



ISSUE BRIEF

# Spotlight France: Europe's Swing State

## Foreign Policy Begins at Home

DECEMBER 2016 JÉRÉMIE GALLON AND JEFF LIGHTFOOT

France's geopolitical power in Europe is unique. It combines a positive legacy of global leadership, a rich diplomatic network, universal aspirations, global military reach, cultural influence, and economic heft. As a result, France is the pivotal swing state in shaping the contours of a stronger European Union (EU) and a reinforced transatlantic alliance at a crucial moment in the history of the West.

However, despite its undeniable assets, France's influence is undermined—both at the European and global levels—by a series of major domestic weaknesses. Its economy is characterized by high unemployment, lack of growth, and flagging competitiveness. The country is beset by a deficient “social dialogue,” volatile relations between the government and businesses, and unpopular and fractured political leadership. These elements have contributed to a strong spirit of defiance toward elites and a rise of populism throughout France that has been exacerbated by the outbreak of major terrorist attacks over the last few years.

France's vulnerabilities matter far beyond the country's borders. Both the transatlantic alliance and the EU would suffer from a declining France. A failure to undertake social and structural economic reforms will likely result in a continued erosion of France's regional and global influence, a gradual loss of France's strategic autonomy, and the weakening of an imbalanced European Union.

By contrast, a reformed and more confident France is indispensable to the effort to reconnect European citizens with the European project at a time when the purpose and mere existence of the European Union are in question. After the Brexit referendum, and arguably the US presidential election, it is more crucial than ever that France and Germany restore a more balanced Franco-German motor to enable the EU to become the strong and strategic global actor its citizens and the world need.

Current times offer an extraordinary opportunity for France to transform the European Union into a more coherent strategic actor in a multipolar world, and to defend a rules-based international order. It will nevertheless be possible only if French leaders understand that for

The Atlantic Council **Future Europe Initiative** seeks to galvanize the leadership and strategies that will promote a strong, stable, and competitive Europe allied with the United States. The Initiative champions the Atlantic community's central role in fostering a rules-based international order that brings security, prosperity, and individual freedoms to its people. It also fosters US strategic engagement in Europe, premised on the belief that the United States is stronger with allies and that the US has a strategic stake in Europe's future and a united Atlantic community.

France, foreign policy begins at home with an agenda of overdue structural reforms.

### Why France Matters

A survey of France's assets reveals its singular importance to Europe, NATO, and the United States. France is Europe's only country to serve simultaneously as a permanent member (P5) of the United Nations Security Council, as well as a founding member of the European project and NATO. Assuming Brexit moves forward, France will be the EU's only nuclear-armed power, with the only truly independent allied nuclear weapons program in NATO, aside from the United States. Until the United Kingdom's (UK) two *Queen Elizabeth* aircraft carriers come into service later this decade, France operates Europe's only autonomous carrier group, the *Charles de Gaulle*, which is now deployed to the Eastern Mediterranean for operations over areas held by the Islamic State of Iraq and al-Sham (ISIS) in Iraq and Syria. French troops have also recently been sent to Sub-Saharan African countries to fight against jihadist movements. France has consistently shown itself to be one of Europe's most capable military powers and one of the most willing to share the burden in regional and global security missions.

In addition to its military and strategic capabilities, France demonstrates a unique political will in Europe to carry significant weight on the world scene, and to project its independent voice in world affairs. The European Union and NATO greatly benefit from France's global perspective and independent strategic thinking. Regardless of their generational and political sensitivities, French citizens share a strong belief that France is a nation with a vocation to exert influence on the world stage. In addition, France's overseas territories and important historic linkages throughout the French-speaking world give the country unique global responsibilities. No matter the domestic challenges and economic difficulties faced by the country, France constantly works to promote its fundamental values.

