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## ***Are we heading for a new era of nationalizations?***

The Dutch government has just shelled out \$775million and is now the proud owner of close to 13% of the Air France – KLM group, reflecting its determination to get back on an equal footing with the French government in the airline group. The Dutch government felt that KLM had recently been badly treated within the group when the new chairman was appointed...and the battle of wills is even more fierce and surprising when we realize that the Netherlands took its stake without informing the French government. More recently, Bloomberg announced the possible renationalization of EDF with the aim of better managing this strategic energy business in France, while Germany is willing to bail out Deutsche Bank if the bank gets into severe trouble.

There is very clearly a shift in government policy on the state's role in companies' shareholder structures, with a feeling of the re-emergence of the State as strategist. This idea had somewhat disappeared from our textbooks, but now seems to be coming back to the fore.

Over recent years, nationalizations have usually been temporary. This was the case for General Motors in the USA in 2009, as well as for UK banks at the height of the financial crisis. There is also the example of STX in France, and the matter is on the table again with Ford and Ascoval.

### ***Globalization is no longer seen as the systematic solution***

Globalization was set against a backdrop of an open world over the past twenty years, with resources allocated efficiently. This worked well as developing countries focused on industry, especially Asia, while developed countries concentrated on services and the intellectual resources required to supply the industrial sector. This allocation of resources can be immensely effective if all participants play by the rules and if each country feels it is benefiting from the arrangement.

One reason behind this change currently under way is that the world economy is no longer seen as cooperative. At the time of the Brexit referendum, the UK indicated that it would be better off outside the European framework than within, while at the same time elsewhere in the world, Trump and Xi Jinping are building a bilateral rather than a multilateral system.

This new world order does not fit with the globalization trend witnessed in a recent past. Trump has taken a more isolationist path than his predecessors, throwing a spanner in the mechanisms of globalization with his border duties and threats. In China, the Belt and Road Initiative demonstrates the country's determination to build its own trade routes and set its own terms and conditions.

Against this backdrop, previous trends to globalization are changing, and if all participants no longer play by the joint rules of the game, then each country is free to make up its own. This could well be what is happening right now.

### ***Growth is too sluggish***

Alongside this explanation, there is also the issue of sluggish growth on developed markets. Some countries want to take matters into their own hands and set their economy back on a stronger trend, and each country wants to be able to do what it takes to get ahead. KLM's move fits with this approach, as the Dutch government felt it was being excluded from decisions on its own airline KLM, which could potentially be bad for jobs and the Schiphol airport hub in Amsterdam.

So we are witnessing a quest for the strategist State, with the idea that governments can potentially be more efficient than the market, yet this approach is highly questionable. France took this option at the end of the 1970s and in the 1980s – and we all know the outcome – yet the French government is again going down this route with EDF. Meanwhile in China, Xi Jinping is also taking matters back into his own hands. At the event marking the 40<sup>th</sup> anniversary of the liberalization reforms favored by Deng Xiaoping, the Chinese president indicated that state guidance was more effective than market signals, and this makes for a powerful move in China. This notion of a strategist State is also the foundation for the Dutch government's move, as it seeks to

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safeguard jobs and the economy in the Netherlands, rather than focusing on enhancing efficiency and cooperation within the airline group.

### ***Renewed nationalism***

Lastly, this determination to take the driving seat fits with a broader wave of renewed nationalism and populism in Europe. Several countries no longer want to play by the European rules and comply with its institutions, so there really is no reason why they would follow its economic rules. This is underpinned by the belief that each country is better off going it alone, rather than cooperating with others. However, this is a dangerous departure as it leads to fragmentation, as each country tries to make its national champion great again. This new outlook in Europe may be related to Brexit and the UK's much weaker influence in Brussels, with the rest of Europe now getting back to their individual hobbyhorses.

**This uncooperative approach is set to promote the role of the State in companies' shareholding structures.** The reasons I outline above are not going to disappear by themselves: Donald Trump and Xi Jinping will be in power for quite a while longer, and a change in policy does not seem to be on the cards. Looking further down the line, the Democrat candidate Bernie Sanders would not be against this kind of process. Meanwhile, growth is not going to take off suddenly over the months ahead, so States will continue to want to go it alone and adopt a more strategist stance. In this respect, the European elections in May will be a useful litmus test, revealing the extent to which Europe is shifting towards a more fragmented economy.

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