

# Short US, Long EU

*Strategic challenges in the new context of "institutional capitalism"*

Prof. Carlo Alberto Carnevale Maffé – SDA Bocconi School of Management

Milan, June 17<sup>th</sup> 2025

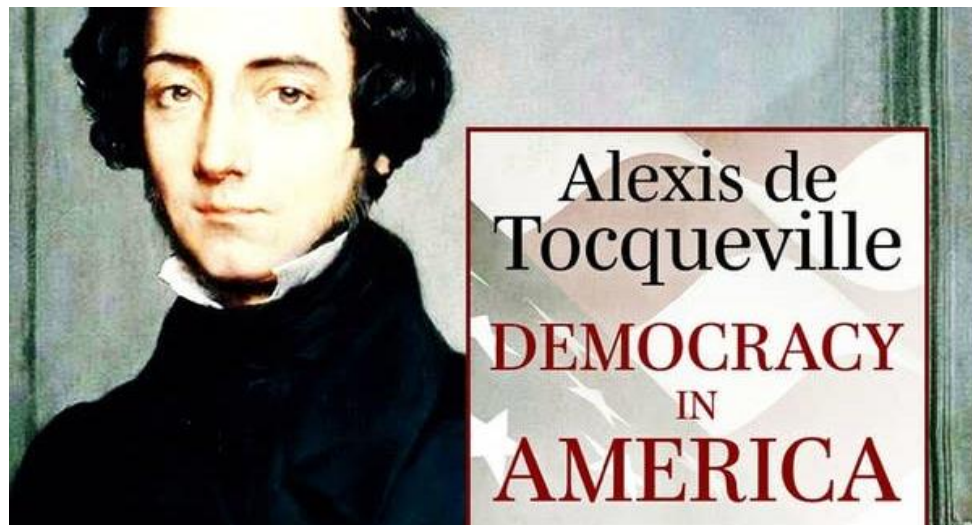
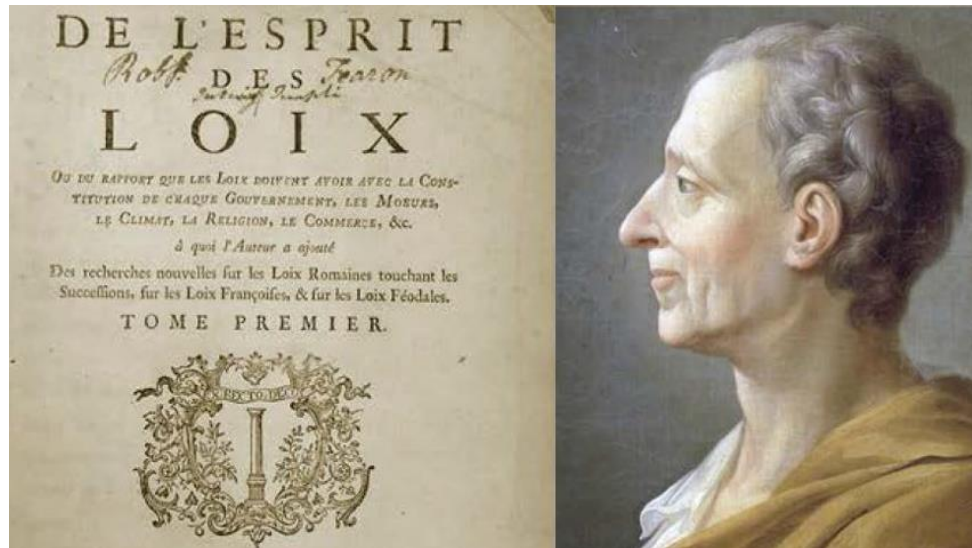
# Agenda



**1. Short US!**

2. Long EU?

# The slow default of «institutional capitalism» rooted in the US constitutional architecture



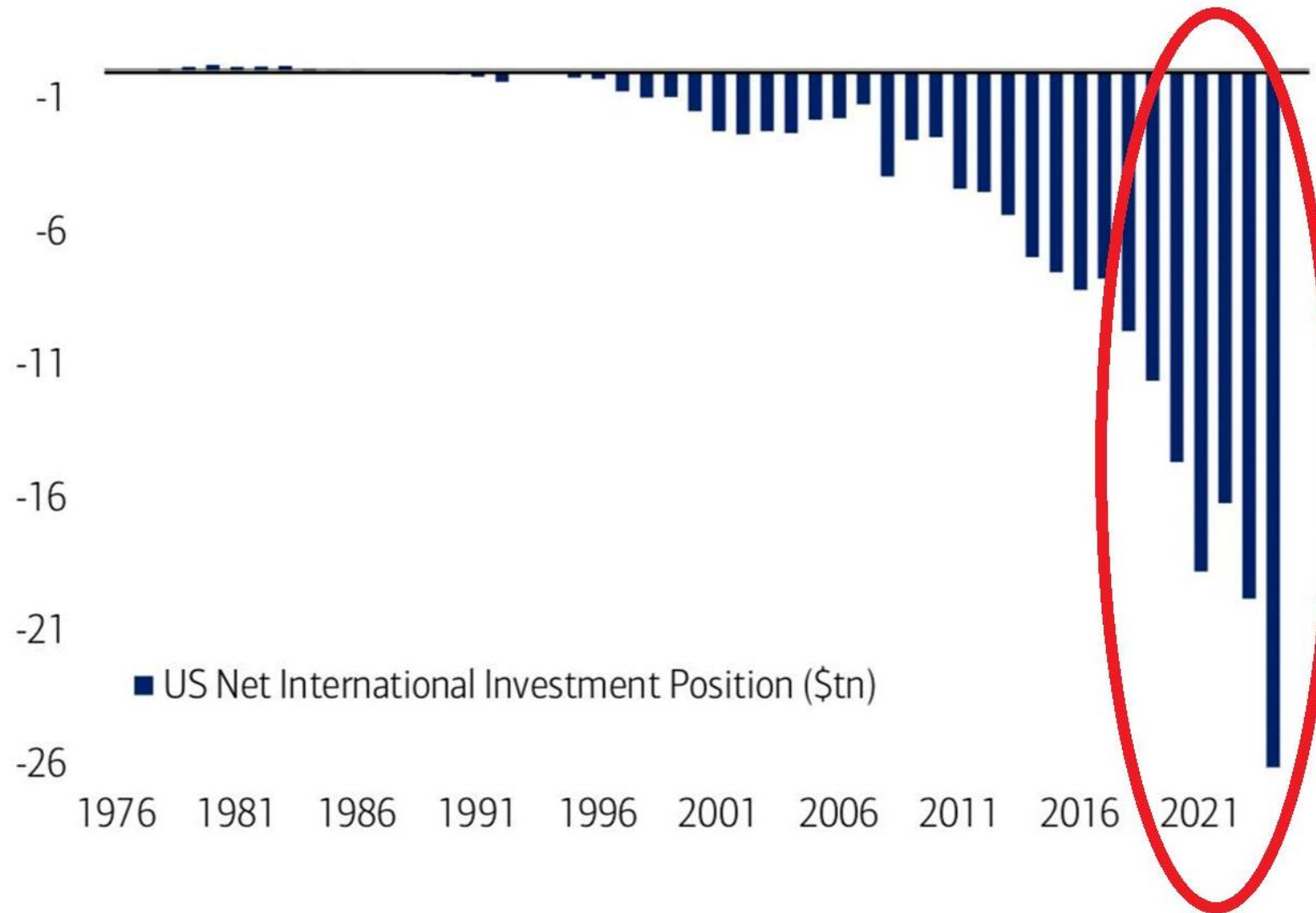
# WHO, WTO & CO2: a war against the institutional and the environmental symbols of globalization





## Exhibit 6: The world owns \$26tn more of US assets than vice versa

US net international investment position

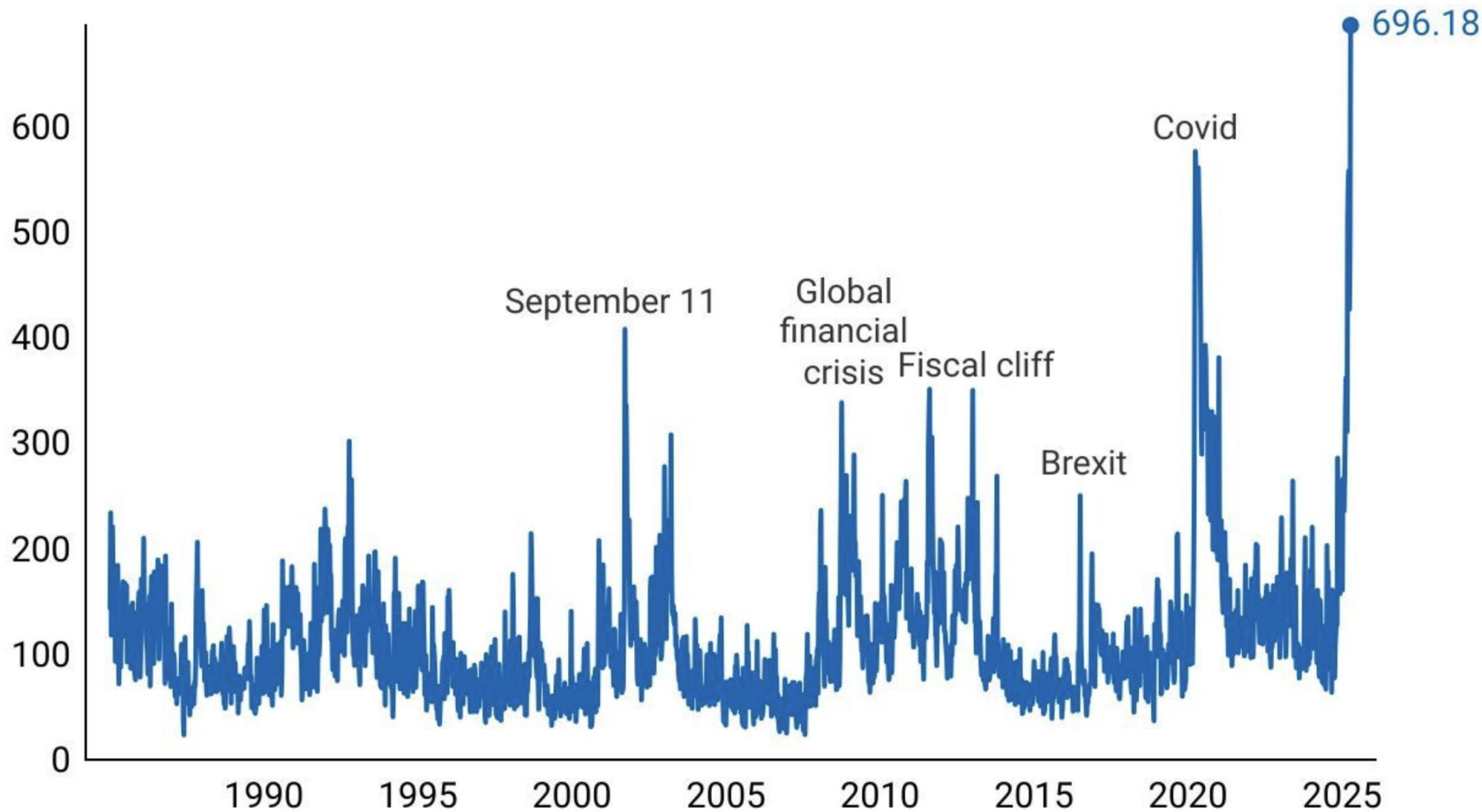


**US  
NIIP:  
\$26tn**

**Source:** Federal Reserve Bank of St. Louis

# **Economic policy uncertainty** in the United States is at an all-time high

Index

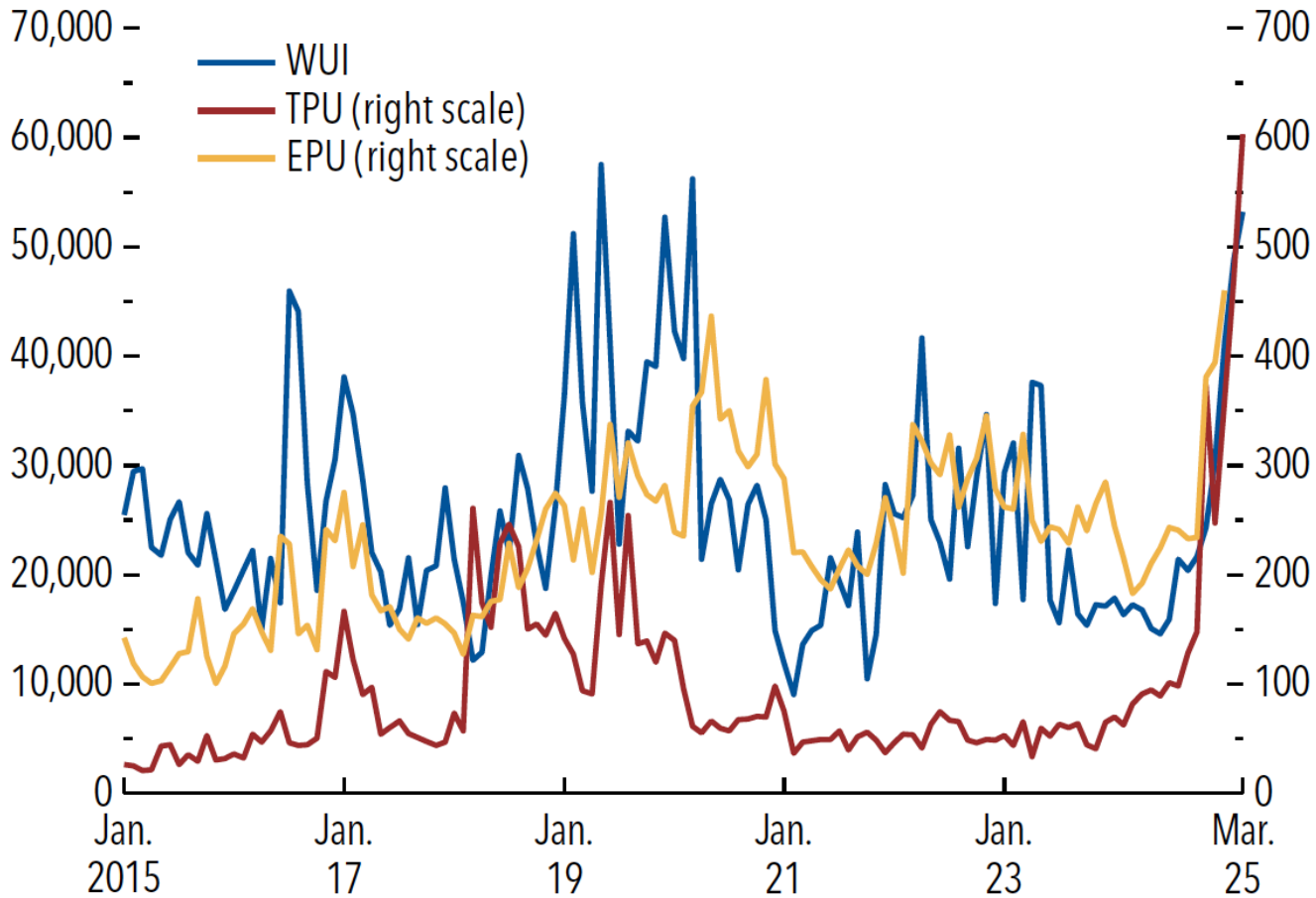


**From factor of stability to driver of uncertainty.**

**How the role of US is changing**

**Figure 1.4. Overall Uncertainty, EPU, and TPU**

*(Index)*

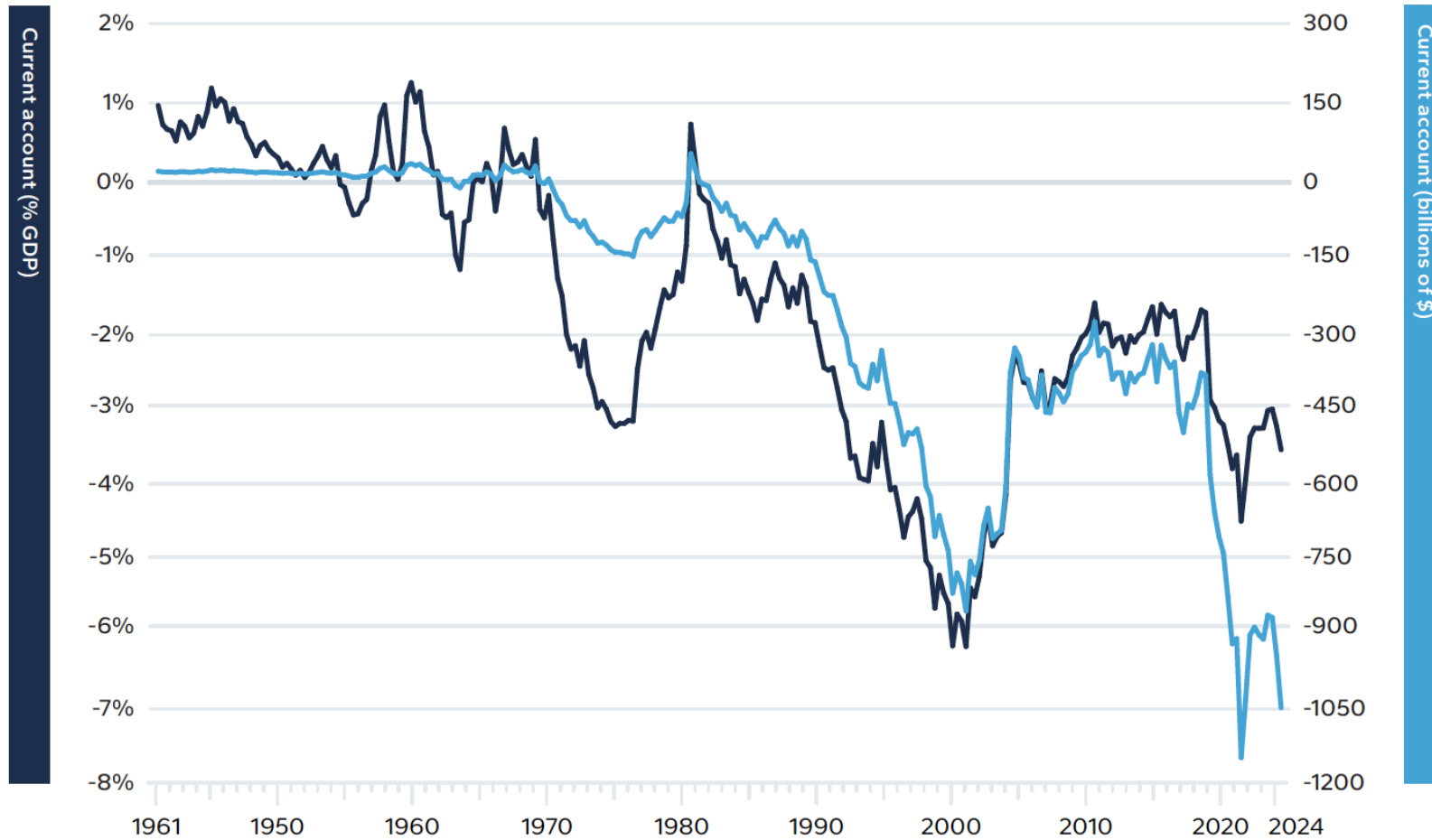


**The dangerous  
convergence of  
overall uncertainty  
drivers.**

Sources: Ahir, Bloom, and Furceri 2022; Caldara and others 2020; Davis 2016; and IMF staff calculations.

Note: The uncertainty measures are news- and media-outlets-based indices that quantify media attention to global news related to overall uncertainty (WUI), economic policy uncertainty (EPU), and trade policy uncertainty (TPU).

## CURRENT ACCOUNT



**The current account imbalance reflects the flow of capital towards US**

Figure 3 U.S. current account. Source: Bureau of Economic Analysis, HBC calculations



# The US Treasury: «We will never default»...

02-GIU-2025  
da pag. 1 / foglio 1

FINANCIAL TIMES

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 DATA STAMPA  
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## Bessent vows US will never default as market data lays bare investor anxiety

◆ Dollar and Treasury yields diverge ◆ Trump budget bill fuels debt jitters ◆ Dimon bond fears dismissed

Since 'liberation day' the 10-year yield has risen to 4.42%, while the dollar has dropped 4.7%

MYLES MCCORMICK — WASHINGTON  
EMILY HERBERT — LONDON

US Treasury secretary Scott Bessent yesterday said that the US would never default on its debt in a bid to assuage investors' mounting concerns about the state of American public finances.

"The United States of America is never going to default, that is never going to happen," Bessent told CBS. "We are on the warning track and we will never hit the wall."

Investors' jitters over the size of the US federal debt have mounted as Donald Trump has urged Congress to push through his "big beautiful" budget bill, which is broadly expected to ratchet up the federal deficit.