In this regard, it is interesting to highlight France's perspective on Asia. Paris sees the continent's rise

not only as a commercial opportunity, but also as a major strategic issue of our time. France's push for coordinated EU naval patrols in the disputed South China Sea and its behind-the-scenes efforts to promote alternative diplomatic solutions to the North Korea issue while combating North Korea's illicit activities symbolize this distinctive approach.

Finally, France matters because what happens in France reverberates throughout the world. This was true during the social upheavals of 1789, 1848, and 1968. It may well be true yet again as the international order stands at an inflection point. France's ability to integrate its Muslim community, to remain resilient and unified in the face of terrorist attacks, and to resist the siren calls of populists will have an impact far beyond French borders.

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These elements of French influence underscore the country's critical importance to Europe, within the transatlantic family, and in the world. They also remind us that a continued waning of French power will destabilize the European Union, weaken NATO, and further erode the global security order.

### Europe Needs a Strong France

Today, Germany is Europe's dominant economic and political power. Under the steady leadership of Chancellor Angela Merkel and Federal Minister of Finance Wolfgang Schäuble,

Germany has filled an important role in shaping Europe's future. However, Germany cannot and does not want to lead Europe alone. In this regard, it would be a mistake for outside powers, in particular the United States, to perceive Berlin as their unique European interlocutor. The European project has constantly progressed thanks to Franco-German leadership. While today's Europe requires a more inclusive leadership to accommodate the needs of the EU's expanded membership, compromises between Paris and Berlin are needed more than ever to strengthen the European Union.

In order to restart the Franco-German motor—which has been considerably weakened by France and Germany's growing economic imbalance as well as their diverging views regarding the EU's economic governance—France has to modernize its economy.



France operates Europe's only autonomous carrier group, the *Charles de Gaulle*, which is now deployed to the Eastern Mediterranean for operations over areas held by the Islamic State of Iraq and al-Sham (ISIS) in Iraq and Syria. Photo credit: Pascal Subtil/Flickr.

The country will have to adopt the indispensable and major structural economic reforms that successive French presidents and governments have been unable to implement over the last three decades.

Under the presidency of François Hollande, the governments led successively by former prime ministers Jean-Marc Ayrault and Manuel Valls have been beset by erratic policy reversals; rebellions among allies in parliament; and incomplete, belated, small-scale reforms. This explains the recent lack of support for arguably half-hearted efforts to undertake supply-side reforms in favor of liberalizing the anemic French economy.

France's political problems are not confined to the current leadership. As in many other places in Europe, the traditional political parties are under assault from the extremes. France's citizens are increasingly disaffected by a professional political class seen as out of touch with daily realities. In a sign of the political malaise, polls show the *Front National* positioned to

win around 30 percent of the vote in the first round of the 2017 presidential elections. Even if French citizens remain massively attached to the European project, they reject the current state of the European Union.<sup>1</sup>

France's political weakness is undoubtedly related to its economic weakness. Despite its status as the world's fifth largest economy, France's economic performance is among the weakest in the Eurozone. Since 2014, France has lagged behind most of its European neighbors in crucial economic statistics like job creation, exports, employment, investment, consumer confidence, and competitiveness.<sup>2</sup> France suffers from persistently high annual deficits above the EU-mandated 3 percent of gross domestic product

1 Spring 2016 Global Attitudes Survey—"Euroskepticism Beyond Brexit", *Pew Research Center* [http://www.pewglobal.org/2016/06/07/euroskepticism-beyond-brexit/pm\\_2016-06-07\\_brexit-01/](http://www.pewglobal.org/2016/06/07/euroskepticism-beyond-brexit/pm_2016-06-07_brexit-01/)

2 "France's Economic Woes in Charts," *Financial Times*, <https://www.ft.com/content/80cb67a4-bf26-3cf8-89f2-7da9f2795dfe>.

(GDP) and the ratio of government debt to GDP is near 100 percent.<sup>3</sup> France's structural economic problems are well known: a two-tier labor market that punishes the young and temporary workers, the high cost of labor, excessive government regulation in business, and a bloated state.

