

FRANCE'S OWN PIVOT TO ASIA

François Godement, Head of Asia & China Programme (ECFR)

Introduction

Can a medium size European nation, with its economic difficulties, craft an Asian strategy that is more than a statement of ambition? The answer is yes, and that begs the question of what would be even more achievable at the level of the European Union if it dealt in a more united way with its strategic partners – three of whom, China, India and Japan – are in Asia.

France's recent policy initiatives are uncharacteristic: they are low-key, pragmatic, diversified, and engineered through a coordinated public action – so much so that the question of continuity over time must be asked, since it is also a case of political will more than the mobilization of market forces.

France has long lived a Gaullist and neo-Gaullist dream of an independent role in Asia, away from blocs and sustained by its role at the UN Security Council. The relation never paid off in economic terms, and in general, France's share of the Asian market has shrunk.

What we are witnessing is a sober reassessment and a government-driven action plan: more and more frequent government visits to Asia than at any previous time, a remarkable absence of grand strategic designs coupled with concrete and low key political and security cooperation throughout Asia, a clear diversification that had in fact started under the previous administration, while normalizing and even coddling political relations with China. India and Japan are becoming major partners; although France is very coy about the implications: it shies away from any engagement in the rising maritime and territorial quarrels in Asia.

The action plan has its missing components: little human rights action from quarters that once campaigned about them, arms sales (50 percent of French exports in 2012) that create a liability should conflicts occur, and a very bilateral approach that may reflect intra-European competition, but may also feed it.

France's own pivot to Asia: an initial assessment

Thirty-three French government visits to Asia took place between May 2012 and November 2013, compared to only 13 in the preceding two years. France's focus on Asia, along with the pace of official travel, is finally reaching a level appropriate for the most populous and dynamic region in the world, a region that is now at the heart of the world economy – and at the centre of its most significant geopolitical tensions. It is impossible to establish a direct causal link, but the balance of trade between France and Asia has also begun to improve. France currently has a trade surplus with Australia, Korea, Hong Kong, Malaysia, and Singapore. And French sales in Japan increased between 2009 and 2012, before they were affected by the significant drop in the yen.

In China, an abysmal deficit has been slightly reduced, falling to €26 billion in 2012. Exports to India have also improved. The government is focused on, almost even mesmerised by, the increasingly likely sale of Rafale fighter jets, which would apparently represent close to one point of French GDP all by itself.

Economic necessity

The alignment between trade indicators and government activism indicates the clear priority that is now being placed on “economic diplomacy”, a new catchword in the French Ministry of Foreign Affairs. In the words of a senior civil servant at the Ministry of Economy and Finance, this economic diplomacy mostly means “seeking out growth wherever it can be found – that is to say, focusing on Asia”. This pragmatic approach contrasts sharply with the hesitation that characterises economic, social, and fiscal policies within France itself. Without the need to cater to ideological tensions and pressures from interest groups, freed from its former obsession with “les grands contrats” (“major contracts”), French policy in Asia is becoming more realistic. These pragmatic intentions can sometimes give way to opportunism: a group of major French companies reportedly spent between €1 million and €2 million (much of it tax-deductible) on a “Nuit Blanche” (an all-night event) at the Grand Palais to celebrate the fiftieth anniversary of the French-Chinese diplomatic relationship. French Foreign Affairs Minister Laurent Fabius said in the French Senate (the upper house of the French parliament) on 8 January 2014: “If we could welcome 5 million Chinese tourists, we would reduce the deficit in our trade balance by 10 percent.”¹ If 50 million tourists from China came to visit, would all France’s economic woes disappear?

Indeed, the economic imperative is now ubiquitous in French thinking, and China is at its core. Consultants and former senior civil servants who, just a few years ago, would have been making use of their relationships to break into the Chinese market, are now hired to find buyers for French assets: buildings that can be converted into hotels, struggling companies, real estate, financial partnerships. The challenge is considerable, because the flow of Chinese capital, both public and private, mostly works through offshore placements, and is therefore often hard to pin down. Who, for example, would have guessed that a now purged member of the Chinese Politburo could own a villa on the Côte d’Azur?² And at a time when a third Paris airport for freight remains only a pipe-dream, who could have guessed that Chinese investors would be sought out for two substitute projects (Vatry in Lorraine and Chateauroux in Indre)?

