

SEMINAR INTRODUCTION:

GLOBAL RISK MANAGEMENT & GOVERNANCE IN AN AGE OF MOUNTING GEOPOLITICAL THREATS

5 ECTS



CIFE ROMA NOVEMBER 2025
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1. 2022-25: Rising geopolitical and institutional headwinds
2. Global Macro Outlook : Secular stagnation coupled with rising indebtedness, high real interest rates, and inflation threats = many countries in Maghreb and Africa will default
3. Living standards will fall in most developing countries (also in the OECD!)
4. Africa cannot afford high oil & commodity prices for long. Energy consumption per capita will shrink as well as production of goods and services
5. Most significant geopolitical-driven shockwaves are in Africa (Δ wheat & energy prices= no fiscal space), Middle-East, and Eastern Europe (Russian threats)

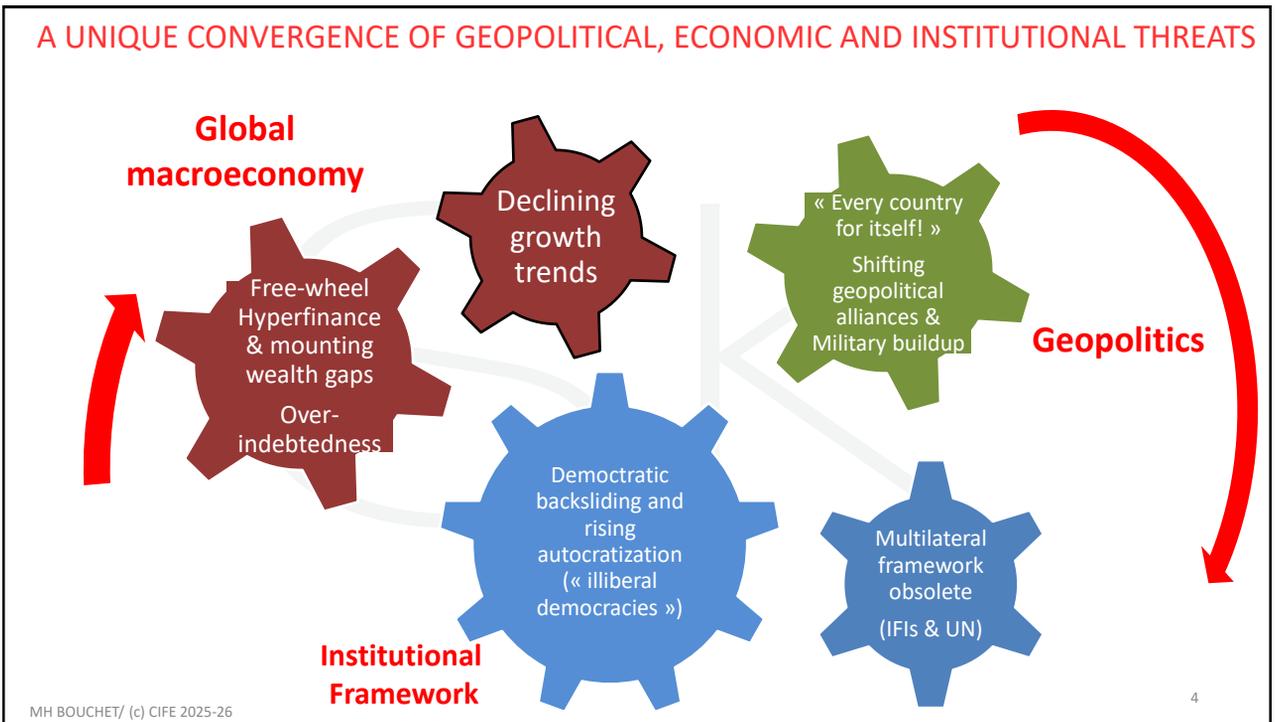
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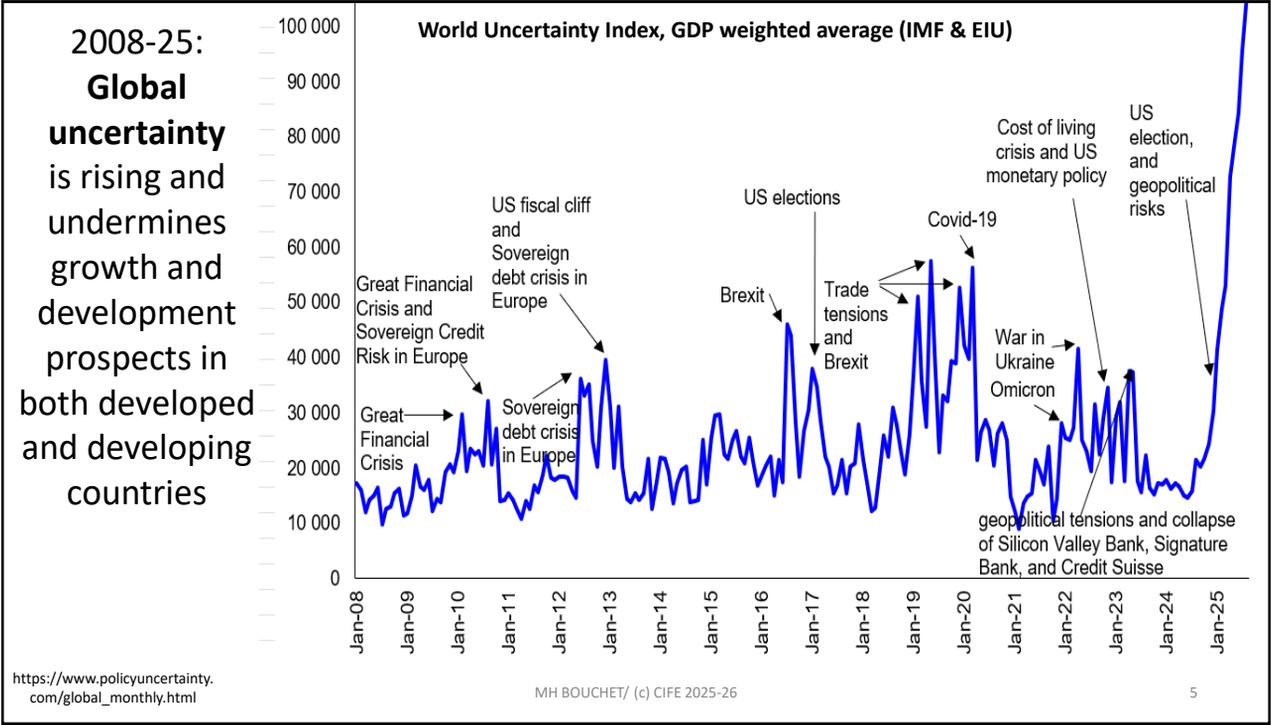
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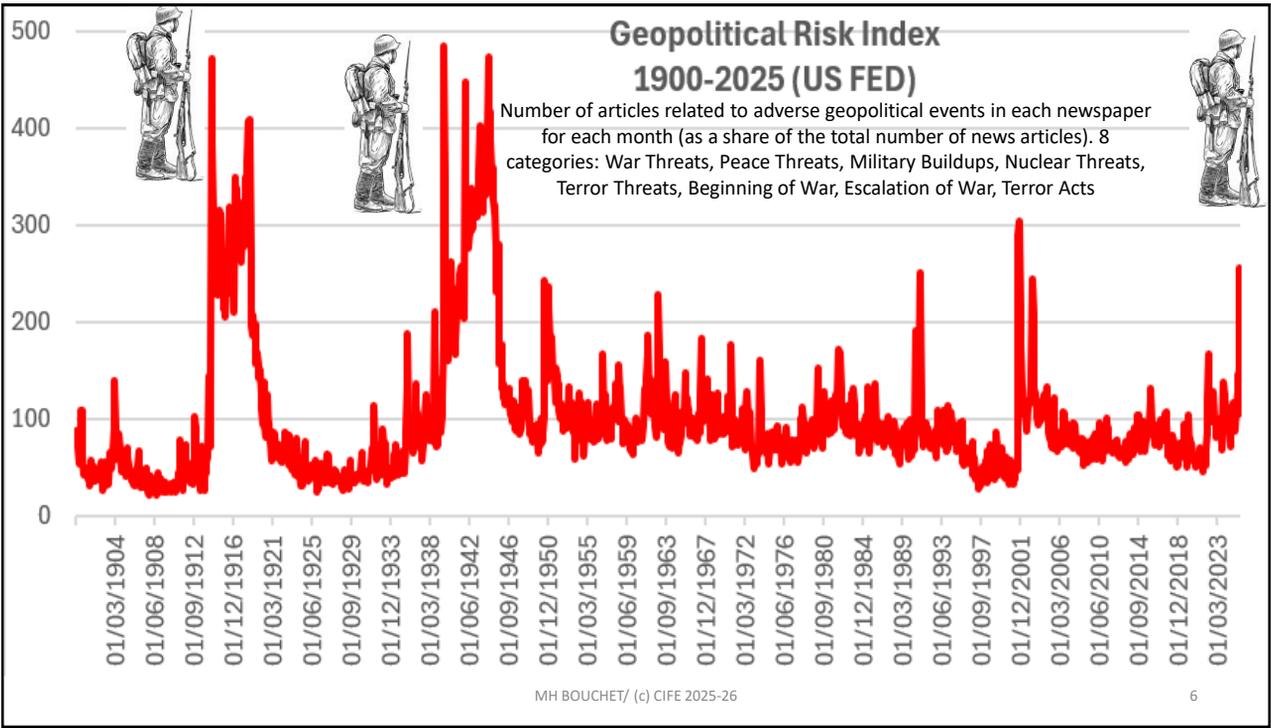
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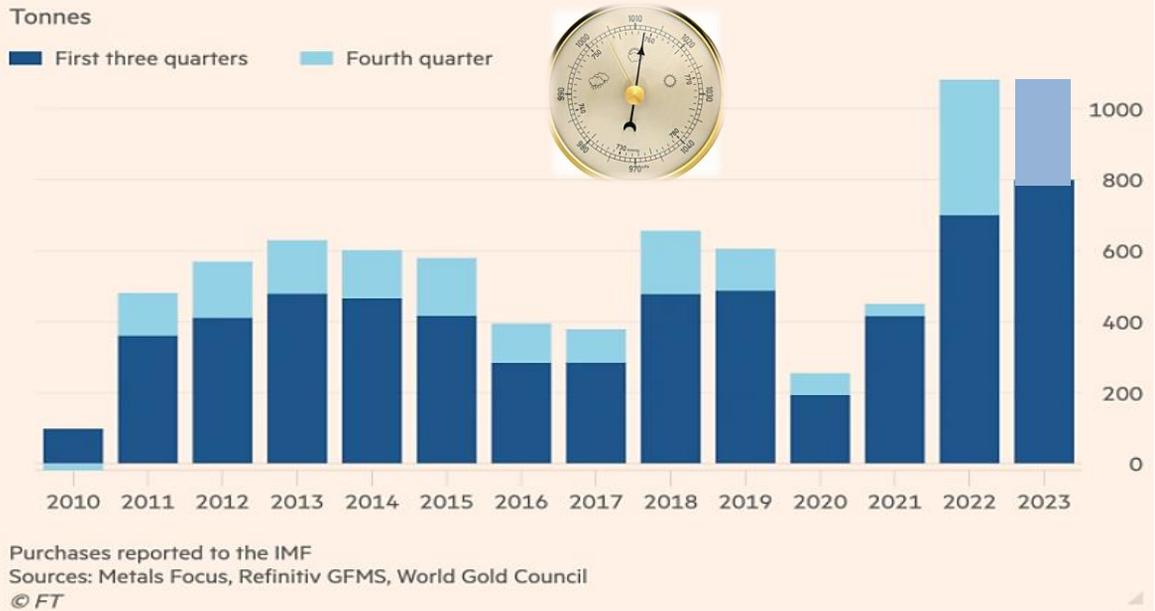


