

# Joint Conference Report

## Implications of a Rapidly Changing World: Technology, Digital Transformation, and Geopolitical Realignments

### Key Takeaways

# Security is the new organising logic.

The global economy is increasingly organised around security, resilience, and technological advantage, rather than efficiency and deep integration. Throughout the conference, participants argued that this shift is not a temporary response to recent shocks, but a structural change in how major powers now pursue growth, competitiveness, and sovereignty. The result is not full deglobalisation. Instead, the world is moving toward selective fragmentation: some sectors remain broadly global, others are partially decoupled through regulation and industrial policy, and a smaller set—especially in advanced technology—has already split into rival ecosystems. In this environment, policy uncertainty is becoming a permanent feature of the global business landscape, and technology policy has become inseparable from geopolitics.

# Industrial policy returns —with costs.

Industrial policy has re-emerged as the default instrument of strategic competition across advanced economies and major emerging markets. Governments are increasingly treating supply chains, critical inputs, and frontier technologies not as neutral economic domains but as sources of leverage and exposure. Industrial policy is therefore being used to rebuild domestic capacity, secure access to strategic technologies, and reduce dependence on foreign chokepoints. Yet a consistent message across sessions was that industrial policy is not costless insurance. It often raises production costs, reduces allocative efficiency, and can crowd out more productive activity. Participants repeatedly stressed that policy mistakes are expensive: poorly designed interventions can entrench inefficiencies, lock in overcapacity, and generate domestic distortions that weaken long-term performance. The conference therefore emphasised the need to assess the costs and benefits of industrial policy more rigorously, with clearer objectives, realistic benchmarks, and an explicit recognition of trade-offs—especially when security rationales are used to justify large-scale interventions.

# Trade rules face a new era.

The future of global economic governance may depend less on restoring earlier “free trade” ideals and more on redefining legitimate policy space. Panellists argued that multilateral rules need to distinguish between market-correcting industrial policy and genuinely beggar-thy-neighbour measures. Policies aimed at domestic market failures—such as learning externalities, coordination problems, or missing public inputs—may be inefficient or misguided, but their costs are largely borne at home and are best corrected through domestic accountability. By contrast, the most destabilising measures are those in which harm to other countries is the mechanism through which domestic gains are achieved: restricting access, manipulating terms of trade, or weaponising interdependence. Several speakers suggested that sustaining the WTO and Bretton Woods-style arrangements may require a shift away from rigid prohibitions and toward clearer principles that accommodate autonomy while preventing subsidy races, coercive tools, and escalating retaliation. The Bretton Woods era was referenced not as a blueprint, but as a reminder that a rules-based order can survive strategic rivalry if it provides adjustment mechanisms and safeguards rather than assuming convergence.

# Rivalry is reshaping business and economies.

Technology rivalry is reshaping state-business relations on both sides, though through different mechanisms. In China, intensified geopolitical competition has layered strategic and security objectives onto already competitive domestic markets, reinforcing patterns often described as “involution,” with prolonged price competition, thin margins, and sustained state support in strategic sectors. In the United States, panellists described a different dynamic: less firm-level hyper-competition and more the expansion of compliance and regulatory oversight. Export controls, investment screening, supply-chain due diligence, and forced-labour rules have increased the state’s role in corporate decision-making. Several participants noted that this shift has also reduced the influence of business in US-China economic relations, as security considerations increasingly dominate policy debates.

# Fragmentation is now structural.

The global consequences of these competing strategies for trade, investment, and third countries were a recurring theme. Participants emphasised that fragmentation is no longer a temporary disruption but a durable feature of the global economy. Markets are increasingly segmented into fully decoupled domains (already visible in parts of the digital economy), partially decoupled sectors (where supply chains remain intertwined but are increasingly regulated), and still-global markets that continue to function, but represent a shrinking share of strategically sensitive activity. This reality sits uneasily with existing governance frameworks. Neither the United States nor China has strong incentives to negotiate comprehensive new arrangements, and both appear willing to bear inefficiencies for strategic autonomy. As a result, smaller and middle-income economies face heightened uncertainty while having limited capacity to shape the evolving rules.

# Southeast Asia's policy space is narrowing.

For Southeast Asia, the conference underscored that technology development is now inseparable from geopolitics. The region continues to benefit from supply-chain shifts and rapid digital expansion, but its policy space is narrowing. Panellists emphasised that regional economies are being pulled into competing technology ecosystems with limited interoperability, forcing alignment decisions on standards, vendors, and regulatory frameworks. At the same time, heightened monitoring of origin, compliance, and transshipment is exposing vulnerabilities in economies that previously benefited from re-routing. A further constraint is energy. The proliferation of data centres, digital infrastructure, and advanced manufacturing is intensifying demand for reliable and scalable electricity, straining grids and complicating climate commitments. The region's competitiveness therefore increasingly depends on regulatory credibility, infrastructure readiness, and the ability to navigate ecosystem bifurcation without losing openness.

