



Professor

Bruno Colmant

**The State of the European
Economy and the
Expectations on the Future**





The state of the European Economy and expectations on the future

Prof. Dr. Bruno Colmant, member of the Belgian Royal Academy



Globalization and Its Drivers

- Definition of globalization and the market economy
- Real start: China's entry into the WTO (2001)
- But now, new barriers to globalization

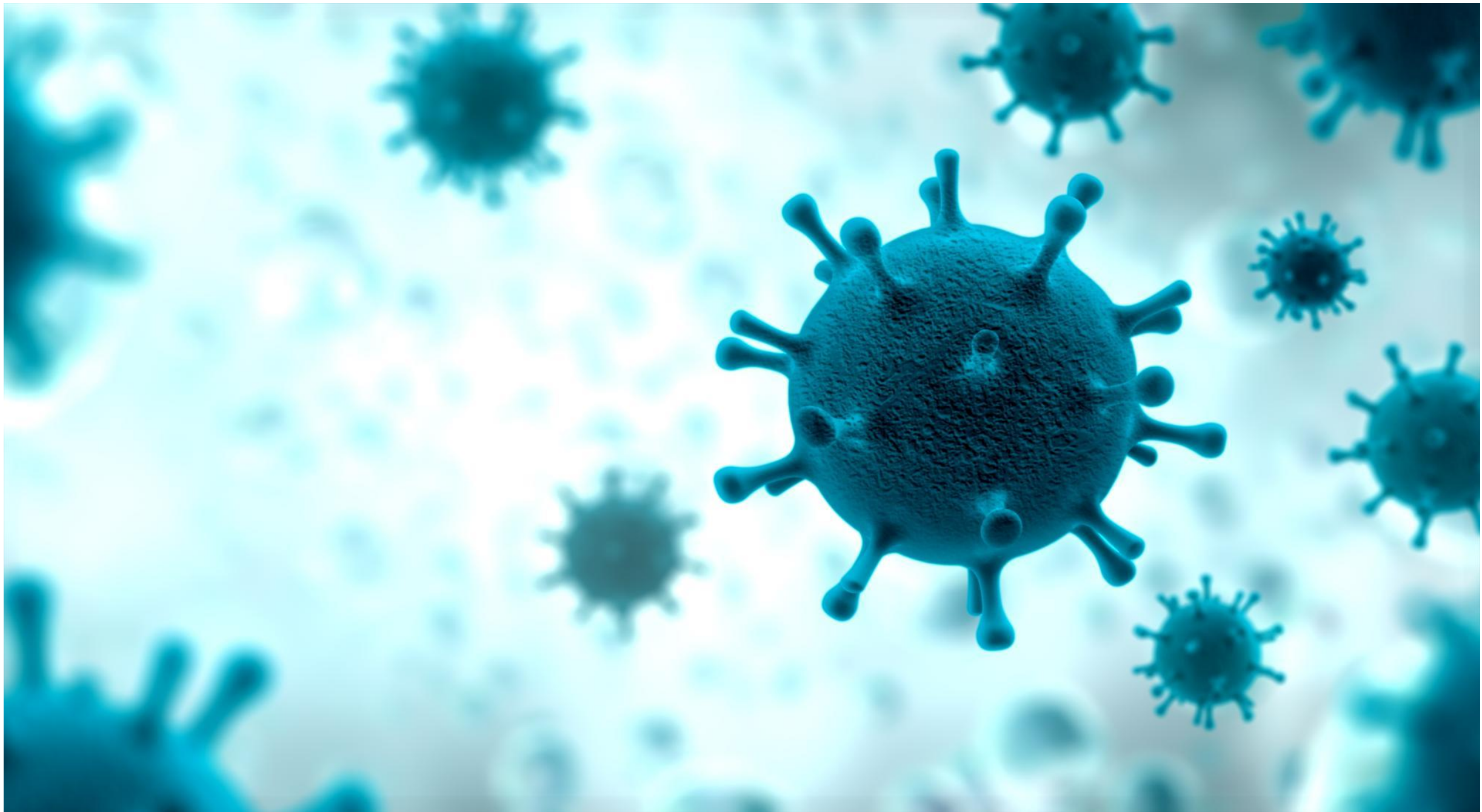


中国加入世界贸易组织签字仪式
SIGNING CEREMONY ON CHINA'S ACCESSION TO THE WTO

11 November 2001, Doha









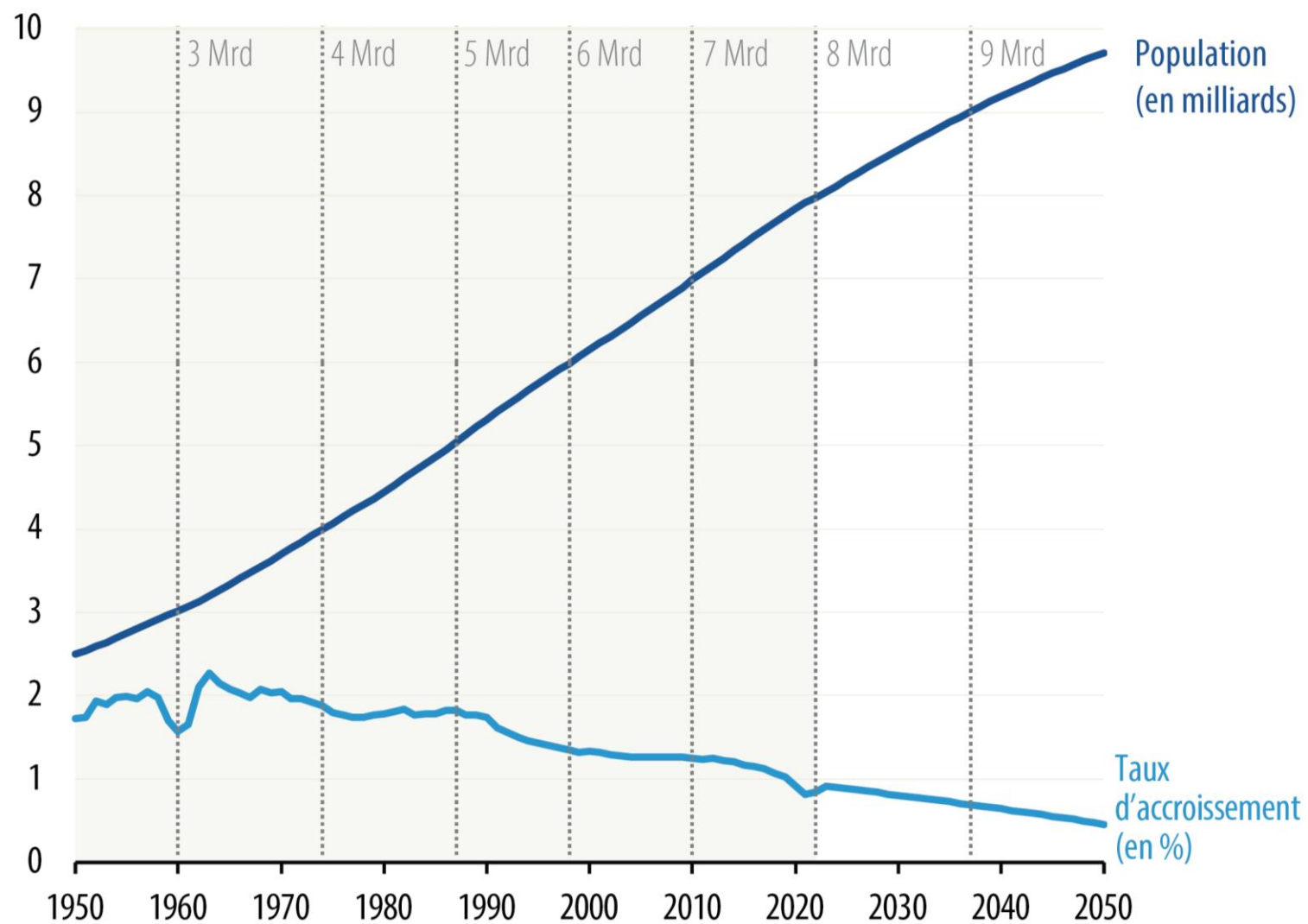


Three constraints to growth: the 3 D's (more inflation, less growth)

Demography · Deglobalization · Decarbonation

Dissipation du spectre de l'explosion démographique

La population mondiale franchit la barre des 8 milliards, mais le taux d'accroissement continue de diminuer

