



# ON THE EDGE OF THE KNIFE

a dangerous world

# AGENDA

The West is fighting back

The European economy

China

US

The UK

The green transition and the opportunities

Summary

# ONE YEAR WAR IN EUROPE

- Transformed EU and Western World
- G7 > G20
- Geopolitics is back
  - EU sanctions (11<sup>th</sup> package), followed by neighbours
  - Complete re-orientation in energy markets
  - EU expands and defends sphere of influence: 2 new accession candidates, 6 are waiting
  - 'Global Gateway' project
  - European Political Community (EPC) to fight back against Russia's view of the world
- Europe sandwiched between US and China?

	2022	2023	2024
World Output	3.4	2.8	3.0
Advanced Economies	2.7	1.3	1.4
United States	2.1	1.6	1.1
Euro Area	3.5	0.8	1.4
Germany	1.8	-0.1	1.1
France	2.6	0.7	1.3
Italy	3.7	0.7	0.8
Spain	5.5	1.5	2.0
Japan	1.1	1.3	1.0
United Kingdom	4.0	-0.3	1.0
Canada	3.4	1.5	1.5
Other Advanced Economies	2.6	1.8	2.2
Emerging Market and Developing Economies	4.0	3.9	4.2
Emerging and Developing Asia	4.4	5.3	5.1
China	3.0	5.2	4.5
India	6.8	5.9	6.3
Emerging and Developing Europe	0.8	1.2	2.5
Russia	-2.1	0.7	1.3
Latin America and the Caribbean	4.0	1.6	2.2

## LATEST GDP DATA

- 2022 better than expected for Eurozone (given all the negativity in 2<sup>nd</sup> half 2022)
- 2023 OK, stronger growth in S than N
- US not formidable
- China coming back? Less export driven?
- Can India sustain?
- China – EU – US each about 17% of global GDP

