

ECONOMIC SECURITY



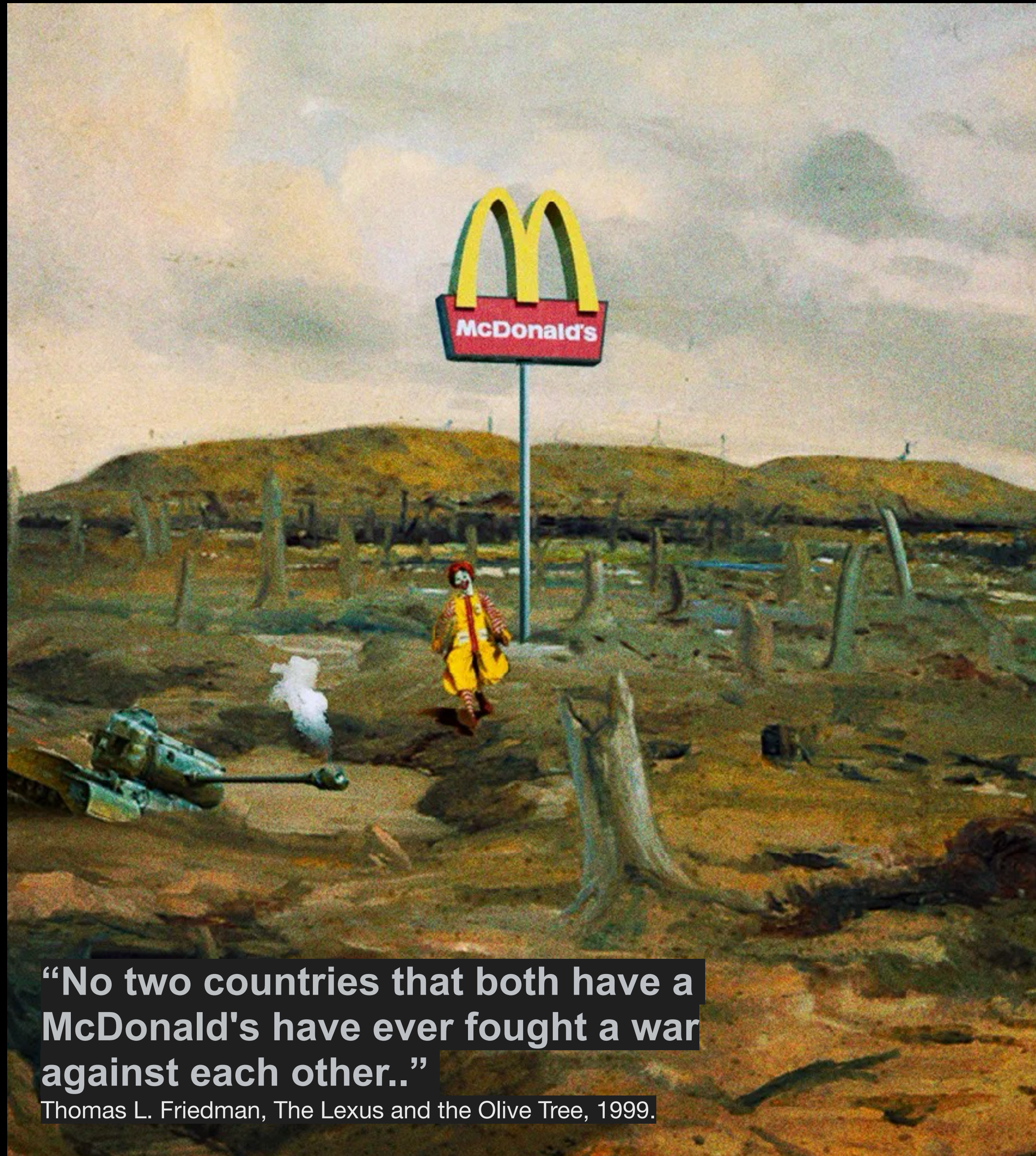
Dr. Alfred Oehlers
SSSP 2024

UP TO 10 YEARS AGO...

A focus on individuals,
not the state:

“...the ability of individuals,
households or communities to
cover their essential needs
sustainably and with dignity.”





Globalization

[glō-bə-lə-'zā-shən]