This has exacerbated the breakdown of the close relationship between US government bond yields and the dollar, market data suggests.

Government borrowing costs and the value of the currency have tended to move in step with each other, with higher yields typically signalling a strong economy and attracting inflows of foreign capital. But since Trump's "liberation day" tariffs were announced in early April, the 10-year yield has risen from 4.16 per cent to 4.42 per cent, while the dollar has dropped 4.7 per cent against a basket of currencies. The correlation between the two has fallen to its lowest level in nearly three years.

"Under normal circumstances, [higher yields] are a sign of the US economy performing strongly. That's attractive for capital inflows," said Shahab Jalinoos, head of GIO FX strategy at UBS. But "if the yields are going up because US debt is more risky, because of fiscal

concerns and policy uncertainty, at the same time the dollar can weaken", he said, a pattern that was "more frequently seen in emerging markets".

Trump's tax bill, along with the recent Moody's downgrade of the US credit rating, has brought the sustainability of the deficit into sharper focus for investors.

Watchdog the Congressional Budget Office warned in March that, even without Trump's budget legislation, US debt as a share of GDP would exceed its 1940s peak in the coming years.

Analysis by Torsten Slok, chief economist at Apollo, suggests that US government credit default swap spreads — which reflect the cost of protecting a loan against default — are trading at levels similar to Greece and Italy.

Trump's attacks on Federal Reserve chair Jay Powell have also spooked the market. The US president summoned Powell to the White House last week and told the central banker he was making a mistake in not cutting interest rates.

"The strength of the US dollar comes partly from its institutional integrity: the rule of law, independence of central banking and policy that's predictable," said Michael de Pass, global head of rates trading at Citadel Securities. "The last three months have called that into question. A major concern for markets is whether we are chipping away at the institutional credibility of the dollar."

Bessent dismissed concerns raised by JPMorgan Chase chief executive Jamie Dimon on Friday that the US bond market would "crack" under the weight of the country's rising debt. "I have known Jamie a long time and for his entire career he's made predictions like this. Fortunately, none of them have come true," he said. Deficit projections had not accounted for the "substantial" income boost from Trump's import tariffs, he added.

Additional reporting by Louis Ashworth

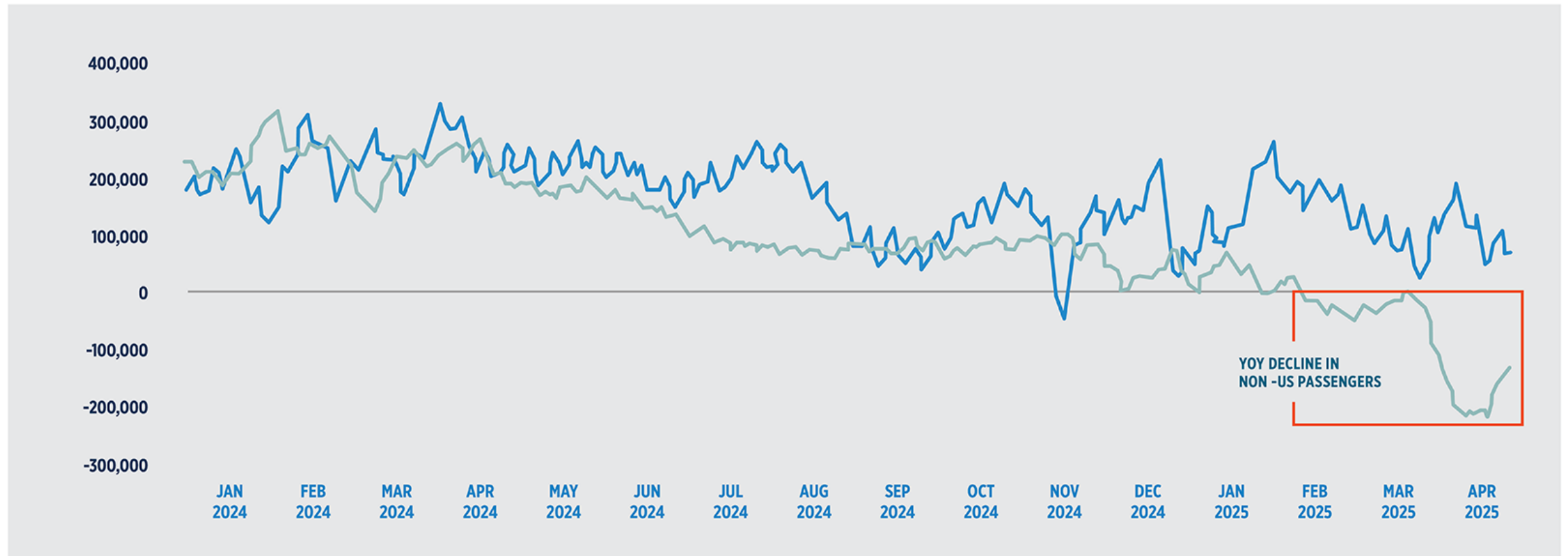
Bessent promette che gli Stati Uniti non finiranno mai in default malgrado i dati dei mercati mettano a nudo l'ansia degli investitori



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# CHANGE IN PASSENGERS AT MAJOR U.S. AIRPORTS PROCESSED BY CBP

Over rolling 30 days versus same 30 days a year prior at ORD, JFK, LAX, ATL, DEN, DFW, IAH, IAD.

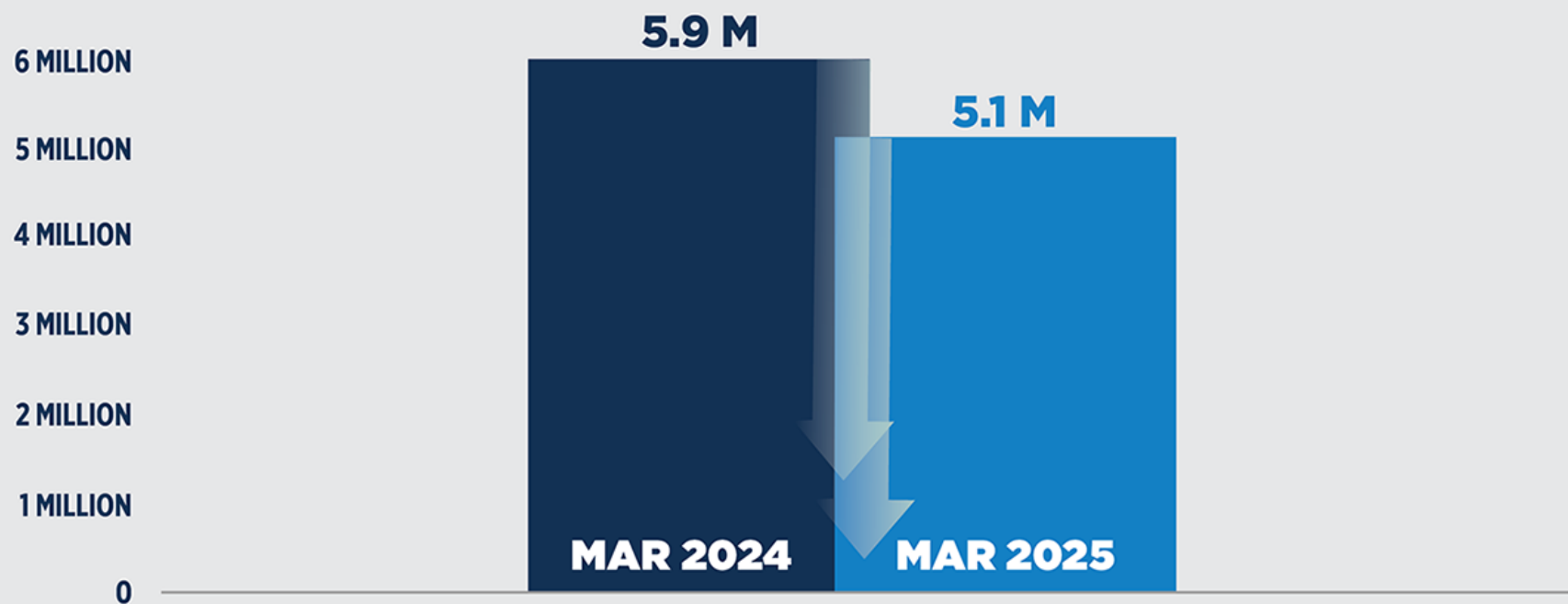


U.S. PASSENGERS



NON-U.S. PASSENGERS

# TOTAL INTERNATIONAL VISITS TO THE U.S. **DECLINED 14%**



# The number of international students in US Universities is down 11.3% in March 2025



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April 11, 2025

## SEVIS Data Shows Declining Number of International Students in the United States

[LEADING RESEARCH UNIVERSITIES REPORT](#)

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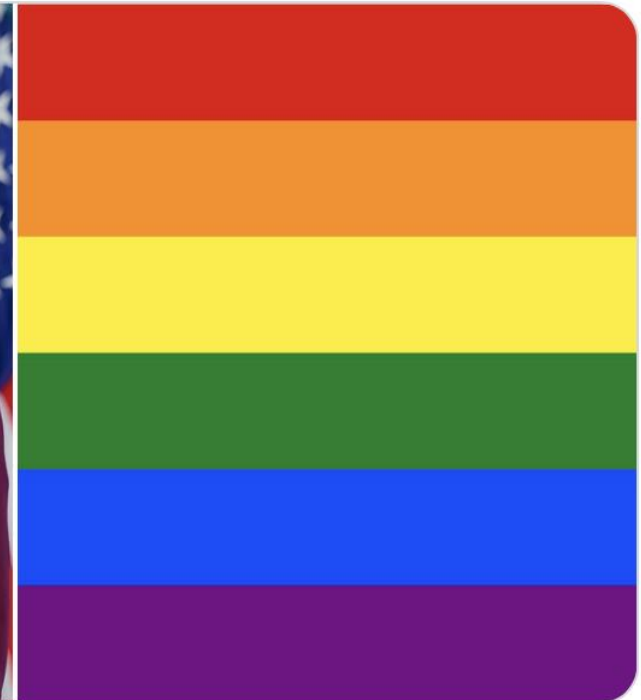
More  
Electricians  
& Plumbers,  
less Harvard  
& Stanford



Globe Eye News  @GlobeEyeNews · 29 mag

White House Press Secretary **Leavitt**:

Electricians, **plumbers**, we need more of those in our country and less LGBTQ graduate majors from Harvard University.



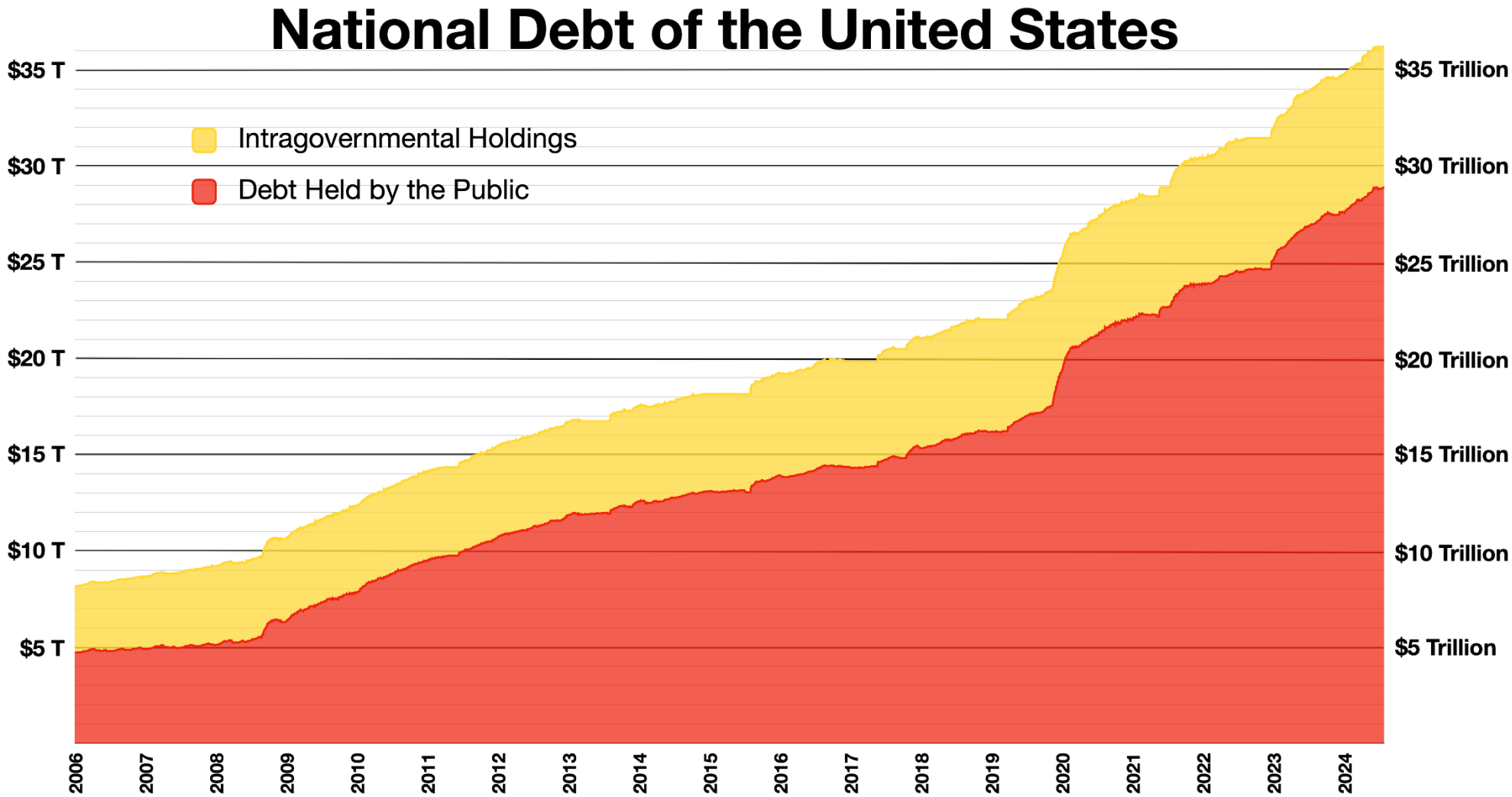
# The largest redistribution from poor to rich in American history

*Combined effects of the (regressive) tax cuts in the budget bill passed by the House, the (regressive) spending cuts in that bill, and Trump's tariffs.*

*Average annual change in household resources over the next decade*

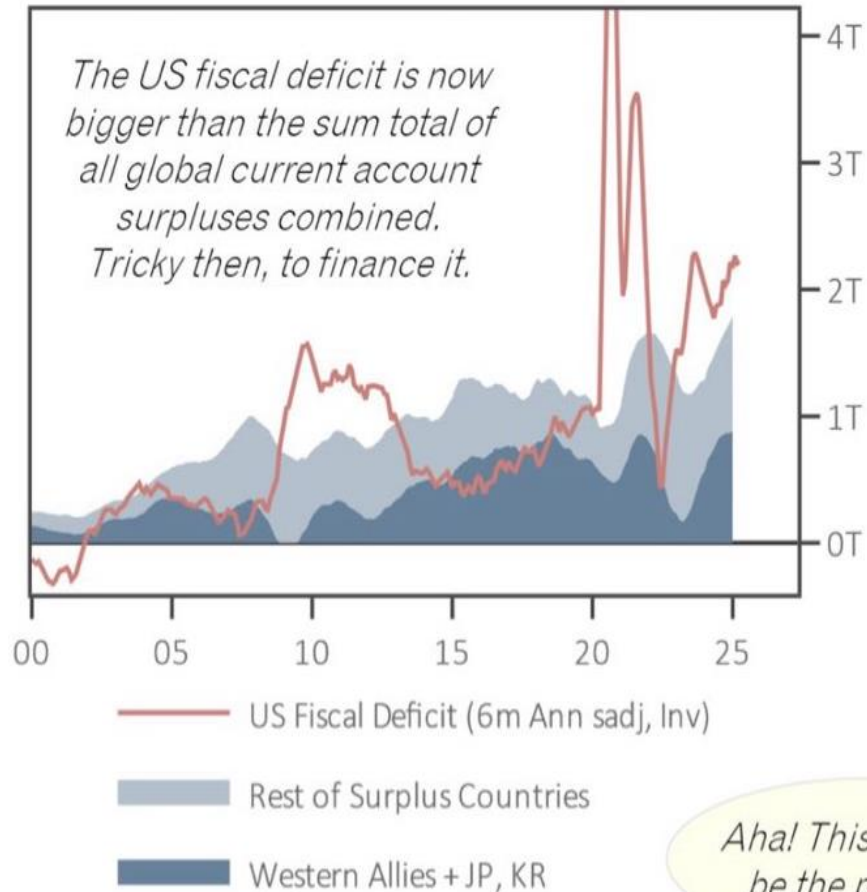


36.000.000.000.000,00 \$: debt is US most important export item. Until is not...

