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# Can Europe learn to play power politics?

By Zaki Laïdi



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- ★ The EU is punching below its weight and unable to play power politics. The common explanation for this is that EU countries are deeply divided on many issues. This is true, but this explanation is insufficient. The root of the problem is that the EU's initial project was built against the idea of power politics.
- ★ The US, China and Russia reject the EU's liberal model of shared sovereignty. The three countries are weaponising soft power instruments, such as trade and technology, to an unprecedented extent. It is therefore unsustainable for the EU to remain a pure soft power. If it wants to continue to be relevant, it needs to reform.
- ★ France and Germany are united over the idea of a more autonomous EU. But they are divided over how to reform the union. France wants the European Commission to exert more political control over the management of the eurozone, and views deeper integration in the fields of migration, taxation and foreign policy as a way of enhancing the EU's ability to defend its interests. Germany is hesitant to give the EU's institutions more power and struggles to think in terms of power politics.
- ★ How Brexit will affect the EU's ability to play power politics remains to be seen. On defence, the UK's departure may make it easier for the EU to integrate, but at the same time the union will lose access to the UK's military assets and there is not much appetite in the rest of the EU to enhance the union's military powers. And it is still not clear whether the UK will remain aligned with the EU's foreign policy objectives.
- ★ The road to power politics will be long and difficult, but Europeans have taken the first steps to react to US pressure and Chinese competition. They have retaliated against US tariffs, held on to the nuclear deal with Iran in the face of US pressure, and refused to yield to US calls to cease all business with the Chinese firm Huawei. They have declared China a systemic rival and strengthened Europe's investment screening mechanisms. They now need to move from a purely reactive strategy to forging a collective vision of Europe in the world.
- ★ In the long term, the EU needs qualified majority voting (QMV) on a number of foreign policy issues; a strong European defence industrial base and a strong euro in international transactions. In the short term, the EU should start use its soft power instruments as a source of hard power. Trade is one of them, and the EU should initiate a political alliance with the countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in order to protect the multilateralist trading system.

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Will the European Union ever be able to shape the global game? This question is important at a moment when Europe faces unprecedented American nationalism and a president who increasingly regards allies as a burden, a Russian revisionism that targets the liberal world and its institutions, and a Chinese government that is determined to take its place as a world power without regard for the old, Western order. To some analysts, the answer is that the EU will be unable to shape international politics as long as its member-states are divided on most dossiers and struggle to act collectively. It would be better for Europeans to make an orderly retreat from EU foreign policy ambitions, towards a purely market-oriented model, abandoning the exhausting pursuit of a Sisyphean European project that is forever unable to face the next crisis.

Convenient though it is, this explanation confuses causes and consequences. The European project was deliberately built against the idea of power. This essay

assesses Europe's capacity to play power politics, given its increasing strategic isolation and the emerging threats to its security.

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## Europe was constructed against power politics

The European project, launched with the 1957 Treaty of Rome, was fundamentally hostile to power politics. The treaty signed a year after the Suez debacle symbolised the burial of Europe's colonial ambitions in favour of a purely economic vision of the world. This shift is epitomised by an anecdote told by Christian Pineau, France's foreign minister at the time of the Suez crisis. Faced with the Soviet-American ultimatum to withdraw from Egypt, French prime minister Guy Mollet was hesitant, but German Chancellor Konrad Adenauer urged him to accept, saying: "In your place, I would accept. It's wisdom. And now we have to make Europe." Of course, Suez does not explain the Treaty of Rome. The European machine was launched in 1950 with the Schuman declaration. But Suez was the context. Europe gave up its global claims in favour of an exercise in which it had historically excelled: commerce guaranteed by law.

*“Europe, which is not a state and will never be one, remains a fragile confederation of nation-states.”*

Europe accepted this all the more willingly because it had enjoyed an American security guarantee in the Cold War. This guarantee had two purposes: it protected Europe against the Soviet bloc; and it reassured France and other countries that West Germany could safely be

rearmed and integration into NATO. Europeans seemed to be saying, "Let's leave the big problems of the world to others. We will focus on the common market, leaving strategic issues in the hands of individual member-states or our American protector."

The only deviation from this introversion was trade policy, which has been an EU competence since 1957 and remains to this day the most powerful and effective source of leverage for the European Union on the global stage. But trade did not have the political status then that it does now. Member-states' commercial interests were broadly aligned. And the global trading game was limited to the General Agreement on Tariffs and Trade, which was led by Europe and the United States.