However, the evolution of France’s Asia policy means more than simply a scramble for Chinese cash. Economic necessity and the growing awareness that this is the right path will both lead to methodological changes. This is not a question of inventing a new policy. In fact, France’s Asia policy is being rationalised. It no longer involves a hoopla about strategy and “grand design” and it is unaffected by changing presidential priorities. These aspects of French policy often resulted in symbolic gestures and

¹ Sénat de France, “Compte rendu analytique officiel du 8 janvier 2014”, available at http://www.senat.fr/cra/s20140108/s20140108_1.html.

² Bo Xilai, Chongqing Party Secretary, who was arrested in April 2012.

declarations, but provided neither continuity nor “after-sales care” for policies. In short, French Asia policy has become less Gallic and more methodical. So far, the changes have been met with neither backlash nor any outcry for a more romantic script – it seems that tradition in French policy has been exhausted.

President François Hollande began to talk about Asia shortly before his election. He was critical at that time of the Chinese economy, and most particularly about its undervalued currency. These criticisms have since fallen by the wayside. The foreign policy of Hollande’s predecessor, Nicolas Sarkozy, has been criticised in some areas such as Libya, but the main thrust of France’s Asia policy retains continuity with that of Sarkozy. The government’s major innovation, which is a departure not just from the recent past but also from France’s historical approach, is to aim for a more systematised presence and a measure of strategic re-balancing. It has tried to correct France’s excessive focus on China (which often had positive results, but sometimes negative ones) by encouraging political and strategic cooperation with several key Asian partners, from India and Japan to Australia, Korea, Indonesia, Singapore, and Vietnam. The Hollande administration has also begun reaching out to several countries that were previously mostly ignored in government activities. The rationale is that these countries, which belong to a second tier of emerging economies that are smaller and less influential than Asia’s more obvious dragons and tigers, can yield a bigger bang for the limited bucks of France’s public and private actors. Through this redeployment runs a new narrative: France’s grim realisation that it is not at present “la grande nation” but instead “une puissance moyenne” – a middle power struggling for economic leverage.

Competing and cooperating with Europe

Does this make France’s Asia policy a European policy as well? It certainly has European precedents. In some ways, it is clearly based on the precedent of Germany. Chancellor Angela Merkel has been networking with a wide range of Asian countries, from Mongolia and Kazakhstan to Vietnam and Indonesia, which she has visited three times over five years. France’s economic diplomacy bears some similarity to Germany’s diversified approach. France does not have the same breadth as Germany in its means of influence throughout Asia – Germany can make use of the Länders, its sectoral branch representations, and its political foundations. France’s investment banks, those that did not sell their Asian subsidiaries after the 1998 Asian financial crisis, work the capital markets without much relation to French firms. They have largely turned away from the merchant bank model. Far from German “Rhine capitalism”, French firms often go it alone. A recent example was the fight between French energy companies Areva and EDF, when EDF parted ways with Areva in order to cooperate with the Chinese nuclear industry. One step removed from France’s remaining industrial titans, the government is trying to support a marketing strategy based on what Asian economies need, rather than on what French industry can offer.

Moreover, competition with the United Kingdom is an irritation that has led to some unexpected turns in official French statements. The red carpet now laid out for Asian

investors, who are officially “welcomed” by the French economy, is a new development in a country that once wanted to stop the spread of Japanese VCRs (the 1982 “Battle of Poitiers” for then prime minister Edith Cresson), that was outraged by the takeover of Thomson-CSF by Daewoo in 1996, and in which a major automobile manufacturer recently convinced itself it was the target of Chinese espionage. In the renminbi offshore market, by declaring itself open to Chinese investment, France is competing with the UK. And in the defence field, France is in competition with the UK in its aim of becoming a partner – and supplier – to Japan.