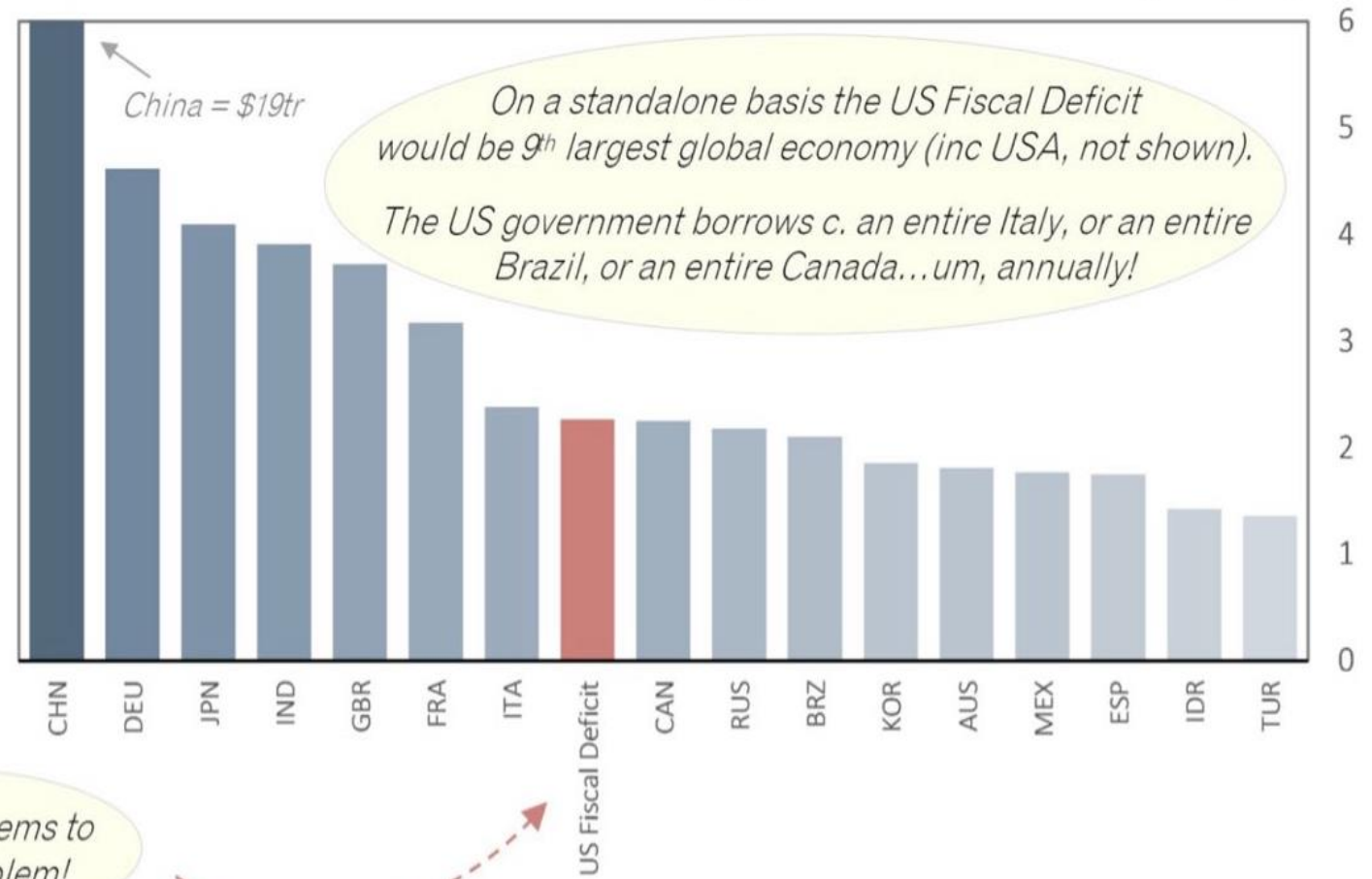


# The elephant in the room: US fiscal deficit

US Fiscal Deficit vs RoW Curr Acct Surplus

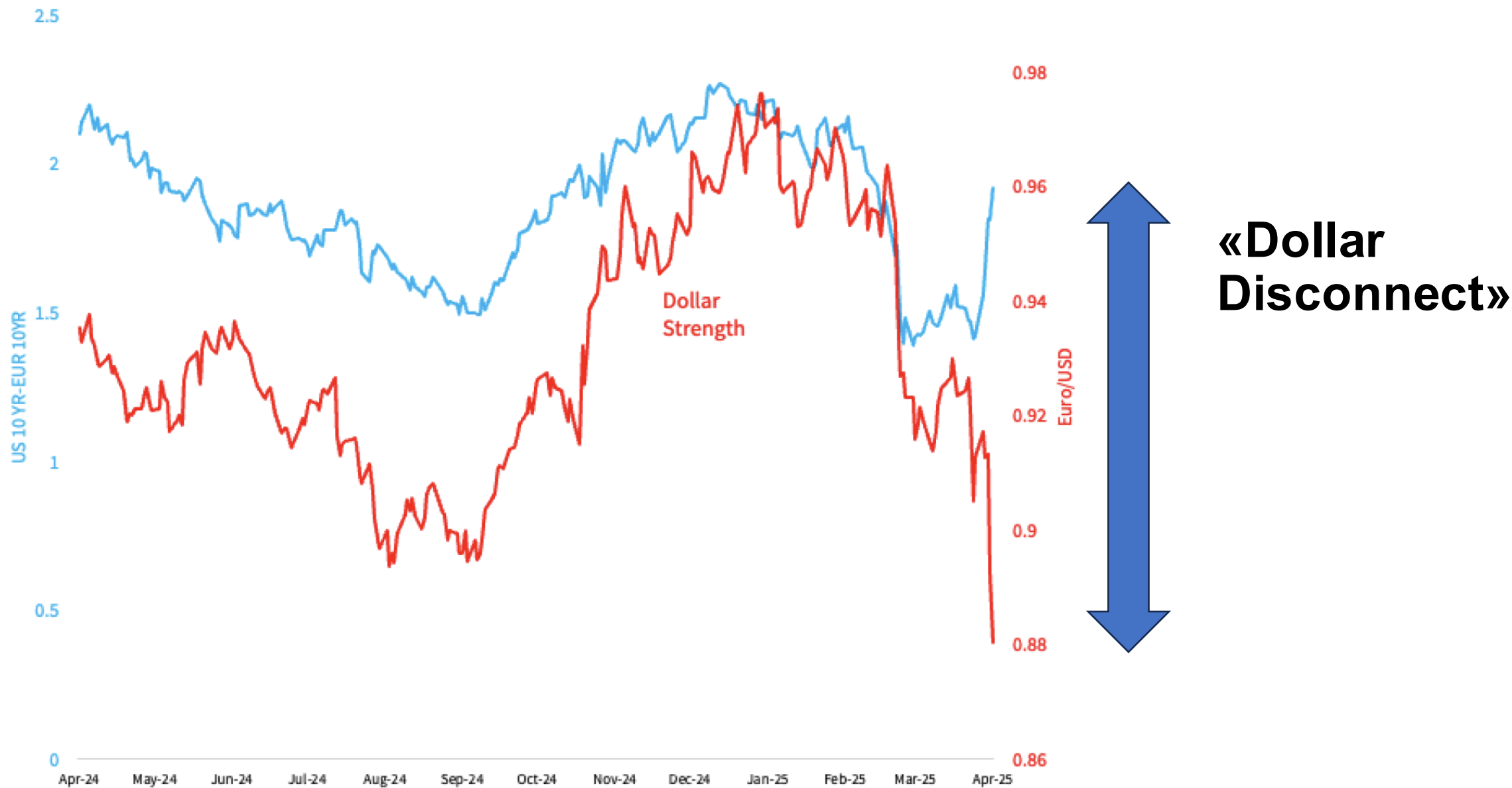


US Fiscal Deficit vs. Size of World's Biggest Entire Economies (USD, tn)



*Aha! This seems to be the problem!*





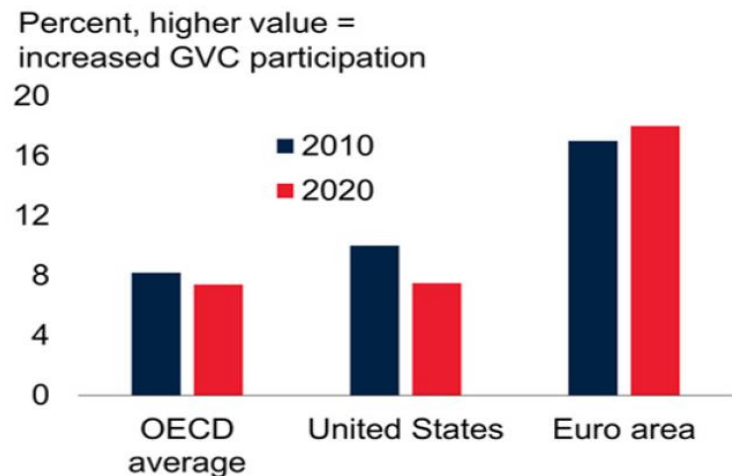
**Figure 1: Dollar Disconnect.** Plot of 10-year US-German yield (left vertical axis) against the Euro/USD exchange rate (right vertical axis).

### A. 12-month-ahead inflation expectations

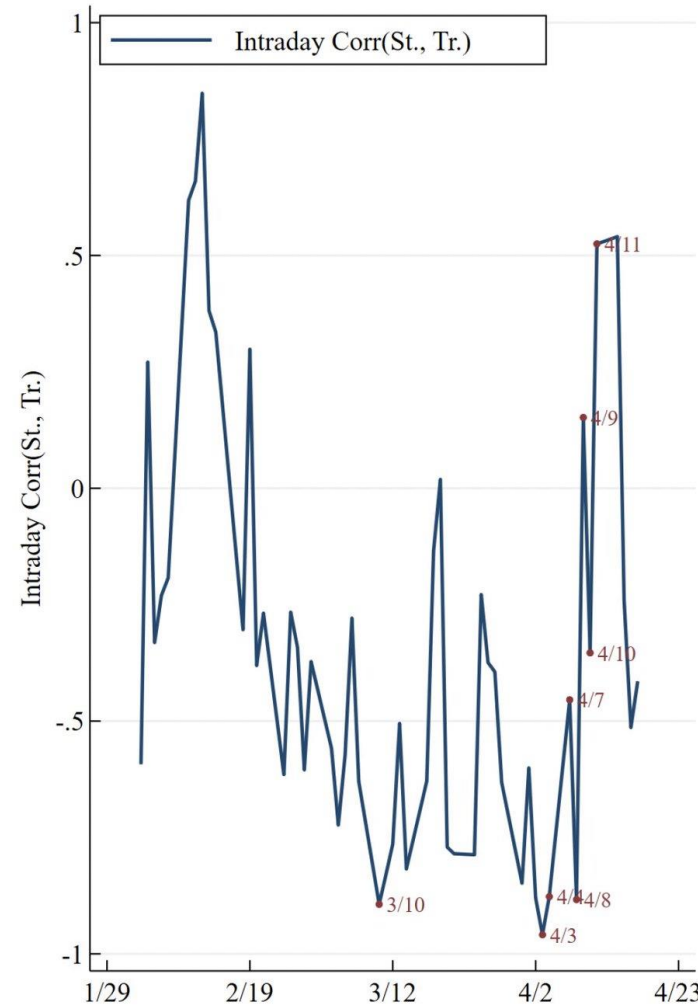
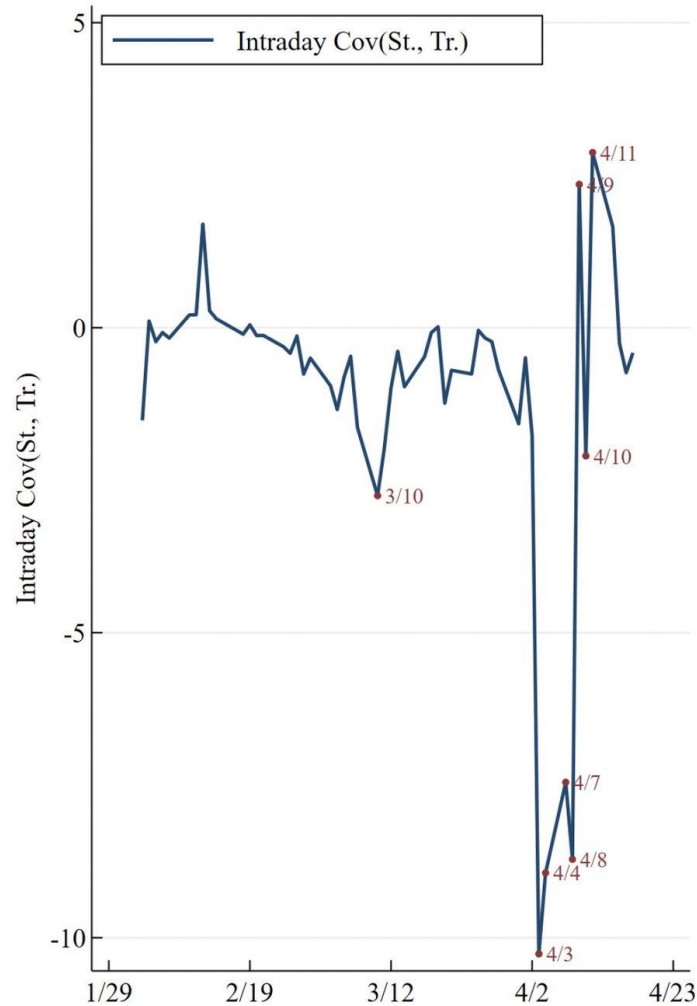


**Widening inflation differential between US and EU.**

### C. Global value chain exposure: Share of foreign value added in gross exports



**US/EU growing divergency in integration processes within global value chains**

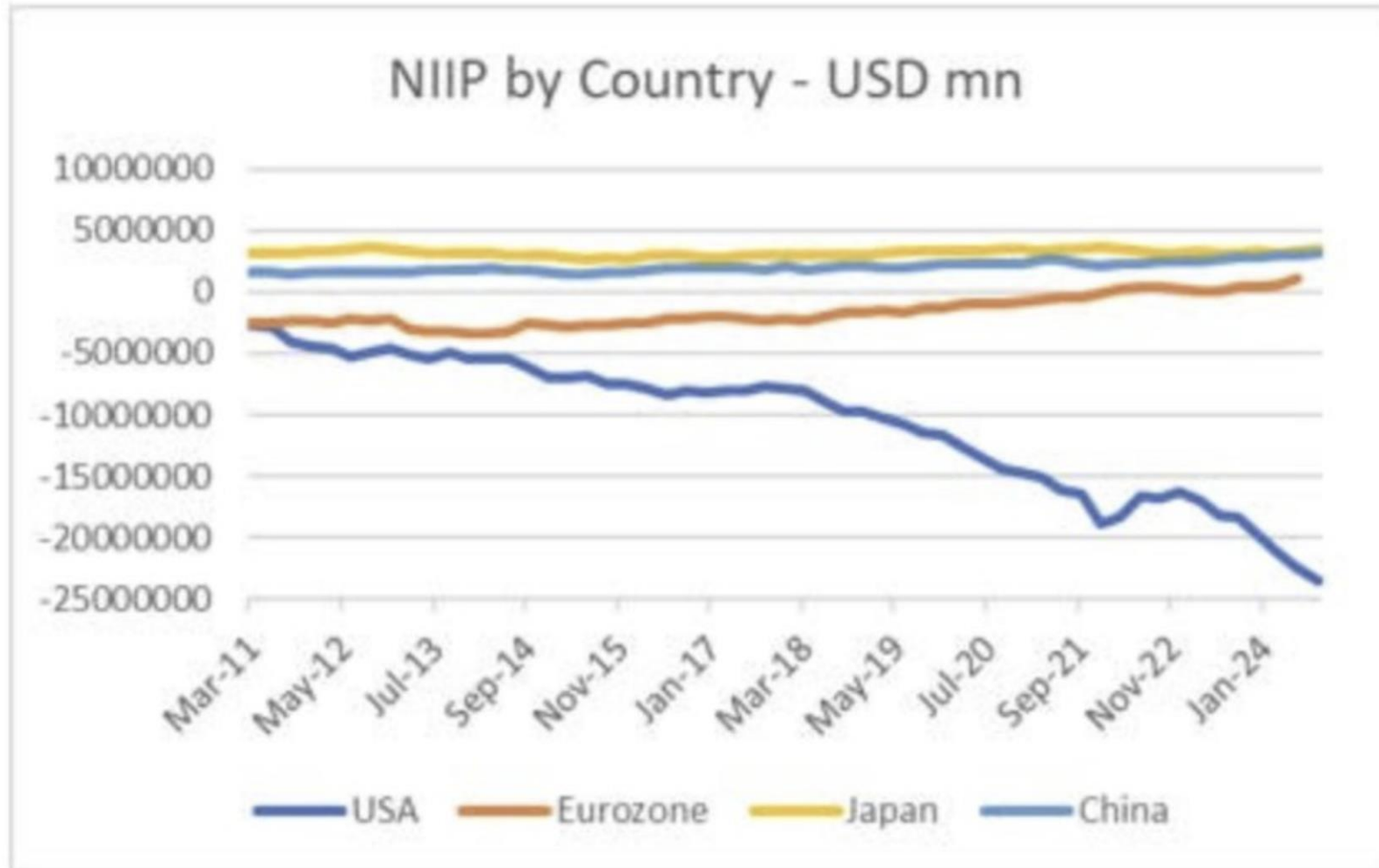


## High volatility of stock-bond's covariance and correlation

In 2025, the stock-bond correlation has been higher than historical norms, reducing bonds' traditional role as a portfolio hedge. This shift is attributed to inflation shocks and policy uncertainty (e.g., tariffs). For instance, J.P. Morgan notes that fixed income's correlation with equities has risen over the past two years, meaning stocks and bonds are moving more in tandem, especially during inflationary periods. IO Fund reports that since 2022, the traditional negative stock-bond correlation has broken, with both assets declining together in high-inflation environments, a trend persisting into early 2025. As of June 2025, 10-year Treasury yields are around 4.41%, up slightly, suggesting continued volatility in bond prices, which may influence covariance with stocks.

**Figure 1.** Stock-bond covariance and stock-bond correlation. Daily values estimated from intraday data for February to April 2025.

**«Almost all of that savings has ended up in the US. With Trump, no nation can really perceive the US treasury as a safe reserve asset anymore».**



There are now two big political drivers to markets - firstly Europe and Japan need to remilitarise. This will require hiring more military personnel at a time of record low unemployment, and to build out there own secure military supply chain. Both of these things will require money. The good news is that nations like Europe and Japan actually have a great deal of money salted away, either in foreign reserves, or savings. The problem is that almost all of that savings has ended up in the US, one way or another. We can see this using the Net International Investment Position (NIIP) data. They will need to bring that money back. This data is also picking up foreign reserves. But the second big driver is that no nation can really perceive the US treasury as a safe reserve asset anymore.



# Downgraded. For the first time in history, US credit rating loses the last AAA from Moody's

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## US Loses Last Top Credit Rating With Downgrade From Moody's

PRESS RELEASE

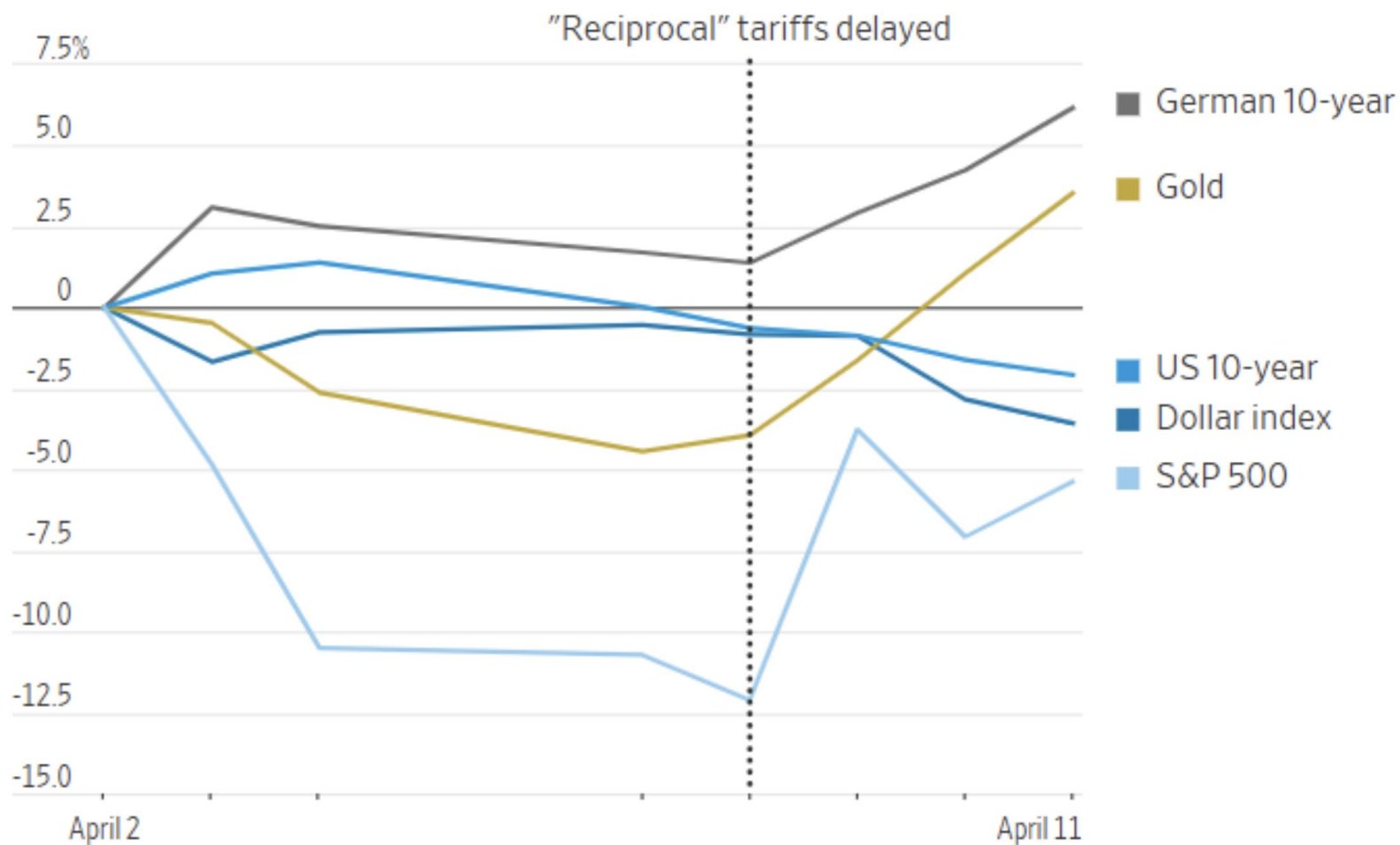
## Moody's Ratings downgrades United States ratings to Aa1 from Aaa; changes outlook to stable

New York, May 16, 2025 -- Moody's Ratings (Moody's) has downgraded the Government of United States of America's (US) long-term issuer and senior unsecured ratings to Aa1 from Aaa and changed the outlook to stable from negative.

