

Insurance Papers

# risques

**Europe :**  
Risks,  
Challenges  
and Strategic  
Responses

SPECIAL  
EDITION  
December  
2025





# Editorial

by the **EDITORIAL COMMITTEE**

2025 is drawing to a close, and the year can be summed up in one word: challenges. Challenges in the plural, because France has faced many this year, starting with unprecedented governmental instability in recent months.

At the European level, Member States are closing ranks in the face of heightened geopolitical and commercial tensions. It reached a high point with Donald Trump's return to the White House, which was synonymous with very high tariffs. In this unprecedented context, Europe must react as quickly as possible, and above all, it must transform itself. The strategic priorities are clearly identified, but the workstreams are particularly numerous: consolidating the single market, strengthening its competitiveness, simplifying its regulations, building an effective armed defence capability, and equipping itself with a strategy and the resources needed in the race for artificial intelligence. These are all challenges that will enable Europe to establish its sovereignty and consolidate its place on the world stage.

In this turmoil, the active mobilisation of all sectors is important. For the insurance sector, a major contributor to national and European economic dynamism, this means protecting individuals and businesses and reducing risks

through prevention. At a more macro level, efforts must help stabilise markets, mobilise European savings to support the major transitions of the century — ecological, demographic, technological and geopolitical — and thus contribute to Europe's economic renewal.

It is in this context that France Assureurs is organising its SMART Summit - Summit for Mobilising Today on Risks and Transitions at the end of this year. Bringing together key players in the insurance sector and its ecosystem, its aim is to foster dialogue, stimulate debate and create synergies around major contemporary issues. All of this takes place in a highly symbolic location: Brussels, a city at the heart of European integration.

This special issue of Risques has been designed for the event. It offers a selection of articles from previous issues to help readers better understand the pivotal period Europe is currently experiencing. As always, the approach is firmly focused on action and solutions. **1**



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In keeping with this spirit of  
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whose conclusions may at times  
differ from the official position  
of France Assureurs.

# The Single Market at the Heart of a New Europe

Interview conducted by  
Jean-Hervé Lorenzi, Pierre Bollon,  
Arnaud Chneiweiss, Ecaterina  
Nisipasu and Christian Pierotti.



**ENRICO LETTA**  
President of the Jacques  
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**In April, you submitted a report to the European Council on the future of the single market. What is the philosophy behind your report?**

This report comes at a time of transition between two European legislative terms. The term that has just ended was characterised by responses to crises, i.e. essentially reactions. The aim was to propose a toolbox for the new legislative term, with the focus not on reaction but on action. In this sense, this report is deeply inspired by the method once used by Jacques Delors. In some cases, reaction is necessary. However, if we act solely on the basis of reaction, we will end up being overtaken by events. Moreover, once the intensity of the crisis abates, we tend not to continue the transforma-

**My report proposes a series of ideas for policy and economic decision-makers to implement in the medium and long term.**

mations initiated during the critical phase. The most telling example of this is the Banking Union, a major step forward taken after the great financial crisis of 2011. We took the first step, and the supervisory pillar is working rather well, but since the crisis has subsided, we have not completed the system. My report proposes a series of ideas for policy and economic decision-makers to implement in the medium and long term. I am also inspired by another aspect of Jacques Delors' approach: carrying out major European reforms with those who are around the table today, while

dealing with any differences of opinion. In his day, Delors succeeded in building the single market alongside Margaret Thatcher, who was nevertheless very hostile to Europe. Despite everything, he managed to make Europe more liberal and strengthen its economic performance. It must be said that at the time, political leaders, despite their disagreements, respected each other. Delors achieved his goal because he was able to combine the ideological vision of European integration with positive advances for citizens' lives. I am convinced that continuing to promote the single market can have a positive impact on the lives of Europeans. During the eight months I spent in the various Member States, I had the opportunity to make two important observations. The geopolitical dimension has taken on a fundamental role, which was not the case when the single market was being built. Another observation: I realised that defence played a central role. This increased sensitivity to both geopolitical and defence issues is the result of Europe's growing exposure to risks in recent years.

**You mention the concept of risk... isn't a culture of risk precisely what European policies are lacking?**

My report advocates a cross-cutting approach to risk. Fundamentally, risk is an ambivalent phenomenon because it is both a limiting factor and a driving force. We live in a world exposed to multiple risks that require us to create instruments of protection. The report highlights another point, which I believe is one of the reasons for Europe's lag behind the United States: we have lost the culture of risk. Philosophically speaking, we live in countries where the culture of risk is not as developed as it is in Anglo-Saxon countries. The 2008 financial crisis also had consequences in this regard. The widening gap with the United States over the last ten years or so in economic terms is largely due to the fact that we experienced the financial crisis as a trauma. We remained traumatised, unable to find sustainable solutions for the post-crisis period. In contrast, the Americans were able to mobilise and find the necessary resources to recover. For example, they were able to eliminate the stigma of securitisation. Here, the stigma has become a totem.

After this crisis, we chose to take as little risk as possible. The primary objective of political leaders then became to avoid at all costs a repeat of the situation in 2011, marked by the debt crisis in the eurozone. In times of crisis, every country needs to answer three questions: in which room are decisions made? With which stakeholders involved? How should decisions be made? This triptych is at the heart of the 2011 crisis. At the time, we spent twelve months wondering whether or not to bail out Greece. Even today, we have still not resolved this fundamental issue. Which room is it? Is it the European Council? The European Commission? Or the European Central Bank? Who is in the room? Is it essential for the German Chancellor and the French President to be present? Should the presidents of the central banks be present? These questions remain unanswered. The fact that we do not have satisfactory answers to them encourages political leaders to avoid taking risks.

**Your report presents the single market as a lever for meeting new financing needs. To what extent?**

The world has undergone profound changes in recent years. New issues have become major concerns for our societies. I would identify three in particular: transitions (green, social, and digital), defence, and enlargement. Naturally, these issues give rise to new financing needs. How are we going to respond to these new challenges with our current budget? Especially since the European recovery plan, NextGenerationEU, will come to an end in two years. In discussions with representatives of Member States, I have observed that there are two groups of countries. The first calls for joint financing. The second prefers state aid at national level. Faced with this, we need to find the right compromise, one that allows us to overcome the obstacle without going backwards, because it is imperative that we move forward. This must be done by starting again from the single market. Let us not forget that the fact that the single market is not fully completed has a significant cost for citizens. This cost has been quantified by two French economists, Christine Lagarde and François Villeroy de Galhau. Every year, an average of €300 billion from Europeans' savings benefits the US

market. This is because it is both more integrated and more attractive. Our market is completely fragmented and suffers from a lack of attractiveness. This is a crucial issue, which is why it is essential to integrate the financial

**My report advocates a cross-cutting approach to risk. Fundamentally, risk is an ambivalent phenomenon because it is both a limiting factor and a driving force.**

markets. If we integrate the financial markets and make them attractive, we will be able to retain these savings and attract other investors. We have not succeeded in doing so until now for fundamentally political reasons, not technical ones. Integrating financial markets requires political choices. For example, we need to decide to strengthen the powers of the European Securities and Markets Authority (ESMA), based in Paris. De facto, this means reducing the powers of the national authorities responsible for this area. This difficulty in integrating financial markets also stems from the choice of words. For example, the expression Capital Market Union contains two terms whose technical underpinnings are not obvious to the general public. However, this union cannot be built with experts alone. This is a fundamental point. Therefore, this integration needs to be renamed. I propose replacing it

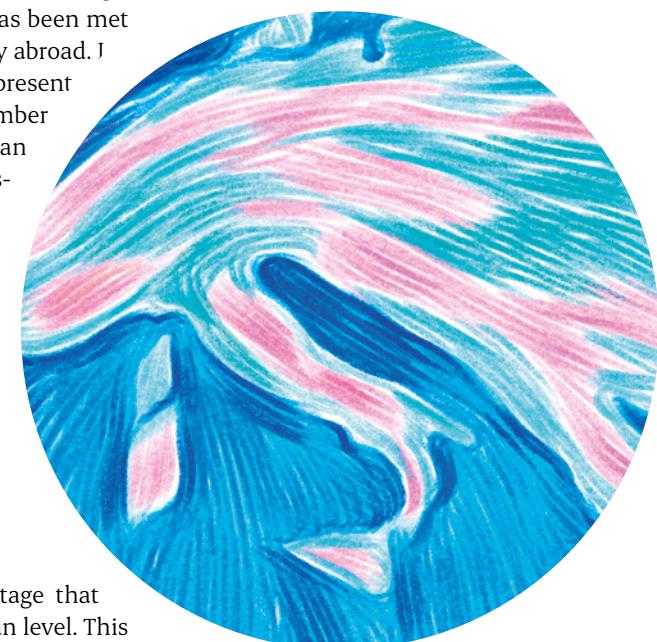
with the following name: Savings and Investment Union. This union must be dedicated to financing the various transitions. Everything must be done to ensure that it is not perceived as a project serving the financial world. The major drawback of NextGenerationEU is that it relies primarily on public funds. However, it is imperative that we develop partnerships between the public and private sectors. Even today, we are underestimating the political and financial costs of the transition. As a result, some companies want to slow their efforts, as do many workers, starting with farmers. If we cannot find a way to finance and support the transition, I fear we will face great difficulties. The risk is clear: a backlash that we will all suffer.

