

The Future of Europe in the Context of Sino-American Competition

By Bruno Le Maire

Bruno Le Maire is Minister of Economy and Finance.

Translated from French by Philolingua.

I am very happy to open this conference on the future of Europe on Ifri's 40th anniversary. First, I would like to thank and pay tribute to Thierry de Montbrial who founded Ifri in 1979. You have created, Thierry de Montbrial, one of the most influential international think tanks in Europe and perhaps the world. Above all, French power is asserted through our ideas. And our ideas in the international sphere can be upheld when we are able to establish institutions like Ifri. For 40 years, you have been providing reason, information and analysis on these foreign and diplomatic topics that are so important. We are all proud of Ifri and I wanted to tell you.

Let us go back to the world situation 40 years ago, in the spring of 1979, because it is interesting to see where we are coming from and where we have succeeded.

Forty years of changes

Forty years ago, we were in the midst of the Cold War, and the United States was an unfailing ally of Europeans. China was a distant country impoverished by 30 years of Maoism, although there were still some fanatical Maoists at the Sorbonne to defend this record. China had just begun to open up its economy. As for Europe, it had its future ahead of it. It continued to expand, consolidate and become richer. Things were simple and they seemed like a given forevermore.

In 1989, this feeling of power and stability was increased by the fall of the Berlin Wall. We thought that, once and for all, the model of liberal democracy had prevailed in the world and that the coming years and decades would be decades of peace and democracy. Instead, we have had wars and rising authoritarianism. Optimism has changed sides.

Nowadays, we are seeing a China that is constantly asserting its power, at breathtaking speed. I am not forgetting the President of the People's Republic of China Xi Jinping's comments, alongside Chancellor Angela Merkel, the President of the European Commission, Jean-Claude Juncker, and the President of France, Emmanuel Macron, a few days ago in Paris. With a hint of irony or provocation, he said: "Ladies and Gentlemen Westerners, do you realize that we have succeeded in building in 40 years what took you three centuries to achieve?" So, China is asserting its power with a very simple concept, the "New Silk Roads", both appealing and tempting, but also threatening for some aspects of European sovereignty.

On other hand, the unfailing US ally, which for some represents the absolute pillar of security, the protection of Europe, has become at best indifferent and at worst threatening. We have just seen this recently with President Donald Trump's remarks about necessary retaliation in the case between Boeing and Airbus.

As for Europe, for the first time in its history, it knows that its political project is at risk and may disappear. And to all those who tell me that I may be painting a bleak picture, I say to you: "There are those among you who told us that Brexit would never happen" ... Brexit has happened, and for the first time in the history of the European project, a member state has independently decided to leave it.

Admittedly, it is the British, an island, but we would be wrong not to take seriously this historic break-up in the European project. And I wish in any event, as the President of the Republic has emphasized, for Brexit to happen quickly now. The British have made a choice. This choice is sovereign and must be respected, but it certainly must not prevent the European Union from moving forward.

Brexit must not prevent the 27 member states of the European Union from pulling together to build the sovereign, economic, political power that Europe must be. Now more than ever, faced with the "New Silk Roads" and Donald Trump's *America First*, the first question the people of Europe should ask themselves is: "What do we want to do together? What is our political project?" Because if our political project can be summed up as a single market, a currency and disputes among ourselves, we will not go very far.

European ambition

You have never made people dream with a market.

You need greater ambition, deeper ambition, you need more substantial ambition. I have called this ambition, in the provocative manner that I am fond of, “the new empire”. Because yes, between the Chinese empire and the US empire, I believe that Europe must be built like an empire. Not an empire of domination, not an empire of conquests of course, but a “peaceful empire”, in the words of Alexis de Tocqueville. An empire that has borders, because I don’t know any feasible political construction without clear and defended borders. An empire that reasserts its mission to respect the law, that reasserts its attachment to the democratic model it created. An empire that also asserts its attachment to its culture, because what brings the European states together, going beyond our differences in memory, history and geography, is a common culture. Finally, an empire that is capable of building its own sovereignty.

I hear some people in the European campaign saying: “European sovereignty doesn’t exist”. Well, let them return their passports! – since they should have noticed on their French passport that it is also European. And all those who now deny European sovereignty also deny 50 years of European integration and what makes our political project unique. Its strength is that we are all, everyone here, French citizens and European citizens, European citizens and French citizens: this double sovereignty exists nowhere else in the world, and it is our strength.