## Protection Racket

What worked since Trump's tariffs: Dump \$

### Total return since April 2



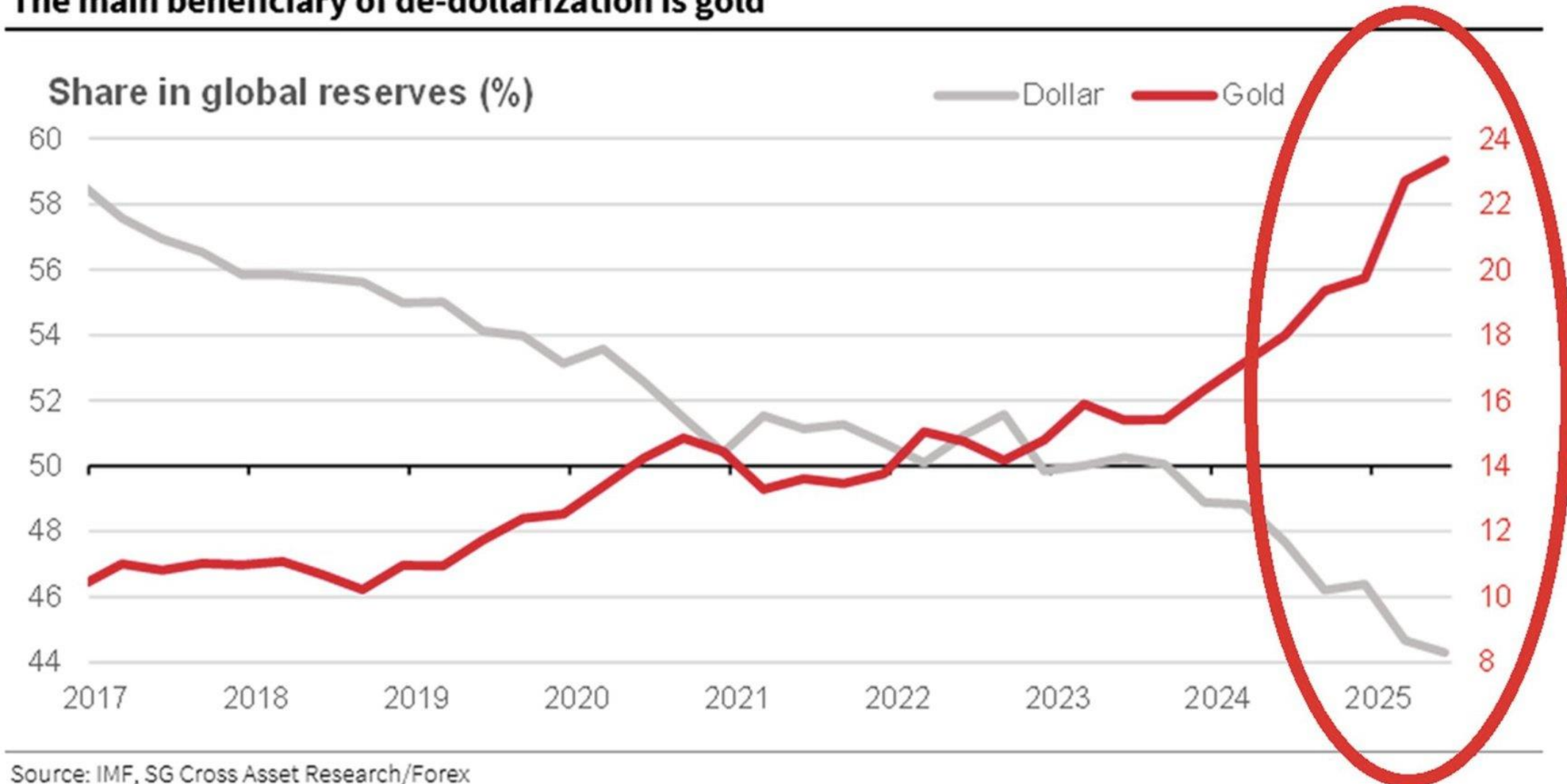
Note: Total return with dividends or coupons reinvested, in dollar terms

Source: LSEG

**The new  
«Protection  
Racket»...**

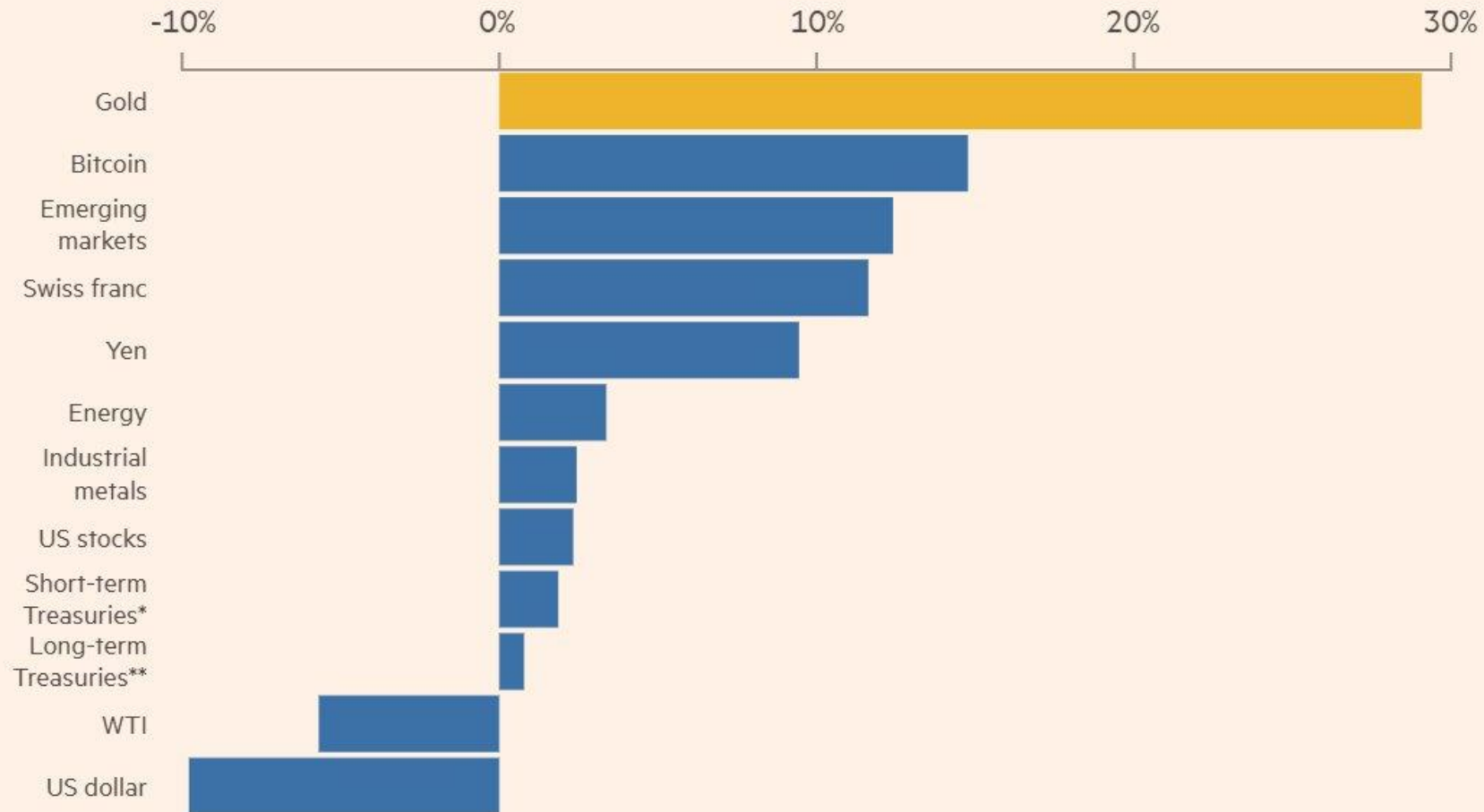
# Gold is not a safe haven. It is the only "global institution" that is still undisputed

The main beneficiary of de-dollarization is gold

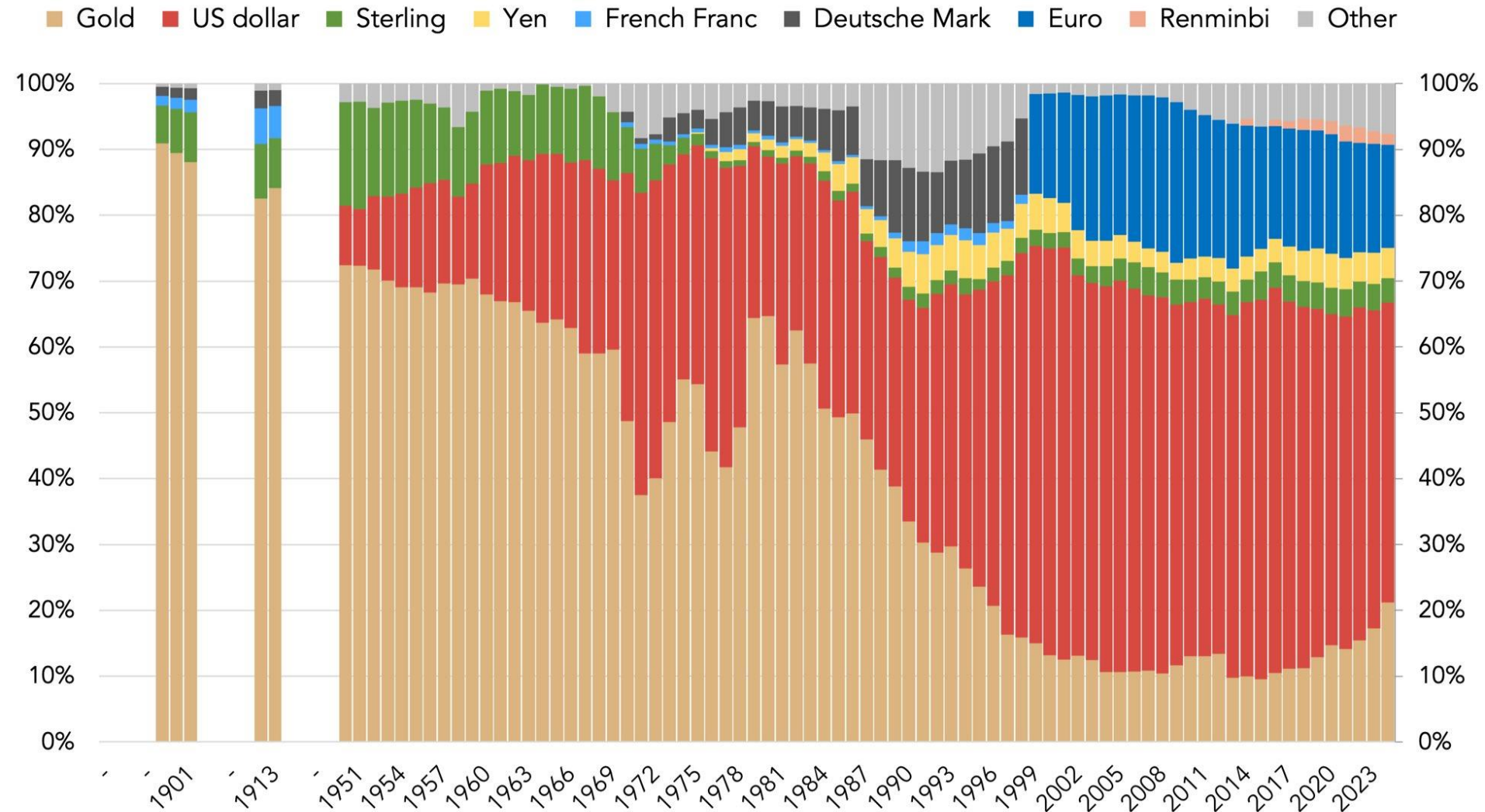


## Gold leads all major assets in 2025

Year-to-date change, %



# Global International Reserves (inc 2024)



Source: IMF, P. Lindert, World Gold Council, B. Eichengreen & A. Mehl



@JanGold\_

## Central banks are ploughing record amounts into gold

Net central bank purchases/sales\* (tonnes of bullion)

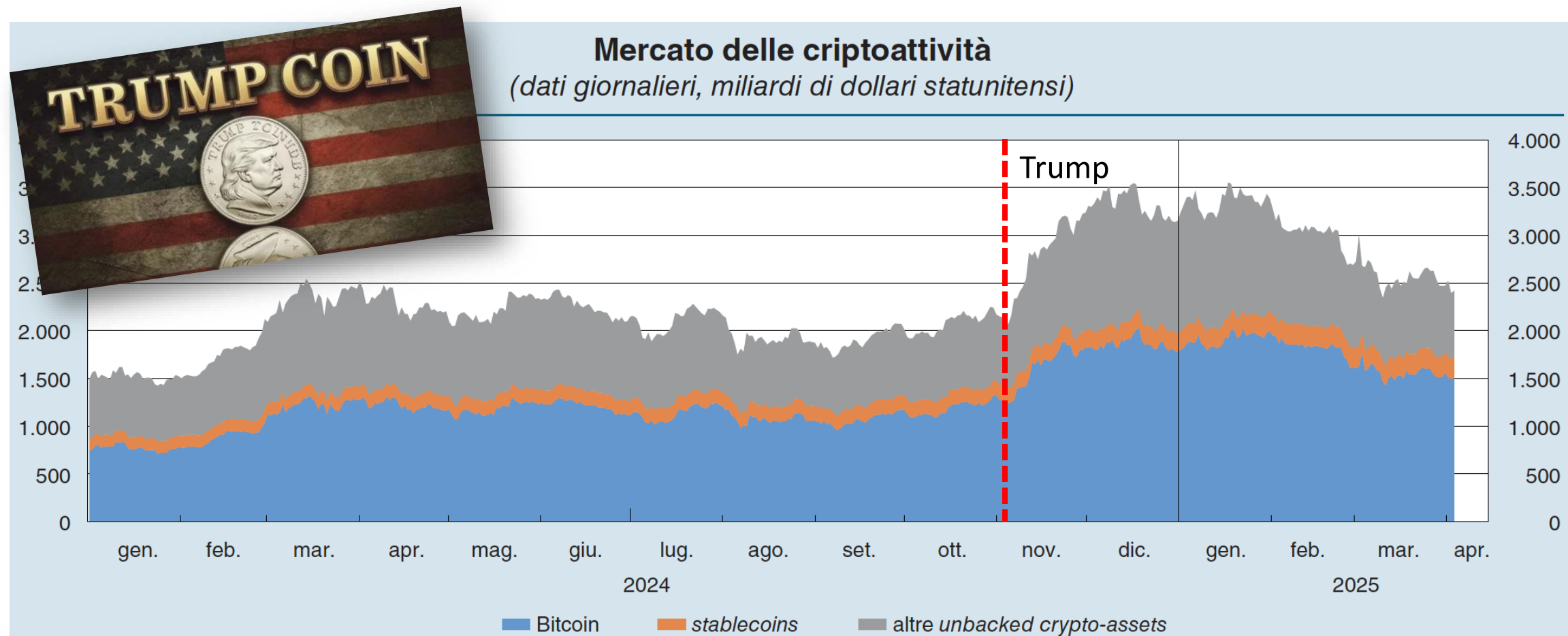


FINANCIAL TIMES

Source: Metals Focus, Refinitiv GFMS, World Gold Council • \*net demand (i.e. gross purchases less gross sales) by central banks and other official sector institutions, including supranational entities such as the IMF. Swaps and the effects of delta hedging are excluded



# The «Trump Effect» on cryptoassets



Fonte: elaborazioni su dati CoinmarketCap.

The global market value of gold is \$23.8T, or 11 times that of bitcoin. In January 2023, it was 38 times

Gold - Market Cap vs. Bitcoin - Market Cap  
MacroMicro.me | MacroMicro



# Cryptoassets, especially stablecoins, despite being “fiduciary assets” are gaining the status of new global institutions: they are now worth \$3.27T

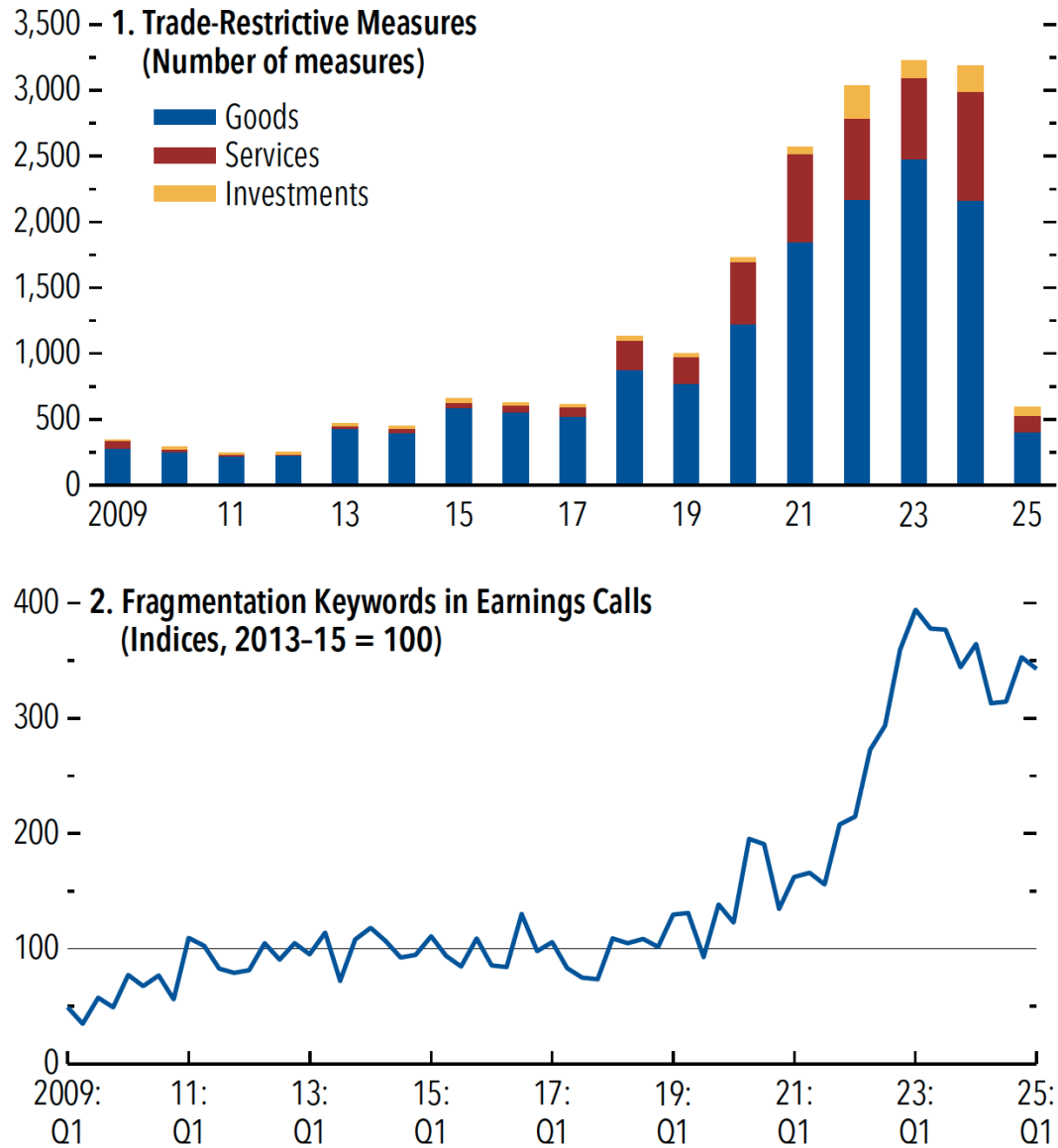


# CUSTOMS DUTY

Once upon a time, it never really existed a world of «free trade»...



**Figure 1.20. Rising Trade Restrictions and Fragmentation Concerns**



Sources: Global Trade Alert; Refinitiv Eikon; and IMF staff calculations.