**What do you propose in terms of regulation?**

As we know, the coexistence of 27 different legal systems is a major obstacle to Europe's attractiveness. Indeed, it is difficult for foreign investors to navigate this regulatory fragmentation. The tool I propose to remedy this is the creation of a 28th regime. In very concrete terms, this would involve establishing a 28th virtual state with its own legal system, which investors could opt into. I believe this measure would make Europe more attractive to foreign investors. This recommendation has been met with great enthusiasm, particularly abroad. I travelled to the United States to present the report to the powerful US Chamber of Commerce in front of American business leaders. As foreign investors, they consider it very difficult to enter the European market due to the diversity of legal and tax systems that coexist there. From this point of view, this 28th regime would be a kind of universal key.

**How can we strengthen innovation in European companies?**

The French model has an advantage that should be extended to the European level. This is a tradition of investment in innovation in the



**The French model has an advantage that should be extended to the European level. This is a tradition of investment in innovation in the form of the research tax credit.**

form of the research tax credit (CIR, crédit d'impôt recherche). It is also for this reason that I propose adding a fifth freedom to those that have long been recognised (free movement of goods, services, people, and capital). This new freedom would concern research, innovation, education, and skills. Its establishment would serve Europe's strategy in sectors such as quantum technologies, biotech, and AI. I have chosen to devote the first chapter of the report to this new principle so that it serves as a common thread throughout.

**You mentioned the importance of defence. What is the priority in this area?**

— We have been helping Ukraine over the last two years, particularly by supplying weapons. We must continue along this path. However, almost 80% of the weapons supplied to Ukraine were purchased from the United States, South Korea, and Turkey. This situation is untenable. The President of the European Commission should bring together the following countries: France, Germany, Italy, Spain, the Netherlands, and Sweden. The aim of the discussion is simple: to reach an agreement to address this situation of dependence and find a solution to move forward together on this issue. r

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Interview conducted by  
Jean-Hervé Lorenzi, Ecaterina  
Nisipasu, Philippe Trainar  
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# Europe faces the challenge of a world that no longer resembles it

## PIERRE SELLAL

French Ambassador, former Secretary-General of the Ministry for Europe and Foreign Affairs and Permanent Representative of France to the European Union in Brussels, now President of the Fondation de France and Senior Counsel with August Debouzy law firm.

## How do you explain the return of geostrategy to the forefront of the international stage?

We have entered a world dominated by relations of power, characterised by a more conflictual mode of relations. For a long time, we believed that we were following the slow but inexorable path of growing economic interdependence, universal expansion of liberal democracy and general acceptance of a number of rules, negotiated within a multilateral framework governing the international order. This somewhat ideal global system, in which a shared desire for cooperation and majority adherence to common principles prevailed, limited the occurrence of geostrategic risks.

As soon as we move away from this cooperative logic and cease to believe that interdependence and trade lead to shared prosperity and peaceful relations, we inevitably expose ourselves to a resurgence of conflict. We then enter a world of geostrategic uncertainty.

The main breaking point, or at least the most obvious one, occurred three years ago with the start of the war in Ukraine, when the risk of a return to armed conflict between two sovereign states on Europe's doorstep seemed unthinkable.

Before this conflict, however, we had seen the first signs of an erosion of the spirit of cooperation, particularly during the Covid crisis. Let us just say that the strategy

**Europe's mistake may have been to believe prematurely in the end of the Westphalian world.**

implemented by the major players to tackle this pandemic was not spontaneously cooperative...

Among the harmful consequences of the war in Ukraine, the most serious risk is that of "disinhibition". When a permanent member of the UN Security Council, equipped with nuclear weapons, uses force against another sovereign state in this way, it has the effect of disinhibiting others who might wish to satisfy their territorial or domineering ambitions against a neighbour. This creates a climate conducive to tensions, which is noticeable in many regions of the world.

**Today, geostrategic risks emanate mainly from nation states and not from other organisations. What role can Europe play in the face of this paradigm shift?**

It is true that the major geostrategic risks today are linked to policies pursued by states. Take Russia, for example, or Iran. Faced with this new situation, institutional Europe – that is, the European Union – is not in the best position, unlike the United States, which is capable of mobilising trade instruments, weapons, the force of law and financial power to achieve a strategic objective. China could also do the same. The European Union does not have this full range of tools at its disposal, and the individual Member States of the Union have much lower capacities, which weakens Europe as a whole, including at the negotiating table.

Europe's mistake may have been to believe prematurely in the end of the Westphalian world. In reality, the opposite is happening. We thought that the future lay in moving beyond the national framework and transferring more powers to the European level, as part of a continuum of development towards multilateral regulation at the global level. Furthermore, we have been lulled, even blinded, by our ability to overcome the various crises that Europe has faced in recent years. We have weathered the 2008 financial crisis, the 2015 migration crisis, and the crisis that Brexit could have caused rather well. And European unity has, so far, been preserved in the face of the war in

Ukraine. This relative resilience masks an erosion of European power that has been quietly progressing for some twenty years in financial, industrial, demographic, technological and military terms.

In my view, it would be more accurate today to speak of the «de-Europeanisation» rather than the «de-Westernisation» of the world. There is a worldwide fascination with Donald Trump's return to the White House, albeit a nervous one, and an erosion of the attractiveness of the European model and its values. At the same time, we are witnessing the return of a super-powerful America, which we thought was in decline. Furthermore, Trump does not see European unity as beneficial to the United States. He could therefore contribute to creating dissension among Member States.

**What role do new technologies play in the balance of power between states?**

The United States recognised very early on the potential of the Internet as an instrument of power. At the beginning of his first term, President Obama drew up a strategic document explaining that the Internet would become the new vehicle for American power in the world. He called on the United States to retain full control of this new tool at the institutional, legal, and technological levels. Europe did not have such foresight regarding the strategic future of digital technology. It failed to make this shift and now finds itself in a position of dependence on the United States.

I still remember the negotiations on the GSM standard. At the time, Europe was in a position to impose the global industrial standard in this area, backed by companies such as Nokia, Alcatel, and Ericsson, which accounted for 70% of the mobile phone market. Those days are gone. It would be a challenge to claim to define the standard without the backing of a dominant, or at least strong, industry.

As Mario Draghi's report highlights, Europe has fallen far behind over the last 20 years, and I fear that this trend will continue. Take artificial intelligence, for example: while Donald Trump is planning to invest \$500 billion in AI

## Europe has failed to make the strategic shift to digital and now finds itself in a position of dependence on the United States.

Action against climate change takes on the dimension of a moral imperative. It translates into the pursuit of exemplarity, even if it is unilateral. European companies have a duty to contribute to the common good, to respect fundamental rights and to protect the environment throughout the world. This is the inspiration behind directives such as the CSRD (Corporate Sustainability Reporting Directive) and CS3D (Corporate Sustainability Due Diligence Directive), which are currently being challenged. Their main flaw is that they fail to take competitiveness issues into account. This approach is all the more regrettable given that our competitors are pragmatically focusing their actions on economic efficiency and growth. On the climate issue, the stakes are undoubtedly higher: if the United States does indeed decide to massively boost hydrocarbon production, how can we avoid rendering the efforts made by Europeans in this area futile and exacerbating the energy cost differential to the detriment of European companies? Morality alone will not suffice to answer this question.

over the next five years, the European Union has adopted an instrument, the AI Act, which ignores the production dimension, and France is hosting a summit to discuss the integration of AI into our societies. The American approach is much more focused on action, investment, and productivity.

### What are the reasons for this European lag?

Fundamentally, Europe tends to prioritise values over productivity. In recent decades, our policies have focused on consumer interests and citizen protection. We have ensured that consumers have the widest choice of goods at the lowest prices, without worrying about whether these goods were produced in Europe or imported. Our major regulations in the digital technology and services sector, such as the GDPR (General Data Protection Regulation), are primarily aimed at protecting individual rights and freedoms in the face of the emergence of digital players. All this without any real attempt to strike a balance with the objective of producing these technologies and creating value in Europe.

There is also something messianic about the way we have shaped our environmental policy.

## Fundamentally, Europe tends to prioritise values over productivity.

### How can these geostrategic risks be contained?

The priority for Europe now is to have a production agenda. The current global context of increased competition and weaker regulation is undermining our model. It is essential to strengthen our industrial base. This will require, in part, greater integration of the European internal market, which is still too compartmentalised in certain areas. However, we must be careful not to expect everything from achieving critical mass,

## Action against climate change takes on the dimension of a moral imperative. It translates into the pursuit of exemplarity, even if it is unilateral.

which is not always necessary and never sufficient, or from imposing a single European standard if this has the effect of opening up the entire European internal market to our competitors. This is undoubtedly also true in financial terms: however desirable the creation of a capital markets union may be, this unification alone will not be enough to mobilise European savings for investment in Europe as long as there is a yield gap between investment in the United States and investment in Europe. The priority is first and foremost the production of goods, services, and technologies on European soil, which requires a fundamental reorientation of our policies, particularly competition and trade policy.