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CHINA, INDIA, TURKEY, RUSSIA AND OTHER CBS PUSH GOLD PURCHASES TO RECORD LEVELS



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THE EARLY WARNING SIGNALS OF RISING GOLD PRICE!



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1989-2025: GLOBAL GOVERNANCE PARADIGM SHIFT

Since the 1980s Reaganomics & Thatcherism imposed dominant political idea = smaller states can do less and tax less!

1989 Fall of the Berlin Wall + end of the Cold war = “peace dividend”, with defence spending redirected into other uses (<2% GDP)= demise of geopolitics

Borderless market economy : Focus on cross-border investment and trade liberalization under IFIs’ monitoring and guidance

THE WASHINGTON CONSENSUS



Washington consensus :

Global economic development=
>0 sum game

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THE WASHINGTON CONSENSUS IN A NUTSHELL



Reform policies of Washington Consensus



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MAIN CHALLENGES OF THE CRUMBLING WASHINGTON CONSENSUS

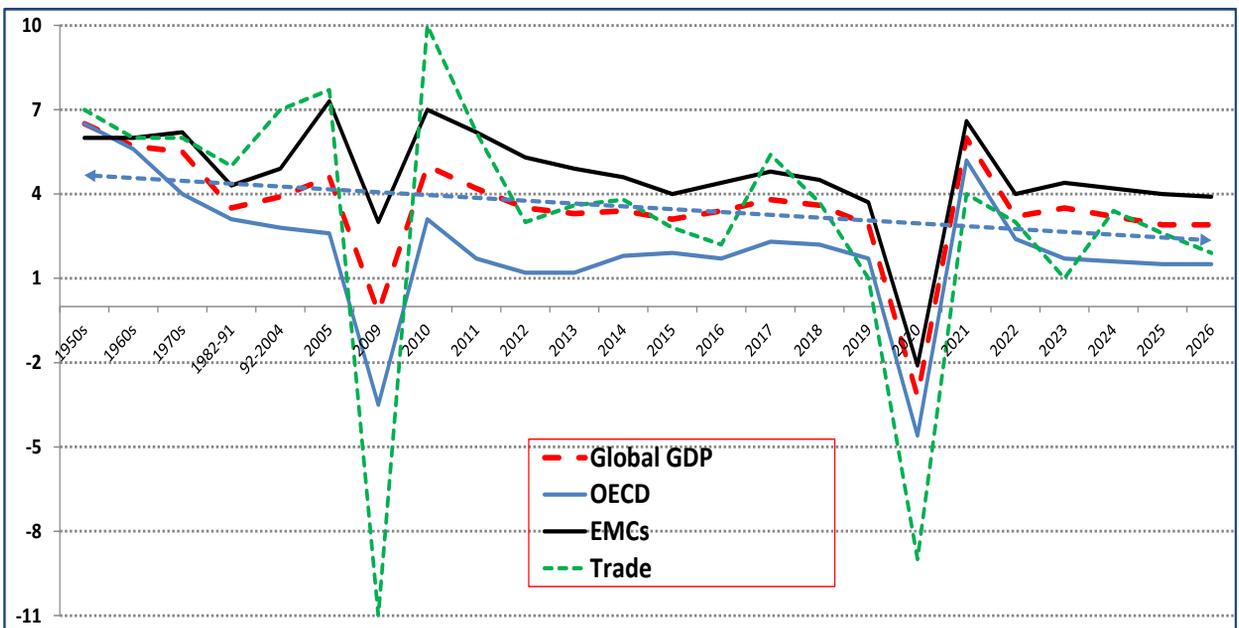
1. 2020-2025: return of geopolitical threats with a vengeance
2. Secular stagnation & growing wealth gaps (Kuznet is wrong)
3. Looming financial and debt crises (rating agencies!)
4. Growing spending needs: Fiscal & monetary interventionism?
5. Sustainable financing of inclusive development and climate risks?
6. Global governance crisis at the country and multilateral levels
(obsolete BW framework)
7. From post WWII geopolitical containment to global trade and
financial containment?

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THE SECULAR STAGNATION (1950-2026)



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ECONOMIC GROWTH BELONGS TO THE PAST

The EU economy will expand by <1% in 2023-2026, with high prices hitting consumer spending across the bloc; German economy faced 0,5% growth in 2023-25

The global economy has lost momentum, trade is slowing down, consumer prices decrease (2,1% OECD), while debt ratios and deficits remain high!

