legitimate in the eyes of their citizens.

In liberal democracies, we pride ourselves on process - on rules, procedures, checks and balances. And rightly so. These safeguards protect minorities, elevate deliberation over impulse, and distinguish democracies from autocracies. But the world we now face is not waiting for consensus.

From Washington to Warsaw, Delhi to the Danube, electorates are increasingly embracing those who promise action, even at the cost of democratic norms. We may be tempted to dismiss this as a populist impulse, a revolt against elites, or the product of disinformation. But it is also a rational reaction to democratic systems that too often appear incapable of delivering.

Nowhere is this more evident than in Europe. The Draghi Report offers a roadmap to restore European competitiveness, including capital markets union, banking integration, and targeted fiscal reform. Its recommendations are widely accepted and broadly supported. And yet, the reality: nothing moves. Consensus is elusive. Unanimity, in many cases, impossible. The result is drift, stagnation, rising frustration, and declining competitiveness.

Jean-Claude Juncker put it bluntly during the eurocrisis: "We all know what to do, but we don't know how to get re-elected once we have done it." That tension, between what is necessary and what is politically palatable, has only grown more acute.

The impulse to protect national interests, or to avoid alienating any constituency, is politically rational. But it is producing structurally unsustainable outcomes. A model of governance that cannot act, because every stakeholder holds a de facto veto, is one that cannot effectively govern, which breeds resentment. It validates the narrative that liberal democracy is all talk and no action. "Ready, aim, aim, aim…" And it leaves the door open to those who promise to act, even if unilaterally, with or without permission.

In the United States, Donald Trump has returned to power. He governs with little regard for process, precedent, or institutional restraint. Even during the election, most of his policies lacked majority support. But to many Americans, he "gets things done." And in an era of pervasive gridlock, that alone was enough for millions of voters.

To be clear, this is not a call to emulate strongmen. Their appeal may be understandable, but their outcomes are corrosive - economically, institutionally, morally. But it is a call to face the reality that democracy must do more than protect against bad decisions. It must also enable good ones.

The admirable European commitment to rule-based deliberation, designed to prevent the abuses of the past, is now contributing to paralysis in the present. If liberal democracies cannot demonstrate that they can act with speed and purpose, citizens will increasingly reach for alternatives that can.

This is also not an argument against process. It is an argument against fetishizing it. Democratic consensus must remain a goal, but it cannot be a precondition for every decision. Europe's legitimacy and global stature will not be enhanced and restored simply by rhetorical appeals to shared values. It will be restored by action. By showing that even in a rules-based system, there is still room for agency, for boldness, for movement.

The perfect must not become the enemy of the necessary.

Africa–Europe: Restoring Politics to Renew Partnership

BY KARIM EL AYNAOUI

Karim El Aynaoui, President of the Policy Center for the New South, argues in this paper that Europe and Africa must rethink their partnership in a rapidly changing geopolitical order. He calls for "repoliticizing" their relations—moving beyond technocratic approaches to build a more strategic and mutually beneficial cooperation. This article was originally published in French. The following English translation is our own.

For most countries in the Global South, the harshness of international relations and the power dynamics that define them are nothing new. In several regions, international conflicts and rivalries have left deep scars, from which some nations and their neighbours are still struggling to recover. Without the security guarantees provided by a third power, as is the case in the relationships that link the United States to its Asia-Pacific and European allies, these states have long had to factor geopolitical risk into their budgets, a risk that never truly disappeared and has at times materialized. This may explain why the adaptation to the new geopolitical era is seen as relatively easier for the countries of the South, particularly for emerging middle-income economies.

The transition to these new times will not be smooth, given the need to safeguard the "home front" — that is, the social fabric, macroeconomic balance, public order, and environmental resilience. States will have to relearn the discipline of sound public management: the capacity to pursue reforms, deploy effective public policies, manage public finances and monetary policy, and navigate uncertainty in an international environment where mistakes are increasingly costly. Achieving or maintaining a degree of strategic autonomy, preserving national security and sovereignty, will come at that price.

Of course, not all countries start from the same position. Yet it is under these conditions that the nations of the Global South can seize the benefits of ongoing global reconfigurations, particularly the redeployment of global value chains. Thanks to their efforts toward internal stability, some economies can position themselves as "geo-economic connectors", among them, countries such as Morocco and Vietnam. In this context, the strategic weight of some of Europe's partners should be reassessed and elevated. To do so, it is essential—especially at a time when development aid resources are drying up—to *repoliticize* relations with these countries, freeing them from technocratic constraints and rebuilding them on more ambitious foundations. With Africa in particular, a new dynamic must be fostered by capitalizing on complementary demographic trajectories and shared strategic imperatives.

In practice, this could mean creating new multilateral institutions and instruments to channel European pension fund capital toward long-term infrastructure financing in Africa, leveraging the continent's higher growth rates and potential returns. Such partnerships would help build a realistic and lasting community of interests between Africa and Europe.

A Call to Action for Latin America

BY MARTÍN REDRADO

Martín Redrado is the Director General of Fundación Capital. This article focuses on Latin America's potential role in a changing global order. He emphasizes the region's strategic resources, peaceful status, and technological advantages, positioning it as a reliable supplier in global value chains while attracting high-value investments. This article was originally published in French. The following English translation is our own.

The world is currently witnessing a historical "interregnum," where the old-world order is dying while the new one is slow to emerge. Although no single event marks the start of this period, the 2008 global financial crisis definitively ended the unipolar moment and eroded confidence in the liberal international order.

Globalization is retreating, protectionism is rising, and economic and security concerns are increasingly intertwined. In this context, two elements are crucial. First, the rule-based world seems to be giving way to a transactional world, where negotiations and particular interests prevail. Second, there is growing competition between the People's Republic of China and the United States. This rivalry is especially evident in recent years of U.S. imports from China, which have fallen by eight percentage points since 2018, now representing only 13% of the total. This competition extends to Latin America, where China focuses its investments on infrastructure and critical raw materials for its industries, making it Brazil's top trading partner.

Faced with this global tension, Latin America is called upon to act: the region has the capacity to play a key role in global energy security, the ecological transition, and food security. Beyond being a peaceful continent, Latin America possesses strategic minerals, energy resources, medium-intensity nuclear power capabilities, telecommunications, food industries, and technology sectors, among others. The region also has a unique opportunity to leverage artificial intelligence in sectors where it already holds competitive advantages, such as agriculture, energy, and mining. In short, Latin America has what the world seeks and can capitalize on structural changes in global value chains to establish itself as a reliable supplier.

China has already taken the lead, but the United States and Europe can still position themselves as key partners, particularly given the continent's neutral geopolitical stance. This is a major asset in a world marked by various conflicts from which Latin America is largely exempt. With low geopolitical tensions and significant trade complementarities, the region offers selective opportunities for complementary countries or regions.

In this "transactional" world, the approach to Latin America should be "win-win," with the region serving as an essential supplier in global supply chains while receiving high-value investments that generate more and better-quality jobs for its populations.

CHAPTER 1
SECURING OUR ECONOMIES

CHAPITRE 1 **SÉCURISER NOS ÉCONOMIES**

In an era marked by renewed great power rivalry, systemic shocks, and the collapse of long-standing assumptions about globalization, economic resilience is a central pillar of national and international security. The articles in this chapter interrogate the evolving nexus between economic and strategic imperatives, offering complementary perspectives on how states and alliances can secure their economies amid growing geopolitical turbulence.

Heidi Crebo-Rediker dives into the G7 architecture, analyzing the critical gaps in the group's efforts to build an effective multilateral architecture for economic security. She argues for institutionalized mechanisms capable of countering economic coercion, securing supply chains, and managing technological competition, especially in the face of U.S. retrenchment.

Raquel López-Portillo Maltos shifts the lens to the limitations of regionalism in the absence of trust, using the U.S.–Mexico relationship as a cautionary tale. She shows how "connector economies" are navigating a fragmented global order and calls for a new strategic pact that reconciles trade with geopolitics.

Omar Ashour's contribution examines Europe's urgent need to transition from a consumer of security to a producer of it, through rearmament, hybrid defence, and societal resilience, arguing that strategic autonomy is not a luxury but a necessity in a world where deterrence is no longer guaranteed.

Securing our economies also requires a conversation about monetary issues. As Martín Redrado notes, we have moved from a world dominated by the dollar (and its "exorbitant privilege") to a more diversified and decentralized monetary system, one that is characterized by competition between currencies. Here again, this evolution of global monetary architecture calls for new frameworks for collaboration and cooperation, so as to make our economies more resilient to shocks.

Taken together, these texts illuminate the urgent challenge of securing our economies not merely through defence spending or protectionist instincts, but by building trust, institutional resilience, and adaptive strategic frameworks. The question is not whether the economic and security spheres will remain intertwined – they already are – but whether democracies can forge a coherent response before the next systemic shock hits.

Dans une époque marquée par une hausse des rivalités entre grandes puissances, par des chocs systémiques et par l'ébranlement des piliers de la mondialisation, la résilience économique est au centre de la sécurité nationale et internationale. Les articles de ce chapitre examinent le lien entre les impératifs économiques et stratégiques, en offrant des perspectives complémentaires sur la manière dont les États et les alliances peuvent sécuriser leurs économies dans un contexte de turbulences géopolitiques croissantes.

Heidi Crebo-Rediker se penche sur l'architecture du G7, en analysant les lacunes dans les efforts du groupe pour bâtir une architecture multilatérale efficace en matière de sécurité économique. Elle plaide pour des mécanismes institutionnalisés capables de contrer la coercition économique, de sécuriser les chaînes d'approvisionnement et de gérer la concurrence technologique, notamment face au désengagement des États-Unis.

En prenant pour exemple la relation entre les États-Unis et le Mexique, Raquel López-Portillo Maltos met en lumière les limites du régionalisme dans un contexte de méfiance. Tandis que les « économies connectrices » naviguent dans un ordre mondial fragmenté, elle appelle à un nouveau pacte stratégique conciliant commerce et géopolitique.

La contribution d'Omar Ashour examine quant à elle le besoin urgent pour l'Europe de passer du statut de consommatrice de sécurité à celui de productrice, à travers le réarmement, la défense hybride et la résilience sociétale. Il soutient que l'autonomie stratégique n'est pas un luxe, mais une nécessité dans un monde où la dissuasion n'est plus garantie.

Sécuriser nos économies implique également une discussion monétaire. Comme le signale Martín Redrado, nous sommes passés d'un monde dominé par le dollar (et son « privilège exorbitant ») à un système davantage diversifié et décentralisé, voire concurrentiel entre monnaies. Là encore, cette évolution de l'architecture monétaire mondiale suppose de nouveaux cadres de collaboration et de coopération pour rendre nos économies résilientes aux chocs.

Pris ensemble, ces textes soulignent le caractère urgent de la sécurisation de nos économies, non pas uniquement par les dépenses de défense ou les réflexes protectionnistes, mais en construisant la confiance, la résilience institutionnelle et des cadres stratégiques adaptatifs. La question n'est pas de savoir si les sphères économique et sécuritaire resteront imbriquées – elles le sont déjà – mais si les démocraties sauront forger une réponse cohérente avant que ne survienne le prochain choc systémique.

Designing Resilience: A New G7 Architecture for Economic Security

BY HEIDI CREBO-REDIKER

Heidi Crebo-Rediker is Senior Fellow for Geoeconomics at the Council on Foreign Relations. In this paper she analyzes the G7's evolving role in managing economic security, highlighting its efforts to counter coercion, protect critical supply chains, and secure advanced technologies. She critiques the current ad hoc responses and calls for a more institutionalized, inclusive, and resilient multilateral framework—one capable of functioning even if the United States disengages.

Over the past decade the boundaries between economic policy and national security have all but dissolved. Trade, technology, investment and capital flows are now seen not just as engines of growth but as levers of strategic influence and sources of geopolitical vulnerability. The imperative to ensure economic security - the ability to safeguard the stable functioning and resilience of economies, industries, supply chains, and critical infrastructure from external shocks, coercion, or cyber attacks - now drives 21st-century economic statecraft. While Japan and the EU have adopted dedicated economic security strategies, no country can manage these challenges successfully alone and legacy institutions have failed to provide adequate countermeasures. What is missing is a coherent, effective multilateral economic security architecture to match this moment, especially at a time when multilateralism itself is under strain and the Trump Administration has lost the trust of its trusted partners.

G7 PLATFORM: TURNING RHETORIC INTO REALITY?

The G7's focus on economic security and coercion is not new, and is a step in the right direction. All members agreed in 2023 to common principles in the Leaders' Statement on Economic Resilience and Economic Security, introduced under Japan's G7 Presidency in Hiroshima. Though anchored in the G7, the initiative aimed to broaden the coalition with trusted partners well beyond the group, including developing countries, and to move towards governing interdependence in an age of purposeful disruption. The initiative targeted key shared threats, including 1) China's non-market policies and practices - across supply chains and at unprecedented scale - designed to reinforce dependencies and flood markets with subsidized overcapacity; 2) economic coercion, particularly in critical minerals and rare-earth elements; 3) cyber vulnerabilities in critical infrastructure and securing the digital domain, and 4) technology leakage and the need for controls on a narrowly defined set of sensitive advanced technologies crucial for national security, through export controls, investment restrictions and other tools. While Canada's recent G7 did not conclude with a Leader's Statement, the collective need to build from the consensus on economic security in 2023 has never been greater and, in theory, should not have changed. The French G7 in 2026 should seize the opportunity to advance collective economic security and build on these previous areas of agreement.

Central to this effort was the G7 Coordination Platform on Economic Coercion (the "Coordination Platform"). To move beyond rhetoric, this Coordination Platform must institutionalize joint approaches to everything from investment screening, export controls, and supply chain diversification - within and beyond the G7. It must progress from joint assessments and information sharing to meaningful collective deterrence and response, actively countering the weaponization of economic vulnerabilities. This requires not only defensive measures but also proactive support for markets and significant investment in resilience, even as G7 budgets are constrained.

THE TEST OF CHINA SHOCKS AND LOOMING CYBER THREATS

Recent events underscore the urgency of this agenda. The test is whether a G7-anchored mechanism can sufficiently catalyze collective action to counter current shocks. China's dominance across critical mineral supply chains, especially rare earth elements, gives it the power to disrupt civilian and defense industries worldwide. Its recent export controls on heavy rare earth elements needed for magnets are an acute demonstration of economic coercion. It was not the first and most certainly will not be the last time China weaponizes critical materials. In response, Canada just launched a separate G7 Critical Minerals Action Plan to coordinate supply chain diversification and investment in mining, processing, manufacturing, and recycling. To tackle China's market distorting investment practices the G7, Australia, India, and South Korea will work across the supply chain to assess how critical minerals markets should reflect the real costs of responsible extraction, processing, and trade. To leapfrog China's chokehold, Canada's plan also proposes joint investment in public and private innovation ecosystems to close technology and processing gaps to bring critical minerals to market. However, underinvestment in refining and competition with Chinese non-market actors mean timelines and costs remain misaligned with the immediacy of the threat. At the same time, each member country has complicated relationships with China, and with each other. Meanwhile, the Trump administration's preference for unilateral action - prioritizing domestic resources and bilateral deals - sidelines G7 partners and, at times, undermines Europe directly, particularly in its pursuit of Greenland.

The second shock the G7 should collectively counter is China's overcapacity. Currently each country responds independently, rather than collectively, imposing tariffs on goods flooding markets, especially autos, to protect commercial viability of local industries. Chinese dumping on both developed and developing markets ricochets exports into new markets as each barrier rises, resulting in multilateral rhetoric but bilateral countermeasures. Addressing this shock demands greater coordination, ideally through a new G7 plus economic security architecture. Solidarity that bridges the developed-developing divide would send a stronger message to Beijing.

A third, ever-present threat that the 2023 G7 Coordination Platform aimed to address is the escalation of state-backed cyberattacks on critical infrastructure. It is unclear whether current collective plans and information sharing will be implemented swiftly or robustly enough to deter attacks on civilian infrastructure that underpins economic security - especially amidst heightened conflict in the Middle East, Russia's war on Ukraine, and intensifying U.S.-China rivalry. Disabling economic attacks could escalate rapidly.

TRUST DEFICIT TRUMPS ARCHITECTURE?

A deepening trust deficit with the United States complicates G7-based efforts. What once drove allied cooperation against assertive rivals like China and Russia has given way to high-stakes disarray. President Trump's return has accelerated U.S. withdrawal from the multilateral order it helped build, with the administration rejecting trade treaties, discrediting multilateral and rules-based institutions, and treating allies as economic adversaries. Economic security is now negotiated by President Trump alongside tariffs, as a bargaining chip - not a shared goal. Worse, the administration's alignment with rivals, especially Russia, undermines the very foundations of strategic alliance and collective security. As G7 partners absorb the shock of an America no longer committed to the postwar order, the urgency of building a new economic security architecture based on trust has never been greater.

This uncertainty must not paralyze coordination and resolve, but instead accelerate and reinforce it. For Europe, the stakes are existential: U.S. disengagement from treaties, institutions, and norms it once championed raises profound economic and strategic questions. G7 members and trusted partners, especially Australia, India and South Korea, must now implement the G7 Coordination Platform architecture with the understanding that "America First" may mean "America Alone."

The U.S. clearly prioritizes its own economic security. While U.S. participation would strengthen the G7's Coordination Platform, its absence must not halt its progress. A new G7 action plan must be resilient - with or without the United States.

FROM RHETORIC TO REALITY

G7 and likeminded countries have taken commendable steps to align economic statecraft tools, but efforts remain ad hoc. Without robust mechanisms for shared strategy, risk assessments, and contingency planning, collective resilience will remain a slogan rather than a capability. Each G7 country and member of the Coordination Platform should establish a dedicated economic security strategy - similar to Japan and the EU - that integrates seamlessly into the G7's new economic security architecture. Alignment on threat identification, national laws, regulations, and proposed countermeasures, will better facilitate effective crisis coordination.

The G7 should anchor the Coordination Platform in the OECD, leveraging its expertise to develop norms, share best practices, and charge it with supporting coordinated responses to strategic disruptions. The OECD's continuity and capacity make it well-suited for ongoing research and adaptation, even as political cycles shift. An additional benefit is that many developing country partners that share economic security vulnerabilities are already OECD members or accession candidates.

A sustainable architecture must include emerging economies as co-architects, not just rule-takers. Existing initiatives like the Minerals Security Partnership and the Partnership for Global Infrastructure and Investment that aim to underpin economic security should be expanded to include more regional voices, as should the G7's Coordination Platform.

Investment in economic security priorities, especially critical minerals and rare earths mining, refining, recycling and new technology, will come from private companies and capital markets. They should be co-architects as well. Aligning private sector incentives with public resilience goals - through permitting reform and policy incentives, risk mitigation, procurement contracts, tax policy, and other financing mechanisms across the capital structure (including equity) - is essential.

Building economic security is resource-intensive, requiring robust public investment, sophisticated regulation, resilient infrastructure, and skilled labor. Most countries lack the capacity to achieve these goals at scale. While the IMF and World Bank were not designed to address economic coercion, MDBs and new financing mechanisms must be retooled to provide targeted support for resilience-building, from rare earths processing in Africa to digital infrastructure in Southeast Asia. One example supported by G7 Finance Ministers in Canada was commitment to strengthen the World Bank-led Resilient and Inclusive Supply Chain Enhancement (RISE) Partnership to promote responsible mining-related activities in emerging mining nations.

Just as the Bretton Woods system emerged from the ashes of war to govern global finance, today's world requires a new economic security architecture order that reflects the realities of strategic interdependence. The challenge is not only to build this architecture, but to ensure it can counter real threats - without reliance on any one country, inside or outside the G7. France has a unique opportunity in its G7 presidency to do just that in 2026.

Regionalism Without Trust: Connector Economies in a Broken Trade-Security Order

BY RAQUEL LÓPEZ-PORTILLO MALTOS

Raquel López-Portillo Maltos is a board member of the Mexican Council on Foreign Relations (COMEXI) and Executive Secretary of its Youth Program. Through a U.S.–Mexico case study, her article underlines the necessity of trust and institutional coherence for regionalism to be a credible alternative to globalization, as "connector economies" are navigating a coercive trade-security environment. She argues for a new strategic pact that aligns regional integration with mutual responsibility and security cooperation.

INTRODUCTION

The rules and institutions that built the current multilateral trade architecture are nearing an end. The globalization model that emerged after World War II was sustained by an implicit security pact: a promise of global market expansion under a shared institutional framework in return for peace. Now, the erosion of the postwar pact has led to a fragmented order, where strategic distrust drives economic decisions. In this context, the assumption that strengthening regionalism to address globalization's decline has stood out in the public debate. However, multiple examples across the globe show that renewed commercial barriers based on geopolitical interests in addition to a lack of trust and institutional coherence cause regional strategies to remain insufficient, fragile, and potentially counterproductive.

THE END OF THE POSTWAR PACT

Globalization as we know it was far more ambitious than a mere economic project. Along with the multilateral institutions that were born after WWII, trade became a foundational pillar of the new world order: a security umbrella provided by the United States and its allies enabled the proliferation of trade agreements, production networks, and the elimination of commercial barriers–which, in turn, reinforced security conditions. The assumption that peace would support trade and trade would reinforce peace became a geopolitical imperative for the United States. In this context, institutions such as the General Agreement on Tariffs and Trade (GATT), and later the World Trade Organization (WTO), thrived under the logic that economic interdependence would reduce the risk of large-scale conflict.
That underlying security pact no longer holds, with large-scale armed conflicts erupting around the world, a rise of nationalism in politics and neo-protectionism in the economy. The international organizations that were created post-World War II to ensure a scenario like that would not happen again have lost almost all their capacity for dispute settlement. More significantly, the principle of separating trade from geopolitical rivalry has unraveled. Tariffs, export controls, and industrial policy are now wielded not just as economic instruments, but as tools of strategic competition. The era of strategic trust is over; in its place, governments are recalibrating trade decisions based on their own political agendas.

THE MYTH OF FUNCTIONAL REGIONALISM: THE US-MEXICO CASE

In light of the fractures in global trade, regionalism has been promoted as the natural alternative. The concept of "nearshoring" or "friendshoring"—the relocation of supply chains closer to home or to trusted partners—has been championed by policymakers and business leaders alike to reduce costs, strengthen regions, and decrease dependency on geopolitical rivals. Moreover, some state that globalization is in reality a regionalization process, as commerce and supply chains between neighbors is far greater than across continents.

Due to its proximity to the United States and preferential access under USMCA, Mexico has been portrayed as a primary beneficiary of this strategic realignment. However, data shows a different scenario, even under more trade-friendly governments. While Mexico has recorded a moderate increase in foreign direct investment (FDI) in recent years, this uptick cannot be completely attributed to successful nearshoring policies. Broader trends such as automation, diversification and reinvestment have weighed in, with little to do with a bet on Mexico as a geographically close industry hub.

Moreover, data from Mexico's Secretariat of Economy indicates that less than a fifth of total FDI in 2024 was directed to strategic manufacturing sectors typically associated with nearshoring—such as automotive transformation, electronics, and advanced manufacturing. Finally, while the United States and Mexico are mutually dependent and strong trading partners, investment in these sectors is increasingly coming from far away markets, including Asian and European firms.

Of course, there are several domestic factors that broaden this dissonance between political rhetoric and economic reality. Mexico's lack of solid infrastructure investment, growing organized crime presence in key industrial zones, and the recent judicial reform that undermined rule-of-law guarantees and investor confidence, continue to deter long-term investment, further complicating trade conditions.

Meanwhile, under Trump's second term, the U.S. has imposed an aggressive reshoring agenda and tariff threats have turned regional negotiation into a coercive exercise. The US continues to lump economic cooperation, border security, and migration enforcement into a single negotiation framework, without offering Mexico a clearly defined or reciprocal role. This standstill will probably turn even more dire with the 2026 USMCA review process, with Donald Trump essentially transforming a trade renegotiation into a national security bargaining chip. Combined, these issues undermine the core logic of nearshoring, which was supposed to generate certainty and strengthen regional resilience.

Despite geographic proximity, the core problem relies on institutional and industrial asymmetries and long-term uncertainty. The U.S.–Mexico case illustrates that regionalization without trust, strategic reciprocity, or institutional coordination is not regional integration—it is dependence under pressure. Rather than neutralizing asymmetries, this model often intensifies them, creating new points of fragility in supply chains that were meant to be shielded from global turbulence.

