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# FRANCE'S "PIVOT" TO ASIA

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## SUMMARY

France is undertaking its own "pivot" to and within Asia. It is both increasing its focus on Asia in order to improve its external trade balance and attract investment, and diversifying and deepening its political and security co-operation with the region. Its pursuit of exports to Asia echoes German policy, but it is also joining the race for Chinese investment that has been going on for some time in Eastern and Southern Europe and in the UK. France's bilateral push could undermine the unreserved support that France had previously given to a united European approach on trade and investment.

However, much more than Germany, France has in the last few years also increased security co-operation with Asian countries, in particular with Japan. It has also increased arms sales to the region, which has serious economic and security implications. Future jet fighter procurement by the French air force is in part conditional on a major deal to sell 125 Rafale fighter jets to India. On the other hand, becoming such a major supplier with a long-term commitment creates a liability should a conflict break out. Like other Europeans, France has shied away from any stand on Asia's territorial issues, but it is becoming more tied than other EU member states to some of the main protagonists.

In the last few years, France has increasingly focused on Asia to an extent appropriate for the region that is now at the heart of the world economy – and at the centre of its most significant geopolitical tensions. Between May 2012 and November 2013, a total of 33 French government visits to Asia took place, compared to only 13 in the preceding two years.

This brief examines France's low-key "pivot" to Asia. It has two components: a search for markets and investments and a diversification of political and security partnerships. Although there seems to be no grand design behind these moves, they have implications for France and for Europe. In the recent past, France had given unreserved support to a united European approach on trade and investment. Its new, increasingly bilateral approach to Asia may reflect intra-European competition, but may also feed it. The second component of France's "pivot" implies the development of quasi-alliance ties with a number of Asian countries. It remains to be seen how this will play out with China and whether other EU member states will follow France.

## The economic imperative

The new buzzword in the French foreign ministry is "economic diplomacy". According to a senior official at the economics and finance ministry, this means "seeking out growth wherever it can be found – that is to say, focusing on Asia". In a centralised country that lacks private foundations and has few private firms (apart from a few big names) that

can gain entry into Asian markets, the burden of opening up markets in Asia has inevitably fallen to government. Beginning under President Nicolas Sarkozy, it has sought to sell French products throughout the region. Before François Hollande took over as president in 2012, he was more critical of China and in particular of its undervalued currency, but has since veered away from this line.

The Hollande presidency's major departure from France's historical approach is to aim for a more systematised presence in Asia and a measure of strategic re-balancing away from China to other countries in Asia. He has tried to correct France's excessive focus on China by encouraging political and strategic co-operation with other Asian countries from India and Japan to Australia, Korea, Indonesia, Singapore, and Vietnam. Some of this dates to an earlier period: the Chirac presidency had formed defence ties with Singapore and Malaysia. Sarkozy wooed India (and Brazil) as large emerging economies when relations with China became strained in 2008–2009. But the present effort is all-out. Through this redeployment runs a new narrative: France's grim realisation that it is not at present "la grande nation" but instead "une puissance moyenne" – a middle power struggling for economic leverage.

Perhaps the best illustration of this "pivot" to and within Asia is the unprecedented number of visits to the region that the government has carried out. Hollande has made four presidential visits to Asia – to Laos, China, Japan, and India. Prime Minister Jean-Marc Ayrault has made seven visits, to Singapore, Philippines, Cambodia, Thailand, South Korea, Malaysia, and China. Foreign Minister Laurent Fabius has been to China five times, and also to Vietnam, Indonesia, and Japan. Defence Minister Jean-Yves Le Drian has been to Singapore and India. Many more technical visits have been made, including those by the foreign trade minister, Nicole Bricq. In fact, the only Asian countries that no French minister has visited are Bangladesh, Brunei and East Timor.

Though it is impossible to establish a direct causal link with the increase in government visits, the balance of trade between France and Asia has begun to improve. France currently has a trade surplus with Australia, Korea, Hong Kong, Malaysia, and Singapore. French sales in Japan increased between 2009 and 2012 before they were affected by the significant drop in the yen. France's abysmal deficit with China has been slightly reduced, falling to €26 billion in 2012. Exports to India have also improved. In particular, the government is focused on, and even mesmerised by, the increasingly likely sale of 125 Rafale fighter jets, frequently valued at €8 billion.