IMF WEO 2025	2023	2024	Projections	
			2025	2026
World Output	3.5	3.3	3.0	3.1
Advanced Economies	1.8	1.8	1.5	1.6
United States	2.9	2.8	1.9	2.0
Euro Area	0.5	0.9	1.0	1.2
Germany	-0.3	-0.2	0.1	0.9
France	1.6	1.1	0.6	1.0
Italy	0.7	0.7	0.5	0.8
Spain	2.7	3.2	2.5	1.8
Japan	1.4	0.2	0.7	0.5
United Kingdom	0.4	1.1	1.2	1.4
Canada	1.5	1.6	1.6	1.9
Other Advanced Economies 3/	1.9	2.2	1.6	2.1
Emerging Market and Developing Economies	4.7	4.3	4.1	4.0
Emerging and Developing Asia	6.1	5.3	5.1	4.7
China	5.4	5.0	4.8	4.2
India 4/	9.2	6.5	6.4	6.4

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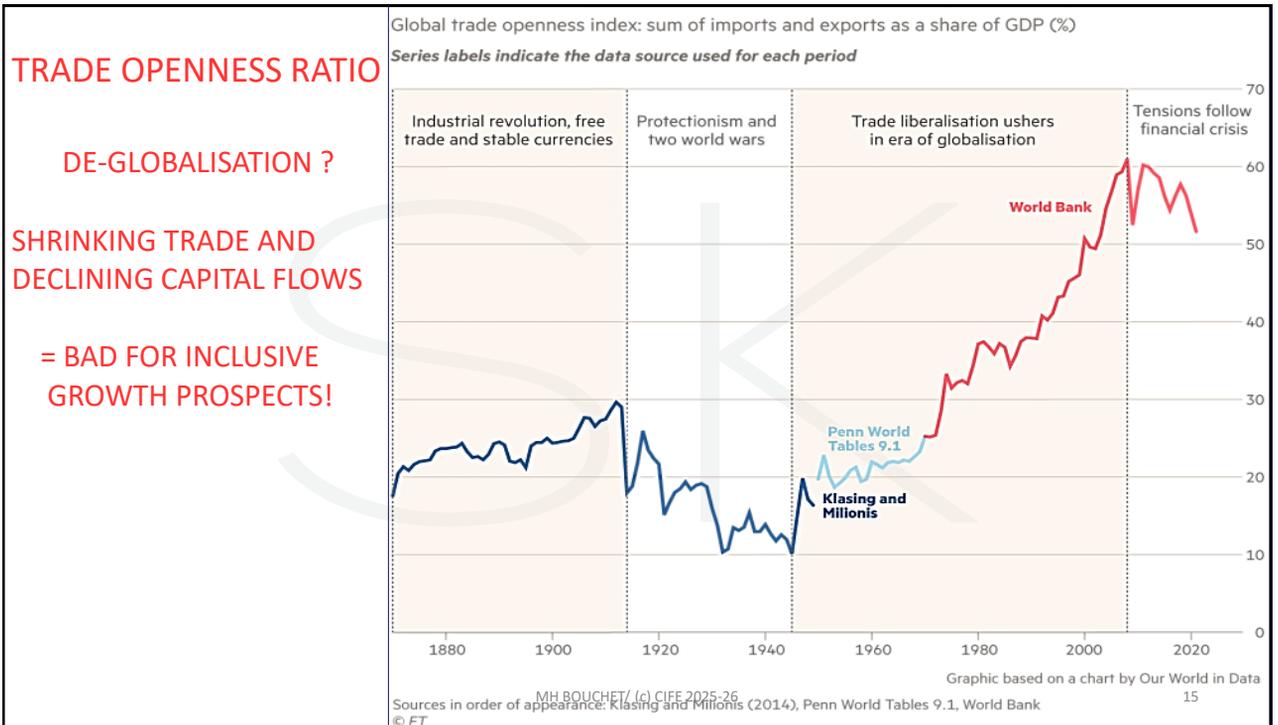
GLOOMY GROWTH PROSPECTS FOR THE « DEVELOPED » COUNTRIES

	GDP (yoy, %)			Consumer price * (yoy, %)			Current account (% of GDP)		
	2024	2025	2026	2024	2025	2026	2024	2025	2026
United States	2.8	1.7	2.0	2.9	2.8	2.9	-4.1	-3.7	-3.5
Japan	0.1	1.0	0.6	2.4	2.9	1.6	4.8	3.5	2.0
Eurozone	0.8	1.3	1.3	2.4	2.2	1.8	2.5	1.6	1.8
Germany	-0.5	0.1	1.2	2.5	2.2	2.0	5.6	5.3	5.0
France	1.1	0.7	1.2	2.3	1.0	1.3	0.4	-0.8	0.0
Italy	0.5	0.5	0.6	1.1	1.7	1.1	1.1	1.1	1.4
Spain	3.5	2.8	2.0	2.9	2.5	1.8	2.8	2.6	2.5

Deflation risk is around the corner not only in Japan and the EU but also in China where government support for new sectors has mutated into fierce competition among players, resulting in **excess production capacity, a price war and a consequent decline in company profitability**. Hence, oversupply and weak domestic demand! China has been going through a crisis of consumer confidence since 2020. Consumers were hit first by Covid-19 and then by the real estate crisis. The job market has become more uncertain, especially for young graduates, and the trend towards setting aside precautionary savings has become even more pronounced.

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WHAT'S THE PROBLEM OF SECULAR STAGNATION, DECLINING TRADE AND MOUNTING DEBT TRENDS?

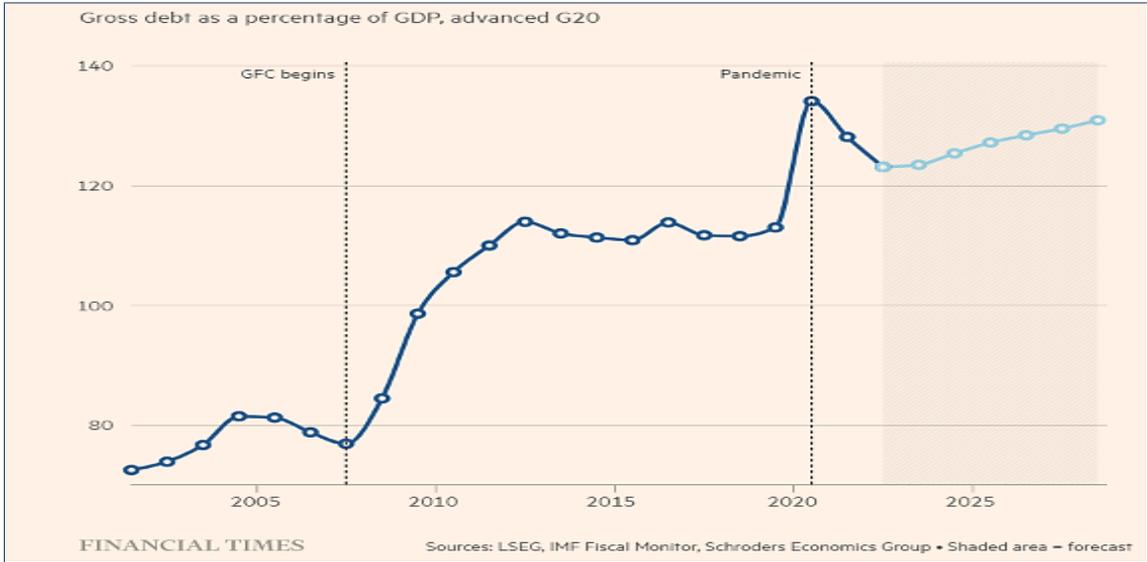
1. Shrinking income per capita + growing wealth gaps: fiscal, social & political economic dilemmas
2. Race between GDP, interest and debt rates!
3. Demographic threats: aging population + declining labour force
4. Lower productivity despite Hi Tech revolution 2.0

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FINANCIAL + PANDEMIC CRISES= HIGHER BUDGET DEFICITS = MOUNTING DEBT!