Finally, the scale of the risks and our vulnerability require us to have an autonomous defence capability. The threat posed by Russia and the uncertainties surrounding the future of American engagement will certainly lead to an increase in defence budgets. This is already the case in most European states. But will cooperative approaches prevail? Will there be a consensus on the goal of European autonomy? This is not really the case today, and many European states may consider it preferable to play along with the United States, or even to be complacent towards it, given their

fears of its disengagement. Therefore, for most European countries, European defence cooperation is likely to take place within the framework of NATO.

With regard to Russia, I believe it is essential to start thinking now about the day after the armed conflict with Ukraine ends, which will not be a day of peace. How should we think about Europe's relationship with Russia, which cannot be a return to the status quo ante, even if some people surely dream of a return to cheap gas imports from Russia, nor the perpetuation of sanctions regimes against Russia, which are questionable in their effectiveness but deeply damaging to Europe's interests, given their much more measured or even positive effects on the United States and China.

With regard to the latter, Europe will also have to define its own path, without allowing itself to be drawn into a battle for global supremacy that is not its own or surrendering its industry to the predatory practices of Chinese industry.

In short, on all issues, Europe must be able to define its own interests and have the will to defend them.

### What role could the Franco-German partnership play in the face of geostrategic risks?

This partnership works, particularly with regard to European issues, when both sides are convinced that a challenge can be met more effectively and in their respective interests through a Franco-German agreement than by any other means, whether it be going it alone nationally or attempting to form alternative alliances. While this spirit has often prevailed in the past, it is not certain that this is still the case today.

Another fundamental point is that this partnership is effective when, on a given issue, the two respective positions together cover 90% of the positions held in Europe. Here again, this is less true today: the disparity in interests and priorities between the 27 EU Member States is greater than in the past. For example, Germany and France had similar assessments of geopolitical risks, but these

differed considerably from those of Eastern and Northern Europe. These countries tried to alert the Franco-German duo to the threat that Russia could pose to Europe. We did not take sufficient account of their perception, which turned out to be more accurate than ours. This called into question the legitimacy of the French and Germans to identify geostrategic risks and their vocation to embody the European position.

Finally, harmony between the two partners requires a certain balance. Even if they are now growing closer due to major domestic difficulties, France's relative weakening – through its debt, external deficit, industrial weakness, diplomatic setbacks, and political deadlock – is damaging to the vitality of the partnership.

### What is the Middle East's geostrategic position?

One cannot help but be struck by the contrast between the resonance and impact in our societies, and even in our political debate, of the Israeli-Palestinian conflict in Gaza and the relative modesty of its geostrategic effects. It is to the credit of the Biden administration, which has not been sufficiently recognised, that it has managed to contain the risks of negative regional developments. While remaining attentive to the opinions of their populations, the Arab states in the region have shown great restraint. Economically, oil prices have not surged as might have been feared. Thus, just as it was wrong to consider the Palestinian question settled and outdated, it would be inappropriate to claim that it has regained its geostrategic centrality.

Contrary to what has sometimes been said, the impact of the conflict has proven how much it is no longer truly a geostrategic issue.

When it comes to Iran, several scenarios are possible. It cannot be ruled out that the regime, which is ineffective, corrupt, and contested, and already very weak, will eventually collapse, despite repression that has so far quelled popular protests. We can also imagine a situation in which military action would target Iran's nuclear programme. But many believe that Donald Trump, hostile as he is to the regime, will do everything he can to avoid being

drawn into an open war involving American engagement alongside Israel against Iran. Furthermore, in such a scenario, I cannot imagine the Russians or the Chinese coming to the aid of Iran.

Beyond the Middle East, the greatest geostrategic uncertainty seems to me to lie in President Trump's initial statements of intent regarding Canada, Panama, and Greenland. Is this his first move in a game of transactional diplomacy that would ultimately lead to negotiated solutions? Or should we understand them as an explicit desire to repudiate the principles of international law, recognising that the major powers have specific rights vis-à-vis their immediate environment? If the latter hypothesis is correct, he might not consider it unacceptable for China to attack Taiwan... This would be a manifestation of the disinhibition of state behaviour contrary to the law that I mentioned at the beginning of this interview, and which probably represents the major risk for the coming years. 





# Strengthening strategic sovereignty in the face of geopolitical risks

**EMMANUEL CHIVA**

Director-General for Armaments\*

Interview conducted by  
Jean-Hervé Lorenzi, Pierre Bollon,  
Pierre Jacquet, Bertrand Labilloy  
and Philippe Trainar

**The Directorate-General for Armaments (DGA) is at the heart of France's strategic autonomy. What is its role today in a context of heightened tensions?**

The DGA is an unique administrative body founded in 1961 by General de Gaulle to build France's strategic autonomy, particularly in terms of nuclear deterrence. The DGA's main achievements relate to nuclear deterrence. The DGA's mission is to equip the armed forces and prepare the future of our defence system. In this context, it leads defence industrial policy and the strategy that structures the defence industrial and technological base (BITD, *base industrielle et technologique de défense*). For the record, the latter brings together the nine major industrial contractors and 4,500 companies, 1,300 of which are critical. In concrete terms, investing in defence means investing in these 4,500 companies, most of which are dual-use and whose primary business model is not necessarily defence-related. Nevertheless, they remain essential to maintaining our strategic autonomy. The DGA is the State's leading investor, with around €20 billion invested per year and €20 billion in exports in 2023, France being the world's second-largest arms exporter. As a strategic interface between the armed forces and industry, the DGA takes a very long-term view. When we develop a new-generation nuclear aircraft carrier, we know that it will be in service until 2090. It will incorporate technologies that we do not yet know about, in a context that we do not yet know, and with geopolitical ambitions that are likely to evolve. We take a long-term view while remaining constantly adaptable in our responses so that we can transform our capabilities and define new directions.

**Faced with unprecedented geopolitical tensions, how should our societies adapt to the risk of war?**

We are currently in an unprecedented situation: threats are increasing, accelerating, and overlapping. A few years ago, at the War College (*École de guerre*), the following triptych was taught: peace, crisis, war. We have changed paradigms. The following three keywords now

prevail: competition, contestation, confrontation. It should be noted that contestations are now constant. Traditional threats persist, such as militarised terrorism, alongside the return of a territorial threat marked by the unrestrained use of force. The case of Ukraine is a striking illustration of this. We are also seeing an overlap and expansion of the fields of confrontation. Today, warfare is conducted in the air, at sea, under the sea, on land, in space, but also in the intangible domains, marked by an intensification of the cyber threat. We are operating in a context of hybrid threats: in addition to traditional conflicts, there are invisible attacks that can target the heart of our societies' functioning, such as energy, health, or banking infrastructures. These attacks, which are often unpredictable, can have considerable systemic effects. We are witnessing the end of the so-called «peace dividends» and the upheaval of traditional military alliances. The new National Strategic Review, announced by the President of the Republic on 13 July, aims precisely to provide a European and global response to these challenges. But the stakes are such that they go beyond the military sphere alone: it is essential to involve civil society and economic actors in this reflection. It is with this in mind that we created the Defence Investors Club (*Club des investisseurs de la défense*) last June to familiarise private actors with the BITD and raise their awareness of the opportunities it offers. This industrial and technological base is particularly dynamic and is also a powerful driver of growth for the national economy.

**The licensed production of a foreign defence technology in France is not a dirty word.**

**What consequences does this context have for European defence cooperation?**

We are facing the risk of disengagement by our allies, particularly our transatlantic allies. I am convinced that we must turn this difficulty into an opportunity. Today, a window of opportunity is opening up for us to reaffirm the importance of the European level in defence matters. Of course, there are disparities between European countries, as few have a genuine defence industrial base and some still rely solely on the support of the United States. However, this is an opportunity to take responsibility and assert our credibility as a country that is in control of its own destiny. It is imperative that we remain sovereign in terms of nuclear deterrence. With regard to the United States in particular, we can accept certain dependencies without submitting to them entirely. Being an ally does not mean being alienated. For example, our new-generation aircraft carrier will be equipped with electromagnetic catapults supplied by the American company General Atomics. This choice is logical: as we export very few aircraft carriers, it was not appropriate to create a national catapult industry that would not be sustainable. With our European neighbours, we have so far practised cooperation in peacetime, when the slowdown in production was not a problem. It is now crucial to adopt a form of cooperation that is adapted to times of crisis. Manufacturers had never had to pick up the pace, still benefiting from the dividends of peace. Take the example of the Aster missile, designed in peacetime. Its design mobilised the French and Italian supply chains considerably, and its manufacture took twenty-two months. Today, it is imperative that we be more responsive and efficient. One solution would be to deliver quickly and in large quantities. That is why we are working with the civil industry, particularly the automotive industry, which is capable of adapting to very high production rates.