The push for the deal with India and the top-down mobilisation with China reflect the French tradition of politically driven *grands contrats*. €18 billion worth of sales were signed in April 2014 during President Xi Jinping's visit, including for 1,000 civilian helicopters over the next few years. A group of major French companies reportedly spent between €1 million and €2 million (much of it tax-

deductible) on a  *NUIT BLANCHE* (an all-night event) at the Grand Palais to celebrate the fiftieth anniversary of the French–Chinese diplomatic relationship. Fabius said in the French Senate in January 2014: "If we could welcome five million Chinese tourists, we would reduce the deficit in our trade balance by 10 percent."<sup>1</sup>

However, France's new Asia policy is also methodical. In some ways, it is clearly based on that of Germany. Chancellor Angela Merkel has been networking with a wide range of Asian countries, from Mongolia and Kazakhstan to Vietnam and Indonesia, which she has visited three times over five years. France's economic diplomacy bears some similarity to Germany's diversified approach. But while German companies benefit from the *Länder*, organisations representing industrial sectors and political foundations, French firms often go it alone. A recent example was the fight between French energy companies Areva and EDF, when EDF parted ways with Areva in order to co-operate with the Chinese nuclear industry. One step removed from France's remaining industrial titans, the government is trying to support a marketing strategy based on what Asian economies need, rather than on what French industry can offer.

At the same time, France is also joining the race for Chinese investment that has been going on in Eastern and Southern Europe and in the UK. Consultants and former senior officials who, just a few years ago, would have been making use of their relationships to break into the Chinese market, are now being hired to find buyers for French assets: buildings that can be converted into hotels; struggling companies; real estate; and financial partnerships. The challenge is considerable, because the flow of Chinese capital, both public and private, mostly works through offshore centres, and is therefore often hard to pin down. Who, for example, would have guessed that Bo Xilai, the purged member of the Chinese Politburo, could own a villa on the Côte d'Azur? And at a time when a third Paris airport for freight remains only a pipe-dream, who could have guessed that Chinese investors would be sought out for two substitute projects (Vatry in Lorraine and Châteauroux in Indre)?

However, France's new Asia policy means more than simply a scramble for Chinese cash. Economic necessity, and the growing awareness that old-fashioned political trade does not suffice, have led to a new process rather than a new policy. In fact, France's Asia policy is being rationalised. It no longer involves a hoopla about strategy and "grand design", and it is unaffected by changing presidential priorities. These aspects of French policy resulted in symbolic gestures and declarations, but often provided neither continuity nor "after-sales care" for policies. In short, French Asia policy has become less Gallic and more methodical. So far, the changes have been met with neither backlash nor any outcry for a

<sup>1</sup> Sénat de France, *Compte rendu analytique officiel du 8 janvier 2014*, available at [http://www.senat.fr/cra/s20140108/s20140108\\_1.html](http://www.senat.fr/cra/s20140108/s20140108_1.html) (hereafter, Sénat de France, *Compte rendu analytique officiel du 8 janvier 2014*).

more romantic script – it seems that tradition in French foreign policy has been exhausted.

## Reversing the decline

The time when France could pursue an independent Asia policy has long since passed. The last French initiative was a reaction to Singaporean Prime Minister Lee Kuan Yew's proposal to create the Asia–Europe Meeting (ASEM) in 1995–1996. In 2008, Sarkozy tried to raise questions with China over unrest in Tibet. This simple inquiry was untenable without European backing, which was not forthcoming. And it would have necessitated tight and meticulous control of French diplomacy in response to action by Chinese authorities. France made a financial contribution to the first resolution of the North Korean nuclear crisis, in 1996, along with other European countries. But it did not capitalise on its contribution and so gained no political influence from the initiative.<sup>2</sup>

Instead of adopting a Gaullist policy of diplomatic recognition for North Korea in 2000–2001, France took a less active role on the issue than did other European countries. In 1999, France gave significant military and humanitarian support for East Timor's independence, but this support mainly took place within the UN framework, as did France's contribution to peace in Cambodia in the early 1990s. The two Cambodian peace conferences held in Paris in 1989 and 1991, along with the position taken by France after the Chinese Tiananmen Square crisis in 1989, were the last signs of the originality present in France's policies in the 1960s: recognition of the People's Republic of China in 1964 and Charles De Gaulle's speech in Phnom Penh in 1966 criticising American involvement in Vietnam. France (as well as the UK) attempted to apply to the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF) in 1995, but the effort failed.