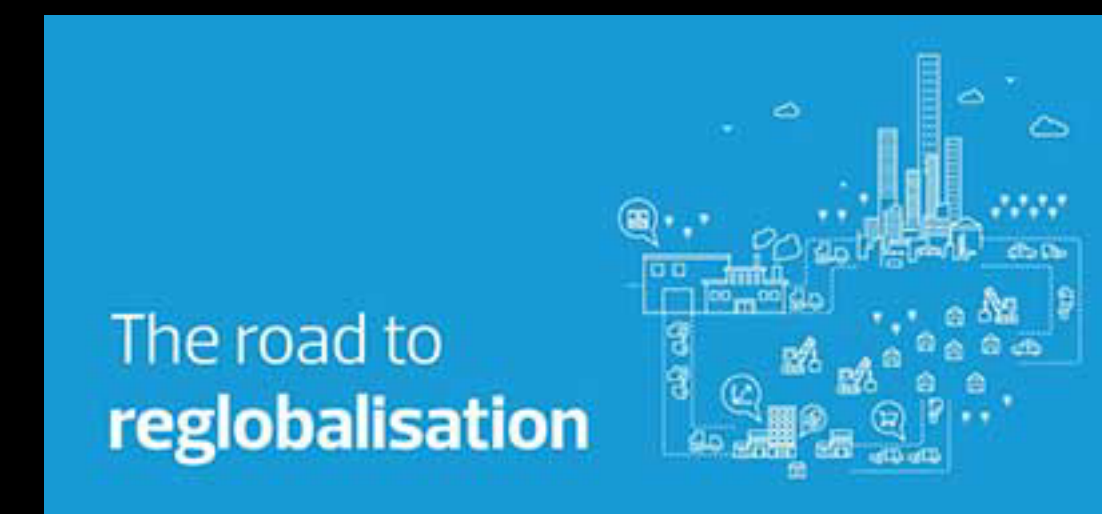


The spread of the flow of financial products, goods, technology, information, and jobs across national borders and cultures.

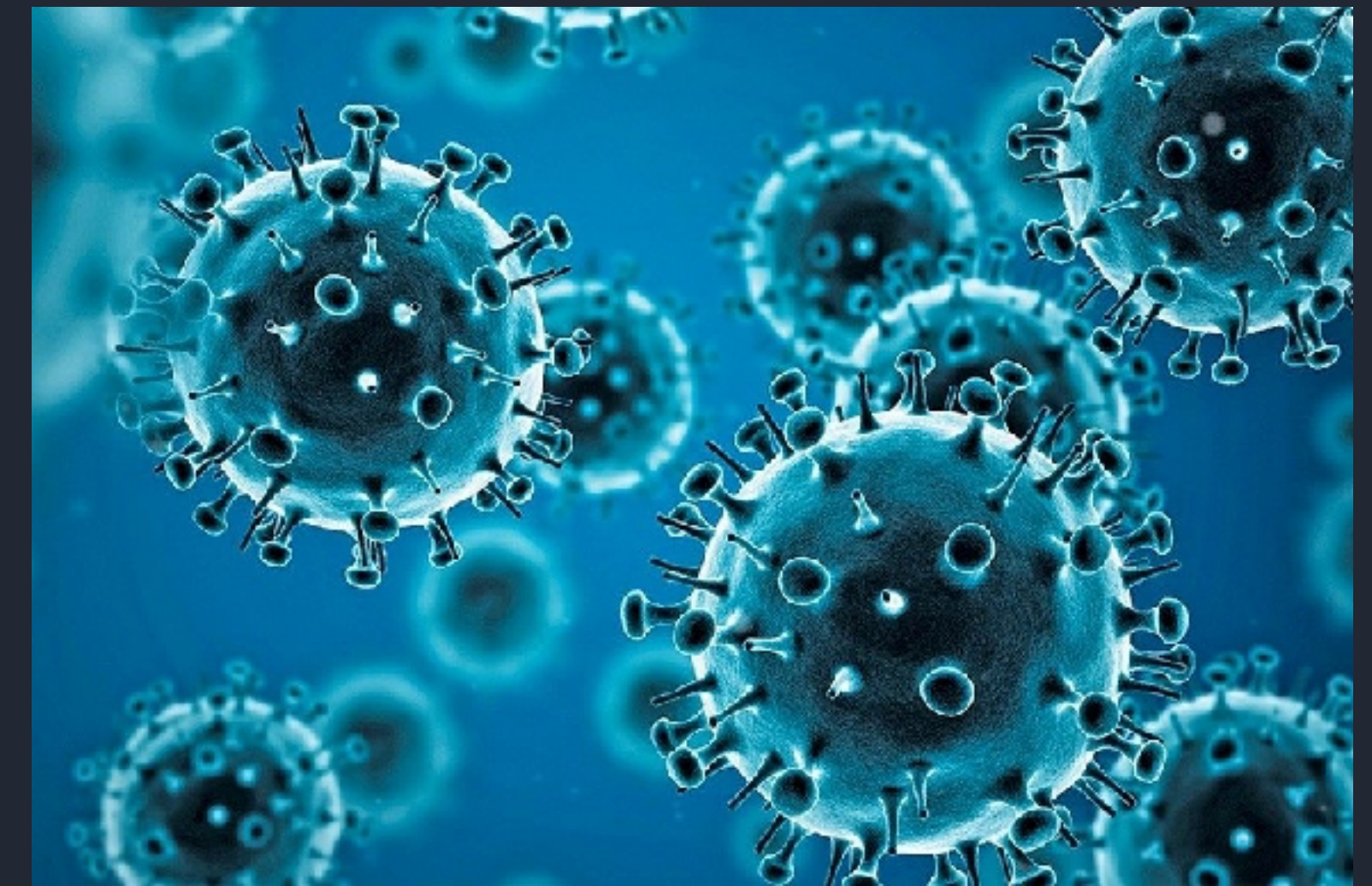


RE-ASSESSING GLOBALIZATION

- Economic openness can create vulnerabilities and expose a country to disruption or coercion
- Economic and Industrial
- Financial
- Technology
- Resiliency and Defense



Concerns
accentuated
by...



