

34th International Financial Symposium

Globalization at a Critical Juncture: Navigating the World Economy through Division

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Europe under pressure

External

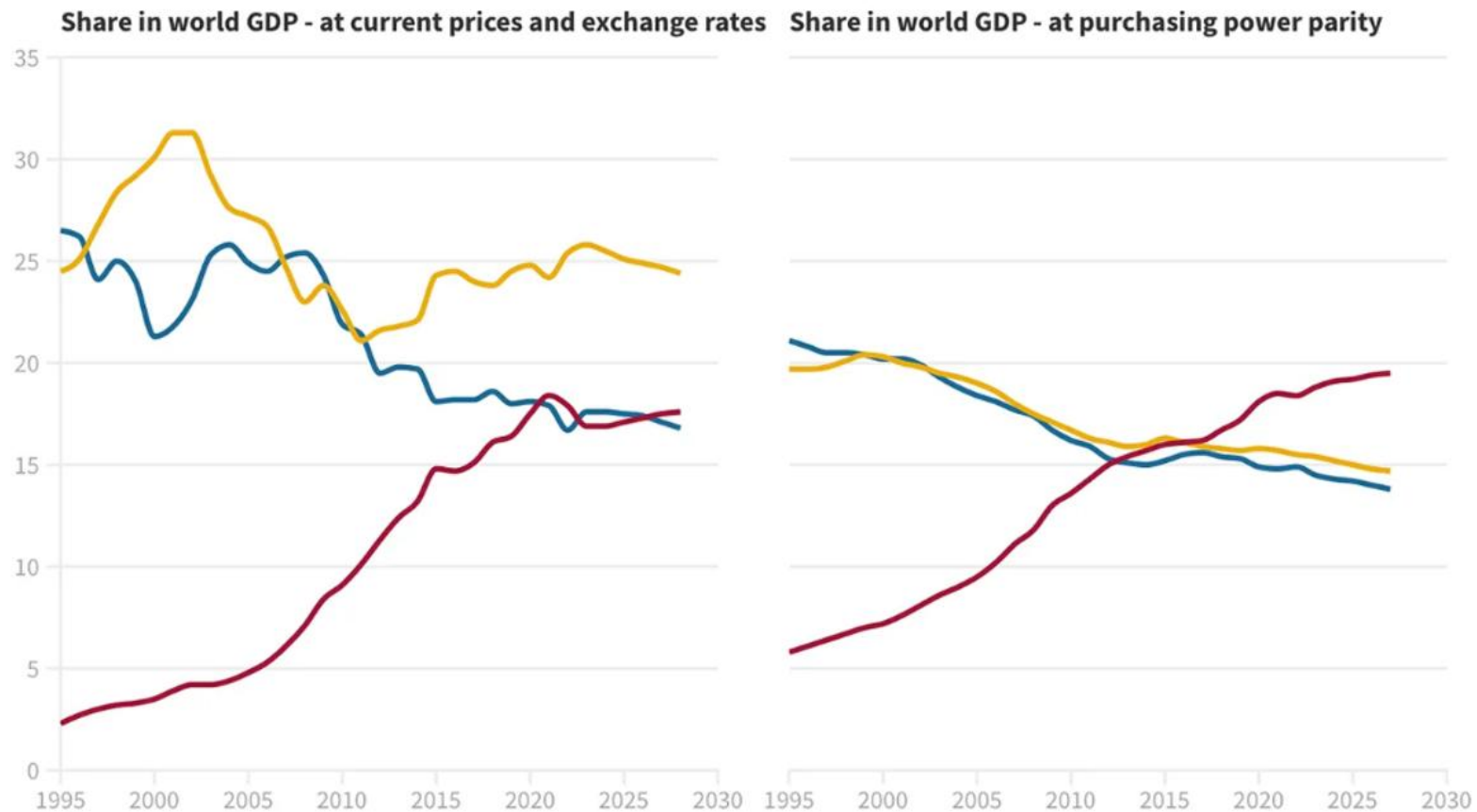
- Security and defence
- Global transformation and disintegration of rules-based system
- Transformation of the transatlantic alliance
- Rising global protectionism
- Supply chain vulnerabilities

Internal

- Low GDP growth
- Public debt pressures
- Inflation
- Weakened industrial competitiveness
- Demographic changes
- Governance