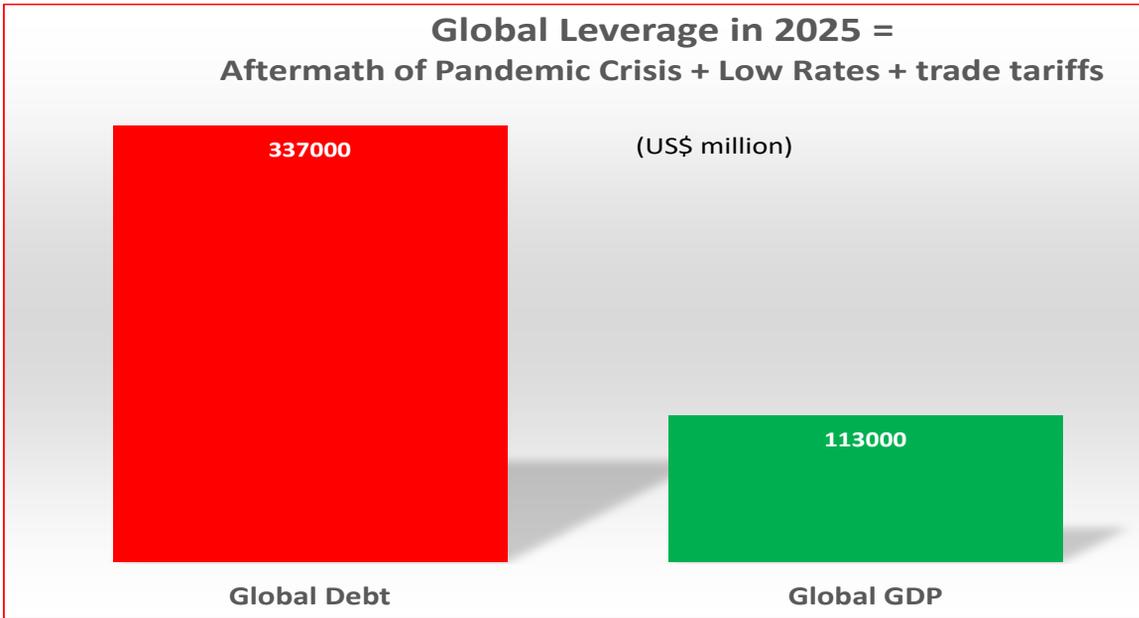


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HOW MUCH IS TOO MUCH? >324%



Source: IMF & IIF 2025

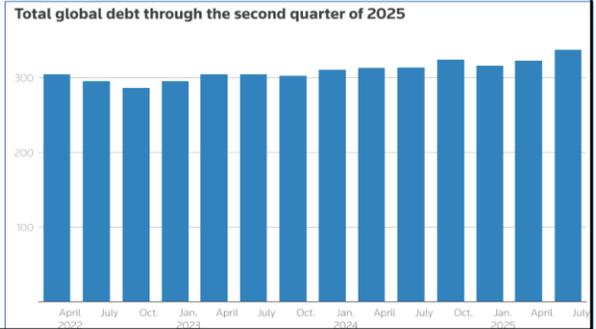
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UPCOMING DEBT WALL FOR BOTH LDCS ... AND OECD COUNTRIES

1. High and rising debt ratios for LDCs: 242% in 2025
2. A debt wall of US\$3200 billions is looming at end-2025 with large bank and bond maturities falling due
3. In the US debt, 20% is now ST and forces the USD Fed to maintain low rates to stem snowballing rise of interest payments
4. Global debt is rising due to budget deficits, debt refinancing, and military spending

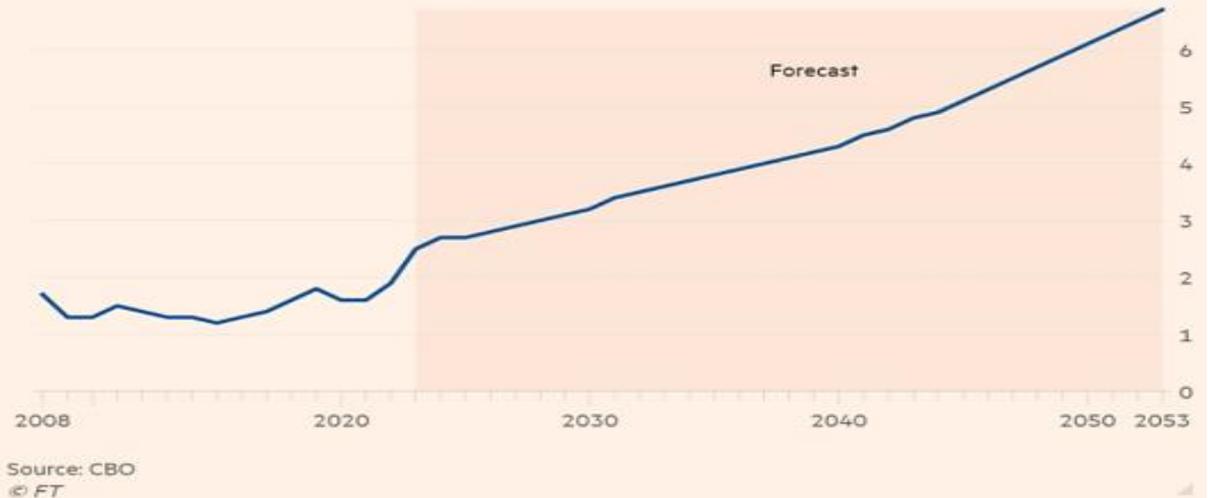


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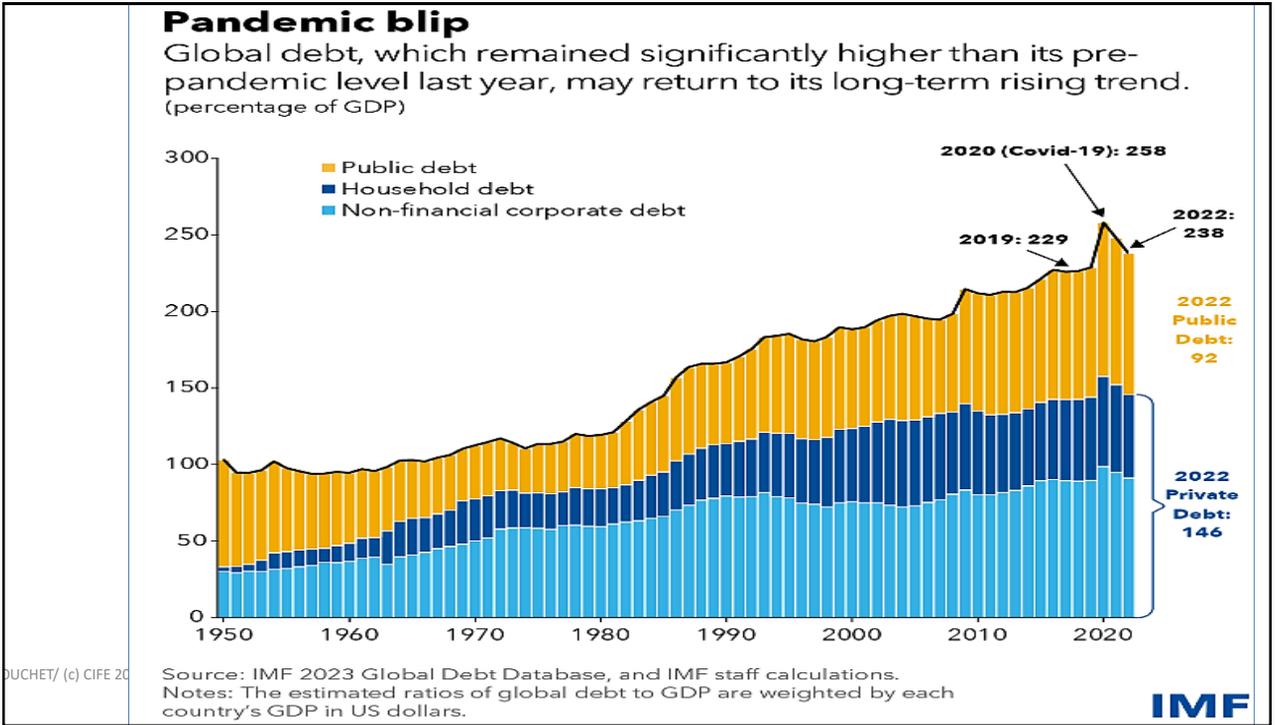
2025: THE END OF CHEAP MONEY!

