

## **Building a Resilient Europe: Rethinking Capital, Industry, and Trade**

An interview with Barry Lynn, Green European Journal

October 14, 2024

The continent's economic footing has consistently weakened in recent years due to a combination of dwindling industrial capacity, an increasingly hostile global trade environment, and a limited ability to raise capital. In its efforts to strengthen its economic sovereignty, Europe must try to build on its diversity, avoid the pitfalls of monopolisation and concentration, and tackle the climate crisis.

**Green European Journal: In his much-anticipated and commented-on report, Mario Draghi draws attention to an obsolete economic model in Europe and the declining competitiveness of the EU. What do you make of Draghi's diagnosis and proposed remedies?**

**Barry Lynn:** It is a really important moment in European history. I think the Draghi report does a good job recognising the moment and the magnitude of the changes that have to take place. There has been a strong focus on the competition aspect of the report. However, what the report is mostly focusing on here is money: how do you concentrate capital?

A former head of the European Central Bank is essentially making a case for Europe to borrow money collectively and invest. That idea is strongly opposed by the Germans and, in different ways, by the Dutch. From the beginning of the European Union, this has been a fundamental question: can Europe collectively raise the money it needs? And now the question becomes: will the Germans accept a watering down of their control over monetary and debt policy?

My own take is that Europe's weakness largely has to do with Germany's extremely selfish protection of the structure of the euro and the European market put in place 25 years ago, as we saw with Greece in 2015 already. But without the ability to concentrate capital, Europeans cannot and will not do many of the things that they want to do.

There is a lot of money in Europe, but it is not like in the US. There, capital markets are vibrant, and the government has the ability to provide a lot of capital on top of that. This is a large part of what Draghi is saying: if Europe wants to get serious about investing in a renewed political economy, it will have to rethink how to concentrate capital, both in the private capital markets and publicly.

Regarding competition, I think this is not an issue that Draghi really has spent a lot of time focusing on. In fact, his goals for Europe require strong anti-monopoly and anti-chokepoint policies. But when you get to the details of some of the policies he is promoting – whether it is consolidation of telecoms or the creation of industrial European champions – his proposals do not really align with the goals. In a way, the report is an opportunity for discussion. Yes, the goals are desirable, but the specific policies advocated in the report need improvement because what he is proposing is not going to work.

**As Europe contemplates emulating the US and other major economies with continent-sized champions, it is worth examining how this strategy has played out in the US. What are the risks that Europeans should bear in mind before adopting this sort of policy? And what does having**

**an economy dominated by monopolists look like?**

If you read Draghi's report and the mission statements that [European Commission] President Ursula von der Leyen put out (and that were sent to the individual Directorates-General to guide their work for the next five years), it does seem that Europeans want to follow the American approach to the defence industry and heavy industry. That is absolutely foolish.

*It does seem that Europeans want to follow the American approach to the defence industry and heavy industry. That is absolutely foolish.*

This American approach, which began in the 1980s and allowed extreme concentration in defence and heavy industry, has been absolutely disastrous. It had catastrophic effects. Just look at Boeing: when Ronald Reagan came to power in 1981, there were four different manufacturers of commercial airliners in the US. And now we are down to two within the entire world. What you see in the case of Boeing is a corporation that has serious problems getting its products out of the door, innovating and introducing new technologies, and keeping up the quality.

And Europe is going to follow this? Following the Boeing path would be crazy. The Siemens/Alstom merger [rejected by the EU Commission in 2019] has become a worm in the brain of European industrialists. But how could it be a good idea to merge the two corporations that make train sets in Europe at a time when you need more and better train sets? Nonsense. It is stupid.

**So, if the EU does not need European champions to compete globally, is there a way to balance the need for competition in the single market with the need to be competitive at the global level? How do we make sure that EU industrial policy caters to the general interest of the public and not just to corporate interests?**

There is a really simple answer to that: tariffs. Broadly understood, competition policy encompasses trade policy and industrial policy, and vice versa: a real industrial policy encompasses competition and trade policy. All three are a unit. So if you want to have competition within Europe and make sure that the Chinese, with their extremely heavily subsidised mercantilist system, do not come in and destroy your corporations, there is a simple tool to use, and that is tariffs. Only recently, the idea of tariffs was anathema in Europe. Now Europeans have come to realise they need to use tariffs, but they must be really careful.