Global share of GDP is declining

■ EU27 ■ United States ■ China

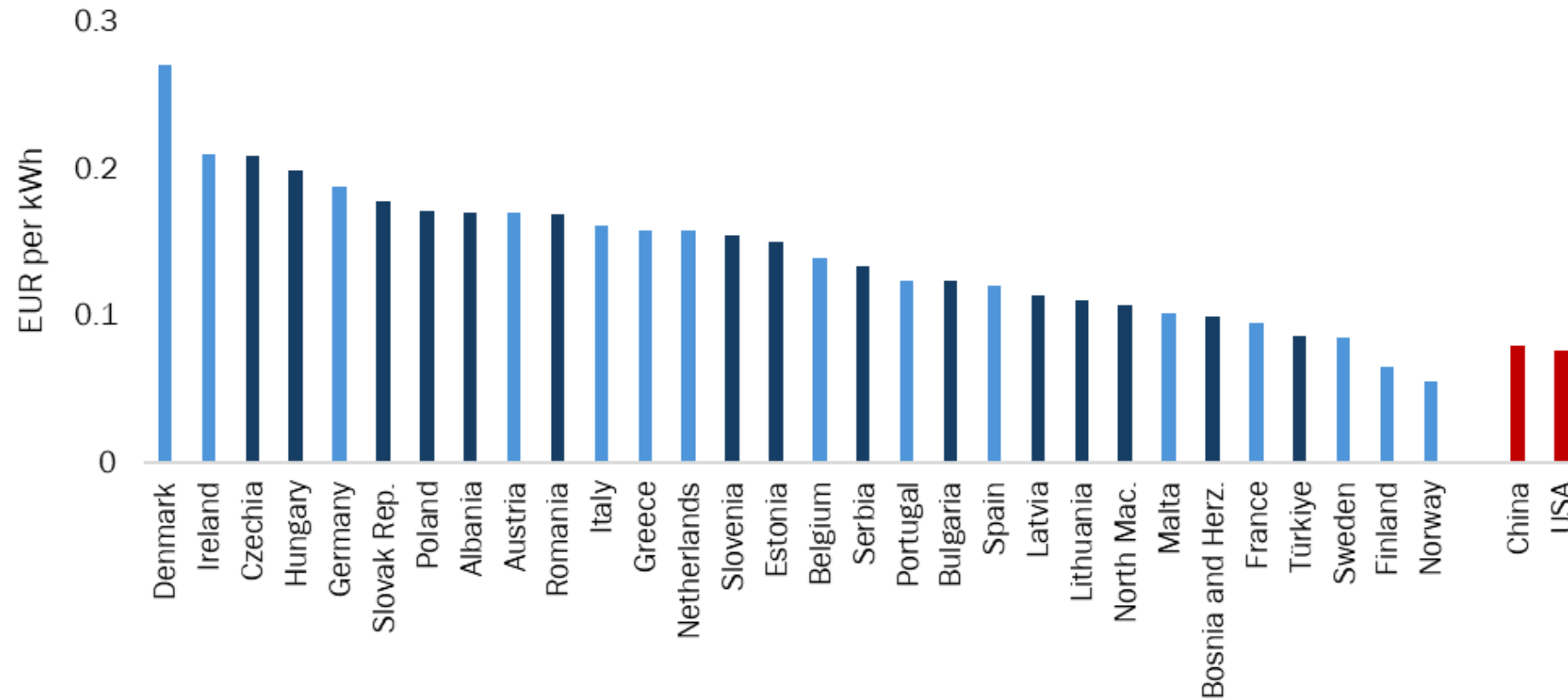


Source: Bruegel based on IMF World Economic Outlook October 2023. Note: for the European Union, the aggregate of the current 27 members is considered in the full sample period.

