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Circular Economy & Industry in 2035

Global geopolitical and economic context

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Contents

1. Definitions

1.1. Defining the report topic

1.2 Relevance to the study and key questions for the future

2. Retrospective analysis

2.1 Past developments

2.2 Current developments

3. Foresight exploration

3.1 Structural trends

3.2 Uncertainties

3.3 Weak signals/seeds of change

3.4 Controversies

3.5 Disruptions

4. Bibliography

1. Definitions

This macro-level variable examines **geopolitics**, European politics, and global economic dynamics.

1.1. Defining the report topic

According to Yves Lacoste (2012), geopolitics is defined as any rivalry for power over or for a territory, involving a central struggle for influence or territorial sovereignty. In geopolitics, the concept of territory is not limited to an abstract portion of space but encompasses borders, topography, populations, geological resources, and even new territories such as cyberspace and the internet.

The importance of geopolitics lies in its central role in analyzing international relations by examining rivalries among powers motivated by ideas of territorial conquest or defense. Contrary to a widespread view, geopolitical antagonisms are determined more by rivalry among powers than by the economic or strategic importance of a territory.

Europe's political and economic dynamics are intrinsically linked to contemporary global challenges. The EU is the world's largest trading bloc and the most significant model of transnational democracy in history, giving it a key influence on global economic governance. The state of democracy in Europe also provides insights into governance and civil liberties. This is crucial to understanding how these principles are preserved and defended in a complex political context (Restoring Price Stability and Securing Strong and Green Growth, 2023). Understanding these aspects is therefore essential not only for actors within the EU but also for policymakers and businesses worldwide. It makes it possible to anticipate trends in global trade standards, environmental regulations, and, more broadly, the health of transnational institutions and the world economy (The global risks report 2024, 2024; Wallace, H., Pollack, M. A., Roederer-Rynning, C., Young, 2021). Europe is also at the forefront of the transition to a sustainable economy and climate neutrality. Understanding how Europe incorporates environmental issues into its policies is crucial to assessing progress toward global sustainability goals (Restoring Price Stability and Securing Strong and Green Growth, 2023).

More generally, understanding **international economic dynamics** provides insight into the mechanisms underlying global development trajectories. In a highly interconnected world, economic fluctuations in one country or region can have considerable global implications. This interdependence is particularly evident in trade, financial, and investment flows (The global risks report 2024, 2024). In this regard, the monetary policies of central banks such as the US Federal Reserve (Fed) and the European Central Bank (ECB) have a substantial impact on global economic dynamics. These institutions are essential to preserving financial stability, acting as lenders of last resort during crises and thereby helping maintain confidence in global financial systems. Managing inflation is crucial to ensuring a stable economic environment: Inflation levels directly affect exchange rates and, consequently, international trade. Monitoring economic and fiscal policies is fundamental because they influence growth, employment, inflation, and, more broadly, the economic behavior of businesses and citizens.

1.2 Relevance to the study and key questions for the future

Understanding global political and economic dynamics is indispensable for assessing the future development of the circular economy because it allows consideration of the external influences and constraints that could shape its evolution, primarily through global economic growth, monetary and financial policies, global trade and investment, commodity prices, and environmental policies. Analyzing these highly interconnected dynamics makes it possible to anticipate regulatory changes, opportunities, and potential challenges that could affect industry and the circular economy.

The development of the circular economy is closely linked to European political dynamics because of its central role in achieving sustainable development goals, transitioning to a green economy, and promoting competitiveness and innovation. EU policies reflect a strong commitment to the circular economy, thereby

influencing the actions of member states and businesses. Examining the factors that sustain this momentum is fundamental to imagining the framework within which industry can develop.

1. Given that geopolitical issues today primarily concern resources and raw materials, and that Europe has limited access to them, the following questions should be asked: What are the current geopolitical challenges? What underlying logics drive them?
2. What are the greatest threats and opportunities for industry in France and Europe?
3. Which resources are considered critical for businesses in Europe, and how does their availability affect business operations?
4. What specific challenges do European businesses face in accessing essential resources, and what are the implications for their competitiveness?
5. Faced with growing resource scarcity, regulatory constraints, and tensions in trade agreements, how can businesses reimagine their value chains to manage raw materials more efficiently and sustainably?
6. What role does the circular economy play in geopolitical and economic issues? Is it a necessity in response to environmental challenges, or is it Europe's response to its lack of access to key industrial resources?

2. Retrospective analysis

2.1 Past developments

Geopolitics

2009–14: Rebalancing power

The rise of China: China continued its economic ascent, becoming a major player in global trade and foreign investment. This led to a rebalancing of global supply chains, with many industries moving production to China or other Asian countries to reduce costs. Growing dependence on the Chinese market also made European industries vulnerable to trade tensions and fluctuations in Chinese demand.

2001–14: The BRICS—toward a multipolar world: The BRICS, whose origins date to 2001, comprise Brazil, Russia, India, China, and South Africa. They became increasingly formalized over the years, holding annual summits from 2009 onward. Their members account for 40% of the world's population and 25% of global GDP. They seek to challenge Western supremacy, notably by establishing the New Development Bank in 2014 to finance infrastructure projects and create a monetary reserve in opposition to the IMF. This opposition stems from the influence of the United States and the EU over the IMF through their veto power. The BRICS also want to reduce the dominance of the dollar, which gives the United States a central geopolitical role.