**How can we effectively strengthen the effectiveness of this European cooperation?**

We must ask ourselves the following question: who is best placed to meet our needs? This

assumes that France is not always the solution. In some cases, it makes sense to let other countries meet our needs. This is the case, for example, with Sweden, with whom we have signed a letter of intent for the purchase of two GlobalEye aircraft. Conversely, we can also provide solutions to the needs of our neighbours and partners. Two months ago, the National Armaments Directors (NAD group) symposium was held in Paris. On that occasion, it was decided to establish a «catalogue» listing existing capabilities at European level and the needs of each country. This work should help to clarify the contribution that each country can make. The priority today is to identify projects that are common to several countries in terms of capabilities, by identifying those that are best placed to carry them out. In this context, I believe that the licensed production of a foreign defence technology in France is not a dirty word.

### What is your vision for military cooperation with Germany?

I recently made several trips to Germany to discuss this issue. In particular, I met with Boris Pistorius, the Federal Minister of Defence. The organisation of certain industrial projects could be improved, but some are promising, such as the Main Ground Combat System (MGCS). This programme represents the future of ground combat and integrates both combat vehicles and a combat cloud. It is, in a way, the equivalent of the land combat system of the future. Cooperation cannot be guided solely by industry, as our industrial objectives are not identical to those of Germany. Indeed, we do not have the same BITD. In my view, it is essential to converge on the definition of our forces' operational requirements. What made the MGCS possible was the agreement between the two armies on the requirement, the project timeline, and the need to move forward as quickly as possible to improve efficiency.

### Have we already entered a true «war economy»?

In 2022, at the Eurosatory International Defence and Security Exhibition, the president spoke of the need to enter a war economy. This

**My position is clear: ESG criteria must include defence funding in the broadest sense, with the sole exception of prohibited weapons. Every word counts.**

### Does innovation flow from the civil to the military sector?

Innovation flows in both directions. The military sector can play a fairly significant societal role in this area. That is why we funded a project to use 3D printing to create skin grafts for severe burn victims. In the military, severe burn victims account for 30% of injuries, compared to 3% in civilian community. We therefore faced a real challenge in being able to graft skin onto our burn victims directly in the field. We are now able to do this with synthetic skin and biological ink, an innovation that serves both civilian society and the defence sector.

### What role can ESG play in a sector such as defence?

There is a reality principle when it comes to all the threats we face. It is impossible to imagine financing defence without financing armaments. We need to change our mindset. There is a recurring debate about the use of so-called «controversial» weapons. I would point out that nuclear deterrence, which is the cornerstone of our defence system, could be described as a controversial weapon. My position is clear: ESG criteria must include defence funding in the broadest sense, with the sole exception of prohibited weapons. Every word counts.

### What role can insurers play in financing and securing armament programmes?

The total direct and indirect investments of French insurers amount to €20 billion. France Assureurs has an essential role to play in leading the way and reassuring investors. Insuring means reassuring. If you, as insurers, are convinced, you will be able to convince investors and become players in a truly patriotic reinsurance scheme. Insurers are not just providers of funds; they also help to give defence manufacturers visibility and long-term stability. We need to talk not only about defence but more broadly about sovereignty. French insurers have a unique strength. The entire sector is counting on your support!

### Should arms exports remain the exclusive preserve of states?

I would like to reiterate the following principle: the prohibition of arms exports. In other words, such exports are only possible on an exceptional basis. This procedure falls under the remit of the Interministerial Commission for the Study of Military Equipment Exports (CIEEMG, Commission interministérielle pour l'étude des exportations de matériels de guerre), which reports to the Prime Minister. I do not see why we should allow the European Commission to control arms exports when the current procedure works well and preserves our sovereignty. This is a red line that must not be crossed, as the government recently reiterated.

### What are the challenges facing the sector in terms of attractiveness and recruitment? How can they be addressed?

To work towards our strategic autonomy, we need women and men, mainly engineers and scientists. Over the past ten years, the DGA's missions have grown by 50%. However, our workforce has only grown by 10%. This pace is not sustainable. At the same time, the number of students choosing scientific careers is declining. Yet France is a great nation for mathematics, science, and engineering: no fewer than thirteen Fields Medals have been awarded to French nationals. We have immense potential, as demonstrated by the cutting-edge technologies we produce: aircraft carriers, launchers, fighter jets, missiles, etc. This is a collective effort that we must continue in order to attract more talent and retain it. Today, our objective is clear: to fill or create the 10,000 positions required to support the development of our BITD and ensure our sovereignty. This is a collective project, which we are carrying out with France Travail, where every talent counts. <sup>1</sup>

<sup>1</sup> Chiva was Director General for Armaments until November 2025.



# Europe Facing its Destiny



**DOMINIQUE  
MOÏSI**

Geopolitical Analyst,  
founding member of the French  
Institute of International Relations  
(IFRI)

Europe is at a turning point in its history and, more than ever, must face unprecedented challenges, including climate change, demographic transition, and geopolitical risks. We spoke with Dominique Moïsi, political scientist and geopolitician, founding member of the French Institute of International Relations (IFRI, *Institut français des relations internationales*).



In this insightful interview, Dominique Moïsi demonstrates that yesterday's pandemic, today's Russian aggression, and doubts about the United States are now pushing Europe to respond to calls to increase its strategic autonomy. But to be seen as a solution to the widespread feeling of loss of control, it must learn to speak more, and positively, to the emotions of Europeans.

**During the Covid crisis, Europe demonstrated its ability to speak with one voice. What is the situation today?**

I would say that we have been much better at dealing with the pandemic than we are today in the face of the Russian threat. Similarly, we have been more united in implementing medical solutions than we are in dealing with what is currently happening in Gaza.

At the same time, we have positively surprised ourselves with Ukraine, and I would say that we have negatively surprised Putin. With the exception of Hungary, all European countries reacted collectively to the invasion of Ukraine. Why such unity and firmness? Perhaps because Putin was too successful and scared us: we were suddenly confronted with the spectre of war returning to Europe. I also believe that there is a combination of several factors at play here. The first is the violence of Russia's actions. The second is the hesitation and doubt about the United States: at a time when Russia poses a more pressing threat, the assurance that the United States has provided until now in the face of the threat of war is becoming less evident. Suddenly, we began to wonder whether our assumption since 1945, namely, to consider the United States as our ultimate insurance policy, was becoming less and less relevant. In concrete terms, should Europe not now ensure its own defence? Hence the favourable response to Emmanuel Macron's call for Europe's strategic autonomy.

I believe that we have not sufficiently emphasised the revolution that has taken place in Germany in terms of security spending, nor the truly revolutionary nature of Finland and Sweden's entry into NATO. These countries had a tradition of extremely strong neutrality, particularly Sweden. Would it have joined NATO if the

war in Ukraine had not taken place? I am not convinced. These advances are to be welcomed, but they come at a time when Europe, having delegated its security to the United States, is unable to react quickly. We are faced with a problem of timing: yes, we are moving in the right direction, but we will only be able to make a difference in the medium term. Will the war continue until Europeans are able to replace the United States? Differences remain between the two main European players, France and Germany. The latter has delegated its security to the United States, its energy dependence on Russia and its trade to China. The differences that may have existed between France and Germany on Ukraine are reinforced by the war in Gaza. Emotions run high on this issue. Germany is still a prisoner of its past; of the twelve years of barbarism it endured between 1933 and 1945. As a result, it cannot afford to criticise Israel. This is not the case for France. Moreover, I am not surprised that Germany has not recognised the State of Palestine. The Irish, the Spanish and the Norwegians are very critical of Israel, while France takes a more centrist position. The explanation is historical and cultural: Ireland gained independence late, just over a century ago. As a result, it empathises with Palestinian demands for statehood. Norway and Spain are two countries that have been heavily involved in the search for peace in the Middle East since the 1990s: negotiations began in Madrid and ended in Oslo.

Finally, the third and last factor is the feeling of loss of control. We feel that we are living in a world where we have lost control over just about everything, with global warming for example, or the ongoing identity and cultural crisis. I am struck by the change in young people's voting patterns: formerly environmentalists, they have now largely shifted to the far right. This is illustrated by the results of the AfD in Germany, Vox in Spain, the Rassemblement National and Reconquête in France: 20% of young Europeans now vote for the far right. This is primarily a reaction to this loss of control. I believe that technological revolutions, starting with advances in artificial intelligence, are not understood and are perceived, especially by young people, as a threat to their employment and even to the very meaning of existence.

However, the effects of AI are extraordinarily

positive in terms of health, particularly in the fight against cancer.