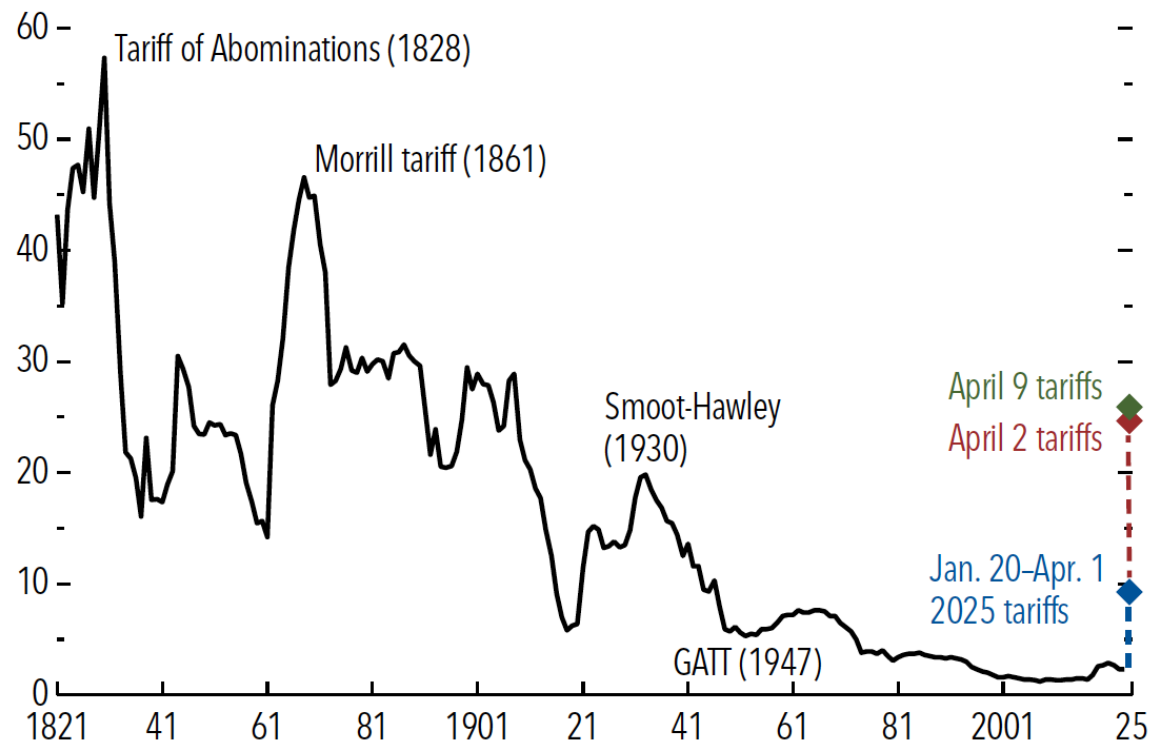
**More than 10.000  
harmful interventions on  
trade just in the last 4  
years.**

**But the majority is on  
goods, not on services...**



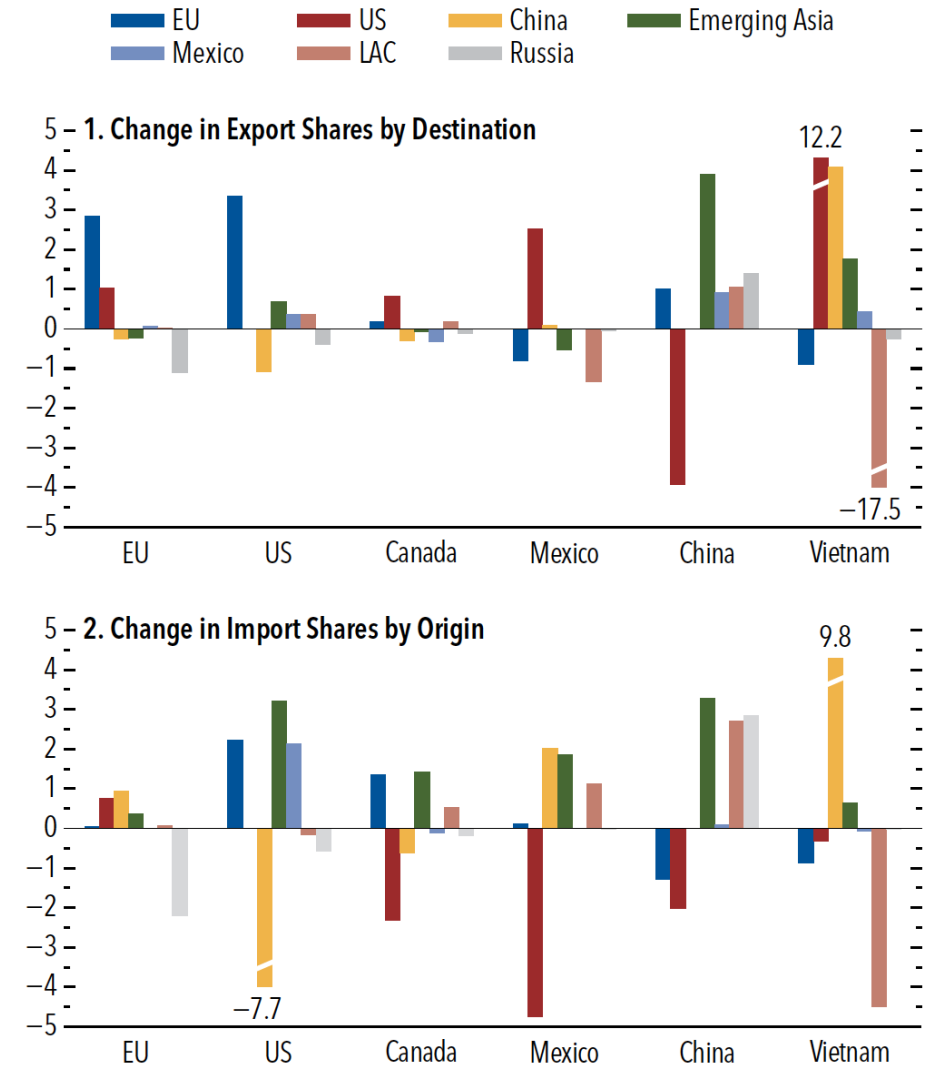
# US tariffs at record levels in last century, but trade with China had already been reduced

**Figure ES.1. US Effective Tariff Rates on All Imports**  
(Percent)



Sources: US Bureau of the Census, *Historical Statistics of the United States, 1789-1945*; US International Trade Commission; and IMF staff calculations.

**Figure 1.14. Changes in Trade Composition**  
(Percentage points, change in trade shares, 2023-24 minus 2016-17)



Sources: IMF, Direction of Trade Statistics; and IMF staff calculations.

Note: "Emerging Asia" excludes China and "LAC" excludes Mexico. EMDE = emerging market and developing economy; EU = European Union; LAC = Latin America and the Caribbean.



# Goods and Services Trade Deficit

Seasonally adjusted

Billion \$

150  
140  
130  
120  
110  
100  
90  
80  
70  
60  
0

Apr 2023

Apr 2024

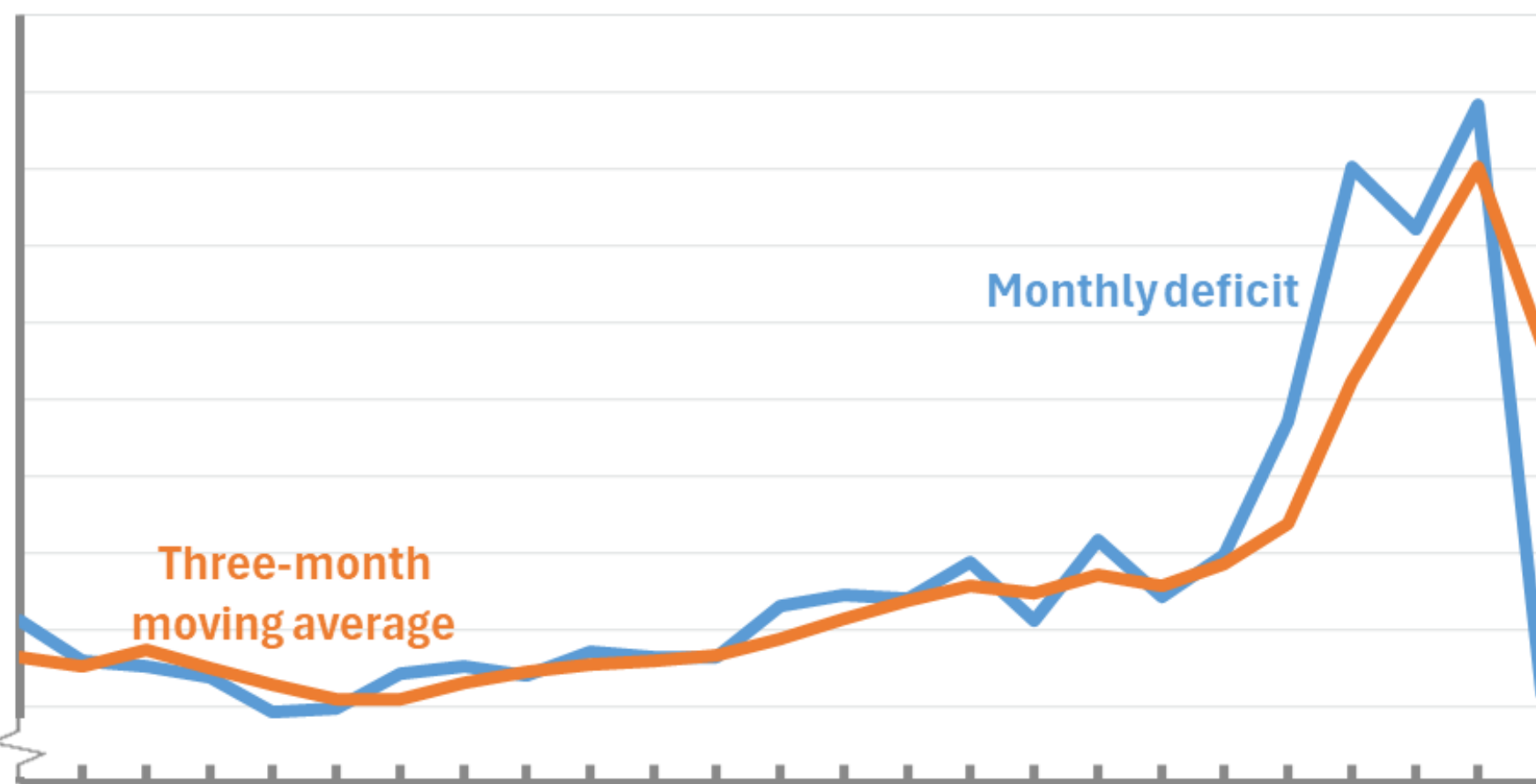
Apr 2025

Three-month  
moving average

Monthly deficit

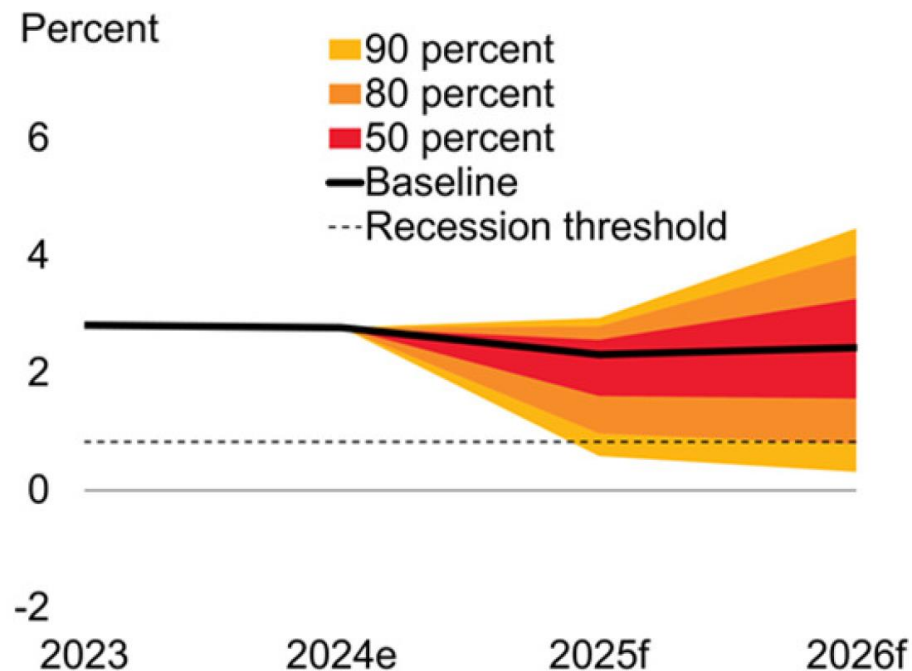
U.S. Bureau of Economic Analysis  
U.S. Census Bureau

U.S. International Trade in Goods and Services  
June 5, 2025



# The World Bank prospects the sharpest downgrade of AE's growth in 2025 (-0.5%)

## A. Probability distribution around global growth forecast



**TABLE 1.1 Real GDP<sup>1</sup>**

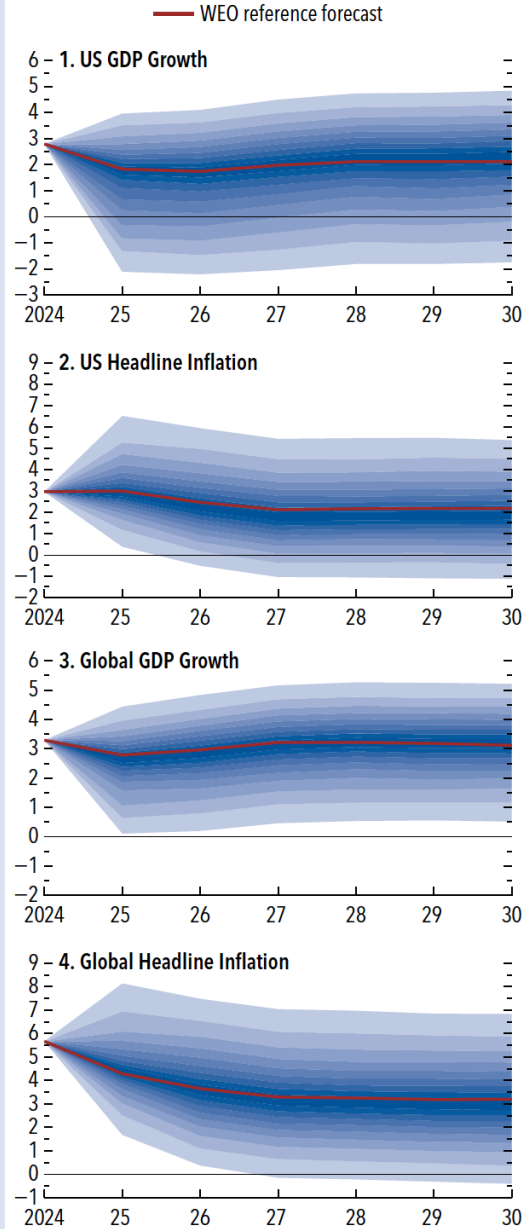
(Percent change from previous year unless indicated otherwise)

Percentage-point differences  
from January 2025 projections

	2022	2023	2024e	2025f	2026f	2027f	2025f	2026f
<b>World</b>	3.3	2.8	2.8	2.3	2.4	2.6	-0.4	-0.3
<b>Advanced economies</b>	2.9	1.7	1.7	1.2	1.4	1.5	-0.5	-0.4
United States	2.5	2.9	2.8	1.4	1.6	1.9	-0.9	-0.4
Euro area	3.5	0.4	0.9	0.7	0.8	1.0	-0.3	-0.4
Japan	0.9	1.4	0.2	0.7	0.8	0.8	-0.5	-0.1
<b>Emerging market and developing economies</b>	3.8	4.4	4.2	3.8	3.8	3.9	-0.3	-0.2
East Asia and Pacific	3.6	5.2	5.0	4.5	4.0	4.0	-0.1	-0.1
China	3.1	5.4	5.0	4.5	4.0	3.9	0.0	0.0
Indonesia	5.3	5.0	5.0	4.7	4.8	5.0	-0.4	-0.3
Thailand	2.6	2.0	2.5	1.8	1.7	2.3	-1.1	-1.0
Europe and Central Asia	1.5	3.6	3.6	2.4	2.5	2.7	-0.1	-0.2
Russian Federation	-1.4	4.1	4.3	1.4	1.2	1.2	-0.2	0.1
Türkiye	5.5	5.1	3.2	3.1	3.6	4.2	0.5	-0.2
Poland	5.3	0.2	2.9	3.2	3.0	2.9	-0.2	-0.2
Latin America and the Caribbean	4.0	2.4	2.3	2.3	2.4	2.6	-0.2	-0.2
Brazil	3.0	3.2	3.4	2.4	2.2	2.3	0.2	-0.1
Mexico	3.7	3.3	1.5	0.2	1.1	1.8	-1.3	-0.5
Argentina	5.3	-1.6	-1.8	5.5	4.5	4.0	0.5	-0.2
Middle East and North Africa	5.4	1.6	1.9	2.7	3.7	4.1	-0.7	-0.4
Saudi Arabia	7.5	-0.8	1.3	2.8	4.5	4.6	-0.6	-0.9
Iran, Islamic Rep. <sup>2</sup>	3.8	5.0	3.0	-0.5	0.3	1.8	-3.2	-1.9
Egypt, Arab Rep. <sup>2</sup>	6.6	3.8	2.4	3.8	4.2	4.6	0.3	0.0
South Asia	6.0	7.4	6.0	5.8	6.1	6.2	-0.4	-0.1
India <sup>2</sup>	7.6	9.2	6.5	6.3	6.5	6.7	-0.4	-0.2
Bangladesh <sup>2</sup>	7.1	5.8	4.2	3.3	4.9	5.7	-0.8	-0.5
Pakistan <sup>2</sup>	6.2	-0.2	2.5	2.7	3.1	3.4	-0.1	-0.1
Sub-Saharan Africa	3.9	2.9	3.5	3.7	4.1	4.3	-0.4	-0.2
Nigeria	3.3	2.9	3.4	3.6	3.7	3.8	0.1	0.0
South Africa	2.1	0.8	0.5	0.7	1.1	1.3	-1.1	-0.8
Angola	3.0	1.0	4.4	2.7	2.6	3.2	-0.2	-0.3
<b>Memorandum items:</b>								
<b>Real GDP<sup>1</sup></b>								
High-income countries	2.9	1.7	1.9	1.3	1.5	1.7	-0.5	-0.4
Middle-income countries	3.9	4.8	4.4	4.1	4.0	4.0	-0.2	-0.1
Low-income countries	4.4	2.8	4.6	5.3	6.1	6.0	-0.4	0.2
EMDEs excluding China	4.2	3.7	3.6	3.4	3.7	4.0	-0.4	-0.2
Commodity-exporting EMDEs	3.3	2.7	3.1	2.9	3.2	3.4	-0.3	-0.2
Commodity-importing EMDEs	4.0	5.2	4.7	4.3	4.1	4.2	-0.2	-0.1
Commodity-importing EMDEs excluding China	5.4	4.9	4.2	3.9	4.4	4.6	-0.5	-0.2
EM7	3.5	5.4	4.8	4.1	3.9	3.9	-0.1	0.0
World (PPP weights) <sup>3</sup>	3.5	3.4	3.3	2.9	3.0	3.1	-0.3	-0.2
<b>World trade volume<sup>4</sup></b>	5.9	0.8	3.4	1.8	2.4	2.7	-1.3	-0.8
<b>Commodity prices<sup>5</sup></b>								
WBG commodity price index	142.5	108.0	105.1	94.2	89.0	91.9	-4.3	-7.7
Energy index	152.6	106.9	101.5	86.2	80.2	84.4	-7.4	-11.5
Oil (US\$ per barrel)	99.8	82.6	80.7	66.0	61.0	65.0	-6.0	-10.0
Non-energy index	122.1	110.2	112.5	110.3	106.8	107.1	1.8	-0.2

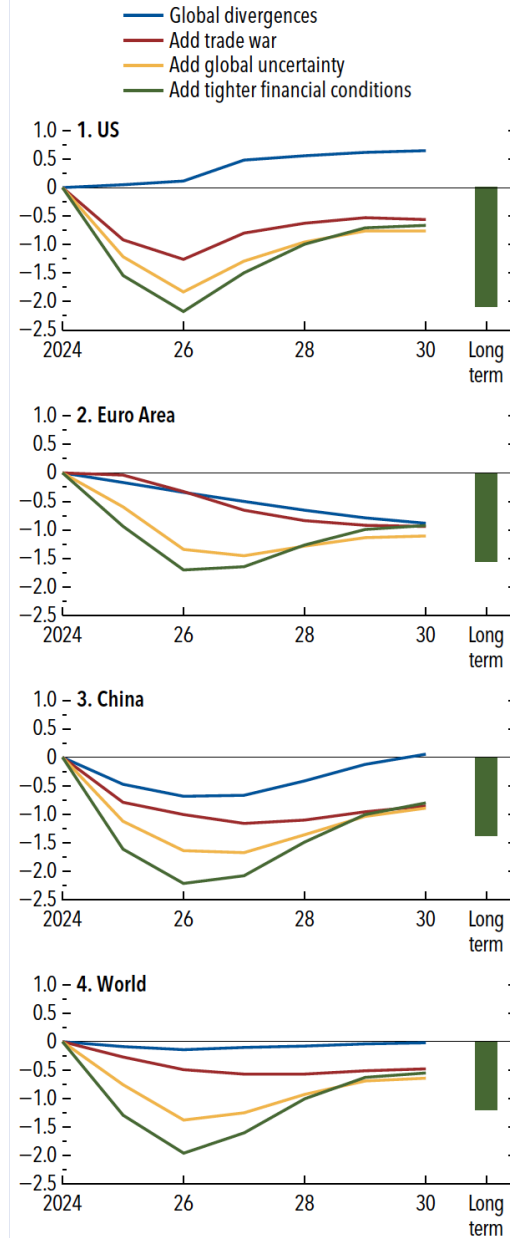
Level differences from  
January 2025 projections

**Figure 1.1.1. Forecast Uncertainty around Global Growth and Inflation Projections**  
(Percent)



Source: IMF staff estimates.

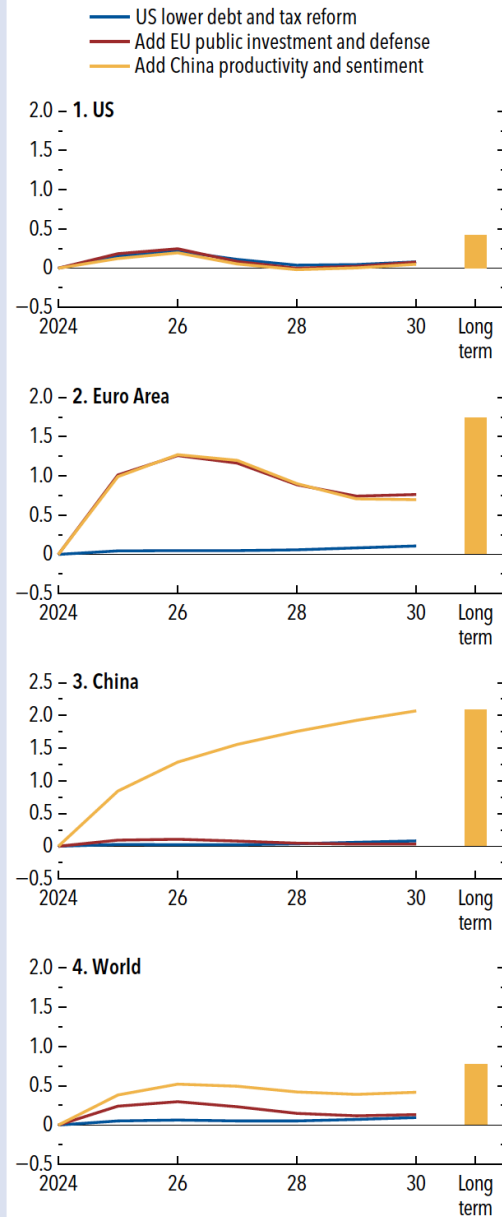
**Figure 1.1.2. Impact of Scenario A on GDP**  
(Percent deviation from reference forecast)



Source: IMF staff estimates.