2015–20: New tensions and technologies

Trade wars: Under the Trump administration, the United States initiated trade wars, particularly with China, by imposing tariffs. This disrupted global supply chains, prompting companies to diversify their sources and rethink globalization.

Brexit: The United Kingdom's vote to leave the European Union created market uncertainty and affected trade, investment, and labor mobility into and out of the EU. Brexit posed challenges to the United Kingdom's access to the European single market and created uncertainty for European businesses operating in the United Kingdom, disrupting trade and investment.

Emerging technologies: The advent of artificial intelligence, robotics, and blockchain began to transform industrial sectors, creating new opportunities but also growing tensions over access to certain associated resources, such as semiconductors in Taiwan.

2021–24: Continuing challenges and new dynamics

The COVID-19 pandemic (2019–21): The pandemic had a devastating impact on the global economy, disrupting supply chains, changing consumption patterns, and accelerating the digitalization of industries. It also highlighted the importance of supply chain resilience and source diversification.

Climate change and sustainability: Growing pressure to address climate change pushed industries to adopt more sustainable practices, influencing investment decisions and innovation in green technologies.

Continuing geopolitical tensions: Tensions among major powers, particularly the United States, China, and Russia, continued to influence global geopolitics, with implications for energy security, trade, and investment in critical technologies and infrastructure.

The international economy

The euro area crisis: In the years following the 2008 global financial crisis, many countries increased their borrowing to finance economic stimulus measures, pushing up debt-to-GDP ratios. The European sovereign debt crisis, which began around 2010, saw euro area countries, particularly Greece, Italy, Spain, and Portugal, struggling with high debt levels, requiring financial assistance programs and austerity measures. Amid this uncertainty, Mario Draghi, then president of the European Central Bank (ECB), made the historic promise to do "whatever it takes" to protect the euro. This statement signaled a commitment to mobilize all instruments available to the ECB to stabilize the euro area economy, with the aim of calming financial markets, narrowing interest rate spreads, and supporting the most vulnerable countries. The measures taken, including long-term refinancing operations and sovereign bond purchase programs, provided crucial assistance and much-needed liquidity to struggling economies. Draghi's initiative played a decisive role not only in the immediate management of the crisis but also in reaffirming commitment to monetary union and European economic integration, highlighting the importance of coordination during crises. Nevertheless, this period also raised questions about the euro's long-term sustainability and exposed the challenges facing EU economic policy, leading to controversial austerity measures and a marked rise in social movements.

The Great Trade Collapse, international trade tensions, and friend-shoring: The "Great Trade Collapse" refers to the rapid and profound decline in world trade following the 2008–9 financial crisis. This period was characterized by a significant reduction in trade flows worldwide, far more pronounced than the decline in global economic output. The collapse in trade was universal, affecting almost every country and sector and prompting an intensive reassessment of the mechanisms of international trade, globalization, and global economic vulnerabilities. The crisis significantly reduced demand for consumer and capital goods, which are generally the most heavily traded goods internationally.

During the 2010s, trade relations between the United States and China became strained, leading to a series of tariffs and retaliatory tariffs. The 2017 US National Security Strategy identifies China, alongside Russia, as a "strategic competitor challenging the power, influence, and security of the United States." The trade war between China and the United States, triggered in March 2018 by substantial increases in US tariffs on Chinese products such as steel, was quickly followed by Chinese countermeasures. The Made in China 2025 strategic plan, targeting advanced technologies—pharmaceuticals, IT, space, robotics, and others—also concerns the United States, which sees it as "economic aggression" and a threat involving technology and intellectual property. This trade war affected global trade flows and raised concerns about the future of international trade relations. During the Trump administration, tensions over tariffs and trade agreements also affected transatlantic relations. In addition, Brexit led to years of uncertainty about the United Kingdom's future economic relationship with the EU and its global economic position (Larcon, 2020).

Geopolitical rivalries have fueled greater protectionism and growing use of cross-border restrictions on national security grounds. Many countries view "friend-shoring"—trading primarily with countries that share similar values, such as democratic institutions or a commitment to peace—as a way to minimize exposure to the weaponization of trade and secure access to critical inputs, especially those needed for the ecological transition. Although friend-shoring is driven by legitimate objectives, such as securing long-term access to critical raw materials, particularly those needed for the ecological transition, achieving these objectives can come at a very high cost. It can lead to escalating protectionist measures, export restrictions, subsidy competition, and uncertainty over the future treatment of goods traded across international borders, fueling inflationary dynamics (Aiyar, S., Presbitero, A. F., Ruta, 2023).

The pandemic and a recovery weakened by growing tensions: The COVID-19 outbreak caused a sudden, significant contraction in the global economy. Global GDP fell by approximately 3.5% in 2020, with many countries experiencing deeper recessions. Global supply chains were disrupted even more severely, exposing their fragility (Gagnon, J. E., Kamin, S. B., & Kearns, 2023). To address this economic disruption, governments around the world introduced numerous stimulus measures, including fiscal stimulus packages. These measures aim to stimulate demand, support businesses and households affected by the crisis, and promote economic recovery.