Draghi Report Recommendations

1. Closing the innovation gap
2. A joint decarbonisation and competitiveness plan
3. Increasing security and reducing dependencies
4. Financing Investments
5. Strengthening governance

Industrial Competitiveness remains impacted by high energy costs – Example electricity

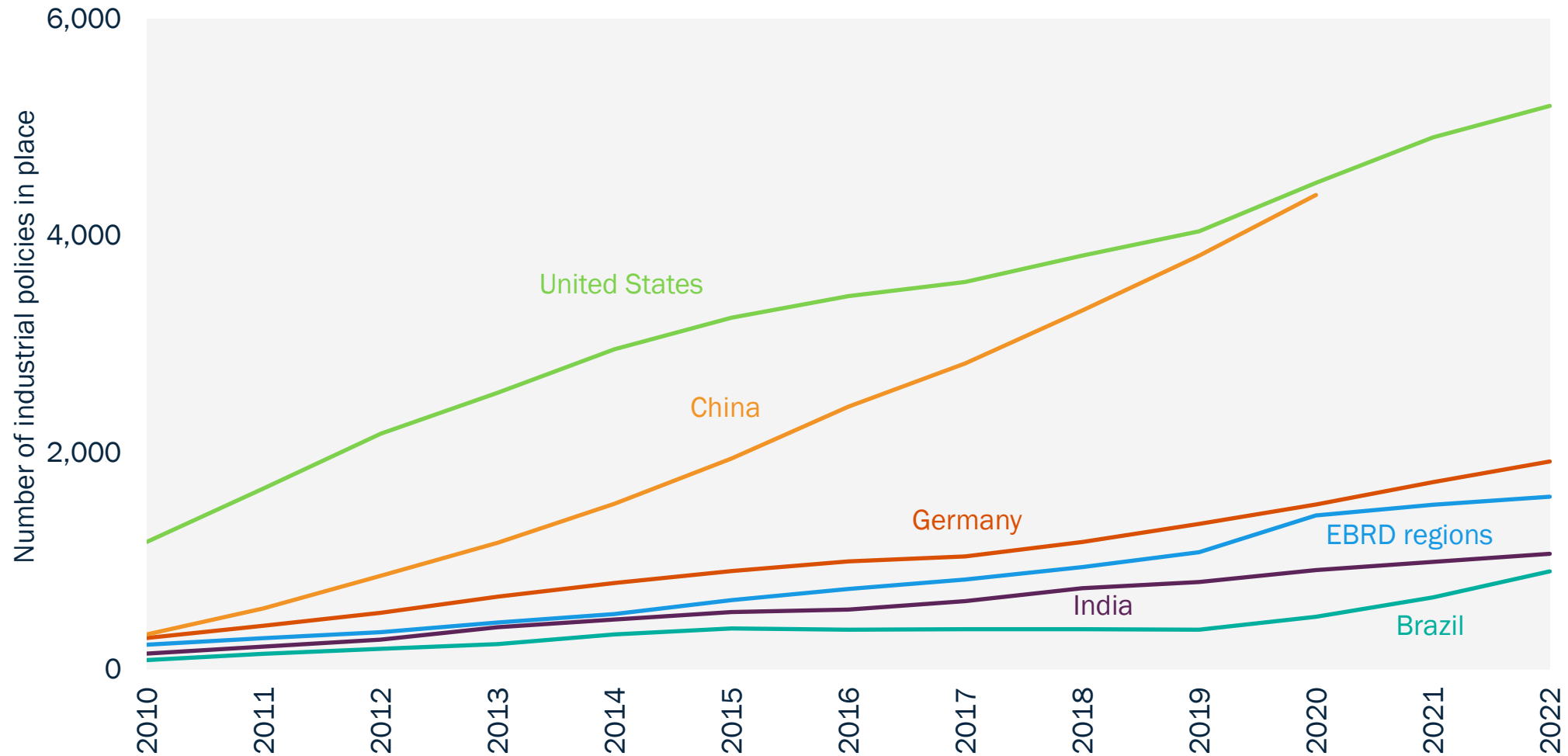


Source: EBRD, Eurostat, IEA, CEIC and authors' calculations. Note: Eurostat prices include taxes and levies for industrial consumers in band IF (70,000–149,999 MWh). China data are industrial electricity prices for users at 35 kV and above (CEIC). US data are industrial electricity prices from the IEA.