In many ways this overall situation seems hardly to have changed. Europe, which is not a state and will never be one, remains a fragile confederation of nation-states. It is a confederation in which federated fragments (trade policy, the single market, competition policy and the euro) co-exist with fragments of sovereignty shared between Brussels and the member-states (a growing number of policies, such as economic policy, energy, home affairs, and so on) and fragments that remain mainly national competences, such as foreign policy, defence or migration. But this description masks some recent and important developments.

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## The 'Gaullian' moment

Today Europe is on its way to become what could be called a 'Gaullian' Europe, with more shared sovereignty between member-states, rather than one that is 'Gaullist' and largely inter-governmental. The difference deserves

an explanation. Gaullists believed only in states and did not envisage the creation of supranational institutions. Charles de Gaulle was very suspicious of the European Commission which he believed should be a purely

technical institution under the strict control of nation-states. For the General, Europe was a political space in which France could enlarge its influence. This did not prevent him from eventually supporting the common market that he had initially denounced, because of the benefits that French agriculture quickly gained. De Gaulle understood better than anyone else the fragility of alliances. This is why, unlike all the other European leaders, he did not believe that the link between the Atlantic alliance and the construction of Europe was unbreakable. But he failed to convince Europeans that his plan for the continent amounted to more than a process of enlarging French power.

A Gaullian vision of the challenges of the 21<sup>st</sup> century expresses something else. It articulates the need for Europe – as opposed to the nation-state – to become sovereign and powerful in the face of the return of power politics. But a modern incarnation of Gaullism envisages this essential change only through a growth of shared sovereignty among states, thus violating the traditional Gaullist doctrine. To simplify, one might say that while Gaullism is inter-governmental, a Gaullian vision more closely resembles Emmanuel Macron's idea of a sovereign Europe. France is now very much in favour of extending qualified majority voting (QMV) to taxation, and to foreign and security policy, which de Gaulle vehemently opposed. Macron is therefore very Gaullian, but not Gaullist. When reading his latest proposals on Europe, the extent to which they are based on creating new institutions, such as a European Asylum and Immigration Agency, is striking.

*“For Germany, the preservation of the Atlantic alliance and European integration are two sides of the same coin, but for France, they are not.”*

Macron is not Gaullist since, by increasing the EU's responsibilities, he aims to deepen integration, whether in the field of migration, the economy or taxation. We can understand Europe's Gaullian turn only by taking into account the nuances of the French position. In the mid-1960s for example, de Gaulle refused a move toward QMV. Today, France is trying to repoliticise the European Commission and expects it to exert more political control over the management of the eurozone, rather than sticking to a rigid implementation of the Maastricht criteria. France is, to a certain extent, favourable to a form of federalisation of European economic policy, meaning that European institutions may take decisions out of the

traditional inter-governmental framework, in order to circumvent German and Northern European opposition.

Germany, historically federalist, has now become very inter-governmentalist on the eurozone: it wants to empty the Eurogroup – the meetings of eurozone finance ministers, which it considers too political – of power. Instead, Berlin wants to enhance the role of the European Stability Mechanism, the deliberately depoliticised bail-out fund which is charged with applying the 'rules' and over which it yields a de facto veto. This is a reflection of what German scholar Karl Heinz Bohrer calls the German tendency to fetishise the law to the point of making it “a metaphase based on an absolute norm independent of reality and placed above politics”<sup>1</sup>

From this point of view, there is a real cross-fertilisation between France and Germany which illuminates many debates. France understands that governance by Community institutions is preferable to governance by rules alone. Institutions allow for political assessment whereas rules applied in isolation and without political context lead to a certain dogmatism, itself generating popular rejection. This was explained by Mario Draghi, until recently President of the European Central Bank, and a critic of German economic policy: “the rules are generally static and require states to adhere to specific actions, while the institutions prescribe goals. As a result, rules cannot be updated quickly when unforeseen situations arise while institutions can be dynamic and flexible.”<sup>2</sup>

