



## The European dream is fading away

We have all dreamed of a Europe taking advantage of the current geopolitical turbulence to gain autonomy.

We have read the Letta report, deciphered the Draghi report, and validated the choice of the necessary decarbonization of the European production system.

The objective was to no longer be too dependent on American choices, to give ourselves the means to innovate and to create the conditions to have European champions competing, in the long term, with their Chinese and American competitors.

We had the tools and the ideas. Thus, we imagined strong choices to determine our own path and write our own story.

Certainly, this wasn't the easiest path for our aging economies. But these choices also made political sense. The White House's excesses, by contrast, determined a more reasonable path for all European countries. Moreover, polls among European citizens showed a strong attraction to Europe and a terrible distrust of the American strategy.

It was thought that the arrival of Friedrich Merz as German Chancellor would refocus the German economy on Europe. Taking advantage of the abolition of the public debt constraint, it was anticipated that development would be centered on German momentum.

The possibility of a European capital market was envisaged to recycle Europe's excess savings into investment, thus creating a virtuous dynamic that would benefit all European citizens.

Since 2021, a 15% tax rate has been envisaged for all international companies in order to normalize competition. This would put an end to the race for the lowest tax rate. It was also necessary to prevent tax evasion by multinationals.

In this quest for autonomy, we had believed that governments and the Commission in Brussels would resist the tariff measures of the new American administration. Europe is a gigantic market of more than 400 million wealthy Europeans. We might have imagined that this would be favorable to us in the balance of power with the United States.

The EU's trade surplus with the USA was also a means of pressure to define the desirable choices for Europe.

Of course, the task was complex. It would have required a balance of power, mobilizing all European resources to create a European consciousness in this difficult time.

**Then came the NATO summit.** Europe is now ready to meet the US administration's demands regarding military spending. This can be seen as a necessity for Europe, and it is true. We must have the means to defend ourselves. This is a necessary dimension of autonomy.



## Macroeconomic Turbulence #32

July 3, 2025

### The European dream is fading away

But in the short term, Washington welcomes European purchases in the military sector. As the US State Department points out, this will create numerous jobs and strengthen the American military industry. Oh! What a bargain for the Europeans.

At the same time, Europeans are rushing to negotiate a trade agreement to avoid any major surprises on July 9 when the White House announces the new tariffs.

The aim is also to avoid losing contracts already concluded across the Atlantic.

The only trade agreement so far is the one signed by Great Britain, which has a balanced trade balance with the United States. This agreement can be summed up as reduced access for British products to the American market, but easier access for American companies in Great Britain. Considering the European surplus, one does not dare to imagine the agreement that could be signed if the objective is rebalancing.

But now the Europeans want to sign. Germany wants to save the German automobile sector, and Rome wants to maintain good relations with Washington. In other words, Europe is ready to agree to pay €40 billion each year in customs duties to avoid the confrontational logic necessary for greater autonomy. Europe is thus making the White House's task easier and making it easier to carry out its projects. The budget proposal, described by one US senator as a Robin Hood in reverse, will be made easier.

In this story, three consequences

1-Europe is gradually ticking all the boxes desired by the White House. Consequently, we must, as the Canadians have just done, forget the GAFAM tax. Access to the European market will not be restricted for American technology companies. There is no doubt that the ability of Europeans to create European champions, as the Letta report calls for, is rapidly fading. To achieve this, we must be able to isolate and protect the market on the old continent.

2-The second dimension is that reindustrialization now appears to be a lost dream. Europeans have firmly committed to military spending that will fuel American arms companies. This will strengthen American industry to the detriment of Europe, since the dynamics and resources will be on the other side of the Atlantic.

Long ago, we talked about the military-industrial complex, which described the interactions between these two sectors. In coordination with the American state, this military-industrial sector was central to the development of American power. With the recent episode, it has come to the forefront again. Under these conditions, how can we encourage industrial companies to expand and invest massively on the old continent? Europe, ultimately, is simply a means to strengthen the United States in its power struggle with China.

3-Europe is eagerly awaiting the choices desired by Washington.