Much of the international economic policy of the last few decades had relied upon the premise that economic integration would make nations more responsible and open, and that the global order would be more peaceful and cooperative—that bringing countries into the rules-based order would incentivize them to adhere to its rules.

It didn't turn out that way.

...in the name of oversimplified market efficiency, entire supply chains of strategic goods—along with the industries and jobs that made them—moved overseas. And the postulate that deep trade liberalization would help America export goods, not jobs and capacity, was a promise made but not kept.

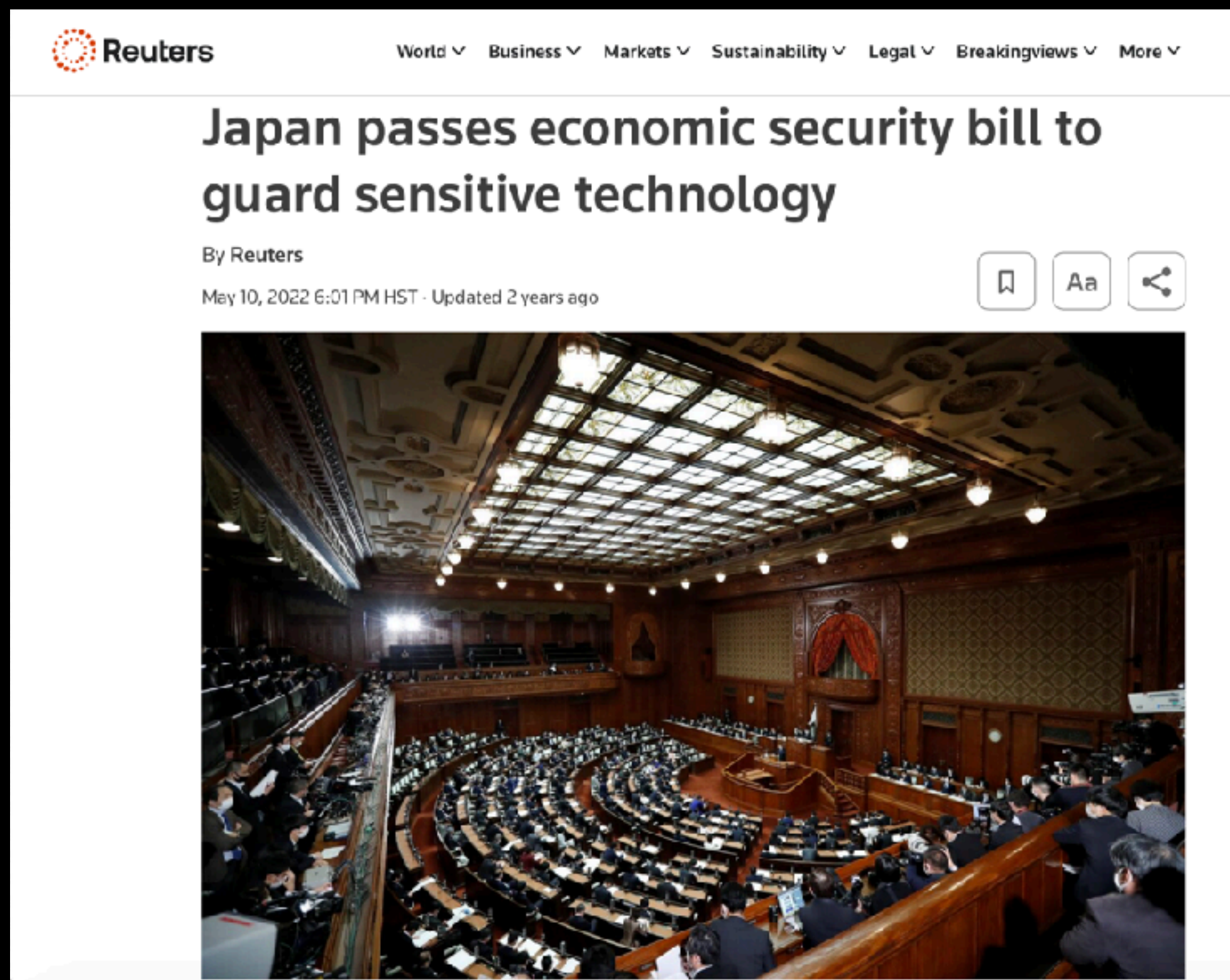
**Jake Sullivan
National Security Advisor
27 April 2023**



“We will work together to ensure that attempts to weaponise economic dependencies by forcing G7 members and our partners, including small economies, to comply and conform will fail and face consequences.”