After the pandemic, global GDP growth maintained an annual pace of 3%–4%, approximately 2% in the EU, signaling a gradual but solid economic recovery supported by stimulus policies and accommodative monetary policy. Despite this recovery, however, disparities widened, strengthening some people's sense of exclusion and deepening distrust of elites.

European politics

Following the 2008 financial crisis, the EU focused on strengthening its economic governance framework to prevent future crises. Key initiatives included the European Stability Mechanism (ESM) and the Fiscal Compact, designed to impose stricter fiscal discipline among member states. Economic difficulties fueled Euroskepticism, particularly in countries such as Greece and Italy, where austerity measures generated substantial public dissatisfaction (Gozgor, 2022).

Migration and populist pressures: Growing inflows of refugees and migrants, particularly during the Syrian civil war and the fall of Gaddafi in Libya, severely strained EU resources and exposed divisions over immigration policy. These concerned resettlement quotas, solidarity among member states, the 2016 EU–Turkey agreement, and the disorganized, even conflictual approach of European actors, notably Italy and France, in Libya. The EU failed to find a coherent and effective response to refugee and migrant inflows, fueling the rise of anti-immigration and nationalist parties across the continent.

The pace of social change and the influx of immigrants are perceived by some as threats to traditional values and ways of life, providing fertile ground for populist rhetoric advocating a return to order and national autonomy. The United Kingdom's 2016 vote to leave the EU was a momentous event, raising questions about the future of EU integration and the rise of nationalist sentiment. Across the EU, populist parties gained ground, challenging traditional centrist politics. This was evident in the 2019 European Parliament elections, when populist parties increased their representation (Gozgor, 2022). The Yellow Vest movement in France also highlighted tensions and frustration among part of the French population. According to Dani Rodrik (2021), the rise of populism is intrinsically linked to globalization, a relationship arising from the complex interplay of economics, politics, and society. Rodrik argues that although globalization has brought considerable economic benefits, such as increased international trade and investment flows, it has also produced net losers in certain communities and national economies. Populism thus highlights the need to balance economic openness with the protection of local communities and to rethink redistribution and social inclusion policies to mitigate inequality (Rodrik, 2018, 2021).

The pandemic response and new prospects: The NextGenerationEU recovery plan, including a €750 billion fund, was an important step toward a joint fiscal response, opening the way to a debt mutualization

mechanism for the first time. The issue of fiscal responsibility remains open and uncertain, reflecting disputes among nations that are far from resolved. However, renewed attention has been given to deepening EU integration in areas such as health, digital policy, defense, and the transition to a green economy. In particular, the European Green Deal, which aims for EU-wide climate neutrality by 2050, has become a central policy objective. This ambitious plan has been praised for its forward-looking approach and criticized over its feasibility and economic impact. Recently, concerns have emerged about a gradual slowdown in environmental policies in light of the growing implications of the war in Ukraine—rearmament plans, the Permanent Structured Cooperation (PESCO) initiative, and the development of the European Defence Fund—as well as mounting social pressures in key economic sectors such as agriculture and the costs of rearmament (D'aprile, 2024).

2.2 Current developments

Geopolitics

The impact of the war in Ukraine

The war in Ukraine has had a considerable impact on the European Union and European industry, including French industry, affecting several key sectors and creating a range of economic and geopolitical challenges.

Affected sectors

Energy: Europe, heavily dependent on Russian gas and oil, has faced substantial increases in energy prices, exacerbating inflation and jeopardizing energy security. This has particularly affected energy-intensive industries such as manufacturing, chemicals, and metal production.

Agriculture: Because Ukraine is a major grain exporter, the conflict has disrupted food supply chains, affecting the European agrifood industry and food prices on global markets. In particular, the EU lifted tariffs on Ukrainian agricultural products, angering local producers faced with large volumes of low-priced imports.

Technology and automotive: Supply chain disruptions have also affected the technology and automotive industries, already weakened by the global semiconductor shortage.

Trade and investment: Sanctions against Russia and the severing of trade links have disrupted trade and investment, with repercussions across various economic sectors throughout Europe.

The international economy

Slowing global growth: Global growth is projected at 2.4% in 2024, marking a third year of slowing growth. This decline is attributable to restrictive monetary and financial policies and weak global trade and investment. Although major economies and China are slowing, some emerging market and developing economies (EMDEs) are improving despite challenges related to debt and geopolitical risks.

In the euro area, growth slowed sharply to 0.4% in 2023 because of high energy prices linked to the conflict in Ukraine. Growth of 0.7% is expected in 2024, but remains modest. Easing inflationary pressures could boost real wages and disposable incomes, although earlier restrictive monetary policies are limiting domestic demand, particularly business investment and credit growth (Global Economic Prospects, 2024).

Commodity prices declined in 2023 as the global economy slowed, with oil prices falling by 11%. This trend is expected to continue in 2024 and 2025 because of abundant supply and moderate demand. Global inflation peaked at 4.8% in 2022 but has since moderated. However, it remains above target in most advanced economies and around half of EMDEs, creating challenges for monetary policy normalization.

Interest rate increases by central banks in advanced economies have significantly affected global financial markets, raising borrowing costs and credit risk for emerging and developing countries, particularly those with high debt levels and low credit ratings.