## Macroeconomic Turbulence #32

July 3, 2025

### The European dream is fading away

#### What to conclude?

There was an opportunity for Europeans to gain autonomy and rebalance relations with China and the United States. The Europeans chose the American side. The logic of the global confrontation will consist of only two camps: the Americans and the Chinese. Europe has lost control, and the dream of reindustrialization is over. Europe and industry are now only in tune with the past. The Americans decided that in the West, if any country should reindustrialize, it should be the United States, not Europe, and Europe has just enthusiastically accepted.

In other words, the growing per capita income gap between the US and Europe will continue to widen. The Draghi report's warning about the lack of innovation and the inability to mobilize European savings has not been allayed. Each country will continue to play its part.

A direct consequence is that the global euro that Christine Lagarde spoke of no longer makes much sense. In her words, this benchmark euro was the counterpart to a more autonomous Europe, a Europe that makes choices and is credible in the directions it takes over the long term. It would have been an economy where European champions develop, ready to safeguard and develop activity and employment in Europe. This is now beyond our control.

I recently wrote about the need for a European history, a history that tells us about ourselves and guides our actions. If this history ever exists, it will serve, like the Letta and Draghi reports, to shore up the shaky offices in Brussels. It's a shame.

## Additional notes

### Ostrum Asset Management

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 50 938 997 €. Trade register n°525 192 753 Paris – VAT : FR 93 525 192 753 – Registered Office: 43, avenue Pierre Mendès-France, 75013 Paris – [www.ostrum.com](http://www.ostrum.com)

This document is intended for professional, in accordance with MIFID. It may not be used for any purpose other than that for which it was conceived and may not be copied, distributed or communicated to third parties, in part or in whole, without the prior written authorization of Ostrum Asset Management.

None of the information contained in this document should be interpreted as having any contractual value. This document is produced purely for the purposes of providing indicative information. This document consists of a presentation created and prepared by Ostrum Asset Management based on sources it considers to be reliable.

Ostrum Asset Management reserves the right to modify the information presented in this document at any time without notice, which under no circumstances constitutes a commitment from Ostrum Asset Management.

The analyses and opinions referenced herein represent the subjective views of the author(s) as referenced, are as of the date shown and are subject to change without prior notice. There can be no assurance that developments will transpire as may be forecasted in this material. This simulation was carried out for indicative purposes, on the basis of hypothetical investments, and does not constitute a contractual agreement from the part of Ostrum Asset Management.

Ostrum Asset Management will not be held responsible for any decision taken or not taken on the basis of the information contained in this document, nor in the use that a third party might make of the information. Figures mentioned refer to previous years. Past performance does not guarantee future results. Any reference to a ranking, a rating or an award provides no guarantee for future performance and is not constant over time. Reference to a ranking and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager.

Under Ostrum Asset Management's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Ostrum Asset Management do not invest in any company that manufactures, sells or stocks anti-personnel mines and cluster bombs.

Final version dated 28/02/2024

### Natixis Investment Managers

This material has been provided for information purposes only to investment service providers or other Professional Clients, Qualified or Institutional Investors and, when required by local regulation, only at their written request. This material must not be used with Retail Investors. To obtain a summary of investor rights in the official language of your jurisdiction, please consult the legal documentation section of the website ([im.natixis.com/intl/intl-fund-documents](http://im.natixis.com/intl/intl-fund-documents))

In the E.U.: Provided by Natixis Investment Managers International or one of its branch offices listed below. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority – AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris. Italy: Natixis Investment Managers International Succursale Italiana, Registered office: Via San Clemente 1, 20122 Milan, Italy. Netherlands: Natixis Investment Managers International, Netherlands (Registration number 000050438298). Registered office: Stadsplateau 7, 3521AZ Utrecht, the Netherlands. Spain: Natixis Investment Managers International S.A., Sucursal en España, Serrano n°90, 6th Floor, 28006 Madrid, Spain. Sweden: Natixis Investment Managers International, Nordics Filial (Registration number 516412-8372- Swedish Companies Registration Office). Registered office: Covendrum Stockholm City AB, Kungsgatan 9, 111 43 Stockholm, Box 2376, 103 18 Stockholm, Sweden. Or,