G7 Leaders, Hiroshima, Japan, May 2023





UK, Integrated Review Refresh, 2023.

Germany, Strategy on China, 2023.

South Korea, The Yoon Suk Yeol
Administration's National Security
Strategy, 2023.



ECONOMIC SECURITY TRADECRAFT

- Trade regulations
- Financial oversight
- Investment screening
- Technology and innovation policy
- Supply-chain early-warning and management
- Critical resources
- Critical infrastructure
- Human resources
- Economic intelligence
- Defense Industrial Base
- Governance
- International cooperation and coordination



“In today's world, the intensity and impact of the financial war even exceeds that of the armed conflict and scientific and technological disputes..”

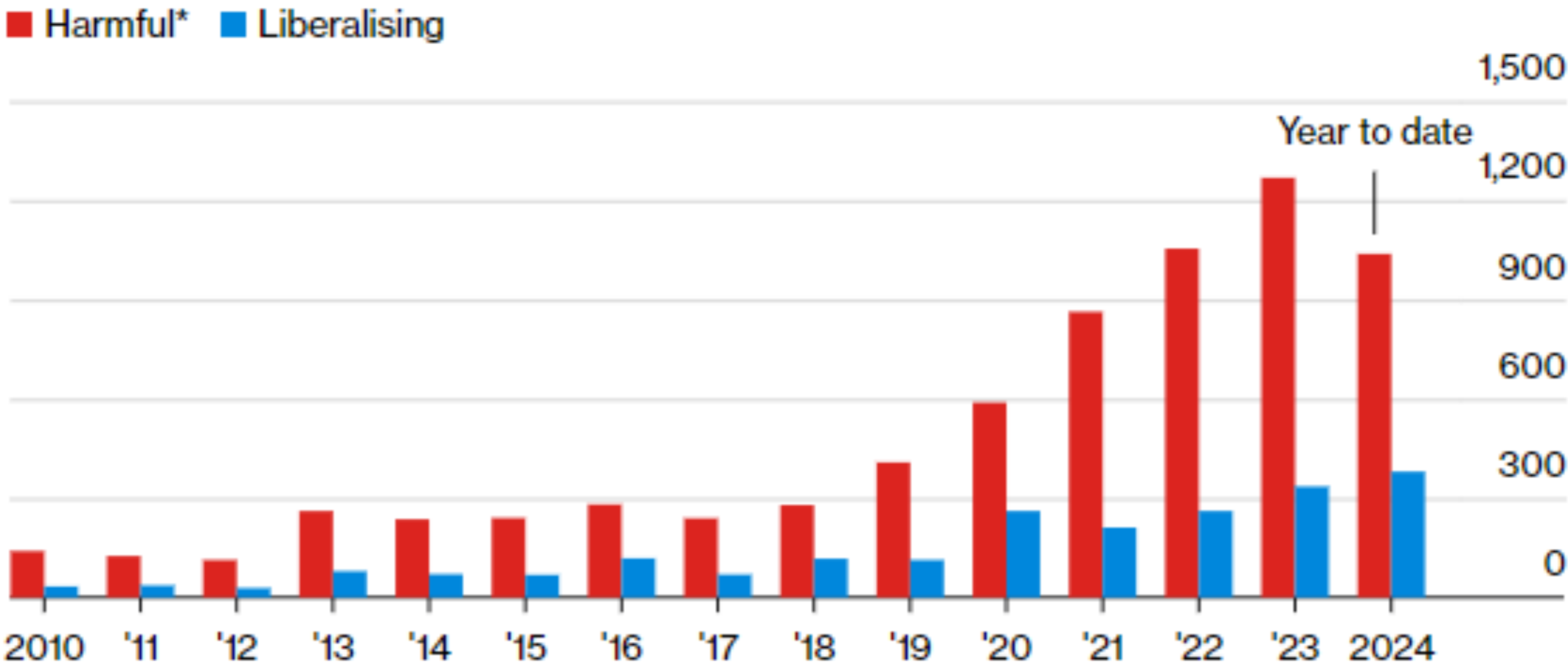


The background of the slide is a composite image. At the top, the American flag is on the left and the Chinese flag is on the right. Below the flags is a semi-transparent financial candlestick chart with various numerical values like -1.10, -2.75, -0.16, -4.00, -10.05, and 12.50. The bottom half of the image shows a port with several large gantry cranes. The entire image has a warm, orange-red color cast.