In the US, in the broad field of electric vehicles (EVs), including batteries and other components, we realised we could not depend on Chinese sources of supply. It is not safe, and also not wise in terms of innovation. That is why we used 100 per cent tariffs, or more, if necessary to protect the competitive system, rather than going through consolidation.

That is the only way forward. Without tariffs, you are not engaging in industrial policy. What you are doing is simply giving away your security and your industrial treasures to other countries.

**The question is, how do we achieve the benefits of scale and accumulate enough capital to act competitively while avoiding the harms of concentration? And how can Europe develop smart industrial policy, potentially paired with trade policy, that would serve the transitions that European politicians are obviously thinking about within the reality of the current global**

## **economy?**

You have to sit down and figure out your strategy and goals and then design policies that fit the purpose. Otherwise, you are constantly reactive, in an incoherent way.

This is exactly, let's be honest, where the European industry stands when it comes to cars. What happened is that German automakers, around which the entire political system in Germany is structured, sold out the industrial core of the cars to China. Now, there is virtually no capacity to build batteries or electric drive trains in Europe, and the dependence on China is 100 per cent.

This is one way to look at the structure of power in Europe right now: the Chinese government in Beijing essentially controls German automakers, the German automakers control the [Christian-democratic party] CDU, and the CDU has a firm grip on the European Commission. But what Europeans spent all their time fretting about is the American Inflation Reduction Act (IRA). Well, the US invested a crazy amount of money in semiconductor production, batteries, and other EV componentry. Europeans could have decided to get together and work in a joint effort with the Americans to create scale, scope, and a single system of production. Instead, they were manipulated through Beijing's control over the German automotive industry.

If Europe does not get on top of the situation in the next few years, it will be over. Do you think Nord Stream was bad? What the Germans are doing now with China regarding automotive, chemicals, and other componentry, is the same thing but on steroids.

This is the challenge that Europeans have to face. And let me be clear: here, the US is not the imperial power – China is. And you are about to fall under the control of the new imperial power. In contrast, America is offering a vision of redundancy, resiliency, and competitiveness.<sup>1</sup>

*Even in the case of a Trump administration, the basic goal will remain the same for Europe: making sure it does not come under the direct control of the Chinese industrial system.*

I think the Draghi report was quite sober about these threats (and the French government certainly has a very dry understanding of these threats). So I believe there is a real opportunity for Europe to arrive at a better place within these next few years, especially if there is a Harris administration in the White House. Even in the case of a Trump administration – which would complicate things – the basic goal will remain the same for Europe: making sure it does not come under the direct control of the Chinese industrial system and, hence, the Chinese state.

## **Would you say that some EU member states have gone a little too far in the globalised value chain? And if so, are tariffs really the only way to get back to something more manageable?**

Let me be clear: Europe did not invent that system – the US did. The strategy was to create a monopoly at home and then allow the monopolies to offshore the capacity. We created the concentration of capacity in China that helped to suck European industry into it. We created the problem through our bad thinking and bad ideology.

Your question is spot on: once you have 100 per cent of something overseas, the nation that controls that power is not going to let it go easily. Hence, you need to have a goal and a strategy, and then you can negotiate with your trading partners. It will be tough negotiations with the US, the Chinese, etc. But at the end of the day, everyone benefits from a resilient, redundant, distributed system of production in which there are no monopolists restricting technological change, and nor are there nation-states trying to exploit chokepoints to manipulate other nation-states.

We used to have that, and we can have it again. Liberal trading systems are a good thing. They make the world safer, promoting peaceful cooperation among peoples, and that should be our ultimate goal. However, between where we are today and where we want to go, there are a lot of difficult choices and tough negotiations. But you know what? We are smart folks; we can do it.