The cost of fiscal activism

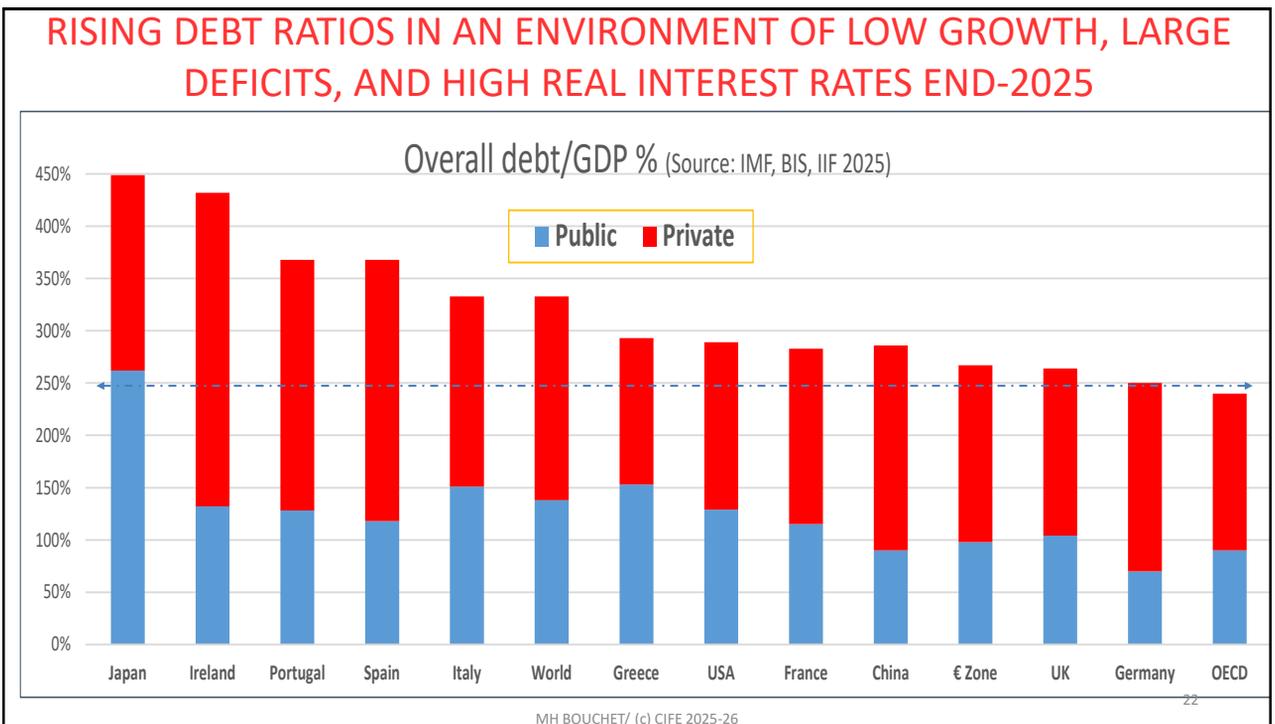
US net interest payments on outstanding government debt (% of GDP)



Source: CBO © FT

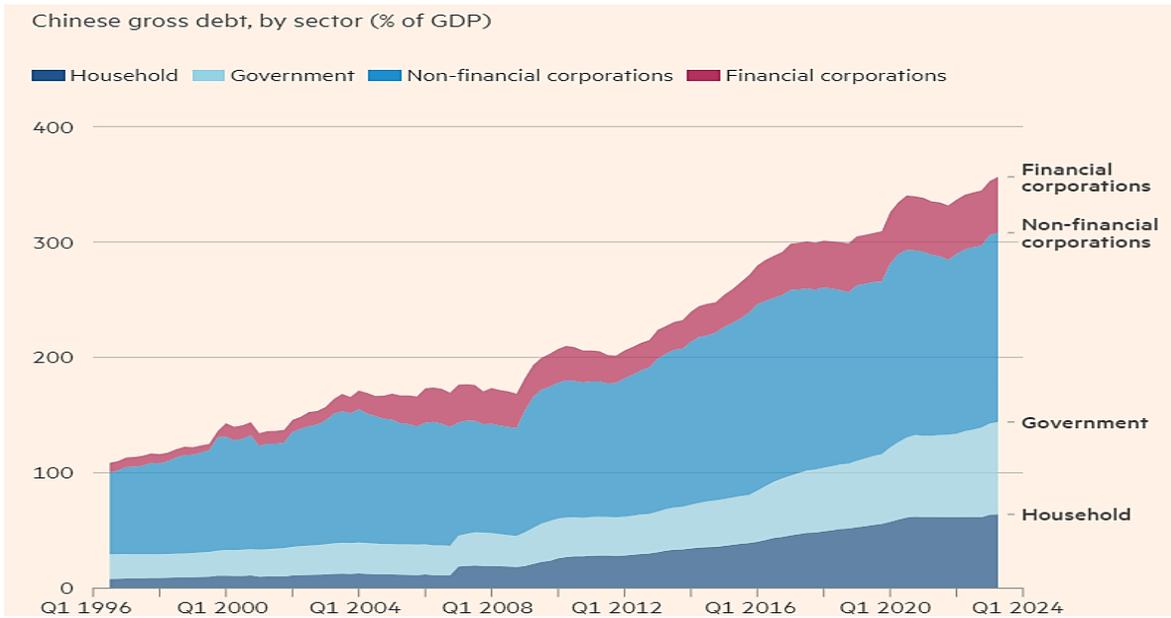


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CHINA : GROWTH HAS BEEN DRIVEN BY A DEBT MOUNTAIN



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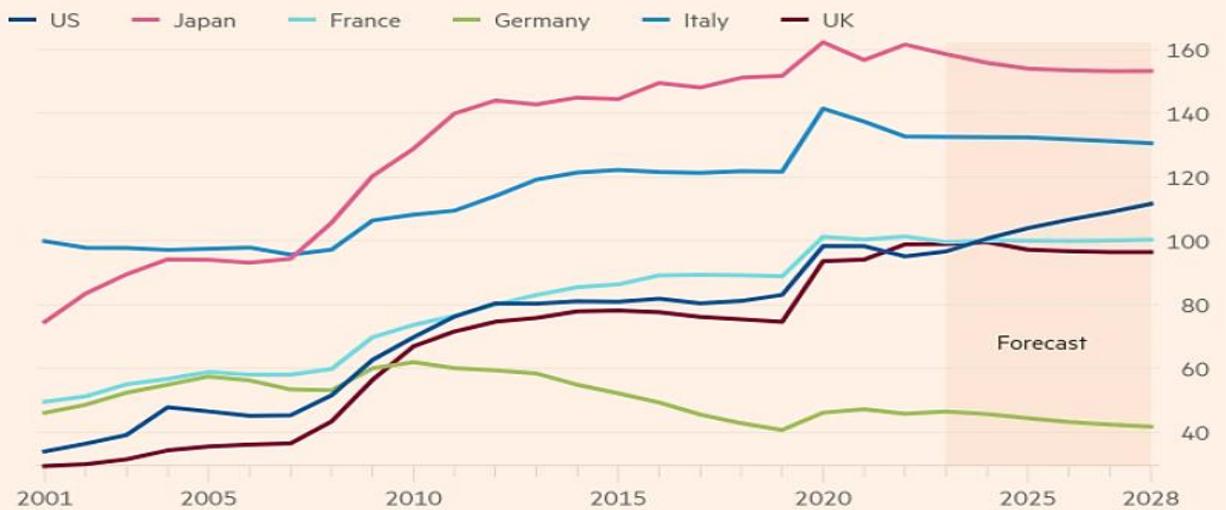
Source FT 09/2023

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Government indebtedness has mostly soared in the past two decades