At the heart of the Gaullian world view and the long-standing dispute between France and its partners was the question of the transatlantic link. The difference between the French and other Europeans is that, for France, this link is essential, whereas for its partners it remains existential. For Germany, the preservation of the Atlantic alliance and European integration are two sides of the same coin, but for France, they are not. The debate continues: Sigmar Gabriel, the former leader of the Social Democratic Party (SPD), has argued that the new Franco-German Aachen Treaty, signed in January 2019, risks distorting the German-US alliance, as did its predecessor, the 1963 Elysée Treaty.<sup>3</sup>

### The discovery of isolation

Nothing new then? Not quite. The idea of shared sovereignty has long been deeply foreign to the United States. “Not content alone with transferring their own national sovereignty to Brussels, they have also decided ... to transfer some of ours to worldwide institutions”, wrote John Bolton, Trump's former national security advisor, in 2000.<sup>4</sup> But it was the election of Donald Trump

1: Karl Heinz Bohrer, 'Projekt Kleinstaat', Merkur: Deutsche Zeitschrift für Europäisches Denken, August 2011.

2: Mario Draghi, 'Sovereignty in a globalised world', Bank of International Settlements, February 22<sup>nd</sup> 2019.

3: Sigmar Gabriel, 'Franco-German friendship is not enough', *Project Syndicate*, January 25<sup>th</sup> 2019; Zaki Laïdi, 'The Franco-German pact is not the problem', *Project Syndicate*, February 2<sup>nd</sup> 2019.

4: John Bolton, 'Should we take global governance seriously?', *Chicago Journal of International Law*, September 2000.

that has ruptured the transatlantic relationship, because Trump considers his allies as a burden.

Trump's arrival is particularly difficult for Germany, which has never seriously imagined its future outside the US security guarantee. The end of the Cold War reinforced the German conviction that rivalries between states could be eased via economic interdependence. Germany chose to believe in this narrative because it chimed with the national need to avoid power politics.<sup>5</sup> Germany was still surrounded, but this time by friends. Since the end of the Cold War, German military expenditure has shrunk as a share of GDP, leaving the *Bundeswehr* a second-rate army.<sup>6</sup> Now Trump's nationalism – embodied by him questioning the future of NATO and threatening to impose tariffs on car exports – may sharply hit Germany's export and surplus-generating economy.<sup>7</sup>

*“The US first strikes those who are the most vulnerable to its pressure, because they are the most dependent on them strategically.”*

The German confusion with Trump is all the greater because his policy defies easy categorisation. Trump is not a realist like Henry Kissinger, since he completely neglects the alliances that are essential to achieving a balance of power with opponents. If Trump were a realist, he would have reached an understanding with Europe to counter China, particularly since European and American interests are closely aligned.<sup>8</sup> His approach is radically different. Europe and Japan, for example, were the first to be hit by US tariffs on aluminium and steel, though the main target was supposed to be China. Incomprehensible from an economic or ideological point of view, this strategy becomes intelligible if understood in Gaullist terms: the United States first strikes those who are the most vulnerable to its pressure, because they are the most dependent on them strategically. All this explains why France, though disconcerted by Trump's policy, is politically better equipped than Germany to face it. For at least the Gaullian world view assumes that protection is never given for free and that protectors are often unreliable.

Germany's discovery that Trump no longer accords allies the same value his predecessors did constitutes its most important geopolitical shock since reunification.

5: Constanze Stelzenmüller, 'The unready hegemon', *Berlin Policy Journal*, February 27<sup>th</sup> 2019.

6: Tobias Buck, 'German military: Combat ready?', *Financial Times*, February 15<sup>th</sup> 2018.

7: Heribert Dieter, 'Stubbornly Germany first: Options for reducing the world's largest current account surplus', German Institute for International and Security Affairs, 2018.

8: Zaki Laidi, 'Reading Olson to understand Trump: Multipolarity without multilateralism?', Robert Schuman Centre for Advanced Studies, 2018.

9: Chester Dawson and William Boston, 'Auto makers consider shifting more manufacturing to North America', *Wall Street Journal*, October 5<sup>th</sup> 2018.