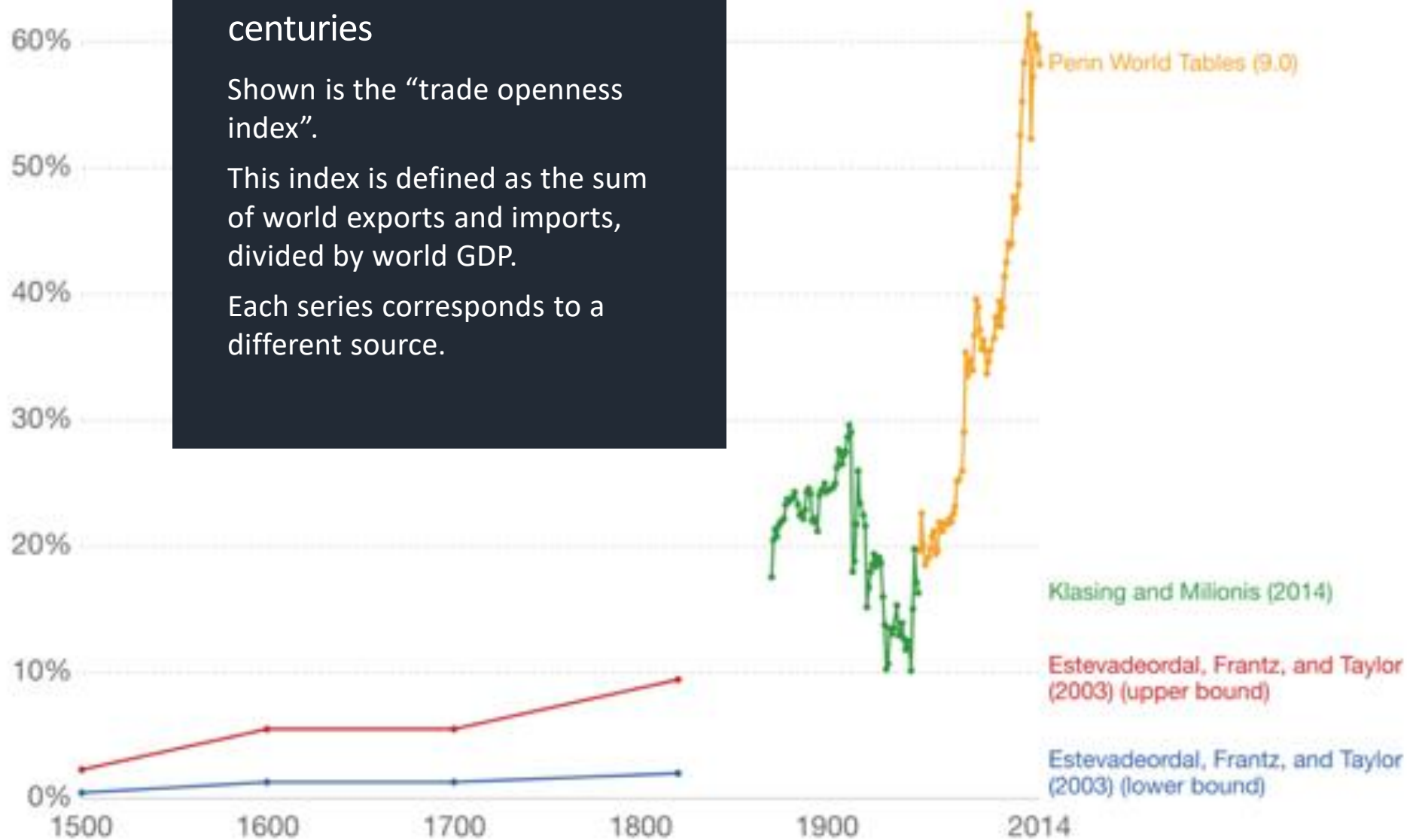


Globalization over 5 centuries

Shown is the “trade openness index”.

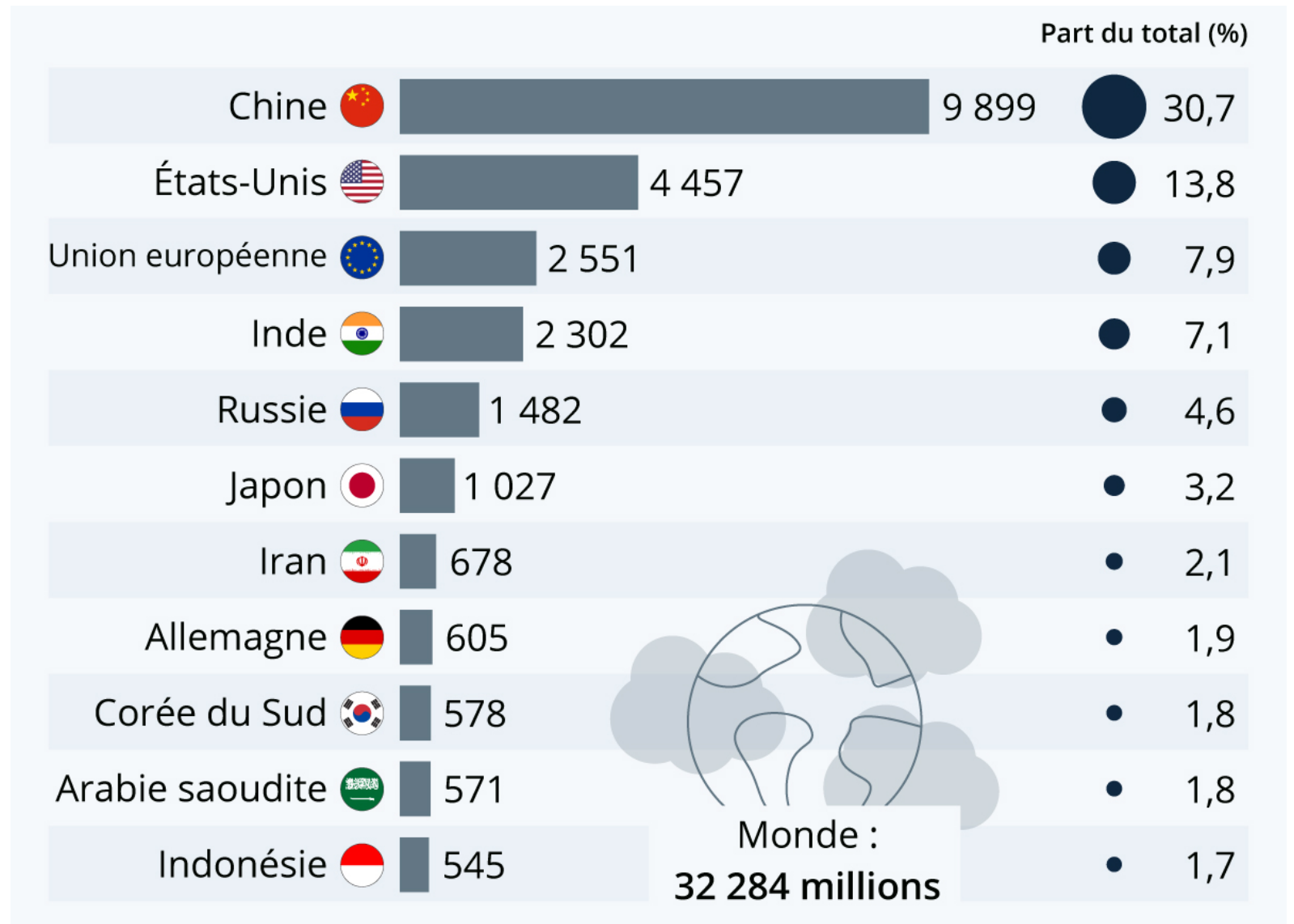
This index is defined as the sum of world exports and imports, divided by world GDP.