BLOCS WITHOUT TRUST: CONNECTOR ECONOMIES' CHALLENGES

Without a global framework, countries are organizing through informal economic blocs not defined by geography alone, but by perceived loyalty, geopolitical imperatives, and alignment with strategic and political agendas. This new logic has highlighted the concept of "connector economies"—countries that maintain trade and investment *ad hoc* ties with multiple blocs, without formally aligning with either.

These are seen as attractive for production relocation and geopolitical hedging. Their strategic ambiguity grants them relevance but also makes them vulnerable to pressure from competing powers seeking to secure alignment. While they may benefit from diversified flows of foreign investment, their leverage is mostly transactional and volatile. They have greater agency in the short term and during times of crises, but little power to shape the emerging trade-security order.

In this context, many Latin American connector economies– like Mexico, Brazil, and Chile– are testing survival strategies in a post-multilateral world while being caught up between two battling powers: the US and China. While some experts signal these turbulent times can bring unique opportunities for the region, Latin American countries are navigating this shift not as a unified bloc, but as a set of loosely connected economies—some too large to ignore but too misaligned to include— trying to preserve autonomy while adapting to a more fragmented and transactional landscape.

The region's unfulfilled goals of integration cannot be entirely blamed on the fracture of the global trade system. While governments have argued in favor of these trends in official discourse and multilateral forums, without targeted reforms—from infrastructure investment to energy reliability and customs modernization—Latin American economies will remain vulnerable to the external shocks.

On the diversification front, Latin American countries have struggled to build the kind of strategic resilience that's becoming essential in a fragmented global economy. Compared to other connector economies in the Asian market, like Vietnam, which have diversified both their trade partners and export markets, most Latin American economies continue to be heavily dependent on a single geopolitical relationship. Vietnam, for example, doesn't just attract FDI from multiple sources; it also sells to a wide range of export destinations, giving it a buffer if tensions flare with any one partner.

This difference reflects more than geography—it reveals a gap in strategy. Countries like Vietnam have proactively built institutional capacity, trade diversification, and supply chain integration. Most of Latin America, by contrast, has yet to adopt the kind of forward-looking policies needed to thrive in a world where what matters is no longer just market access, but geopolitical alignment and adaptive connectedness.

THE NEED FOR A NEW PACT

On the other hand, the world's current armed conflicts—Russia's full-scale invasion of Ukraine, Israel's military assault on Gaza, and the escalating geopolitical confrontation over Taiwan—have further exposed the absence of a coherent global security and trade framework. But paradoxically, they also open space for rethinking one. A new pact, grounded in strategic realism rather than on outdated postwar rules, could reestablish basic rules for economic cooperation in times of rivalry and disruptions.

The global trade system's collapse has exposed the fragility of regionalism when it is not supported by mutual trust, shared strategy, and clear institutional commitments. In a way, regionalism has failed to guarantee its promise of stability and development. While it offers a pathway toward stability, it cannot succeed without a coherent framework to replace the postwar pact. What is needed is not just new trade agreements, but a new understanding of regional responsibility—one that aligns economic coordination with realistic security cooperation and political reciprocity. Until then, regionalism will remain fragile, and the global trade system will continue to fragment, not reorganize.

Ending Complacency: Hybrid Defense and Strategic Autonomy for Europe after the War on Ukraine

BY OMAR OSCAR ASHOUR

Omar Oscar Ashour is Professor of Security & Military Studies at the Doha Institute for Graduate Studies and the Security & Strategy Institute of the University of Exeter. His research spans security and military affairs in the Middle East, Eastern Europe and the Post-Soviet Republics.
In this article, he draws lessons from the war in Ukraine and promotes the reconfiguration of the European security model.

ZEITGEIST AND STRATEGIC SHOCK

Europe's thirty-year "holiday from history" ended with the fall of the remnants of Mariupol and the mass of Russian armour rolling out of Belarus toward Kyiv in a thirty-mile convoy; exposing a continent whose armoured inventories and artillery parks had been halved while its alliance formally "grew" by fifteen members.

Compared with 1990, NATO today fields thirty-five percent fewer soldiers, sixty-five percent fewer tanks, and fifty-five per cent fewer artillery tubes – even after adding the fifteen new members. The lesson is stark: deterrence atrophies when capability withers. Meanwhile, US domestic turbulence – budget ceilings, "America-first" conflicting currents and election cycles – casts doubt on the permanence of extended deterrence, both conventional and nuclear.

OFFENSIVE-DEFENSE AUTONOMY FOR EUROPE

Europe must therefore shift from a consumer of security to a producer of it, embracing an offensive-defence model that can fight with or without Washington. The Russian war on Ukraine illuminates both the price of unpreparedness and the possibilities of rapid adaptation.

Kyiv's forces have bravely and impressively (re)demonstrated that disposable drones, resilient networks, incessant innovations, and dispersed territorial units can frustrate a numerically superior adversary, but they have done so at a huge cost. Moscow, simultaneously, has absorbed and replaced battlefield losses that would once have bankrupted and defeated the Kremlin (as in February 1989 and August 1996). The strategic takeaway is simple: high-intensity state-on-state war has returned to Europe, and its fiscal burn-rate dwarfs any peacetime savings achieved by past disarmament.

Rearmament must therefore proceed on twin tracks – mass and method.

First, Europe requires the hard mass of divisions, magazines and air-defence grids capable of deterring or defeating a renewed Russian thrust. Poland's decision to order more main-battle tanks than what the entire Bundeswehr owns, Germany's EUR 100 billion *Sondervermögen* and the Baltic states' accelerated artillery purchases all signal a continental shift, yet Europe still generates barely twenty percent of the heavy-equipment output it maintained in the late Cold War. Ammunition stockpiles remain perilously thin: the European Union's promised million-round plan for Ukraine has slipped behind schedule and exposes the fragility of a munitions industry run for efficiency rather than endurance. Without urgent joint procurement and multi-year contract – backed by defence bonds or perhaps the European Investment Bank – Europe's factories cannot keep pace with battlefield consumption.

HYBRID DEFENCE

Second, method: Ukraine's "hybrid defence" or conduct of war shows the critical importance of the "air-littoral" – the 0-to-30,000-foot envelope patrolled by quadcopters, loitering munitions and cheap cruise missiles – impacting tempo and casualty ratios. European air forces, built around exquisite fourth- and fifth-generation fighters, are numerically inadequate to police this layer against swarms. Every European brigade group **should aim to field** counter-UAS radars, electronic-warfare cells and short-range interceptors, while European artillery battery **would be well served by integrating** organic reconnaissance drones. Equally critical is cyber-electromagnetic resilience: Russian GPS spoofing in Eastern Ukraine (and Western Russia) repeatedly blinded unprotected systems, yet Ukrainian units routed their battle-management traffic through civilian constellations (including via Starlink) and maintained cohesion. The rest of Europe should take notes. Hardened command posts capable of fighting through days of electromagnetic denial should be the norm, not the exception.

RESERVES AND RESILIENCE

Societal resilience is the next layer. Finland and Estonia, long criticised for clinging to conscription, have emerged as exemplars of "total [hybrid] defense." Helsinki can mobilize 280,000 trained troops in ten days and its reserve may exceed one million by 2030. Estonia's *Kaitseliit* (Defence League), representing almost three percent of the population, mans village armouries and rehearses local defence monthly. Israel's October 2023 mobilization – 360,000 reservists in seventy-two hours – shows that a small state can surge a wartime force larger than most professional European armies. These models show that selective, skills-based conscription coupled with graduate-level military education for civilians can generate both manpower and technological competence. Europe's larger states, to include France, the United Kingdom, Germany, and Italy, should therefore revisit reserve structures mothballed in the 1990s, (re-)encourage defence studies in both civilian and military universities, (re-)introduce universal service pathways – military, civil-protection or cyber – under a "smart mobilization" banner that ties defence to job creation and advanced training.

Strategic communication is the final enabling arm. Russian disinformation exploited European casualty aversion, peacetime dividends loss, and energy fears; Ukrainian messaging, conversely, fused frontline video, humour and moral framing to secure unprecedented Western support. A permanent European StratCom Centre – linking EU, NATO and national capabilities – should pre-empt misinforming and disinforming narratives, crowdsource myth-busting and integrate influence planning into every major exercise. Investment in hard power will fail if publics remain unconvinced of its necessity.

LESSONS FOR SMALL(ER) STATES: DISSUASION TOUS AZIMUTS

Small states must distil these lessons more sharply. Depth is gained through **alliances**, not geography; dispersal and manoeuvre still trump mass; reserves and territorial defence provide critical staying-power; and for military effectiveness, there is no escape from military education, smart mobilization, combined arms, and multi-domain hybrid defence.

France remains the continent's indispensable heavyweight. Alone among European NATO members it wields an independent nuclear deterrent force (a *dyad,* not an independent nuclear triad like Russia or a single, interdependent leg like the United Kingdom). De Gaulle's "*dissuasion tous azimuts"* concept – deterrence in every direction – acquires renewed relevance when US reliability is being requestioned. Paris should lead an EU Nuclear Planning Cell that, while respecting national sovereignty, embeds French and British deterrents within a European strategic calculus, complicating any adversary's risk assessment.

ADAPTIVE ALLIANCE: DETERRENCE AFTER THE WAR ON UKRAINE

Strategic renewal demands a re-imagined alliance architecture. NATO must remain the bedrock, but Europe should deepen its own structures: the Joint Expeditionary Force, the EU's Rapid Deployment Capacity and wider coalitions such as the Ramstein Contact Group. Concurrently, democratic partners in East Asia and the Indo-Pacific – such as Japan, South Korea, Australia and New Zealand – should be invited into a "Democratic Security Community," tightening coordination on supply chains, standardisation and emerging technology. Strategic autonomy thus becomes less a quest for separation than a commitment to shoulder primary responsibility at home while forging horizontal ties with kindred democracies abroad.

Europe is at last awakening to the cost of complacency, perhaps. However, deterrence by denial requires magazines filled, barracks crowded, ranges drilled, and networks hardened. Deterrence by punishment requires precise long-range fires and a credible European nuclear voice. Hybrid defence demands that **a critical mass of the population serve as sensors or fighters**. Europe is still not there. The Russian war on Ukraine – where a smaller state has held off a larger, international power – shows the extraordinary dividends of resilience and innovation, but also the ruinous price of entering a war under-armed and unprepared. The window to transform Europe from security consumer to security producer is brief; another Mariupol cannot be the catalyst. Armed with strategic imagination, industrial will and democratic solidarity, Europe must seize this moment – before the next thirty-mile convoy rumbles west.

Is the Dollar's Hegemony Questioned? A Multicurrency Framework for the World

BY MARTÍN REDRADO

Martín Redrado is the Director General of Fundación Capital and the former President of the Central Bank of Argentina. In this contribution, he explains that although the U.S. dollar remains the world's dominant reserve currency, a range of alternatives is gradually gaining ground, questioning the international monetary order as it stands today. They do not dethrone the dollar, Redrado argues, but they signal the emergence of a more plural and competitive multicurrency system.

The world faces a period of uncertainty, that could be defined as "interregnum," where a new world order cannot yet be born, but the old one is dying. The unipolar moment is definitely in the past, and geopolitical tensions and growing competition between China and the United States are evident. In this context, a rivalry over monetary dominance is emerging in this new era of geoeconomics. Moreover, since April, the U.S. has been perceived as riskier, and the dollar has depreciated sharply. In fact, the reciprocal tariffs imposed by the United States in the fourth month of the year marked a key moment for international trade and the global economy. Against this backdrop, it is valid to ask whether the dollar's hegemony is being questioned.

While at the start of the new millennium the dollar accounted for approximately 70% of global reserves, by 2009 it had declined to 62%, and today it stands at around 57%. The global financial crisis at the end of the first decade of the 2000s marked a turning point, with emerging markets playing an increasingly important role.

LOOKING TO CHINA

China has promoted the internationalization of the yuan (RMB) through various mechanisms. These include instruments such as the Cross-Border Interbank Payment System (CIPS), the yuan's inclusion in the IMF's Special Drawing Rights (SDR) basket a decade ago, yuan-denominated commodity contracts, the launch of the e-CNY (digital yuan), and, last but not least, swap lines. The People's Bank of China has signed more than 40 agreements with other central banks. In fact, our monetary authority was the first in Latin America to enter into a currency swap agreement with China, during my tenure as Governor at the Central Bank of Argentina.

Let me illustrate this point with my experience with the Chinese currency. Early February 2009, on the occasion of the 50th Anniversary of Bank Negara Malaysia, I shared a panel with the President of the People's Bank of China, Zhou Xiaochuan, to explain the effect of the global financial crisis on emerging markets. After that, we had an informal lunch to share the challenges that we faced in that environment. At that time, China had signed agreements with Asian countries such as South Korea, Malaysia, Indonesia, Hong Kong, and the Republic of Belarus. My counterpart shared his view that China has started to internationalize its currency with a bilateral approach through currency swaps. He specifically mentioned that his country will not open its capital account, and therefore the yuan will not be convertible, unless authorized by its monetary authority.

Under this approach, I proposed to sign the first currency swap with a Latin American country, which we formalized at the Annual IDB (Inter-American Development Bank) meeting in Medellin, Colombia, in March 2009. Our plan was that either central bank could request up to USD 10.2 billion in the domestic currency of the other, in the event of a loss of reserves due to pressures stemming from international or local crises, as I detailed in my book "No reserve: The Limit of Absolute Power" (published by Amazon). Since then, it has become evident that the Chinese authorities do not want to make the yuan convertible, so as not to be exposed to external capital flows, which will increase local volatility and appreciate its currency.

It is undeniable that the yuan has grown in importance in international trade. Furthermore, other countries may increase its use to hedge against long-term uncertainty, especially in light of U.S. measures taken this year that shocked the world. China's renminbi recently accounted for approximately 4% of global payments (up from 2%), it also represents 54% of China's cross-border transactions and has reached a 2.2% share of global foreign exchange reserves. Given that China's share of global trade is around 13%, the currency still holds significant potential.

Despite the remarkable rise of the RMB, its figures are still not comparable to those of other major currencies. Global reserves in RMB remain well behind those held in U.S. dollars (57%) and euros (19.8%). The reason is simple: China does not want to lose control over its exchange rate policy. As China remains with capital controls (though there has been liberalization recently), this limits the Yuan liquidity and convertibility.

THE EURO STABILITY

Regarding other currencies that may challenge the dollar's hegemony, the euro's stability and regulatory framework are valuable assets. It should be noted that the gold has surpassed the euro to become the second-largest reserve asset held by central banks worldwide. Therefore, this currency is still far from becoming a truly global currency. Among many reasons, I will underline the lack of a unified fiscal policy in the Euro zone, which limits the supply and liquidity of euro-denominated assets needed to function as reserve instruments. Moreover, the path toward fully integrated capital markets remains long, hindering deeper financial integration.

During the pandemic, the European Commission issued common debt for the first time, but it was a one-time emergency measure. Looking ahead, France has recently supported exploring initiatives aimed at strengthening the euro's role as an international currency, in light of the unique opportunity presented by a shifting global order. The vision is that, as investors seek safer alternatives to U.S. Treasury securities, the EU should expand joint debt issuance to meet this demand. In short, achieving this will require Europe to increase the supply of safe assets, a move that is not supported by all member states.

OTHER CHALLENGES TO THE US DOLLAR

Another player worth mentioning due to its growing presence is cryptocurrencies, CBDCs (Central Bank Digital Currencies) and stablecoins. Regarding the first, they are still highly unstable and therefore cannot be used as a reliable store of value. They tend to behave like speculative assets, closely following market sentiment. Moreover, their liquidity remains low: given the size of the market, buying or selling global reserves could significantly impact their price. Thus, if they manage to become stable and liquid, they could be used in some countries to diversify exposure.

As for the second, no central bank is likely to give up its monopoly over its monetary and financial policy. CBDCs may increase their role in trade and help reduce transaction costs, but institutional guarantees and legal stability are still needed. And in the case of the third, most major stablecoins are pegged to the U.S. dollar. Therefore, the rise of digital assets may not lead to dedollarization, but rather to their coexistence with fiat currencies.

Finally, it is worth noting the growing importance of commodity currencies, which have recently attracted investor attention through carry trade strategies. The Australian dollar, Canadian dollar, New Zealand dollar, Norwegian krone, and Chilean peso are examples of such currencies. Indeed, they have strengthened this year. These types of currencies are typically more volatile and dependent on commodity prices, but it is worthwhile to keep an eye on them and their evolution. In the same vein, there has recently been interest among BRICS countries (Brazil, Russia, India, China, South Africa) in increasing payments in domestic currencies — an important initiative, though still far from becoming truly significant.

FINAL THOUGHTS

In summary, the dollar has become a "primus inter pares" (first among equals). A new multicurrency system has emerged, as we witness the behavior of Central Bank reserves and private investors through multiple institutions. In the coming years, we may observe increasing competition among different monetary alternatives. This suggests that in the coming years, the U.S. dollar's share in global reserves may decline, yet remain the dominant currency, holding around half of total reserves. Meanwhile, the yuan's share could rise to approximately 5%, and the euro returning to 20%.

However, the U.S. dollar may face medium- to long-term challenges that could cause these trends to shift more abruptly. Two key risk factors stand out. The first is the rising U.S. debt and interest rates, which could undermine confidence in the dollar's sustainability. For example, at the May 21st auction, demand for the 20-year U.S. Treasury bond was weak, pushing the yield up to 5.047% — over one basis point higher — amid concerns over the U.S. fiscal deficit. This is a key indicator that should be closely monitored. The second is the intensifying geopolitical rivalry, which could lead to broader military conflicts, potentially fragmenting the global order and accelerating the adoption of alternative currencies. In the long run, the challenges facing the U.S. dollar will depend largely on how the United States manages its own domestic vulnerabilities, including rising debt, fiscal imbalances, and its international policy stance.

As I stated fifteen years ago: I do not believe there should be a single reference currency, but rather several. Yet, so far there is no currency which holds the elements needed to replace the dollar.

CHAPTER 2
EUROPE FACING THE RISE OF EMPIRES

CHAPITRE 2 **L'EUROPE FACE À LA RENAISSANCE DES EMPIRES**

The return of Donald Trump to the White House is a source of uncertainty on a global scale. In this context, the question is whether Europe can shape the emerging order and secure its own survival. Can it assume a genuine role on the international stage? Does it have the strength to establish itself there as a leader?

Ling Yao and Chuanxin Xia highlight the potential of a Sino-European alliance which, given their combined economic weight, could become the cornerstone of a new world order. Creon Butler, by contrast, argues that Europe has the potential to become a distinct economic pole and an alternative to both the United States and China. Franco Bruni, for his part, even discerns a form of soft power within the financial sphere: insofar as financial markets reassess their perception of sovereign risk, this soft power could shift in favour of European debtors.

Charles Lichfield further underscores the need to maintain a delicate balance: Europe must, on the one hand, strengthen its technological and industrial base while, on the other, avoiding unnecessary confrontation with Washington. This could be achieved, he argues, by combining firmness on trade disputes with pragmatism in defence, or energy-related commitments.

Taken together, these perspectives depict a Europe torn between multilateral partnerships and strategic autonomy, confronted with the urgent task of defining its role in a fragmented global economy.

Le retour de Donald Trump à la Maison-Blanche constitue une source d'incertitude à l'échelle mondiale. Dans ce contexte, la question est de savoir si l'Europe peut façonner l'ordre émergent et assurer sa propre survie. Peut-elle endosser un véritable rôle sur la scène internationale ? A-t-elle la force de s'y imposer comme *leader* ?

Ling Yao et Chuanxin Xia soulignent le potentiel d'une alliance sino-européenne qui, compte tenu de leur poids économique combiné, pourrait constituer la pierre angulaire d'un nouvel ordre mondial. Creon Butler, à l'inverse, soutient que l'Europe a le potentiel de devenir un pôle économique distinct et une alternative à la fois aux États-Unis et à la Chine. Franco Bruni quant à lui, voit même une forme de *softpower* dans le milieu financier : en considérant que la perception du risque-pays par les marchés financiers, ce *softpower* pourrait évoluer en faveur des débiteurs européens.

Charles Lichfield met de plus en avant la nécessité d'assurer un équilibre fragile : l'Europe doit renforcer sa base technologique et industrielle d'un côté, tout en évitant une confrontation inutile avec Washington de l'autre, par exemple, en combinant fermeté sur les différends commerciaux et pragmatisme dans les engagements liés à la défense ou à l'énergie.

Pris dans leur ensemble, ces points de vue décrivent une Europe tiraillée entre partenariats multilatéraux et autonomie stratégique, confrontée à la tâche urgente de définir son rôle dans une économie mondiale fragmentée.

Europe's New Role in the Global Political Economy

BY CREON BUTLER

Creon Butler is the Director of the Global Economy and Finance Programme at Chatham House. In this article, he argues that Europe must strengthen its position as an independent and credible pole in the global economy, developing a long-term strategy that allows it to act alongside, and sometimes apart from, both the United States and China.

Since coming to office for the second time Donald Trump has instituted a paradigm shift in US international economic policy. In several key areas he has effectively withdrawn the US from its global leadership role of the past eighty years. Some commentators have focused on China as providing the main alternative to US economic leadership. But it is only Europe, broadly defined, that has the combination of characteristics required to form an alternative economic "pole" in the global economy to the US.

The EU would need to be at the core of this European-led economic pole. It has the economic weight (18 per cent of global GDP by market value vs 26 per cent for the US), a fully convertible currency accounting for 20% of central bank foreign exchange reserves at end 2024 (versus 57% for the US dollar), industrial skills and scientific capabilities, regulatory competence, a law-based system of governance, and a wide suite of international economic alliances. Many of these features are strengthened and amplified by close economic cooperation with Europe's other major economies.

TRUMP'S PARADIGM SHIFT

It is still unclear where the end point for Trump's policies will be in many areas. But after five months of his second Presidency one can begin to identify five broad economic policy themes.

First, the President appears set to deliver a substantial permanent increase in the US average tariff rate from 2.5% in 2024 to perhaps 10-20%, or even higher, going forward. This is combined with a withdrawal from all WTO disciplines and procedures for setting and changing tariffs. The President has also ignored some 20 existing bilateral free trade agreements, and it is unclear what value may be placed on new agreements signed following the current negotiations.

Second, the Trump administration has taken a much more ambivalent view of the US dollar's status as the leading global reserve asset. Trump advisers have questioned the benefit of the dollar's status to the US economy Trump has threatened to replace the current chairman of the Federal Reserve with a more compliant figure when Powell stands down in May 2026. Meanwhile the Trump-backed tax bill going through Congress is expected to lead to a further sharp increase in the US public debt burden of some USD 2.4 trillion over ten years. These factors have combined with continuing concerns among foreign holders of convertible currencies, caused by the G7 decision to freeze up to USD 300 billion in Russian foreign exchange reserves in February 2022. But these now focus more acutely on the dollar given the range of circumstances in which President Trump might choose to take such action on his own.

A third major theme has been the Trump Administration's withdrawal from collective international efforts to tackle climate change, disease and poverty. This includes withdrawing the US for a second time from the Paris climate change agreement, US withdrawal from the WHO and making dramatic cuts in US aid (eliminating 90% of current USAID projects worth some USD 60 billion pa and withdrawing funding for the GAVI Vaccine Alliance). The Administration is also attempting to use its shareholdings and board seats in the International Financial Institutions to try and shift their focus away from climate action. It remains to be seen what the substantive effect of this will be, but it clearly threatens the COP29 projection that the multilateral development banks (MDBs) would collectively provide USD 120 billion a year in climate finance to low- and middle-income countries by 2030.

Fourthly, the Trump Administration is ending US support for global efforts to fight corruption and strengthen governance. The Department of Justice has said that it will no longer enforce the Foreign Corrupt Practices Act (the cornerstone of the OECD Anti-Bribery Convention). Nor will the US Treasury enforce beneficial ownership transparency laws. These international moves are re-enforced by the President's own disregard for ethics principles and the weakening in domestic US governance brought about the Administration cuts to public research, denial of scientific evidence on climate change and the efficacy of vaccines, and constant challenges to the authority of US courts.