Industrial Policy

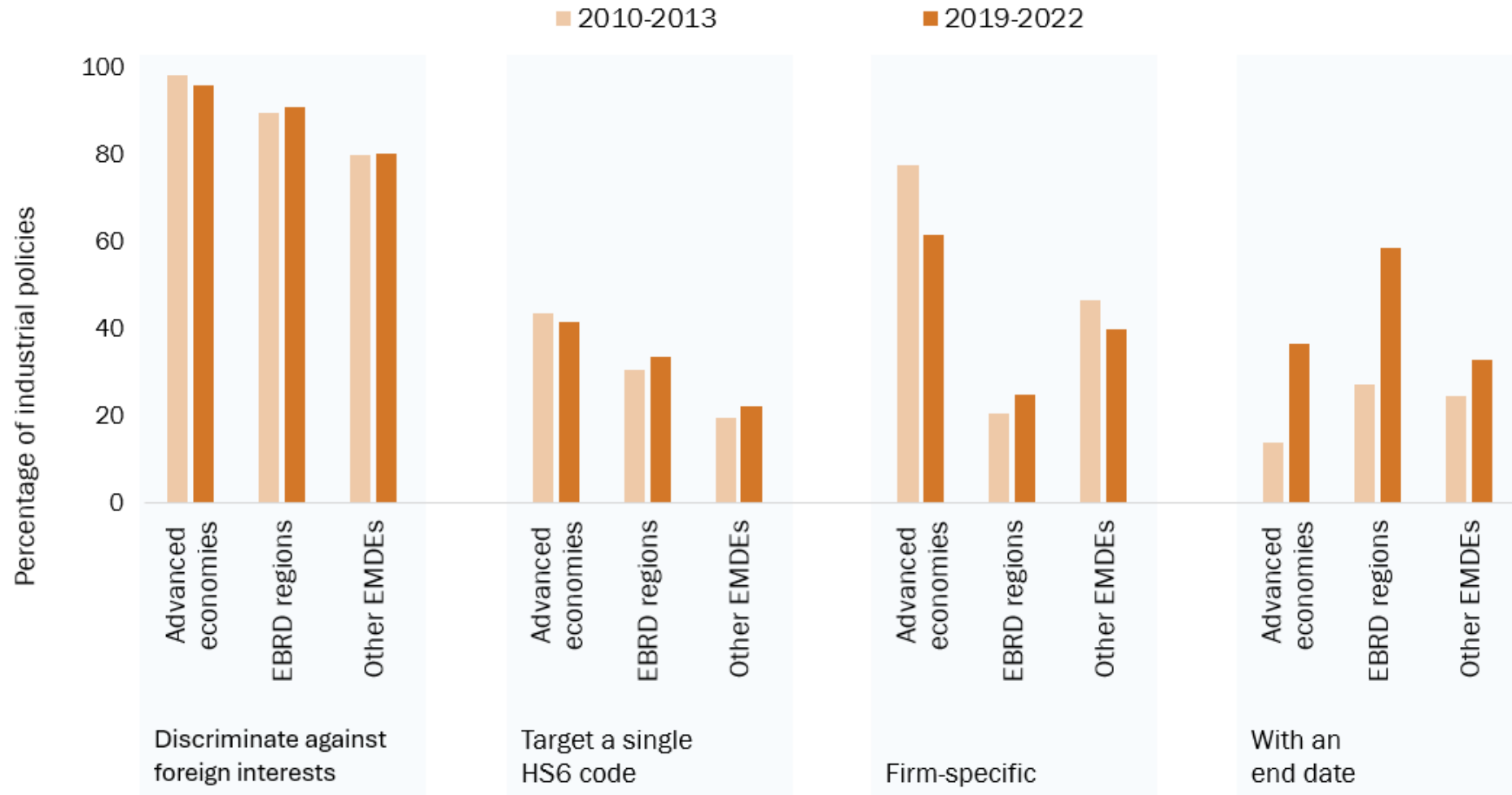
- Importance of clear frameworks and principles for making decisions of government interventions.
- Address clear market failures, target sectors not individual firms, don't pick winners or support incumbents. Promote productivity and competition. Set clear objectives. Evaluate and time limit policies.

Geopolitical fragmentation has been associated with a rise in industrial policies...



Source: GTA, Kóczán et al. (2024), Juhász et al. (2023a) and authors' calculations. Consistent data on China not available for 2021-22 due to lags in reporting.