Pressure for sustainability from investors, consumers, and policy: Growing investor demand for sustainable investments and consumer demand for environmentally friendly products are placing considerable pressure on companies to adopt circular practices. This creates a virtuous circle in which companies that innovate and incorporate the circular economy into their business models are rewarded with better market performance and a stronger brand image. Global sustainable investment assets reached US$35.3 trillion in 2020, representing 36% of all assets under management and highlighting growing demand for investments that consider environmental, social, and governance criteria ("Global Debt Is Returning to its Rising Trend," 2023; Global Sustainable Investment Review 2022, 2022). Global initiatives and policies, such as the Paris Agreement on climate change and the United Nations Sustainable Development Goals, reinforce global momentum for climate action and sustainability. These international commitments encourage coordinated action and provide shared objectives for the transition to a circular economy, emphasizing the importance of a global response to environmental challenges. More than 110 countries have committed to achieving carbon neutrality by 2050 in accordance with the Paris Agreement. This global commitment illustrates the growing importance attached to reducing greenhouse gas emissions and transitioning to sustainable economies.

European politics

Growing pressures: Rule of law and enlargement

Recently, the rule of law in the European Union has become a matter of concern. Central and Eastern European countries, in particular, have been criticized for infringements on judicial independence, press freedom, and fundamental rights. The migration crisis and populist movements have profoundly affected the European Union, calling into question its ability to find coherent and effective responses to these challenges. Tensions have emerged with member states such as Poland and Hungary over issues concerning the rule of law, democratic standards, and media freedom. These tensions affect EU cohesion and raise questions about its ability to maintain a united front in the face of internal and external challenges (Hutton, 2021; Malingre, 2023).

The Russia–Ukraine conflict in 2022 strongly influenced EU policy, particularly regarding energy dependence and foreign policy. The response to the war in Ukraine demonstrated the EU's remarkable ability to unite around common positions, notably on sanctions against Russia. This stronger consensus could facilitate progress on other common policies, including responses to future crises (Becherer & Maurer, 1997).

In response to the war, Ukraine formally applied for EU membership, followed by Moldova and Georgia. The conflict increased the urgency of these applications, confronting the EU with the need to reassess its enlargement process in response to security and geopolitical crises. The war in Ukraine strengthened the sense of unity among EU member states and reaffirmed their commitment to European values, potentially generating renewed momentum for enlargement, particularly toward the Western Balkans and Eastern Partnership countries.

Europe's shift to the right is gaining ground, particularly in Scandinavian countries such as Finland and Sweden, and even in founding member states such as Italy and the Netherlands. Far-right parties, previously on the political margins, are now taking government roles alongside traditional right-wing parties (Koutsokosta, 2023). This rise is driven by a range of factors, including immigration, the economy, the postpandemic context, and disenchantment with conventional political parties. The approaching 2024 European elections could bring a more conservative political alignment, with consequences for issues such as immigration, climate change, and the rule of law within the EU ("Is the EU facing a «New Right» surge in Europe's 2024 elections?," 2024).

3. Foresight exploration

3.1 Structural trends

Populism influences power: In recent years, populism has significantly influenced the global political landscape, becoming a notable trend in many democracies. Growing distrust of traditional institutions and a sense that political systems do not adequately represent popular wishes have encouraged the emergence of leaders and movements presenting themselves as alternatives to the established "system." Populist governments tend to promote protectionism, strict border controls, and skepticism toward international cooperation and multilateral agreements, which they perceive as threats to national sovereignty (Koutsokosta, 2023; Rodrik, 2021). Large migration flows and rapid demographic change have generated concerns about identity and culture that populist parties often exploit by promoting nationalist and anti-immigration policies. The rise of populism thus exacerbates social divisions, polarizing political debate around identities and values and inflaming tensions among different groups in society (Gozgor, 2022).

Rising sovereign debt: Sovereign debt trends over the past decade have been characterized by a marked increase worldwide. According to the International Monetary Fund (IMF) and the World Bank, the global public-debt-to-GDP ratio has reached historically high levels. The IMF's Global Debt Database shows that global debt, including both the private and public sectors, reached approximately 226% of global GDP in 2020, with a significant share attributable to increased public debt. Rising public-debt-to-GDP ratios in European economies reflect several factors. In an environment of weak or stagnant economic growth, government tax revenues tend to stagnate or grow slowly, making it difficult to reduce budget deficits without substantial spending cuts or tax increases. As global interest rates rise, debt servicing—the interest payable on existing debt—becomes more expensive. This creates a vicious circle in which more revenue is needed to service debt, leaving fewer resources for other public spending. In a global environment of tightening financing conditions, these economies may face higher borrowing costs, further increasing their debt burden. Public-debt-to-GDP ratios are expected to rise over the medium term in most European emerging market economies. These countries will need to rationalize spending and mobilize revenue more effectively to reduce public debt ratios. The expected consequence is an increase in financial stability risks arising from higher credit costs, weaker household and corporate real estate balance sheets, and banks' exposure to the property market. Managing these dynamics requires balanced policies that promote both fiscal discipline and strategic investment to support long-term growth and stability.