A fifth aspect of the international economic paradigm shift which has yet to play out fully is the Administration's new agenda on financial deregulation. So far this has focused mainly on removing domestic constraints on the development of crypto currencies, but there is also the prospect that the authorities will substantially weaken the regime put in place to prevent a recurrence of the global financial crisis.

Just these steps alone would constitute and extraordinary shift in the US's international economic role. But they have been combined by an equally sharp change in the US's approach towards its closest military and security allies. Trump has threatened the sovereign integrity of both Canada and Denmark/EU (through his threat to take over Greenland). He has undermined the collective security of NATO members by qualifying the application of Article 5. He has also made no distinction between close allies and strategic competitors in his application of tariffs and other damaging economic policy measures. Very strong security ties between the US and its allies have historically re-enforced economic ties bringing considerable economic benefits to both parties. This is now at risk.

HOW HAS EUROPE RESPONDED?

To date the EU - and indeed most of the US's major trading partners - have prioritised *bilateral* responses to Trump's tariff hikes.

While China has enacted substantial retaliatory tariffs against the US, the EU has suspended its planned retaliation while negotiations continue. The UK did not retaliate against Trump's reciprocal or sectoral tariffs and so far it is the only major country to reach a political settlement with the US. Under this, the UK has accepted an asymmetric 10% tariff rate on most exports to the US in return for relief from even higher tariffs on export of cars and steel.

The EU has a great deal more leverage than the UK, particularly if it is willing to extend retaliation into the digital services sector where the US has a substantial trade surplus with the Union. EU authorities have ruled out concessions in some areas which go to the heart of how the EU economy operates, such as VAT. The Commission has also continued with anti-monopoly enforcement against major US tech companies. But debate continues among member states on how far the Union should use its considerable leverage to attempt to negotiate a balanced long-term trade agreement with the US versus seeking a quick settlement which limits the short-term economic costs.

The EU has successfully re-energised some of its long-standing bilateral free trade negotiations with non-US counterparties and was able to sign an outline agreement with Mercosur at the end of 2024. However, it has not to date led an overt collective effort to manage the threat of trade diversion from the US and preserve a low tariff rules-based trading system "around" the US, despite a number of calls to do so.

Trump's actions have re-enforced the case made in Draghi and Letta reports for faster more comprehensive internal economic reform in the EU. This has been reflected in a renewed efforts by the Commission to progress the Savings and Investments Union. At the same, time ECB President, Christine Lagarde, has called for a renewed focus on strengthening the Euro's international role, which could bring a range of economic benefits, including lower borrowing costs, a reduction in currency risk and transaction costs for European firms and higher seigniorage earnings for the ECB.

But it remains to be seen how far this will be carried through in such practical areas as pan-European debt issuance and implementation of the euro system plans for a central bank digital currency. The EU's new euro 150bn SAFE (Security Action for Europe) financial instrument designed to support development of European defence industries through joint procurement and production could also make a broader contribution to the EU's financial markets (its will be funded through EU-level debt issuance) and technology capabilities.

Both the EU and UK have taken a nuanced towards continuing economic engagement with China. While the US has effectively shut Chinese EVs out of the US market, the EU has adopted a tariff strategy designed to encourage Chinese EV makers and suppliers to establish in the EU. The UK has the same objective and has not to date imposed specific tariffs on Chinese EVs. However, as part of its trade deal with the US, it has agreed to take unspecified measures to protect the US supply chain. It is unclear how broad the impact of this will be and whether it will restrict the UK's trade and investment relationship with China beyond what the UK might wish to do justified on genuine national security risks.

Europe's response to Trump's paradigm shift in international organisations and multilateral fora has been much less active than its bilateral response. However, on such issues as the climate focus of the IFIs and implementation of the 2015 OECD global tax agreement, both the EU and the UK appear to be trying to compromise with the US's positions and maintain consensus. This was also visible in the EU and UK's support for Canada's approach to the recent G7 Summit. Underlying this seems to be a desire to keep the US engaged in international organisations and groupings, at least while the Trump review of US membership of international inter-governmental organisations is continuing. However, there are major risks in this approach, not least that ground will be conceded by the large majority on issues of principle which will prove impossible to recover from.

WHAT SHOULD EUROPE DO?

The international economic system is very unlikely to return to the way it was before President Trump's second term. Trump could easily be succeeded by a politician with similar views, but even if the Democrats win back the House of Representatives in the mid-term elections, or the White House in 2028, the world will have moved on. The structure of national economies will have changed, new bilateral relationships will have formed and international institutions will have adapted. Trust between the US and its traditional allies will be particularly hard to repair.

It is also increasingly clear that, while Europe will not be able to avoid being hurt economically by Trump's actions in the short-term, it could well benefit in the long term, simply because it will look more attractive *in relative terms* to investors and human talent as a result of predictable regulation, science-based policy making in government, competent non-political bureaucracy and respect for freedom of opinion and speech. This relative improvement depends critically on populist parties staying out of power in the EU's major economies. It could be further strengthened and built on by the right kind of policies framed in a long-term strategy.

Living with Trump

BY CHARLES LICHFIELD

Charles Lichfield, Deputy Director of the GeoEconomics Center at the Atlantic Council, examines how Europe can preserve its strategic autonomy while managing relations with the United States. He argues for a balanced approach that strengthens Europe's industrial and technological base without provoking transatlantic tensions. This article was originally drafted in French. The following English translation is our own.

Donald Trump's return to the presidency of the United States has caused an explosion far more violent than in 2017. The unpredictability, his trademark, is now exacerbated by an uninhibited trade policy and a geopolitical context already weakened.

Naturally, everyone is looking for ways to reassure themselves. The markets cling to the idea that Trump always ends up getting scared, a phenomenon that traders have begun to internalize with their "TACO trade" (Trump Always Chickens Out). In Europe, others hope that Trump's brutality will finally awaken the energy needed for true strategic autonomy, driven by the renewed interest of investors and an institutional resurgence.

However, these cognitive biases must not feed into a dangerous complacency.

First of all, Trump is committed to his disruptive trade policy. And he follows through more often than one might think. Our research at the Atlantic Council's GeoEconomics Center shows that of the 26 tariff threats issued since January, 12 have resulted in concrete measures. This means that one threat in every 2.13 has led to a real decision – a frequency much higher than the erratic tone of the president would suggest.

The Trump administration cannot do without the revenues it hopes to generate from its customs tariffs. The nearly defunct Department of Government Efficiency created by Elon Musk has saved very little compared to the two trillion promised. Therefore, tariffs remain a key lever to reassure the few 'budget hawks' in the Republican coalition who still hold some influence in the Senate.

Even if the judicial block on the use of reciprocal tariffs announced on April 2 is upheld, Trump will still be able to impose unilateral tariffs up to 15% without Congressional support. He has also shown that he is not afraid to use his prerogatives over national security to target key sectors for Europe. Companies will also need to guard against Section 899 of the One Big Beautiful Bill (the proposed budget bill). This section is expected to grant the U.S. Treasury the power to retaliate against taxes deemed discriminatory to American businesses. France will almost certainly be targeted due to its digital services tax.

The European Union will need to show firmness towards Washington while remaining open to any possible coordination on economic security. In addition to tariffs, the new toolkit includes sanctions, investment screening, and export controls, especially on chips powerful enough for artificial intelligence. From his first trip to the Middle East, Trump showed he was ready to change the rules for countries he favors. He can just as easily tighten them for those who annoy him.

While the debt and assets of the old continent have regained relative attractiveness, this is neither structural nor stable. The markets will still not make concessions to high-deficit countries. For a true European resurgence, it will be necessary to both clean up one's own house and agree on a common financial instrument. That being said, France will be right to insist that the capital raised be allocated to European suppliers. It is essential to build a better technological and industrial base for European defense.

This should even be possible without too much disruption to Trump since the new NATO objectives imply a significant increase in military spending. States can always use their national budgets to buy American, a key condition for securing the President's favor. While looking after their own interests, Europeans should be able to maintain their relationship with the United States through commitments to buy weapons (including for supplying Ukraine) and gas contracts.

Let's hope that after Lisbon, a few more capitals lean in favor of the Rafale.

Reshape the Sino-EU Trade and Economic Relations Under Rising Uncertainty

BY LING YAO AND CHUANXIN XIA

Ling Yao, Director and Senior Research Fellow, and Chuanxin Xia, Associate Research Fellow, at the Chinese Academy of International Trade and Economic Cooperation, suggest that deepening China-Europe relations could contribute to a more balanced and stable international order. They emphasize the importance of strategic economic and trade partnerships, highlighting opportunities for cooperation across markets, investment, and technology.

CHINA AND THE EU PLAY THEIR ROLES AS CORNERSTONES TO SUPPORT THE GLOBAL ECONOMIC ORDER

In terms of economic size, the EU and China are the world's second and third largest economies respectively. According to data from the International Monetary Fund, EU's GDP reached USD 19.4 trillion in 2024, and China had a GDP of USD 18.7 trillion that year, collectively accounting for more than one-third (34.5%) of the global economy.

In terms of trade scale, China and the EU are the world's first and second largest trading partners in goods trade respectively. According to data from World Trade Organization, China had its trade volume of goods at USD 6.2 trillion and the EU's trade volume in goods was USD 5.4 trillion in 2024, combinedly taking up nearly 30% (28.6%) of the world's total trade in goods. In terms of trade in services, the EU and China are the world's first and third largest trading partners respectively. In 2024, the scale of trade in services for the EU reached USD 3.1 trillion and USD 1.1 trillion for China, jointly accounting for more than 30% (30.4%) of the world's total trade in services.

Currently, China is a middle-income country with a per capita GDP of USD 12,600. As of the end of 2024, the total number of middle-income population reached 420 million and is expected to grow to 550 million by 2030. While 27 EU members are all high-income countries, among which Bulgaria has the lowest per capita GDP, reaching USD 16,000 and Luxembourg has the highest per capita GDP, reaching USD 129,000. The population reached 450 million in 2024, an increase of 0.4% from 2023. Therefore, in terms of economic size, market size and consumption potential, China and the EU are both important entities that would determine global economic governance. Cooperation between the two sides is not only a huge opportunity for each other's economic development, but also a key driving force in promoting inclusive growth of the global economy.

CHINA-EU ECONOMIC AND TRADE RELATIONS ARE FACING HUGE CHALLENGES

The COVID-19 pandemic, the conflict between Russia and Ukraine and the US reciprocal tariffs have brought in continuous ramifications to China-EU economic and trade relations, resulting in the deep reconstruction of China-EU economic and trade relations in recent years.

Global trade confronting growing uncertainty. The US's implementation of 10% sweeping reciprocal tariff on all trading partners has become the biggest uncertainty confronting global trade. China and the EU are the top two trading players in global trade, with their own trade value (including trade in goods and trade in services) accounting for 39% and 45% of their respective economies. The abuse of tariffs by the United States undoubtedly has significantly adverse impacts on China and the EU, whose economic growth highly depends on the international market. The World Trade Organization's forecast in April 2025 pointed out that global trade flow is expected to drop by 0.2% in 2025, which is nearly three percentage points lower than it would have been without recent trade policy shift. If currently suspended reciprocal tariffs are restored after July 9 and a broader spillover caused by uncertainty of trade policies spreads, global trade flows exposed to the above uncertainties may decline by 1.5% in 2025.

China-EU economic and trade relations increasingly affected by non-economic factors. At present, factors such as political correctness, security considerations and technological competition has begun to affect the EU's economic and trade policies toward China. Under the combined influence of the above factors, the EU's exports to China have been greatly disrupted in recent years, including export controls on high-tech products like chips, export decline of chemical and energy products to China due to competitiveness disadvantage exposure to rising energy costs. In addition, as the implications of the EU's 'de-risking' policy towards China increase the EU has strengthened its protection of the internal market and used its trade defense tools, like Foreign Direct Investment Screening, Foreign Subsidy Regulations, the International Procurement Instrument to restrict Chinese companies from operating in Europe, which have great impacts on Chinese trade with and investment in Europe.

A big mismatch between China and the EU's stance toward each other's relations. At the beginning of this century, the EU's stance toward its relations with China was a comprehensive strategic partnership, while in 2019 which changed to a tripartite stance-partner for cooperation, economic competitor and systemic rival, and then towards "de-risking" policy since 2023, especially in the fields of critical raw materials and sensitive technologies like semi-conductor, biotechnology, artificial intelligence and quantum technology. On the other hand, China's stance toward its relations with EU emphasizes four major partnerships for peace, growth, reform and civilization, and then three major forces - two great powers that promote multi-polarization, two major markets that support globalization, and two major civilizations that advocate diversity. The difference in the mutual stance toward each other has also led to increasingly obvious differences in how the two sides perceive economic and trade issues. The China-EU economic and trade relations are moving away from the nearly 50-year partnership based on the perspective of "globalization".

RESHAPE CHINA-EU ECONOMIC AND TRADE RELATIONS FOR THE PROSPECT

This year marks the 50th anniversary of the establishment of China-EU diplomatic relations. Over the past 50 years, China-EU economic and trade relations have made great progress, and the relationship between the two sides as mutual important economic and trade partners has been continuously consolidated. Between 1975 and 2024, the import and export volume of China-EU goods trade increased from USD 2.4 billion to USD 785.8 billion, and China-EU two-way investment totalled USD 260 billion, with China's average annual direct investment into the EU in the past five years reached about USD 7.6 billion, which has been equivalent with the annual level of the EU's direct investment into China.

Looking to the future, the prospects for China-EU economic and trade relations are still promising if the two sides move towards each other in the following three aspects as follows: First, highlight partnership positioning. China and the EU and its member states should strengthen strategic communication and partnership at all levels to make up divergences between China and the EU on their relationship. Encourage and support think-tanks, enterprises, civilians, media on both sides to increase two-way exchanges and build up mutual trusts for China-EU cooperation. Reduce adverse effects of the EU's "de-risking" toward China on China-EU economic and trade relations.

Second, strengthen multilateral guidance and coordination. China and Europe are both beneficiaries and steady defenders for economic globalization and trade liberalization. Both sides should jointly maintain the WTO centered and rule-based multilateral trading system, accelerate the WTO reform, work together to address global challenges such as climate change and promote inclusive economic globalization, rather than simply cooperate with like-minded countries to develop economic and trade relations.

Third, explore new models for green cooperation. China and Europe should encourage localized cooperation in trade and investment, promote the integration of mutual enterprises into each other's production and supply chain layout, open markets and create a fair and just business environment, allow enterprises to deepen their presence in each other's markets, participate equally in each other's market procurement and operations, and encourage enterprises from both sides to jointly carry out technology research and development, talent training, logistics and supply chain resilience cultivation, etc.

A Soft Power of Financial Markets?

BY FRANCO BRUNI

Franco Bruni is President of the Italian Institute for International Political Studies (ISPI) and has been Professor in the Department of Economics of Bocconi University until retirement. His contribution underlines the role of financial markets as a form of European soft power. He suggests that shifting perceptions of country risk may strengthen Europe's position by making European debt increasingly attractive.

Soft power is the ability to co-opt rather than coerce, shaping the preferences of others through appeal and attraction. Usually, the concept of soft power is associated with culture and with human and political values, including international solidarity and caring for global public goods.

We often think soft powers as positive tools even if history is rich of examples of negative soft powers.

Credibility is at the roots of the potential use of soft powers: we should take note that during our information age there is a lack of credibility, both at the private and state levels.

According to Joseph Nye, in 1990 the US were "bound to lead" the world, precisely for their soft powers. Lately, it would be difficult to state the same.

In this note I want to make a point about the relevance of finance as a soft power.

ECONOMICS AND SOFT POWER

Usually, economics is not considered a soft power; on the contrary, economic incentives are thought as hard power tools, along with military force. Soft power sceptics would state that international relations respond only to force and/or economic conveniences.

However, traditional soft powers have a reciprocal relationship with economic conditions that reinforces their positive or negative effects. In one direction, positive (negative) soft powers improve (deteriorate) economic welfare in many ways. In the other direction, sound and efficient economic markets and conditions can exert favourable influences in international relations forming sustainable bases for the success of fruitful cultural dialogues and value-based cooperative policies.

Freedom, widely defined, as well as the rule of law, i.e. rule-based relations of various sorts, are crucial soft power tools but are also essential requirements for the efficiency of markets and for an allocation of resources that favours sustainable growth.

Neither China nor Saudi Arabia is a good examples of freedom and of the rule of law; however, their use of economic soft power as a tool to improve their economic integration with the rest of the world is explicit and evident. I see many reasons to avoid discarding the idea that favouring their efforts in these directions, also by allowing them to increase their roles in international institutions and global governance, could accelerate their steps towards freedom and democracy, away from some arbitrariness of autocracies.
Let me now narrow the focus: from economics to financial markets.

FINANCE

Financial markets have a very special impact on international relations as their international expansion and intrusiveness are unstoppable. Even when the growth of indices of economic globalization slow down, financial globalization keeps growing. Sometimes its shape worsens, decreases its efficiency and its transparency, but keeps growing. Digital finance and AI reinforce this global pervasiveness of finance.

Therefore, to the extent that finance can convey some soft-power, that power will be spreading across frontiers.
Finance is often accused to favour the strong and the big, without offering adequate opportunities to weaker and smaller agents. Moreover, the strong ones are always suspected to influence the shaping of financial rules as well as their supervision, without regard to the common good. Information asymmetries are well known characteristics of financial markets and can hurt trust, which is the basis of efficient market making. And so on: a long list of bad aspects of finance can be well grounded in reality and in the results of economic research.

However, these aspects, per se, do not prevent to rely on financial markets as soft powers, able to increase international cooperation for the common good. These defects of finance depend on the inadequacy of financial regulation and supervision that, if rendered adequate, could come to the point of leveraging precisely on the care for these aspects to diffuse the values that support the soft power of financial markets.

Cooperative efforts to level the financial playing field can be conducive to an increasing respect for targeting better balanced economic conditions. Promoting transparency of financial markets and operations helps valuing transparency, truth and trust, in many different economic, political and social instances and institutions. Defending the independence of financial regulators and supervisors can help to stress the importance of the division of powers in a true democracy. Promoting competition and international integration in finance is both a condition and a stimulus to strengthen the soft power of openness and fairness.

All this applies to economic relations in general; however, let me say that finance seems particularly fit for acting as a soft power at the international level as it is somewhat less relationship based, more standardized, and because its qualities – as well as its defects – tend to quickly spread around the world and show that global cooperation is essential for the common good.

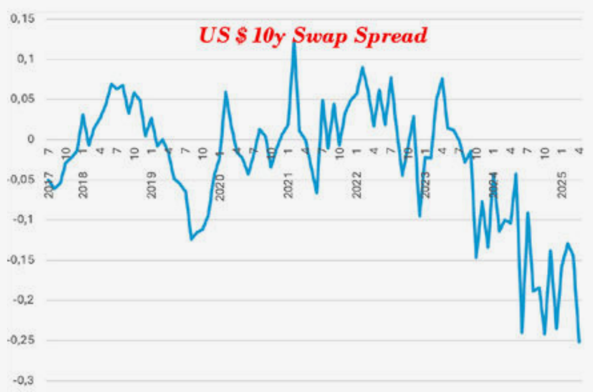
EUROPE

In a period of dangerous crisis of the soft power of US financial markets, could Europe do something to increase its soft power also in the financial field? The answer is yes; the inspection of swap spreads on government securities *(see the figure below)*, which are inversely related to country risks, confirms that perceived country risks are moving against the US and in favour of European debtors. However, the road to make finance a soft power of Europe is long and steep.

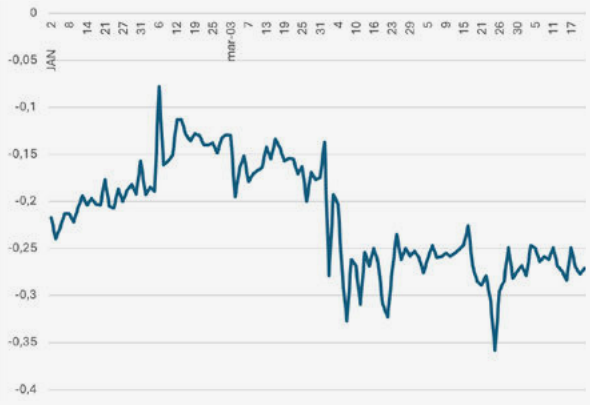
This is not the occasion to propose a well-organized recipe to make European financial markets a crucial tool to improve global international relations and cooperative policies. Let me simply mention two lines of action that, in fact, are already in the EU agenda, even if in too cautious, slow and timid ways.

First, Europe should start a cultural and political battle to abandon the idea that different financial rules and different financial supervisors in different countries can bring any sustainable and fair economic advantage to individual member states. On the contrary: offering a unified financial market to the world would be a formidable soft power, helping all our international relations and multilateral global institutions. The aim should not be to compete with the dollar market nor to substitute it: there is plenty of room to complement it. Even if, in the short run, the euro-based market could act as a partial substitute for some weakening of dollar-based activities.

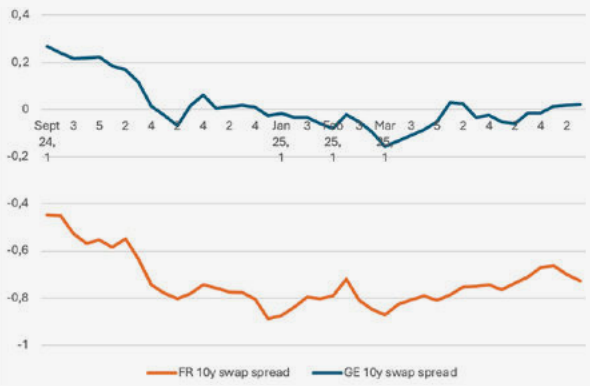
10Y SWAP SPREAD US, GERMANY AND FRANCE
More country risk decreases the spread



US 10Y SWAP SPREAD
Daily 2025



10Y SWAP SPREAD GERMANY AND FRANCE
Weekly since September 2024



Second, Europe should plan for a significant reshaping of the risk-bearing capacity of European finance, keeping very strong rules and supervisions for certain parts of financial markets and some crucial zero-risk operations, while gradually pushing other parts toward freer risk bearing. Households, savers, firms, intermediaries must cease to be thought of as risk minimizing actors and stop being regulated accordingly.

With good risk free and low risk assets, trustable authorities and adequate financial transparency, all markets agents must be in a position to find their preferred risk-expected return mixture and pay, when necessary, the price of a bad outcome of their chosen risk taking.

After all, risk bearing has been for a long the most important soft power of US financial markets. Europe could target a somewhat different risk-bearing atmosphere with a somewhat different regulation, but the globally beneficial, soft power of its financial markets requires a cultural and regulatory jump in the risk bearing capacity of its finance, which would also be of help for improving the allocation of resources.

Three principles will help in shaping such policies.

First, European policy makers must avoid being co-opted into following the direction of US economic policy simply because it reflects a new fashion, is the price of consensus with the US or is backed by heavy private sector lobbying. This is especially true in relation to policies to deliver the net zero transition (which are just as critical as ever) or to prevent a recurrence of the global financial crisis. But even in such areas as AI regulation, where the EU may want to adapt its approach, underlying principles on such issues as privacy, preventing on line harms and protecting the integrity of democratic processes should continue to be respected.

Second, Europe should invest more to develop a new Europe-centred economic pole for the global economy situated *between* the US and China. This should encompass the EU, UK and any other advanced countries which wish to maintain a stable rules-based approach to international trade and investment, continue with low average tariffs, limit distorting subsidies and as far as possible respect the WTO's Most Favoured Nation (MFN) and non-discrimination principles. Reaching out to the democratic large emerging economies (such as Brazil, South Africa and Indonesia) and showing greater readiness to consult rather than take unilateral actions, however justified (as with the Carbon Border Adjustment Mechanisms – CBAMs), could also help Europe establish an influential grouping.