**The fragmented nature of the European market is often presented – including by Draghi – as one of Europe’s failings. But could this natural fragmentation, so often framed as a liability, be a strength when it comes to fighting monopoly and concentration?**

Indeed. The US is a single, very large economy because it is a single nation-state. Yet until the 1980s – and even into the 1990s – there was a very large number of localised businesses at the level of states because the regulatory system was designed to promote localisation and prevent concentration and centralisation. The challenge facing Europe now is avoiding the US path. Do you want to wake up 20 years from now and have three fast food restaurants, one single retailer, etc.? Or do you want to have a system designed to ensure resiliency, redundancy, and the kind of competition that leads to better and cheaper services and goods? These are all policy choices, and Europeans today have an opportunity to build upon their diversity, languages, experience, interests, and skills.

Europe is at a crossroads. Depending on how you understand Draghi’s report, you may head down the road towards monopoly or walk down the path to a stronger, richer, and more innovative community.

**Diversity is key to understanding the other challenges raised by our time: sustainability and green policies in general draw on diversity, equilibrium, and abundance, as do nature and life. The Draghi report names green and clean tech as the one field where the European Union has an edge and some global leadership. How can we reconcile the current obsession for competitiveness with the sustainability goals that the EU has set for itself and the rest of the world?**

One fundamental problem with the report and how it views the challenges facing Europe is its framing of competitiveness. The report assumes that Europe is operating in a world market system. But there is no world market system. The world is made of powerful nation-states that have industrial policies which are geared to achieve specific strategic and economic outcomes. This framework of thinking about competitiveness immediately puts Europe at a fundamental disadvantage because it is operating within a mythic dream world.

The starting point should be how to ensure security, prosperity, and democracy. That understanding then guides your decisions on how you structure your industry to compete within Europe but also with the US, China, South America, Asia, Africa, etc. That is the framework that would allow Europeans to rebuild industry in a way that the leading technological and organisational ideas from Europe remain European and are developed and built to scale within Europe. Then, as they are spread around the world, they can carry both the European flag and European values.

*Europeans today have an opportunity to build upon their diversity, languages, experience, interests, and skills.*

Europeans are – and this is true for people on the progressive side all the way over to the conservative side –still dreaming of the lost ideals of the 1990s, when a liberal vision of how the world works was prominent. It was a myth already in the 1990s, and embracing that myth then is what got us into all these problems today.

**Indeed, there is a kind of nostalgia for the Washington Consensus, which is what many world leaders grew up with and thus understand best. While the intellectual foundation of that worldview has largely been debunked, Europe has yet to develop an alternative, cohesive, and comprehensive vision. How do we ensure that progressives and others in civil society can contribute to developing a form of industrial policy that delivers while keeping in line with sustainability goals? Are there any ideas or policy suggestions based on the American experience that can help Europe ensure a smart industrial policy?**

The most important thing is to be honest about where we are. Europeans face three intertwined existential threats. The first one is the threat posed by big tech to democracy. Big US tech corporations are threatening the ability of Europeans to speak freely and have open debate with each other. They are also limiting the extent to which European journalists can freely share news with citizens. Some of these corporations pose direct, immediate threats to the basic rule of law. Consider, for instance, what X and Elon Musk did in the UK over the summer, promoting riots and predicting civil war.

The second existential threat is the security risks associated with the offshoring and chokepointing of vital industrial capacity, especially in China. As demonstrated by Europe's dependency on Russian gas before the Ukraine invasion, when you allow for such extreme concentration of capacity in some other nation, perhaps on the other side of the world, one result is that the other nation feels free to coerce you. And sometimes this may tempt that nation into dangerous aggression and war.

The third threat is climate, obviously.

To counter these threats, Europe must conduct an honest assessment of the tools needed to address them. And the first thing is to get rid of their dreams about what the World Trade Organization system was supposed to deliver. Liberal trade was meant to enable a borderless and peaceful world, but it did not. It failed because we were naive about the need to use state power to regulate these systems to ensure the desired outcomes.

Let me be clear about where I believe the fault lies. Many Americans would say China is at fault because it is cheating, manipulating trade, and so on. But no. Every lever that China controls today is because of our failure – in Europe and in the US – to regulate our capitalists and to ensure they do not expose us to the power of the Chinese state. We are at fault for our naivete. China just sat there and accepted all the industrial capacities that our capitalists offered to transfer into their hands.