Trade wars

The Rising Tide of Trade Protectionism

Number of new policies considered to be trade-restrictive hit a record in 2023

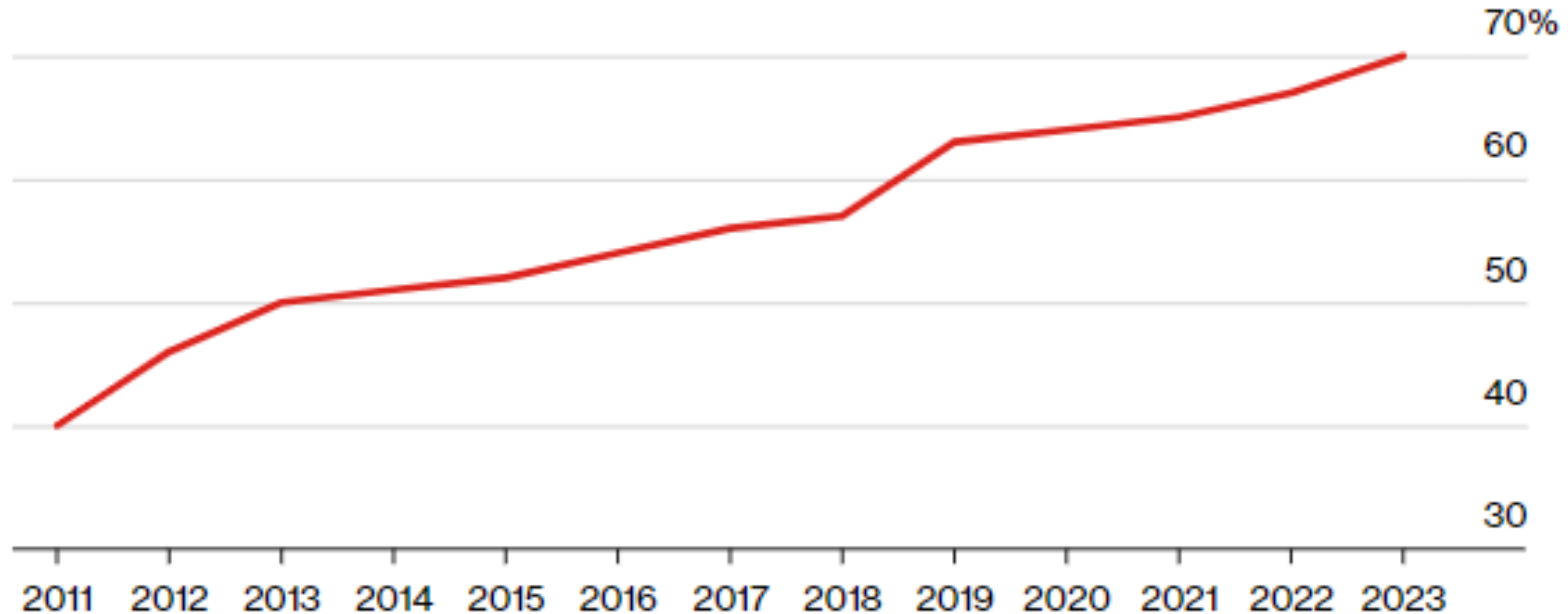


Source: Global Trade Alert
Note: *Including tariffs and subsidies

<https://www.bloomberg.com/news/articles/2024-05-23/a-new-trade-war-offers-no-easy-way-back-for-old-global-order>

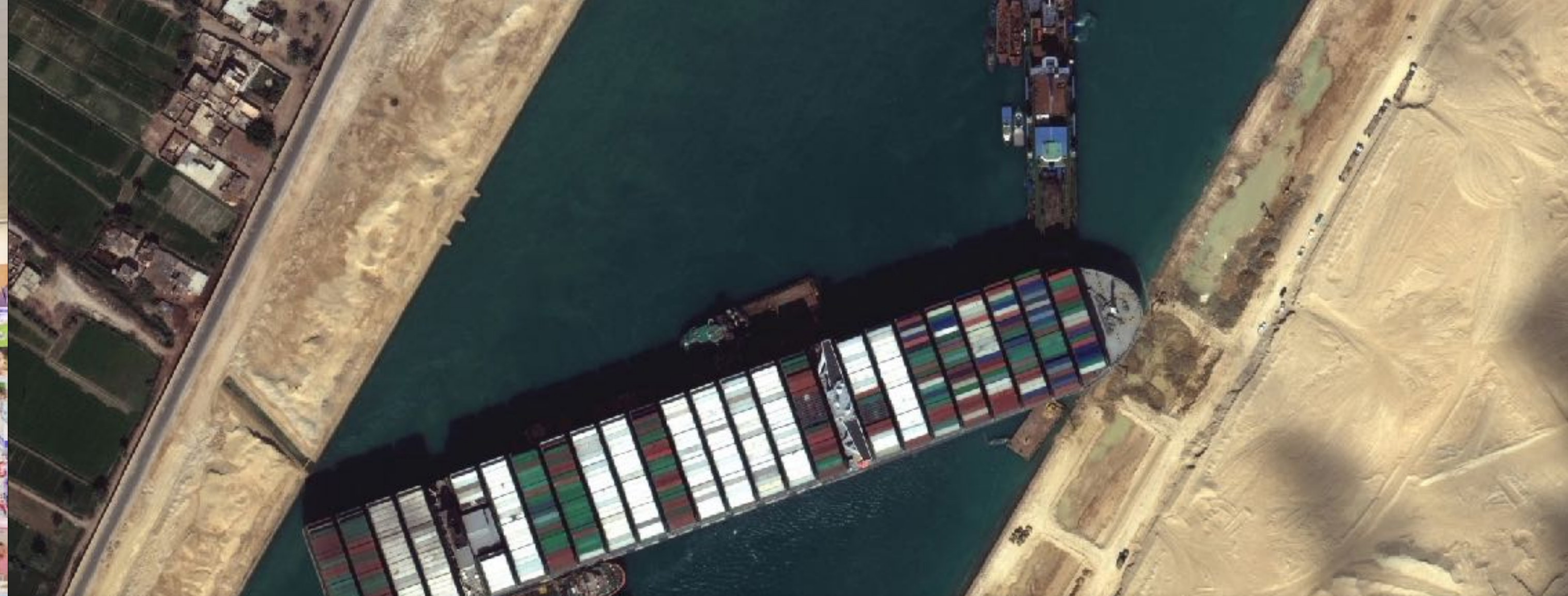
Subsidies Have Flooded the Global Trading System