Yes, we have decided to delegate some areas of our policies to Europe. Trade policy is strictly European sovereignty: the European Commission decides on the basis of the mandate given by the European states. However, on the other hand, with regard to social security, this comes under national sovereignty: we decide what social model to implement, what the pension plan is, what our unemployment benefit system is. Let’s have the strength to assert what we are and our singularity. Our political model is unique. We have created both national and European sovereignty. It’s unique and that’s why it’s strong.

France/Germany: the partnership remains crucial

How can we then build this peaceful empire that I am suggesting as a direction for the European Union? And how can France avoid being in splendid isolation, that I like as a Gaullist, but risks not leading us very far in the coming years if we give in to it? We need partners, and we

need to understand how Brexit is transforming the geography of power in Europe, and must lead us to completely rethink our traditional alliances within the European Union.

The Franco-German partnership – I won't dwell on this – remains the nuclear core of the European project, although we can still talk about its rifts and problems. You know of my dedication to this Franco-German partnership, my fondness for the German people, the German language and German culture.

I think that Europe is a continuing extension of the age-old conflict between France and Germany, and this is why Germany and France will always remain together at the center of this European project. It's not an economic matter. It's not only commercial manufacturing. It's not just because we have created industrial champions. It's not only because we travel to Berlin and our German friends travel to Paris. It's not just because there is a Franco-German Council of Ministers that meets regularly. It's more than that! Europe is a peaceful response to centuries of conflicts and war between Germany and France. This is what makes the Franco-German partnership not simply the driving force, but the vital requirement for the European political project. Every political project has a key requirement.

The key requirement of the European project is the partnership between France and Germany. However, it is no longer enough. Fifteen years ago, as a young advisor, or even ten years ago, as Minister of Agriculture, I could say to myself: "I have an agreement with Berlin, I can suggest it to our partners and everybody will agree." It doesn't work like that anymore. We must convince. And the Franco-German agreements, which were, even a few years ago, an end point, are now only starting points. Once we have this starting point, we can build on it, and this starting point is essential, but we can no longer consider it as an end point. This was the case, for example, for reform of the euro zone – I will come back to this – where the Meseberg Declaration between the German Chancellor and the President of the Republic is the essential starting point. However, this is only the starting point, and then we have to convince our partners.

The impact of Central Europe

The second comment that I want to make about alliances, is the need to focus more on the eastern countries. We have strong, close and fraternal relationships with Spain, Portugal and Italy, everyone knows it. And regardless of the governments in power, nothing will prevent France and

Italy being two fraternal nations. But the eastern countries, the former Soviet bloc countries, have for many years felt neglected and despised by the Western Europeans. We don't have the same history. We have experienced colonialism and they did not. They experienced Soviet domination and we did not. Some states are not as old as ours. We have centuries of nation-states behind us. Our people are evolving and our population is thriving. Some of these states in the east are seeing their population leave and feel that their culture, their identity and their very existence is threatened. Therefore, we must pay specific attention to the eastern countries, increasingly bring them closer to us, convince them and interact and talk to them – to all of these eastern countries, and in particular Poland which will become, in my opinion, one of the key states of the European project in the future.

Once these partnerships have been developed, what are the priorities to build this peaceful empire? Where should we focus all our efforts in order to not scatter them?

Monetary sovereignty

The first sovereignty that we must build is primarily monetary sovereignty.

The euro is the greatest political achievement of the last 20 years in Europe, because the euro is solid. Because the euro is solidity and stability. Because the euro, you have it in your bank accounts, in your pockets, in your wallets, and a currency is always not only a protective instrument, but an instrument of exchange between countries. However, the euro zone is incomplete and faced with the risk of new financial or economic crises; the euro is not provided with the instruments to withstand and deal with them. We have not learned all the lessons of the 2008 financial crisis.

We have not completed the changes. We lacked the courage and boldness to fully achieve what the economic and monetary union should be. And it is the historical responsibility of the 19 member states of the euro zone to now get on with completing the euro zone, to consolidate it and provide it with the instruments to deal with any financial or economic crisis that could occur.