The decision to sell arms to Taiwan, which was made in 1991 at a time when Chinese diplomacy had been weakened by the Tiananmen crisis, could have been a sign of strategic originality. However, political corruption destroyed its chances of success. Quite logically, a former insurance company director, Jacques Friedman, who was probably used to dealing with damage claims, was chosen, like a burgher from Calais, to meet with China in January 1994, when the French government stepped back from its participation in arming Taiwan.<sup>3</sup> France has also changed tack in the South Pacific. The last series of nuclear tests was conducted in the Pacific in 1995–1996, and the New Caledonian crisis was resolved in 1998, after France had come to terms with

the independence of Vanuatu in 1980. As a result of these actions, France's relations with its partners in the South Pacific have been normalised, based again on a realist and middle-power approach.

France's political self-effacement and more pragmatic diplomacy are a function of the relative weakening of its presence in the region. This decline has been at least temporarily reversed in military terms: the French naval presence in the South Pacific was considerably reduced by the end of the 1990s, but after 2001, France's presence in the Indian Ocean was strengthened because of the country's 12-year involvement in the Afghan conflict. At the beginning of this century, French forces had only an insignificant presence beyond the Malacca Straits, essentially limited to surveys by a training ship and a surprising joint naval exercise held in conjunction with China in March 2004, on the eve of the Taiwanese presidential elections.<sup>4</sup>

Most Asian countries, aside perhaps from India, have little interest in France's unquestionable commitments in Djibouti or in its actions against piracy in the Indian Ocean, in protecting the French maritime zone in the Southern Indian Ocean, or in supporting French combat forces deployed in Afghanistan. The Indian Ocean is not East Asia, and neither French nor European statements framing these actions as a relevant contribution to Asian policy are particularly convincing to South-East or North-East Asia.

Worse, a poor understanding of Asian ideology, which is firmly based on sovereignty, can cause problems. For example, at the annual Shangri-La Asia security summit in May 2008, French Defence Minister Hervé Morin presented the right of pursuit invoked by French forces against pirates in Somalia as a model for the Malacca Straits. While this may have been acceptable to a country such as India, which defends its right to retaliate against terrorists across the Pakistan border, the statement only served to shock ASEAN members, who value the defence of national sovereignty above all else.

France's trade position in Asia has also continued to decline. President Jacques Chirac's 1996 promise to triple France's market share in Asia over ten years is far from being realised.<sup>5</sup> France at that time accounted for 2 percent of Asian imports. In 2012, it accounted for 1 percent.<sup>6</sup> France exports mainly to its neighbours, and only 12 percent of French sales are to Asian countries. It does not import any energy from the region. Moreover, the rules of the game have changed significantly because of new regulations and

<sup>2</sup> The creation of KEDO, the Korean Peninsula Energy Development Organization, which aimed to provide North Korea with a substitute nuclear power plant, was met with hostility by French counter-proliferation diplomats.

<sup>3</sup> Jean-Pierre Cabestan, "France's Taiwan policy: a case of shopkeeper diplomacy", Conference Paper given at The Role of France and Germany in Sino-European Relations, Hong Kong Baptist University, 22–23 June 2001, available at <http://www.sciencespo.fr/cepi/sites/sciencespo.fr/cepi/files/jpcabest.pdf>.

<sup>4</sup> "Sino-French maritime exercise comprehensive", *People's Daily*, 15 March 2004, available at [http://english.peopledaily.com.cn/200403/15/eng20040315\\_137543.shtml](http://english.peopledaily.com.cn/200403/15/eng20040315_137543.shtml).

<sup>5</sup> Jacques Chirac, "Discours de M. Jacques CHIRAC Président de la République à SINGAPOUR", *Présidence de la République* home page, 29 February 1996, available at [http://www.jacqueschirac-asso.fr/archives-elysee.fr/elysee/elysee.fr/francais/interventions/discours\\_et\\_declarations/1996/fevrier/discours\\_de\\_m\\_jacques\\_chirac\\_president\\_de\\_la\\_republique\\_a\\_singapour.2276.html](http://www.jacqueschirac-asso.fr/archives-elysee.fr/elysee/elysee.fr/francais/interventions/discours_et_declarations/1996/fevrier/discours_de_m_jacques_chirac_president_de_la_republique_a_singapour.2276.html).