The impact of demographic change: Demographic change is emerging as a decisive factor for the future. Declining fertility and the gradual inversion of the population pyramid will have significant geopolitical, economic, and political impacts in the coming years. These demographic changes, characterized by lower birth rates and longer life expectancy, are leading to population aging and a decline in the working-age population in many parts of the world, including Europe—Italy and Germany—and Asia—Japan and China. Population aging reduces the available workforce and increases pressure on social protection systems because of greater demand for health care and pensions. These developments could reduce economic growth, increase production costs, and place government budgets under strain. Geopolitically, nations with aging populations could see their influence weaken, while those with younger populations could gain dynamism and power. Politically, population aging could shift policy priorities toward the needs of older people, potentially influencing electoral dynamics and public policy. With significant effects across geopolitical, economic, and political dimensions, demographic change will reshape the global balance of power: Countries with young populations will gain influence, while those facing population aging must navigate challenges to maintain their position (Lu, 2023; Roser, M., Ritchie, 2023).

3.2 Uncertainties

Challenges and prospects for the European Union and France in the Iranian nuclear negotiations: Reviving the Iranian nuclear agreement: Negotiations are under way to revive the 2015 nuclear agreement among

the United States, Iran, and other major world powers, known as the Joint Comprehensive Plan of Action (JCPOA). Although there is broad agreement that Iran wants to return to the JCPOA, some key assumptions underlying this belief are being questioned. These include Iran's willingness to retreat from its negotiating demands, the risk that Iran's new conservative president could jeopardize the agreement, the extent of Iran's economic need, and the possibility that the United States and Iran can avoid actions that could inadvertently derail the agreement.

Renewal of the Joint Comprehensive Plan of Action (JCPOA) could have several implications for the European Union (EU):

1. Lifting sanctions on Iran, encouraging trade and investment and stimulating EU economic growth.
2. Preventing Iran from developing nuclear weapons, contributing to regional and global security and reducing the risk of conflict.
3. Improving living conditions in Iran by lifting sanctions, stimulating the economy, and facilitating access to goods and services.
4. Diversifying EU energy sources through a potential increase in oil and gas exports from Iran.
5. Creating the possibility of stronger diplomatic ties, encouraging collaboration on various regional and global issues.

France also played a role in concluding the JCPOA. A French initiative could open diplomatic opportunities, positioning France among the first countries to propose trade and investment.

Managing fiscal policy and debt and their impact on the circular economy transition: Managing fiscal policy and debt, particularly the withdrawal of fiscal and monetary stimulus and the ability to address structural challenges, is a major source of uncertainty for industry's development toward a circular economy. According to the International Monetary Fund (Restoring Price Stability and Securing Strong and Green Growth, 2023)(2023), the withdrawal of fiscal and monetary stimulus could be premature or disorderly, particularly in countries with limited policy space and heavy debt burdens. Conversely, failure to address long-standing structural challenges could undermine potential growth and competitiveness. Decisions in this area directly influence the availability of financing for green initiatives, economic stability, the ability to undertake necessary structural reforms, and competitive positioning in the global market ("Global Debt Is Returning to its Rising Trend," 2023).

The transition to a circular economy requires substantial investment in clean technologies, innovation, and sustainable infrastructure. Withdrawing fiscal and monetary support prematurely, without adequately addressing structural challenges, can reduce the availability of the capital needed for these investments. The economic literature suggests that restrictive fiscal policies in highly indebted economies can limit governments' ability to finance or subsidize essential environmental initiatives (Becker, 2019). Increased economic uncertainty can delay or discourage private investment in these areas.

Structural challenges and the ecological transition: Failure to address structural problems such as energy inefficiency or dependence on fossil fuels can hinder the transition to a circular and sustainable economy. These challenges require sustained government action and structural reforms that could be jeopardized by fiscal constraints and substantial debt burdens. In a global context in which other nations are investing heavily in sustainable development, inadequate fiscal management and debt could undermine the international competitiveness of domestic industries. This could restrict their ability to export green technologies and integrate into global circular economy value chains.

Political instability in the West: Donald Trump's potential victory in the United States and the advance of the right in Europe are political developments that could increase uncertainty about political stability and adversely affect sustainable development. A Trump victory could mean a return to less environmentally favorable policies, such as support for fossil fuels and withdrawal from international climate agreements, including the Paris Agreement, from which he previously withdrew the United States. The isolationist

positions of both Trump and certain right-wing European leaders threaten the collective ability to respond effectively to global environmental crises, particularly through measures to combat climate change (Becker, 2019). These political orientations could slow the energy transition needed to achieve sustainable development goals. Support for carbon-intensive industries and reluctance to invest in green technologies jeopardize greenhouse gas emissions reductions and the promotion of a circular economy. International cooperation is crucial to addressing the challenges of sustainable development.

These dynamics pose challenges to political stability and sustainable development, increasing uncertainty and creating a less favorable environment for ambitious transition policies (Becker, 2019).

Europe's ability to withstand Chinese expansion: China's Belt and Road Initiative (BRI), launched in 2013, seeks to extend Chinese influence through infrastructure development and investment worldwide. It includes road and rail projects in Central Asia, Russia, and the Middle East, as well as investment in the Arctic route to shorten journey times. The initiative also encompasses soft power through cultural and sporting activities. Meanwhile, rising Chinese foreign direct investment (FDI) in key regions such as Africa and Latin America, often without political conditions, threatens to overtake European and American technological leadership and investment, particularly in manufacturing, energy, and natural resources. This strategy could not only redefine global economic geography by moving some manufacturing activities from China to Africa and other developing regions but also increase China's influence over global policies, including CO2 regulations (Popper et al., 2011).