I say to my partners and friends, finance ministers in the euro zone: we can no longer accept delays and postponements, because there is a political situation in such or such a place, because a majority vote is lacking in

such or such a senate, in such or such assembly, because we have doubts, because public opinion is reluctant. All this reluctance does not hold for a second faced with the risk of seeing the euro zone disappear due to a lack of substantial change.

The euro-zone budget is an absolute necessity, and with my German partner, Olaf Scholz, we are determined that the instruments of this European euro zone budget will be realized for next June, as requested by Angela Merkel and Emmanuel Macron.

The banking union is essential because we cannot build a united currency zone with banking systems all different from each other that weakens us. A single figure: the market share of US banks has increased from 43% to 47% in Europe in a few years, because we are adding national rules, because we slap extra burdens on our banks. We leave the European market to US banks, whereas we would have done anything to have successful European banks. Why? Because we have not achieved the banking union between member states in the euro zone. Everything is on the table, all the technical subjects have been resolved, it is a matter of political will.

Finally, completing the euro zone, is asserting that the euro may in the future be a reserve currency, just like the dollar or the Chinese currency. I hope we can set an objective of making the euro one of the three major reserve currencies in the world, along with the dollar and the Chinese currency.

Trade sovereignty

The second priority is to build trade sovereignty.

Building trade sovereignty means rejecting extraterritorial sanctions: no state can or has the right to be the world's trade police, no state has the right, and it's the European Union's prerogative to be able to say no to extraterritorial sanctions that we deem unjustified. That is why, with our British and German partners, we have established an independent trading vehicle, the SPV, which aims to allow us to continue to trade with Iran despite the extraterritorial sanctions imposed by the United States against this country. It is up to us, Europeans, to decide independently whether we believe it is good or not to continue to trade with Iran. It is not up to the United States to tell us Europeans who we have the right to trade with.

Asserting our trade sovereignty is also being able to respond when we are hit with increased trade tariffs and unjustified trade barriers. When

the US president decided to put tariffs on steel or aluminum that penalize our industries and workers – because you can appreciate that these tariffs on steel and aluminum, these are jobs under threat in northern France, industries that are weakened, businesses that may close – I am proud that the European Union, with the Commission, had the courage to fight back and say, if there were US tariffs on steel and aluminum, Europe would retaliate, and that Europe could respond in a unified and strong way.

The same applies in the dispute that has been going on for too long between Boeing and Airbus. I have heard the US president's remarks and threats he now poses to a number of products and trade sanctions that he could impose in response to this dispute. This conflict is ridiculous. It is ridiculous quite simply because our two industries are completely interlinked, because we depend on each other for a certain number of critical components for the aviation industry, and a trade war between Boeing and Airbus will only be playing into the hands of COMAC, the Chinese airplane manufacturers.

A trade war between the United States and Europe, I repeat, would make no sense. Europe can retaliate, Europe has the means to retaliate and, if Europe has no other choice than to retaliate, it will. But I believe it is infinitely preferable that we find a way to a compromise with our US allies, and that we find an amicable solution that would once and for all settle this trade war between Boeing and Airbus brought before the WTO. In a few hours, I will be in Washington where I will meet Bob Lighthizer, the US representative for these issues. I will have the opportunity to talk to him and I will make a case for us to find a way to an amicable agreement between the United States and Europe on this issue of commercial rivalry between Boeing and Airbus, as these sanctions will only create losers.

Technological sovereignty

Finally, in order to build this European sovereignty, it is essential that we make technological sovereignty the number one priority for Europe in the coming years, as our political sovereignty now depends on this technological sovereignty.

Take the example of the autonomous car – setting ideas aside, in order to show how behind the political concepts there are the realities of everyday life. In the future, a car will be an autonomous navigation system and use an electric battery. If Europe does not produce either, it is the end of its car industry. We will manufacture the bodywork that will be very

elegant because it will be European – Italian, French or German – but the value is not in the bodywork. We will have ceded two-thirds of the value of the automotive industry to China and the United States if we are not able to have our own autonomous navigation systems and our own electric batteries. That's why we have decided with Peter Altmaier, the German Minister of Economy, to set up a European electric battery industry, so that in the future, from 2022, we can have our own electric batteries and not depend on electric batteries manufactured in South Korea or China.

All the people, who, morning, noon and night, profess political sovereignty and say: "France must be a sovereign state", are the same people who tie our hands in response to China, by refusing to bring European forces together to build European sovereignty and European technological innovation.