<sup>6</sup> French exports to Asia in 2012 moved closer (€56.4 billion, according to Minefi) to Asian imports for the same year (\$6,663 billion, according to the ESCAP 2013 report), with an average exchange rate of €0.809 to \$1 in 2012.

the rise of emerging Asian markets. At the end of the 1980s, subsidised soft loans provided considerable support for exports, particularly for the large-scale industrial projects in which France excelled. Along with Algeria, China was the main destination for export credits, with taxpayers' money being used to support major contracts. Right now, Asia is overflowing with unused cash assets held by China, Japan, and Korea. This cash is often invested at ridiculously low interest rates, while trade regulations on subsidies for major contracts have become stricter, particularly in developed economies.

For these reasons, France has been forced to adapt its Asia policy in three equally pragmatic ways. First, it is attempting to improve the competitiveness of its services. Second, it is looking to engage in sectoral partnerships based more on the needs of target countries than on the promotion of French opportunities. Third, it is seeking to build a strategic presence based on defence co-operation – that is, self-financing through sales – rather than on a strategic capacity that does not really extend beyond the Indian Ocean into Asia. According to one official, France “cannot develop economic diplomacy and influence unless it improves its instruments; France can no longer have only one overall Asia policy”.<sup>7</sup> By pursuing a series of bilateral relationships or, at a stretch, one policy for each of the various Asian sub-regions, France tries to avoid the contradictions that are emerging in a profoundly divided Asia.

## Arms sales and strategic equidistance

The sale of French armaments to Asia has never completely stopped. However, morale in the industry was affected by the scandals that plagued French sales of frigates and missiles to Taiwan, along with the 1989 European embargo on arms sales to China (which has no clear definition of scope, thus leaving room for interpretation on dual-use technology). The industry was also chastened by the repeated failures of French aircraft manufacturer Dassault in Korea, Singapore, and India. The Japanese market has remained the almost exclusive domain of the United States, an implicit codicil in the American security guarantee. Pakistan has long been a very good customer of French arms bought using French government credits, purchasing aircraft, submarines, and other materiel. But such deals have become harder because of France's commitment to the Afghan conflict and the attitude of the Pakistani secret services to the Taliban.

Even so, France has retained a key position in South-East Asia, particularly in Malaysia and Singapore, as well as in India, where it has played an important role as an alternative supplier. One important area for France, in which Germany comes a close second, is the provision of cutting-edge submarines to maritime countries. This trade has been an

undeniable component in the regional arms race and formed a contributing factor to the uncertainties over the future control of straits through which almost half of the world's trade must pass. However, the Taiwanese adventure, along with some slip-ups in Malaysia and Pakistan, have made French policy seem somewhat mercenary, with no evidence of an overall awareness of the region's security architecture.<sup>8</sup>

France's arms trade is now being reinvigorated, although progress is taking place through a series of bilateral initiatives rather than any systematic approach. Most Asian maritime countries have been forced to respond to the increasing dangers in the South and East China Seas and the rapid modernisation of Chinese military capabilities. Either because there is space in the market for several suppliers, or because these countries are looking to complement the US suppliers on which they are very dependent, they are showing greater interest in French and European (particularly German and British) arms. France has the advantage of being a permanent member of the UN Security Council and, more discreetly, of having an observation satellite industry that can provide its clients with information independent from the resources of the US. At a time when the very future of the defence industry is under threat from budget constraints at home, defence co-operation is a useful tool to promote sales. In 2012, 50 percent of total French arms sales were to Asia.

It is not clear whether any of this new co-operation involves formal bilateral pledges of support; up to this point, there have been no conflicts and the supplier-client relationships have not truly been tested. Furthermore, France is also pursuing its “global partnership” with China (established in 1997 by Chirac) or the pursuit of the Chinese market and more recently of Chinese investors. It remains restrained in talking up the strategic content of its co-operation with potential competitors to China. What some officials privately call an “equidistant position” would come under serious challenge if a conflict situation were to arise.

In August 2013, Foreign Minister Fabius, who visited China five times in 18 months, said: “China has not, so far, been an expansionist power: we must bolster this choice. In the short term, one of our key challenges is to encourage a strategic modus vivendi between the United States and China in Asia.”<sup>9</sup> In January 2014, he told the French Senate that “in a multipolar world, we do not have to choose between China, Russia, or even Japan”.<sup>10</sup> This comment was made on the eve of the first meeting between French and Japanese foreign affairs and defence ministers, which led to the signature of an unprecedented defence co-operation agreement between the two countries. The foreign minister's statement can be read as a form of diplomatic hedging.