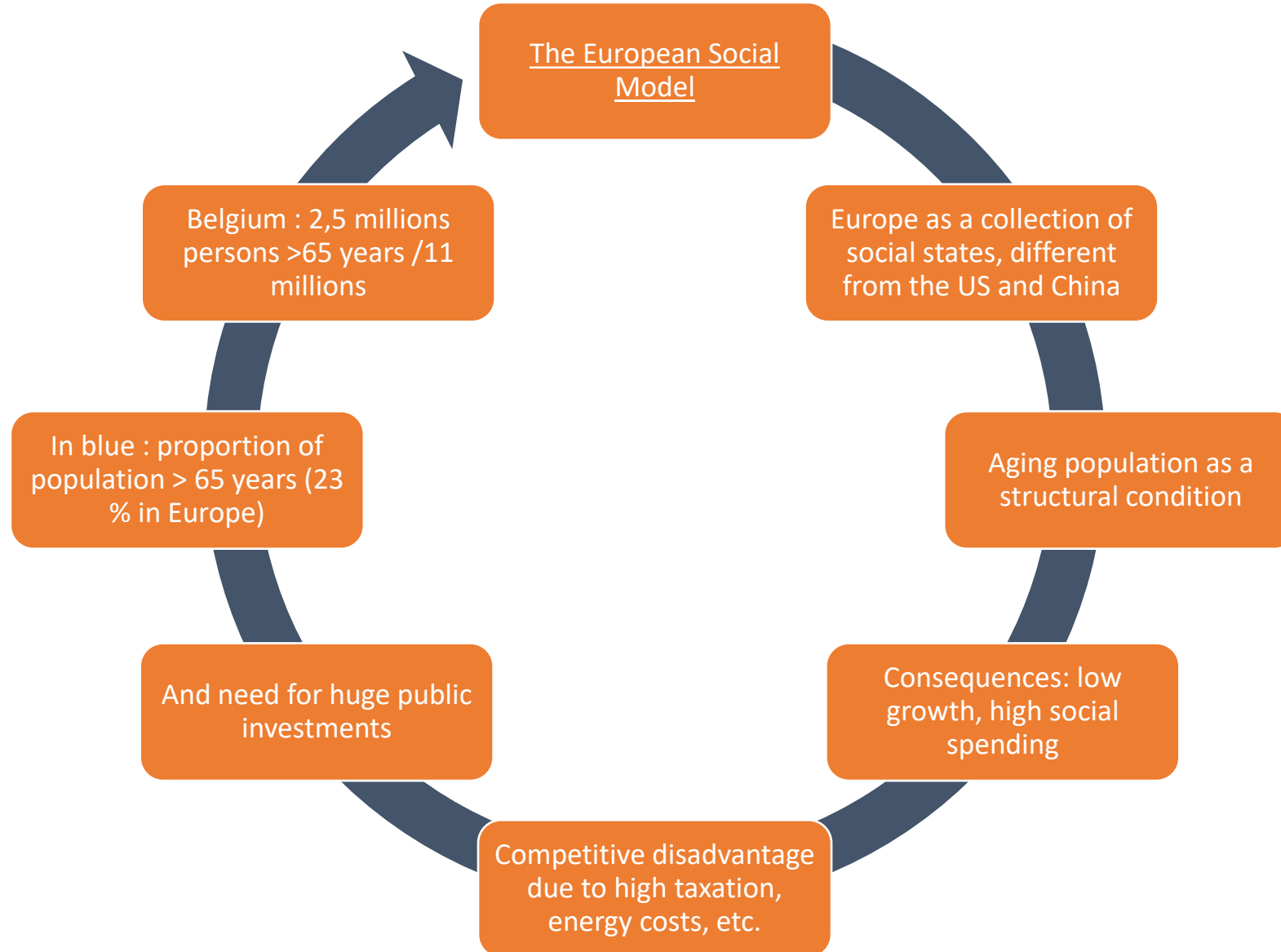
Each series corresponds to a different source.

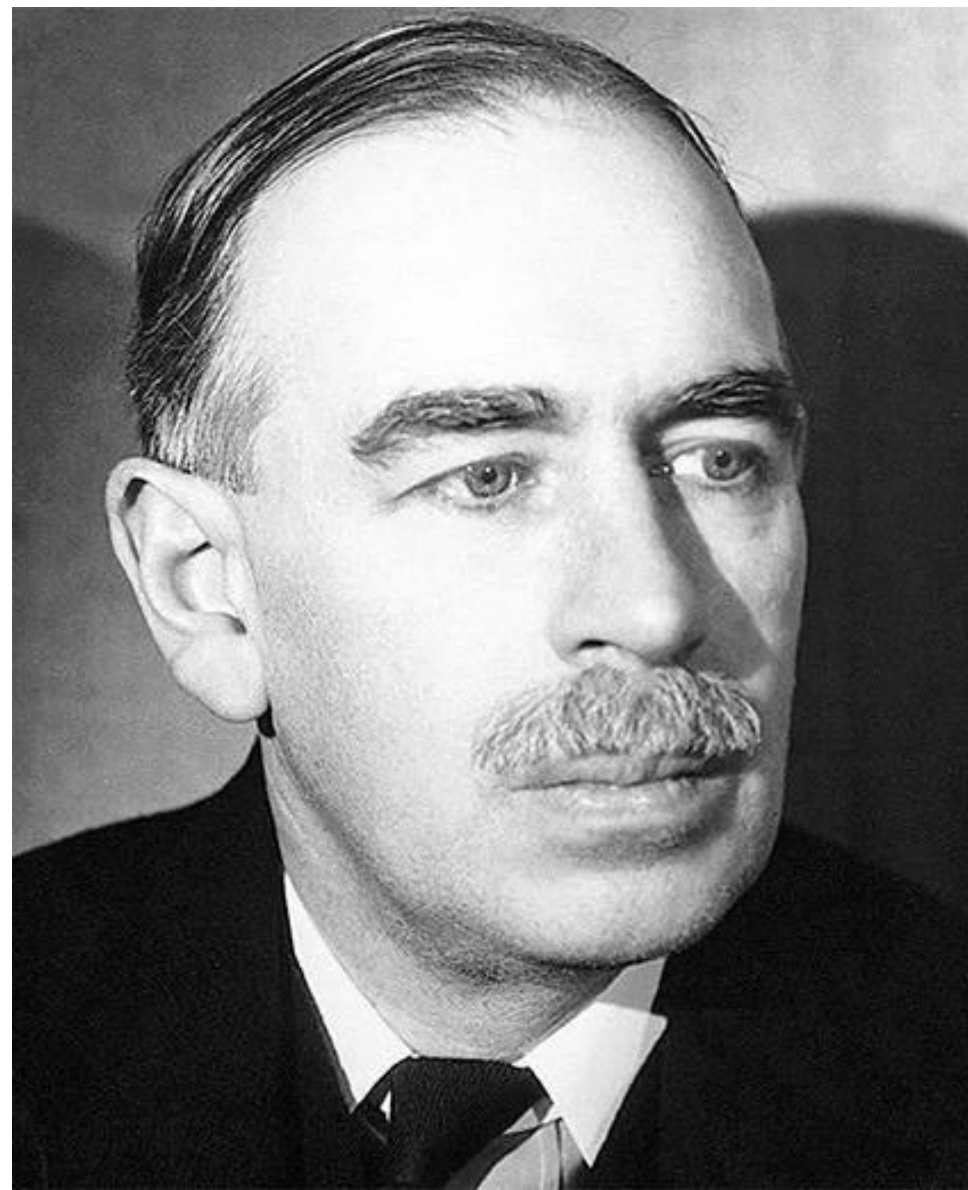
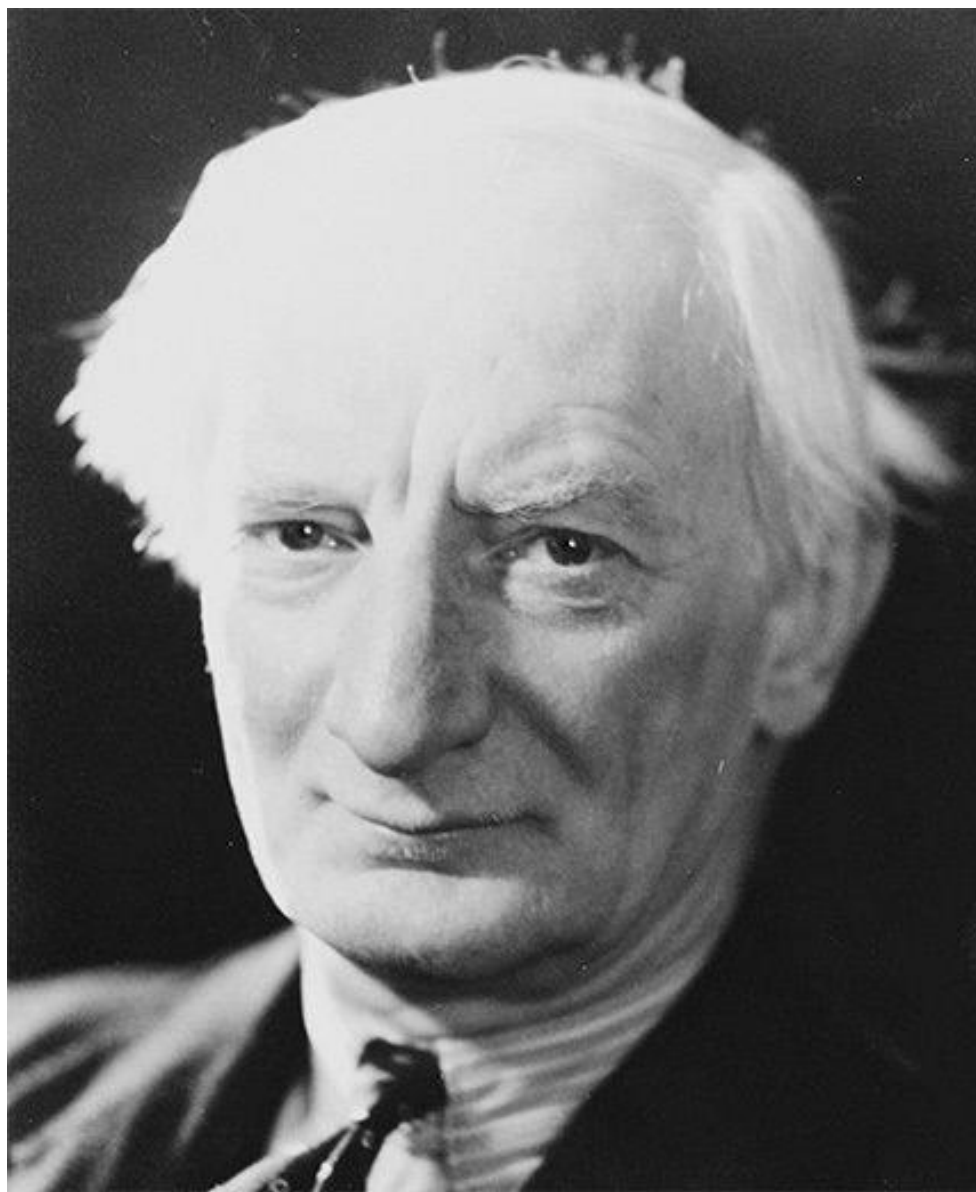