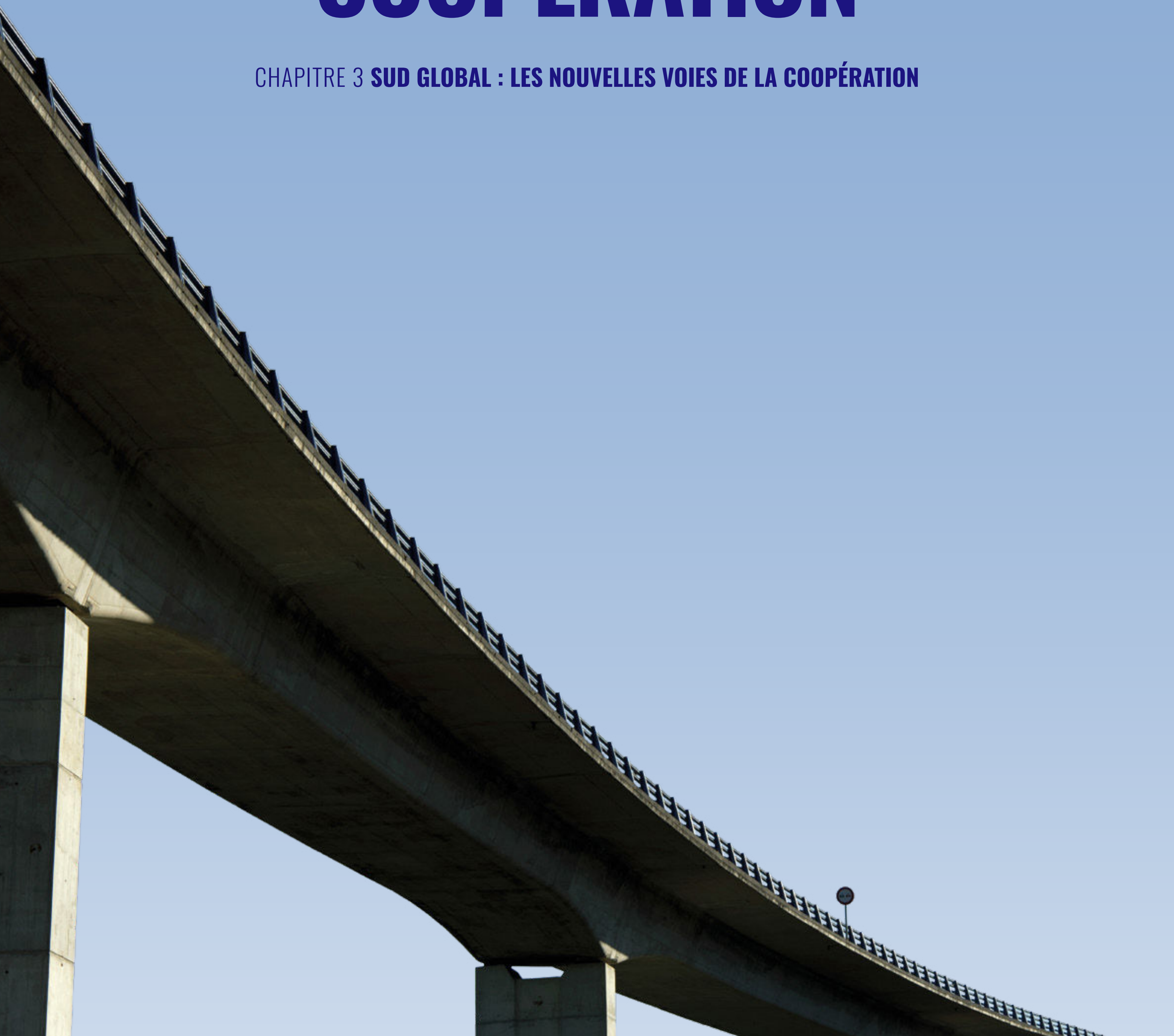
Third, European policy makers should avoid hubris and focus on pragmatic incremental steps to strengthen Europe's role in the global economy over the long term. It is unlikely that the euro will take over from the dollar as the world's leading reserve currency in the foreseeable future – according to a recent report from the ECB, gold now accounts for a larger share of world central bank foreign exchange reserves than the euro. However, a number of steps could be taken to strengthen the euro's international standing including addressing the remaining weaknesses in the euro financial safety net post-GFC and consolidating EU or euro area representation in the IMF. Europe also urgently needs greater pragmatism in starting to address the demographic time bomb arising from low fertility rates through an effective system of managed migration. In the absence of migration, the EU population is projected to fall by some 125mn by the end of the century which would have a devastating impact on prosperity and growth.

CONCLUSION

While Europe certainly has to manage its short-term response to Trump's paradigm shift, it is increasingly urgent that time is also devoted to a longer-term strategy. This should reflect the indefinite nature of the Trump shock and recognise that capitalising on the longer-term opportunities for Europe may require incurring greater short-term costs.

CHAPTER 3
GLOBAL SOUTH: NEW PATHWAYS FOR COOPERATION

CHAPITRE 3 **SUD GLOBAL : LES NOUVELLES VOIES DE LA COOPÉRATION**



The withdrawal of the United States at the beginning of 2025, along with the stagnation or even decline of Official Development Assistance (ODA) in a context of global militarization, forces the Global South to rethink its sources of development financing. This chapter explores different strategies, particularly for Africa, to diversify these sources.

Ibrahim Diarra and Joseph Upile Matola advocate for endogenous models based on domestic resource mobilization. Meanwhile, Seydi Ababacar Dieng and Ousmane Faye highlight the opportunities created by the reconfiguration of global value chains through reshoring, green-shoring, and friend-shoring.

Jospeh Upile Matola further identifies China as a significant external source of financing, particularly through the Belt and Road Initiative (BRI). Xuekun Wang presents China's engagement as central to the development of the BRICS and the Global South, portraying the Belt and Road Initiative as grounded in "mutual consultation, co-construction, and benefit-sharing." His analysis adopts a distinctly affirmative view of the BRI's role and global recognition, in line with the broader Chinese institutional discourse on South–South cooperation.

Together, these contributions highlight the dual imperative for the Global South to strengthen domestic fiscal and local markets capacity while engaging selectively with external partners in a rapidly shifting geopolitical landscape.

Le retrait du soutien économique des États-Unis au début de l'année 2025, conjugué à la stagnation, voire au déclin, de l'Aide publique au développement (APD) dans un contexte de militarisation mondiale, contraint le Sud global à repenser ses sources de financement du développement. Ce chapitre explore différentes stratégies, notamment pour l'Afrique, visant à diversifier ces sources.

Ibrahim Diarra et Joseph Upile Matola plaident pour des modèles endogènes fondés sur la mobilisation des ressources domestiques. Parallèlement, Seydi Ababacar Dieng et Ousmane Faye mettent en avant les opportunités créées par la reconfiguration des chaînes de valeur mondiales à travers les dynamiques de relocalisation, de *green-shoring* et de *friend-shoring*.

M. Matola identifie par ailleurs la Chine comme une source externe majeure de financement, en particulier à travers l'Initiative des Nouvelles routes de la soie. Xuekun Wang présente justement l'engagement de la Chine comme un élément central du développement des BRICS et du Sud global, décrivant l'Initiative des routes de la soie comme fondée sur la « consultation mutuelle, la co-construction et le partage des bénéfices ». Son analyse adopte une perspective résolument positive du rôle et de la reconnaissance mondiale de la politique chinoise, en cohérence avec le discours institutionnel de Pékin plus large sur la coopération Sud-Sud.

Dans l'ensemble, ces contributions soulignent le double impératif pour le Sud global dans un paysage géopolitique en mutation : renforcer la capacité fiscale et les marchés internes, tout en s'engageant avec des partenaires extérieurs.

Towards Endogenous Models for the Development of the Global South

BY IBRAHIM DIARRA

Ibrahim Diarra is the Director of the *Centre Ivoirien de Recherches Économiques et Sociales* – Ivorian Center for Economic and Social Research. In this article, he advocates for endogenous development financing in the Global South, focusing on domestic resource mobilization, local financial intermediation, and strategic public investment. Drawing on experiences from Africa and East Asia, he emphasizes strong institutions and the alignment of finance with social, productive, and environmental goals, while integrating international capital in a supportive role. This article was originally drafted in French. The following English translation is our own.

INTRODUCTION

In a context marked by the volatility of international aid flows, rising sovereign debt, and the challenges posed by climate change, the question of financing development in the Global South has undergone profound reconsideration. The development financing needs of these countries remain enormous and continue to grow, making this issue central to contemporary economic debates. Traditional models based on external debt, multilateral financing, and Foreign Direct Investment (FDI) have demonstrated limits in terms of sustainability and their impact on structural inequalities. Moreover, the COVID-19 crisis highlighted the impossibility of separating exogenous macroeconomic shocks from long-term development trajectories: resource mobilization for development will continue to be affected by such shocks unless it relies on a financial foundation capable of absorbing them.

This reality underscores the urgency for Global South states to adopt sustainable financing—understood as the capacity of an economic system to mobilize financial resources in a stable, equitable manner, aligned with structural transformation goals. Such sustainability entails strengthening the local foundations of financing mechanisms while ensuring their coherence with long-term environmental, social, and productive objectives. This contribution proposes rethinking the foundations and practices of development financing through an endogenous and sustainable approach, centered on states' internal resources, local innovations, and community-based capitalization. Rethinking sustainable financing in the Global South is therefore not an ideological retreat, but an imperative of economic coherence and structural justice.

This paper opens with a critical analysis of the limits of traditional development financing models in the Global South, explores levers that can promote sustainable financing, and concludes with a synthesis of the preceding analyses.

THE LIMITS OF TRADITIONAL DEVELOPMENT FINANCING PARADIGMS

Since the 1950s, development economists have emphasized the importance of external capital to compensate for insufficient investment funds in poor countries. This line of thought was formalized by Chenery & Strout (1966) who proposed the two-gap model, asserting that Official Development Assistance (ODA) or external debt would offset weaknesses in domestic resource mobilization capacities. The experience of African countries between the 1980s and 2000s, particularly under structural adjustment programs, revealed the perverse effects of exogenous financialization: reduced public investment, widespread privatization, rising informality, weakened state capacity, and increased poverty. At the same time, the growth of FDI and ODA concentrated on capital-intensive extractive sectors with limited domestic integration. This rentier model is often conditioned by external criteria while imposing reform frameworks that compromise budgetary sustainability and economic resilience.

Added to these limitations is a heightened vulnerability to debt cycles. Several countries, including Ghana, Zambia, and Sri Lanka, have recently faced crises linked to excessive issuance of high-yield eurobonds, illustrating the risks of uncontrolled external financing strategies. Neo-structuralist and post-Keynesian approaches question the sustainability of this model, which often conflicts with the imperative of massive investment in social and productive infrastructure. By prioritizing short-term solvency goals—such as reducing the debt-to-GDP ratio—this paradigm forces trade-offs that are detrimental to development, especially in countries with limited fiscal capacity. Without sustained and targeted investment, economies in the Global South struggle to generate inclusive and resilient growth, compromising their development trajectory.

THEORETICAL FOUNDATIONS OF ENDOGENOUS FINANCING MODELS

Neoclassical capital theory holds that debt is a temporary instrument designed to compensate for domestic savings deficits and initiate an accumulation process conducive to growth. In the Global South, however, this dynamic encounters structural weaknesses such as inefficient financial systems and low banking penetration.

Post-Keynesian and structuralist approaches (Lewis, 1954; Hirschman, 1958) emphasize the activation of internal resources and the gradual expansion of local productive capacities. They stress that public investment generates savings by stimulating aggregate demand, employment, and the fiscal base. In this logic, the state is not merely an arbitrator but a central productive actor, a catalyst for national savings, endogenous innovation, and industrialization. Historical experiences in East Asian countries (South Korea, Taiwan) and, to a lesser extent, some African countries (Rwanda, Ethiopia) support this hypothesis.

This model is based on the central idea that sustainable growth can only result from internal resource mobilization, coordinated through institutions capable of channeling financial flows toward sectors with high social and productive value.

PRINCIPLES OF ENDOGENOUS FINANCING AND SUCCESSFUL MODELS

Endogenous financing emphasizes several mechanisms:

1. Expanded fiscal mobilization, strengthening domestic resource mobilization through base broadening, anti-evasion measures, and restoring the legitimacy of taxation. Rwanda exemplifies this approach: between 2000 and 2020, the share of aid in the national budget fell from 80% to less than 30%, thanks to progressive tax reforms, digitalization of services, and a social contract focused on local public investment (IMF, 2021).

2. Local financial intermediation, through the creation or reinforcement of financial institutions to channel domestic savings to strategic sectors. Bangladesh, with Grameen Bank, demonstrated how microfinance can serve as a tool for endogenous local financing and social transformation.

3. Territorial anchoring and local planning, adapting financial instruments to the needs and capacities of local areas. Brazil's participatory budgeting and regionalized investment funds in Morocco illustrate how communities can co-create their development projects and mobilize mixed resources (public, private, community) in a sustainable decentralized financial logic.

4. Redistribution of strategic rents, transforming rents into development capital. Botswana, for instance, used its diamond revenues not for current consumption but to establish a public sovereign fund financing education, infrastructure, and productive diversification.

5. Inclusion of environmental dimensions, structuring financial flows toward high environmental-value investments. Kenya launched a domestic green bond program allowing local communities and businesses to access subsidized resources for certified green projects.

Fundamentally, institutional quality forms the foundation for effectively implementing a sustainable endogenous financing model. Such a model's structural principles require credible and transparent institutions, which alone—as Acemoglu et al. (2001) emphasize—can shape economic incentives and foster trust among stakeholders.

CONCLUSION

Rethinking development financing through endogenous models represents a strategic shift based on rehabilitating internal resources, territorial governance, and fiscal legitimacy. By linking economic efficiency, social equity, and decision-making sovereignty, these models offer a sustainable response to the limits of exogenous financing—provided they are supported by strong institutions, a culture of transparency, and a strategic state. The goal is not to reject international capital but to subordinate it to local dynamics, in a perspective of structural transformation, resilience, and intergenerational justice.

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Financing Development in the Global South: An African Perspective

BY JOSEPH UPILE MATOLA

As the acting Head of the Economic Resilience and Inclusion Programme at the South African Institute of International Affairs, Joseph Upile Matola offers an in-depth analysis of the structural obstacles preventing the Global South—and Africa in particular—from closing its development financing gap. Yet, Matola argues that solutions exist and calls for a fairer and more inclusive global financial architecture to ensure that development goals remain within reach.

1. STATE OF DEVELOPMENT FINANCE IN THE GLOBAL SOUTH

The Global South, particularly Africa, faces an acute financing gap for its development needs. The continent requires an estimated USD 1.3 trillion annually to achieve the Sustainable Development Goals (SDGs) by 2030, yet current financing flows fall drastically short. Africa's infrastructure deficit alone demands a minimum of USD 130–170 billion per year, while climate adaptation and mitigation require an additional USD 50 billion annually. Despite these needs, financing challenges continue to mount, with financing sources such as foreign aid and concessional financing not keeping up with the increasing needs, while private investment remains insufficient.

A troubling trend is the withdrawal of traditional development partners, particularly the United States. Recent budget cuts have significantly reduced U.S. foreign aid, including programs under USAID and the African Development Fund (ADF-17). These reductions come at a time when African nations are grappling with post-pandemic recovery, climate shocks, and debt distress. The U.S. retreat exacerbates an already precarious situation, forcing developing countries to seek alternative financing sources—often at higher costs.

Meanwhile, Official Development Assistance (ODA) from OECD countries has plateaued, failing to meet the long-standing target of 0.7% of Gross National Income (GNI). Military spending including the funding of the war in Ukraine and increased of defense budgets in countries such as Germany and the United Kingdom has come at the expense of ODA budgets that would have been spent on development initiatives in the Global South. Financing commitments, such as the USD 100 billion per year climate financing pledge from developed nations, remain unfulfilled. These trends leave developing countries struggling to finance essential programs such as infrastructure, healthcare, education, and climate resilience.

2. KEY BARRIERS TO MOBILIZING DEVELOPMENT FINANCE IN THE SOUTH

Several factors underline the development financing challenges being faced in the Global South. For Africa, the rising debt burden, capital flight, weak domestic revenue mobilization, and the high cost of borrowing are among the key factors. These factors, explained below, require urgent action covering policy and institutional reforms at both domestic and international levels.

a) Weak Domestic Resource Mobilization

Many developing countries struggle to generate sufficient domestic revenue. This is largely due to having narrow tax bases that rely heavily on a small private sector that is aggressively taxed to extract as much revenue as possible for the government. This problem is compounded by weak tax administration systems that enable widespread evasion and avoidance of tax. Additionally, illicit financial flows (IFFs)—estimated at USD 88.6 billion annually from Africa alone—further limit revenue mobilization and promote loss of the much-needed foreign currency.

The shallow nature of domestic capital markets in developing countries also constrains domestic resource mobilization for development financing. These markets often remain embryonic and government-dominated, failing to adequately serve private sector needs or attract sufficient long-term finance (Demekas, Nerlich, 2020). Key structural deficiencies include limited liquidity and high transaction costs which deter investments. For instance, in Sub-Saharan Africa, domestic credit to the private sector stands at only 33% of GDP—far below the 192% in the US, 82% in Europe, and 177% in East Asia—reflecting critically underdeveloped financial intermediation (World Bank, 2025). This market shallowness manifests in glaring financing gaps, particularly for infrastructure. Consequently, private sector infrastructure (and social) financing in emerging economies remains underutilized.

b) Capital Flow Reversals

A major challenge for the Global South is the net outflow of capital. In recent years, debt servicing and profit repatriation by multinational corporations have exceeded new inflows of Foreign Direct Investment (FDI) and concessional loans. According to the UN Conference on Trade and Development (UNCTAD), in 2023 Africa experienced net negative resource transfers of up to USD 25 billion, meaning that more money left the continent in interest and dividend payments than entered through new investments (UNCTAD, 2025). This trend is driven by rising debt servicing costs, including those for Eurobonds issued at high interest rates; declining FDI due to global economic uncertainty and risk aversion; profit repatriation by foreign firms, which drains foreign exchange reserves.

c) Weak Official Development Assistance (ODA)

Official Development Assistance (ODA) remains critical for low-income countries, but it faces systemic challenges. According to the OECD, only four member countries—Denmark (0.71%), Luxembourg (1.00%), Norway (1.02%) and Sweden (0.79%)—met the 0.7% GNI target in 2024, while total ODA fell by 7.1% to USD 212.1 billion amid global economic pressures (OECD, 2025). The decline of ODA to developing countries has been due in part to a growing focus on military spending, particularly in response to the war in Ukraine and shifting U.S. defense priorities, which have spurred increased defense budgets in key donor nations like the UK and Germany. Additionally, aid fragmentation has intensified, with rising earmarking and tied aid, reducing effectiveness.

The failure to scale up ODA, combined with unmet commitments (such as the USD 100 billion annual pledge for climate financing) forces developing nations to rely on more expensive commercial borrowing, exacerbating debt crises. This has resulted in most countries in Africa having to spend more on debt servicing than on crucial sectors such as health, education, social protection and infrastructure.

d) High Cost of Capital for African Countries

African sovereigns face significantly higher borrowing costs than their peers with similar credit history. Perceived risk premiums, often inflated by credit rating agencies, impose substantial costs with an "Africa premium" of about 2.9 percentage points above fair borrowing rates (Gbohoui, Ouedraogo, Some, 2023). Weak fiscal positions driven by low tax and export revenues also contribute to the higher African risk premium. Furthermore, currency volatility in most economies magnifies these pressures with exchange rate depreciations contributing to a 2.2-percentage-point rise in Africa's public debt-to-GDP ratio in 2024 (see Finance for Development Lab debt decomposition – Humann, 2023).

3. A SHIFTING LANDSCAPE OF FINANCING

Traditional development partners like the World Bank and International Monetary Fund (IMF) continue to play a central role in global development finance but have increasingly faced criticisms about their effectiveness. These institutions have been widely criticized for imposing austerity-linked conditionalities that often require recipient countries to implement harsh fiscal austerity measures, such as cutting public spending on essential services. These conditions have been shown to stifle economic growth and worsen social outcomes, particularly harming vulnerable populations who rely on public services such as health and education. Additionally, developing countries remain inadequately represented in the governance structures of these institutions, with voting power heavily skewed toward the US, Europe, and Japan. This imbalance limits the voice and influence of low- and middle-income countries in decision-making, perpetuating a system where major policies and leadership appointments reflect the interests of wealthier nations rather than the needs of borrowers (Brettonwoods Project, 2019).

With these criticisms developing countries, particularly in African have increasingly looked for alternatives and China has emerged as one of those alternatives. China's Belt and Road Initiative (BRI) has emerged as a major alternative source of development finance, particularly for infrastructure projects, offering loans without the stringent policy conditions typical of the World Bank and IMF. In 2024 alone, China's BRI engagement reached record levels with over USD 70 billion in construction contracts and USD 51 billion in investments across 149 countries, cumulatively surpassing USD 1.17 trillion since 2013. This scale of financing has helped fill the infrastructure gap in many low- and middle-income countries, especially in sectors like hydropower in Africa.

However, this alternative comes with significant risks. BRI loans are often non-concessional and collateralized, secured through commodity revenues and cash deposits held in Chinese accounts, which restrict borrower countries' fiscal autonomy and complicate debt management. The lack of transparency around lending terms and project agreements further exacerbates concerns about governance and accountability. Moreover, these financial dependencies can create geopolitical vulnerabilities, as debt distress might lead to asset seizures or political leverage by China. Thus, while China's role addresses the financing shortfall left by traditional donors, it introduces new challenges related to debt sustainability, transparency, and sovereignty for recipient countries (Nedophil, 2025; BRI Monitor).

4. ADDRESSING DEVELOPMENT FINANCING GAPS IN THE SOUTH

The above challenges coupled with the changing landscape of development financing in the Global South require urgent action to ensure that developmental needs are not beyond reach. Such action needs to be collective, with all actors playing their part. Below are some of the actions that need to be undertaken.

For National Governments in the Global South

- Strengthen domestic revenue mobilization through progressive taxation, investment in tax administration including digital payment systems, and anti-corruption measures.

- Develop local capital markets to reduce reliance on foreign currency debt. There should also be a deliberate attempt to deepen capital markets to include more non-bank financial institutions such as pension funds. Furthermore, governments should minimize the crowding out of the private sector by over-borrowing on the domestic markets.

- Strategically leveraging new forms and sources of financing such as China's BRI. Governments should harness China's financial power through targeted complementarity, aligning initiatives like BRI with domestic priorities. To minimize the risk of increasing future debt vulnerabilities, countries should prioritize smaller-scale, high-impact infrastructure over mega-projects that can rapidly increase debt.

For Official Development Partners

• Fulfill ODA and climate finance commitments, including the USD 100 billion pledge.

• Expand debt relief initiatives and undertake reforms of the current debt relief initiatives, particularly the Common Framework on Debt treatments to ensure that all countries that need relief are covered and that debt relief comes in a timely and adequate manner.

• Support the call for reforming credit rating agencies to reduce unjustified risk premiums, and assist developing countries in building capacity for engaging with and addressing credit ratings.

For International Financial Institutions (IFIs):

• Increase concessional lending through the World Bank's IDA and IMF's RST. Furthermore, increase pledges to ADF-17 to make sure that its replenishment reflects the development needs that it seeks to address.

• Enhance SDR rechanneling to MDBs for leveraging development finance.

For Global Bodies (G20, UN):

• Advocate for fairer global tax rules to curb illicit financial flows.

• Establish a multilateral debt restructuring mechanism to address sovereign insolvencies.

• Promote transparency in lending, including through a global debt registry.

5. CONCLUSION

Financing development in the Global South requires a multifaceted approach that will address challenges facing developing countries including capital flight, domestic revenue mobilization, weak ODA and high cost of capital. Urgent action is required so that the SDGs will not remain out of reach for millions of people in the Global South. For this, the international community must prioritize equitable, sustainable financing to ensure no country is left behind.

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The Global Opportunities Presented by China's Development

BY XUEKUN WANG

Xuekun Wang, President of the Chinese Academy of International Trade and Economic Cooperation, highlights China's role as a driver of global growth and development. He underscores the country's economic resilience and strategic initiatives and presents how Beijing envisions how its policies strengthen the integration of developing economies into global trade networks.

CHINA'S ECONOMY MAINTAINS SOLID DEVELOPMENT MOMENTUM, SERVING AS A CRUCIAL ENGINE OF GLOBAL GROWTH

In recent years, China's economy has swiftly recovered from the disruptions caused by the COVID-19 pandemic, sustaining a relatively robust growth trajectory. GDP expanded by 5.2% in 2023 and 5.0% in 2024, with first-quarter 2025 growth reaching 5.4%—a pace that places China among the world's fastest-growing major economies and underscores its economic resilience.