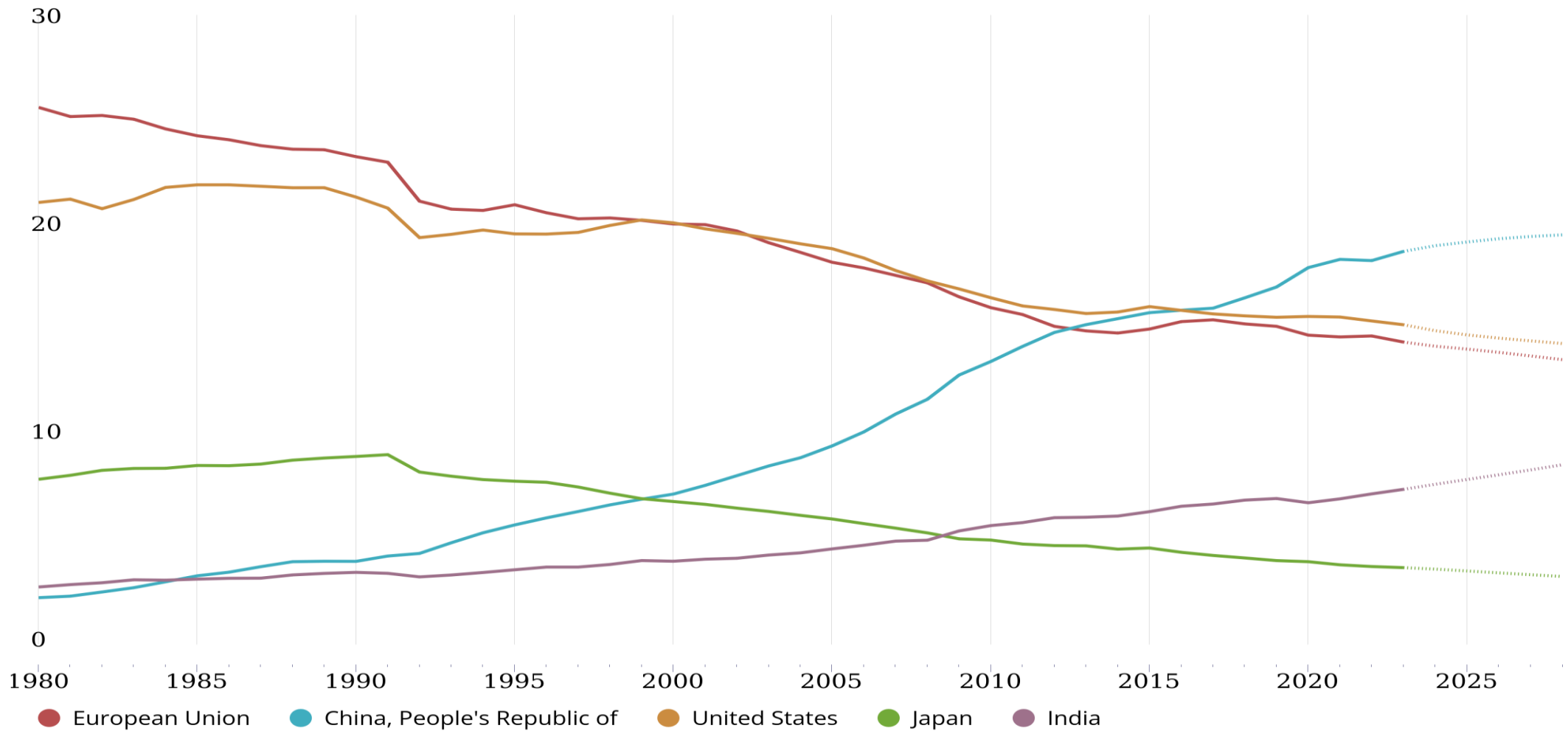
## BUT

- **Inflation is back**, and not under control (7% in eurozone), with energy prices are back to normal
- **Unemployment at all time low** in EU (6.2%), high labour market participation rate

# THE FUTURE IS IN SOUTH-EAST ASIA

IMF Data Mapper ®

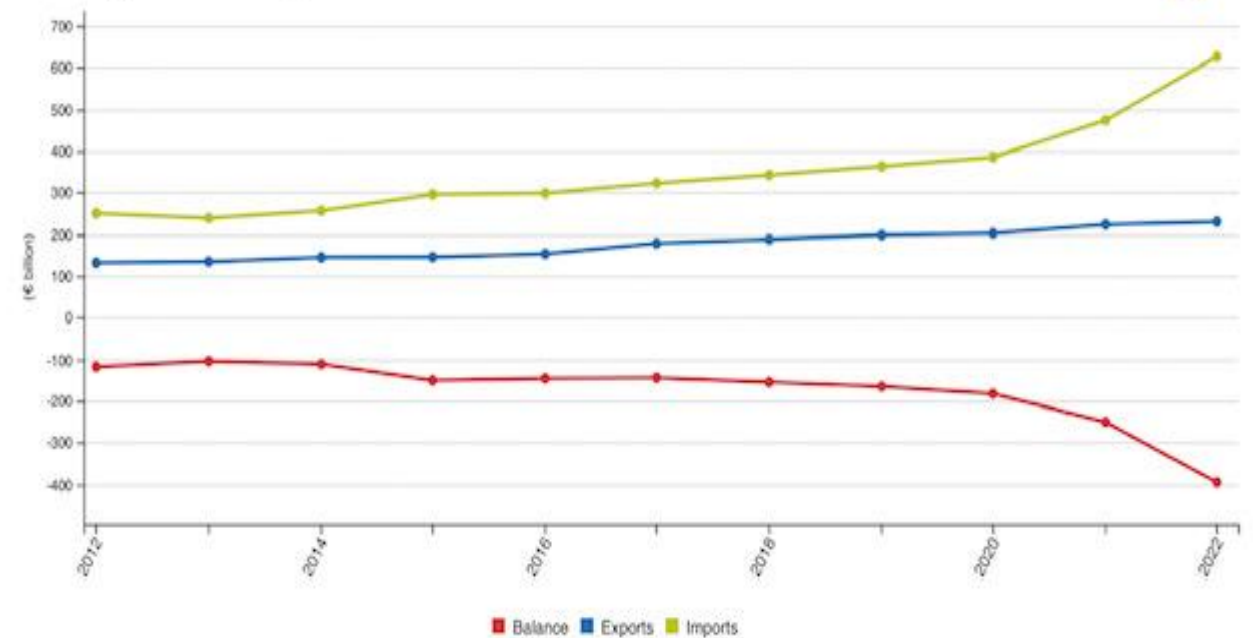
GDP based on PPP, share of world (Percent of World)



# CHINA

- European public opinion changed 180° since CAI was concluded
  - China behaves as autocratic country
  - But Europe reacts in dispersed ranks
- De-risking? Europe's dependence has grown since Covid!
  - Mapping of dependencies (137 products)
  - 98% of rare earth elements from China
  - 79% of antibiotic imports
  - 75% of global solar panels production
- EU reacts with series of Acts to set minimum production targets, and trade defence measures
- Weaponisation of trade? US taking the lead in forbidding Chips exports (i.e. ASML)
- China sets minimum local content rules for EV
- Europe losing ou rapidly in China car market