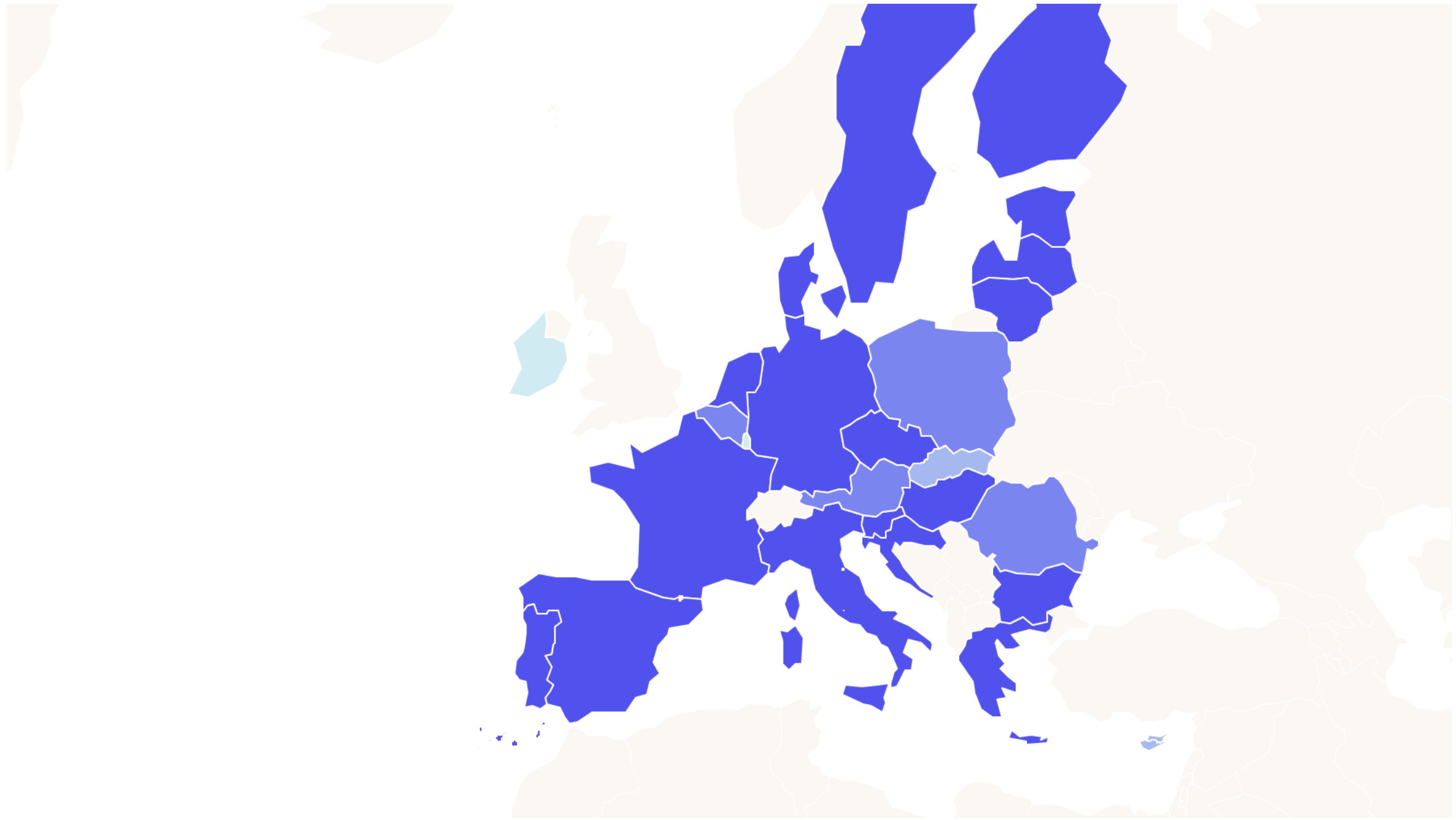
Les plus gros pollueurs

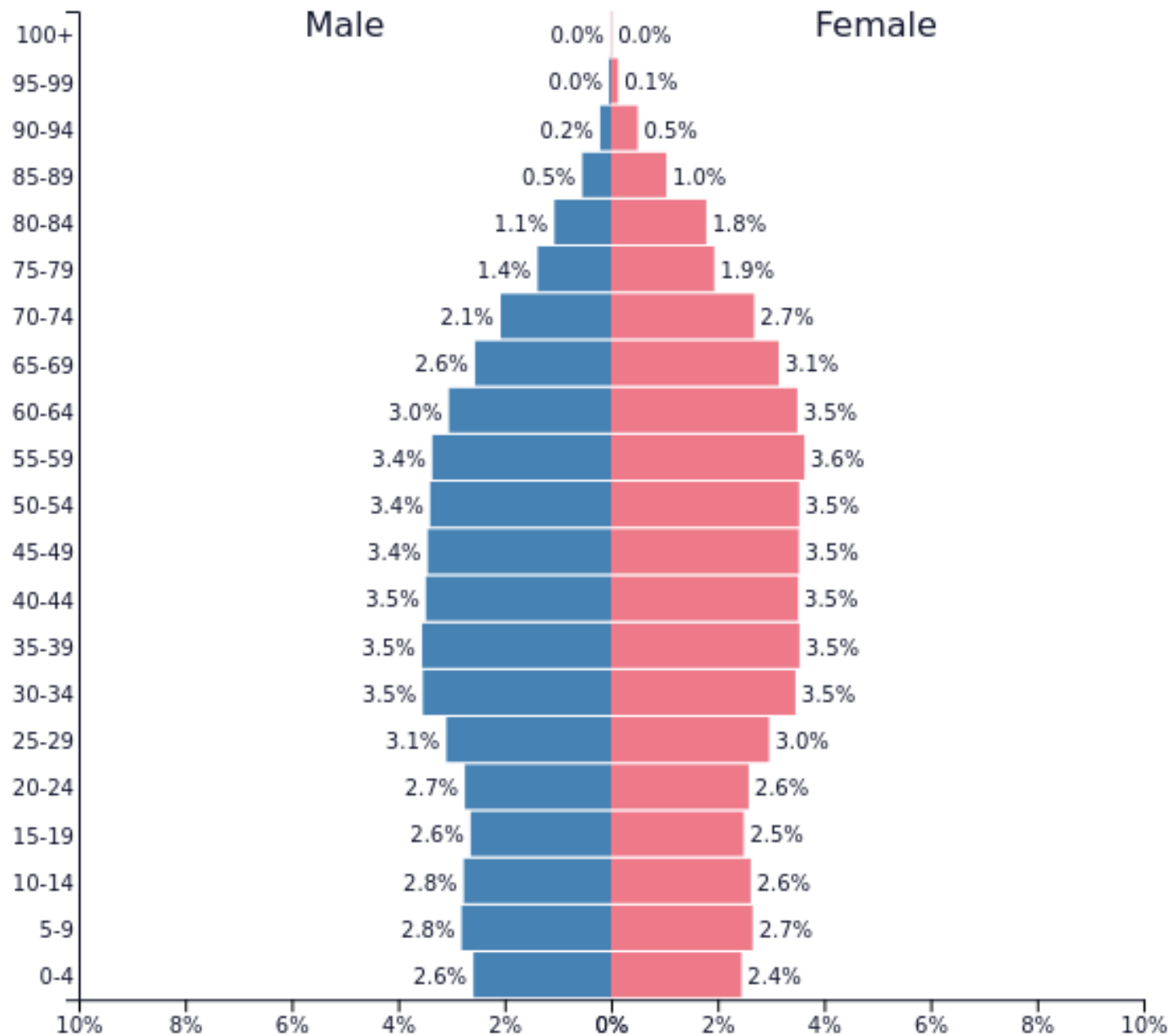
Classement des pays ou région selon le volume de dioxyde de carbone émis en 2020, en millions de tonnes