Share of all exports competing with subsidized rivals has reached 70%



Source: Global Trade Alert

<https://www.bloomberg.com/news/articles/2024-05-23/a-new-trade-war-offers-no-easy-way-back-for-old-global-order>



Supply chains



Debt

developing country debt service payments

**In most developing countries,
the cost of servicing external
debt now exceeds expenditures
on health, education, and social
protection combined.**

(UNICEF)

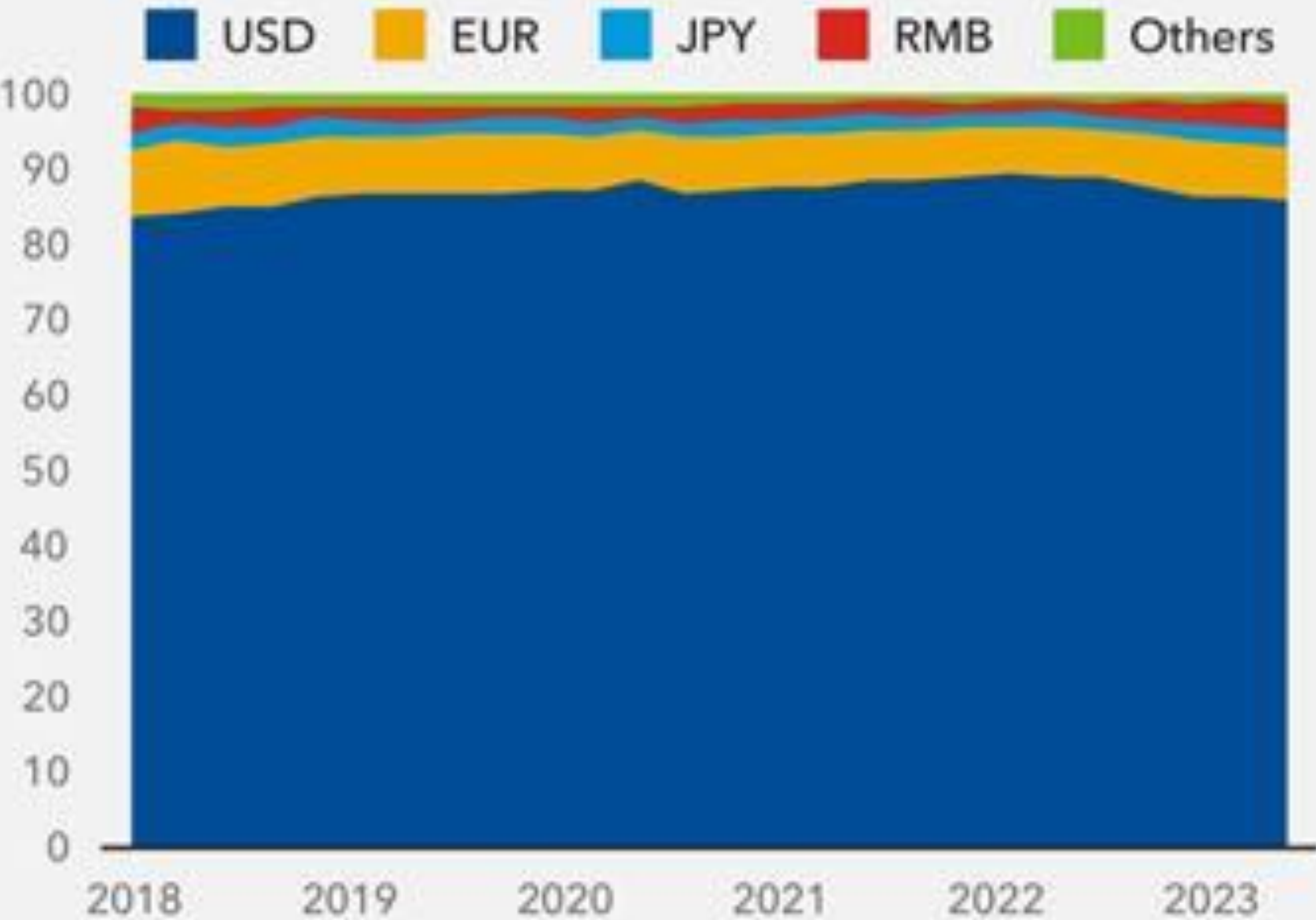


DOLLAR DOMINANCE