For French and European industry, this Chinese expansion represents both a challenge and an opportunity. On the one hand, it could reduce manufacturing activity in Europe in favor of regions where China is investing heavily, threatening Europe's competitive position in the global market. On the other, Europe can strengthen its competitiveness through strategic partnerships with Africa, greater investment in research and development, and appropriate education policy to maintain and improve its position in the global economy. In response, Europe could consider preventive and reactive measures, such as developing protective trade policies and continuing investment in scientific and technological research, to safeguard its economic and industrial interests in the face of Chinese expansion.

The EU's response to the rising power of the BRICS: The recent expansion of the BRICS in 2024 to include Iran, Egypt, Ethiopia, Saudi Arabia, and the United Arab Emirates represents a significant development on the world stage, with direct implications for the European Union and France, particularly for industry. This expansion can be seen as an opportunity for the EU to diversify its alliances and trade opportunities while confronting the challenges of dedollarization and changes in the global geopolitics of energy and natural resources.

The new BRICS members bring geographical and economic diversity to the bloc, opening new avenues for trade and investment, particularly in hydrocarbons and clean technologies. Saudi Arabia and the United Arab Emirates, in particular, play a pivotal role in the global energy economy, potentially influencing energy and environmental policies worldwide (Katanich, 2023; Rolofs, 2023).

For European and French industry, BRICS expansion may require adapting trade and investment strategies to navigate this new global economic order. Diversifying trade partnerships and gaining access to new markets in BRICS member countries can stimulate economic growth, employment, and the global influence of Europe and France. This includes exploring sectors such as mechanical engineering, automotive manufacturing, renewable energy, and chemicals, where strong economic ties already exist between countries such as Germany and the United Arab Emirates (Rolofs, 2023).

Cooperation in clean technology and renewable energy, particularly with countries such as the United Arab Emirates, known for their economic diversification efforts, aligns Europe's sustainability objectives with Gulf countries' expertise in clean technologies and renewable energy. This synergy could promote climate protection worldwide.

The expansion of the BRICS and ambitions for dedollarization also highlight the need for the EU to develop strategies to maintain its economic and financial stability in the face of potential changes in the global financial system and reserve currencies. Constructive dialogue with BRICS countries on issues such as climate change, international trade, and economic cooperation could be essential to navigating this evolving landscape and ensuring that European interests are protected and advanced in a changing global context (Katanich, 2023; Kienzle, 2023).

Africa's emergence as a key player in green growth: Africa is currently undergoing a transformation marked by ambitious economic and environmental development initiatives. The "emergence plans" adopted by many African countries reflect a return of strategic planning to the center of their growth and development policies, breaking with decades of neoliberal "Washington Consensus" policies. This new approach highlights the state's central role in the economy and development, emphasizing economic diversification, domestic revenue mobilization, and regional trade (Burucoa, 2020).

Africa is positioning itself as a key player in the fight against climate change, offering major investment opportunities in climate action and green growth. These opportunities, estimated at trillions of dollars, range from smart low-carbon technologies to climate-resilient infrastructure (Perspectives économiques en Afrique 2023, 2023). However, realizing this potential is hindered by various obstacles, including a lack of long-term green growth strategies and a perceived high-risk investment profile.

Cooperation between Africa and the European Union, particularly France, is crucial. France has historically played a role in African development and could benefit from this emerging momentum by strengthening strategic partnerships with Africa in the economy, research, and security. Such cooperation could contribute to more stable economic growth, greater security, and stronger political influence for Africa while offering Europe and France investment opportunities and closer collaboration in research and innovation, thereby encouraging the development of technologies and methods conducive to Africa's transformation.

For European and French industry, Africa's emergence offers an opportunity to explore new markets, develop industrial and technological partnerships, and participate in major infrastructure projects. Cooperation in financing green growth and climate action can also open the way to strategic investment in key sectors such as renewable energy, natural resource management, and clean technologies. In addition, stronger Euro-African relations could enable Europe to play a leading role in international relations by supporting Africa's path toward sustainable and inclusive development (Popper et al., 2011).

3.3 Weak signals/seeds of change

Tensions over the New Silk Road: Chinese influence now extends worldwide, reaching Africa and Latin America. In addition to physical projects, China uses "soft power," involving cultural and sporting activities, to strengthen its influence. However, Chinese loans make borrower countries financially dependent. For this reason, Thailand rejected a Chinese offer to finance a railway that it considered unfavorable. Tanzania is also blocking port works by imposing conditions on Beijing. Environmental concerns are being raised over greenhouse gas emissions and threats to biodiversity, as in Serbia, where China operates the copper mine (Arte, 2022).

Crises at strategic chokepoints: Ships avoiding the Red Sea because of Houthi attacks could lead to a substantial increase in goods prices, affecting the global supply chain. High insurance costs and the search for stronger security measures are already affecting shipping. Suspending navigation along this route extends journeys by up to 75%, generating additional costs. The attacks in Yemen are raising concerns for global trade, particularly as traffic through the Suez Canal has increased because of problems in the Panama Canal. Despite international security efforts, experts fear negative impacts on global supply chains and consumers.