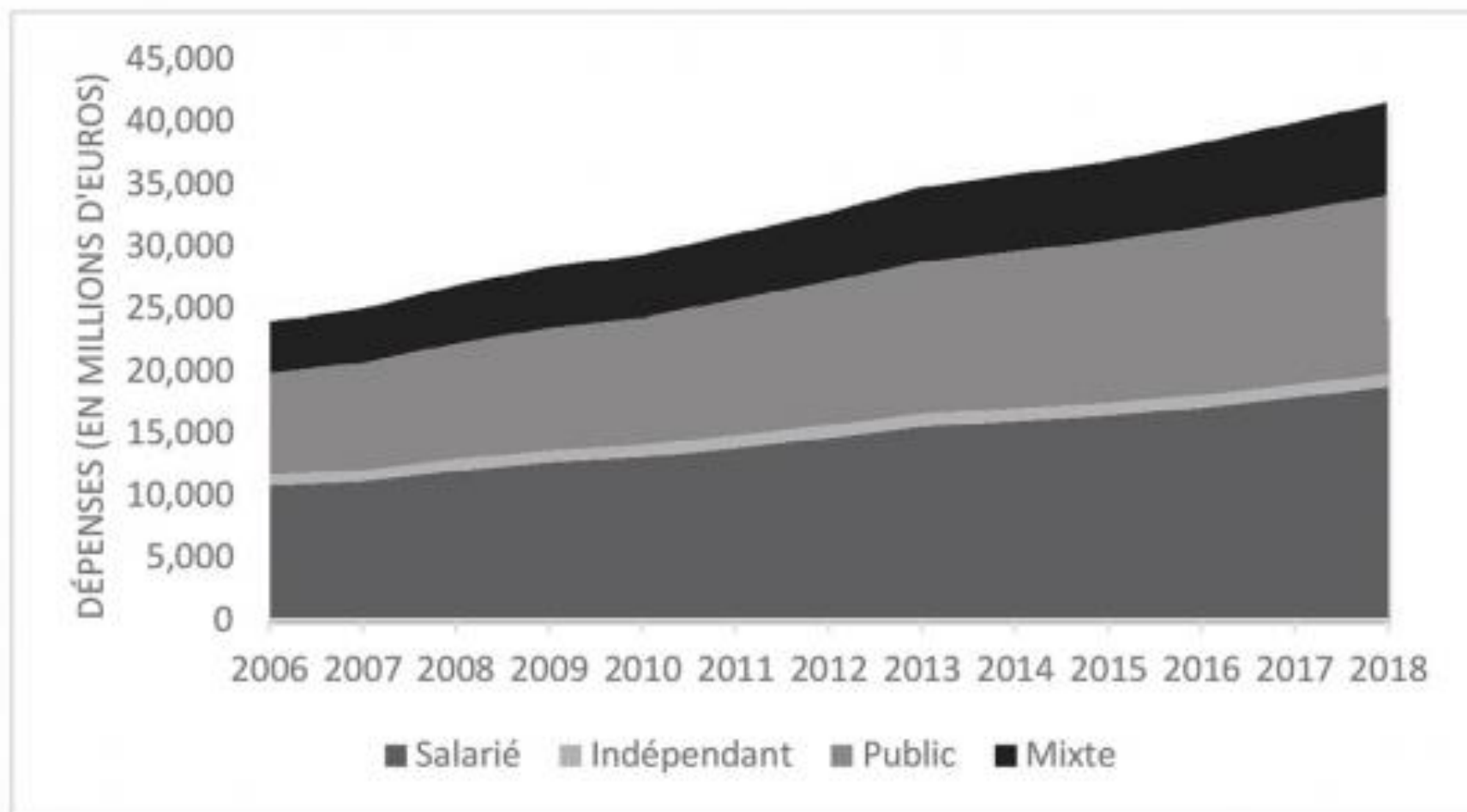






Europe 2020

Population:
746,225,356



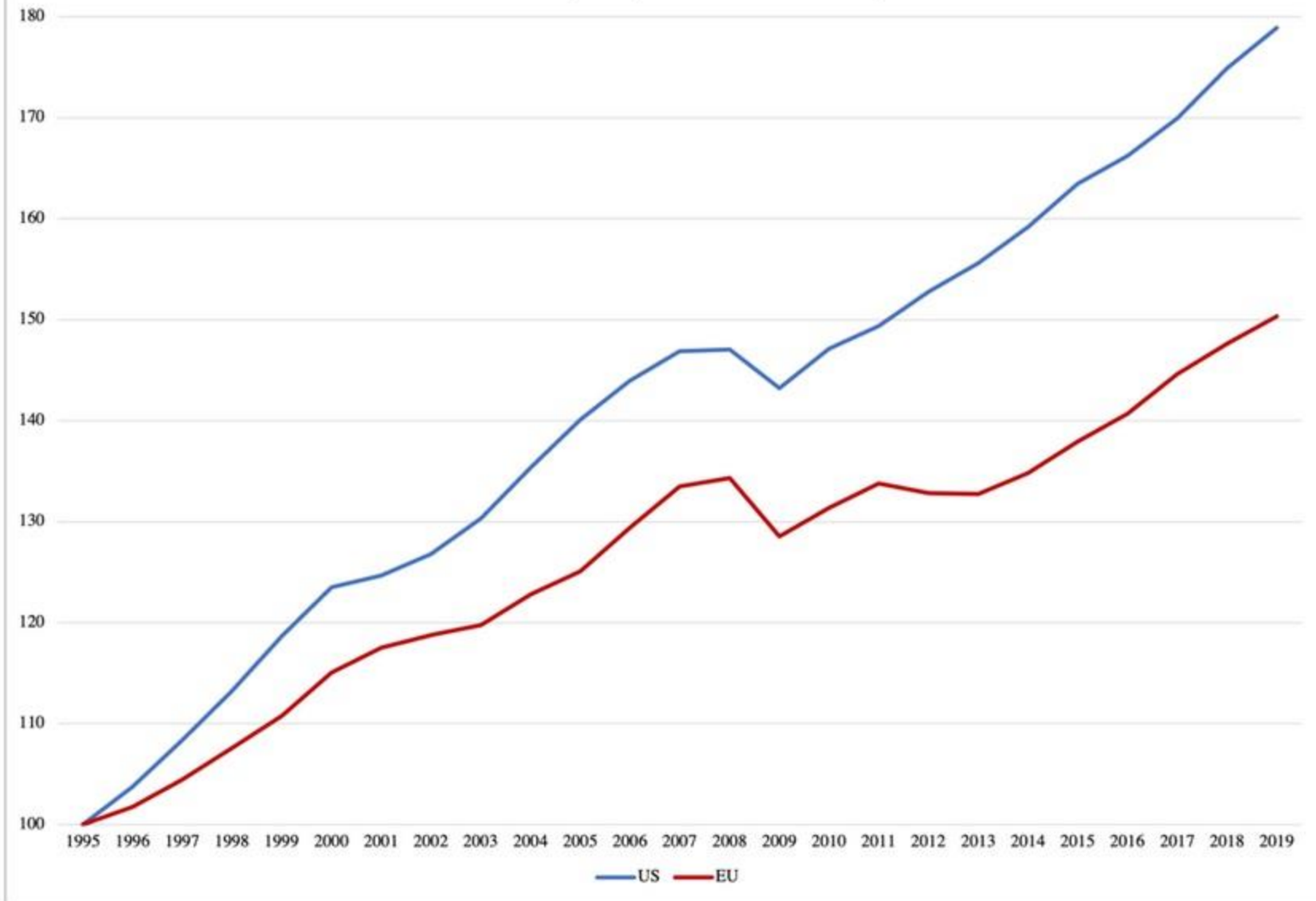


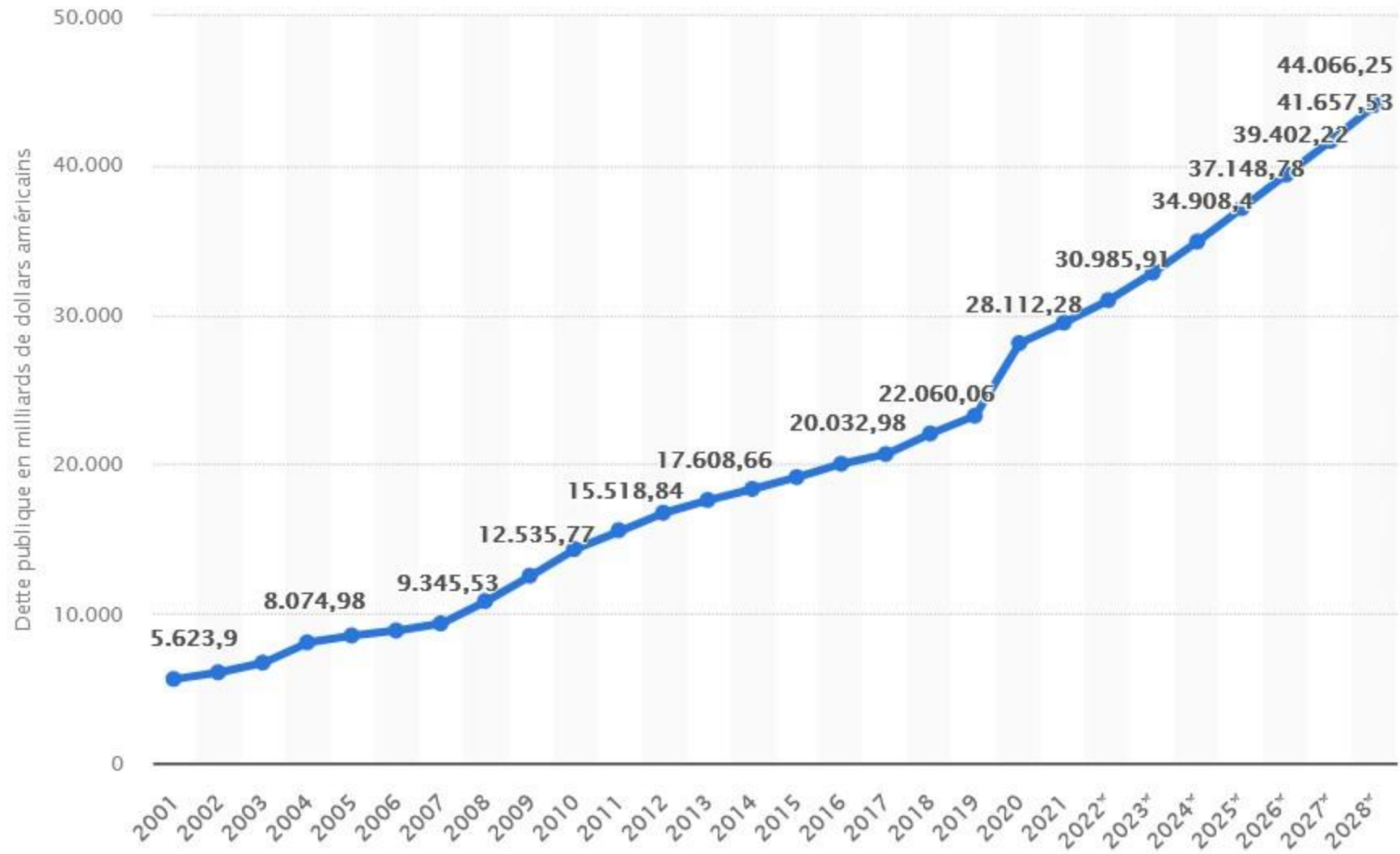


EFFICIENCY

Market Efficiency

Economic Growth Trajectory: United States, European Union





The Growing
Chinese Model

Rapid (although
slower) economic
growth

High dependence
on export

Danger of excess
production
capacities

Expand on its
global economic
impact

What Are Europe's Growth Prospects

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graph TD; A[What Are Europe's Growth Prospects] --> B[Growth prospects across Europe : low]; B --> C[Is growth homogeneous