More than many other European Union member states, France now feels the need for a European extension and support for its economic interests in Asia. Brussels is a necessary stepping-stone to Asia, because of the negotiating leverage it can bring in trade and investment agreements in Asia, and increasingly on European markets. France is also considering taking steps to become the eurozone’s monetary and financial hub. France is therefore bringing its problems to Brussels, a defensive approach that was displayed when France found itself at the forefront of the initiative on Chinese solar panel dumping in 2012. France supports a vigorous offensive trade diplomacy in Asia, and is among the member states that have required a review of negotiations with Japan on a free trade pact after a year – a step calculated to extract substantial deliverables from Japan at the outset of the negotiations.

Even so, the core of France’s Asia policy remains nationally based. This serves to highlight the increasing insularity of the major European countries when it comes to joint action. The reasons lie in the EU’s disunity, which is particularly striking in economic affairs. The UK pursues its own policies on monetary and financial issues and is working hard to preserve the offshore system based in London. Key German exporters have a significant influence on the diplomatic policies of their country – Germany’s partners have complained that China’s veiled threats to some important German firms have held European negotiations hostage. South and East European countries are competing for Asian, and especially Chinese, investment. All these short-term objectives argue for action outside the framework of European cooperation. And French companies’ pressing need for capital is now reflected by large financing deals or equity investments in major French companies such as GDF Suez, Club Med, and PSA.

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

France's European policies are marked by a contradiction that affects more than just its relationship with Asia. France wants a Europe that can take action, but it remains committed to retaining decision-making powers for member states. However, competition between member states means that Asia, and particularly China, can safely ignore the machinations of both the EU Parliament and the intergovernmental Council. On the other hand, the Commission may have no teeth, but it has a reach and a federal potential that Asian economies cannot afford to ignore. In cases where decisions belong to member states, it is impossible to be sure of confidentiality – a first prerequisite of any negotiating strategy. Uncharitable neighbours quickly make public the identity of countries with more exacting negotiation positions, as happened recently in the solar panel market.³ As on many other issues, France's Asia policy remains trapped halfway between Europe's half-baked intergovernmental concept – while seeking to project within it its own goals and values – and an EU federal system that many politicians know must now be implemented as a matter of urgency, but which will diminish both France's and their own personal status.

The history of France's Asia policy

Grand designs, global strategies, and humanitarian commitments: the time when France could carry forward an independent and original Asia policy has long since passed. The last French initiative, in 1995-1996, was a reaction to Singapore Prime Minister Lee Kuan Yew's proposal to create the Asia-Europe Meeting (ASEM). In 2008, Nicolas Sarkozy tried to raise questions with China over unrest in Tibet. This simple inquiry was untenable without European backing, which was not forthcoming. And it would have necessitated tight and meticulous control of French diplomacy in response to action by Chinese authorities. France made a financial contribution to the first resolution of the North Korean nuclear crisis in 1996, along with other European countries. But it did not capitalise on its contribution and so gained no political influence from the initiative.⁴ Instead of adopting a Gaullist policy of diplomatic recognition for North Korea in 2000-2001, France took a less active role on the issue than did other European countries. In 1999, France gave significant military and humanitarian support for East Timor's independence, but this support mainly took place within the UN framework, as did France's contribution to peace in Cambodia in the early 1990s. The two Cambodian peace conferences held in Paris in 1989 and 1991, along with the position taken by France after the Chinese Tiananmen Square crisis in 1989, were the last signs of the originality present in France's policies in the 1960s: recognition of the People's Republic of China in 1964 and Charles De Gaulle's speech in Phnom Penh in 1966 criticising American involvement in Vietnam. France (as well as the UK) attempted to apply to the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF) in 1995, but the effort failed.

³ Interview with French economic civil servant, Paris, November 2013

⁴ The creation of KEDO, the Korean Peninsula Energy Development Organization, which aimed to provide North Korea with a substitute nuclear power plant, was met with hostility by French counter-proliferation diplomats.

The decision to sell arms to Taiwan, which was made in 1991 at a time when Chinese diplomacy had been weakened by the Tiananmen crisis, could have been a sign of strategic originality. However, political corruption destroyed its chances of success. Quite logically, a former insurance company director, Jacques Friedman, who was probably used to dealing with damage claims, was chosen, like a burgher from Calais, to meet with China in January 1994, when the French government stepped back from its participation in arming Taiwan.⁵ France has also changed track in the South Pacific. The last series of nuclear tests was conducted in the Pacific in 1995-1996 and the New Caledonian crisis was resolved in 1998, after France had come to terms with the independence of Vanuatu in 1980. As a result of these actions, France's relations with its partners in the South Pacific have been normalised, based again on a realist and middle power approach.