Note: "Long term" is at least 50 years ahead.

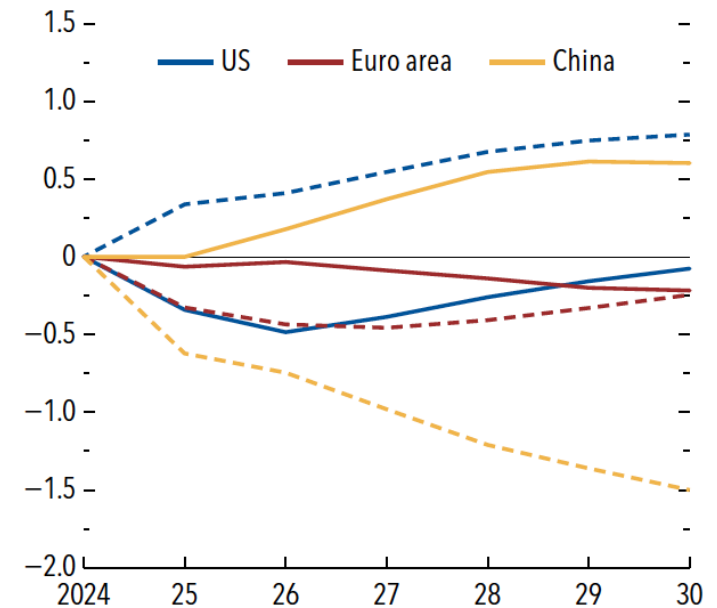
**Figure 1.1.3. Impact of Scenario B on GDP**  
(Percent deviation from reference forecast)



Source: IMF staff estimates.

Note: "Long term" is at least 50 years ahead. EU = European Union.

**Figure 1.1.4. Impact of Scenarios A and B on Current Account in Percent of GDP**  
(Percentage point deviation from reference forecast; solid = Scenario A, dashed = Scenario B)



Source: IMF staff estimates.

Note: Scenario A includes global divergences, trade war, increases in global uncertainty, and tighter financial conditions. Scenario B includes lower debt and tax reform in the US, higher public spending in the European Union, and productivity gains and rebalancing in China.

# Agenda



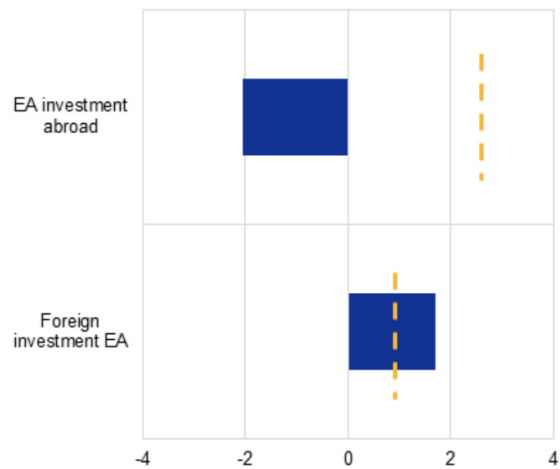
1. Short US!

**2. Long EU?**

# EU-bonds are poised to become the new global safe asset, but today they are worth only €580B, or about 2% of the liquid US government bond market.

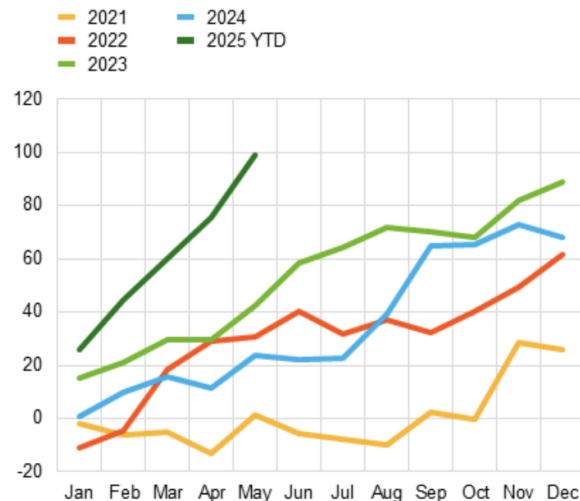
Cross-border investments in bonds through investment funds

(monthly flows in EUR bn)



Net issuance of EUR denominated bonds by non-euro area corporations

(accumulated flows in EUR bn since the beginning of every year)



Sources left: EPFR and ECB calculations.

Note left: The bars represent the total flows for March, April, and May 2025. March and April data are based on monthly reports, while May's flow is calculated from daily data, which has lower coverage since some funds report only on a monthly basis. The vertical line shows the 2024 average.

The latest observations are for May 2025.

Sources right: ECB (CSDB) and ECB calculations.



SPEECH

## The euro area bond market

Keynote speech by Philip R. Lane, Member of the Executive Board of the ECB, at the Government Borrowers Forum 2025

Dublin, 11 June 2025

### Expanding the pool of safe assets

These developments (stable bond yields, increased foreign holdings of euro-denominated bonds) have naturally led to renewed interest in the international role of the euro.<sup>[14]</sup>

The euro ranks as the second largest reserve currency after the dollar. However, the current design of the euro area financial architecture results in an under-supply of the safe assets that play a special role in investor portfolios.<sup>[15]</sup> In particular, a safe asset should rise in relative value during stress episodes, thereby providing essential hedging services.



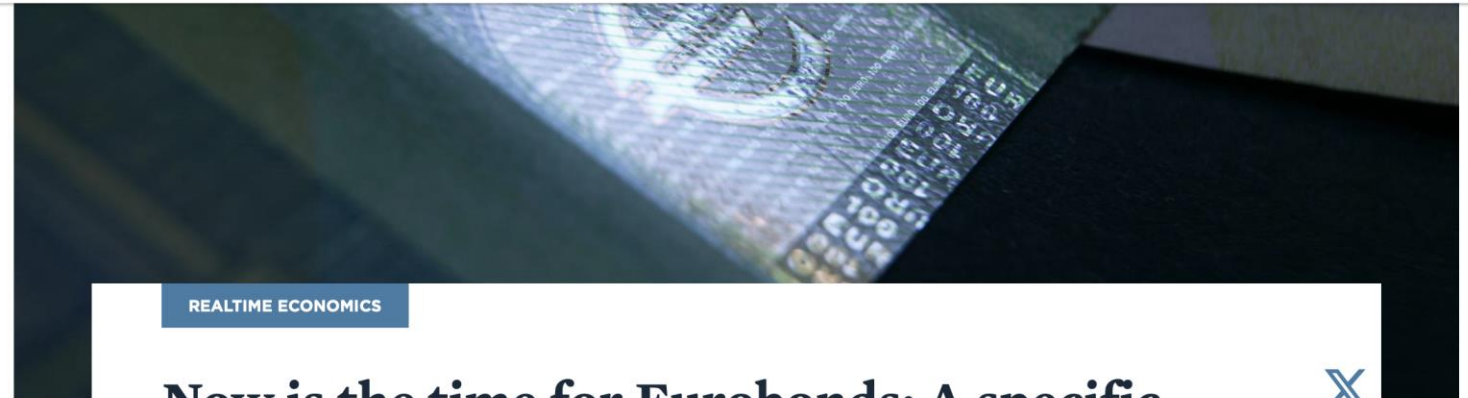
# 'Blue' euro bonds to rival Treasuries?

[Mike Dolan](#) June 10, 2025 12:03 AM GMT+2 Updated a day ago



People stand next to the Milan Bourse (Italian stock exchange) to trade and growth caused by U.S. President Donald Trump's policies on dozens of countries, in Milan, Italy, April 3, 2025. REUTERS

## The Blue Sky of Eurobond



REALTIME ECONOMICS

### Now is the time for Eurobonds: A specific proposal

Olivier Blanchard (PIIE) and Ángel Ubide (Citadel)

May 30, 2025 9:18 AM

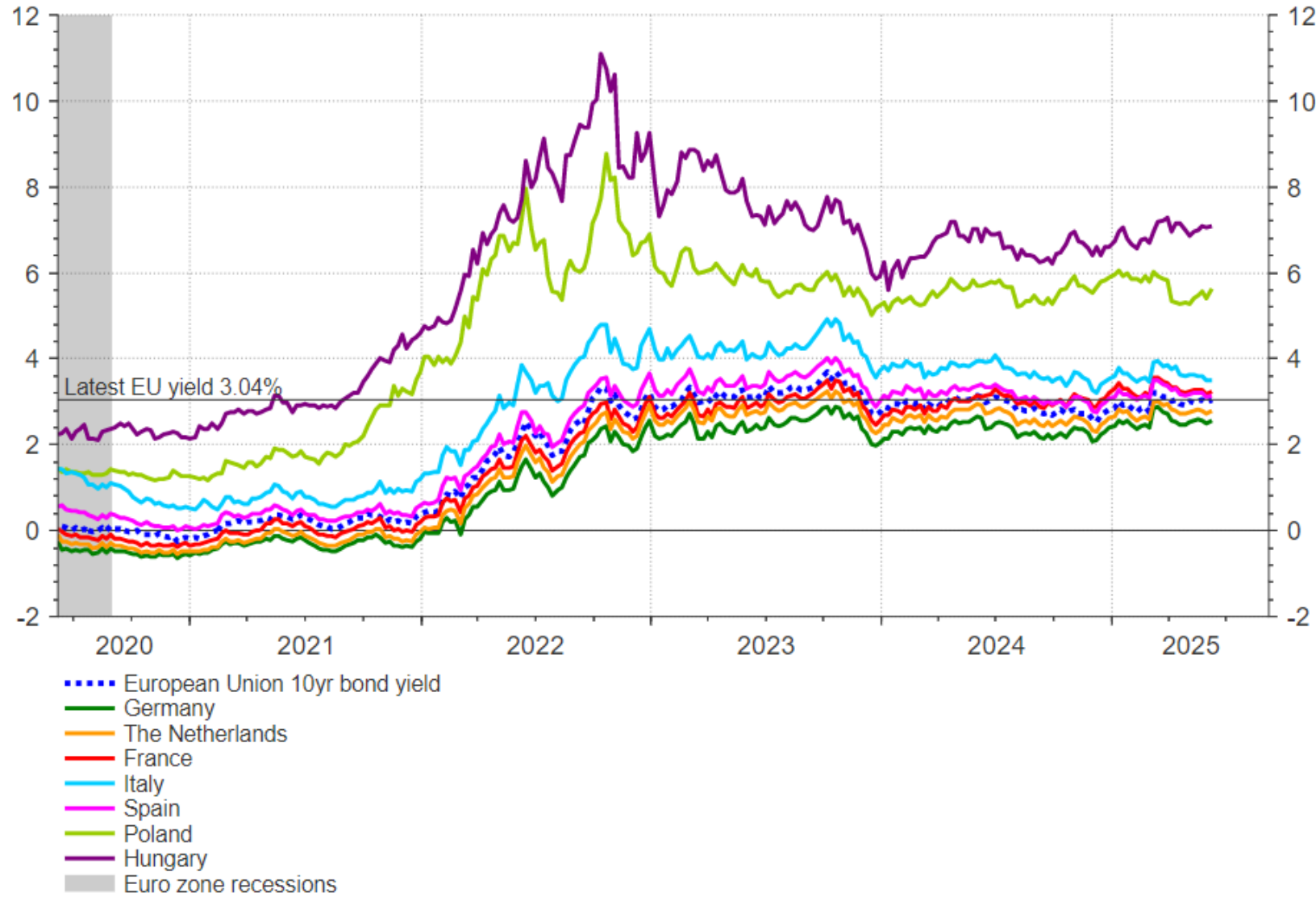
Photo Credit: dpa/Karl-Josef Hildenbrand

*Authors' note: Angel Ubide's views are strictly his own and do not represent those of Citadel. We thank Ludovic Subran, Shahin Vallee, Jeromin Zettelmeyer, Jean Pisani-Ferry, Bertrand Badre, Jakob von Weizsacker, Jean Noel Barrot, Francesco Giavazzi, Viral Acharya, Guido Lorenzoni, and staff members at the Banque de France and the European Central Bank for discussions and comments.*





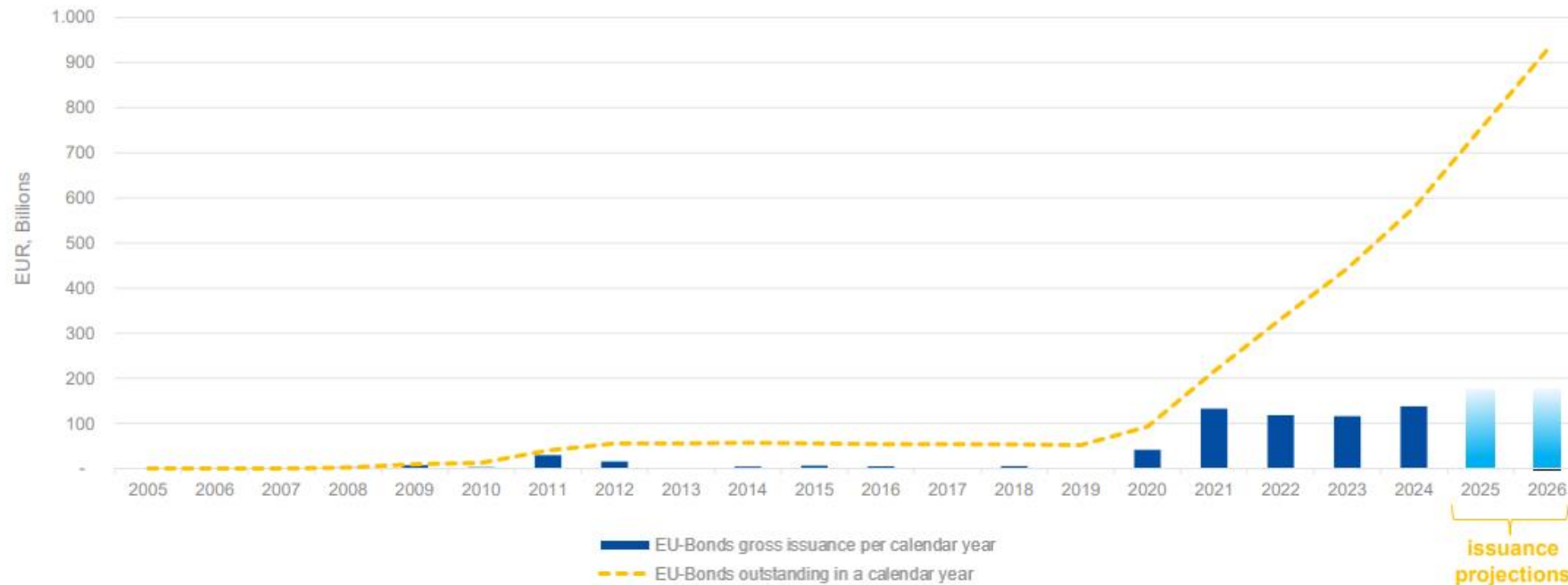
## **Joint EU borrowing cheaper than most EU govts**