In this worrying context, the ideological dogmatism and inaction of substantial elements of the French elites have a damaging effect for the country. Contrary to the majority of French citizens—who are aware of the need for reforms and see them as a major source of hope for the near future—many French leaders seem disconnected from certain economic and social realities. As long as France postpones needed structural reforms, it will struggle to be seen as a credible and legitimate partner, in particular by Berlin.

In addition to economic challenges, France also suffers from serious social and security challenges.

France has one of the largest Muslim populations in Europe, estimated at roughly five million out of a population of sixty-seven million. Despite the prevailing narrative and the well-known cases of home grown extremism, French Muslims are far better integrated into society than in many other Western countries. Despite the current debates about French identity and the role of Islam in the public space, France is already a multicultural society and perceives itself as such. Indeed, the Republic, as a political construct, has successfully integrated disparate regional identities, languages, and immigrants into French society over the last two centuries.

A study conducted in spring 2016 showed that France has one of the highest proportions of the population with a largely favorable view of Muslims among European countries.<sup>4</sup> After the recent terrorist attacks, it is extremely encouraging to see that the vast majority of French people and leaders make a clear distinction between the jihadist threat and Muslim communitarianism on the one hand and their positive perception of their Muslim fellow citizens on the other. French citizens remain confident that secularism (*laïcité*) can enable the coexistence of

different religions, including Islam, in the public space. It is critical for Europe that French society maintains this positive trend. If France is able to integrate successfully its Muslim citizens, it can set the tone as a model for Europe at a critical time when the continent is confronted with major flows of migration.

In that context, a new and groundbreaking study by the *Institut Montaigne*<sup>5</sup> sheds additional light on the potential for Islam to find its natural place in France. The study reveals that there is not “one Islam” in France, but “many Islams.” The *Institut* estimates that nearly half of French Muslims hold values in accordance with those of the French Republic. Another 26 percent of more pious “conservatives” subscribe to the concept of *laïcité* but practice halal, while rejecting sharia law or “hardline” practices such as polygamy—which is illegal in France—and the niqab. The *Institut Montaigne* suggests roughly 28 percent of the Muslim population falls into the “authoritarian mode” and defines its Islamic beliefs in opposition to French society. It is this segment of the population—those who are young; often living in poor, dismal, and isolated neighborhoods; and economically disenfranchised—which carries the greatest risk of radicalism, extremism, and anti-social behavior contrary to the values of the Republic.

A toxic combination of threats from within and a terrorist sanctuary abroad in Iraq and Syria has resulted in a recent dramatic uptick in terrorism in France. These attacks have exacerbated the already challenging political and social atmosphere in France. Today, terrorism is undoubtedly one of the greatest strategic challenges facing the French Republic, and the enduring nature of the danger threatens the resilience of French society. Given the transnational nature of the threat, French leadership is needed to spearhead a robust and coordinated European effort to share intelligence, protect EU external borders, and combat terrorism abroad.

### It Is Time for France to Implement Structural Reforms

For France to restore its influence abroad, it must undertake difficult reforms at home to revitalize its economy, restore its political purpose, and heal its societal fractures. After the French presidential and legislative election that will take place during the

3 European Commission Staff, “Commission Staff Working Document Country Report France 2016,” February 26, 2016, [http://ec.europa.eu/europe2020/pdf/csr2016/cr2016\\_france\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_france_en.pdf).

4 Richard Wike, Bruce Stokes, and Katie Simmons, “Negative views of minorities, refugees common in EU,” Pew Research Center, July 11, 2016, <http://www.pewglobal.org/2016/07/11/negative-views-of-minorities-refugees-common-in-eu/>.

5 Hakim El Karoui, “Un islam français est possible,” Institut Montaigne, September 2016, <http://www.institutmontaigne.org/fr/publications/un-islam-francais-est-possible>.

spring of 2017, the new government will need to make structural economic reforms its first item of business.