# Innovation finance is diverging.

The conference moved beyond high-level rivalry narratives to examine the specific policy instruments shaping technology competition. In China, panellists highlighted the rise of local governments as central actors in frontier technology development through large-scale government venture capital funds. This model represents a qualitative shift away from traditional subsidies toward equity-based participation in firms, mobilising capital on an unprecedented scale. In the United States, by contrast, private venture capital remains the dominant driver of high-risk innovation finance, even as the state has expanded its role through targeted subsidies, procurement, and restrictions designed to protect technological advantage. The broader implication is that geopolitical competition is being pursued through fundamentally different political economy structures, making misperception more likely: what appears to one side as commercial strategy can be interpreted by the other as state-directed intent.

# Economic security goes mainstream.

Economic security has become a central organising principle of technology policy—not only in China, but increasingly in other advanced economies as well. In China, technology has been elevated within a comprehensive national security framework linking innovation to sovereignty, and political stability. This is reflected in dual circulation and technological self-reliance: strengthening domestic demand and indigenous innovation as primary engines of growth, while maintaining external circulation—trade, investment, and market access—to preserve scale and competitiveness. In the United States and Europe, panellists noted a parallel trend toward securitisation through export controls, investment restrictions, and industrial strategies that prioritise resilience in semiconductors, critical minerals, and clean technology supply chains. Across jurisdictions, the conference stressed that securitisation can be strategically rational but economically costly, particularly when it drives duplication, overbuilding, and retaliatory cycles.

# Law becomes a strategic tool.

The growing use of legal and regulatory tools to counter perceived coercion and reduce vulnerability was another theme. China's response to foreign technology controls and trade measures has included rapid expansion of legal instruments governing trade, investment, and sanctions retaliation. At the same time, panellists highlighted that the United States and its allies have also expanded the legal architecture of economic security, including export controls, investment screening, supply-chain due diligence, and forced-labour regulations. Participants stressed that such tools are intended to strengthen deterrence and reduce exposure, but they also increase uncertainty for firms and can reinforce perceptions of politicisation. A recurring theme was that deterrence requires not only credible threats but also credible assurances—clear limits, transparency, and predictable rules that reduce uncertainty and lower the risk of strategic misperception.

# Payments are fragmenting too.

Fragmentation is visible not only in trade but also in finance and payments. Participants argued that distrust—especially fear of weaponisation—has become a major driver of experimentation with alternatives to US-centric payment rails. Projects involving CBDCs, multilateral settlement arrangements, and new cross-border platforms illustrate the search for strategic autonomy. Yet the conference stressed that the main barrier is governance rather than technology: success depends on whether oversight can be distributed credibly among participants. At the same time, US dollar dominance remains resilient because of powerful network effects—liquidity, deep hedging markets, and well-developed clearing and settlement systems. The renminbi's internationalisation has made only modest progress overall, though RMB use in trade settlement could grow gradually where China's production role gives it leverage and where supply-chain structure supports pricing in RMB—provided constraints such as capital controls continue to limit broader adoption.

# AI is a systemic shock.

The conference examined artificial intelligence not only as a growth engine but as a force reshaping adjustment, distribution, and governance. Participants revisited the “AI productivity paradox”: despite rapid advances and heavy investment, aggregate productivity growth remains subdued in many economies. While measurement issues and adoption lags remain important, panellists emphasised that institutional frictions, subsidy races, and geopolitical distortions may also dampen gains. AI’s global impact is likely to be uneven and may widen cross-country gaps where access to advanced chips, data, skills, and infrastructure is constrained. AI may also reshape macroeconomic adjustment: if productivity gains are concentrated in non-tradable service sectors, relative price dynamics can diverge from textbook mechanisms, affecting real exchange rates and external balances. On governance, strict political neutrality was viewed as unattainable, but “approximate neutrality”—reducing systematic bias and applying consistent rules as far as possible—remains a useful objective pursued through ecosystem diversity, system-level design choices, and output-level transparency.

# Coexistence beats disengagement.

Taken together, the conference portrayed a world entering a more contested and rules-uncertain phase. Technology, security, and industrial strategy are now tightly intertwined, and business decisions increasingly double as geopolitical signals. The central conclusion was that stability in this period of strategic competition is unlikely to come from disengagement. It will depend instead on disciplined coexistence: clearer boundaries between legitimate policy autonomy and coercive measures, stronger mechanisms for signalling and reassurance, and governance frameworks capable of managing partial decoupling without sliding into persistent negative-sum retaliation.

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