France's political self-effacement and more pragmatic diplomacy are a function of the relative weakening of its presence in the region. This decline has been at least temporarily reversed in military terms: the French naval presence in the South Pacific was considerably reduced by the end of the 1990s, but after 2001, France's presence in the Indian Ocean was strengthened because of the country's 12-year involvement in the Afghan conflict. French forces now have only an insignificant presence beyond the Malacca Straits, essentially limited to surveys by a training ship and a surprising joint naval exercise held in conjunction with China in March 2004, on the eve of the Taiwanese presidential elections.⁶

Most Asian countries, aside perhaps from India, have little interest in France's unquestionable commitments in Djibouti or in its actions against piracy in the Indian Ocean, in protecting the French maritime zone in the Southern Ocean, or in supporting French combat forces deployed in Afghanistan. The Indian Ocean is not East Asia, and neither French nor European statements framing these actions as a relevant contribution to Asian policy are particularly convincing to South-East or North-East Asia. Worse, a poor understanding of Asian ideology, which is firmly based on sovereignty, can cause problems. For example, then French defence minister Hervé Morin, attending the annual Shangri-La Asia security summit in May 2008, presented the right of pursuit invoked by French forces against pirates in Somalia as a model for the Straits of Malacca. While this may have been acceptable to a country such as India, which defends its right to retaliate against terrorists across the Pakistan border, the statement only served to shock ASEAN members, who value the defence of national sovereignty above all else.

⁵ Jean-Pierre Cabestan, "France's Taiwan policy: a case of shopkeeper diplomacy", Conference Paper given at The Role of France and Germany in Sino-European Relations, Hong Kong Baptist University, 22-23 June 2001, available at <http://www.sciencespo.fr/cefi/sites/sciencespo.fr.cefi/files/jpcabest.pdf>.

⁶ "Sino-French maritime exercise comprehensive", *People's Daily*, 15 March 2004, available at http://english.peopledaily.com.cn/200403/15/eng20040315_137543.shtml.

Trade erosion, arms sales, and defence cooperation

France's trade position in Asia has continued to decline. President Jacques Chirac's 1996 promise to triple France's market share in Asia over ten years is far from being realised.⁷ France at that time accounted for 2 percent of Asian imports. In 2012, it accounted for 1 percent.⁸ France exports mainly to its neighbours, and only 12 percent of French sales are to Asian countries. It does not import any energy from the region. Moreover, the rules of the game have changed significantly because of new regulations and the rise of emerging Asian markets. At the end of the 1980s, subsidised soft loans provided considerable support for exports, particularly for the large-scale industrial projects in which France excelled. Along with Algeria, China was the main destination for export credits, with taxpayers' money being used to support major contracts. Right now, Asia is overflowing with unused cash assets held by China, Japan, and Korea. This cash is often invested at ridiculously low interest rates, while trade regulations on subsidies for major contracts have become stricter, particularly in developed economies.

For these reasons, France has been forced to adapt its Asia policy in three equally pragmatic ways. It is attempting to improve the competitiveness of its services. It is looking to engage in sectoral partnerships based more on the needs of target countries than on the promotion of French opportunities. And it seeks to build a strategic presence based on defence cooperation – that is, self-financing through sales – rather than on a strategic capacity that does not really extend beyond the Indian Ocean into Asia.

As stated by one of the participants in this policy, France “cannot develop economic diplomacy and influence unless it improves its instruments; France can no longer have only one overall Asia policy”.⁹ Only bilateral relationships or, at a stretch, one policy for each of the various Asian sub-regions, are possible. This pragmatic approach has the advantage of avoiding the contradictions that are emerging from within a profoundly divided Asian continent.