France's first priority should be to reduce the size of the state while taking measures to bolster the state's authority at home and abroad. France faces a paradox today. On the one hand, public spending, at 57 percent of GDP, is among the highest in the Organization for Economic Co-operation and Development (OECD) and undermines economic competitiveness. The French state is also one of the major stakeholders of the CAC40, which is the stock market index composed of the forty most significant values on the Euronext Paris. Many French companies are managed by former government officials. Yet, despite the size and omnipresence of the state in all components of society—in particular in the economy—the authority of the French state is in retreat at home and abroad.

The next French government must recalibrate the role of the state in the life of its citizens to foster economic growth and restore legitimacy. The goal should be a leaner, but stronger and more effective state in the fields of health care, education, security, and foreign policy. This smaller state should aim to protect its citizens and allow the private sector and civil society sufficient breathing room to create jobs.

It is also crucial to reduce considerably the administrative constraints and tax burden on small- and medium-sized companies. These existing policies encourage too many entrepreneurs to emigrate. Hundreds of thousands of French citizens live in London and the United States, where they occupy leading positions in finance and technology. Many have fled due to the poor business and moneymaking opportunities in France or because the centers of innovation and finance are located in the Anglo-Saxon world. A future French government should aim to lure talent home with major economic incentives.

Nevertheless, it will be particularly important for French leaders to draw lessons from Brexit and the US presidential elections. They will have to anticipate the economic shocks resulting from these reforms in order to avoid damaging entire segments of French society and pushing millions of impoverished voters into the arms of populist movements. In this regard, an

ambitious reform agenda—which commands support across party and generational lines—will preserve France's social safety net while injecting greater dynamism into the labor market and incentivizing job creation in the private sector.

Second, the French state should take fundamental measures to foster a more positive relationship with Islam and French Muslims. That does not mean France should replicate models of integration adopted by other countries. Integration policies in France should remain the product of the history and identity of the French nation. Secularism is and will continue to be at the core of French society. However, it is essential to put an end to the punitive version of secularism implemented and advocated by French governments and many politicians over the last decade. Secularism

enables the coexistence of different spiritual options in the public space, including religious ones. It should not be used by populists as an instrument to discriminate against a particular religion, which has been the case against French Muslims over the last few years.

Finally, French leaders should address the major identity issues which concern French public opinion. The next government should, in particular, address the real issues concerning Islam and its relationship with French values.

Issues like the *burkini*, halal butcheries, and substitute menus in schools should not be ignored, but they are too often instrumentalized by populists who play on fears and use them to divide French society. The retreat of the authority of the French state in key neighborhoods where Salafism has taken hold, the spread of Islamic fundamentalism and radicalism in overcrowded prisons, and the rise of communitarianism are matters of far greater concern.

Addressing these major issues, while not stigmatizing French Muslims, will be the best way to lead French society to see its large Muslim population as an opportunity to devise a model for how Islam can integrate into western civilization, instead of seeing Islam as a vulnerability and a weakness.

The goal should be a leaner, but stronger and more effective state in the fields of health care, education, security, and foreign policy.



On November 13, 2015, several coordinated terrorist attacks, including mass shootings, suicide bombings, and hostage-taking, occurred in Paris and its northern suburb Saint-Denis. This attack and subsequent attacks in 2016 have exacerbated the already challenging political and social atmosphere in the country.  
Photo credit: Roberto Maldeno/Flickr.

### Europe's Swing State: Three Possible Futures for France

France's ability to achieve reform in the near future will determine its long-term influence in Europe, NATO, and the world. A France that fails to reform and becomes consumed by identity debates will ultimately lose its influence, undermine the European Union, and weaken the transatlantic alliance. A France that takes on structural economic and social reforms, and has the courage to overcome its domestic issues will have the authority to remain a leading actor in all three domains. In this regard, the next French presidential and legislative elections will be a decisive moment.