<sup>8</sup> In both cases, bribes over submarine sales have been alleged (Malaysia) or uncovered (Pakistan).

<sup>9</sup> Laurent Fabius, speech at Futuroscope, Poitiers, 30 August 2013.

<sup>10</sup> Sénat de France, *Compte rendu analytique officiel du 8 janvier 2014*.

<sup>7</sup> Interview with a French diplomat, Paris, November 2013.

By voicing a detachment from strategic issues in Asia, French diplomacy seeks to forestall any possible Chinese criticism. Quite uncharacteristically, it downplays the significance of developments that have taken place throughout Asia, engaging in no unnecessary fanfare or grandstanding. Measures to improve relations with China have continued. The economy minister has put in place a new economic and financial dialogue mechanism along with a sizeable programme of sectoral co-operation. As one experienced observer notes, in relation to the territorial disputes in the South and East China Seas, France “remains as neutral as possible”. But issues of free circulation, whether at sea or in the air, as well as the protection of exclusive economic zones (EEZs), are a different matter. France has the second-largest maritime domain in the world, and its sheer size makes it essentially impossible to defend. For this reason, it observes with great concern the contests that have risen in Asia.

French commitments across the region are increasing and becoming more complex. France has “strategic” partnerships with China, India, and Japan (nationally as well as at European level) as well as with Indonesia, Australia, Korea (as part of another “global” partnership), Singapore, and Vietnam. Although Malaysia rejects the term “strategic partnership”, France has become its main defence partner. Admittedly, the term is overused by China, the EU, and ASEAN, who use it to mean only the absence of conflict or to signify the importance of a relationship. However, in France’s case, the content of these partnerships is becoming very concrete. Like France, the UK has also made Asia a defence priority, but, due to lack of a defence budget, the UK’s partnerships remain largely declaratory.<sup>11</sup> It is striking that these two very similar European middle powers co-operate west of Malacca and compete to the east.

France has established three joint exercises with India, which will take place in the region and in France. France has also participated in the Ulchi or Freedom Guardian military exercises with Korea, as well as carrying out joint operations with Australia and New Zealand.<sup>12</sup> Japan is interested in naval co-operation with France in the South Pacific, particularly because of France’s fishing zones there. Singapore has become France’s second-largest partner in the region, and the partnership has been enhanced through military research and development. In all these joint operations, France can implement NATO standards. However, it is somewhat hampered by the fact that different standards from NATO in Europe are used by the US Pacific Command (USPACOM) across the region: like the DVD market, NATO has been divided by regional standards!

France’s co-operation with Japan has shown the most impressive progress. Despite Chirac’s interest in Japan, defence co-operation was forestalled by an almost complete American monopoly as well as by Japanese fears that France would advocate lifting the EU embargo on arms sales to China. Japan’s co-operation with third parties was also held back by legal constraints within Japan itself, which prohibited it from exporting arms components or sub-systems. The greatest extent of co-operation was the 2+2 dialogues that were instituted between high-level officials from the two countries’ foreign and defence ministries. But the situation has changed rapidly since 2012. Hollande’s visit in 2013 created a common mechanism for consultation on arms transfers to third parties, which is reassuring to Japan.

The first ministerial-level foreign affairs/defence 2+2 dialogue held between France and Japan in January 2014 represented a turning point. The two countries have expressed common concerns on maritime issues and freedom of navigation, at sea and in the air. They have established industrial co-operation on weapons, along with a dialogue on arms exports – including dual-use technologies, which is a new step for France as well as for Japan. They have also agreed to co-operate on maritime security in the Malacca Straits, where Japan is heading up an international presence, in the Horn of Africa, and in the Gulf of Guinea. The two countries are also committed to “reinforcing” security measures in South-East Asia and the Pacific.<sup>13</sup>

## Bilateral and multilateral relationships in a multipolar Asia

France is committed to a series of bilateral agreements across a region that is both interdependent and increasingly multipolar. The main tenets of multilateralism – recourse to international law and mediation, reconciliation, and compromise – do not resonate in Asia, where nationalism and historical rivalry are widespread and where communitarianism is particularly pervasive.<sup>14</sup> Caught between bilateralism, which can have unexpected consequences, and unrealistic multilateralism, France is moving closer to sub-regional organisations, particularly ASEAN, which has the advantage of being based on neutrality and the desire to avoid conflict at all costs.