between European countries?]; C --> D[Labor and capital mobility : the real issue linked to social states]; D --> E[The euro as the foundation of Europe's economy];
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Growth prospects across Europe : low

Is growth homogeneous between European countries?

Labor and capital mobility : the real issue linked to social states

The euro as the foundation of Europe's economy

Current Challenges for Europe

- Deindustrialization issues
- High energy costs
- American protectionism and Chinese overcapacity



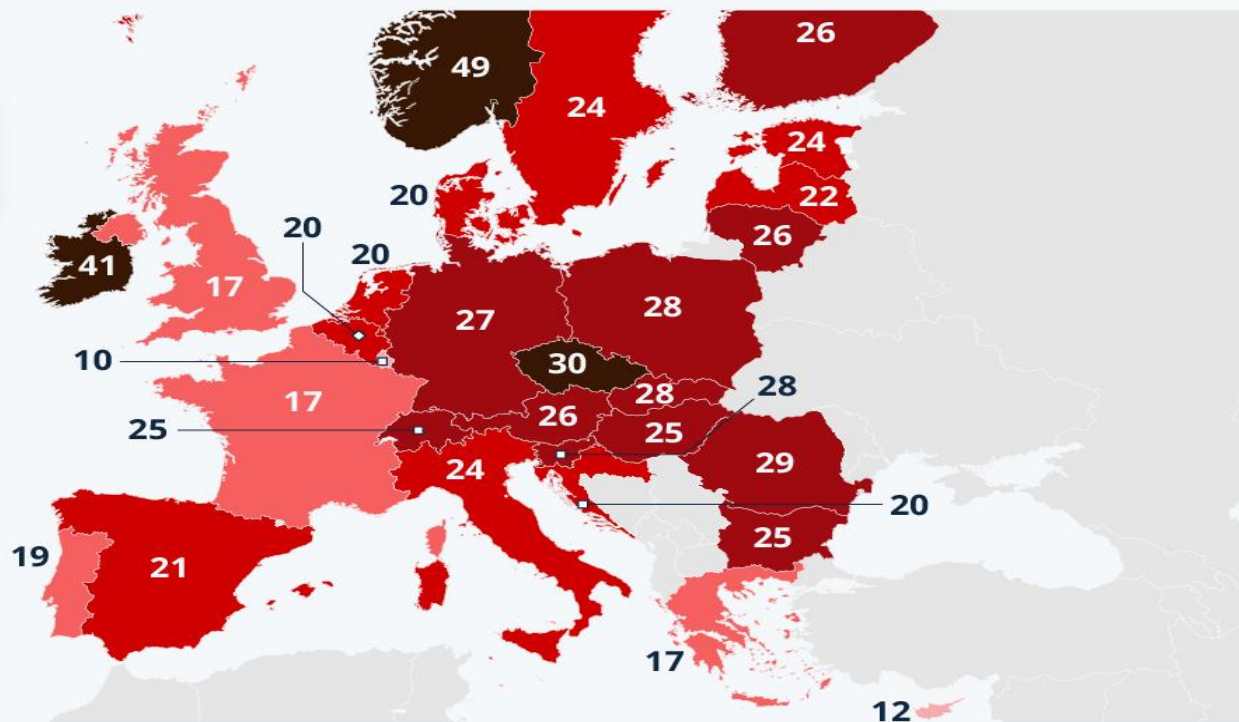
Le poids de l'industrie dans l'économie en Europe