**Have we failed to unite Europeans around a sense of belonging to a collective?**

Europe is perceived as an additional constraint when it should instead be seen as a solution. In my book *Leçons de lumières*, I explained that I view Europe in an emotional way: when I hear Beethoven's Ode to Joy, I am deeply moved. I feel that few of us are touched by this shared heritage. Fundamentally, Europe does not appeal sufficiently to the emotions. We have not succeeded in creating European patriotism, mainly because it has not been desired. Jacques Delors' idea, in that Europe is a federation of nation states, lacks an emotional dimension. Emotions have been kept out of the European project. On this point, allow me to share an anecdote: in 1991, I co-authored a book with Jacques Rupnik entitled *Le nouveau continent, plaidoyer pour une Europe renaissante* (*The New Continent: A Plea for a Reborn Europe*). Jacques Delors, then President of the Commission, liked it and asked me to write a report on the subject. In it, I called for the creation of European emotions. I remember his reaction perfectly: he was furious! For him, emotion meant nationalism and therefore war, like Mitterrand. He was therefore deeply opposed to any form of European nationalism. A little later, in 2000, he asked me to go and teach at the College of Europe in Warsaw, to prepare Eastern Europeans for enlargement. I taught at Natolin for nearly eight years. In 2005, during the enlargement to Bulgaria and Romania, I attended a grand ceremony at the Warsaw Opera House. I was able to observe the way in which the Romanian and Bulgarian choirs performed their national anthems and the *Ode to Joy*. You could sense that the *Ode to Joy* felt like a chore, whereas they put their whole hearts into their national anthems. It was striking. There is still no common European history textbook, which is extraordinary!

**How is Europe perceived on the international stage?**

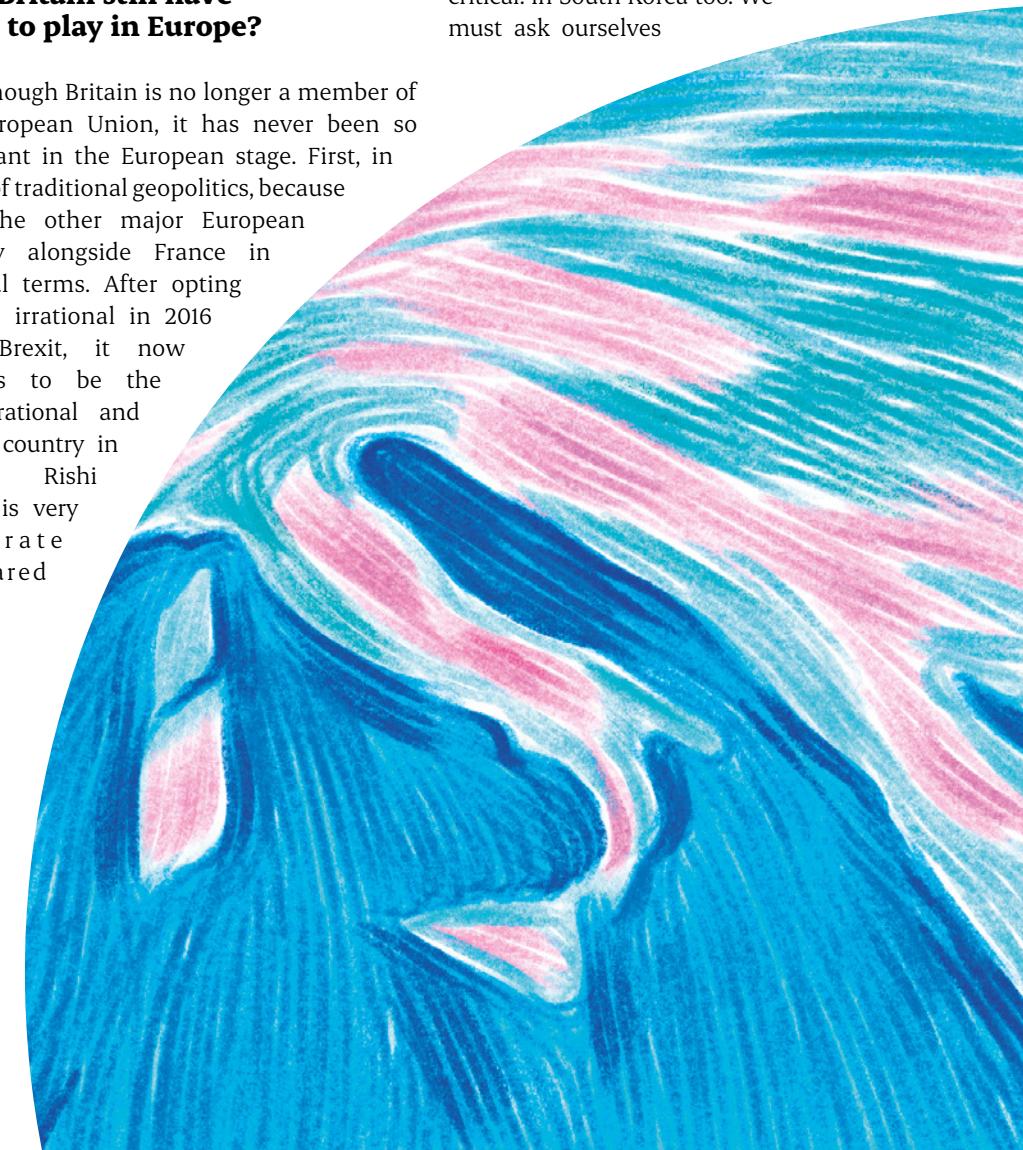
Europe is primarily seen as an important commercial player. In 2005, just before the referendum, I met with former President

**Europe does not appeal sufficiently to the emotions. We have not succeeded in creating European patriotism, mainly because it has not been desired.**

exist because we live in an infinitely more dangerous world. At some point, the United States will no longer protect us, and we are not ready for this change... Personally, I see the American elections on 5 November as the second round of the European elections: they will either confirm or refute this view. The election of the new President of the Commission will take place at the end of October, so there is a coincidence in time between these two events. Of course, all this may seem absurd because Americans will not be thinking about the European elections when they go to the polls in November. Will Europe be able to play the geopolitical role expected of it at the time of the US elections? The answer is not obvious.

**Does Britain still have a role to play in Europe?**

Even though Britain is no longer a member of the European Union, it has never been so important in the European stage. First, in terms of traditional geopolitics, because it is the other major European country alongside France in political terms. After opting for the irrational in 2016 with Brexit, it now appears to be the most rational and logical country in Europe. Rishi Sunak is very moderate compared



Cardoso in Brazil. I explained to him that the 'no' vote was likely to win. He replied that if we did not make progress in European integration, the ideal of Mercosur would eventually disappear... From a geopolitical perspective, no one ever asks what Europe's position is on this or that issue, as if Europe were not a geopolitical player. Europe is recognised as a major player in trade, as we have said, but also in culture, sport and even the economy in the broadest sense. The Emir of Qatar invited me, and we spent an entire weekend talking about geopolitics: the question of Europe was never raised. The main topic of conversation was what America was going to do...

**Could Europe represent anything other than cultural and sporting soft power?**

I have long been convinced that Europe cannot be a model if it is not a player. There is no such thing as a norm without the strength and capacity to exist in terms of hard power. However, I believe that the President of the Republic's intuition is correct: Europe must

to Boris Johnson; he is rational and competent, whereas his predecessor was a populist. With Keir Starmer, Britain will move closer to Europe. Of course, this does not mean returning to the fold of the European Union but, as with Norway, gradually returning to the common market. Let us be careful not to exclude Britain from the debate, including on the subject of Ukraine's entry into the European Union.

**What about the demographic issue?**

It is fundamental, perhaps even the most important issue. That said, we must bear in mind that this is not a European issue, but a global one. All continents are affected by declining birth rates. In Japan, the situation is critical. In South Korea too. We must ask ourselves

why people are no longer having children. The decline in birth rates is a structural revolution, even an existential challenge in the medium term. While we thought there were too many of us on the planet, exceeding the ten-billion-mark, one thing is now certain: there will not be enough of us to ensure the necessary renewal of generations. Europe is no longer even the worst performer in the class in terms of demographics: signs of major decline appeared in Asia before Europe, including in Russia, where life expectancy and birth rates are declining sharply. I would like to emphasise an interesting point: while we thought we needed migrants to compensate for Europe's demographic weakness, reports now show that so many migrants would be needed that this solution is already obsolete. 

**Even though Britain is no longer a member of the European Union, it has never been so important in the European stage.**



# Insurance in a Changing Europe



**CHRISTIAN PIEROTTI**

Director of European and International Public Affairs, France Assureurs



**HUGUES RIBIÈRE**

Head of European Affairs, France Assureurs

From Brexit to Covid, not to mention the war in Ukraine, this European mandate has been marked by unprecedented political, geopolitical and health crises. As the new legislative term begins amid uncertainty, both the European Union and insurers must evolve in response to a society in great need of stability and protection.