The sale of French armaments to Asia has never completely stopped. However, morale in the industry was affected by the scandals that plagued French sales of frigates and missiles to Taiwan, along with the 1989 European embargo on arms sales to China (which has no clear definition of scope, thus leaving room for interpretation on dual use technology). The industry was also chastened by the repeated failures of French aircraft manufacturer Dassault in Korea, Singapore, and India. The Japanese market has remained the almost exclusive domain of the United States, an implicit codicil in the

⁷ Jacques Chirac, “Discours de M. Jacques CHIRAC Président de la République à SINGAPOUR”, *Présidence de la République* home page, 27 February 1996, available at http://www.jacqueschirac-asso.fr/archives-elysee.fr/elysee/elysee.fr/francais/interventions/discours_et_declarations/1996/fevrier/discours_de_m_jacques_chirac_president_de_la_republique_a_singapour.2276.html.

⁸ French exports to Asia in 2012 moved closer (€56.4billion, source Minefi) to Asian imports for the same year (\$6,663 billion, source ESCAP 2013 report), with an average exchange rate of €0.809 to \$1 in 2012.

⁹ Interview with a French diplomat, Paris, November 2013.

American security guarantee. Pakistan has long been a very good customer of French arms bought using French government credits, purchasing aircraft, submarines, and other materiel. But it has become increasingly difficult for France to pursue this trade, due to its commitment in the Afghan conflict and the attitude, at best ambiguous, of the Pakistani secret services to the Taliban.

Even so, France has retained a key position in South-East Asia, particularly in Malaysia and Singapore, as well as in India, where it has played an important role as an alternative supplier. One important area for France, in which Germany comes a close second, is the provision of cutting-edge submarines to maritime countries. This trade has been an undeniable component in the regional arms race and formed a contributing factor to the uncertainties over the future control of straits through which almost half of the world's trade must pass. However, the Taiwanese adventure along with some slip-ups in Malaysia and Pakistan have made French policy seem somewhat mercenary, with no evidence of an overall awareness of the region's security architecture.¹⁰

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

It is not clear whether any of this new cooperation involves formal bilateral pledges of support; up to this point, there have been no conflicts and the supplier-client relationships have not truly been tested. Furthermore, France has not abandoned its "global partnership" with China (established in 1997 by President Chirac) or the pursuit of the Chinese market and more recently of Chinese investors. It remains restrained in talking up the strategic content of its cooperation with potential competitors to China. What some officials privately call an "equidistant position" would come under serious challenge if a conflict situation were to arise. In August 2013, French Minister of Foreign Affairs Laurent Fabius, who visited China five times in 18 months, said: "China has not, so far, been an expansionist power: we must bolster this choice. In the short term, one of our key challenges is to encourage a strategic modus vivendi between the United States and China in Asia."¹¹ And in January 2014, he told the French Senate that "in a multipolar world, we do not have to choose between China, Russia, or even

¹⁰ In both cases, bribes over submarine sales have been alleged (Malaysia) or uncovered (Pakistan).

¹¹ Laurent Fabius, speech at Futuroscope, Poitiers, 30 August 2013.

Japan”.¹² This comment was made on the eve of the first meeting between French and Japanese foreign affairs and defence ministers, which led to the signature of an unprecedented defence cooperation agreement between the two countries. The foreign minister’s statement could be seen as a form of diplomatic hedging. The state visit by Xi Jinping in March of this year is including a reception and dinner at the Versailles palace = a grandeur associated in the past with visiting American presidents.

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

Nevertheless, French commitments across the region are increasing and becoming more complex. France has “strategic” partnerships with China, India, and Japan (nationally as well as at European level) as well as with Indonesia, Australia, Korea (as part of another “global” partnership), Singapore, and Vietnam. Although Malaysia rejects the term strategic partnership, France has become its main defence partner. Admittedly, the term is overused by China, the EU, and ASEAN, who use it to mean only the absence of conflict or to signify the importance of a relationship. However, in France’s case, the content of these partnerships is becoming very concrete. Unkindly, some make an unfavourable comparison to the so-called strategic partnerships of the UK. Asia also became a defence priority for the UK in 2010, but, due to lack of a defence budget, the UK’s partnerships remain at the level of semantics.¹³ It is striking that these two very similar European middle powers cooperate west of Malacca and compete to the east.