Over the past five years, China has contributed an average of nearly 30% to global economic expansion, solidifying its position as one of the primary drivers of the world economy. As the world's largest trading nation, China serves as the main trading partner for over 150 countries and regions. It also leads developing economies in both inward foreign direct investment (FDI) and Overseas Direct Investment (ODI). Trade and investment not only serve as a vital link between China and the global economy, but also foster shared prosperity.

In 2021, China achieved a historic milestone by eliminating absolute poverty, lifting 100 million rural residents out of deprivation—an unprecedented feat in global poverty-reduction efforts. By 2024, the country's annual grain output surpassed 700 million metric tons for the first time, ensuring national food self-sufficiency while enabling China to provide critical humanitarian assistance to least-developed countries in Africa and Asia, thereby alleviating food crises across vulnerable regions.

China has also remained steadfast in fulfilling its climate commitments, prioritizing the development of clean energy technologies and green industries. In 2024, renewable sources contributed more than half of China's incremental electricity generation, with the nation's installed capacity of wind, solar, and hydro power leading the world. Similarly, China's electric vehicle (EV) fleet dwarfs that of all other nations, underscoring its dominance in sustainable transportation industry. These efforts have yielded tangible results, including cleaner skies and air, significantly bolstering global efforts to combat climate change.

China's economy is now confronting external and internal pressures at the moment. Geopolitical tensions and the imposition of "reciprocal tariffs" by the U.S. continue to destabilize the international trade order, casting uncertainty over global economic growth forecasts. Internally, structural weaknesses persist, including subdued domestic consumption and mounting trade barriers. Chinese firms are facing escalating restrictions in global markets, as evidenced by World Trade Organization data: as of 2024, China has accounted for 33.6% of all active anti-dumping measures initiated since 2020 (1103 out of 3285 cases).

To address these challenges, China is advancing a "dual-circulation" strategy, prioritizing domestic demand as the primary growth engine while strengthening international economic ties. This strategy leverages China's institutional advantages—its capacity for long-term strategic planning—and its market advantages, including a vast and diverse consumer base, a comprehensive industrial ecosystem, and a skilled workforce comprising millions of entrepreneurs and professionals. These factors endow China's economy with robust endogenous growth potential. As China progresses toward its goal of "Chinese-style modernization"—a uniquely ambitious endeavor to modernize a nation of 1.4 billion people—it is well positioned to unlock transformative opportunities for global development.

FOR EIGHT DECADES SINCE WORLD WAR II, FREE TRADE AND ECONOMIC GLOBALIZATION HAVE UNDERPINNED GLOBAL PEACE AND PROSPERITY

The post-war international order—including the Bretton Woods system, the General Agreement on Tariffs and Trade (GATT), and its successor, the World Trade Organization (WTO)—was largely shaped by the U.S. and European countries. This system prioritized free trade and global economic integration, enabling unprecedented growth and peace over the past 80 years. However, globalization has also given rise to multiple challenges: income inequality has widened, hollowing-out of in certain industrial sectors, some countries have experienced a rise in populism and protectionism, accompanied by a growing tendency toward inward-looking policies.

History demonstrates that openness drives progress, while closure breeds stagnation. Addressing globalization's downsides requires deepening —not retreating from—international cooperation. Resorting to exclusionary, isolating, or extreme measures is counterproductive, as such actions do not address the root causes and are likely to trigger new problems.

Emerging and developing economies, including China, have thrived under the rules-based multilateral trading system centered on the WTO. These economies remain staunch advocates of trade liberalization and global economic integration. WTO data reveals that from 1995 (its founding year) to 2023, Global trade in goods and services surged from USD 6.3 trillion to USD 31.3 trillion—a nearly four-fold increase. This expansion bolstered global value chains, strengthened industrial and supply-chain cooperation, and lifted over 1.5 billion people out of extreme poverty. Since 2000, developing economies have seen a 4.6-fold increase in goods trade volume, driven by industrial relocation and deeper integration into global trade networks. Their share of global trade has risen from 30% to 45%, while their contribution to world GDP has approached 40%.

The BRICS, now encompassing 11 member states across Asia, Africa, Europe, and the Americas, exemplifies this dynamic. Spanning 32% of the global landmass and home to nearly 4 billion people—48% of the world's population—its members collectively account for 28% of global GDP, cementing their status as a pivotal force in global governance and economics. As UNCTAD's report Trade and development foresights 2025: Under pressure notes, developing economies seek not to challenge developed counterparts, but to secure their rightful place in the global economy.

Advanced economies should view BRICS' rise as an opportunity, not a threat. Emerging from a foundation of economic cooperation, the BRICS countries are well positioned to further promote free trade, strengthen global economic partnerships, and unlock new opportunities across developed and developing markets, thereby injecting strong impetus into global economic recovery and growth.

CHINA ACTIVELY PROMOTES THE BUILDING OF A COMMUNITY WITH A SHARED FUTURE FOR MANKIND AND PROMOTES GLOBAL DEVELOPMENT WITH PRACTICAL ACTIONS

In an era marked by profound global transformations and protracted economic stagnation, China has advanced a visionary framework to address key obstacles to human development: the construction of a community with a shared future for mankind. As articulated by President Xi Jinping, all of humanity now lives in a shared global village, increasingly interconnected as a community where mutual interests are inextricably intertwined. All nations share the same vessel of destiny; to withstand turbulence and chart a path toward collective prosperity, collective action is essential. No attempt to undermine this collective journey should be tolerated.

Anchored in this philosophy, China has championed the realization of a community with a shared future for mankind, advocates an equal and orderly multipolar world and an inclusive economic globalization through concrete actions. China has since introduced a series of initiatives and measures aimed at promoting global development, with particular emphasis on advancing the concept of the Global South.

Notably, the 2021 Global Development Initiative underscores this commitment, with China pledging to mobilize additional resources to advance cooperation across key areas—including poverty reduction, food security, epidemic prevention and vaccine distribution, development financing, climate change and green development, industrialization, the digital economy, and connectivity. This initiative aims to accelerate the implementation of the UN 2030 Agenda for Sustainable Development.

This diplomatic agenda has gained further momentum in 2024. At the 2024 Summit of the Forum on China-Africa Cooperation in Beijing, China unveiled ten strategic cooperation measures to bolster African development. At the 2024 G20 Rio de Janeiro Summit, China put forward eight collaborative actions. These initiatives prioritize infrastructure modernization, effective poverty governance, and technological innovation, leveraging multilateral efforts to promote equitable global development.

Complementing these efforts is the Belt and Road Initiative (BRI), now in its twelfth year. Through policy coordination, infrastructure connectivity, trade facilitation, financial integration, and people-to-people exchanges, the BRI has effectively established itself as a positive public good, contributing to shared prosperity among its participating nations. Despite occasional skepticism, its principles of mutual consultation, co-construction, and benefit-sharing have garnered global recognition

China has also pursued higher standard openness to the world. Since 2024, unilateral liberalization measures—including visa-free entry for citizens of 47 nations, relaxed foreign investment restrictions, full access to the manufacturing sector, and phased expansion of high-value service sectors such as healthcare and telecommunications—have been implemented. Furthermore, as the world's second largest economy, China has taken concrete actions to promote global trade growth and economic development, notably through a 100% tariff exemption on exports from least-developed countries and an annual import volume exceeding USD 2.6 trillion, thereby demonstrating its pivotal role in global trade.

Deglobalization: A Strategic Opportunity for Africa

BY SEYDI ABABACAR DIENG AND OUSMANE FAYE

Seydi Ababacar Dieng, Director, and Ousmane Faye, Researcher, at the Economic and Monetary Research Laboratory (LAREM) of Cheikh Anta Diop University (UCAD), highlight how shifts like near-shoring, friend-shoring, and de-risking open new prospects for Africa. By leveraging its renewable energy, young workforce, and AfCFTA market, the continent can align domestic industrialization with European demand for low-carbon inputs and advanced technologies, moving beyond commodity exports to become a key partner in global value chains. This article was originally drafted in French. The following English translation is our own.

STRATEGIC CONTEXT

The rise of multilateralism in the aftermath of World War II promoted the liberalization and growth of international trade through the various GATT cycles and the creation of the WTO in 1995 (Combe, 2000). At the same time, bilateral and regional agreements multiplied, notably the Economic Partnership Agreements (EPAs) between the EU and the African, Caribbean and Pacific Group of States (ACP), intended to open African markets while boosting their exports. Nevertheless, these agreements did not prevent the continuation of the multilateral process, and many of them still contributed to the development of free trade (Siroën, 1995). Globalization, which became the dominant engine of world economic development, was based on the international division of production processes—fragmentation of global value chains—and on the expansion of international logistics, driven by containerization, free zones, and digital technologies. This model allowed for rapid growth in international trade. Trade flows increased significantly. Imports multiplied by 77 and exports by 63 between 1948 and 2024 (Table 1).

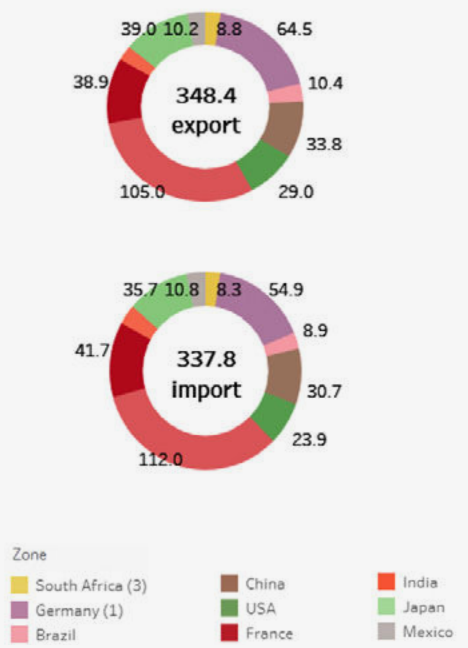
TABLE 1: GLOBAL IMPORTS AND EXPORTS, 1948-2024

NATURE	Date							
	1948	1953	1963	1973	1983	1993	2003	2024
EXPORT	384	410	515	961	2 205	4 083	7 781	24 210
IMPORT	318	341	442	887	2 169	4 109	7 902	24 520

Source: Authors, based on WTO data (2024)

International trade is characterized by the polarization of exchanges (Abdelmalki and Sandretto, 2000), which occur within and between major regions or poles—the "triad" of Western Europe, North America, and Southeast Asia. This polarization persists today, showing that developed countries trade primarily among themselves, while countries in the Global South mainly trade with the North and relatively little among themselves. It is important to note that, regardless of the triad component, a significant share of trade is conducted with emerging economies. However, there are considerable differences in the geographical distribution of these flows, with industrialized countries dominating (Graph 1).

FIGURE 1: DISTRIBUTION OF INTERNAL TRADE FLOWS



Source: Authors, based on WTO data (2024)

However, globalization also generated systemic vulnerabilities, particularly for Africa. It is worth recalling that numerous special provisions related to special and differential treatment in the GATT and later WTO agreements, granting developing countries special rights, were intended to facilitate and increase their participation in international trade. Despite these "advantages," developing countries, particularly African nations, remain largely marginalized. Many have specialized in low-value-added segments. Africa remains primarily confined to basic commodities with limited local processing despite the EPAs, relying heavily on imports of essential goods and underrepresented in technological value chains.

Moreover, polarization extends beyond trade in goods to international investment flows. The three components of the "triad" simultaneously concentrate most trade in goods and services as well as capital flows. According to UNCTAD (2023), Africa received only USD 45 billion of global inward Foreign Direct Investment (FDI) in 2022—the same level as in 2019—representing 4.91% of the total received by developing countries (USD 916 billion, over 70% of global flows). This highly unequal distribution of FDI favors a small group of emerging countries (UNCTAD, 2023).

Since the late 2010s, a paradigm shift has emerged. Successive crises—health (COVID-19), geopolitical (Ukraine, China–US tensions), and climate-related—have revealed the fragility of an unbalanced and polarized global trade system.

Today, a global trend toward deglobalization is emerging, i.e., the strategic re-territorialization of value chains through three mechanisms. First, near-shoring, which relocates production closer to final markets. Second, friend-shoring, which outsources production to stable and politically aligned countries. Third, de-risking, which aims to reduce critical dependencies, notably on Asia.

For Africa, this dynamic opens a strategic window to reposition itself as an industrial partner and reliable supplier of intermediate and final goods, provided it combines its geoeconomic advantages with a structured industrial policy.

A NEW GLOBAL CONTEXT OFFERING OPPORTUNITIES FOR AFRICA

Within this realignment, major Western powers have begun reconfiguring their industrial policies. In the United States, the Inflation Reduction Act (IRA) and the Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act inject hundreds of billions of dollars to restore strategic value chains, support clean technologies, and secure semiconductor production. Across the Atlantic, the European Union responds with equally ambitious regulatory and financial measures: the European Green Deal, Carbon Border Adjustment Mechanism (CBAM), Global Gateway, and the Net-Zero Industry Act. The goal is clear: bring production sites closer to end markets, ensure exemplary social and environmental standards, and reduce dependency on geopolitically sensitive areas.

Multinationals, anticipating these new constraints, are redirecting their investments to territories that can offer three essential guarantees: geographical proximity to final markets, political stability, and rapid compliance with ESG standards. In this process of global industrial reallocation, Africa emerges as a natural and strategic partner.

First, its logistical proximity to Europe—six to eight days maritime transit for Maghreb ports versus over a month from Asia—reduces time-to-market and the carbon footprint of transport. Second, the continent has an unmatched renewable energy potential: Saharan solar, Atlantic wind, equatorial hydro, and Rift Valley geothermal energy, all assets that meet the low-carbon production requirement imposed by the CBAM. Additionally, Africa possesses critical mineral reserves—cobalt, lithium, graphite, rare earths—essential for the global energy transition.

At the same time, the African Continental Free Trade Area (AfCFTA) is gradually becoming operational; combined with the Pan-African Payment and Settlement System (PAPSS), it promises to streamline payments and rules of origin, creating a market of 1.4 billion consumers. Finally, Africa's youthful population, dynamic and eager for digital opportunities, constitutes a talent reservoir that appeals to industries seeking agility.

Under these conditions, Africa can replace part of the Asian value chains, particularly in resource-intensive and high-carbon sectors. The new era promises industrial integration founded on balanced partnerships and accelerated upgrading.

AFRICA'S COMPARATIVE ADVANTAGES

Logistically, the continent already has world-class port platforms—Tanger Med, Port Said, Lekki—capable of absorbing additional flows while providing direct access to the European market.

In terms of energy, its competitive renewable mix (solar, wind, hydro) is a decisive factor for companies aiming to reduce their carbon footprint and comply with CBAM.

Regarding raw materials, Africa accounts for two-thirds of the world's cobalt, a significant share of lithium and graphite, and rare earths: strategic resources for the battery and green technology industries.

At the continental market level, AfCFTA, supported by PAPSS, provides a regional industrialization platform that lowers transaction costs and promotes the development of pan-African value chains.

Human capital is also strong: a young population, driven by entrepreneurial dynamism and rapid adoption of digital tools, allows rapid skill development in industrial and technological sectors.

Finally, the trade regime, combined with Economic Partnership Agreements (EPAs) and cumulative rules of origin under AfCFTA, guarantees preferential access to the European market, transforming Africa into a competitive production zone for companies seeking economic performance and sustainability.

The current global context, marked by both the imperatives of reshoring and decarbonization, thus creates a historic window for Africa: to become the new green workshop for Euro-Atlantic value chains while meeting its own growing domestic market needs in a sovereign manner.

AFRICAN INDUSTRIALIZATION: LINKING DOMESTIC AND EUROPEAN MARKETS

To transform the current momentum into a true driver of development, Africa must adopt a two-pronged industrial strategy.

The first targets the domestic market. Rapid urbanization generates strong demand for affordable housing, locally processed food, suitable textiles, and localized healthcare solutions. Producing these basic goods locally reduces import dependency, secures supply during logistic tensions, and creates non-relocatable jobs. Importantly, AfCFTA provides the necessary scale effect: nascent industries can serve a market of 1.4 billion consumers while coordinating regional specializations (pharmaceuticals in Senegal, automotive assembly in Morocco, steel in Namibia, etc.).

The second targets the European market, committed to accelerated decarbonization. EU value chains seek low-carbon inputs and partners capable of complying with CBAM and ESG standards. By aligning with these frameworks—and leveraging preferential tariff treatment under the EPAs—African producers can export higher-value goods: certified aerospace parts, green steel, electronic components, or digital services sensitive to data sovereignty. This dual model—producing for domestic and European markets—strengthens productive autonomy while opening access to a solvent nearby market.

EMBLEMATIC CASES OF PRODUCTIVE RE-TERRITORIALIZATION

Early successes already confirm the feasibility of this trajectory. In Casablanca, the Boeing–Figeac Aero partnership implemented an AS 9100-certified machining chain: a textbook example of friend-shoring where quality, political stability, and logistical proximity eliminate the need for Asian detours.

Within Morocco, Renault and Stellantis converted Tanger and Kenitra sites into versatile platforms; the same chassis can accommodate a thermal engine for West Africa or an electric engine for Europe, illustrating near-shoring logic.

In Namibia, the startup Hylron, backed by a German consortium, inaugurates a direct reduction green hydrogen iron industry: a CBAM-driven project prefiguring EU "net-zero" steel.

In Dakar, the MADIBA project at the Pasteur Institute provides West Africa with WHO-approved vaccine production capacity, while Nairobi hosts Microsoft-G42 data centers running entirely on geothermal energy, compliant with the General Data Protection regulation (GDPR): a green-shoring approach combining digital sovereignty and clean energy.

FOR A TRULY WIN-WIN PARTNERSHIP

For Europe, Africa can become a safe, resilient and green industrial base; for Africa, Europe represents a stable market and source of advanced technologies. The key lies in co-production rather than subcontracting. This requires organized skills transfer—immersive VR training, digital twins for maintenance, or shared R&D platforms within mixed clusters.

Trade rules must also reflect this ambition: coherent use of EPAs aligned with AfCFTA, and CBAM implementation that recognizes Africa's carbon advantage from renewable energy. Financing must be patient: combining private capital, regional banks (Africain Development Bank, African Export-Import Bank), and European instruments (Team Europe) to support heavy investment in port, energy, and digital infrastructure.

RISKS AND SUCCESS CONDITIONS

Three pitfalls threaten this scenario:

1. **Superficial local integration**, confining Africa to low-margin assembly tasks;

2. **Intra-African rivalries** if each country pursues independent strategies, undermining regional complementarity;

3. **Regulatory or energy instability**, deterring long-term investors seeking predictability.

To mitigate these risks, four conditions are essential:

- Creation of green industrial zones connected to certified renewable networks;

- Normative harmonization between AfCFTA and EPAs, with mutual recognition of quality and carbon standards

- Accelerated skill development via immersive training (VR/AR, digital twins, AI);

- Unified economic diplomacy capable of negotiating logistic corridors and defending African interests in international regulatory bodies.

OPERATIONAL RECOMMENDATIONS

For states: identify key sectors (batteries, green cloud, biopharma, sustainable textiles) and anchor them in industrial ecosystems with shared infrastructure and clear fiscal regimes. Rapid execution of EPAs and bilateral agreements, combined with ambitious technical education policy, will strengthen investor attraction.

For regional institutions: set up a continental task force for productive re-territorialization, mobilize pooled funds for critical infrastructure, and drive convergence of CBAM-compatible standards.

For external partners: alignment with the Global Gateway Initiative must translate into public-private co-investment schemes and direct support for African centers of excellence to anchor innovation sustainably across the southern Mediterranean.

PROSPECTIVE CONCLUSION

"Deglobalization" marks a profound break with production and trade patterns of the past three decades. It is not merely a slowdown in international trade; it reflects a strategic shift where economic sovereignty, risk reduction, and ecological transition become the new axes for industrial decision-making.

For Africa, this shift opens a **historic window**. The equation is clear:

1. **Create value locally.** Install production units oriented both to domestic consumption and high-tech exports; capture increasing local shares of agricultural, mining, textile, pharmaceutical, and digital processing.

2. **Break inherited dependencies.** Diversify partners, technologies, and energy sources to reduce vulnerability to exogenous shocks; base value chains on continental assets (green energy, integrated market, human capital).

3. **Position as a strategic industrial actor.** Deliver low-carbon inputs to global markets; meet or exceed CBAM and Environmental, Social, and Governance (ESG) standards; defend common normative positions within AfCFTA.

The convergence of EPAs, AfCFTA, green industrialization, and Europe's reshoring ambitions represents a major lever for African economic sovereignty by 2030–2050. By leveraging this synergy, the continent can transition from raw material supplier to indispensable co-pilot of global value chains, building inclusive, decarbonized, and sustainable growth for the 21st century.

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CHAPTER 4
HOW TO MAKE WELFARE STATES MORE RESILIENT

CHAPITRE 4 **POUR DES ÉTATS-PROVIDENCE PLUS RÉSILIENTS**

Public debt is one of the defining issues of the decade, affecting both advanced and developing countries across the Global North and South. As Douglas Rediker notes, "public debt has surpassed 100% of world GDP." This chapter presents different perspectives on how to address this global challenge.

By comparing the American and European systems, Rediker argues that the future of the welfare state depends on credible institutions capable of upholding fiscal rules so that market forces do not need to impose excessive discipline on social spending. He shares Johannes Lindner's view that the EU's common debt is an innovative instrument, though the heterogeneity of member states and the growing need for public expenditure in times of geopolitical instability put the fiscal framework under strain. For Lindner, deeper coordination and integration are therefore essential.

Turning back to the United States, Philip Luck highlights immigration as a crucial lever to relieve demographic pressures and sustain fiscal stability, an approach that contrasts with current restrictive national policies.

Together, these perspectives underline the interconnectedness of fiscal credibility, social welfare, and demographic dynamics in shaping sustainable debt management.

La dette publique est l'un des enjeux majeurs de la décennie. Elle touche aussi bien les pays développés que ceux en développement, au Nord comme au Sud. Comme le souligne Douglas Rediker, « la dette publique a dépassé 100 % du PIB mondial ». Ce chapitre présente différentes perspectives sur la manière d'aborder ce défi global.

En comparant les systèmes américain et européen, Douglas Rediker soutient que l'avenir de l'État-providence dépend d'institutions crédibles, capables de faire respecter les règles budgétaires afin que les forces du marché n'aient pas à imposer une discipline excessive aux dépenses sociales. Il partage l'analyse de Johannes Lindner, pour qui la dette commune de l'Union européenne constitue un instrument innovant. Cependant, l'hétérogénéité des États membres et la nécessité croissante de dépenses publiques en période d'instabilité géopolitique mettent le cadre budgétaire sous tension. Pour Johannes Lindner, une coordination et une intégration plus profondes sont donc essentielles.

En revenant sur le cas des États-Unis, Philip Luck met en avant l'immigration comme un levier crucial pour atténuer les pressions démographiques et soutenir la stabilité budgétaire : une approche qui contraste avec les politiques nationales actuellement restrictives.

Ces perspectives soulignent l'interdépendance entre la crédibilité institutionnelle, la viabilité budgétaire, la protection sociale et les dynamiques démographiques dans la construction d'une gestion soutenable de la dette publique.

Public Debt: The End of the Welfare State? The Pivot Between Political Choice and Market Compulsion

BY DOUGLAS REDIKER

Douglas Rediker, Non-Resident Senior Fellow at the Brookings Institution, examines how rising public debt forces governments to reconcile social spending with fiscal realities. He argues that welfare states' survival depends on credible institutions, transparent budgeting, and political courage, warning that without these, market discipline may impose harsh social costs.

COMPLACENCY, CRISIS AND THE PROMISE OF INFINITE REFINANCING

The question lenders to both advanced and developing countries use to ask was whether the borrower could repay its debts. Over time, those questions morphed into whether, and on what terms, the borrowing country could refinance those debts. In more recent times, during the zero/negative interest rate era, it often seemed as though no questions were asked at all.