EU trade in goods with China, 2012-2022

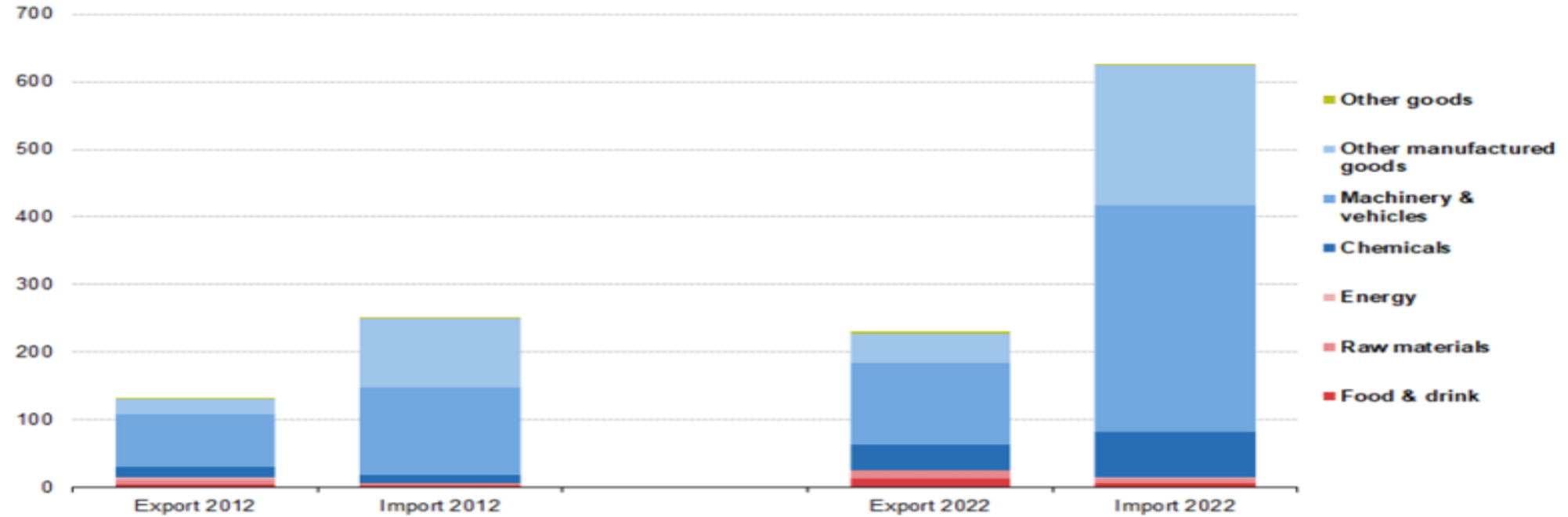


Source: Eurostat (online data code: ext\_it\_eu27\_2020bilit and DS-018995)

# CHINA EU TRADE

## EU trade with China by product group, 2012 and 2022

(€ billion)

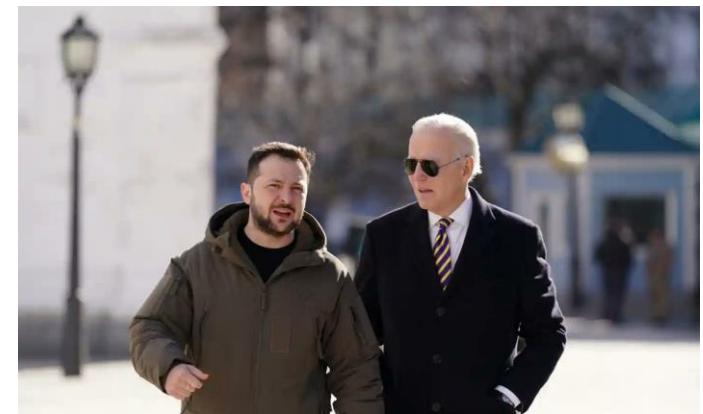


Source: Eurostat (online data code: ext\_st\_eu27\_2020sitc and DS-018995)

eurostat 

# US

- US back in command, '**New Atlanticism**'?
- Recent banking crisis, and reaction, huge blame for banking sector, and supervisors
- Divided society: declining life expectancy and worker participation!
- Action on China started under Trump, continued by Biden administration
  - '**Decoupling**' debate ongoing since several years, but similar dependence as EU
  - Chips act
  - Investment restrictions
  - Concern on Chinese military build-up
- Corporate sector remains discreet diplomat
  - Musk, Dimon in China
  - Apple's dependence on China (95%!)
- Fuss surrounding IRA overdone?







# THE UK

## IMMIGRATION

High net immigration at all time high (+600,000), even with Brexit, demonstrates its attractiveness

## FINANCE

Threats of Brexit on financial sector under control, City continues to flourish, business capital of Europe

## REGULATION

Search for different regulatory model from EU, principles-based

Will look for closer association with EU again



# THE EU'S GREEN AGENDA

## FUNDAMENTAL CHANGE ONGOING

- Russia's wars has accelerated transition and regulation, out of gas and oil, towards renewables
- Delocalisation of heavy industries as a result of green measures?
- De-carbonisation advancing rapidly (ETS at 100€), emissions by 2030 at 3% of 2000 levels
- Carbon leakage tackled
- Too much rules-based
- CBAM!



## WHAT FOR THE PORTS BUSINESS?

- Russia is unpredictable, dangerous
- China is manageable, will continue to grow, and with it SE Asia
- EU set to expand and deepen, but will continue to speak with many voices
- Three blocs subsidise key industries
- Green transition ongoing at different speeds



# THANK YOU

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