Siemens Alstom

Commento di Wolfgang Munchau

There is a lot to be said in favour of Peter Altmaier's new industrial strategy, geared towards protecting German industry against predatory practices form Chinese competitors. The analysis is brutally honest about the threats faced by Germany. We also agree with the main planks of his strategy, such as a more restrictive mergers-and-acquisitions regime and a state-owned fund to takes defensive stakes in potential takeover targets. We no longer live in the world of Friedrich Hayek - although much of Germany's economics establishment still does. Having said that, however, it is also essential to realise that the strategy is likely to fail for reasons that have nothing to do with Altmaier or his ministry. Of the reasons why China constitutes a threat to the EU, lack of defensive capacity is one but not the main one. The main reason is under-investment and a secular decline in innovation. The two are related.

Virtually everything that is going wrong with the EU right now has its roots in the architecture of the eurozone, and the handling of the eurozone crisis. As a direct result of the eurozone crisis China has become a strategic investor in Portugal and Greece. China's New Silk Road initiative cuts right through the EU. The maps drawn up by Chinese planners look like 19th century European battle maps - except that the arrows point from east to west.

So, if Germany erects barriers for Chinese investors, all they will need to do is to operate from within the EU - disguised in a European company. Portugal and Greece are acting entirely rationally by allowing China in. Who else is investing there? The eurozone crisis has left large parts of the EU - including Germany itself - with structural under-investment. If you want to solve the Chinese problem, this is where you need to start. A degree of protection is helpful in our view, as a transitional device, but it is not sufficient.

The German ministry' paper is brutally frank in its description of Germany's industrial failures. Germany already lost consumer electronics, telecommunication, computers, carbon fibres, and solar power. Germany is in the process of losing its value-added in important segments of the car industry - for example in electric batteries. The most successful internet platforms are not European. Europe is also on the verge of losing the battle over artificial intelligence to the US and China. The same goes for biotech. Germany's future is that of an extended manufacturing plant in global supply chain - with most of the value-added generate elsewhere.

We agree with that assessment. But why has it come to that? The last German entrepreneurial venture with global impact was SAP - a start-up from the early days of the computer. We believe that one of the reasons why Germany has lost its entrepreneurial leadership is a shift in economic objectives - from investment towards fiscal consolidation. The letter has turned into the be-all and end-all of economic policy. It has been legally enshrined in European treaties and into the German constitution to make sure that it cannot be altered.

One of the key planks of Altmaiers new strategy is an investment fund that will take strategic stakes in companies, but only for limited periods. The overall goal is not for the state's share in industrial production to rise, but FAZ notes that this is unrealistic. For example, the German government has recently acquired a 20% stake in an electricity grid company, but without offsetting divestment of its holdings in the railway operator or the post office.

The strategy will make Germany more aligned with France, and is thus likely to help formulate an EU-wide response. But for this to succeed, the EU will have to recognise its own failings as well. The €350bn Juncker investment plan has been an utter waste of time. There is an overwhelming case for a eurozone-level budget for strategic research and investment, on a scale of several percentage points of GDP and funded by the issue of eurobonds. If one is serious about Europe's industrial future, heavy lifting is needed. It cannot be done within the red lines of the eurozone's current system of governance.

How does the Siemens-Alstom merger ban fit into the picture?

Germany's readiness to embrace a different industrial policy than it did in the past is not going to have an immediate impact on the decision-making procedures and philosophy in the EU, especially not on competition policy. Margrethe Vestager will almost certainly ban the merger between Siemens and Alstom today, as newspapers across the EU have widely reported already. The Commission has opted for resisting French and German pressure to prioritise the need tocompete with China in the future over legal and economic concerns about the merger itself. What will be interesting beyond the facts of the specific case will be the Commission's rationale for its decision. The case in itself is in no way unprecedented in EU history, and the coming years will tell whether it is the end of a chapter, or the continuation of longstanding European competition philosophy and the attempt to frustrate the kinds of policies now advocated by the German economics minister.

Paolo Savona to head Italian securities regulator

Paolo Savona, Italy's Europe minister, has been nominated to head Consob, the country's securities markets authority. All that remains is for the president of the republic Sergio Mattarella to sign the decree, despite claims by the political opposition that there are several causes of incompatibility that would prevent Savona's move. The move seems like a demotion for a man whose appointment as finance minister was frustrated by Mattarella's veto on concerns about a *"Plan B"* for Italian euro exit, and who ended up heading an ill-fitting Europe ministry. Since becoming minister, Savona has lost important portfolios such as the European cohesion funds and the next EU multi-annual budget framework, according to Corriere della Sera. So, to the now soon-to-be-former minister his new appointment may seem like a release. What the appointment does is to remove from the cabinet the last minister with strong views on the eurozone - though Savona himself denies being a eurosceptic. The main opponents of the euro in the Five Star/Lega government remain the heads of the budget committee of the house - Mario Borghi - and the finance committee of the Senate - Alberto Bagnai.

The government is convinced it will be able to overcome the causes of incompatibility advanced by the political opposition. These include the so-called Madia law which allows pensioners to take an appointment to the public administration only without pay and for a year; the Frattini law on conflict of interest which prevents ministers and their deputies from taking jobs in public or economic institutions for a year after leaving office; and a rule of Consob itself preventing directors of entities supervised by Consob over the past two year from taking a position in it. Savona used to be president of Euklid, an investment fund, until his ministerial appointment last spring. If Savona ends up not being able to be at Consob due to any of these incompatibilities, the appointment may have served just to remove him from the government.

Before the appointment of Savona was suggested at the end of last week, it was assumed that the leading candidate to chair Consob was Marcello Minenna, previously head of quantitative analysis and financial innovation at the markets authority. Minenna's future is now unclear. It is suggested - though but no means certain - that he will be secretary general under Savona. It is possible that Savona ends up leaving soon because of his incompatibilities and Minenna takes his place.

Gilets jaunes: anti-government but business-friendly

We note an interesting observation made by Aline Leclerc and Raphaelle Besse Desmoulières in Le Monde. The *gilets jaunes* have engaged in insurgency-like protest against government, and demands for a fairer sharing of the tax burden are at the heart of the protest movement. But the movement is not anti-business as such - many participants are small entrepreneurs, some of whom have demonstrated together with their employees. Only few speak spontaneously of any antagonism towards *le patronat* - the employers, or rather the bosses. Inasmuch as large companies are being rhetorically targeted, anger is directed against global behemoths using their size and the nature of their business to reduce their tax burden way below that of less mobile competitors. Geoffroy Roux de Bézieux, head of the Medef, says he was positively astonished that the employers’ organization was not targeted. The *gilets jaunes* are nothing like any other protest seen since WWII.