That complacency fueled an explosion of public debt. In 2024, global public debt surpassed 100% of world GDP. The U.S., the borrower most able and willing to satisfy market appetite for liquid debt securities, took advantage, and increased its borrowing as if funds were free, because, at zero rates, it was. The IMF projects that by 2030 U.S. debt-to-GDP ratio will exceed 127%, with federal interest payments set to consume 14% of all government revenue, more than what is projected to be spent on education, infrastructure, and research combined

The origins of today's debt surge include once-in-a-generation shocks such as the 2008–09 financial crisis and the COVID-19 pandemic that forced governments worldwide to deploy massive fiscal firepower. Central banks understandably supported this surge with exceptionally low interest rates and balance-sheet expansions, making large-scale borrowing sustainable. Now, a reckoning is in sight. But neither political leaders nor populations appear willing to tolerate comprehensive repayment plans that require trade-offs, but instead rely on the assumption that refinancing at benign rates can continue indefinitely and/or that AI will magically stimulate growth sufficient to grow out of increasingly unsustainable government balance sheets.

WASHINGTON'S MAGICAL BUDGET, DENIAL AND THE EROSION OF FISCAL CREDIBILITY

Nowhere is the tension between fiscal rhetoric and market reality more acute than in the United States. The latest chapter in Washington's budgetary theater involves a clever legislative maneuver by the Senate: applying the so-called "current policy baseline" to budget reconciliation legislation that will chart the course for the world's largest and most important economy for the next decade. This tactic effectively reclassifies the 2017 tax cuts as permanent, even though they were explicitly drafted to be temporary. If the "current law baseline" was applied, the Congressional Budget Office estimates the current plan will increase the deficit by USD 2.8 trillion over the decade. But, if the current policy baseline is used instead, those earlier tax cuts are assumed to add nothing incremental to the deficit. That USD 2.8 trillion deficit thus becomes a USD 1.4 trillion surplus. This accounting sleight-of-hand allows policymakers to make over USD 4 trillion in projected deficits disappear - on paper - while doing nothing to actually address the actual trajectory of federal obligations or interest costs.

Meanwhile, tariff and trade policy has followed a similarly dangerous trajectory, threatening negative impacts on global trade and economic activity that would damage virtually everyone, but with the promise of tariff revenues that would be paid by someone, but not the American public, and where the costs are seemingly disregarded. This month (June), the trustees of U.S. Social Security and Medicare funds estimated those funds are projected to be exhausted by 2033, one year earlier than last year's estimates. But reforming those programs is politically unpopular, and today's politicians from both parties seem unwilling to acknowledge the obvious. When credit rating agencies, or central bankers, highlight these dynamics, they are scorned by policymakers. But private markets are increasingly taking note, with U.S. borrowing costs and the value of the dollar both showing signs of strain.

RISING RATES AND THE RETURN OF MARKET DISCIPLINE

To proceed down this path, requires those providing the capital to pay for the social spending to go along. Which they seem willing to do, for now, though the era of zero interest rates is over, and so the most direct effect of current policies is mounting debt service costs. Even marginal uplifts in longer-term interest rates can rapidly balloon annual interest payments. If financial markets exercise their "bond vigilante" role, political actors, eternally complacent in the deferral of tough decisions, are likely to find fewer options available. Either they confront rising debt explicitly, or the markets will impose a reckoning for them, either through steadily rising long-term interest rates that choke off growth or something more abrupt that leads to a loss of fiscal flexibility in the event of a crisis.

This brings us to the paradox of private market discipline. In theory, private investors rationally price risk. When they demand higher yields, or worse, stop funding entirely, they force governments to restrain deficits or enact structural reforms. But in practice, this response is neither predictable nor equitable. Sovereign borrowers face volatility in which capital may flee on the whiff of political uncertainty or external shock. Fiscal austerity then arrives involuntarily, potentially forcing cuts to socially vital programs, including education, healthcare, social safety nets, to appease financial markets, whose discipline is real, but who lack the tools to target specific areas of fiscal and political irresponsibility. When governments dodge tough budgetary reckonings, the risk is that eventually private investors, central banks and other quasi-official sector providers of capital, deflate illusions, and inflict discipline politically, socially, and economically.

This dynamic underlines the core question: Who disciplines the state, and how? Ultimately, the sustainability of the welfare state rests on a willingness to reconcile social promises with market realities. Responsible government balance sheet management and adoption of sound, even if sometimes politically unpopular, policies, evidence that fiscal credibility and social equity are not mutually exclusive. But neither is assured in the absence of investor confidence.

For all the well-founded criticisms of the Maastricht rules and its uneven implementation, the euro area at least maintains an active dialogue that accepts fiscal discipline as a goal, in contrast to the untethered discussions in Washington. For a welfare state to survive, governments must actively choose to self-limit, through deference to some discipling mechanism that presses for necessary and credible entitlement reform, or adjustments in tax and spending grounded in public deliberation. When political leaders instead opt for budgetary sleight-of-hand, they effectively risk ceding control to markets- or foreign creditors. Neither is designed to care for welfare objectives. Markets care about yields; foreign states care about leverage.

THE CROSSROADS: POLITICAL CHOICE VS. MARKET COMPULSION

It circles back to the baseline debate in Washington. If Congress were compelled to rely on the current law, not policy, baseline, the present drift toward debt escalation would become more transparent. It would highlight necessary trade-offs. Faced with stark numbers, political discourse might even become real referenda on debt and clear choices on spending and taxation.

What does this all mean as we convene in France to debate "Public Debt: The End of the Welfare State?" We are not witnessing an end so much as a crossroads. Public debt is today the pivot point between political choice and market compulsion, between fiscal citizenship and creditor edict. The path to a more stable welfare model is not hidden. It is familiar. It lies in openness, credible institutions, and political courage. It lies in telling voters the truth about intergenerational liabilities, in aligning budgets with societal values, and in reshaping how creditors engage in distress. It will demand the very essence of democratic leadership. I am not naive. Jean Claude Juncker's observation that: "we all know what to do, but we don't know how to get re-elected once we have done it," remains true today, perhaps more so in an era of social media amplification of populist memes and unrealistic popular expectations derived from zero interest rates and COVID entitlements.

But, to allow markets to provide the discipline that politics cannot, is to put at risk the state's social mission. That, at the end of the day, might be the greatest danger we face.

Public Debt, the Welfare State and the Role of Europe

BY JOHANNES LINDNER

In his contribution, Johannes Lindner, former Co-Director of the Jacques Delors Centre, explores how Europe can reconcile rising public debt with the preservation of its welfare state. Arguing that only deeper European integration—through fiscal coordination, investment, and capital market reforms—can meet today's economic and social challenges, he calls for pragmatic, collective action.

The title of my panel "*Public debt: the end of the welfare state?*" is a provocative question that seems particularly acute for France with its challenging levels of public debt, growing spending needs, a relatively generous social model and large public sector. Coming from the Jacques Delors Centre in Berlin, I do not want to enter French domestic debates but take a distinct European perspective and ask: what is the role of the EU in addressing the challenge of rising public debt? What is the economic reform agenda that national politicians in their role as European leaders should pursue?

LOOKING BACK TO 2001

I feel particularly motivated to take this broad European perspective by the fact we are celebrating the 25th edition of the *Rencontres Économiques d'Aix* and that the declaration of the first *Rencontres* in 2001 provides already a strong focus on the European Union: "*Depending on the measures that the European governments will take or not Europe may tilt towards a new era of growth or a new period of crisis*." The recommendations that follow sound quite familiar to today's ears - although debt levels are not explicitly mentioned:

- a commitment "*to growth and in this context to research, development and innovation*";

- a combination of demand side measures "*with ambitious and converging programs of structural reforms notably concerning a better integration of the banking systems and financial markets*" [sic!], and

- a call for "*the formulation of a new European social pact […] which will both integrate an indispensable flexibility and a response to the legitimate need for economic security*".

One looks at these words and is struck by the sense of urgency. From today's perspective, the early 2000s feel like an easy time: this is before September 11, before the rejection of the EU's Draft Constitution, before the global financial crisis, before the euro crisis, before Brexit; before the pandemic, and before the war in Ukraine. Trump was still just a real estate tycoon from New York. The global temperature anomaly was only around +0.49°C above pre-industrial levels. The EU's collective GDP in 2001 was four times larger than that of China and India together. France and Germany had similar debt-to-GDP ratios, at approximately 59% and 60% respectively.

Look at where we stand now. Have we failed? Yes and no. The European Union weathered most of these storms and has adjusted under pressure. But the political and economic price was high, important opportunities were missed and partly as a result the challenges we face today are so much more severe than in 2001.

I will argue in this intervention that the recent reports by Enrico Letta and Mario Draghi lay down an economic agenda that can play an important role for squaring high public debt levels and huge financing needs. While national reforms remain central, we know – as underpinned again by the IMF's recent research – that they are much more effective if undertaken in tandem with European measures.

WHERE DO WE STAND TODAY?

Debt levels in the EU have gone up since the pandemic but are much lower than in the US; and on aggregate they do not challenge debt sustainability. As of 2024, the average government debt-to-GDP ratio in the European Union stands at approximately 83%, up from around 79% in 2019, while in the United States it has risen to over 120% of GDP. Despite the increase and unfavourable structural outlook in terms of economic growth, demographic trends and political uncertainty, EU debt remains within manageable levels due to low interest rates and moderate borrowing costs, with the average interest burden on public debt staying below 2% of GDP.

But there is relevant heterogeneity among member states within the EU and we know from the euro crisis, how speculations about debt sustainability in individual countries can create shock waves across the union. As of 2024, countries with debt-to-GDP ratios above 90% include Greece (161%), Italy (137%), and France (111%), highlighting elevated debt burdens in parts of the EU. In contrast, Germany (64%) and Finland (73%) fall in the mid-range group between 60% and 90%, while countries like Estonia (18%), Bulgaria (23%), and Denmark (30%) remain well below the 60% threshold.

At the same time, there are significant investment needs in the EU. The Draghi report mentions an annual figure of 4-5% of GDP (approx. EUR 750–800 bn for additional public and private investment in defence and the digital and green transformation. The recent NATO summit commitment - to reach 5% of GDP defence spending (3.5% core +1.5% broader security) - is likely to inflate the defence component of that total. Roughly 22 EU countries are currently below the aimed for 3.5% of GDP. And countries with high debt levels, like Spain, Italy and Belgium have for far been clearly missed already the previous NATO target of 2%; and France is only marginally above 2%. Moreover, countries like Greece, but also Poland and many other Eastern European nations, will need to invest the most in the green and digital transformation.

How can the necessary increase in public expenditure be financed? There are essentially four sources:

1. Cuts in other expenditures (prioritising investments over consumptive spending, reforming the welfare state, and increasing efficiency of spending come with political and social costs);

2. New debt (the fiscal space will depend on existing debt levels and refinancing cost and theburden is, of course, shifted to future generations);

3. Raising taxes (a higher tax burden comes with political costs and has a dampening effect on growth);

4. Higher revenues due to more growth and employment (investment shall finance itself in the medium to long run; yet, defence has a low fiscal multiplier; and the actual growth effect will also depend on the combination with structural reforms).

While the precise combination of these four sources will be a national choice, the EU can and should play an important role for all of them. Let's first look at fiscal policy directly (number 1 and 2) and then economic and financial policies more broadly (especially number 4).

EU FISCAL RULES AND THE EU-BUDGET

There is clearly a shared interest in preventing negative spillovers from unsustainable debt in a member state for the Union as a whole. The EU fiscal rules are meant to ensure this. They have been reformed in 2024 with a stronger emphasis on incentivising structural reforms, prioritising investments and considering country-specific factors for assessing debt sustainability. Six EU countries (Finland, France, Italy, Romania, Spain and Belgium) have benefited from an extension of their fiscal adjustment path from four to seven years. Eight countries (Belgium, France, Italy, Hungary, Malta, Poland, Romania and Slovakia) are currently in an excessive deficit procedure.

Enforcement of the new rules is a big question. In view of the need to reinforce Europe's own defence capabilities, the application of the rules have now been softened: for defence spending, deviations from the recommended maximum growth of net expenditure of up to 1.5% of GDP is allowed over the period 2025 to 2028. The national escape clause has been applied to 16 member states upon their request (Belgium, Bulgaria, Czechia, Denmark, Germany, Estonia, Greece, Croatia, Latvia, Lithuania, Hungary, Poland, Portugal, Slovenia, Slovakia, and Finland), but countries, such as France, Italy and Spain, have not requested it. While Germany has not yet submitted its medium-term budget plans due to the change in government, the envisaged significant increase in debt-financed investment expenditure seems to stand in conflict with the reformed rules. Yet, the Commission has already signalled that it will probably not raise objections.

So, what is the effect of the reformed rules? They still play a role as an anchor point for national debates. But for countries, like France and Italy, financial markets are currently more relevant and constraining than the rules. This comes with the known drawbacks and risks. For these countries, a sound and credible EU fiscal framework is important shield against the volatile and erratic nature of financial markets. If the current rules do not live up to this standard should not shy away from engaging in another reform.

The fiscal coordination among member states has an additional dimension: steering the fiscal stance so that the expansion of fiscal policies in member states with fiscal space has positive spillovers to others. Here, Germany is a point in case. The Commission estimates that the planned increase in public investments in Germany would have positive economic spillovers to other EU Member States: EU GDP would be lifted by ¾% in 2035, with around one-third of this impact due to spillovers. Similarly, an increase in defense capabilities in Germany will increase the level of security for Europe with positive spillovers to member states less able or willing to spend. At the same time, there is the risk that the large-scale issuance of debt in Germany, may raise interest rate pressures for other member states in the euro area.

Good coordination of national fiscal policies is, therefore, a necessary but by no means sufficient condition for solid fiscal policies in Europe. Given the upcoming challenges, there is no way around complementing this with a strong joint spending leg at the EU level. Both Letta and Draghi make the case for a larger budget in their reports.

For European public goods, there are savings from the scale and synergies of providing them together. Take the example of defence. Even if the precise figures might be contested, Bruegel's proposal for an European Defence Mechanism and similar IMF research highlights that common procurement under an EDM - with pooled demand, a single defence market, and cross-border competition - could halve unit costs on strategic systems and equipment. Common spending also addresses the problem of free-riding by those member states that structurally underspend.

Moreover, a bigger EU budget that address common challenges for member states can make EU fiscal rules more credible and may increase compliance through two channels: by reducing the pressure on national budgets (especially in times of acute crisis) and by making access to common spending conditional on compliance with the fiscal rules. Furthermore, common issuance by the Union reduces borrowing costs for member states that face higher interest rates than what the Union has to pay as an issuer. And a positive side effect of such common issuance is the widening of the availability of a euro safe asset which in turn would deepen capital markets in Europe and enhance the international role of the euro.

At the same time, the EU has a strong tradition of being a regulatory giant and budgetary dwarf. Despite the temporary expansion of EU spending through common issuance under the Next Generation EU program (during the pandemic), the EU budget remains small and clearly below 2% of GNI. There is limited progress on providing the Union with more own resources or taxing powers. Negotiations for the new Multiannual Financial Framework (2028-2034) will be very challenging and make "doubling of the investment capacity" of the EU (as Emanuel Macron argued for in his second Sorbonne speech in 2024) and further large-scale issuance currently rather unlikely, notwithstanding strong economic arguments backing it.

BOOSTING GROWTH AND PRIVATE FINANCING THROUGH THE SINGLE MARKET

If a much larger EU budget is not happening in the short- to medium, the other recommendations outlined in the reports by Enrico Letta and Mario Draghi become even more important: the deepening of the single market for goods and service to boost growth in the real economy; and the deepening the single market for capital to match better the high saving rates with the large investment needs.

According to IMF estimates, the average cost of trading goods across EU member states is equivalent to a tariff of around 45% and of around 110% for services. Dismantling these internal barriers would unlock vast economic potential. This is particularly evident for energy markets in an environment where high energy costs are a key competitiveness challenge for the industry in Europe.

Moreover, a Savings and Investments Union would mobile private capital by harmonising rules, reducing legal and tax barriers, and creating deeper, more liquid markets. It builds on the premise that by integrating capital markets their relevance for financing the economy will grow significantly. A single rulebook and central supervision are key instruments to achieve this.

Yet, a stronger role for capital markets cannot be steered through EU harmonisation alone. It needs to be complemented by national measures or by EU measures that remain compatible with national traditions. In this respect, the 28th regimes is a good example of a potential measure that could be voluntary for the firms and be introduced first by those member states that want to go ahead. Moreover, the structure of national pension systems significantly shapes household saving patterns. Shifting toward more funded or mixed systems could unlock long-term capital for market-based financing, as examples of Denmark, the Netherlands and Sweden show. While these are national choices closely linked to the respective welfare models, EU coordination and incentives could help inform national reform debates and enhance the positive impact on capital markets integration and long-term growth in Europe.

Finally, a strategic blending of private and public money can enhance the effect of public expenditures: the EU could further enhance frameworks that link public guarantees, co-investments, and tax incentives to investments in strategic areas and address the financing gap that start-ups hit in Europe when they enter the scale-up phase. Public institutions such as the European Investment Bank (EIB) with its European Investment Fund (EIF) and national promotional banks play a critical role in this respect.

THE COURAGE TO DARE CHANGE

The core thesis of the historian Alan S. Milward in his 1992 book *"The European Rescue of the Nation-State"* is that European integration was not a step toward the erosion of national sovereignty, but rather a strategic choice by national governments to strengthen and modernize their nation-states in the postwar context. Crises have been an important catalyst helping national politicians to take these steps.

We are now in a situation where further European integration is needed to help addressing the challenges that nation states face. Where elevated national debt, low growth and large financing needs should put pressure on national politicians to take difficult choices and opt for more Europe.

There is the risk that national politicians do not dare to take these choices – interpreting the raise of extreme right populism as a sign that they should not integrate Europe further and pursue instead national strategies. Yet, opinion polls show that citizens are willing to accept European solutions if these are effective.

In this respect the last part of the declaration from *Rencontres d'Aix* in 2001 is particularly interesting, as it expresses a farsighted warning: *"those measures will prove meaningful and positive: only if the institutional and administrative machinery at the level of the countries and Brussels move out of their current paralysis. [....] And only if the 'physical' introduction of the euro is a success."* The failure of the Draft Constitutional Treaty in 2005 and the euro crisis from 2011 show that getting it right is a daunting task. But today we may not have a second chance. As this year's motto of the *Rencontres* rightly states: "*Facing reality: a call to action*".

America's Immigration Paradox

BY PHILIP A. LUCK

Philip Luck is Director of the Economics Program at the Center for Strategic and International Studies (CSIS). He examines how the United States' restrictive immigration policies undermine long-term economic competitiveness, threatening a key driver of innovation, growth, and fiscal sustainability.

America's economic strength has long depended on immigration. Yet current restrictions—and the political narratives driving them—are undermining that foundation. To sustain long-term growth, innovation, and fiscal health, the United States must adopt immigration policies grounded in economic evidence and confront the political and cultural misperceptions that obstruct reform. The time horizon of immigration's benefits is long, while its political salience is short, creating an asymmetry that distorts policy despite immigrants' significant contributions to innovation, productivity, and public revenue.

Immigration is not merely a social or cultural issue—it is a foundational pillar of America's economic competitiveness. We show that recent restrictions have significantly reduced growth, investment, and productivity, and propose that restoring an economically rational immigration policy requires both institutional reform and a recalibration of public attitudes.

H-1B VISAS: A CASE STUDY IN INNOVATION POLICY

A striking example of long-run economic dividends is the 1990 creation of the H-1B visa program. Initially a modest provision to admit 65,000 high-skilled workers annually, it helped catalyze U.S. technological leadership.

Research demonstrates that a 10 percent increase in H-1B admissions raises total invention by up to 2 percent (Kerr and Lincoln, 2010). Companies winning H-1B visa lotteries experience higher job growth, productivity gains, and profit margins compared to similar firms that do not receive visas (Doran, Gelber, and Isen, 2015). The benefits extend far beyond direct participants—studies estimate the program generates USD 7.5–31.8 billion in annual net benefits, with native workers experiencing wage gains rather than displacement (Bound, Khanna, and Morales, 2017).

The entrepreneurial effects are equally striking. Immigrants have three times higher rates of firm formation compared to native-born individuals, with over half of U.S. unicorn startups founded or co-founded by immigrants, many initially entering on H-1B visas. Recent research reveals another crucial consequence: when multinational corporations face visa constraints, they hire needed talent at foreign affiliates rather than employing domestic workers. Each visa rejection leads to hiring 0.4 employees abroad, harming American competitiveness by limiting domestic innovation (Glennon, 2023).

The H-1B program demonstrates immigration's innovation potential when policy aligns with economic evidence. But recent policy has moved in the opposite direction, creating measurable economic harm that extends far beyond immigrant communities to native-born American workers themselves.

WHY IMMIGRATION RESTRICTIONS ARE PARTICULARLY COSTLY NOW

Current immigration restrictions come at the worst possible time for American economic competitiveness. The convergence of several historic trends makes talent attraction more critical than ever before.

The AI revolution requires unprecedented technical expertise precisely when global competition for skilled workers has intensified. China is rapidly expanding its research capacity while America restricts the very workers who drive technological breakthroughs. Meanwhile, America's aging population creates mounting fiscal pressures that only expanded immigration can alleviate. The dependency ratio is rising just as Baby Boomers enter retirement, requiring more working-age immigrants to sustain Social Security and Medicare.

Post-pandemic labor shortages persist across critical sectors from healthcare to construction, while climate change promises to increase global migration pressures whether America prepares or not. In this environment, immigration restrictions don't just limit growth—they actively undermine national competitiveness at a moment when America can least afford such self-inflicted wounds.

THE IMMEDIATE ECONOMIC COSTS OF CURRENT RESTRICTIONS

Immigration restrictions don't just harm immigrants—they impose immediate costs on native-born Americans that contradict the policy's stated purpose. New research by Mayda and Peri (2025) estimates that restrictions will reduce net inflows of high school-educated immigrants by 400,000 annually and college-educated immigrants by 200,000 annually. While these reductions represent only 0.3 percent of the working-age population, the economic effects are substantial and counterproductive.

The aggregate impact translates to a USD 205 billion annual reduction in GDP—equivalent to the entire economy of Ireland—with the average American projected to earn USD 270 less per year. Native-born workers, whom immigration restrictions ostensibly protect, are estimated to lose USD 200 annually in wages due to reduced complementarity effects and slower economic growth.

Mass deportation policies carry even higher economic costs through their broader disruption of local labor markets and production networks. My own work demonstrates that for every million unauthorized immigrant workers removed from the economy, 88,000 U.S. native workers lose their jobs (East et al., 2023). If deportation policies target three million unauthorized workers annually—a figure consistent with some policy proposals—the implied job losses for American workers would reach 263,000 positions per year.

These employment effects operate through well-understood economic mechanisms: reduced labor supply depresses business investment, increases production costs, limits new firm formation, and slows productivity growth. Rather than redistributing employment opportunities, immigration restrictions reduce the total number of jobs available in the economy.

The costs vary significantly across sectors critical to American priorities. Construction, where immigrants comprise 28 percent of the workforce, faces potential delays in infrastructure projects and increased costs that slow housing supply growth and AI data center buildout. Agricultural impacts present particularly acute concerns, as 73 percent of farmworkers are immigrants, creating risks to food security and supply chain stability. Healthcare, already strained by demographic aging, relies heavily on immigrant providers whose restriction could exacerbate existing shortages. In science and technology sectors, immigration restrictions directly reduce the workforce responsible for patent generation and technological breakthroughs—costs that seem far too high if the U.S. is truly in strategic competition with China.

LONG-TERM STRATEGIC COSTS: FISCAL AND DEMOGRAPHIC PRESSURES

Immigration restrictions impose substantial fiscal costs that compound their direct economic effects and threaten America's long-term fiscal sustainability. Reduced immigration flows are projected to decrease federal tax revenue by USD 29.8 billion annually and local government revenues by USD 600 million. These revenue reductions constrain public investment capacity precisely when such spending is essential for maintaining competitiveness and addressing infrastructure needs.

Most critically, immigration restrictions exacerbate the fiscal challenges associated with demographic aging. Reduced working-age immigration accelerates population aging, increases the dependency ratio, and intensifies pressure on Social Security and Medicare systems. The Penn Wharton Budget Model demonstrates that lifting employment-based green card caps would help reduce the federal deficit by expanding the tax base and reducing the fiscal burden of aging (Penn Wharton Budget Model, 2024).