Provided by Natixis Investment Managers S.A. or one of its branch offices listed below. Natixis Investment Managers S.A. is a Luxembourg management company that is authorized by the Commission de Surveillance du Secteur Financier and is incorporated under Luxembourg laws and registered under n. B 115843. Registered office of Natixis Investment Managers S.A.: 2, rue Jean Monnet, L-2180 Luxembourg, Grand Duchy of Luxembourg. Germany: Natixis Investment Managers S.A., Zweigniederlassung Deutschland (Registration number: HRB 88541). Registered office: Senckenberganlage 21, 60325 Frankfurt am Main. Belgium: Natixis Investment Managers S.A., Belgian Branch, Gare Maritime, Rue Picard 7, Bte 100, 1000 Bruxelles, Belgium.

In Switzerland: Provided for information purposes only by Natixis Investment Managers, Switzerland Sàrl, Rue du Vieux Collège 10, 1204 Geneva, Switzerland or its representative office in Zurich, Schweizergasse 6, 8001 Zürich.

In the British Isles: Provided by Natixis Investment Managers UK Limited which is authorised and regulated by the UK Financial Conduct Authority (register no. 190258) – registered office: Natixis Investment Managers UK Limited, One Carter Lane, London, EC4V 5ER. When permitted, the distribution of this material is intended to be made to persons as described as follows: in the United Kingdom: this material is intended to be communicated to and/or directed at investment professionals and professional investors only; in Ireland: this material is intended to be communicated to and/or directed at professional investors only; in Guernsey: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Guernsey Financial Services Commission; in Jersey: this material is intended to be communicated to and/or directed at professional investors only; in the Isle of Man: this material is intended to be communicated to and/or directed at only financial services providers which hold a license from the Isle of Man Financial Services Authority or insurers authorised under section 8 of the Insurance Act 2008.

In the DIFC: Provided in and from the DIFC financial district by Natixis Investment Managers Middle East (DIFC Branch) which is regulated by the DFSA. Related financial products or services are only available to persons who have sufficient financial experience and understanding to participate in financial markets within the DIFC, and qualify as Professional Clients or Market Counterparties as defined by the DFSA. No other Person should act upon this material. Registered office: Unit L10-02, Level 10, JCD Brookfield Place, DIFC, PO Box 506752, Dubai, United Arab Emirates

In Japan: Provided by Natixis Investment Managers Japan Co., Ltd. Registration No.: Director-General of the Kanto Local Financial Bureau (kinsho) No.425. Content of Business: The Company conducts investment management business, investment advisory and agency business and Type II Financial Instruments Business as a Financial Instruments Business Operator.

In Taiwan: Provided by Natixis Investment Managers Securities Investment Consulting (Taipei) Co., Ltd., a Securities Investment Consulting Enterprise regulated by the Financial Supervisory Commission of the R.O.C. Registered address: 34F., No. 68, Sec. 5, Zhongxiao East Road, Xinyi Dist., Taipei City 11065, Taiwan (R.O.C.), license number 2020 FSC SICE No. 025, Tel. +886 2 8789 2788.

## Additional notes

In Singapore: Provided by Natixis Investment Managers Singapore Limited (NIM Singapore) having office at 5 Shenton Way, #22-05/06, UIC Building, Singapore 068808 (Company Registration No. 199801044D) to distributors and qualified investors for information purpose only. NIM Singapore is regulated by the Monetary Authority of Singapore under a Capital Markets Services Licence to conduct fund management activities and is an exempt financial adviser. Mirova Division (Business Name Registration No.: 53431077W) and Ostrum Division (Business Name Registration No.: 53463468X) are part of NIM Singapore and are not separate legal entities. This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.

In Hong Kong: Provided by Natixis Investment Managers Hong Kong Limited to professional investors for information purpose only.

In Australia: Provided by Natixis Investment Managers Australia Pty Limited (ABN 60 088 786 289) (AFSL No. 246830) and is intended for the general information of financial advisers and wholesale clients only.