Although it is sometimes criticised for a certain inertia and a tendency to penalise the competitiveness of its companies, the EU is also discovering that its regulatory capacity and the attractiveness of its market can make it, with a touch of extraterritoriality, an influential player promoting democracy and sustainability. However, lessons must be learned from failures in order to steer regulation towards economic effectiveness.

## When the necessary regulation of banana curvature is no longer enough to guarantee Europe's future

Born out of the trauma of the First World War and rising from the ashes of the Second, the European Union was initially built on the pooling of coal and steel to make war «not only unthinkable, but materially impossible»<sup>1</sup>. From this pooling, the idea of lasting peace was then built around the goal of economic prosperity based on trade, and even certain interdependencies, between neighbouring powers. Pursuing this goal, the single market and its four freedoms – the free movement of people, goods, services, and capital – were initially characterised by the removal of national legal barriers. Then, based on healthy internal competition, the sustainability of this system required the development of a common legal language. New standards concerning consumer and environmental protection therefore had to supplement the established trade rules in order to harmonise the standards of each Member State and ensure a functional common market. All subsequent European texts stemmed from the need to create a level playing field for a European economy that serves all its Member States, businesses, and citizens. This is true of both the Maastricht Treaty and Implementing Regulation (EU) No 1333/2011, which regulates the curvature of bananas. From the necessary common trade principles to the holistic legal harmonisation that logically follows, Brussels has quickly positioned itself as the continent's main political and legislative ecosystem, influencing 80% of national laws<sup>2</sup>. Furthermore, the urgent need to act together in the face of climate change and the growing

digitalisation of society requires even more comprehensive and cross-border regulation. This results in a risk of regulatory inflation and erosion of the principle of legislative subsidiarity, particularly around the dual green and digital transition, in which insurers are key players. Because they protect businesses and citizens' purchasing power by smoothing out their economic risks and providing day-to-day support, insurers effectively bear a significant portion of the societal and financial cost of climate hazards. They are direct stakeholders in the transition to a sustainable economy, beyond their role as institutional investors. Similarly, in order to better understand risks, data creation and processing are at the heart of the insurance business. Insurers can stren-

of this dual transition give them unique experience in these areas. It is therefore imperative that they contribute to a regulatory environment for the EU that is consistent with its sustainable, digital and sovereignty ambitions. For France Assureurs, this means, in particular, maintaining a strong presence among public decision-makers, since relevant regulation requires co-legislators who are aware of the realities of each activity, whether civic, industrial, or commercial.

## Sharing knowledge on the eve of a major political reshuffle is crucial.

In this regard, the dual mission of protection and investment makes insurance a sector apart, with complex specificities, as evidenced by certain impact studies that have struggled with the particularities of this activity. The difficulty legislators have in understanding the specific characteristics of insurance can therefore hinder the integration of certain issues into the drafting of legislation. This constraint is all the more present in the context of cross-cutting legislation. However, most of the current European regulations with significant impact on insurers are not specific to the latter and are therefore drafted by legislators whose areas of expertise lie elsewhere. For this reason, and because insurance issues have repercussions on both the protection of citizens and the activity of businesses, the establishment of a centralised centre of competence would be appropriate. In addition to the unit within the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (FISMA), this centre could reflect these insurance issues in the many cross-cutting texts dealing, for example, with artificial intelligence, the environment, mobility, industrial production, etc. Knowledge sharing is all the more crucial given that, as an inevitable consequence of the June elections, there will be a major political reshuffle at the Commission, potentially followed by a game of musical chairs at the technical level. In Parliament, this loss of institutional memory on issues, and even of the technical expertise needed to monitor them, is all risky given that the turnover rate of MEPs between elections is around 60% (70% for French MEPs). It is regrettable that this mandate, sometimes seen

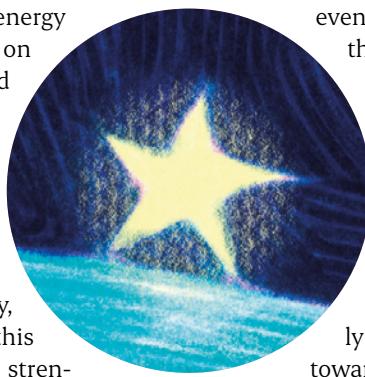
**Because they protect businesses and citizens' purchasing power (...) insurers effectively bear a significant portion of the societal and financial cost of climate hazards.**

as a stepping stone to a return to French politics, attracts less interest in our country. It is also possible that the absence of a transnational list does not help to limit the invisibility of European issues due to local problems, meaning that the best elected representatives are not necessarily the best candidates for re-election. In any case, a statistical renewal of the entire Parliament in less than ten years is not the ideal ingredient for consistent, high-quality legislation, especially given the importance and impact of the increasing number of texts voted on in Brussels and Strasbourg. While legislative proposals affecting Europeans' insurance have risen from 21 in 2019 to 63 in 2023, the «Better Regulation» agenda, which aims, in particular, to ensure that each new text replaces another («one in, one out»), has failed to stem regulatory inflation. This inflation is all the more burdensome as it is accompanied by an increase in technicality and interconnections between different sectors of activity with varied, and even potentially conflicting, interests. The European Union, which regularly announces this as an objective, would benefit from making progress in streamlining its legislation and certain obligations, particularly *reporting obligations*, that arise from it. For example, it would be appropriate to give greater prominence to "consumer" or "business testing". This would ensure that any new legislation meets an identified need of citizens or businesses and does not entail unnecessary costs for either of them or for taxpayers. Similarly, it is crucial to take the EU's economic interests into account as far as possible when considering each legislative proposal. This could be achieved, for example, by establishing an independent body whose reports, taking into account the overall needs of European competitiveness, would be a prerequisite for any proposal. Due to its primary objectives and the diversity of its member states, the European Union is characterised by a voluminous but often necessary legislative activity. Although it is sometimes criticised for a certain institutional inertia and European red tape that penalises its own economy, the EU is also discovering that its regulatory capacity and the attractiveness of its market can make it, with a touch of extraterritoriality, an influential player promoting democracy and sustainability. This "super-election year" in

which more than half of the world's voters are called to the polls, will bring about major political and geopolitical changes. 2024 is also the year of a disappointing economic recovery in Europe, an imbalance in the clashes in Ukraine and an eleventh consecutive month of record-breaking heat. However, condemned by Jacques Delors to fall like a bicycle if it stopped moving forward, the EU has shown its ability to adapt in the face of crises such as the pandemic or, currently, with the return of war to its continent. In this context, it can no longer be satisfied with its role as an institutional framework for relations between Member States and must assert its position as a global player in its own right.

### Faced with new rules of the game, the European Union must evolve.

«Our Europe today is mortal. [...] It may die, and that depends solely on our choices.» This is how Emmanuel Macron described the situation facing the EU on 25 April 2024, in his «Sorbonne speech», in light of the multitude of issues, challenges and even dangers surrounding it. While the image is powerful and the tone emphatic, recent events have undeniably highlighted both Europe's vulnerabilities and its importance. Its fragility is further highlighted by its economic, energy and security dependencies on countries that obey rules and pursue commercial, democratic or sustainability objectives that differ from its own. This subordination has a profound impact on both the value chain of businesses and the daily lives of Europeans. Finally, aware of the risk posed by this dependence, Europe aspires to strengthen its strategic sovereignty. In this context, the Commission has published nearly a hundred texts in recent years, aimed at creating a framework conducive to European digital development in a legislative environment that protects citizens' rights. According to Brussels, this latter condition is necessary to build user confidence, without which technological growth and the emergence of European champions could not take place. Indeed, the continent's regaining of its sovereignty



depends on the emergence of local champions. However, this must not result in more indirect regulatory constraints for EU companies in their choice of service providers. The European nature of service providers guarantees companies greater legal certainty. Similarly, it offers them the assurance of long-term commercial relationships that are protected from the repeal of equivalence decisions or international agreements. On the other hand, this must not be an unintended legislative lever to steer industry and create champions out of thin air that would otherwise be unable to compete internationally. In a context of technological backwardness, such a solution would risk dragging down an industry whose needs are sometimes not met in Europe. It should therefore turn to other tools. It could, for example, adopt a *Buy European Act*, as some elected representatives and candidates are calling for. This framework would accompany a possible «fifth freedom» proposed by Enrico Letta<sup>3</sup> to strengthen research, education, and innovation. It would aim to curb the migration of talent, encourage investment in the continent's industry, and promote the development of local players, particularly through public procurement. The urgent need to limit climate

change and adapt to its effects, made even more pressing and costly by the critical environment we face and a priority that unfortunately does not seem to be universally recognised, justifies the important project of horizontal European transformation. In line with the objectives of the Green Deal, the Commission logically aspires to direct capital flows towards sustainable investments.