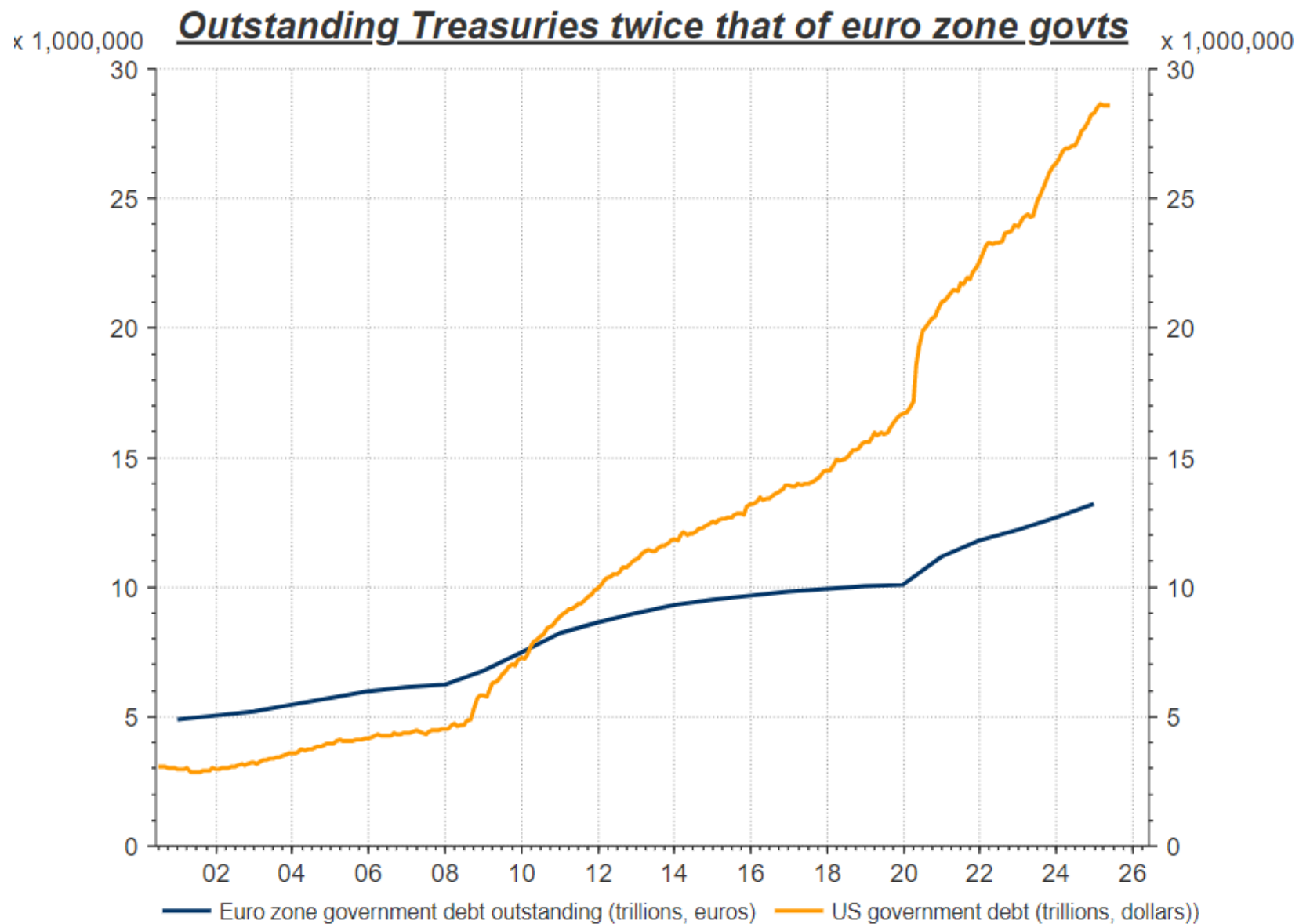


Source: LSEG Datastream

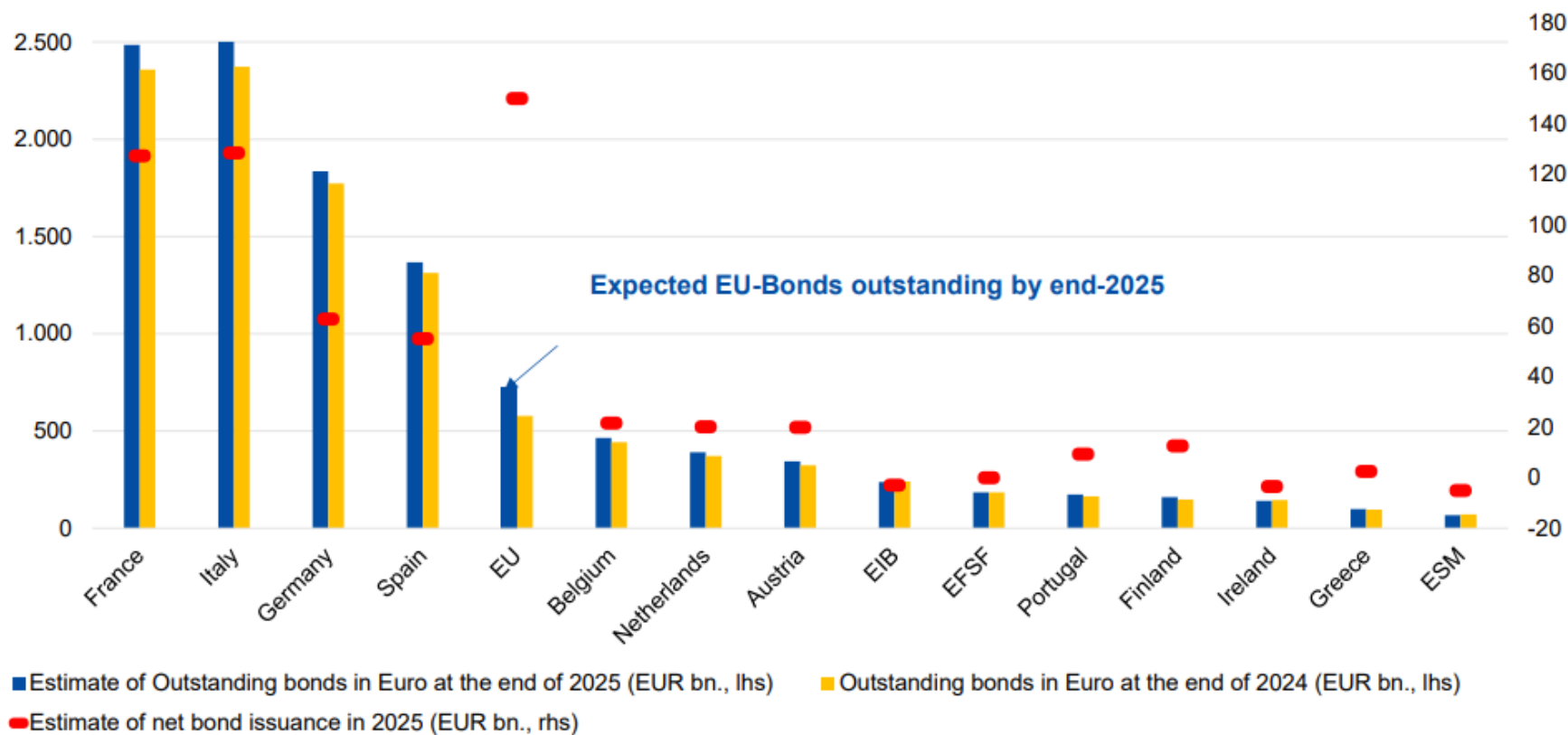
## EVOLUTION OF EU ISSUANCES

# EU issuances: Supporting EU political priorities at unprecedented scale





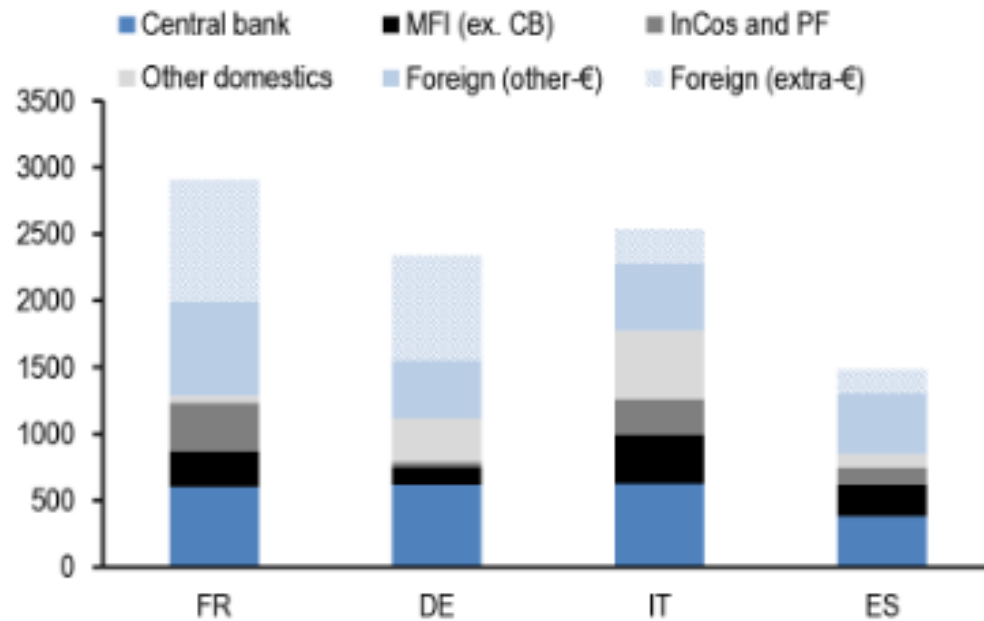
# EU issuance volumes comparable to those of the largest EGBs



The EU is **one of top 5 issuers** of Euro-denominated securities

**Figure 9: As of end 2024, the percentage of govie holdings in the hands of non-€ foreign investors varied widely across Euro area countries, being around 30% for German and French govies and 10% for Italy and Spain**

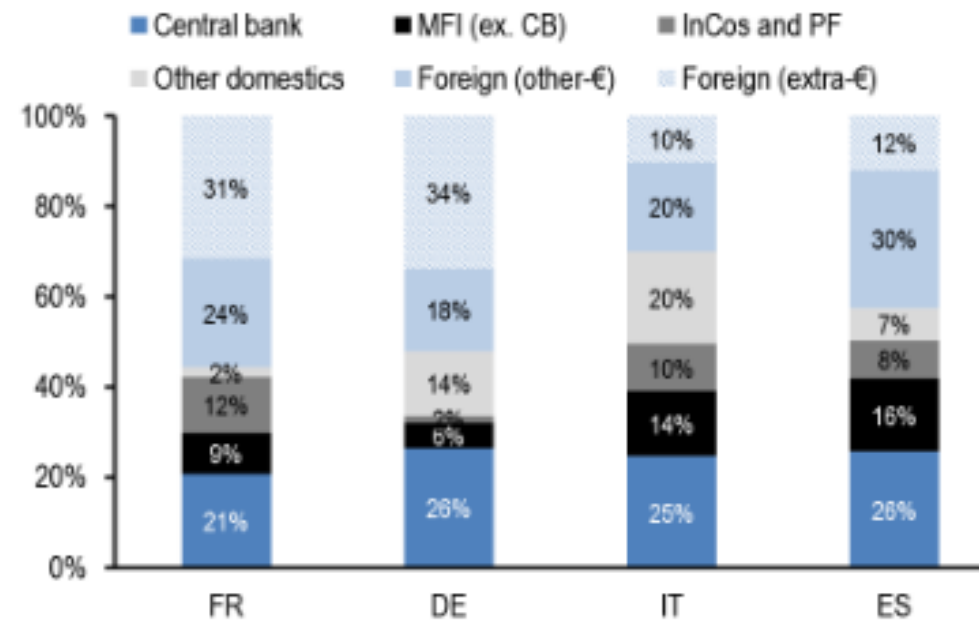
Euro area general government debt securities holdings by type of investor; as of 4Q24; €bn



Note: Data reported at face value, thus not affected by valuation changes.

Source: ECB, J.P. Morgan.

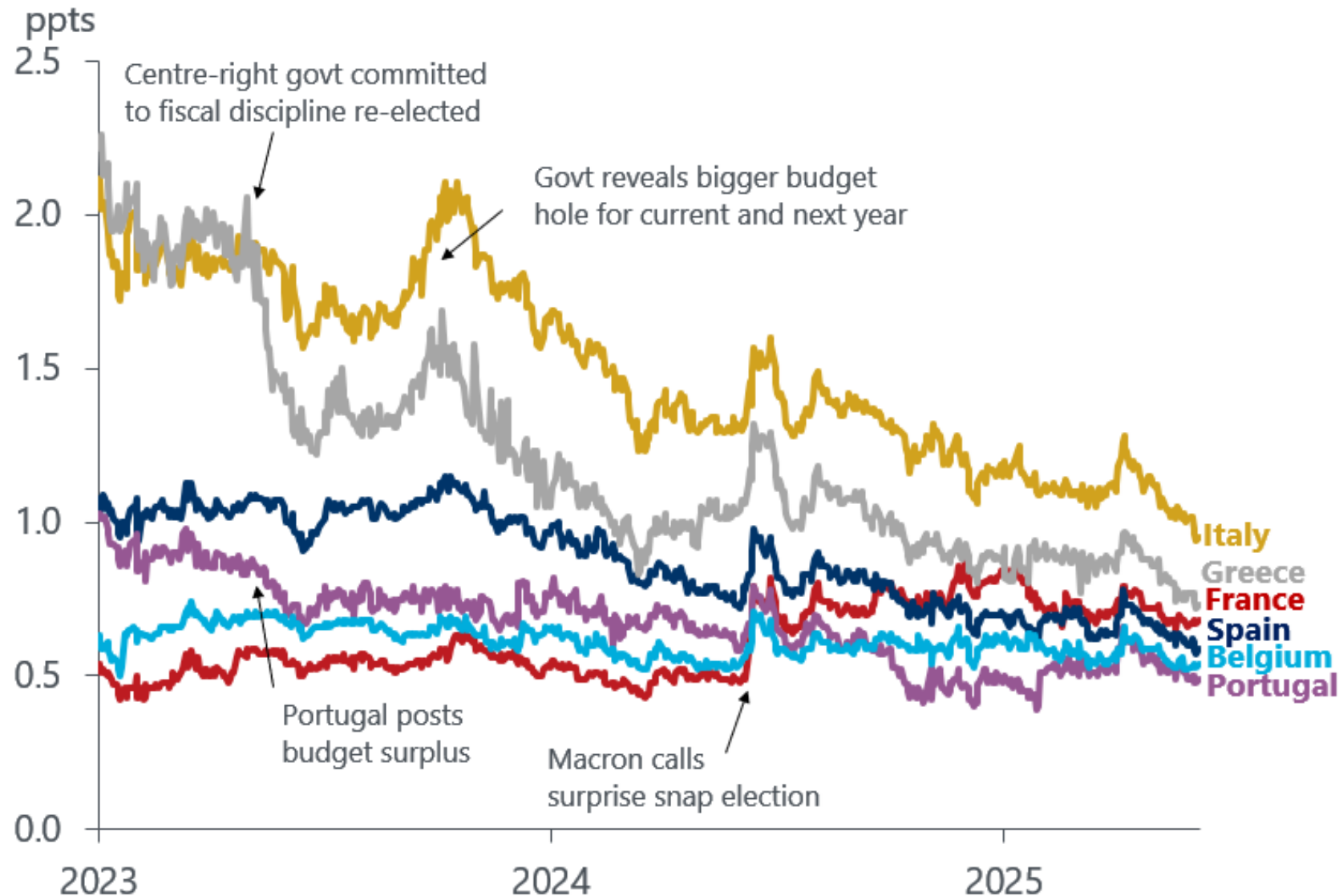
Euro area general government debt securities holdings by type of investor; as of 4Q24; % of total assets



Note: Data reported at face value, thus not affected by valuation changes.

Source: ECB, J.P. Morgan.

## Europe: 10 year gov't bond yield, spread with Germany



Source: Oxford Economics/Haver Analytics





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NEWS

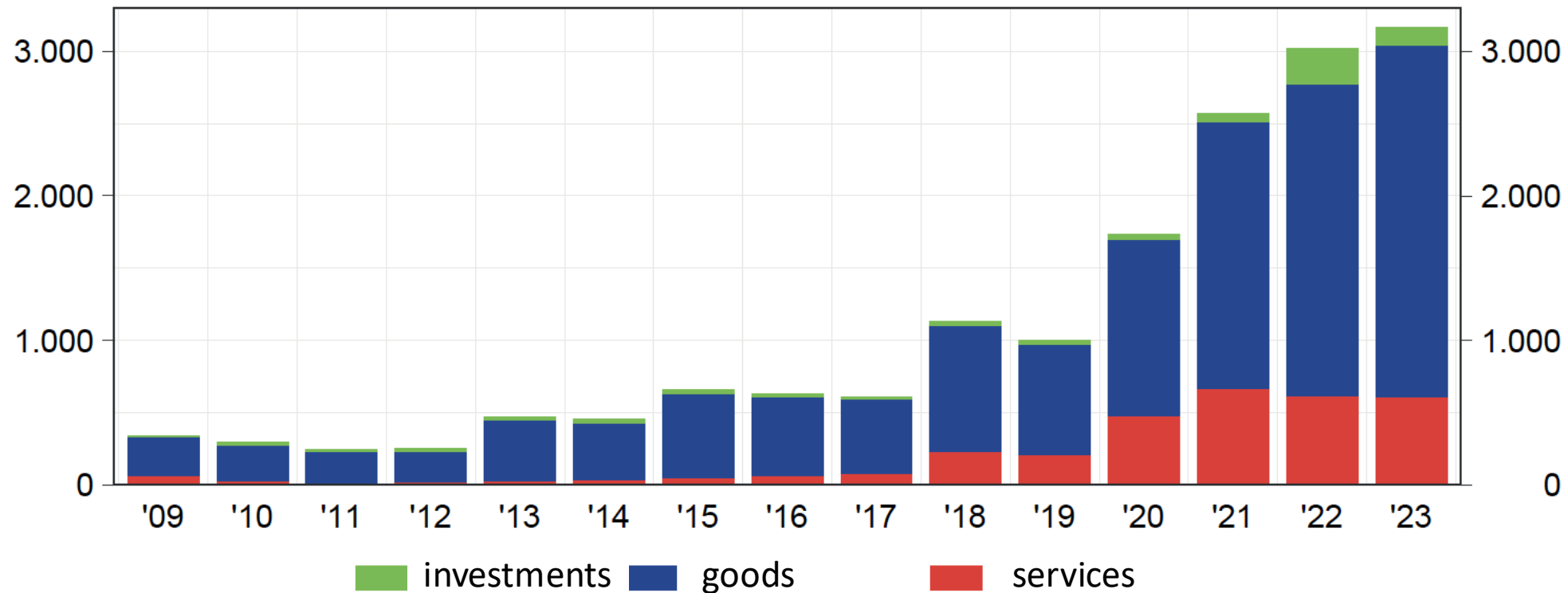
Choose Europe for Science  
Paris - Lundi 5 mai 2025

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# Tariffs impact on industrial areas, not on service segments. Cities are the factories of the service industry.

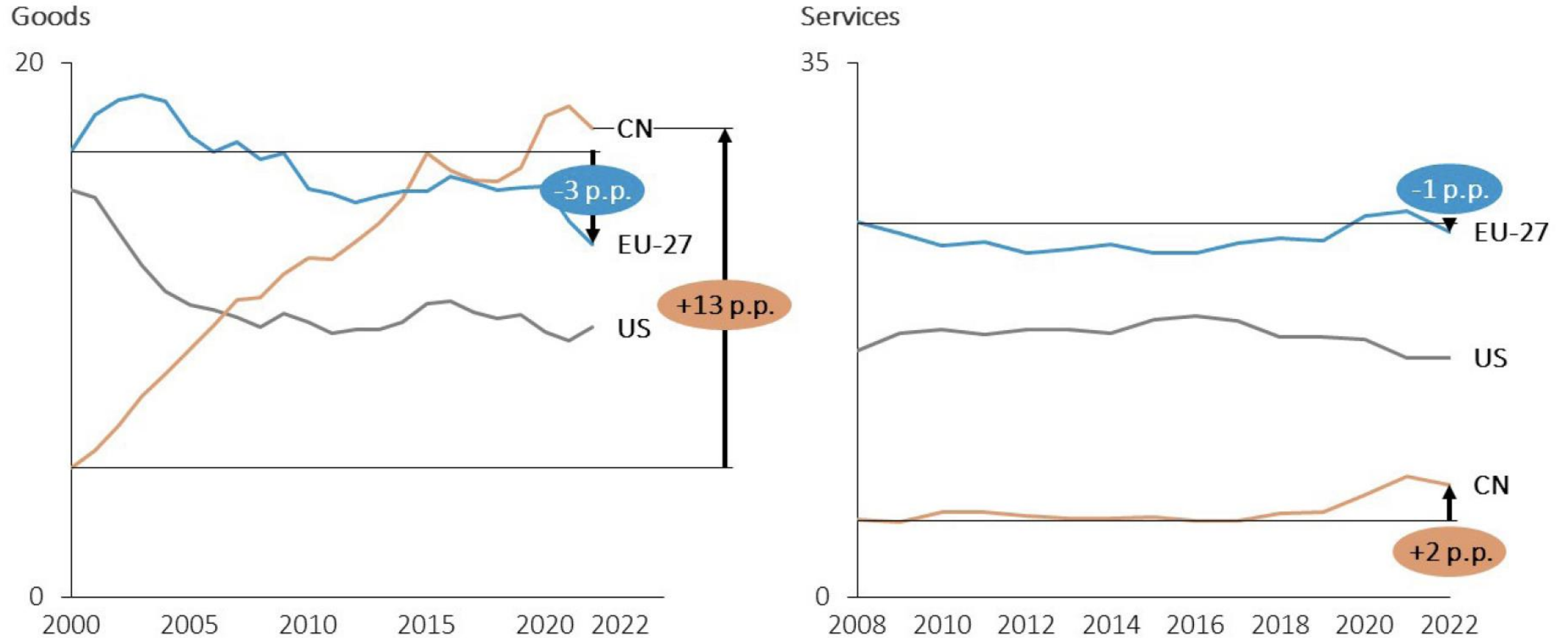


Fonte: Global Trade Alert.

# China: a giant in goods, (yet) a dwarf in services

## Share in world trade in goods and services

% of global trade, excluding intra-EU trade

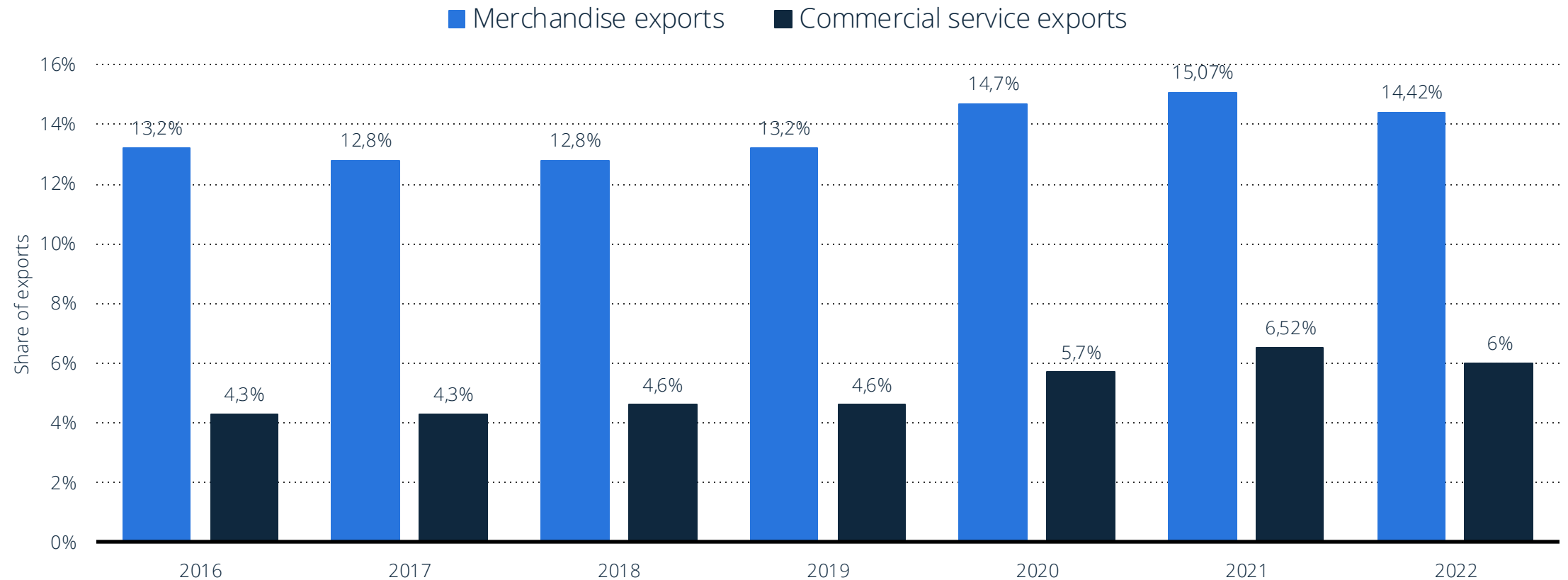


Note: The data refers to goods trade (lhs) and services trade (rhs), excluding intra-EU. The global total is the net of intra-EU trade.

Source: European Commission (JRC). Based on WTO.