...and most industrial policies discriminate



Source: GTA, Kóczán et al. (2024), Juhász et al. (2023a) and authors' calculations. Based on 28 economies in the EBRD regions, 30 advanced economies and 81 emerging market and developing economy comparators. Firm-specific policies based on GTA classification

Re-balancing objectives

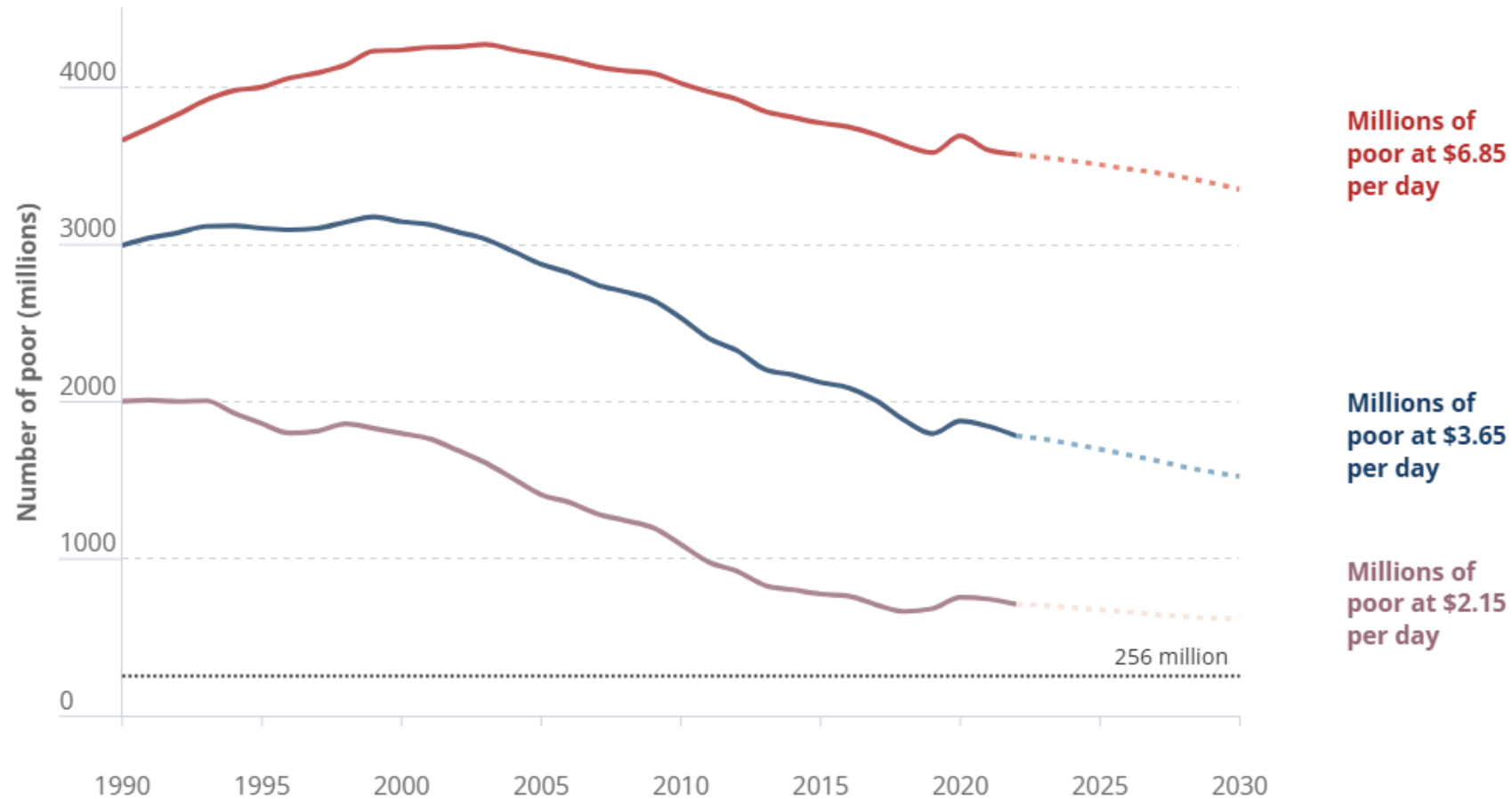
- Trade-Offs between economic and security policy especially in the short-term.
- Requires proper cost-benefit analysis focused on real vulnerabilities and taking into account cost disadvantages.

Globalisation

- Globalisation may not be sustainable in its current form but has been a success story in terms of living standards, improvements in health and taking people out of poverty.