In this regard, various tools are possible, including the establishment of a sustainable bond issuance programme by European public bodies. However, in parallel with these, consolidation of the legal framework may be necessary for insurers in order to provide greater support for the transition of the real economy. This could take the form of an enhanced classification system incorporating specific criteria relating to the transition of the entities being financed. This approach would involve not only

an assessment of the impact of investments, but also an assessment of the capacity of companies to evolve. Reliable information within a harmonised framework applicable to providers of environmental, social and governance (ESG) data would enable informed comparison of products and promote better allocation towards sustainable investments. These principles apply both to the targeting of institutional investments and to the support of retail investors. Consumers and savers are the main players in this transition, influencing the policies of the companies of which they are end customers. They must therefore have access to the information they need to be guided towards responsible products. The introduction of a European sustainability label to combat greenwashing could be a solution if it is adapted to insurance products. This would avoid the need for artificial mechanisms resulting from the use of transparency rules not intended for this purpose.

**The EU is also discovering that its regulatory capacity and the attractiveness of its market can make it, with a touch of extraterritoriality, an influential player promoting democracy and sustainability.**

### Considerable private savings in Europe, whose resources are underutilised.

Europe's climate and sovereignty ambitions require massive infrastructure projects and unprecedented investment, against a backdrop of reduced resources due to the loss of London financial centre. Such an increase in financial capacity would require forward thinking on the development of the Capital Markets Union, a review of public and private investment models, and the exploration of new innovative instruments. Although the EU has considerable private savings of more than €35 trillion, its resources are under-exploited and European capital markets are insufficiently deep, liquid, and integrated. These savings are significantly oriented towards foreign economies. At the same time, European companies are dependent on national financial markets that are too small compared to their Chinese or American competitors, ultimately resulting in higher capital costs. Accompanied by improved financial education and better targeted towards long-term European projects, life insurance, as the French people's preferred financial investment, can be a key channel for investment in the green and digital transitions, which require €700 billion and €125 billion per year respectively<sup>4</sup>. In June, as in five years' time, it will not only be immediate realities, too often national in scope, that will be at stake, but two projects for Europe. Only one can offer the EU and its citizens the prospect of sovereign and sustainable prosperity. However, the challenges are immense, and insurers have a role to play in many of them. The door must be opened to them, and Europe must continue the transformation it has begun with its responses to the Covid crisis and the war in Ukraine.



### Notes

<sup>1</sup> Robert Schuman, Declaration at the Salon de l'Horloge, Paris, 9 May 1950.

<sup>2</sup> «Much more than a Market», Enrico Letta, April 2024. Article available online: <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>.

<sup>3</sup> «Developing European capital markets to finance the future: proposals for a Savings and Investment Union», report by the committee of experts chaired by Christian Noyer, April 2024.

<sup>4</sup> Ibid

## THE RISQUES DEBATES

# How can Europe escape stagnation?

Debate moderated by  
Jean-Hervé Lorenzi,  
Editor-in-Chief of  
Risques magazine.



**ANA  
BOATA**

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**PIERRE  
BOLLON**

Member of the European  
Economic and Social  
Committee and Director of  
European Affairs, Fédération  
des Entreprises Immobilières  
(FEI – Federation of Real Estate  
Companies)



**DIDIER  
CAHEN**

Secretary General  
Eurofi,

Ana Boata, Director of Economic Research at Allianz Trade, Pierre Bollon, Member of the European Economic and Social Committee and Director of European Affairs at the Fédération des Entreprises Immobilières (FEI – Federation of Real Estate Companies), and Didier Cahen, Secretary General of Eurofi, met on Thursday 16 May at the invitation of the editorial board of Risques to discuss the levers available to Europe to escape stagnation.

## Risques Isn't secular stagnation characteristic of Europe?

### Ana Boata

Personally, I am not very optimistic about the future of Europe. I am one of those who see the glass as half empty. In reality, we are doing little to address what I believe to be a thorny issue: demographics. By 2030, there will be 12 million fewer Europeans in the labour market. We should keep in mind that population growth in the United States is twice as high as in the eurozone. By 2030, there will be three million more Americans. This positive dynamic in the United States is the result of more effective integration of immigrants than in Europe. Our continent suffers from a significant lack of attractiveness compared to the United States.

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This situation requires a response. Our current immigration policy will not enable us to meet this challenge. Several avenues can be explored. We could, for example, work to make the labour market more flexible by considering the development of multiple employment contracts. We could also consider significantly increasing migration flows. To maintain the current level of the labour force, we would need to welcome between 100,000 and 500,000 migrants per year in the four main European economies. Admittedly, some European countries are attempting to reform their pension systems in order to compensate for the labour shortage.

For example, even if Germany raises the retirement age to 68 and strives to increase the participation rates of women, older workers, and foreigners, it will still need an average of 200,000 migrants per year. However, global competition for skilled workers is becoming increasingly fierce, as many other countries face similar demographic challenges.

Furthermore, it will be difficult for Europe to make the technological leap associated with artificial intelligence. If it were to succeed, we would be able to bridge the demographic gap mentioned above thanks to the resulting productivity gains, thus offsetting the decline in the labour force. The fact remains that

we have fallen considerably behind our main competitors in terms of digital and technological development over the last twenty years. This lag explains, among other things, the difference in productivity gains, which is around 20% compared to the United States.

We have no choice. If we want to revive growth in the medium term, we will have to develop a solid and effective policy on this issue.

### Didier Cahen

Since the creation of the euro, Europe has fallen behind the United States in terms of growth, productivity, and investment. Real GDP in the eurozone (adjusted for inflation) has grown three times less quickly than in the United States since 2008. This disparity has widened since 2021 and is mainly due to Europe's weak productivity gains, which have been half those of the United States over the last 20 years. Between 2008 and 2023, the eurozone economy grew at a rate of 0.8% per year.

Labour productivity, measured by output per person, increased by 36.8% in the United States between 2000 and 2023, compared with only 10.5% in the eurozone. When looking at hourly productivity, the gap is even more pronounced. The study published by Allianz Trade at the beginning of the year clearly illustrates these disparities.

In addition, research and development expenditure by the seven largest American companies operating in the new technology sector, the 'Magnificent 7' (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla), amounted to €200 billion in 2023. This amount represents half of the total equivalent expenditure in Europe for both the public and private sectors. In my opinion, there are several reasons for this: the American entrepreneurial spirit, the quality of American universities, the remuneration of researchers, the proximity between professors and their students, a truly unified retail market in the United States and, finally, the abundance of venture capital funding.

American companies operate in a much more favourable regulatory environment. Markets are much more regulated in Europe. In addition, the excessive weight of public spending in some large countries such as France, imposes considerable burdens and levies on individuals and businesses, which further weakens their competitiveness. Furthermore, European companies are smaller than their US counterparts. They are particularly small in certain Central and Eastern European countries.

Another major difference is that American companies benefit from lower and more stable energy prices. The United States has become self-sufficient and even the world's leading producer of natural gas and oil since 2018. Thanks to this self-sufficiency, it has been less affected by the energy crisis of 2020-2021.

The demographic environment is also more favourable in the United States, as Ana explained very well. The working-age

population is growing much faster in the United States than in Europe, and the number of hours worked is much lower in Europe than in the United States. Finally, the United States has a truly single market, a single language, and a homogeneous legal system, whereas in Europe, as Enrico Letta's report clearly illustrates, our markets are fragmented.

After discussing the strengths of the American model, it is necessary to mention four European shortcomings that have contributed to the decline we have been witnessing for more than twenty years.

The first shortcoming on the European side is insufficient coordination in economic policy. The Commission has proved powerless, due to a lack of leadership that the Council finds difficult to accept, to enforce the rules of the Stability and Growth Pact.

The second weakness is the competition policy pursued, which has sought only to prohibit dominant positions. This has prevented the emergence of world-class European champions.

The aim was to limit state aid in order to prevent distorted competition between neighbouring countries. Unfortunately, this approach has hampered the emergence of European banking, financial and industrial champions. In the face of American and Chinese protectionist practices, we need to protect our external borders through a genuine trade policy and establish a European preference. With this in mind, we must promote a European industrial policy focused on sectors with a promising future.

The third shortcoming is that the resources released under NextGenerationEU are slow to produce effects in terms of increased productivity and investment in the countries that have benefited most, such as Italy and Spain.

The final shortcoming is that Europeans' savings are benefiting the United States, where growth prospects and returns on savings are higher.

## Europeans' savings are benefiting the United States, where growth prospects and returns on savings are higher.

### Pierre Bollon

Europe is a strong savings pool. This is one of our main assets. Unfortunately for our growth and prosperity, our savings are largely invested outside Europe and are not being used sufficiently to boost our growth by financing the investment shock needed to improve our productivity and tackle the energy crisis, our defence needs and the necessary climate and digital transitions in all sec-

tors: services, industry, real estate, etc.

It is a fact that, with productivity being higher in the United States, it is more profitable to invest there, creating a kind of positive circle. Conversely, this can discourage those considering investing in Europe. This process must be reversed. After the «Green Deal», a «Productive Pact» must be implemented to strengthen our industries, including the financial and real estate industries.

In short, European savings will be invested more in Europe if companies and infrastructure there become more competitive and profitable, and they will become so if savings are invested there. Let us also create «virtuous circles» between savings and investment: this is the number one priority.