Our capitalists then happily picked up the machinery and the industrial arts that we had developed over the course of hundreds of years in Europe and the US, and they sold these cheaply to the Chinese. Then our capitalists transformed our manufacturing corporations into trading corporations designed to concentrate monopolistic power over the importation of what we used to make in Europe and the US.

Today, as we are dealing with the threats to international security posed by the extreme chokepointing of industrial capacity in China, we are facing the effects of bad decisions that we made right here in our nations about how we regulate the behaviour of our capitalists and our corporations. The Chinese did nothing more than simply take advantage of our stupidity.

**Regarding climate, the third threat, do you think that a competitive and carbon-neutral industry is achievable under the current policy framework, or have we reached the limits of European market instruments? And bearing in mind that the Commissioner-designate for Competition policy, Teresa Ribera, is also a strong figure of sustainable policies, what would you tell her about the EU's current competition policy?**

Well, yes, many of the issues we face are connected to how the conversation on competitiveness has been structured so far by the various players in the process. For example, if you want to understand who is pushing the agenda for the consolidation of telecoms, look no further than Deutsche Telekom.

Teresa Ribeira has a track record of promoting sustainability in Spain. Joining sustainability and competition into a single unit under a single person's responsibility is a fantastic opportunity. With the right creative thinking, she will see that the challenge is to structure markets in ways that promote a more rapid embrace of green technologies and innovation.

**So, are our market instruments still adequate? For decades, it has been assumed that a green industrial policy would emerge with an Emissions Trading System, market regulation, and maybe some incentives. But we are reaching the limit: is it because these measures are badly designed, or is something else required?**

Look at what the Biden administration has done over the last three and a half years. They rose to the challenge because they realised that the ultimate question was whether they just sit on their hands and allow the Chinese to take absolute control over EV production and the entire photovoltaics supply chain, or instead embrace a broad industrial policy that combines competition policy and trade policy into a single system of control aiming at certain desired outcomes. The US has successfully begun to integrate trade policy and tariffs, industrial policy and investments, and competition policy into a single system of regulation. Today, US officials understand that none of these instruments alone is sufficient to address big threats.

*Europeans need to use tariffs in a wise way to ensure  
that China's mercantilist state does not destroy  
European industry and ideas during the period in which  
Europe is rebuilding its industry.*

As long as we maintain tall silo walls between these different regulatory regimes, we fail. Von der Leyen's decision to break down the barriers between competition and green policy is a great start, but what is still missing is trade policy. Europeans need to use tariffs in a wise way to ensure that China's mercantilist state does not destroy European industry and ideas during the period in which Europe is rebuilding its industry.

**What the Biden administration did was groundbreaking, but it might not be enough to meet the challenges of a changing world economy, which could radically alter our understanding of**

**conflict, supply chains, etc. Will industrial and trade policies suffice to guide the private sector towards a more sustainable way of operating, or should we aim to fundamentally rethink how the private sector operates?**

If you look at the subtext of the Biden revolution and what the president has been saying, it reads like this: 40 years ago, we made the world safe for big corporations. Then, we woke up one day and found that they rule everything, so now we are going to make the corporations work for us.

The result is a return to the basic policies that were in place for 200 years, from the founding of the US until the first year of the Reagan administration in 1981. We are witnessing a radical reconceptualisation of political economics that is leading to a broad reconsideration of the power of corporations within society, their purpose, and their license. This is not anti-capital or anti-business; it is anti-monopoly. As such, properly understood, this revolution is truly pro-business and pro-entrepreneur. It aims to make success easier for entrepreneurs, people with better ideas and new techniques, and those who want to do right by the world. We could even say that Biden wants to see more billionaires in the world by reducing today's super-extreme concentration of hundreds of billions or even trillions of dollars in the hands of a few people.