Germany, which has always thought that its economic prosperity was the best antidote to the world's disorder, now finds itself vulnerable to US pressure or Chinese competition. Trump's economic nationalism is a shock for Germany, and one that will only intensify if the US decides to impose tariffs on the European car industry, perhaps in order to force powerful German companies to relocate their production to the US.<sup>9</sup>

The Germans are starting to realise that Trump cannot be appeased. Germany, which has a wait-and-see tradition, has been forced to note that its certainties are slipping from beneath its feet: "An alliance which becomes unilateral and transactional is no longer an alliance", a German official declared recently.<sup>10</sup> Even Dutch Prime Minister Mark Rutte – whose country is usually aligned with German thinking on the EU – recently said that "Realpolitik must be an essential part of Europe's foreign policy toolkit. Because if we only preach the merits of principles and shy away from exercising power in the geopolitical arena, our continent may always be right, but it will seldom be relevant."<sup>11</sup>

Even if Europeans remain cautious, their reactions to the American offensive are significant. On the commercial side, the EU exercised its right of retaliation against the imposition of American tariffs. In addition, the EU has put forward a reform agenda at the WTO that cleverly addresses US grievances with China, concerns that are shared by Europeans. But here again, Trump is not interested in a US/EU alliance, both because he dismisses alliances and because he dislikes the EU as a political entity based on shared sovereignty, and one whose trade surplus with the US has grown in recent years.

It is inaccurate to say that Europe is doing nothing in the face of American, Chinese or Russian pressure. Germany, alongside France and the UK, has established a payment system with Iran to allow European companies to do modest amounts of trade with Iran without falling foul of US sanctions – though it remains to be seen if the instrument is effective.<sup>12</sup> And at the last G7 meeting, Macron succeeded in proposing an opening to Tehran with Trump's blessing. The three European powers have also co-ordinated their positions on the Iran nuclear deal, refusing to withdraw from the agreement as the US did (though whether a Boris Johnson government will continue to be 'European' on Iran is a moot point). France, Germany and the UK have

10: Steven Erlanger and Katrin Bennhold, 'Rift between Trump and Europe is now open and angry', *New York Times*, February 17<sup>th</sup> 2019.

11: Mark Rutte, 'The EU: From the power of principles towards principles and power', Churchill Lecture at the Europa Institute at the University of Zurich, February 13<sup>th</sup> 2019.

12: International interbank exchanges are all governed by SWIFT, an information exchange and messaging service based in Brussels. The US has asked SWIFT to freeze any transaction with Iran, even if it does not concern the US. The EU decided to circumvent SWIFT by creating INSTEX. But this instrument only works for companies that have no connection with the US. The big European companies for whom the US market is vital have all withdrawn from Iran.

also refused to yield to US calls to cease all business with the Chinese firm Huawei; they believe that they can exercise close scrutiny over Huawei and keep the firm away from critical infrastructure. This may seem contradictory, given Europeans' growing distrust of China. But Europeans believe that it is possible to work with Huawei, so long as precautions are taken.<sup>13</sup> Finally, Germany and France have firmly refused US entreaties to send ships to Ukrainian ports in the Sea of Azov, concerned that they might provoke the Russians.<sup>14</sup>

This new strategic situation is leading to some convergence of the French and German visions on world order, even if they are still arguing over reform of the eurozone. The two countries are coalescing around an idea of a more autonomous EU, organised around the Franco-German couple. The notion of sovereign Europe is clearly endorsed by both France and Germany even if both countries do not necessarily agree on its precise meaning. The German decision to build a fighter jet with France (due to enter service in 2040), against the advice of military leaders who would have preferred to buy the American F-35, is also significant.<sup>15</sup>

*“If Boris Johnson decides to steer British policy in a Trumpian direction the consequences of Brexit would be unpredictable.”*

Europe needs to move from a purely reactive strategy towards putting forward a concrete collective vision of what it wants. It has to make some realistic proposals on security, trade and competition policy. But agreeing on a way forward will undeniably be more difficult than agreeing to stand up to Trump in the first place. Germany's conversion to power politics will take a long time: German political history since 1945, and its ponderous and decentralised political system, mean that its political metabolism is slow. So there remains a considerable gap with France.<sup>16</sup> However the last important speech by German defence minister Annegret Kramp-Karrenbauer on German defence policy illustrates that Germany is getting closer to the French positions: Kramp-Karrenbauer wants military spending to increase, and if necessary to deploy German troops abroad.<sup>17</sup> Germany is slowly changing.