### Didier Cahen

In order to remunerate savings properly, it is essential to have interest rates that fluctuate according to the supply and demand for capital. Today, they are set administratively by the European Central Bank.

### Pierre Bollon

Yes, the «risk-return» ratio is distorted. In my opinion, it is also distorted by the avalanche of regulations affecting all areas of the economy without any coherent logic. Before adopting new legislation, we must systematically assess the relevance of existing regulations and stop adding layers of European regulations. Let us also stop, at national level this time, adding these to our own («over-transposition»), some of which were unfortunately adopted hastily a few months earlier («pre-over-transposition»). In future, it is crucial that all European regulations, including those at level 2, are designed in line with quality criteria by systematically subjecting them to "competitiveness tests" during impact assessments.

Would new regulations be good or bad for European companies in international competition? This is an idea that I put forward in early 2021 when drafting the European Economic and Social Committee's opinion on the new Capital Markets Union Action Plan. It has now been accepted in theory by the European Commission, which is good. Let us do everything we can to ensure that it is put into practice in the future. We must also, let us call it an «innovation test», eliminate as much as possible the "anti-risk" bias of European and national rules: let us encourage innovation instead of stifling it with excessive caution. Let us also adopt a global vision to avoid regulating on a subject-by-subject basis.

Take, for example, the work currently being done by Europe on retail trade: unfortunately, at this stage, this reflection does not take into account insurance or real estate... And let us examine what is happening elsewhere. Unless I am mistaken, it does not appear, for example, that the impact assessment of the Solvency II reform has carefully studied the rules applicable in the United States or Asia, even if only to recommend not drawing inspiration from them. Finally, we need to move quickly! We are too slow

compared to other parts of the world. In the United States, decisions are implemented quickly and efficiently. We have considerable work to do in terms of time-to-market...

## Risques What are the short-term solutions?

### Didier Cahen

Monetary policy will not solve our structural problems. It would be preferable to let the market set interest rates and abandon the current policy of fixing them. It is also imperative to generate primary budget surpluses for the most indebted countries. On the other hand, relying on European borrowing is an illusion. Instead, let us ensure that our states become stronger, for a stronger union. Furthermore, we need a competition policy that favours European champions and a European industrial policy that enables the development of projects of common interest. With regard to Banking Union, we are faced with a major problem: the lack of fungibility of capital and liquidity within cross-border banking groups in the eurozone. The prudential requirements imposed on pan-European banking groups (capital, liquidity, MRELs, output floors, macroprudential buffers, etc.) are not defined at group level but at subsidiary level (solo supervision), which fragments the banking market in Europe. Indeed, the concept of a banking group is not recognised in European legislation. The current approach requires the players concerned to have capital and liquidity not only at central level, but also at the level of each subsidiary. European legislation should recognise the concept of pan-European groups and gradually remove these barriers. Until we make progress on this issue, we will be penalising the competitiveness of European banking groups and the financing of European economies.

**Before we talk about European supervision of pan-European financial players, we must first focus on harmonising the rules. There is a lot of detailed work to be done on this issue. Until we have made the necessary efforts to harmonise the rules, it will be difficult to make progress on European supervision.**

As for the Capital Markets Union, it seems that we have been trying for 25 years to harmonise securities and bankruptcy law. Without success. We need to set targets that are perhaps less ambitious but achievable. The first objective should be to ensure that companies in Europe have access to the capital they need to grow, regardless of their size.

This requires encouraging equity financing and the development of pension funds, which are necessary to move in this direction. Pension funds are also essential for the emergence of world-class European asset managers. Securitisation in Europe also needs to be revived. But how can securitisation be revived with low real interest rates?

These rates are hindering the development of a securitisation market in Europe. To revive it, there must be a solid economic justification and prudential calibration for banks and insurers that does not act as a disincentive. The European Capital Markets Union also requires pan-European financial players of global stature: competitive pan-European banks, pan-European asset managers, which implies the creation of pension funds in Europe, as well as consolidated financial infrastructures to improve their efficiency.

These infrastructures must be located in Europe. Before we talk about European supervision of pan-European financial players, we must first focus on harmonising the rules. There is a lot of detailed work to be done on this issue. Until we have made the necessary efforts to harmonise the rules, it will be difficult to make progress on European supervision.

### Pierre Bollon

I am not at all convinced that harmonising the distribution of financial products in Europe is a good approach, because subsidiarity remains crucial in this area: savers in different countries do not have the same perception of risk, pension systems vary, etc. In fact, we need to adopt a political and economic vision of regulation and how it is designed and implemented.

Let us analyse the regulations that have accumulated over the years and conduct a thorough review to determine whether new rules are really necessary. More specifically, we need to examine their potential effects on business productivity, workforce skills, and the long-term financing of the economy. This is my second priority. In the necessary and urgent revival of the Capital Markets Union<sup>1</sup>, rightly promoted by our country and Germany, as well as by the excellent «Letta» and «Noyer» reports, let us weigh each measure according to two criteria (a) Will it be good for the financing of European businesses of all sizes? (b) Will it be favourable to European financial intermediaries – insurers, banks, and management companies – which are the only ones capable of truly bridging the gap between European savings and the financing of the European economy?

And let us not forget other essential aspects: preserving the asset that is life insurance; the successful launch of European long-term

investment funds («Eltifs 2.0»); encouraging long-term and equity savings; developing the financial literacy of savers; regulating the «blind spots» of the financial sphere, particularly data providers; developing employee savings schemes in Europe; reviving securitisation, etc. As for the European Green Deal, which is currently under serious scrutiny, I do not believe that the solution is to abandon all ambition in this area. What is needed now is to facilitate the financing of the transition through appropriate incentives. This is what the Federation of Real Estate Companies (FEI) is advocating, for example, to improve the energy performance of buildings.

#### Ana Boata

When it comes to the green transition, it is clear that we need funding, but that is not all. A strategic fiscal policy is also necessary. It is essential to create an ecosystem that supports companies that have invested in the green transition. Today, these companies are not profitable. At the same time, consumers need to be made aware of green technologies, as their knowledge of the subject is currently insufficient. If companies have a better understanding of the opportunities available, they will be more willing to invest. One key issue requiring profound change is the lack of consumer confidence in Europe. It is crucial to strengthen this confidence, and we will not achieve this by talking about war, social protection, or public finance adjustments.

**It is crucial to strengthen this confidence, and we will not achieve this by talking about war, social protection, or public finance adjustments.**

To build this confidence, it is essential to make progress on another particularly important issue: the financial education of Europeans. In general, they are not equipped to navigate the financial products available on the market and choose the right investments. Most of the time, they tend to opt for real estate or focus on the Livret A savings account, which offers limited returns. There is a real need to educate consumers to improve their knowledge of the market and the opportunities available to them in Europe. We also need to develop and implement a robust European industrial policy, with protectionist measures and conditional subsidies. Even if competition with China will be fierce, particularly in the automotive sector, we must do everything we can to remain competitive. We also need to rethink financing, the Capital Markets Union and the Banking Union. We cannot wait for European companies to grow in size on their own. American companies with more than 250 employees account for 60% of employment in the United States, compared with less than 30% in Europe.

This growth is not possible with credit costs at 6%-8%. It is difficult for companies to grow in such a context, between low returns and an unfavourable demographic situation. We also observe that companies tend not to dismiss employees who are not productive, no doubt for fear of not finding other candidates. I would also like to raise the issue of defence, which is so important today. The lack of investment in defence is a very worrying phenomenon.

When we look at the equipment used by the German and French armies, we are justified in questioning its quality. It is high time to put in place a strategic budgetary policy on this issue. We should also consider our independence from the United States in terms of energy and weapons. The prospect of presidential elections across the Atlantic at the end of the year should encourage us to move forward quickly on this issue.

#### Risques

## In a nutshell, is Europe doomed to stagnation?

#### Pierre Bollon

We will escape this fate because we have the capital and the talent, provided that we agree on a strategic and geostrategic vision and, above all, that we implement it quickly and resolutely.

#### Didier Cahen

I am convinced that it is not institutions that make history, but people. It is imperative that we abandon monetary and fiscal easing. Let us not give up.

#### Ana Boata

Yes, we can still escape stagnation. But to do so, we will have to redouble our efforts. These efforts will have to focus largely on innovation, across a wide range of subjects. More generally, we need to act with a little less ideology and a little more pragmatism, whatever the subject. This approach is absolutely essential if Europe is to regain its economic dynamism and become a leading player on the world stage once again. 

#### Notes

<sup>1</sup> Bollon, Pierre, *Union des marchés de capitaux, relance nécessaire et urgente !* (Capital Markets Union, a necessary and urgent revival!), Risques n°126, June 2021

Created in 1990 with the support of the French Insurance Federation, Risques provides analysis and insight into major societal debates and has become a key reference on issues related to risk and insurance. A forum for discussion and reflection, this scientific journal brings together a committee composed of academics from all disciplines related to risk, as well as insurance professionals.

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