In New Zealand: This document is intended for the general information of New Zealand wholesale investors only and does not constitute financial advice. This is not a regulated offer for the purposes of the Financial Markets Conduct Act 2013 (FMCA) and is only available to New Zealand investors who have certified that they meet the requirements in the FMCA for wholesale investors. Natixis Investment Managers Australia Pty Limited is not a registered financial service provider in New Zealand.

In Colombia: Provided by Natixis Investment Managers International Oficina de Representación (Colombia) to professional clients for informational purposes only as permitted under Decree 2555 of 2010. Any products, services or investments referred to herein are rendered exclusively outside of Colombia. This material does not constitute a public offering in Colombia and is addressed to less than 100 specifically identified investors.

In Latin America: Provided by Natixis Investment Managers International.

In Uruguay: Provided by Natixis Investment Managers Uruguay S.A., a duly registered investment advisor, authorised and supervised by the Central Bank of Uruguay. Office: San Lucar 1491, Montevideo, Uruguay, CP 11500. The sale or offer of any units of a fund qualifies as a private placement pursuant to section 2 of Uruguayan law 18,627.

In Mexico: Provided by Natixis IM Mexico, S. de R.L. de C.V., which is not a regulated financial entity, securities intermediary, or an investment manager in terms of the Mexican Securities Market Law (Ley del Mercado de Valores) and is not registered with the Comisión Nacional Bancaria y de Valores (CNBV) or any other Mexican authority. Any products, services or investments referred to herein that require authorization or license are rendered exclusively outside of Mexico. While shares of certain ETFs may be listed in the Sistema Internacional de Cotizaciones (SIC), such listing does not represent a public offering of securities in Mexico, and therefore the accuracy of this information has not been confirmed by the CNBV. Natixis Investment Managers is an entity organized under the laws of France and is not authorized by or registered with the CNBV or any other Mexican authority. Any reference contained herein to "Investment Managers" is made to Natixis Investment Managers and/or any of its investment management subsidiaries, which are also not authorized by or registered with the CNBV or any other Mexican authority.

In Brazil: Provided to a specific identified investment professional for information purposes only by Natixis Investment Managers International. This communication cannot be distributed other than to the identified addressee. Further, this communication should not be construed as a public offer of any securities or any related financial instruments. Natixis Investment Managers International is a portfolio management company authorized by the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) under no. GP 90-009, and a public limited company (société anonyme) registered in the Paris Trade and Companies Register under no. 329 450 738. Registered office: 43 avenue Pierre Mendès France, 75013 Paris.

The above referenced entities are business development units of Natixis Investment Managers, the holding company of a diverse line-up of specialised investment management and distribution entities worldwide. The investment management subsidiaries of Natixis Investment Managers conduct any regulated activities only in and from the jurisdictions in which they are licensed or authorized. Their services and the products they manage are not available to all investors in all jurisdictions. It is the responsibility of each investment service provider to ensure that the offering or sale of fund shares or third party investment services to its clients complies with the relevant national law.

The provision of this material and/or reference to specific securities, sectors, or markets within this material does not constitute investment advice, or a recommendation or an offer to buy or to sell any security, or an offer of any regulated financial activity. Investors should consider the investment objectives, risks and expenses of any investment carefully before investing. The analyses, opinions, and certain of the investment themes and processes referenced herein represent the views of the portfolio manager(s) as of the date indicated. These, as well as the portfolio holdings and characteristics shown, are subject to change. There can be no assurance that developments will transpire as may be forecasted in this material. The analyses and opinions expressed by external third parties are independent and does not necessarily reflect those of Natixis Investment Managers. Past performance information presented is not indicative of future performance.

Although Natixis Investment Managers believes the information provided in this material to be reliable, including that from third party sources, it does not guarantee the accuracy, adequacy, or completeness of such information. This material may not be distributed, published, or reproduced, in whole or in part.

All amounts shown are expressed in USD unless otherwise indicated.

Natixis Investment Managers may decide to terminate its marketing arrangements for this product in accordance with the relevant legislation [www.ostrum.com](http://www.ostrum.com)