France has established three joint exercises with India, which will take place in the region and in France. France has also participated in the *Ulchi* or Freedom Guardian military exercises with Korea, as well as carrying out joint operations with Australia and New Zealand. Japan is interested in naval cooperation with France in the South Pacific, particularly because of France’s fishing zones there. Singapore has become France’s second largest partner in the region, and the partnership has been enhanced through military research and development. In all these joint operations, France can

¹² Sénat de France, “Compte rendu analytique officiel du 8 janvier 2014”, available at http://www.senat.fr/cra/s20140108/s20140108_1.html.

¹³ HM Government, *Securing Britain in an Age of Uncertainty: the Strategic Defence and Security Review* (London: The Stationery Office, 2010), available at http://www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_191634.pdf.

implement NATO standards. However, it is somewhat hampered by the fact that different standards from NATO in Europe are used by the US Pacific Command (PACOM) across the region. Like DVD markets, America's defence cooperation includes a zoning pattern.

France's cooperation with Japan has shown the most impressive progress. Despite President Chirac's interest in Japan, defence cooperation was forestalled by an almost complete American monopoly as well as by Japanese fears that France would advocate lifting the EU embargo on arms sales to China. Japan's cooperation with third parties was also held back by legal constraints within Japan itself, which prohibited it from exporting arms components or sub-systems. The greatest extent of cooperation was the 2+2 dialogues that were instituted between high-level officials from the two countries' Ministries of Foreign Affairs and Defence. But the situation has changed rapidly since 2012. A visit by the French president in 2013 created a common mechanism for consultation on arms transfers to third parties, which is reassuring to Japan. France is again in friendly competition for defence cooperation with the UK, which benefits from far more established political links – the Anglo-Japanese alliance was one of the key relationships that shaped the early twentieth century. The UK became in 2013 the first EU country to sign an agreement with Japan paving the way for cooperation on defence equipment. However, the first ministerial-level foreign affairs/defence 2+2 dialogue held between France and Japan in January 2014 represented a turning point. The two countries have expressed common concerns on maritime issues and freedom of navigation, at sea and in the air. They have established industrial cooperation on weapons, along with a dialogue on arms exports – including dual use technologies, which is a new step for France as well as for Japan. They have also agreed to cooperate on maritime security in the Malacca Straits, where Japan is heading up an international presence, in the Horn of Africa, and in the Gulf of Guinea. The two countries are also committed to “reinforcing” security measures in South-East Asia and the Pacific.¹⁴

Like the visit of South Korean President Park Geun-Hye to Paris several months earlier, this common declaration was mostly overlooked by the French press, just returning to serious work after the New Year's break. This silence recalls the limited press coverage of the most important economic investment ever made by China in Europe: on 8 August 2011, China made an equity investment of €3 billion into the European distribution networks of French energy company GDF Suez. This kind of discretion may be voluntary. But it is responsible for the persistence of a gulf between the perception of Asian issues among specialists and the under-informed opinions of the general public, who often have only very basic views of a Chinese economic threat and/or Japanese nationalism. But even here, things are changing: the possibility of Chinese investment in French automobile manufacturer PSA has divided the Peugeot family, but its implementation is not causing any concern among the general public. And members of parliament flock to meetings sponsored by Huawei, the Chinese telecoms giant for which Europe is becoming the main market, but which is also the object of a

¹⁴ Joint press release by the Foreign Affairs and Defence Ministers of Japan and France, 9 January 2014, available at http://www.diplomatie.gouv.fr/fr/IMG/pdf/_corrige-1401090630_Communique_Conjoint_Final_FR_cle418565.pdf.

preliminary enquiry into subsidy dumping at the European level and a source of concern within security circles.

Whether bilateral and pragmatic or dominated by larger concerns, these trade relationships have had very little influence on the general political debate since the government went on the hunt for investment. One Korean participant in the French-Korean relationship explains that, on both sides, the relationship will benefit from being protected from public debate. This statement applies equally well at a European level, where policy-making goes hand in hand with distorted perceptions. For example, between 2011 and 2012, the European Council spent more time debating the situation in Sri Lanka, where the government finally defeated Tamil terrorists while committing significant human rights violations, than it did discussing China, a country well on its way to becoming the EU's main economic partner.