General government net debt as a % of GDP



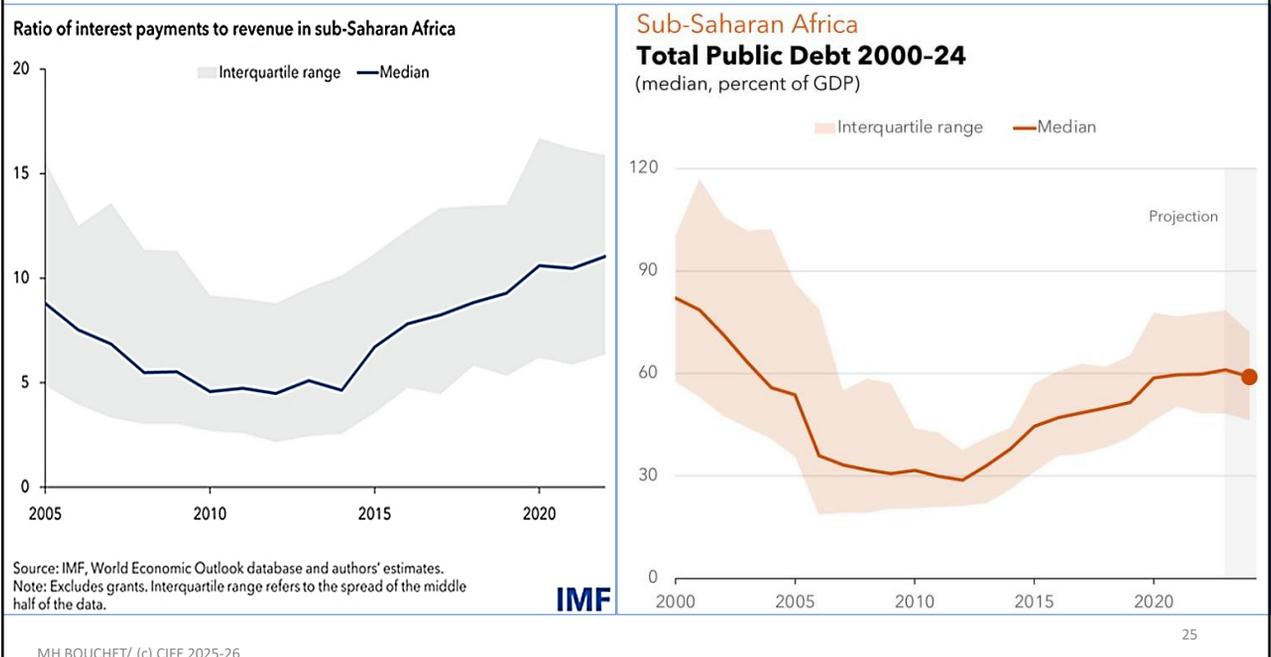
Source: IMF © FT

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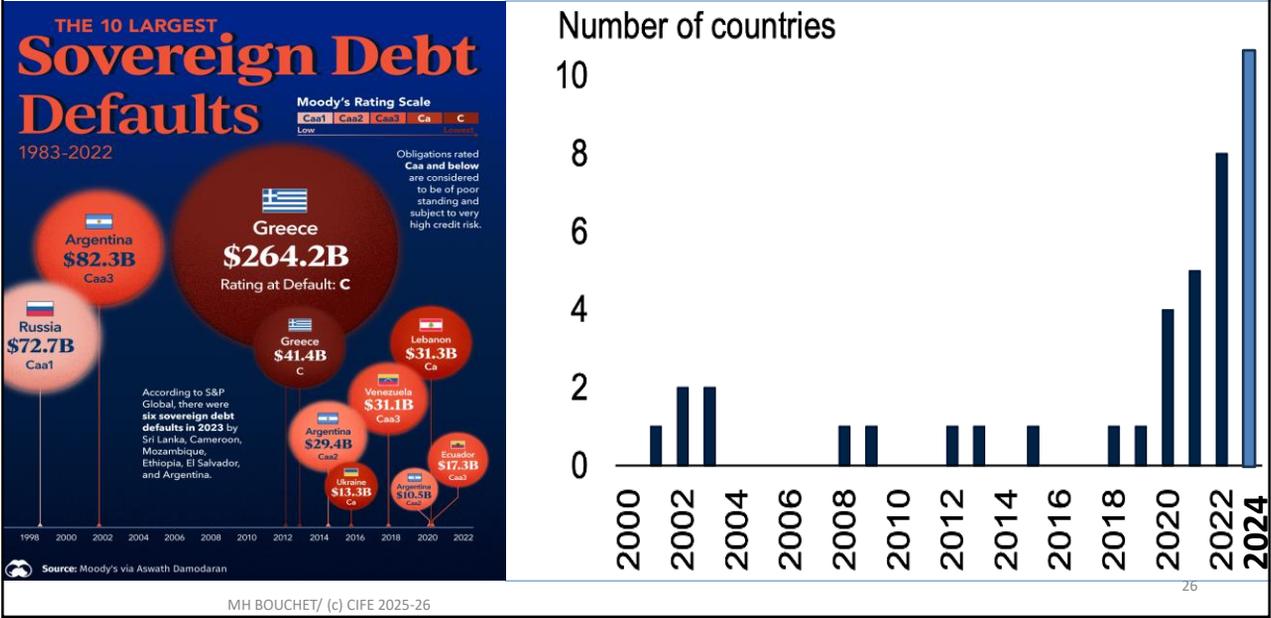
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A DEBT CRISIS IS LOOMING IN AFRICA IN 2024-26



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NUMBER OF LDCs IN DEBT DISTRESS HAS NEVER BEEN HIGHER: DEBT DEFAULT AHEAD!



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NEED FOR GREATER GOVERNMENT SPENDING: DEFENSE + DEMOGRAPHICS + CLIMATE CHANGE

Russia's invasion of Ukraine and rising tensions between the west and China have prompted many governments to expand their military capability: Three days after the start of the Ukraine war, Olaf Scholz talked about Zeitenwende — a tectonic shift — pledging to meet the 2 per cent target by 2025. Japan is planning a 57 per cent increase in its defense budget.

But spending on healthcare and pensions must continue to increase sharply. The old age dependency ratio (% of people > 65 compared with the number aged 20 to 64) is set to rise across the OECD, from 33 per cent in 2023 to 36 per cent in 2027 before rising to 52 per cent by 2050.

Macroeconomic policy is to become more political!

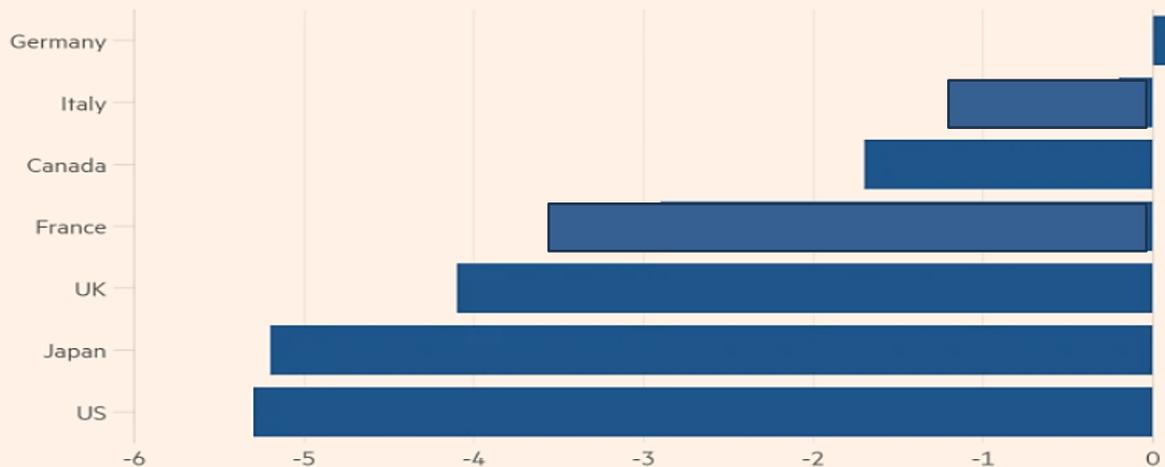
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Some countries have run huge primary deficits for a long time

Primary fiscal balance (% of GDP), average 2008-23



Source: IMF
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IN MOST COUNTRIES, BOTH OECD & LDCS, FISCAL HEADROOM GETS MEAGER!



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THE CONUNDRUM: HOW TO SPEND MORE?

AT A TIME OF MEDIOCRE ECONOMIC GROWTH AND TIGHTER FINANCIAL CONDITIONS?

