

Paris pushes for radical overhaul of EU economic governance

How to deal with China's bid for economic and political power is fast becoming a dominant topic in the EU's geopolitical and economic policy debate, with potentially far-reaching implications for government and EU policy. Following on the European Commission's refusal in the Siemens-Alstom case to let the prospect of future Chinese competition modify its present merger policy, Bruno Le Maire has now called for the most radical overhaul of European competition policy in decades. This would divest the European Commission of its current monopoly over cross-border merger control, giving EU governments the right to overturn Commission decisions. It would also allow for the conditional authorisation of mergers, with companies vetted as to the acquisition of a possible dominant position even after a merger authorisation, and divestments of assets being imposed if needed after the fact. Finally, Le Maire has called for making global market share a more systematic consideration in vetting mergers.

The idea behind this taboo-breaking call for reform is to facilitate the emergence of European champions able to take on Chinese global competitors. The French finance minister made these proposals during a joint media appearance with Olaf Scholz in Brussels, who predictably reacted evasively when pressed for a response. Just a day earlier, US Secretary of State Mike Pompeo had opened up his current eastern European tour by calling on the Hungarian government to be far more wary of the security risks posed by Huawei and Chinese companies more generally.

Le Maire also renewed his strong backing to the European Commission's proposal to replace gradually the unanimity rule in Council with majority voting in matters of EU tax policy. Scholz said that the national veto could indeed conceivably be dropped on issues such as VAT and the corporate tax base, but such a change would take time. Meanwhile the usual suspects – the Netherlands, Luxembourg, Sweden, to name but a few – registered strong opposition to giving up their national veto. The present system worked very well, they argued; and with fiscal policy a core prerogative of national parliaments, it was national democracy that was at stake here and not just the overall efficiency of the taxation

system.

We see several reasons why the French government is currently pushing so vigorously for change. It fits with the French tradition of taking the lead with economic reform proposals giving more power to governments, and of looking at the efficiency of EU rules through a geostrategic lens. It allows Emmanuel Macron to demonstrate without any domestic political cost that he continues to be at the vanguard of EU reform, notwithstanding Berlin's cautious reluctance or the outright hostility of many of the EU's conservatively-minded small member states. And it gives Macron's candidates for the European Parliament positive talking points in the upcoming European elections. We note in passing that the fierce French onslaught against the Commission's current competition policy does not bode well for the chances of competition Commissioner Margrethe Vestager, often mentioned in Brussels as a possible contender, to succeed Jean-Claude Juncker as Commission president.