3.4 Controversies

To reindustrialize, Europe must embrace protectionism: One controversy in Europe concerns short supply chains, reshoring, and control of critical materials. Although Europe is aware of these issues, purchasing at the lowest price without geographical preference remains the prevailing policy. Europe's principal competitors, such as China and the United States, adopt nontariff barriers to protect and support their emerging industries, while Europe subsidizes the transition without geographical distinctions. Strong, lasting signals are needed to encourage private investment. European Commission initiatives are highlighted, but measures such as a carbon border tax and protectionist quality standards are also needed to prevent the reshoring and regionalization of industries from malfunctioning.

Expansionary policies (deficits) versus budget constraints (debt): The controversy between expansionary policies, based on increasing deficits to finance public policy, and the budget constraints imposed by debt management reflects a deep tension within the European Union (EU). Fiscal discipline requirements compete with financing needs to stimulate growth, ensure social cohesion, and respond to challenges such as population aging and the ecological transition. This tension highlights the difficulty of balancing austerity measures, needed to maintain market confidence, with economic stimulus policies to avoid recession. Debates over the effectiveness and fairness of austerity, exacerbated by the euro area debt crisis, have exposed divergent positions on these policies. Sharing financial burdens and mutualizing debt within the EU also generate controversy. While some member states advocate greater financial solidarity, including debt mutualization mechanisms, others emphasize national responsibility and strict compliance with common fiscal rules. This dichotomy reflects economic and fiscal disparities among member states, making an effective collective approach to financial challenges difficult to achieve.

The EU's new economic rules planned for 2024 mark a return to fiscal discipline, with a particular focus on reducing debt. However, the risk of a return to austerity is real, with potential implications for employment, wages, public services, and poverty. The European Trade Union Confederation (ETUC) warns that these rules could prevent member states from meeting EU investment targets for the green and digital economy. It calls for reform to exclude net public investment from balanced-budget rules and to strengthen European fiscal capacity ("EU Sovereign Debt 2024: Mixed Outlook And New Rules," 2024).

A Europe of nations (confederation) versus a united Europe (federation): The controversy between the vision of a Europe of nations organized as a confederation and that of a united Europe organized as a federation embodies a central divide in the debate over the future of European integration. This debate pits two conceptions of Europe against each other: One prioritizes national sovereignty and member-state autonomy within a flexible confederal structure; the other envisages deeper integration in a federal form, transferring powers to a supranational entity to improve decision-making efficiency, solidarity among member states, and the Union's international standing.

Supporters of a Europe of nations value national sovereignty, intergovernmental flexibility, and the ability to preserve member states' distinct cultural and political identities. They warn of the risks of excessive centralization, which could distance citizens from centers of decision-making. Advocates of a European federal model, by contrast, argue for greater efficiency in decision-making, stronger solidarity among European regions, and a more unified and powerful voice internationally. They emphasize that a more integrated Europe is indispensable in the face of contemporary global challenges such as climate change, migration crises, and security threats. The European Commission, headed by Ursula von der Leyen, has frequently advocated a more integrated Europe, notably through the European Green Deal and the coordinated response to the COVID-19 pandemic. Countries such as France under President Emmanuel Macron have supported a more federalist vision, while others, such as Hungary under Viktor Orbán, firmly defend national sovereignty and a confederal approach. The Greens/EFA and Renew Europe tend to favor deeper integration, while far-right and Euroskeptic parties, such as France's Rassemblement National and Hungary's Fidesz, campaign for a Europe of nations.

These divergent approaches influence how environmental and economic policies are designed, negotiated, and implemented across member states. The transition to a circular economy requires coherent and coordinated policies among member states, particularly in areas such as recycling, waste management, and sustainable production. A more federal vision could facilitate this coherence, while a confederal approach could lead to heterogeneity that hampers market integration and policy effectiveness. The choice between these two visions will influence policymaking, regulatory implementation, and European industry's ability to innovate and remain competitive.

Advancing common EU policies and European enlargement: Since the European sovereign debt crisis, the EU has taken significant steps to strengthen Economic and Monetary Union (EMU), notably by establishing the European Stability Mechanism (ESM) and deepening Banking Union. The EU has made a firm commitment to the ecological transition, particularly through the European Green Deal, announced in 2019. Solidarity among member states remains a central pillar of EU policy, highlighted especially by the NextGenerationEU recovery plan in response to the COVID-19 pandemic. Internationally, the EU continues to strengthen its common foreign and security policy, particularly in response to growing geopolitical challenges. It also continues to develop its enlargement and neighborhood policy, seeking to stabilize its immediate neighborhood while supporting candidate countries' European aspirations. However, implementing these common policies often involves complex debates and negotiations, reflecting the diversity of interests, controversies, and perspectives within the Union.

3.5 Disruptions

Armed conflict between Japan and China: A conflict between Japan and China appears possible. Historical tensions and territorial disputes, particularly over the Senkaku Islands, which are rich in gas and oil, would be potential triggers. Japan is seeking to strengthen its military capabilities out of concern over Chinese ambitions in East Asia. The situation surrounding Taiwan is also critical, with China asserting its determination to unify Taiwan while Japan strengthens ties with regional allies and bolsters its armed forces.

Other weak signals suggesting that this event could occur include the construction of a new Japanese military base on the island of Aishigaki in Okinawa, where Japan is preparing for the perceived threat from China. Japan's changing posture is also linked to US pressure for a greater contribution to the military alliance, illustrated by the increase in the defense budget to 2% of GDP. Finally, Japan's ally, the United States, is seeking to encircle China in the context of a new global cold war.