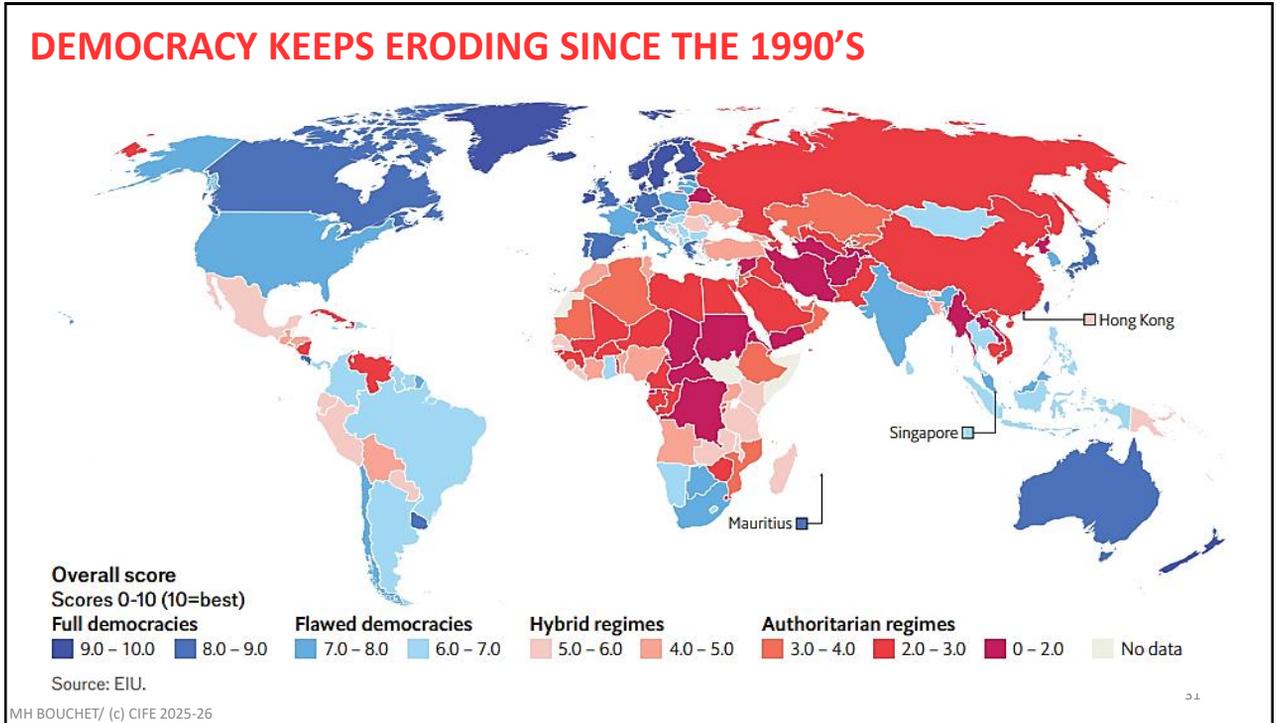
Limited number of policy options!

1. Cutting defense spending (unlikely!)
2. Cutting public services (politically risky!)
3. US plan to enlarge the World Bank's lending capacity for LDCs by \$25bn (>\$100bn if other nations make similar pledges)
4. G20 to provide "meaningful debt relief" for struggling economies
5. Governments to turn to more environmental taxes (carbon taxation for speeding up green transition) ?
6. Loose monetary policy to fund budget deficits?
7. Reverting to the trend seen before WWII and tax wealth & property (Piketty & Zucman)

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« AFTER WWII, THE COLD WAR SIMPLIFIED THE GLOBAL SYSTEM.
TODAY, AUTOCRATS ARE MORE SOPHISTICATED, ALLOWING
PARLIAMENTARY ELECTIONS BUT UNDERMINING DEMOCRATIC
INSTITUTIONS. THEY RELY ON MARKET-BASED ECONOMY WHILE
FAVORING CRONY CAPITALISM, CORRUPTION, OPACITY, AND
AUTOCRATIZATION. GOOD GOVERNANCE IS DECLINING!
RISKS ARE EVERYWHERE! »

VACLAV HAVEL IN MEETING WITH OBAMA 2020



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WORLD BANK GLOBAL GOVERNANCE INDICATORS 2025