Depending on the political path followed by the country over the next few months, three possible scenarios can help assess the impact on France's geopolitical influence in Europe, the transatlantic alliance, and the world:

- *The spectrum of decline:* An inward-looking France, which embraces far-left or far-right populism and nationalism, retreats from globalization, and lives in the nostalgia of an idealized past.
- *The dangers of inertia:* A status quo scenario in which France adopts few or marginal reforms to restore economic growth, usher in greater social dialogue, and create more space for innovation and entrepreneurship.
- *An open, reformed, and more confident France:* France undertakes serious structural reforms on the economic and social front to revitalize economic growth, heal social fractures, and transform the main challenges of the time into opportunities.

*The spectrum of decline:* France abandons and undermines the European project, and possibly leaves the Euro, threatening the common currency as we know it. An even worse scenario would be a "Frexit" which could plunge the continent into a true crisis of

identity and insecurity. The result for France would likely be a dramatic decrease in foreign investment, job creation, business confidence, and trade.

At the transatlantic level, France revives its “complex” with the United States and seeks to define its greatness in opposition to the United States. France withdraws from NATO’s integrated command, surrendering its acquired influence and command posts within the Alliance. France finds itself isolated from Washington and key European powers as it seeks to lead a new European security identity independent from the United States. Washington and Paris refuse to support one another in coalition military operations in Europe’s periphery.

*The dangers of inertia:* Muddling through current challenges is a recipe for long-term geopolitical decline for France. Without essential reforms, France maintains its aspirations to global leadership, but financial and resource constraints limit its influence in a multi-polar world. France’s influence would continue to wane in terms of shaping the agenda of the European Council and the major orientations of the post-Brexit Europe. French weakness and economic stagnation would accelerate the rise of Euroscepticism in France. Paris becomes peripheral to Washington on European matters as the US administration looks more to Berlin to drive the agenda in Europe. Yet France is reliant on an increasingly isolationist United States for military support in the Middle East and Africa. Failure to achieve progress on European defense, control of the external borders of the EU, and counter terrorism furthers nationalism, populism, and the rollback of Schengen in the EU.

*An open, reformed, and more confident France:* France restores its economic credibility through difficult economic reforms at home. French leaders develop a long-term vision for the EU based on more integration. As a result, France regains the economic credibility and strength to return to peer status with Germany. A

renewed Franco-German form of inclusive leadership models a reformed and closer political union. France serves as a model for Europe by integrating its Muslim population with confidence while preserving its values. France uses its renewed credibility, military clout, and legitimacy to champion a European Union that serves as a global hard power and a defender of international norms. France invests 2 percent of its GDP in defense at home while systematically encouraging international cooperation and the development of a solid European defense industry, which are critical for Europe’s autonomy of decision and action. Even as it strengthens EU defense capabilities, France remains an innovative and active leader within NATO. France and the United States build on their impressive defense cooperation and move toward a “Five Eyes” intelligence-sharing relationship and expanded military cooperation in the Asia-Pacific. At a global level, France preserves its unique influence in Africa, contributes to a stabilized Middle East, and ensures the European Union maintains a strategic outlook regarding Asia’s rise.

## Conclusion

The case for reform in France is clear. A reformed France is vital for the security, solidarity, prosperity, and well-being of the country’s 67 million citizens. However, the stakes go far beyond France’s borders. The European Union, NATO, and the broader international community look to France for leadership on the world stage. France’s unique voice is particularly needed at a time of great internal and external challenges to Europe and the violation of international norms around the world. In order for France to retain its rightful place of leadership in the world, it must first undertake difficult reforms at home.

**Jeff Lightfoot** is a senior fellow at the Atlantic Council’s Brent Scowcroft Center on International Security.

**Jérémie Gallon** is a senior fellow at the Atlantic Council’s Future Europe Initiative.

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