Part du secteur industriel dans le produit intérieur brut (PIB) des pays européens en 2022, en %

Moyenne de l'UE

23,5

- ≥ 30
- 25 - 29
- 20 - 24
- 15 - 19
- 10 - 14



Données arrondies

Source : Banque mondiale



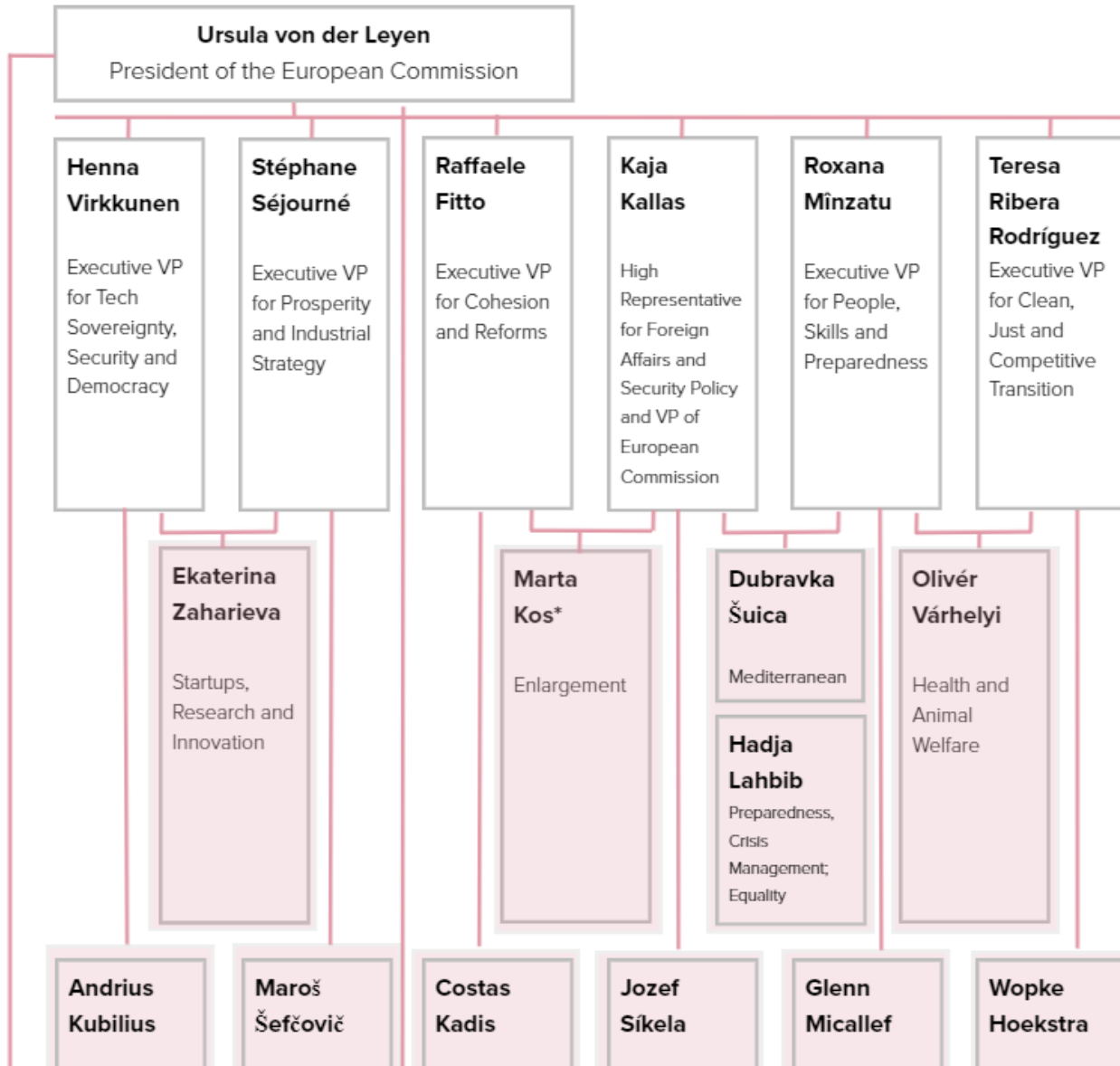
A New European Commission

- A more right-wing commission, possibly less focused on green policies
- The absolute need to support European industry
- Responding to global economic pressures

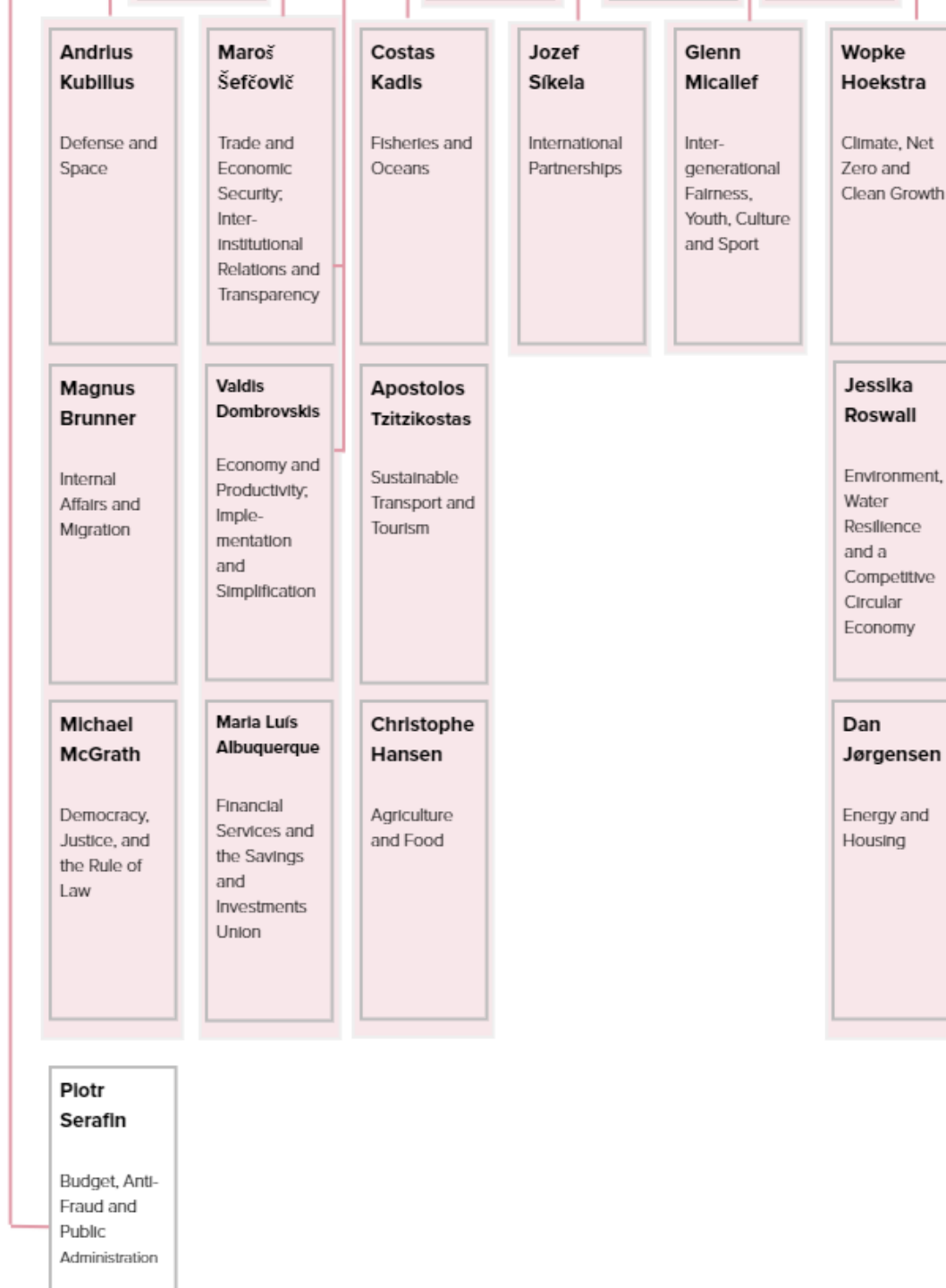


Line of command in Ursula von der Leyen's second term (Politico)