# China's share of global exports in services is a small fraction of the share in merchandises

China's share in global exports (merchandise vs services) 2016-2022



Note(s): China; 2016 to 2022

Source(s): WTO; ID 256604

European Parliament

2024-2029



TEXTS ADOPTED

P10\_TA(2025)0034

White paper on the future of European defence

European Parliament resolution of 12 March 2025 on the white paper on the future of European defence

## White Paper on Defense: Joint EU procurement and industrial integration with Ukraine

The follow-up document to the 'Rearm Europe' plan is taking shape. The Commission tries to take the role of a steering cabin, as it did with COVID-19. It includes new direct support to Kyiv.



by Emanuele Bonini X emanuelebonini — 14 March 2025 in Politics, in the spotlight



# EU Defence: The Paper is White...

Defence

## EU Commission White Paper sets out steps for 'single market for defence'

The Commission also listed seven areas in which there are "several different critical capability projects" and where EU countries needed to prioritise spending.

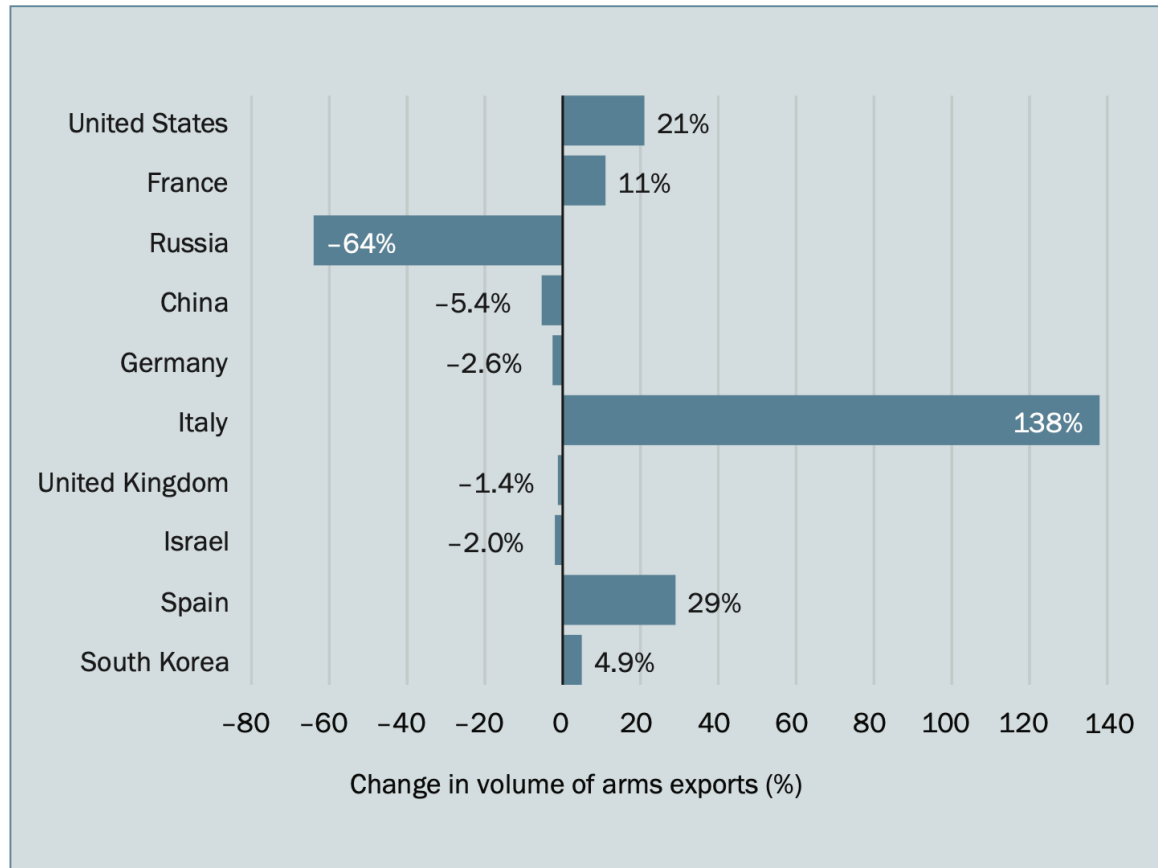




# Export of Major Arms 2020-24 vs. 2015-19:

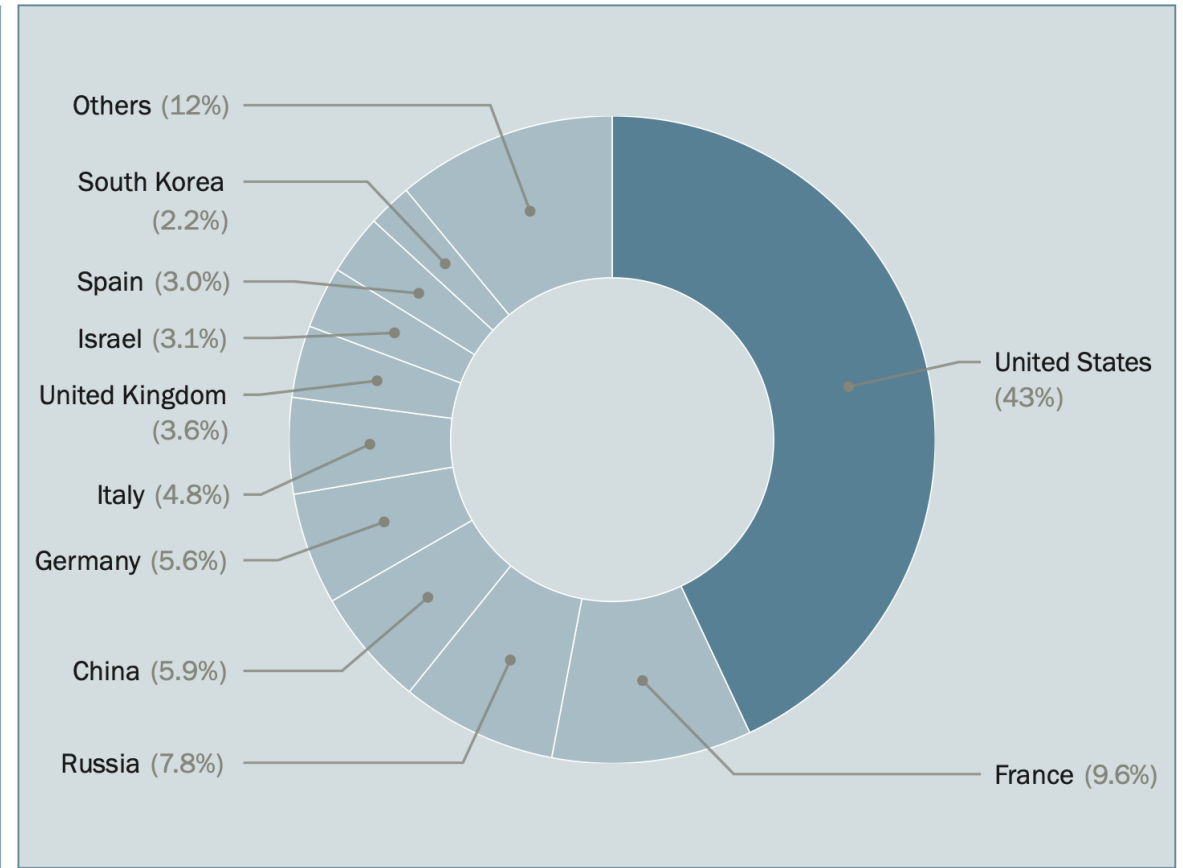
## Russia -64%, US +21%, France +11%, Spain +29%

*EU+UK: 26.6%. Italy is for now the clear winner of the arm race: +138%.*



**Figure 3.** Changes in volume of exports of major arms since 2015–19 by the 10 largest exporters in 2020–24

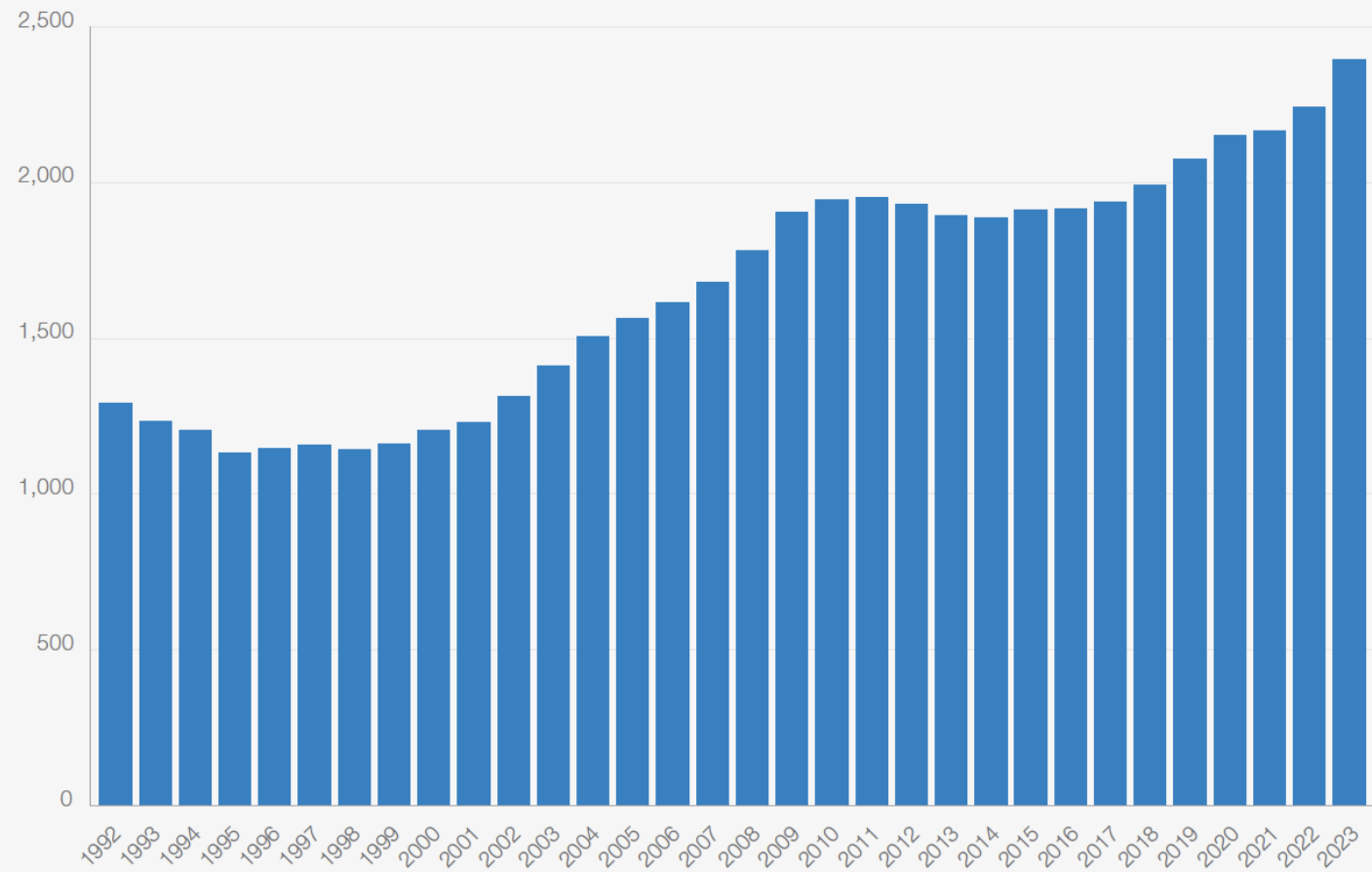
Source: SIPRI Arms Transfers Database, Mar. 2025.



**Figure 2.** Global share of exports of major arms by the 10 largest exporters, 2020–24



FIGURE 1.13 | World military expenditure (billion \$), 1992-2023



Source  
Stockholm International Peace Research Institute, *Military Expenditure Database*.

Note  
Values are in billion \$ at constant 2022 prices and exchange rates.

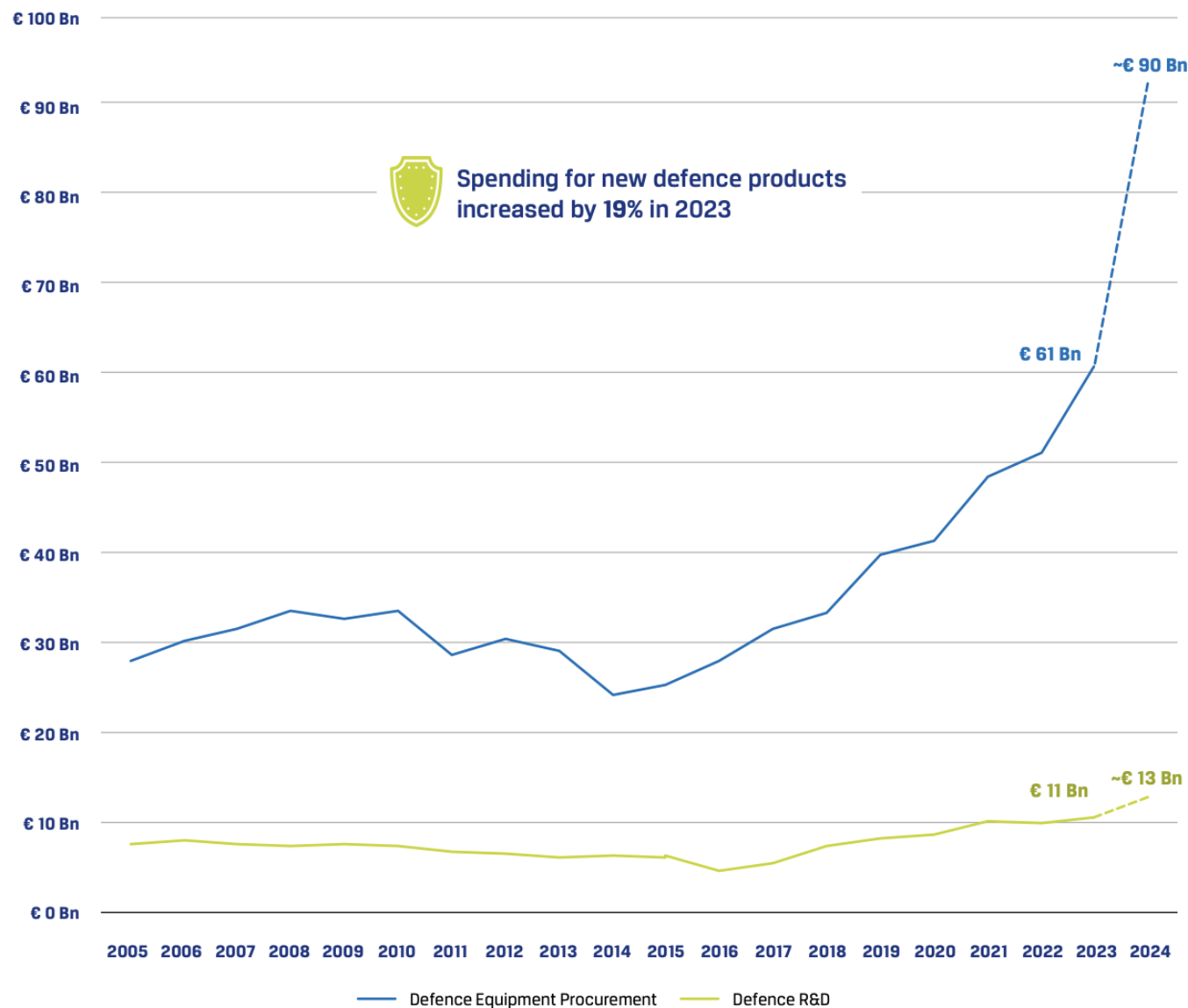
In 2023 the historical record of military expenditure: \$2.4 trillion

World military expenditure increased for the ninth consecutive year in 2023, reaching a total of \$2.4 trillion,11 with 2023 seeing a steep rise over 2022 (see Figure 1.13). The top five countries accounted for 61% of the total. As governments with strengthening militaries perceive that multilateral constraints on unilateral military action are weaker, there could be more instances of cross-border military interventions in the coming years.

# Defence Equipment Procurement and Defence R&D reached €90bn in 2024

Figure 7. Defence Equipment Procurement and Defence R&D

Figures are in constant 2023 prices



# Evolution of Common Technological Platforms

*Understanding the Technological Shift in European Defence Technological and Industrial Base (EDTIB)*

## European Defence Technological and Industrial Base (EDTIB)

The European Defence Technological and Industrial Base (EDTIB) serves as the backbone for modern, integrated defense capabilities across Europe, enabling collaborative defense efforts among nations.

## Transformation Driven by Technology

The EDTIB is currently experiencing a swift transformation fueled by advancements in various technologies, which are reshaping defense strategies and operational capabilities.

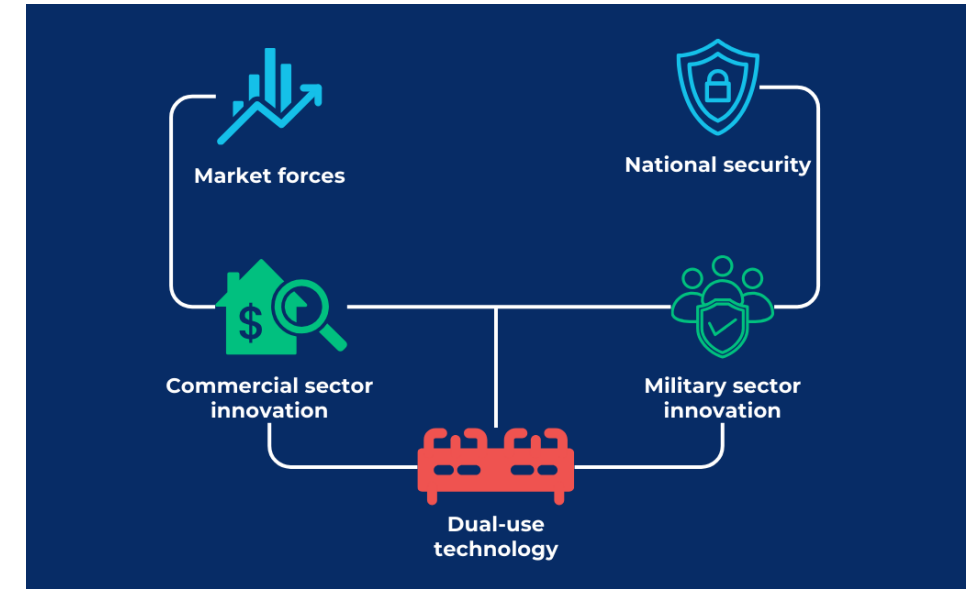
## Unmanned Systems & Space Based Platforms

Unmanned systems, including drones, are becoming key components in modern warfare, providing enhanced surveillance, reconnaissance, and operational reach without putting personnel at risk. Space-based platforms, such as satellites, play a crucial role in defense communications, navigation, and intelligence gathering, contributing to a more informed and responsive defense posture.



# Exploring Dual-Use Opportunities

*Leveraging Defense Technologies for Civilian Use*



**Understanding  
Dual-Use  
Technology**



**Drones: Versatile  
Applications**



**Satellites: Bridging  
Sectors**



**Artificial  
Intelligence: A  
Dual Role**



**Quantum  
Computing: Future  
Potential**

# European Defence Platforms: Defining the Funding Mechanism

*Exploring the dynamics of defense funding strategies*

## Jumbo Bonds and Junior Tranches



The EU plans to issue jumbo bonds to raise capital for defense expenditures. Junior tranches of these bonds carry higher risk but are guaranteed by the EU, which significantly mitigates investment risks for private investors, making them more likely to participate.

## Public-Private Partnership (PPP)



This funding mechanism is rooted in public-private partnerships, attracting private investors to defense projects. The reduced risk and assurance of long-term returns motivate these investors, as the fund will support the complete lifecycle of defense systems, from research and development to production and deployment.

## Leveraging Investment



By utilizing private capital, the EU can exponentially increase its overall defense investment. This strategy is particularly beneficial for funding capital-intensive projects in emerging technologies, including advanced drones, AI systems, and quantum computing, ensuring these projects receive necessary financial support.

## Market-Driven Innovation



This innovative funding approach not only addresses existing funding gaps but also fosters a market-driven environment for technological innovation. It encourages competition among private investors, leading to advancements in defense technology and systems.

# European Industrial Platforms: the economic challenges of the next decade

- **Defence and satellites:** building a common European industry capable of competing with global powers.
- **Energy:** development of safe nuclear technologies, advanced renewable sources, smart grid networks, green hydrogen.
- **Telecommunications, cloud and Artificial Intelligence:** creation of autonomous European infrastructures for data management and AI development, reducing dependence on non-EU players.
- **New materials, automotives, steel, metals:** relaunching strategic supply chains for the ecological transition (electric vehicles, “green” metallurgy).
- **Logistics and smart infrastructures:** technologies for sustainable mobility, integrated traffic management, digitalization of urban services.





# THANKS!

## *ARRIVEDERCI...*

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