In this new political context it is indispensable to assess the impact of Brexit. The UK's departure will have unpredictable consequences for the European Union's global positioning. In some ways, the departure of the UK

may remove obstacles to further integration in Europe, particularly in the military field. Since the referendum the EU has already moved ahead with Permanent Structured Co-operation (the idea that fewer than all the member-states can pursue particular military projects), an EU operational headquarters and the European Defence Fund. But this gain should not be overestimated, given the UK's considerable military assets and the limited appetite for more military integration in the rest of Europe. The UK's rejection of military integration in an EU format has never prevented it from co-operating effectively with member-states and particularly with France, its main military partner in Europe. As for foreign policy, in recent years there has been a paradoxical situation: despite having embarked on Brexit, the UK's diplomacy remained aligned to that of its European partners on almost all subjects: Iran, Syria, Libya, climate change and the defence of trade multilateralism.

The real question is not what will happen after Brexit, but what the UK will want to do with Brexit. A post-Brexit UK headed by Theresa May, for example, could have intensified bilateral co-operation between the UK and the EU. But nobody knows what Boris Johnson will do. Based on the political interests of the United Kingdom, we may assume that he will eventually continue along the path of his predecessors, and maintain close relations with the EU; after all, the alternatives to Europe are very limited. But if Boris Johnson decides to steer British policy in a Trumpian direction, regardless of the UK's strategic interests, the consequences of Brexit would be unpredictable. The evolution of the Iranian affair will be an important indicator of how British foreign policy may change after Brexit.

### A sense of danger

Power politics is based on the sense of loneliness. It is also based on a sense of danger. The European Security Strategy, drafted with difficulty in 2003, began with a flourish: “Europe has never been so prosperous, so secure and so free.”<sup>18</sup> Admittedly nobody in 2003 could have foreseen the world as we find it in 2019. But the strategy revealed a deep belief in an increasingly interdependent world, in which conflicts and thus the use of force would inevitably decline. The message the EU was attempting to deliver to the world was that of an actor full of goodwill, willing to use the levers of negotiation, dialogue and development aid to relieve suffering globally – and all this against the backdrop of confused liberal optimism: “Spreading good governance, supporting social and political reform, dealing with corruption and abuse of power, establishing the rule of law and protecting human rights are the best means of

13: ‘America and its allies disagree on Huawei’, *The Economist*, February 21<sup>st</sup> 2019.

14: Patrick Donahue and Jennifer Jacobs, ‘Pence asked Merkel to provoke Russia by sending warships to Crimea’, *Bloomberg*, March 29<sup>th</sup> 2019.

15: Tobias Buck, ‘Germany opts against buying American F-35 stealth fighter’, *Financial Times*, January 31<sup>st</sup> 2019.

16: Claudia Major and Christian Mölling, ‘Franco-German differences over defence make Europe vulnerable’, *Carnegie Europe*, March 29<sup>th</sup> 2018.

17: German Ministry of Defence, ‘Speech by Federal Minister of Defence at the Bundeswehr University Munich’, November 7<sup>th</sup> 2019.

18: Council of the European Union, ‘European Security Strategy: A secure Europe in a better world’, December 2003.

strengthening the international order". Europe proposed to lead by example.

But the illusion did not last long. Arguably the reversal took place in 2008 at the Copenhagen climate conference. The EU, which had contributed to the success of the Kyoto Protocol, was brutally dispossessed of its climate leadership. The US and China did not agree on anything, except for one essential point: climate is too serious not to be taken in hand by the big powers.

This gradual return to classical geopolitics was amplified by the financial crisis and its European aftermath, the euro crisis. When Europe slowly emerged from those crises in 2015, it discovered a profoundly changed world: Russian belligerence in Ukraine and vaulting Chinese ambition. By 2010, the Chinese gross national product (GNP) on a purchasing power parity basis matched that of Europe. In 2035, China will account for 22 per cent of global GNP, compared to 14 per cent for the United States and 12 per cent for the EU (which will be equal to India on a purchasing power parity basis).<sup>19</sup> The sense of danger will therefore come first from the rise of China. It explains the Gaullian turn of Europe, made possible by a pivot in Germany's position.

*“This gradual return to classical geopolitics was amplified by the financial crisis and its European aftermath.”*

In 2012 a French commissioner, Michel Barnier, proposed to ban access to the European market for all foreign companies whose countries did not accept the principle of reciprocity in the award of public contracts – which was clearly the case with China. This proposal was buried by Berlin.<sup>20</sup> Behind its ideological commitment to free trade, Germany was defending very prosaic interests. German industrial products are very much in demand in China, generating considerable margins on the Chinese market, where Germany reigns supreme among its European competitors. In 2016, the Commission returned with a diluted proposal. But Germany said no again. Yet the following year, Germany abruptly reversed its position. China's takeover of Kuka, a global pioneer in the manufacture of industrial robots, revealed to Germany the downside of the Chinese model. There is a risk that some key strategic sectors will fall into Chinese hands and thus curb Germany's industrial lead.