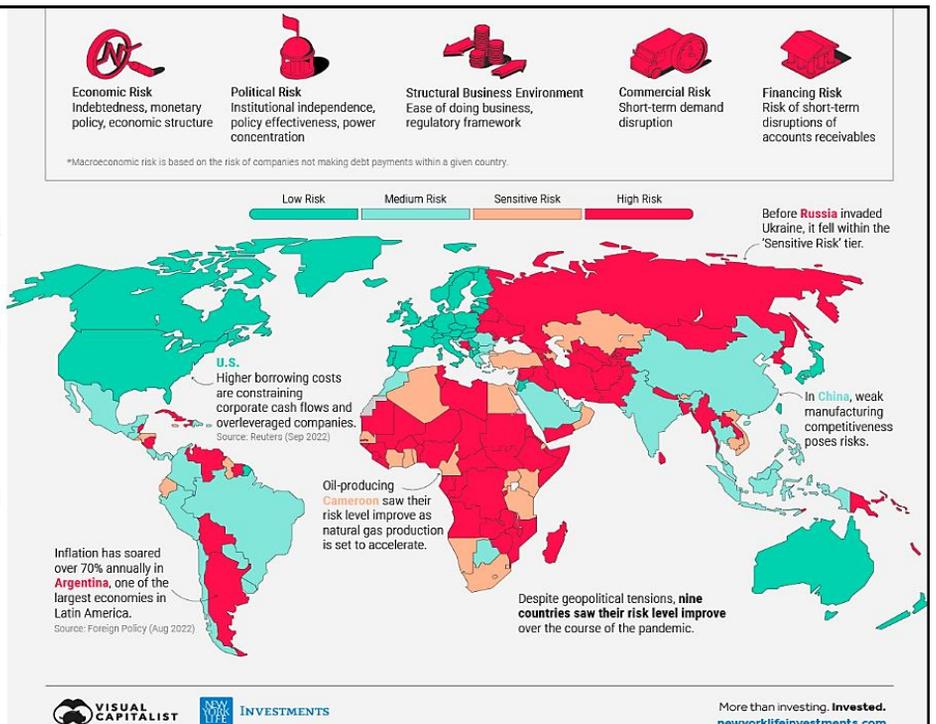


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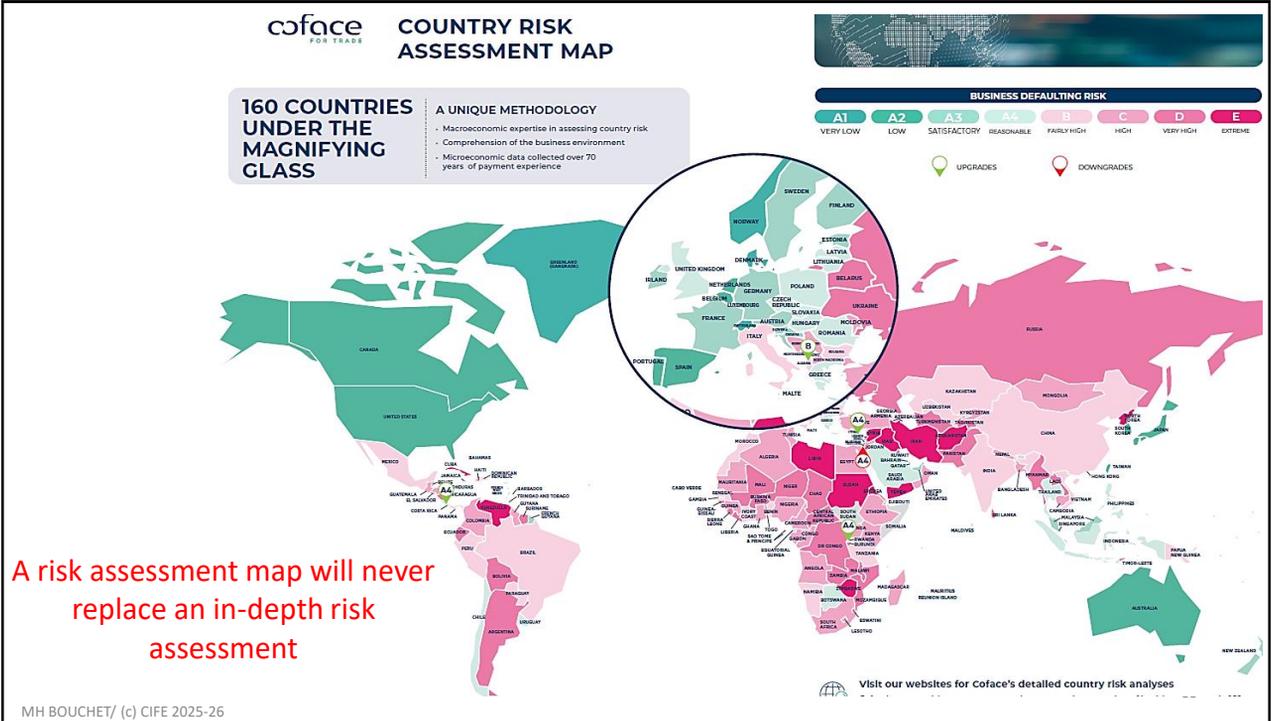
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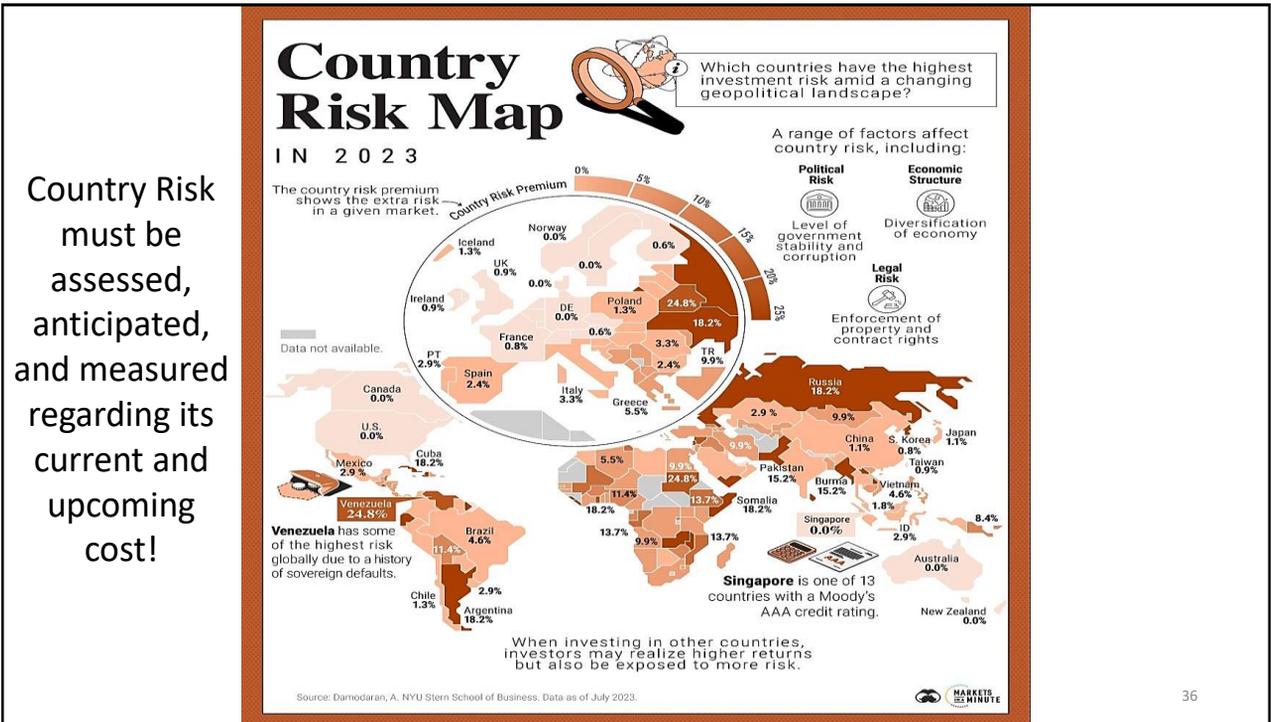
Country risk stems from a complex mix of institutional, socio-political, and economic inputs where **governance plays a key role!**



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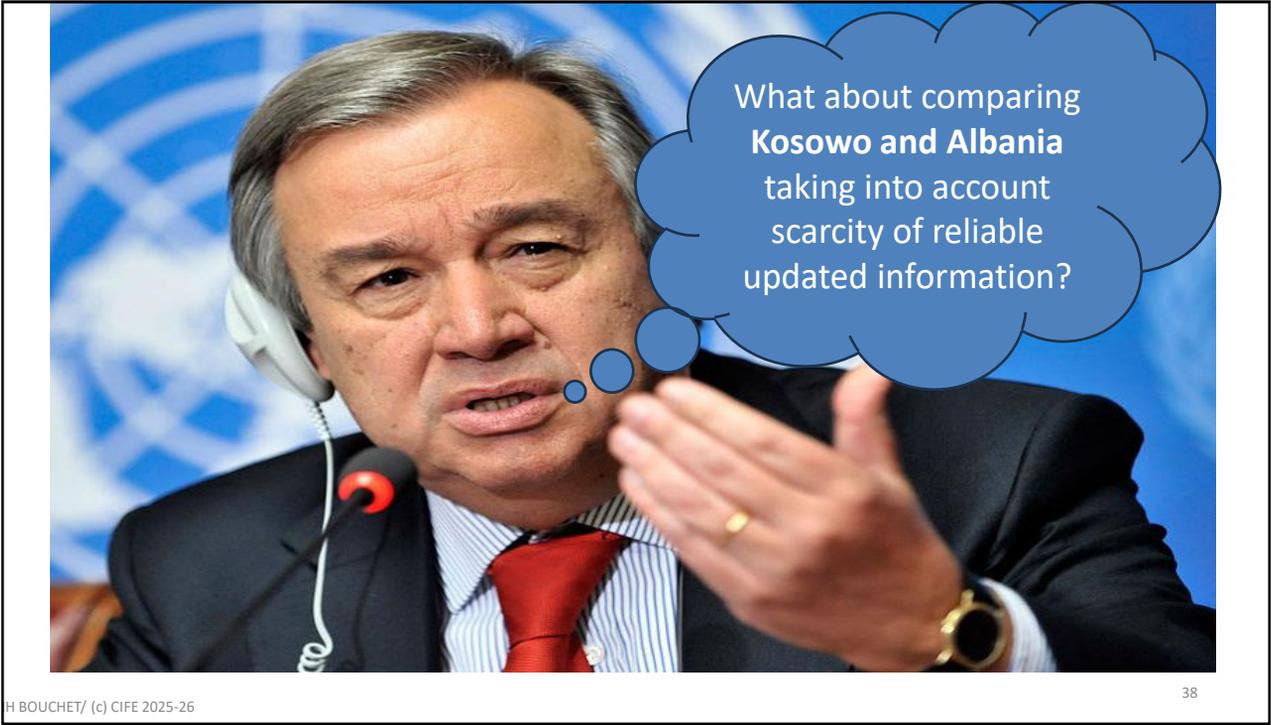
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SUCCINCT CROSS-COUNTRY COMPARISON



▶ KOSOVO

Population: 1,8 million GDP=€10 b
 GDP growth: 3,8% CAD -7,7%
 Large trade deficit -30% gdp R/M= 2,5 months
 IMF SBA (\$20 m) large **E&Os**
 Unemployment 15% Ext. debt: 20% gdp
 UNDP HDI= 0,7 GINI= 0,30
 Risk rating: BB-
 Corruption: 73/180 (same as Jamaica)



▶ ALBANIA

Population: 2,7 million GDP: €23 b
 GDP growth: 3,3% Unemployment: 11%
 Public debt: 60% gdp CAD: -4,5%
 Trade deficit: -10% gdp
 External debt: 50% gdp R/M: 6 months
 UNDP HDI= 0,78 GINI= 0,32
 Risk rating: BB-
 Corruption: **80** (same as Ghana)

in June 1999 Kosovo under the rule of an interim international administration.
 New phase of reconstruction, recovery and development

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**KOSOVO'S DIASPORA 10 YEAR-
 BONDS
 WITH 3,85% AVERAGE YIELD
 FITCH RATING BB-**



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