If this disruption occurred, the economic implications would be massive. Global financial markets would react with extreme volatility as investors sought safe-haven assets. Commodity prices would come under intense pressure. The repercussions for the global and European economies would be substantial, with supply chain disruptions and effects on economic growth.

In the event of conflict between Japan and China, European companies could face major consequences, including supply chain disruptions, cost fluctuations, reduced demand, financial market volatility, heightened geopolitical risks, and the need to adapt their business strategies. These impacts could lead to production delays, price increases, difficulties meeting demand, financial challenges, security risks, and the need to reassess international partnerships and markets. Diversifying supply sources and managing geopolitical risks would need to become priorities to mitigate these consequences.

Admission of Israel and Palestine to the European Union: Another disruptive development, positive for the EU, involves admitting Israel and Palestine to the European Union (EU), which would reshape the political landscape, particularly in terms of culture, politics, and the economy (Popper et al., 2011). The proposal envisages both countries joining the EU after rapid negotiations. This unexpected development could have significant consequences for EU expansion, promoting peace and stabilizing the Middle East. The principal actors include political elites in Israel, the Palestinian Authority, and EU countries. Weak signals suggesting this potential development include the growing number of Israeli Jews with EU citizenship and surveys showing a desire for EU membership among Israelis and Palestinians. Future signals could include the

simultaneous election of moderate parties in Israel and the Palestinian Authority, a transfer of power from the United States to the EU, and discussions about EU membership with North African countries. These signals could indicate a change in the political landscape that would allow Israel and Palestine to join the EU. The impacts of such a scenario would be enormous. A permanent peace agreement could yield economic benefits, such as a peace dividend for Israel through reduced military spending and improved trade opportunities for Palestine. The security implications would be significant, and resolving the Israeli–Palestinian conflict could inspire optimism and peaceful resolutions in other conflicts. The initiative could also have cultural implications for the EU, particularly if some member countries strongly opposed the full inclusion of a Muslim Arab country in EU institutions. Economic impacts could arise from the enormous economic gap between Palestine and the EU.

Disintegration of the euro area: The disruptive event envisaged is the sudden disintegration of the euro area, characterized by major economic disruption, deregulation across European countries, and a competitive devaluation of the euro. Weak signals include the financial crises in Greece and Iceland (2008). Potential impacts include a resurgence of nationalism, the decline of the single market, severe economic crises, unemployment, social unrest, loss of confidence in European integration, and global repercussions.

Weak signals suggesting this disruptive event include the 2008 global financial crisis, economic difficulties in Greece and Iceland, and persistent concerns about Spain and Portugal. Investors are withdrawing from European financial markets, governments face resistance to austerity measures, and citizens are experiencing a deterioration in their quality of life, creating a climate of widespread distrust of governments and financial institutions.

European businesses would face major market destabilization, changes in trade policies, and significant regulatory and legal challenges. Research and innovation could be substantially affected, with a potential reduction in funding.

Reduced dominance of the US dollar: This disruptive event could have several implications for the European Union (EU) economy and European businesses:

1. The EU could diversify its foreign exchange reserves by including more other currencies. This could reduce vulnerability to dollar fluctuations and create a more balanced reserve structure.
2. This could diversify the currencies used in international transactions and affect European companies' financing costs if they have to adapt to new currencies or settlement mechanisms.
3. If other currencies gain importance at the dollar's expense, the dynamics of international trade could change. European businesses might need to diversify their trading partners and adjust their export and import strategies to the predominant currencies.
4. Reduced dollar dominance could influence access to capital markets. European businesses might seek to raise funds in alternative currencies, potentially requiring adjustments to financial practices and financing mechanisms.
5. European businesses might have to adapt to new partnerships and alliances according to which currencies gain importance.

The BRICS: United or divided?

Economic and geopolitical differences among members pose challenges, particularly tensions between China and India in the Himalayas. Unlike the others, China is also an industrial giant, while Russia, Brazil, and South Africa are primarily focused on commodity exports. These three countries' exports are closely tied to China, placing them in a position of economic dependence.

Growing tensions within the BRICS could encourage some members to seek new alliances or strengthen existing relationships with other economic blocs or countries, potentially realigning global power dynamics. For example, India could intensify its cooperation with the United States, Europe, or the Quad—Australia,

India, Japan, and the United States—as a counterweight to China (Smith, 2021). This could offer the EU and France an opportunity to join this currently informal alliance.

Russia's, Brazil's, and South Africa's dependence on China for their commodity exports could become a vulnerability. These countries might seek to diversify their trade and economic partners to reduce dependence, potentially reshaping regional and global economic relations. The EU and France could encounter new opportunities or challenges in international trade, particularly in diversifying sources of imports and exports.

Breaking dependence on production in China

Particularly in response to the consequences of the COVID crisis and growing awareness of Europe's heavy dependence on Chinese supply chains and production centers, the EU adopts an extensive reshoring plan to reduce this dependence drastically.

France moves closer to the BRICS

Following a major political shift, France decides to distance itself from the United States by withdrawing from NATO and sees the BRICS as an opportunity for substantial economic development. It decides to move closer to the BRICS through major trade agreements, without going so far as to join as an active member.

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