China is pursuing a global takeover strategy that exploits the freedom of the Western system, enabling China to achieve leadership. China takes the German industrial model as its absolute reference, rather than that of the

19: European Parliamentary Research Service, 'Global trends to 2035: economy and society', 2018.

20: Michael Peel, Lucy Hornby and Rachel Sanderson, 'European foreign policy: A new realism on China', *Financial Times*, March 20<sup>th</sup> 2019.

United States'. The China '2025 Programme' is modelled on the German 'Industry 4.0', and if for China the United States is a rival then Europe is its prey. Moreover, it is an industrial prey with two advantages: it has both a single market and divided states in areas where policy has not been communitised. It is therefore enough for China to find an accommodating partner (such as Greece, Portugal or Italy) to access the European house through the internal market. This is exactly what Beijing did with the purchase of the ports of Piraeus and Lisbon. This is what it does with the Balkan countries, before they join the European Union, that is to say before the community imposes high standards on public procurement, for instance, or even more recently with Italy, which has just signed a memorandum of understanding to join China's Belt and Road Initiative.

*A priori* the fact of China investing in rail, telephone or road infrastructures is not reprehensible or worrying. But there are several problems. Chinese loans sometimes ignore the most basic prudential factors and place partners in a situation of financial dependence. Therefore, if the recipient is unable to repay, China has a chance to purchase the property on which a loan was granted. This may explain some of China's interest in small European countries like Portugal and Greece. The second concern about the Belt and Road Initiative is that agreements with the states concerned are negotiated in complete opacity. That is why the EU should push China to join the Paris Club – a group of creditor nations that co-ordinates solutions for countries that cannot pay their debt – to prevent Chinese client states from falling into debt traps.

China is not moving closer to the West. Quite the contrary; since the arrival of Xi Jinping it has made no secret of its ambitions. The leadership has expressed its willingness to see the Communist Party take greater control over the economy – and has stated that private companies have an obligation to co-operate with the state and the intelligence services.

For Europe, the challenge is not only economic but also ideological. More and more, Europe finds itself confronting an increasingly illiberal world, the emergence of which it had not foreseen. However, we cannot say that Europe remains unresponsive. Indeed, over the past year, Europe has taken important decisions at an EU or national level. The first such decision is the establishment of a European mechanism for screening and controlling foreign investment in strategic sectors.<sup>21</sup> Of course, the ultimate responsibility for accepting these investments remains in the hands of the member-states. But the vast majority of these now have national control systems. Germany has revised its control system three times.<sup>22</sup>

21: European Union, 'Regulation 2019/452: Establishing a framework for the screening of foreign direct investments into the Union', *Official Journal of the European Union*, March 21<sup>st</sup> 2019.

22: Thilo Hanemann, Mikko Huotari and Agatha Kratz, 'Chinese FDI in Europe: 2018 trends and impact of new screening policies', *Mercator Institute for China Studies*, March 6<sup>th</sup> 2019.

For the first time in German history since 1945, the country has adopted the very French idea of an industrial policy – considered an anti-market idea – even if this turnaround was driven more by the Chinese threat than by French persuasion.<sup>23</sup> In February 2019 the German economics ministry produced a document on industrial strategy that goes so far as to foresee the possibility of the German state taking provisional control of strategic enterprises that are likely to fall into foreign hands.<sup>24</sup>

*“The introduction of the idea that the EU has rivals, and not only well-intentioned friends, signals its symbolic entry into power politics.”*

And as if to confirm this fundamental re-orientation, in the same month France and Germany signed a Franco-German manifesto for an industrial policy adapted to

the 21<sup>st</sup> century.<sup>25</sup> This document, unthinkable just two years ago, proposed redefining European competition policy, including the establishment of a possible right of appeal by member-states against European Commission decisions.<sup>26</sup> This proposal has now been dropped in Paris and Berlin. But the issue will continue to come up. Europeans may find it hard to swallow that the Americans may supply cheap credit to fund Huawei’s European competitors Ericsson and Nokia, because the EU’s state aid rules prevent the Union from supporting its own telecommunication champions.