Although it was criticised by the domestic press for its focus on Laos, one of France’s smallest partners in Asia, Hollande’s first visit to the region as president made it possible to establish contacts with the heads of state of all ASEAN members during the Asia-Europe Meeting in Vientiane. France has indicated that it may apply to join ASEAN’s ADMM-Plus dialogue.<sup>15</sup> It is, however, acting more

<sup>11</sup> Her Majesty’s Government, *Securing Britain in an Age of Uncertainty: the Strategic Defence and Security Review* (London: The Stationery Office, 2010), available at [http://www.direct.gov.uk/prod\\_consum\\_dg/groups/dg\\_digitalassets/@dg/@en/documents/digitalasset/dg\\_191634.pdf](http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_191634.pdf).

<sup>12</sup> A full listing of France’s security co-operations in the region is mapped out in *La France et la sécurité en Asie-Pacifique* (April 2014), p. 14, available at [http://www.defense.gouv.fr/das/relations-internationales/enjeux-regionaux/asia-pacifique/asia-pacifique](http://www.defense.gouv.fr/das/rerelations-internationales/enjeux-regionaux/asia-pacifique/asia-pacifique) (hereafter, *La France et la sécurité en Asie-Pacifique*).

<sup>13</sup> Joint press release by the Foreign Affairs and Defence Ministers of Japan and France, 9 January 2014, available at [http://www.diplomatie.gouv.fr/fr/IMG/pdf/\\_corrigé-1401090630\\_Communique\\_Conjoint\\_Final\\_FR\\_cle418565.pdf](http://www.diplomatie.gouv.fr/fr/IMG/pdf/_corrigé-1401090630_Communique_Conjoint_Final_FR_cle418565.pdf).

<sup>14</sup> François Godement, “Divided Asia: The Implications for Europe”, European Council on Foreign Relations, November 2013, available at [http://ecfr.eu/page/-/ECFR91\\_DIVIDED\\_ASIA\\_AW.pdf](http://ecfr.eu/page/-/ECFR91_DIVIDED_ASIA_AW.pdf).

<sup>15</sup> The ASEAN Defence Ministers Meeting Plus brings together ASEAN defence ministers and foreign partners.

carefully and methodically in its outreach to ASEAN than it did in the past, when it announced its application to the ASEAN Regional Forum at the same time as the UK, without setting up any co-ordination between the two countries and without consulting any other European countries. Today, France is working with a more varied toolbox. For example, it has applied to join the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), a regional organisation set up to combat piracy. And it hopes to transfer the ReCAAP model to the north-east Indian Ocean, where it is able to deploy more naval assets.

The diversification of defence dialogues has also involved France's Western allies. In 2014, the defence ministry established a dialogue with USPACOM. Three strategic discussions on Asian issues have been held with the UK. These actions have encouraged the EU's External Action Service and its military committee to develop a more transparent position on defence issues in Asia. France faces a paradox: it is committed to co-operating with the US while at the same time acting as an alternative supplier for other allies and partners of the US. The US must also deal with this paradox: it doubtless can see the usefulness of a defence co-operation with its oldest defence ally, that nonetheless includes some local competition.

In South Asia, on the other hand, France has chosen to concentrate on a single partner, or perhaps its constraints and interests have made the choice unavoidable. France can hardly claim to be neutral on the India–Pakistan rivalry, in spite of longstanding defence relationships with both countries. It now maintains only a residual military presence in Afghanistan, which is tasked with training the Afghan police force, while Germany and the UK still have troops in the country. A complete US withdrawal would endanger this residual presence and, in the wake of Libya, Mali, and Syria, France is well placed to understand the limits of American commitment. It is clear that while the French military is increasingly active in sub-Saharan Africa, its involvement in Afghanistan cannot continue.

In fact, this points to a more general truth. France's 2013 White Paper on Defence and National Security and a recent policy document on France's security involvement in the Asia-Pacific emphasise France's commitment to the Indian Ocean and its stakes beyond this region.<sup>16</sup> But they do not provide, in the words of one official, for "operational commitments" east of the Gulf of Aden.<sup>17</sup> In other words, France will make no commitment to intervention in Asia. Some French (and occasionally British) strategists dream of reviving the idea of the Indo-Pacific, which would have the advantage of being based on an area where France has territory and a real defence presence.<sup>18</sup> But South Asian

countries, and India in particular, prefer to have a free rein in regional affairs and are not currently interested in any structured European involvement.