USD RETAINS DOMINANT POSITION IN GLOBAL TRADE FINANCE AND FX RESERVES
RMB SHARE IS RISING, NOTABLY IN TRADE FINANCE, BUT FROM A VERY LOW BASE

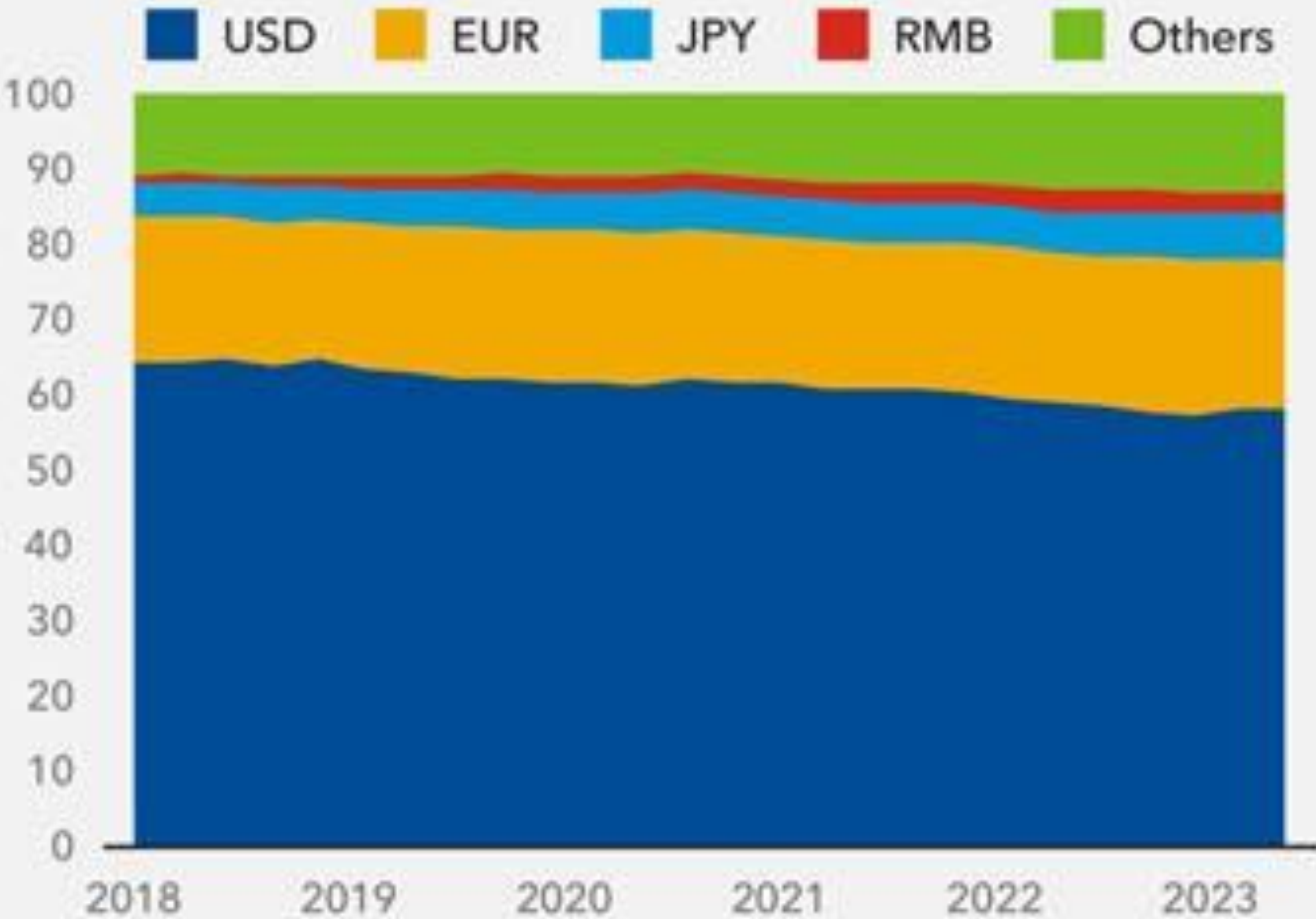
TRADE FINANCE

(PERCENT)



FX RESERVES

(PERCENT)



<https://www.imf.org/en/News/Articles/2024/05/07/sp-geopolitics-impact-global-trade-and-dollar-gita-gopinath>
Sources: COFER, SWIFT and staff calculations.
Note: Only includes trade finance covered by SWIFT (Code MT700 (Letters of credit)).
Data as of 2023Q3 (FX reserves), 2023Q4 (Trade Finance). Data is exchange-rate adjusted.