Clemens (2022) finds that even humanitarian immigration programs generate positive fiscal returns, with post-2017 reductions in refugee admissions costing the U.S. economy USD 9.1 billion annually while reducing government revenues by USD 2 billion net of public outlays. This suggests that immigration restrictions impose costs across all categories of admission, not just economic migrants.

CONCLUSION: IMMIGRATION AS A STRATEGIC ASSET

The economic evidence demonstrates that immigration restrictions impose substantial costs on economic growth, innovation, and fiscal sustainability. From the productivity effects documented in state-level analyses to the innovation spillovers generated by high-skilled visa programs, immigration consistently emerges as an economic force multiplier rather than a zero-sum redistribution mechanism.
However, economic analysis alone cannot guarantee policy success. As Rodrik (2011) observes in his globalization paradox, democratic politics, national sovereignty, and global economic integration often exist in tension. Research demonstrates that the salience of immigration issues frequently drives voters toward restrictionist parties, particularly when cultural anxieties dominate economic considerations (Alesina and Tabellini, 2024).

Recent empirical work by Colussi, Giavazzi, and Gruyters (2021) suggests that public attitudes toward immigration are shaped by complex interactions between economic self-interest and cultural concerns, implying that achieving sustainable and durable immigration reform will require addressing both economic and cultural dimensions of public concern.

The stakes of this policy challenge extend far beyond immigration itself. America's historical economic leadership has been inextricably linked to its ability to attract global talent and integrate diverse populations into a dynamic economy. Preserving this advantage requires recognizing immigration not as a burden to be managed but as a strategic capability to be cultivated.

The choice facing American policymakers is therefore not whether to have immigration, but whether to have immigration policy that serves long-term economic interests or short-term political calculations. The economic evidence strongly supports the former approach, but achieving it will require political leadership that can articulate the full costs of restriction and the transformative potential of reform.

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CHAPTER 5 **CLIMATE, ENERGY & INNOVATION, OUR FUTURE AT STAKE**

CHAPITRE 5 **CLIMAT, ÉNERGIE & INNOVATION : NOTRE AVENIR EN JEU**

This chapter aims to define European and global perspectives on the crucial transitions of the coming years: those driven by energy security, climate change mitigation and adaptation, biodiversity preservation, and the opportunities offered by artificial intelligence.

For Mario Loyola, the renewable energy transition remains both a fantasy and an illusion. Brigham McCown agrees on the need for a more pragmatic approach based on a diversified energy mix. Both advocate for a "realistic" view of energy security: Loyola criticizes Spain's lack of realism, citing the 2025 blackout allegedly caused by renewable intermittency, while McCown presents France as a model for balancing nuclear, natural gas, LNG, and renewables through modernization, technology, and international cooperation. Both highlight the central role of China and the Global South, dismissed as unlikely allies by the former, but seen as essential partners by the latter.

Beyond energy, Beatrice Weder di Mauro and Francesco Tripoli focus on adapting financial architecture and markets to account for biodiversity. They propose the creation of a nature-based equity market to mobilize investment in nature-preservation projects.

Together, these perspectives outline the challenge of reconciling energy pragmatism, global equity, and financial innovation in the pursuit of sustainable transition.

Ce chapitre vise à définir les perspectives européennes et mondiales concernant les transitions cruciales des prochaines années : celles liées à la sécurité énergétique, à l'atténuation et à l'adaptation au changement climatique, à la préservation de la biodiversité, ainsi qu'aux opportunités offertes par l'intelligence artificielle.

Pour Mario Loyola, la transition vers les énergies renouvelables reste à la fois un fantasme et une illusion. Brigham McCown partage la nécessité d'une approche plus pragmatique, fondée sur un mix énergétique diversifié. Tous deux plaident pour une vision « réaliste » de la sécurité énergétique : Loyola critique le manque de sens pratique de l'Espagne, citant la panne nationale de 2025 prétendument causée par l'intermittence des énergies renouvelables, tandis que Brigham McCown présente la France comme un modèle d'équilibre entre le nucléaire, le gaz naturel, le GNL et les renouvelables, grâce à la modernisation, à la technologie et à la coopération internationale. Tous deux soulignent le rôle central de la Chine et du Sud global — considérés comme des alliés improbables par le premier, mais comme des partenaires essentiels par le second.

Au-delà de la question énergétique, Beatrice Weder di Mauro et Francesco Tripoli se concentrent sur l'adaptation de l'architecture financière et des marchés pour intégrer la biodiversité dans les enjeux économiques. Ils proposent la création d'un marché boursier fondé sur la nature, destiné à mobiliser des investissements dans des projets de préservation environnementale.

Ces perspectives dessinent le défi de concilier réalisme énergétique, équité mondiale et innovation financière au service d'une transition durable.

The Biggest Obstacle to a Renewable Energy Transition Is Reality

BY MARIO LOYOLA

Mario Loyola, Senior Fellow in Law, Economics, and Technology at the Heritage Foundation, examines the practical challenges of transitioning to renewable energy. He argues that intermittency, infrastructure constraints, and permitting bottlenecks often clash with political ambitions. He considers a wide gap between idealized energy policies and real-world grid reliability, warning that ignoring these constraints risks widespread instability.

In the wake of a massive blackout that plunged more than 55 million people into darkness, Spanish elites are working hard to shield the country's renewable energy strategy. Prime Minister Pedro Sánchez was quick to deny that solar and wind played any role in the collapse, dismissing nuclear energy as outdated. In fact, a sudden drop in solar output, compounded by the grid's diminished resilience after years of nuclear and fossil fuel retirements, appears to have played a central role in the crisis.

Spain's blackout is the latest and most dramatic example of a global trend: political leaders are pushing a renewable energy transition heedless of real world consequences. Behind this push are two mutually incompatible visions of the transition—one that imagines renewables will outcompete fossil fuels through innovation, and another that seeks to eliminate fossil fuels by fiat. Both are detached from reality.

THE DEMAND FANTASY

The International Energy Agency's *Net Zero by 2050* scenario predicts that fossil fuel demand will fall so quickly that oil will drop below USD 30 a barrel by the 2030s. This, it's argued, will make renewable technologies the cheaper, default option.

But this is not happening. Even with oil above USD 80 a barrel in recent years, solar and wind have failed to displace fossil fuels at scale. Why? Because while their nominal costs are falling, their true costs—the externalities they impose on the power sector in terms of intermittency, storage, backup, and grid integration—remain high.

Consider capacity factors: a typical solar plant in Europe or the U.S. operates at around 24% of its nameplate capacity. That means a 100 MW solar facility delivers, on average, just 24 MW—and often far less during critical evening or winter periods. Natural gas and nuclear plants, by contrast, often exceed 90% capacity utilization.

Grid operators must plan for peak demand on the worst days—not the average. Intermittent sources perform worst when reliability matters most. That was the case in Spain, where solar output fell rapidly in the late afternoon. Without adequate nuclear or fossil power to compensate, the grid collapsed.

THE SUPPLY ILLUSION

In the absence of a smooth market transition, many climate advocates argue that governments should accelerate the shift by cutting off fossil fuel supply—banning drilling, retiring plants, and restricting production.

But this strategy fails when energy alternatives are not yet ready. Curtailing fossil fuels without sufficient substitutes leads to price spikes, blackouts, and political blowback. The poor suffer most. Higher energy costs raise food prices, strain transportation systems, and reduce industrial output. The U.S. offers a clear case. In 2021, President Biden backed away from a modest gas tax hike when prices hit USD 3 per gallon, but instead proposed to decarbonize the entire power sector through measures that would have been far more costly to workers, but whose costs could be hidden until it was too late.

Even if the strategy had worked, and thank God it did not, it would have had no benefit for climate unless China, India, and other countries of the Global South follow suit. And they have no intention of following suit. China is currently building more coal plants than exist in the entire United States. India has declared it will not compromise growth for emissions goals.

Constraining the supply of a commodity for which demand is inelastic does not create substitutes. It creates scarcity—and windfall profits for energy companies.

THE PERMITTING WALL

Even if the economics worked, and even if supply could be restricted without hardship, the transition still faces another obstacle: permitting.

The scale of infrastructure needed is enormous. According to the Electric Power Research Institute, the U.S. would need scores of new nuclear plants, thousands of utility-scale solar and wind facilities, and hundreds of thousands of miles of new transmission lines to meet its clean energy targets. But the U.S. permitting system makes that all but impossible. Projects face years-long delays. Agencies require exhaustive environmental reviews, and even minor errors can lead to lawsuits that vacate approvals. Local opposition often halts projects, regardless of national importance.

In 2024, for example, the U.S. retired 8.45 GW of coal capacity. It added 13 GW of solar and 4 GW of batteries. On paper, that's a net increase. But in terms of reliable, dispatchable power, it's a decline. Solar's capacity factor is far lower than coal's. And batteries can't generate power—they can only store what's already there.

Europe faces similar constraints. Germany has struggled for years to build a north-south transmission corridor to move wind power from the North Sea to industrial regions. Italy's offshore wind projects are bogged down in litigation and red tape. Across the continent, green energy projects are blocked by environmental NGOs and local opposition—often using the same legal tools once aimed at fossil fuels.

GRID INSTABILITY: THE COST OF INTERMITTENCY

As intermittent renewables displace dispatchable power, grid stability suffers. The North American Electric Reliability Corporation (NERC) warns that U.S. power systems are approaching a crisis point. Coal and nuclear retirements are outpacing new gas and storage. Meanwhile, demand is rising sharply due to the electrification of vehicles, heating, and data centers.

In 2024, the U.S. saw a net gain in generation capacity, but much of it came from sources that cannot deliver consistent power. NERC warns that several U.S. regions will face supply shortfalls and dangerous blackouts starting this summer. Europe faces similar dangers. With nuclear and fossil fuel plants being phased out and renewable capacity ramping up, the grid is increasingly exposed to instability and supply constraints.

A RECKONING WITH REALITY

Spain's blackout is a wake-up call for Europe. The renewable transition is not failing because of denial, fossil fuel lobbying, or lack of funds. It is failing because the governing assumptions—about cost, scalability, reliability, and public support—are increasingly detached from reality.

Without reckoning with that complexity, we risk building an energy future that looks beautiful on paper, but collapses in the real world, like Spain's electricity grid.

Securing Europe's Future: France's Pivotal Role in Energy Security

BY BRIGHAM A. MCCOWN

Brigham McCown, Senior Fellow and Director of the Initiative on American Energy Security at the Hudson Institute, explores France's central role in ensuring Europe's energy security. He highlights how the country's nuclear infrastructure, strategic LNG terminals, and pragmatic approach to integrating renewables can guide the EU toward a realistic and resilient energy transition, mitigating geopolitical and market risks.

INTRODUCTION

When it comes to energy, finding common ground across Europe and within the European Union's institutions can sometimes be challenging. This difficulty can be explained as the need to simultaneously balance multiple priorities, including continuing economic growth while addressing environmental goals and finding ways to increase resilience against geopolitical instability. France, with its robust nuclear energy infrastructure and strategic vision, is uniquely positioned to lead the European Union toward a more durable and realistic energy mix against a backdrop of continuing global energy price volatility.

The Provence region, host to the *Rencontres Économiques in Aix-en-Provence*, plays a pivotal role, with its nearby Fos-sur-Mer LNG terminal strengthening Europe's supply networks. While the energy transition is underway, it is crucial to temper this enthusiasm with some amount of realism. Creating a sustainable energy framework is important, but ensuring the energy mix remains stable and secure is equally important. Without this balance, well-intended policies may inadvertently undermine, rather than enhance, energy security.

Energy security entails "the uninterrupted availability of energy sources at an affordable price" (International Energy Agency, 2025). Energy abundance drives economic prosperity, whereas scarcity precipitates insecurity (McCown, 2025). France's pivotal pragmatic approach offers a blueprint for stability within Europe.

FRANCE'S ENERGY FOUNDATION: NUCLEAR POWER AND BEYOND

France's energy mix is secured by its unrivaled commitment to nuclear power, which supplies 70% of its electricity, the highest share among all countries worldwide (World Nuclear Association, 2025). With 56 reactors, France generates approximately 400 terawatt-hours annually, meeting its domestic demand and exporting 60 terawatt-hours to neighboring countries such as Germany, Belgium, and Spain (ENTSO-E, 2024). Given high electricity prices throughout parts of Europe in 2025, Électricité de France (EDF) reported that electricity exports from France helped alleviate shortages during peak demand, solidifying France's role as a cornerstone of Europe's grid (EDF, 2024). While renewables accounted for 20% of France's electricity in 2024, they remain hampered by intermittency (Réseau de Transport d'Électricité, 2024). Nuclear power, on the other hand, has continued to ensure economic competitiveness while protecting consumers from disruptions. As Jean-Bernard Lévy aptly noted, "Nuclear is France's backbone, delivering low-carbon stability in an uncertain world" (Lévy, 2022).

TRADITIONAL ENERGY AS A STRATEGIC COMPLEMENT

In addition to nuclear power, natural gas remains a valuable bridge fuel on the path toward decarbonization. Pairing nicely with other energy fuels, especially renewables, natural gas will remain a bridge fuel for decades to come (U.S. Energy Information Administration, 2025). Natural gas serves as a supplement to France's nuclear dominance and enhances its energy security. In 2024, France imported 99% of its natural gas, mitigating risks through diversified sourcing with LNG from the United States (20%), Qatar, and Norway playing a significant role. The Fos-sur-Mer LNG terminal, strategically located near Aix-en-Provence, proved instrumental during the 2022 energy crisis. By expanding capacity, Fos-sur-Mer stabilized supplies, maintaining household energy costs 30% below the EU average in 2023. Provence's nearby infrastructure is indicative of this strategic significance.

Diversification of energy sources, as noted by energy scholar Pierre Noël, "positions France as a model for pragmatic energy policy" (Noël, 2023). Unlike Germany's pre-2022 dependence on Russian gas for half of its supply, France's balanced approach to its energy mix protects industry and consumers alike.

ENVIRONMENTAL AND INFRASTRUCTURE CHALLENGES

France's energy strategy faces environmental scrutiny over nuclear waste and natural gas emissions. However, even so, these concerns are addressable. Renewables, contributing 20% of electricity, are limited by intermittency, as evidenced in 2023 when low wind speeds necessitated gas reliance for 10% of power (Réseau de Transport d'Électricité, 2024). The 2022 energy crisis, with gas prices soaring 250% due to Russian supply cuts, underscored the risks of premature fossil fuel phase-outs (International Energy Agency, 2023). Infrastructure challenges persist as nearly thirty percent of France's reactors are over forty years old, requiring EUR 50 billion in upgrades by the end of the decade (Autorité de Sûreté Nucléaire, 2024). Cybersecurity threats, such as the 2021 attack on a French grid operator, necessitate additional investments (Agence Nationale de la Sécurité des Systèmes d'Information, 2022). In short, successfully navigating these challenges is imperative for France's ongoing leadership.

FRANCE'S LEADERSHIP IN GUIDING EUROPE

France's energy model serves as a roadmap for EU members, particularly Germany, which experienced significant price spikes and shortages following the 2022 period due to its reliance on Russian gas. Germany's 2023 nuclear phase-out led to a 15% increase in coal use, which in turn elevated emissions and costs and triggered deindustrialization as firms relocated (International Energy Agency, 2024). France's diversified portfolio offers a counterpoint. At the 2024 EU Energy Council, France proposed a "Clean Energy Compact," advocating for low-carbon baseload power, which gained support from Poland and Sweden (European Commission, 2024). France also assists smaller nations like the Czech Republic with nuclear safety and grid integration, fostering EU-wide resilience (World Nuclear Association, 2024).

The EU Commission must adopt a "prism of realism," as Dieter Helm advocates, prioritizing reliable and affordable energy over idealistic renewable energy targets. France's success with Fos-sur-Mer and nuclear exports exemplifies this pragmatism, a lesson to avert the vulnerabilities of 2022. By integrating EU grids and supply chains, France reduces reliance on external powers.

STRATEGIC PATHWAYS FOR A SECURE FUTURE

France's leadership is based on modernizing infrastructure, advancing technology, and promoting global cooperation. Key pathways include:

- Nuclear Modernization: Investing EUR 50 billion to sustain 70% of low-carbon electricity through 2050, including small modular reactors (SMRs). EDF's Nuward SMR pilot could supply 10% of power by 2040 (EDF, 2024).

- LNG Expansion: Enhancing Fos-sur-Mer to handle 30% more imports by 2027, securing diverse supplies (Ministère de la Transition énergétique, 2024).

- Renewable Integration: Upgrading grids to manage variable solar and wind, with Provence's microgrids and Aix-Marseille University's storage innovations as a potential testbed (Aix-Marseille Université, 2024).

- Cybersecurity: Implementing EU-wide protocols, per ENISA (2023), to safeguard grids (European Union Agency for Cybersecurity, 2023).

- Global Cooperation for Decarbonization: Decarbonization demands universal commitment, yet global CO_2 emissions reached 37.4 billion tons in 2024, with China (31%) and India (7%) as leading contributors (International Energy Agency, 2025).

A note of explanation regarding this last recommendation: Since the 2015 Paris Agreement, global coal capacity has increased by 259 GW, with 44.1 GW commissioned and 25.2 GW retired in 2024 alone, primarily driven by China and India (Global Energy Monitor, 2025). Last year, worldwide coal usage hit a record 8.77 billion tons as new coal capacity outpaced retirements.

China, while investing in renewables, increased coal capacity by 5% in 2024, prioritizing energy security and economic growth (Global Energy Monitor, 2024). India and the Global South face developmental imperatives, constraining rapid fossil fuel phase-outs. France must spearhead a pragmatic global dialogue, advocating for tangible emissions reductions over symbolic pledges. A phased transition, extending to 2050, balances climate goals with industrial competitiveness, preventing outsourcing to high-emission regions. The EU's carbon pricing reform (ETS) can incentivize reductions while safeguarding industries, offering a model for global adoption (European Commission, 2024). By fostering international partnerships, such as the Just Energy Transition Partnership, France can support emerging economies in aligning economic growth with decarbonization (International Energy Agency, 2025).

CONCLUSION: A CALL TO LEAD EUROPE'S ENERGY FUTURE

France is uniquely positioned to help shape Europe's energy security in a way that is progressive yet tempered with realism. While our energy mix will naturally evolve, energy security requires the proper balancing of the three key components of energy security. This can be achieved by advancing policies that modernize nuclear power with advanced generation reactors, expand LNG capacity, and pioneer clean technologies while driving EU-wide collaboration. By fostering dialogue among policymakers, industry leaders, and academics, events like this forum can help ensure access to reliable and affordable energy. France's pragmatic approach offers a blueprint for a resilient, sustainable, and secure Europe.

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Latin America Is Leading in AI Use. So Why Is It Lagging in Adoption?

BY ERIKA MOUYNES

Erika Mouynes is Chair of the Advisory Board of the Adrienne Arsht Latin American Center at the Atlantic Council. In this article she examines the gap between Latin Americans' enthusiasm for AI and the slow adoption by corporate and political institutions, driven by fear, legal uncertainty, and infrastructure gaps. The region faces a pivotal moment: without proactive policies, education, and skills development, Latin America risks missing the opportunity AI presents.

In March 2025, Carlos from São Paulo logged into ChatGPT and turned a selfie into a lifelike action figure—complete with Santos FC jersey, soccer ball, and drum set. He wasn't alone. In days, over 130 million users generated 700 million AI images. Brazil shot up to become ChatGPT's third-largest market, with public trust in AI reaching 84%, far above the global average. Latin Americans are clearly buzzing about AI. But while the streets are alive with experimentation, the boardrooms remain quiet. Across Latin America, corporate and political leaders are hesitating—intrigued by AI's promise but paralyzed by its risks. The result? A widening gap between grassroots enthusiasm and institutional buy-in. And that disconnect could determine the region's future in the AI era.

FEAR AT THE TOP

Why the hesitation? In a word: fear.

Bankers worry about data breaches, legal exposure, and shaky regulations. While global peers like JPMorgan are embedding AI into everything from fraud detection to loan processing, many Latin American banks relegate AI to innovation labs—safe from the core business. The result? Flashy pilots, press releases, and little actual change.

Doctors and lawyers are no less uneasy. Ask a radiologist if they use AI to interpret scans, and the answer often comes with pride: "No—I rely on my expertise." Ask a lawyer about AI research tools, and you'll hear warnings about fake citations and breaches of confidentiality. In May 2025, a senior judge in Britain issued a public rebuke after a lawyer submitted an AI-generated brief riddled with errors. The story spread fast through WhatsApp groups across Latin America's legal networks —vindicating skeptics and chilling experimentation.

Some of these concerns are justified. But let's not forget: human professionals make costly mistakes, too. Misdiagnoses, overlooked case law, botched contracts—these happen regularly, with or without machines. Properly deployed, AI can reduce such errors. A legal assistant trained on Latin American case law can cross-check citations or redline contracts at superhuman speed. A doctor in a rural clinic can get a second opinion in seconds. Used wisely, AI isn't a threat to expertise—it's a force multiplier.

THE JOBS DEBATE: APOCALYPSE OR RENAISSANCE?

Then there's the elephant in the room: jobs. Many executives fear that adopting AI will lead to mass layoffs, and no leader wants to spark unrest in countries already grappling with unemployment. So they stall.

Ironically, delay may trigger the very crisis they're trying to avoid. Fall too far behind, and companies may resort to sudden, sweeping automation just to survive—laying off hundreds in a panic. By contrast, gradual integration allows time for retraining and adjustment. The choice isn't between disruption and stability—it's between controlled change and chaotic collapse.

A 2024 Inter-American Development Bank study estimated that 28% of jobs in Latin America could be affected by AI in the next year alone—roughly 84 million roles. Many of these are in information-heavy jobs like customer service, data entry, or junior accounting. And because women in Latin America are overrepresented in clerical roles, the impact could be deeply gendered.

But AI isn't just a destroyer—it's a creator, too. With the right support, small entrepreneurs could thrive. A solo graphic designer in Panama City, a one-person shop in Bogotá, a coder in Guadalajara—they can now operate at scale. With AI tools, a small team can analyse sales data, handle support chats, manage inventory, and run targeted marketing—all without the overhead of a traditional firm. This isn't theory; it's happening.

What's needed is a skills revolution. Education systems must shift from static degrees to dynamic, lifelong learning. AI evolves fast—today's "prompt engineering" tricks could be obsolete tomorrow. Latin American workers need training not just to use AI, but to think alongside it: designing, verifying, and adapting. That means breaking down silos, upgrading IT departments from support teams to strategy hubs, and making digital literacy core to every role—from the C-suite to the factory floor.

THE HIGH COST OF DOING NOTHING

Of course, adopting AI isn't free. Latin American companies often struggle with legacy systems, messy data, and outdated infrastructure. Clean data is fuel for good AI—and ours is often locked in dusty files or scattered across incompatible servers.

And yes, AI can fail—sometimes spectacularly. It can hallucinate. It can get things wrong. The reputational risk of a bot gone rogue is real, especially in low-trust environments. That's why insurers are now offering "AI failure" policies at Lloyd's of London—a science fiction concept just years ago. But here's the bottom line: waiting for AI to become perfectly safe and plug-and-play isn't caution. It's surrender. Every major technological shift—from railways to the internet—came with risk. The pioneers who managed it wisely reshaped their industries. The laggards faded. If Latin America delays, the world will move on without it—faster than we think. Doing nothing is the most expensive option.

FROM POLICY PATCHWORK TO VISION

If fear explains the hesitation, weak policy locks it in. While the EU, China, and the U.S. race to set the rules, Latin America lags behind.

Brazil is debating an EU-style risk-based AI law. Chile and Argentina have published national strategies—on paper. Mexico's efforts stalled amid political turnover. The result is a patchwork of pilot policies, vulnerable to being tossed out with each new administration.

What's missing isn't regulation—it's ambition. Instead of banning bad AI uses piecemeal, we need a proactive vision: how can AI help solve Latin America's chronic challenges—corruption, inequality, stagnant productivity? And what incentives or safeguards will make that vision real?

Chile offers a glimpse of what's possible. It invested early in digital infrastructure and built an AI roadmap that survived political change. Today, Chile leads Latin America in AI readiness. A 2024 study found that simply deploying generative AI across 100 common occupations could boost its GDP by 1.2%—an extra USD 3.4 billion annually. That's not just theory. It's policy paying off.