## Beyond the short term

France is trying to reinforce its links with most Asian countries, rather than with only the major powers in the region. It is showing pragmatism, greater modesty, and a comprehensive approach that is reflected in the schedule of government visits. Is this renewed engagement simply a juxtaposition of bilateral policies, essentially motivated by economic factors?

There is indeed a belief that higher marginal gains can be achieved by doing business with emerging countries than by focusing solely on Asia's major powers. It is also showing interest in the second-tier emerging countries, such as the Philippines and Laos; because of their smaller size, they are more scalable for French public levers and French companies. In its attempt to overcome its competitive disadvantages, one of the country's main objectives is to find niche markets. Another goal is to attract foreign investment, including from Asian countries. At present, Asian investment officially represents only 20 percent of France's total FDI inflow. The government's position has changed considerably over the past year and half. The politicisation of the Arcelor–Mittal affair in 2012 and the emotions stirred up in France by the company having an Indian CEO (despite its main headquarters being in London and Luxembourg!) would not occur today.

Diversification and versatility have brought their first economic results. France's economic relationship with Japan is changing: it has gained two breakthrough Japanese government contracts, notoriously difficult for Europeans to access (one contract for Airbus airplanes, another about signalling for a railway line, a sector previously closed to foreign industry). These developments should also be linked to the ongoing talks on a free trade agreement between the EU and Japan. France is among the countries that joined the process slightly late, and obtained a review clause in April 2014 to evaluate Japanese progress after one year of trade talks. France and Japan are also partners in a nuclear power plant in Turkey and could potentially work together on a similar plant in Vietnam.

China's nuclear co-operation with third-party countries has made real strides, as demonstrated by its co-funding and participation with France in building two European Pressurised Reactor plants (EPR) at Hinkley Point in the UK. Co-operation has not yet been implemented in other sectors such as transport, health care, urban development, and energy efficiency: during his state visit to France in April 2014, Xi indicated China's interests in European "infrastructure". France has backed European efforts to request reciprocity from China on government procurement. This is a difficult undertaking, given the highly controlled

<sup>16</sup> *La France et la sécurité en Asie-Pacifique*.

<sup>17</sup> Author interview with a French defence official, Paris, November 2013.

<sup>18</sup> James Rogers, "European (British and French) geo-strategy in the Indo-Pacific", *Journal of the Indian Ocean Region*, Vol. 9, No. 1, 25 June 2013, pp. 69–89.

nature of the Chinese economy. It runs parallel to the need for opening up Chinese firms to mergers and acquisitions, now that they have become so active beyond China's borders.

France is faced with a dilemma, and its reaction is very similar to the hesitation that has characterised French economic policy since 2012. Expanding the range of suppliers available for French infrastructure projects in, for example, energy, rail, or road transport would decrease the cost burden on taxpayers. Central and Eastern European countries are pressing for this kind of change. However, most likely for reasons of political visibility, France has confined its openness on this point to projects elsewhere in Europe: neither Hinkley Point nor a Chinese-built railway line or expressway could happen in France – yet.

The €3 billion investment partnership that GDF Suez signed with PRCF, China's leading sovereign fund, in 2011 was the largest investment it had ever made in Europe. But it applies to European rather than national distribution. That agreement has acted as a trailblazer, bringing about a review of European obligations on major infrastructure projects that include an appeal to foreign investors such as China. Chinese suppliers could probably deliver the planned Greater Paris orbital metro system at a very good price. But in spite of the fact that the project cannot be publicly funded in the current economic climate, caution prevails. Similarly, with regard to telecommunications infrastructure and networks, France is hesitant to engage in major deals with Asian partners. It has not completely closed the door on China's Huawei and its competitor, ZTE (which have been the target of an EU preliminary enquiry over their funding). But France also remains preoccupied with issues of cybersecurity and is closely monitoring the choices made by its neighbours.