“High income inequality can ... generate distrust in government, exacerbate levels of violence and social unrest ... and hinder economic growth.”

<https://www.undp.org/publications/inequality-and-social-security-asia-pacific-region>

DECLINING GLOBAL INFLATION

Headline Inflation – Annual Avg. Change

— IMF Forecast (Oct 2023)
— IMF Forecast (Apr 2024)

Emerging Market & Developing Economies (EMDEs)

4.5%

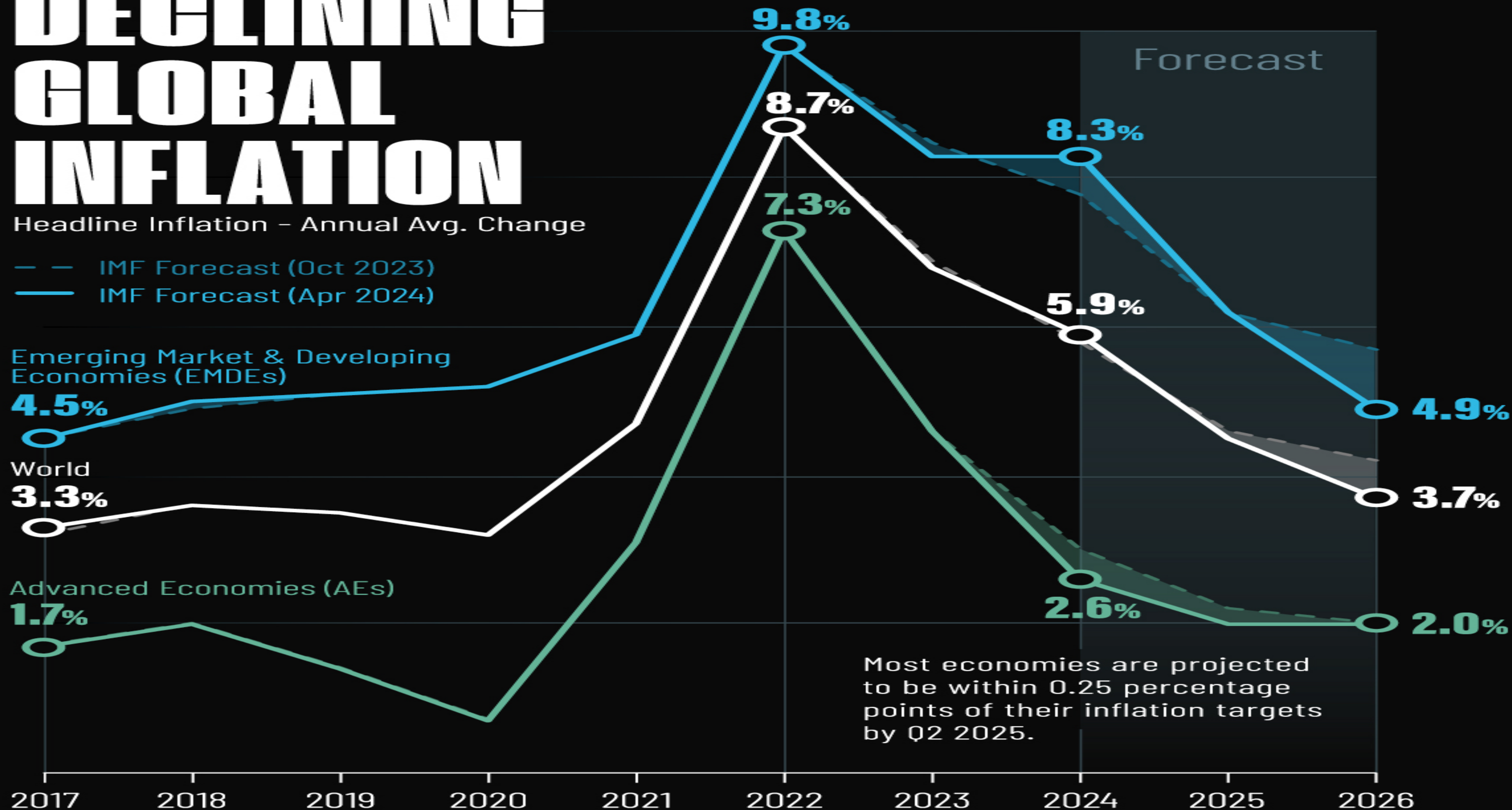
World

3.3%

Advanced Economies (AEs)

1.7%

Forecast



Most economies are projected to be within 0.25 percentage points of their inflation targets by Q2 2025.

Climate Change



Mahalo!