Finally, the Commission is considering implementing new rules on the award of public contracts, in order to contain Chinese practices that are judged to be unfair.<sup>27</sup> The EU now considers China a “systemic rival”.<sup>28</sup> The introduction of the idea that the EU has rivals, and not only well-intentioned friends, signals its symbolic entry into power politics, because the essence of power politics is based on the distinction between friends and foes.

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## Conclusion

The EU was built against the idea of power. It will not be converted into a classical great power overnight. The EU is held back by one essential fact: it is not a state. National strategic cultures can converge, but they cannot become identical. We will never be able to imagine that the Poles and the Portuguese will share the same vision of the world, especially vis-à-vis Russia. But we cannot ignore that the member-states feel solidarity with one another. One example is the solidarity that almost all member-states have shown to Ireland, with its concerns about the border with Northern Ireland, during the Brexit process.

After the end of the Cold War, many believed that the decline of inter-state conflicts would pave the way for economic inter-dependence, multilateralism and therefore the triumph of the European model. This illusion has ended. If there is a common thread between Trump, Putin and Xi, it is their deep attachment to national sovereignty and their aversion to sharing it, which in turn is at the very heart of the European project. There is a close link between liberalism and the sharing of sovereignty, just as there is the very strong link between

the assertion of national sovereignty and illiberalism inside and outside Europe.

The absolute priority for the EU now is to craft a new narrative in which it presents the world as it is and not as European leaders would like it to be. It must admit openly that the world is full of powerful political forces which seek the Union’s failure, if not its disappearance. If Europeans can accept this major political hypothesis, they will have taken an essential step in the right direction.

From that point, important reforms should follow: the EU needs QMV on a number of foreign policy issues; a strong European defence industrial base, without which the EU’s political autonomy will be devoid of meaning; a European military force that can project power; and a strong euro in international transactions through the creation of a capital markets union and a European safe asset.<sup>29</sup>

In the long run, such choices would enhance the EU’s global position. In the short term, the EU’s best option is to convert soft power instruments into hard power ones.

23: ‘How China has pushed Germany to rethink industrial policy’, *The Economist*, February 21<sup>st</sup> 2019.

24: German Federal Ministry for Economic Affairs and Energy, ‘National industrial strategy 2030: Strategic guidelines for a German and European industrial policy’, February 2019.

25: German Federal Ministry for Economic Affairs and Energy and French Ministry of Economy and Finance, ‘Franco-German manifesto for a European industrial policy fit for the 21<sup>st</sup> century’, February 19<sup>th</sup> 2019.

26: The issue was raised by the Commission’s refusal to endorse the Alstom-Siemens merger. This case is debatable. In France almost all economists agreed with the Commission. See Sébastien Jean, Anne Perrot and Thomas Philippon, ‘Competition and trade: what policies for Europe?’, Council of Economic Analysis, May 2019.

27: European Union, ‘Regulation 2019/452: Establishing a framework for the screening of foreign direct investments into the Union’, Official Journal of the European Union, March 21<sup>st</sup> 2019.

28: European Commission, ‘EU-China: A strategic outlook’, Joint Communication to the European Parliament, the European Council and the Council, March 12<sup>th</sup> 2019.

29: Benoît Coeuré, ‘The euro’s global role in a changing world: A monetary policy perspective’, European Central Bank, February 15<sup>th</sup> 2019.

On trade, for example, the EU should take the initiative of issuing a political declaration with the countries that have signed the CPTPP (the Comprehensive and Progressive Agreement for Trans-Pacific Partnership)<sup>30</sup> – forming a Euro-Pacific Partnership that is aimed at sustaining and protecting the multilateral system. The reasons are as much political as economic. Those countries that remain committed to multilateralism need to send a strong message that they will defend the liberal values and institutions that other countries have abandoned or, in the case of Vladimir Putin speaking to the *Financial Times* in June 2019, declared “obsolete”. We still have a long

way to go, but it is promising that these subjects are now debated on the European scene and have ceased to be taboo. Europe has a *rendezvous* with power politics which it cannot afford to miss.

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30: Zaki Laïdi, Shumpei Takemori and Yves Tiberghien, ‘Toward a Euro-Pacific Partnership’, *Project Syndicate*, July 5<sup>th</sup> 2019.