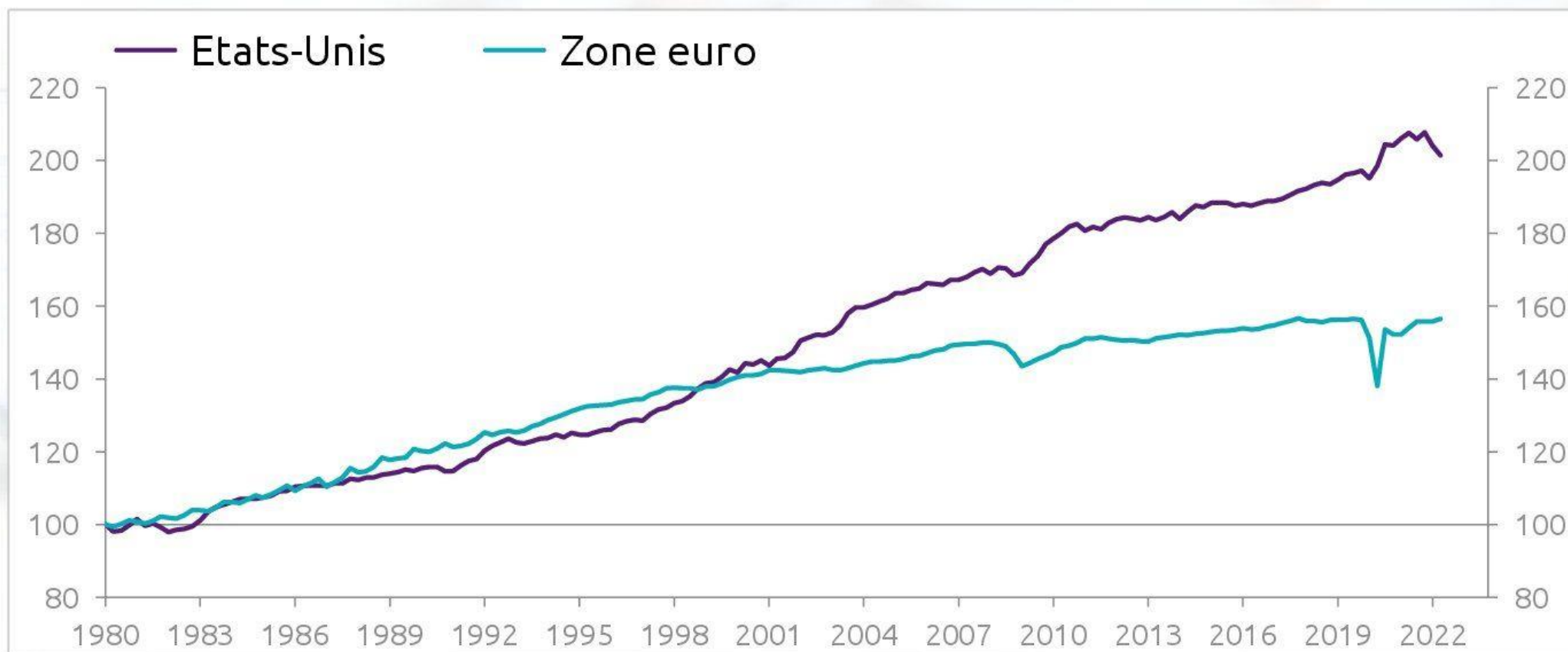
*Pending formal nomination



Line of command (continued)



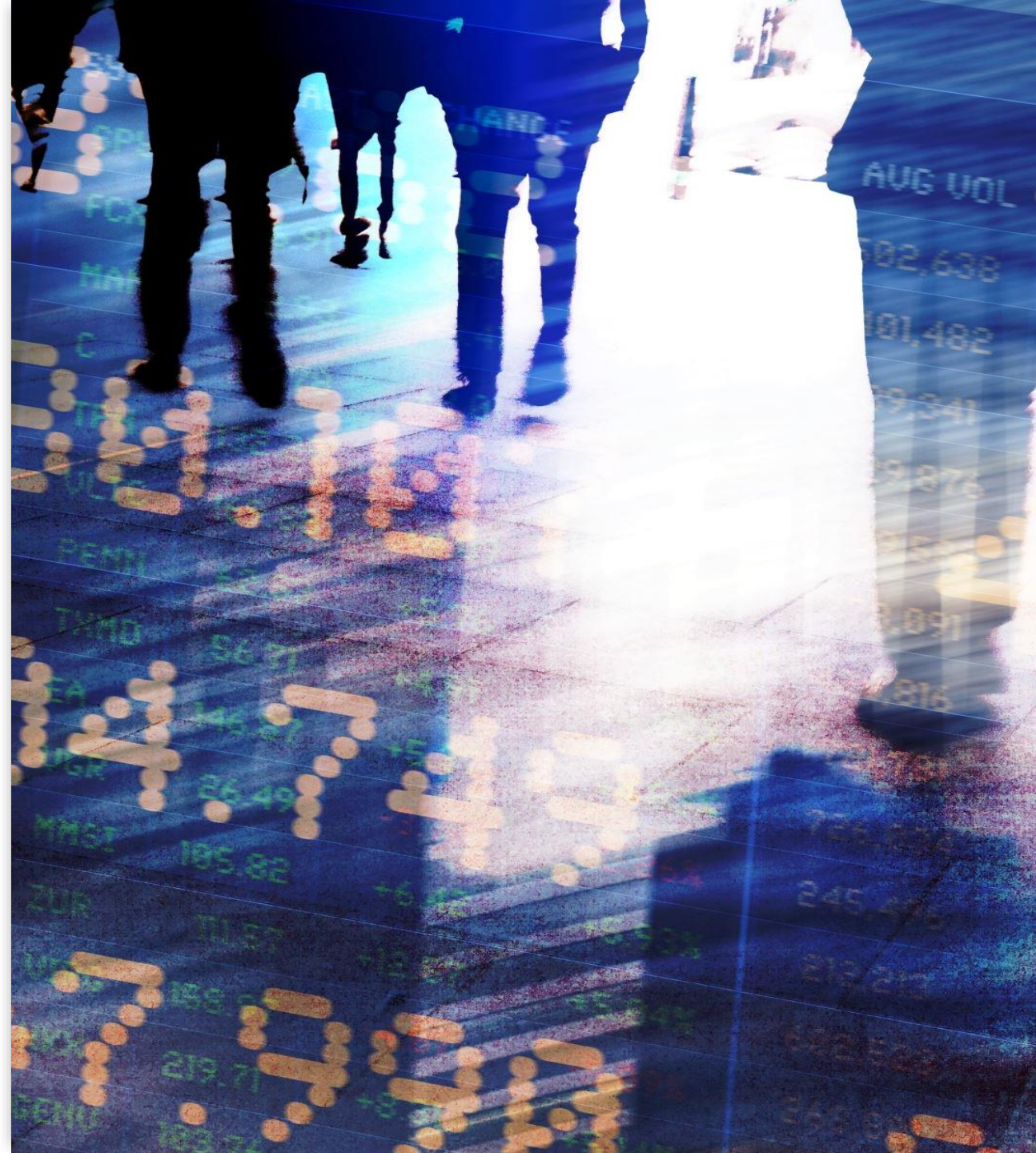
Productivité par tête (100 en 1980:1)



Sources : Refinitiv, BEA, Eurostat, NATIXIS

The Draghi Report: Innovation and Reindustrialization

- Supported by the Commission
- Proposals: innovation, defense, decarbonization
- Estimated cost: 800 billion euros per year
- How to finance it? Conflict with EU public debt reduction rules
- The contradiction between reindustrialization and the Maastricht Treaty constraints
- Aging population: an additional burden on growth prospects



The real issue

- The US and European model are not comparable
- US : based on mobility of production factors, hence no social protection, alignment of public/private sectors (technology, defense, energy, etc.)
- Europe : social states, multiples languages and models, failing continental governance, lack of political vision

- BUT EUROPE HAS MULTIPLE ASSETS, INCLUDING SOCIAL COHESION



Europe's Assets vs. Its Challenges

- Europe has significant assets
- The need for monetary flexibility and industrial policy
- The Draghi plan: a well-grounded solution, but conflicting with current European constraints

My humble conclusion

Europe is an “old” economy

But it represents a significant part of the planet GDP with a credible currency

It has been fooled by the replication of the US model

It can restore an industrial policy and stimulate innovation, since the education level is extremely good, along with the productivity level

But it needs to make a giant leap toward integration, and accept to release budgetary constraints in order to finance public investments with a weaker currency



Thank you!



Break