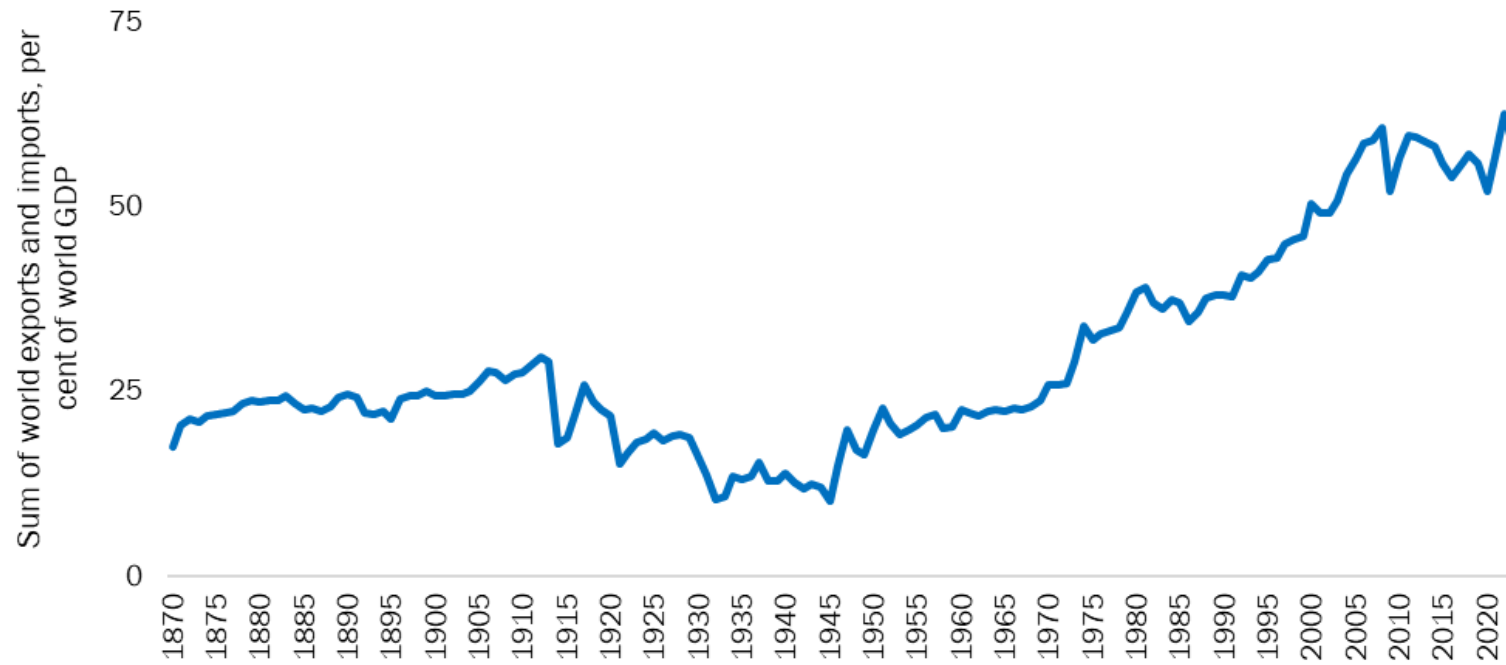
Poverty reduction

Number of people living on less than \$6.85/day has remained unchanged over the past 30 years



Source: World Bank Poverty, Prosperity, and Planet Report 2024

Global trade to GDP has been levelling off following over half a century rise...at historically high standards



Source: Klasing and Milionis (2014); Feenstra et al., Penn World Table (2025); World Bank, World Development Indicators, all series processed by Our World in Data.

Multilateral cooperation in EBRD

The EBRD is owned by

77 countries

from five continents, as well as the European Union (EU) and the European Investment Bank (EIB). These shareholders have each made a capital contribution, which forms our core funding.

Established

1991

EBRD was established in 1991 to foster transition of central and eastern Europe and former Soviet Union towards market economies.

- EU27 countries
Includes the EU and the EIB, each at 3%. Among the EU countries: France, Germany and Italy each holds 8.6%, 54%

Capital base

€34 billion

Triple-A rating

from all three main rating agencies (S&P, Moody's and Fitch)