The Biden administration has been working to free people with better ideas to develop and share them with others, and that is exactly what markets are for. A properly structured market is a place of exchange. Let's go back to the origins of this world in 1776, when Adam Smith wrote his monumental *Wealth of Nations*. Markets should exist as a place where people come together and exchange ideas and work with one another in ways that make everyone richer and safer. A marketplace, properly understood, is where people cooperate. We do not have such markets today. Because of our failure to use antimonopoly laws to protect open markets, we now have systems of exploitation instead .

**In the US, the Department of Justice and the Federal Trade Commission have been leading the charge in resetting the foundations of antitrust, redefining the purpose of the market and how it should be regulated. But they have not gone very far when it comes to sustainability. Could they be doing more specifically on sustainability?**

We must first understand that fighting monopoly is not just a matter of antitrust policy. Look at the IRA or the Chips and Science Act. Both were passed by Congress, and they are the two most important anti-monopoly actions by the US Congress in decades because they are using cash to break choke points and to support new manufacturing facilities in ways designed to break the concentration of power over the production of EV componentry. photovoltaics, and semiconductors in Taiwan, Korea, and China.

We could never have broken the choke points that we saw in Taiwan by simply using competition policy or even trade policy. It would have been too slow, and so would have tariffs. But now we are using cash to speed the process and prime the pumps.

[Former EU Commissioner] Thierry Breton actually distilled the whole issue down to a perfect little synthesis. He said you must first rebuild the factories because they have been bulldozed. Only after that can you rebuild the competitive system. For the first task, you use cash to speed the process, and as part of the second task, you use tariffs to protect the process. Once you are strong again industrially, you can rebuild the competitive system domestically and internationally. And then we can have a liberal democratic system around the world designed to protect everybody's freedom from concentrated corporate control.

**Your reflections on freedom, illusions, and lucidity suggest that we need a real and deep change**

**in the culture and ideology that has been dominant in the past 40 years. Do you see any allies in this battle? Which political forces are pushing for change?**

There are allies everywhere. Some members of the European Commission, for instance. It is mostly really a matter of helping people understand the magnitude of the challenges and showing them that we have the necessary tools at hand. What matters is getting politicians to move beyond mere reactivity and out of their comfort zone. When we start planning, envisioning, and strategising in earnest on how to rebuild our industrial and communications systems to be safe for democracy and national security, at that point, everyone becomes our ally, including people from all over the US.

We have very much won this battle within the Democratic Party, and there are a lot of people in the Republican Party who are with us in certain fights. I think Europe is also undergoing a very radical shift, but sometimes it is hard to recognise this when you are in the process of change. In any case, now is the time for civil society to be very clear about what future it fights for, what is standing in the way and the tools available to break these barriers.

We must be brave and honest and accept the fact that there is no going backwards. The only way to get to where we want to go is to move forward, and to move forward with strength.

*The interview was conducted by Edouard Gaudot and Michelle Meagher.*

---



Barry Lynn is the Executive Director of the Open Markets Institute, in Washington. Over the last two decades, Lynn pioneered understanding of how today's monopolies threaten our democracy, individual liberties, prosperity, and security. Lynn's efforts to update antimonopoly law and thinking for the digital era have been fully embraced by the Biden Administration and policymakers around the world. Lynn's warnings on structural flaws in international industrial systems predicted today's supply chain crises and the breakdown of globalization. Lynn has also pioneered analysis of the dangers posed by AI and disinformation, and how best to protect freedom of speech and of the press. Lynn is author of *End of the Line* (2005), *Cornered* (2010), and *Liberty from All Masters* (2020), as well as numerous articles and speeches.



The Green European Journal is an editorially independent publication of the [Green European Foundation](#). Its printed editions take an in-depth look at topics from a range of different perspectives and occasionally include feature pieces curated by the editorial team.

Published October 14, 2024

Interview in English

Published in the *Green European Journal*

Downloaded from <https://www.greeneuropeanjournal.eu/building-a-resilient-europe-rethinking-capital-industry-and-trade/>

*The Green European Journal offers analysis on current affairs, political ecology and the struggle for an alternative Europe. In print and online,*

# **GREEN EUROPEAN JOURNAL**

---

*the journal works to create an inclusive, multilingual and independent media space.  
Sign up to the newsletter to receive our monthly Editor's Picks.*