Bilateral, multilateral, and multipolar relationships

Bilateral defence commitments, some of which are particularly long-standing (the strategic partnership with India, for example, dates from 1998), have had a cumulative effect. According to one government source, it is not surprising that the French government is monitoring the tensions in the China Sea particularly closely. If the conflict were to escalate, France's partners would very likely call for French armaments and logistical support.

France is committed to a series of bilateral agreements across a region that is both interdependent and increasingly multipolar. The main tenets of multilateralism – recourse to international law and mediation, reconciliation, and compromise – do not resonate in Asia, where nationalism and historical rivalry are widespread and where communitarianism is particularly pervasive.¹⁵ Caught between bilateralism, which can have unexpected consequences, and unrealistic multilateralism, France is moving closer to sub-regional organisations, particularly ASEAN, which has the advantage of being based on neutrality and the desire to avoid conflict at all costs. Although it was criticised by the press for its focus on Laos, one of France's smallest partners in Asia, President Hollande's first visit to the region made it possible to establish contacts with the heads of state of all ASEAN members during the Asia-Europe Meeting in Vientiane. France has indicated that it may apply to join ASEAN's ADMM-Plus dialogue.¹⁶ It is, however, acting more carefully and methodically in its outreach to ASEAN than it did in the past, when it announced its application to the ASEAN Regional Forum at the same time as the UK, without setting up any coordination between the two countries and without consulting any other European countries. Today, France is working with a more varied toolbox. For example, it has applied to join the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP),

¹⁵ François Godement, "Divided Asia – The implications for Europe", European Council on Foreign Relations, 22 November 2013, available at http://ecfr.eu/page/-/ECFR91_DIVIDED_ASIA_AW.pdf.

¹⁶ The ASEAN Defence Ministers Meeting Plus brings together ASEAN defence ministers and foreign partners.

a regional organisation set up to combat piracy. And it hopes to transfer the ReCAAP model to the north-east Indian Ocean, where it is able to deploy more naval assets.

France's changed Asia policy is again very much in evidence in the diversification of France's contacts in the region. The government has carried out an unprecedented number of visits to the region. There have been four presidential visits to Laos, China, Japan, and India. Prime Minister Jean-Marc Ayrault has made seven visits, to Singapore, Philippines, Cambodia, Thailand, South Korea, Malaysia, and China. Foreign affairs minister Laurent Fabius has been to China five times, and also to Vietnam, Indonesia, and Japan, and Defence Minister Jean-Yves Le Drian has been to Singapore and India. Many more technical visits have been made, including those by the foreign trade minister, Nicole Bricq. Only Timor, Brunei, and Bangladesh, with its 160 million inhabitants, have not been visited so far.

Of course, making sure this on-the-ground presence lasts in the long term will be another challenge. The diversification of defence dialogues has also involved France's Western allies. In 2014, the Ministry of Defence established a dialogue with PACOM, the US Command for the Pacific. Three strategic discussions on Asian issues have been held with the UK. These actions have encouraged the EU's External Action Service and its military committee to develop a more transparent position on defence issues in Asia. France faces a paradox: it is committed to cooperating with the US while at the same time acting as an alternative supplier for other allies and partners of the US. The US must also deal with this paradox: it doubtless can see the usefulness of a defence cooperation that nonetheless includes some local competition.

By contrast, in South Asia, France has chosen to concentrate on a single partner, or perhaps its constraints and interests have made the choice unavoidable. France can hardly claim to be neutral on the India-Pakistan rivalry, in spite of its long-standing defence relationships with both countries. It now maintains only a residual military presence in Afghanistan, which is tasked with training the Afghan police force, while Germany and the UK still have troops in the country. A complete American withdrawal would endanger this residual troop presence and, in the wake of Libya, Mali, and Syria, France is well placed to understand the limits of American commitment. It is clear that while the French military is increasingly active in sub-Saharan Africa, its involvement in Afghanistan cannot continue. In fact, this points to a more general truth: no matter how eloquent the latest French White Paper on Defence might be, it does not provide for "operational commitments" west of the Gulf of Aden. In other words, France will make no commitment to intervention in Asia. Some French (and occasionally British) strategists dream of reviving the idea of the Indo-Pacific, which would have the advantage of being based on an area where France has territory and a real defence presence.¹⁷ But South Asian countries, and India in particular, prefer to have a free rein in regional affairs and are not currently interested in any structured European involvement.