They are the same people who shout "national sovereignty" morning, noon and night, but who relinquish artificial intelligence to Shenzhen, to China or to the United States, because they refuse to bring European forces together so that there will be a European-wide artificial intelligence industry in the future. So, enough of the illusions that some nationalists sell to our fellow citizens: there will be no political sovereignty without technological sovereignty, and there will be no technological sovereignty without European involvement in the new technologies.

In order to innovate you have to pay, because everything is expensive.

If we have not been able to set up a digital giant in Europe and there is no European Google, Facebook or Amazon, it is because we have not been able to bring our own technologies together, but mainly because we have not been able to pay. We need a capital markets union; Europe needs greater resources of venture capital. Look at the figures, they are clear: in 2018, 100 billion euros put into venture capital operations in the United States, that is to say, 100 billion euros of mergers, acquisitions, meetings and industrial construction; 80 billion euros in China; and 20 billion euros in Europe.

Don't look elsewhere for the reasons why Europe cannot currently create new industrial giants in the new technologies likely to compete with China and the United States. Furthermore, Europe should remember that it has always been powerful when it had substantial financial resources, and that the great states, the great nations built their power on stability and financial power. The Fugger bankers made the fortune of the Holy

Roman Empire, François I was powerful because he had the necessary finances. We Europeans must think about power in relation to finance.

If we want to succeed with this technological empire, we must innovate, we must finance, but we must also be able to protect our technologies. What happened with the robot manufacturer Kuka in Germany, bought by China a few years ago, should be a lesson to us.

We do not intend to be production workshops for the outside world. We do not intend to finance inventions and technologies to then hand them over to our economic rivals. Therefore, yes, we must protect, protect our fellow citizens, protect our borders, protect our technologies, protect our investments, because that's what China does, it's what the United States does, and if we do not understand that protection is the first of our fellow countrymen's demands, particularly the most vulnerable, we will see extremists and populists rise and increase in Europe like an unstoppable wave.

Thinking of a European project and culture

I would like to end by saying that this whole political project, which I believe in deeply, is happening right now. Not tomorrow, not in a few months: now. In each passing day, history is written, and you are writing it, we are writing it, it is the citizens and politicians who are writing history now.

What shall we do about Brexit? How much time should we give the UK? What proposals will we make at the end of the European elections? What will these European elections produce? Don't look elsewhere, don't look away! The European project is happening today not tomorrow. Our continent's future is now being decided between peaceful empire or subservience, disintegration and disappearance. Because this is what will happen in the coming months and years: the affirmation of an independent and sovereign, cultural and economic power, or disintegration, subservience and ultimately disappearance.

Finally, going beyond the industrial, financial and economic issues, which I have spoken about at length, what would disappear with the European political project is our culture – and I will end with this.

There is an exceptionally unique European culture. There is a European memory of exceptional depth because we don't have the same history. Poland does not have France's history and France does not have the

Czech Republic's history. Our states and our nations are not built in the same way. Our borders have continuously moved by leaving different traces, like the sea on the sand, from east to west and from north to south.

We have set borders at times, like Emperor Hadrian with his wall. We have then destroyed these borders and have reconstituted states' borders.

We have fought and we have made up. We have waged war and then sought peace. We took our knowledge beyond the Mediterranean and beyond the Atlantic Ocean. We built colonies and established trading posts. Then we abandoned them and withdrew to our continent. We have written books and have an exceptional literature, one of the most extensive in the world, whose strength lies in being written in dozens of different languages. We can be great by nourishing ourselves with this culture, we can remain deeply French and deeply patriotic and viscerally European.

By reading Kafka, Shakespeare, Cervantes, contemporary authors, Thomas Bernhard, by reading authors from the south, north, east and west, by reading the Norwegian Knaugard, we can understand that we are greater, and more alive. European culture makes us more alive. It does not deprive us of what we are as French people, it allows us to grow. It does not rob us of our patriotism; it gives it new, more ample, broader and wider-ranging boundaries.

This is what's happening today: the assertion of this European culture and its infinite richness that nourishes us every day, that allows us to grow every day, as opposed to the petty insularity of simmering one's small, aggressive, petty, heinous soup, among people who will wage merciless war and endless conflicts. This is the choice which is being played out with the European elections, and it is the choice which is being played out now.

France is great when it is European – and it will remain great when it asserts its European ambition even more.