EDUCATION: THE REAL BATTLEGROUND

If there's one place AI could be a game-changer, it's education. Latin America's schools are underfunded, uneven, and still reeling from the pandemic. AI could help us leapfrog from stagnation to innovation.

Picture a classroom in Guatemala's highlands: one teacher, 40 kids, few resources, and no internet. Now add a battery-powered AI tutor that works offline, speaks the local language, and adapts to each student's level. This is not science fiction. In a Nigerian pilot, students gained nearly two years of learning in just six weeks using AI apps. They didn't become geniuses—they finally got instruction that met them where they were.

But AI won't save us if our habits don't change. If private schools zoom ahead with AI tools while public ones lag, the education gap will widen. Step one: empower teachers, don't replace them. Step two: ditch rote memorization and teach creativity, collaboration, and critical thinking—skills machines can't replicate.

BETWEEN TWO GIANTS: THE GEOPOLITICS OF AI

No discussion of Latin America's AI future is complete without zooming out to the global chessboard. The region is being pulled into the center of the U.S.-China rivalry. While we're not building the foundational models, we sit atop critical inputs—lithium, rare earths, and other minerals essential to the AI economy. China has moved quickly to secure mining rights, fund infrastructure, and embed itself in Latin America's digital networks. The result? We risk remaining resource exporters and technology importers—digging the gold while others mint the coins.

The U.S. is now reengaging—first under Biden's "friend-shoring" initiative, and now with the Trump administration signaling a more business-driven, America First approach. If this leads U.S. AI firms to expand operations into Latin America—through data centers, chip plants, or research hubs—the upside could be significant. But nothing will happen by default. Latin America must present itself as an attractive partner: politically stable, with clear incentives and a skilled, tech-ready workforce. That brings the focus back to education and infrastructure. No one will build a chip fab or an AI lab in a country with unreliable power or too few trained engineers. Geopolitics is forcing us to do our domestic homework—and fast.

While it may seem distant from the daily grind of AI adoption, geopolitics is deeply intertwined with our prospects. A startup's survival may hinge on whether it can access the latest chips—determined by export rules set in Washington, Beijing, or Brussels. The affordability of AI tools depends on trade policies our governments help shape—or ignore. And our ability to produce, not just consume, AI depends on forging smart partnerships to build research centers, training programs, and data infrastructure on our own soil.

SEIZING THE AI MOMENT

Latin America's AI moment is here—but moments don't last. The region ranks among the world's most active users. Startups are building tools for agriculture, finance, and education. Citizens are ready to run. But too many leaders are still walking.

Embracing AI doesn't mean handing over the reins. I wrote this op-ed—not a large language model. Left alone, AI would simply regurgitate what's already been said. But as a collaborator, it helped research and sharpen the work. That's the promise: humans and AI, working together—each amplifying the other's strengths.

Latin America has what it takes: creativity, grit, and talent. The tools are here. The enthusiasm is real. What we lack isn't capacity—it's conviction. And when caution stretches into inertia, it stops being prudence and starts becoming a recipe for irrelevance.

This is a window, not a guarantee. And it's closing fast. Let's not miss it.

Biodiversity on the Brink: How Nature Markets May Avert an Irreversible Collapse

BY BEATRICE WEDER DI MAURO AND FRANCESCO TRIPOLI

Beatrice Weder di Mauro is President of the Centre for Economic Policy Research (CEPR) and holds the André Hoffmann Chair of Economics, Climate and Nature Finance at the Geneva Graduate Institute. Alongside Francesco Tripoli (Geneva Graduate Institute researcher), they argue that as biodiversity approaches collapse, a new financing architecture is needed: replacing one off carbon credits with "nature shares" that link investor returns to long term ecosystem health, offering a way to mobilize private capital for conservation while avoiding the flaws of traditional carbon markets.

TOWARDS AN IRREVERSIBLE COLLAPSE OF BIODIVERSITY

Chainsaws echo through the Amazon by day, and wildfires crackle by night, clearing the forest for cattle and crops. Mangroves rot under surging seas in Manila Bay, and a once-vibrant reef drifts lifeless beneath the ocean's wave. In the time it took to read this sentence, our planet has lost an estimated 10 football pitches of tropical forest and many thousands of pollinating insects that once stitched food chains together.

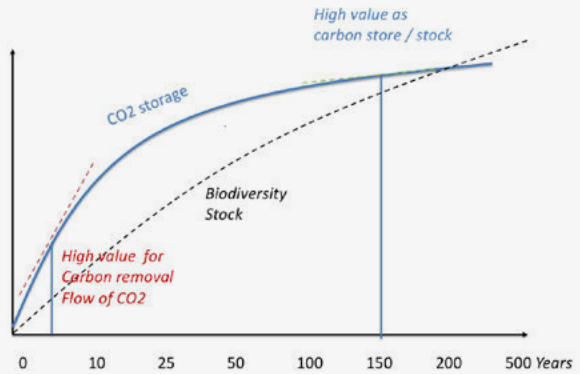
Nature's degradation is not merely ecological – it is profoundly economic. Costanza et al. (1997) estimated that the value of ecosystem services provided by the biosphere ranges from one to three times the global GDP. Moreover, forests are home to over half of the planet's land animal and plant species and directly support millions of people by providing food, income, and shelter. With half of global GDP dependent on healthy ecosystems, biodiversity collapse is an economic crisis waiting to happen (WEF, 2022).

TRADITIONAL MARKET SOLUTIONS FALL SHORT

Existing mitigation efforts have largely focused on carbon emissions, leading to the widespread adoption of carbon markets as a financial instrument for pricing and reducing greenhouse gas emissions. More recently, biodiversity and nature markets have been proposed as complementary mechanisms to carbon markets, with the aim of channeling private finance into conservation and restoration efforts. Indeed, many nature-based carbon projects – such as reforestation, afforestation, and mangrove restoration – deliver both carbon sequestration and biodiversity co-benefits (Kedward et al., 2023). However, these projects are typically valued and traded based on the carbon they capture, measured in tonnes of CO_2-eq, while biodiversity is treated as a secondary benefit, leading only to a modest price premium. This approach has proven fundamentally inconclusive for two key reasons. First, such voluntary carbon markets are increasingly dysfunctional and in decline due to persistent issues of additionality, leakage, permanence, baseline accuracy, and traceability (Cantillon and Slechten, 2024). For instance, recent investigations have exposed serious flaws in voluntary carbon markets, revealing that over 90% of rainforest carbon offsets certified by Verra, a major standard-setting organization, were ineffective (Greenfield, 2023). These scandals exposed deep systemic issues that undermine market credibility. At the same time, efforts to fix the system by tightening certification requirements do not address the core flaw: carbon credits are one-off transactions that shift long-term biophysical risks onto project developers rather than investors.

Second, bundling carbon and biodiversity into a single category causes confusion and further damages the market credibility as carbon and biodiversity issues are fundamentally different. Indeed, depending on the intervention, carbon sequestration or storage may be positively, negatively, or not correlated at all with biodiversity conservation or restoration. For instance, while monoculture afforestation initiatives may help mitigate climate change, they often harm biodiversity (Kedward et al., 2023). Moreover, carbon and biodiversity follow different stock-versus-flow dynamics, as illustrated by the age profile of a forest's carbon and biodiversity production (Figure 1).

FIGURE 1: FOREST-STYLIZED AGE PROFILE OF A STOCK AND FLOW OF CO_2 AND BIODIVERSITY



Source: Cantillon et al. (2025)

A young, naturally regrowing forest is highly effective at removing carbon from the atmosphere (carbon flow), but its biodiversity stock remains relatively low. Conversely, a mature forest supports a rich biodiversity stock but is less efficient at capturing new carbon because new growth is roughly balanced by decomposition, which releases carbon. However, mature forests act as important reservoirs for permanent carbon storage (carbon stock). Thus, while young forests are especially valuable for their carbon uptake, mature forests are important both for their stored carbon and the biodiversity they sustain.

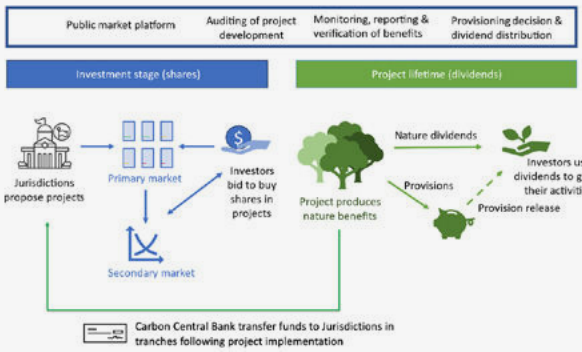
A NEW MARKET DESIGN FOR NATURE-BASED PROVISION

In Cantillon et al. (2025), we fundamentally rethink biodiversity financing. Current credits sold on the voluntary markets monetise annual flows (tonnes of CO_2, hectares restored) but ignore permanence: once sold, the buyer has little incentive to keep financing the conservation of the forest that underwrites the certificate. Thus, we flip the unit of trade: we propose that jurisdictions would issue *nature shares* in large-scale, nature-positive projects. A *nature share* is a claim on the stock of an ecosystem which pays out carbon and biodiversity dividends over time. Crucially, dividends are prudently managed to account for the inherent impermanence of ecosystems, ensuring a buffer against future environmental shocks. This creates incentives for long-term stewardship rather than short-term transactional gains. If fires, pests or political turmoil reduced the underlying stock, future dividends would fall, in the same way as equity investors bear corporate downside risk.

The proposed nature shares respect the carbon and biodiversity stock-versus-flow dynamics: early-stage projects may use most dividends to build risk reserves, whereas mature reserves can begin steady payouts.

The market functioning is illustrated in Figure 2: juristictions will sell nature shares on a primary market, which operates through a crowdfunding-inspired model, where projects list their attributes transparently. Investors allocate funds based on their preferences, driving project pricing through market demand. Projects receiving more investor interest see their share prices rise, clearly signaling market priorities. Additionally, a secondary market enables investors to sell shares if their circumstances change, ensuring liquidity and flexibility. This market is supported by standardized indicators and transparent pricing from the primary market, facilitating easy trading and reliable valuation.

FIGURE 2: THE DESIGN OF NATURE-BASED EQUITY MARKET



Source: Cantillon et al. (2025)

TABLE 1: COMPARISON BETWEEN EXISTING APPROACHES AND THE PROPOSED MARKET DESIGN

	EXISTING CREDIT-BASED APPROACHES	PROPOSED NATURE SHARES DESIGN
NATURE IMPERMANENCE	Not accounted for or minimally so (one credit = one unit of flow benefit). No financial interest of buyer of credits to invest in long term permanence of nature benefits	Prudent policy of dividend release accounts for the risk of impermanence. Moreover, investor is financially interested in prudent management of natural resource as the value of the asset depends on provisioning for future shocks and paying for protection
ADDITIONALITY	Certifier establishes additionality but is subject to conflict of interest	Additionality increased thanks to the reduction in self-selection induced by the jurisdictional approach and the competition in the primary market.
LEAKAGE	Rampant given the small size of projects	Large scale of jurisdiction reduces leakage
TRANSITION COSTS	Very high (certification, MRV)	Lower transaction costs thanks to larger size and reduced market fragmentation
RISK-SHARING	Project developers bears all the risks	Investors bears the risks
VALUATION OF NON-CARBON BENEFITS	Implicit, through the co-existence of several prices (per ton of CO2) for different types of credits	Explicit, through the generation of a conversion rate for project attributes

Source: Cantillon et al. (2025)

THE STRATEGIC ADVANTAGES OF NATURE SHARES

The shift from transactional credits to a share-based investment approach has four knock-on effects (see Table 1). First, since dividends can be withheld and re-allocated to emergency replanting, non-permanence is internalised rather than wished away. Second, jurisdiction-wide projects spread fixed monitoring, reporting and verification costs over thousands of hectares, slicing today's 40% minimum intermediation margin. Third, we propose that a primary "crowdfunding" exchange prices each project, so that jurisdictions posting inflated minimum prices risk funding failure. Fourth, primary-market clearing prices reveal investors' willingness to pay for attributes such as Indigenous stewardship or watershed protection, replacing today's murky price-premia on "charismatic" credits.

THE FUTURE AHEAD

Earlier mitigation efforts have largely focused on the supply side, simply considering the demand as 'granted'. However, the history of the Voluntary Carbon Market has thought us how credits oversupply results in prices declines and low market credibility. To avoid this fate, we propose regulatory mandates that pension and investment funds include biodiversity shares. This approach leverages the immense financial power of institutional investors, creating consistent, large-scale demand.

In conclusion, nature markets may avert the current biodiversity collapse. The innovative, share-based market mechanism proposed by Cantillon et al. (2025) provides an actionable economic model aligned directly with ecological sustainability. By fundamentally restructuring how we finance biodiversity, we can ensure that economic incentives reinforce long-term ecological stewardship, thereby preventing an irreversible ecological collapse.

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CONCLUSION

From Shared Diagnosis to a Common Work Plan: Where Should We Go Next?

The first edition of the Global Economic Dialogue set out to prove that rigorous, plural, and truly global conversation is still possible in an age of fracture. Thirty-five leading institutions from Europe, the United States, Latin America, Africa, and Asia engaged as equals, without hierarchy or ideological filters, to test assumptions and co-produce usable insight. That method is the Dialogue's most important institutional innovation: a platform built not from a single "center," but from the diversity of contexts and traditions that shape today's world.

WHAT WE LEARNED

1. Security and economy have fused, and Europe must shoulder primary responsibility

The war in Ukraine, the return of great-power rivalry, and the re-weaponization of interdependence place deterrence, supply security, and societal resilience at the heart of economic strategy. Ashour's case for hybrid defence, rearmament "in mass and method," and societal reserves underscores a basic truth, that deterrence atrophies when capability withers. Europe cannot outsource this any longer.

2. The toolkit for economic statecraft is incomplete, multilateral architecture is overdue

Crebo-Rediker's analysis shows that ad hoc responses to coercion, critical-mineral choke points, cyber risk, and technology leakage are inadequate. A G7-anchored, but more inclusive, coordination platform is needed to align screening, export controls, diversification, and crisis playbooks, with the OECD's expertise as a standing backbone.

3. Regionalism without trust is fragility, not resilience

Among other views, López-Portillo's U.S - Mexico case study warns that "near/friend-shoring" cannot substitute for institutions, reciprocity, and security cooperation. In a transactional world, "connector economies" can thrive only if they diversify partners and build credible domestic capacity. Otherwise, asymmetries compound and vulnerabilities multiply.

4. Europe's role will be decided by its capacity to act

Beyond values and procedure, Europe needs timely decisions and a thicker industrial, technological, and financial base. Contributions converged on three levers: (a) an economic-security posture compatible with strategic autonomy; (b) finance as European soft power, through deeper, unified markets and calibrated risk-bearing; and (c) governance that preserves deliberation without fetishizing unanimity.

5. Development must be endogenous and political, not merely technocratic

Among other views, Karim El Aynaoui argues for "re-politicizing" Africa–Europe relations, channelling long-term capital to infrastructure and productive transformation, not just projectized aid, while recognizing "geo-economic connectors" like Morocco and Vietnam. Latin America, as Martín Redrado shows, can be a reliable supplier in energy, food, and critical minerals, provided partnerships are "win–win" and move up the value chain.

6. Fiscal sustainability, demography, and social cohesion are inseparable

With public debt above 100% of world GDP, the durability of the welfare state rests on credible institutions, smarter integration and, where viable, immigration to address demographic pressures. The message is not austerity but coherence: align fiscal frameworks, social goals, and growth strategies.

7. Climate, energy, and innovation: realism without resignation

Transition policies must be anchored in industrial capabilities, energy security, and diffusion of innovation (including AI) where comparative advantages already exist—especially in emerging regions. The choice is not between ambition and realism; it is to sequence both.

WHERE WE GO NEXT — TOWARD THE DIALOGUE'S SECOND EDITION (AIX-EN-PROVENCE, 2–4 JULY 2026)

To turn these lessons into shared agendas, the second edition of the GED, embedded within *Les Rencontres Économiques d'Aix-en-Provence*, will organize the coalition's work around dedicated tracks, among which:

1. Economic Security
2. Climate and Development Finance
3. AI, Productivity and Work
4. Trade and Supply Chains
5. Demography and Immigration
6. The Future of Multilateralism
7. The Rise of Populism and its Economic and Democratic Impact
8. France's Future Role in the World

A CALL TO SHARED RESPONSIBILITY

The GED's founding bet, that research institutions can still forge trust across divides, has been validated by this first cycle. We have not erased disagreements. Rather, we have clarified stakes and mapped trade-offs.

The second edition will deepen that discipline of cooperation. If the old order has lost coherence, our response must be to build it, patiently, rigorously, together. Here is the ambition of the second edition, next July 2nd, 3rd and 4th, in Aix-en-Provence.

CONSLUSION

D'un diagnostic partagé à un programme de travail commun : quelle suite pour le Dialogue Économique Mondial ?

La première édition du Dialogue Économique Mondial avait pour ambition de démontrer qu'un échange rigoureux, pluraliste et véritablement global reste possible à l'ère des fractures. Trente-cinq grandes institutions provenant d'Europe, des États-Unis, d'Amérique latine, d'Afrique et d'Asie s'y sont engagées sur un pied d'égalité, sans hiérarchie ni filtre idéologique, afin de mettre à l'épreuve leurs hypothèses et de coproduire des analyses utiles à l'action. Cette méthode constitue l'innovation institutionnelle la plus importante du Dialogue : une plateforme qui ne part pas d'un « centre » unique, mais de la diversité des contextes et des traditions qui façonnent le monde d'aujourd'hui.

PRINCIPAUX ENSEIGNEMENTS

1. Sécurité et économie sont désormais indissociables, et l'Europe doit assumer une responsabilité de premier plan

La guerre en Ukraine, le retour de la rivalité entre grandes puissances et la remilitarisation des interdépendances placent la dissuasion, la sécurité des approvisionnements et la résilience des sociétés au cœur de la stratégie économique. La démonstration d'Ashour en faveur d'une défense hybride, d'un réarmement « de masse et de méthode » et de réserves sociétales souligne une vérité simple : la dissuasion s'étiole lorsque la capacité se délite. L'Europe ne peut plus externaliser ce rôle.

2. Les instruments de la puissance économique restent incomplets, une architecture multilatérale fait encore défaut

L'analyse de Crebo-Rediker montre que les réponses ad hoc à la coercition, aux goulets d'étranglement sur les minerais critiques, aux risques cyber et aux fuites technologiques sont insuffisantes. Il est nécessaire de mettre en place une plateforme de coordination ancrée dans le G7, mais plus inclusive, pour harmoniser les dispositifs de filtrage, les contrôles à l'exportation, les stratégies de diversification et les mécanismes de gestion de crise, en s'appuyant structurellement sur l'expertise de l'OCDE.

3. Un régionalisme sans confiance engendre de la fragilité, non de la résilience

L'étude de cas de López-Portillo sur la relation États-Unis–Mexique met en garde : le *near/friend-shoring* ne peut se substituer à des institutions solides, à la réciprocité et à la coopération en matière de sécurité. Dans un monde transactionnel, les « économies connecteurs » ne peuvent prospérer que si elles diversifient leurs partenaires et construisent des capacités nationales crédibles. À défaut, les asymétries s'aggravent et les vulnérabilités se multiplient.

4. Le rôle de l'Europe se jouera sur sa capacité effective à agir

Au-delà des valeurs et des procédures, l'Europe doit se doter de capacités de décision plus rapides et d'un socle industriel, technologique et financier plus robuste. Les contributions convergent autour de trois leviers : (a) une posture de sécurité économique compatible avec l'autonomie stratégique ; (b) la mobilisation de la finance comme instrument de puissance douce européenne, via des marchés plus profonds, davantage intégrés et une capacité de prise de risque mieux calibrée ; et (c) une gouvernance qui préserve la délibération sans ériger l'unanimité en principe intangible.

5. Le développement doit être endogène et politique, et non seulement technocratique

Karim El Aynaoui plaide pour une « re-politisation » des relations entre l'Afrique et l'Europe, afin de canaliser des capitaux de long terme vers les infrastructures et la transformation productive, plutôt que de se limiter à une aide fragmentée en projets. Il souligne aussi le rôle de « connecteurs géo-économiques » comme le Maroc ou le Vietnam. De son côté, Martín Redrado montre que l'Amérique latine peut devenir un fournisseur fiable en énergie, en produits alimentaires et en minerais critiques, à condition que les partenariats soient réellement « gagnant-gagnant » et favorisent la montée en gamme dans les chaînes de valeur.

6. Soutenabilité budgétaire, démographie et cohésion sociale sont indissociables

Avec une dette publique supérieure à 100 % du PIB mondial, la pérennité de l'État-providence repose sur la crédibilité des institutions, une intégration économique plus intelligente et, lorsque cela est possible, sur l'immigration pour répondre aux pressions démographiques. Le message n'est pas celui de l'austérité, mais de la cohérence : aligner cadres budgétaires, objectifs sociaux et stratégies de croissance.

7. Climat, énergie et innovation : un réalisme sans renoncement

Les politiques de transition doivent être ancrées dans les capacités industrielles, la sécurité énergétique et la diffusion de l'innovation (y compris l'intelligence artificielle) là où existent déjà des avantages comparatifs – en particulier dans les régions émergentes. L'enjeu n'est pas de choisir entre ambition et réalisme, mais d'ordonner l'une et l'autre dans le temps.

LES PROCHAINES ÉTAPES – VERS LA DEUXIÈME ÉDITION DU DIALOGUE (AIX-EN-PROVENCE, 2–4 JUILLET 2026)

Pour traduire ces enseignements en agendas partagés, la deuxième édition du Dialogue Économique Mondial, organisée au sein des Rencontres Économiques d'Aix-en-Provence, structurera le travail de la coalition autour de plusieurs axes :

1. Sécurité économique
2. Climat et financements du développement
3. Intelligence artificielle, productivité et travail
4. Commerce et chaînes de valeur
5. Démographie et immigration
6. Avenir du multilatéralisme
7. Conséquences économiques et démocratiques de la montée des populismes
8. Devenir de la France dans le monde

UN APPEL À UNE RESPONSABILITÉ PARTAGÉE

Le pari fondateur du Dialogue est la capacité des institutions de recherche à recréer de la confiance par-delà les clivages. Il nous semble que cette première édition a montré le potentiel de cette conviction. Les désaccords n'ont pas disparu ; mais les enjeux ont été clarifiés et les arbitrages mieux cartographiés.

La deuxième édition devra approfondir cette discipline de la coopération. Si l'ancien ordre a perdu sa cohérence, notre réponse doit être de la reconstruire, patiemment, rigoureusement, collectivement. Tel est l'engagement du Dialogue et la mission qui lui incombe à Aix-en-Provence, du 2 au 4 juillet 2026.

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Dialogue is possible if and only if interlocutors mutually recognize one another's right to hold a point of view. This is not a mere matter of intellectual courtesy. It is a political condition.

The Global Economic Dialogue by *Les Rencontres Économiques d'Aix-en-Provence* takes this condition seriously. In a world marked by polarization, fragmentation and rising distrust, the objective is not to convene yet another summit. Our aim, rather, is to lay the foundations for a new kind of conversation.

Ambition is simple and straightforward. To make out of this Dialogue a lasting instrument at the service of all. Not a one-off event, but rather a working method to build common understanding and new alliances.

Le dialogue n'est possible que si, et seulement si, les interlocuteurs se reconnaissent mutuellement le droit d'avoir un point de vue. Il ne s'agit pas d'une simple politesse intellectuelle, mais d'une condition politique.

Le Dialogue Économique Mondial des Rencontres Économiques d'Aix-en-Provence prend cette exigence au sérieux. Dans un monde traversé par la polarisation, la fragmentation et une défiance croissante, l'objectif n'est pas de convoquer un sommet de plus. Il s'agit, au contraire, de poser les fondations d'une nouvelle forme de conversation.

L'ambition est simple et claire : faire de ce Dialogue un instrument durable, au service de tous. Non pas un événement ponctuel, mais une méthode de travail appelée à bâtir un socle d'analyse partagée et de nouvelles alliances.

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