Without advertising it much, France is the biggest market for trade in the Chinese yuan within the eurozone, and competition with the London financial market is probably making France less demanding on the transparency of some of these funds. However, France is also attracted to the more protectionist model of government contracts and public investment that prevails in the US and Canada, where the "Buy American" Act and security concerns can justify blocking investments. It has not gone as far as countries such as the UK, Sweden, or Denmark in making liberal economic choices, but it is also looking closely at this kind of policy. Out of necessity, the general search for foreign investors continues to accelerate.

In economic and security choices, pragmatic and even opportunistic policies lead to some contradictions or inconsistencies. These aspects have always been part of France's Asia policies: Aristide Briand's liberal plea for the League of Nations was made at a time when France held colonies. The cult of French sovereignty did not prevent a bitter war against the independence of its colonies. Former president François Mitterrand spoke out for a post-Yalta world, but sold weapons to Taiwan for essentially mercantile reasons. In view of this past, the gap between Cartesian or

pseudo-romantic ideals and concrete action seems to have narrowed considerably – a welcome development. However, potential contradictions are also more important than they were in the past. War has not been talked about so much in East Asia since 1945. Emerging Asia's firms and capital outflows are becoming significant forces in Europe itself.

With improved government co-ordination, France can create a unity of purpose that is missing at the level of the EU. However commendable, government action is only one component of effective influence. At the level of the market, French firms do not have the weight to create a national policy, except in a very small number of industrial sectors – and even there, the civilian aircraft industry is now more European than French, and no nuclear plants exclude large foreign (Japanese or Chinese) co-manufacturing. The potential sale of Alstom, France's rail and energy champion, would also undo a major building block of a national industrial strategy. Leveraging the EU for negotiations, sharing resources with partners to gain traction in areas of co-operation such as public aid, health, and urbanisation, and coming to terms with a compromise between the free market and regulation are essential ingredients for French economic success in Asia.

## European co-operation and competition

More than many other EU member states, France now feels the need for European support for its economic interests in Asia. Paris needs Brussels because of the negotiating leverage it can bring in trade and investment agreements in Asia, and increasingly on European markets. France is also aiming to attract financial services away from London, and would like to play a role as the eurozone's monetary and financial hub. France is therefore bringing its problems to Brussels – a defensive approach that was displayed when France found itself at the forefront of the initiative on Chinese solar-panel dumping in 2012. France supports vigorous offensive trade diplomacy in Asia and is among the member states that have required a review of negotiations with Japan on a free-trade pact after a year – a step calculated to extract substantial deliverables from Japan at the outset of the negotiations.

However, the core of France's Asia policy remains nationally based. This highlights the competition between major European countries – particularly in economic affairs. By declaring itself open to Chinese investment in the renminbi offshore market, France is competing with the UK, which is pursuing its own policies on monetary and financial issues and is working hard to preserve the offshore system based in London. France is also competing with the UK in the defence field and with Germany in exports and with Southern and Eastern European countries for investment – in particular from China. French companies' pressing need for capital is now reflected by large financing deals or equity investments from China in major French companies such as GDF Suez, Club Med, and PSA.

In the long term, however, France will need to work within the EU to further its interests and meet its commitments. The country is located at the intersection of the two European geo-economic groupings: it belongs both to the crisis-riven south and to the technology-exporting north. France is a major international investor and also seeks to remain one of the world's top destinations for foreign investment. At a time when European defence policies are more abstract than ever, France has a capacity for military projection that is now unique in Europe – although this capacity, along with its active deployment, is now threatened by the looming budgetary crisis. Even if France's hard power does not really extend to East Asia, and remains on a modest scale in the Indian Ocean, it lends itself to partnership with existing and emerging Asian defence policies.

France's European policies face a contradiction that affects more than just its relationship with Asia. France wants a Europe that can take action, but it remains committed to retaining decision-making powers for member states. However, competition between member states means that Asia, and particularly China, can safely ignore the machinations of both the European Parliament and the intergovernmental European Council. On the other hand, the European Commission may not have enough teeth, but it has a reach and a federal potential that Asian economies cannot afford to ignore.

In cases where decisions belong to member states, it is impossible to be sure of confidentiality – a first prerequisite of any negotiating strategy. Uncharitable neighbours quickly make public the identity of countries with more exacting negotiation positions, as happened recently in the solar-panel market.<sup>19</sup> As on many other issues, France's Asia policy remains trapped halfway between Europe's half-baked intergovernmentalism and a federal system that many politicians know must now be implemented as a matter of urgency, but which will diminish both France's and their own personal status.

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