

The false economy of economic security for trade, industry and climate policies

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Trade a source of conflict or peace?

Peace is the natural effect of trade
— Montesquieu, 1748

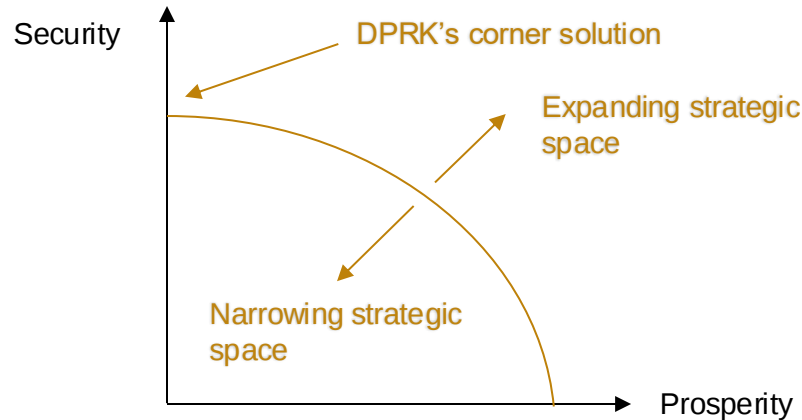


Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity.
— Adam Smith, 1776



Instinct to retreat to a dark corner

- National security risks are existential: assigned an infinite price
- No amount of prosperity is worth catastrophic security outcomes: retreat to the corner solutions
- Need to deal with tail-risks but need not dominate policymaking



Industrial policy for economic security

Example 1: Future Made in Australia

Net Zero Transformation Stream

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Economic Resilience and Security Stream

- Limit security interest mission creep
- Concentration in critical mineral markets: seen as a security risk

Example 2: Japan's Economic Security for Strategic Autonomy and Indispensability

Large semiconductor subsidies; externalities that justify government support

MITI's targeted subsidies: catch-up growth and picking winners when winners are known

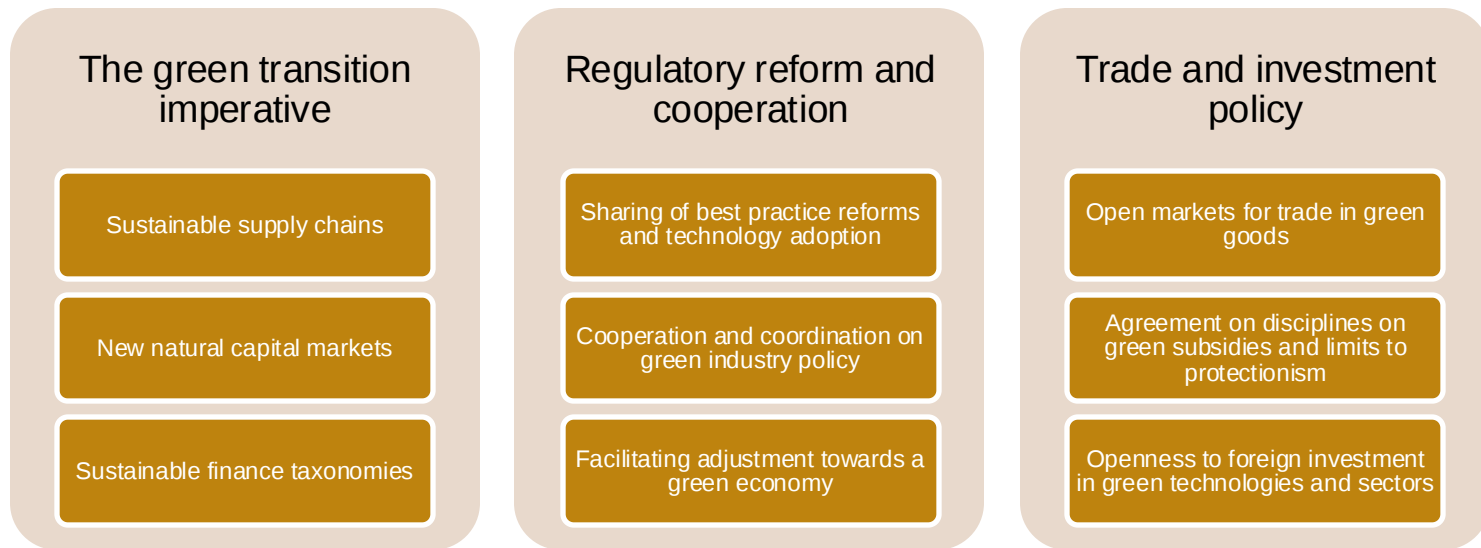
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METI's targeted subsidies: complex supply chains and picking winners at the tech frontier



Global existential threat of climate change

Single Green Market as a new organizing goal for concerted unilateral action.



Bogor Goals 2.0 initiative in East Asia