¹⁷ James Rogers, "European (British and French) geo-strategy in the Indo-Pacific", *Journal of the Indian Ocean Region*, Vol. 9, No. 1, 25 June 2013, pp. 69-89.

Beyond the short term

France is trying to reinforce its links with most Asian countries, rather than with only the major powers in the region. It is showing pragmatism, greater modesty, and a comprehensive approach that is reflected in the schedule of government visits. Is this renewed engagement simply a juxtaposition of bilateral policies, essentially motivated by economic factors? The government seems to believe that higher marginal gains can be achieved by doing business with emerging countries than by focusing solely on Asia's major powers. It is also showing interest in the second-tier emerging countries, such as the Philippines and Laos; because of their smaller size, they are more scalable for French public levers and French companies. In its attempt to overcome its competitive disadvantages, one of the country's main objectives is to find niche markets. Another goal is to attract foreign investment, including from Asian countries. At present, Asian investment officially represents only 20 percent of France's total FDI inflow. The government's position has changed considerably over the past year and half. The politicization of the Arcelor Mittal affair in 2012 and the emotions stirred up in France by the company having an Indian CEO (despite its main headquarters being in London and Luxembourg!) would not occur today.

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

China's nuclear cooperation with third-party countries has made real strides, as demonstrated by its co-funding and participation with France in building two European Pressurised Reactor plants (EPR) at Hinkley Point in the UK. Cooperation has not yet been implemented in other sectors such as transport, health care, urban development, and energy efficiency. France is responsible for European efforts to request reciprocity from China on government procurement. This is a difficult undertaking, given the highly controlled nature of the Chinese economy, and it runs parallel to the need for opening up Chinese firms to mergers and acquisitions, now that they have become so active beyond China's borders.

France is faced with a dilemma, and its reaction is very similar to the hesitation that has characterised France economic policy since 2012. Expanding the range of suppliers available for French infrastructure projects in, for example, energy, rail, or road transport would decrease the cost burden on taxpayers. Central and Eastern European countries are pressing for this kind of change. However, most likely for reasons of political visibility, France has confined its openness on this point to projects elsewhere

in Europe: neither Hinkley Point nor a Chinese-built rail line or expressway could happen in France – yet.

The GDF Suez agreement of 2011 also applied to European rather than national distribution. That agreement has acted as a trailblazer, bringing about a review of European obligations on major infrastructure projects that include an appeal to foreign investors such as China. Chinese suppliers could probably deliver the Greater Paris orbital metro system at a very good price. But in spite of the fact that the project cannot be publically funded in the current economic climate, caution prevails. Similarly, with regard to telecommunications infrastructure and networks, France is hesitant to engage in major deals with Asian partners. It has not completely closed the door on Chinese companies Huawei and its competitor, ZTE (which is also the target of an EU preliminary enquiry over its funding), but France remains preoccupied with issues of cybersecurity and is closely monitoring the choices made by its neighbours. France is, without advertising it much, the top market for trade in the Chinese yuan within the eurozone, and competition with the London financial market is probably making France less demanding on the transparency of some of these funds. However, France is also attracted to the more protectionist model of government contracts and public investment that prevails in the US and Canada, where the “Buy American” Act and security concerns can justify blocking investments. It has not gone as far as countries such as the UK, Sweden, or Denmark in making liberal economic choices, but it is also looking closely at this kind of policy. Out of necessity, the search for foreign investors continues to accelerate.

In economic and security choices, pragmatic and even opportunistic policies lead to some contradictions or inconsistencies. These aspects have always been part of France’s Asia policies: Aristide Briand’s liberal plea for the League of Nations was made at a time when France held colonies. The cult of French sovereignty did not prevent a bitter war against Vietnam’s independence. Former president François Mitterrand spoke out for a post-Yalta world, but sold weapons to Taiwan for essentially mercantile reasons. The gap between Cartesian or pseudo-romantic ideals and concrete action is now much narrower than it once was. However, potential contradictions are also more important than they were in the past. War has not been talked about so much in Asia since 1945. Emerging Asia’s firms and capital outflows are becoming significant forces in Europe itself.

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