Strategic Autonomy, Finance, and Deregulation: What Challenges for Europe?

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This summary highlights the main issues raised during the roundtable *"What Finance for Strategic Autonomy?"* held on July 1, 2025, at the Washington Plaza in Paris. The event was organized by the Veblen Institute, the Energy & Prosperity Chair, the Sorbonne Center for Economics, and the Convention des Entreprises pour le Climat. The conclusions and recommendations expressed are those of the authors and should not be attributed to the participants.

Participants (in order of appearance):

Claude Raynal (Chair of the Senate Finance Committee), Jean Boissinot (Director of Studies and Risk Analysis, ACPR), Thierry Philipponnat (economist and former Chief Economist at Finance Watch), Gabriel Cumenge (Deputy Director for Banks and General Interest Financing, French Treasury), Karen Degouve (Sustainable Finance Specialist), Laurence Scialom (Professor of Economics, Paris Nanterre University), Sandrine Ménard (Deputy Director of Corporate Financing and Financial Markets, French Treasury), Jérôme Reboul (Deputy Secretary General for Regulation and International Affairs, AMF), Marie Ekeland (Founder of investment funds Daphni and 2050, CEO of 2050), Jérôme Saddier (President of Crédit Coopératif), Shahin Vallée (Director of the Geoeconomics Programme, German Council on Foreign Relations), Jézabel Couppey-Soubeyran (Lecturer at Paris 1 Panthéon-Sorbonne University, Scientific Advisor at the Veblen Institute, and Scientific Director of the Energy & Prosperity Chair), and Bernard Cazeneuve (former Prime Minister).
The debates were moderated by Jean-Marc Vittori (columnist, *Les Échos*) and Madeleine Péron (economist, Veblen Institute).

A New Geopolitical Context

Strategic autonomy is now a key goal of the European Union. Yet the role of finance remains largely overlooked in this discussion. As organizers, we argue that finance is in fact a key factor: appropriate instruments and regulatory frameworks are essential to direct capital toward Europe's strategic autonomy goals.

Though it emerged initially in the defense policy community, the concept of strategic autonomy has expanded to include broader concerns of sovereignty and security across many sectors. In the current geopolitical environment, the EU must reduce dependencies, secure value chains, increase the resilience of its financial system, and allocate capital effectively to common priorities such as ecological and energy transitions, infrastructure, and defense.

This challenge has grown more urgent with the return of a Trump administration in the United States, which has adopted a confrontational stance, using tools such as tariffs and the extraterritorial application of U.S. law. America's shift toward deregulation and climate denial could further weaken Europe. In this context of fragmentation and diminished leadership, the EU must establish an autonomous, coherent financial strategy. The goal is not just to "repatriate" European savings from U.S. financial markets, but to better utilize existing instruments and innovate across both public and private finance in response to 21st-century challenges.

Key Findings

1. A Wave of Deregulation with Alarming Consequences

A trend of deregulation is unfolding on both sides of the Atlantic. In the U.S., it is explicit. In Europe, it is more subtle — often framed as "simplification."

"The wave of deregulation is nearly as strong in Europe as it is in the United States." — *Karen Degouve*
"I don't interpret the Draghi and Letta reports as a call for deregulation." — *Gabriel Cumenge*

In both cases, competitiveness is the driving motive. The trend is political, faces little pushback, and often dismisses environmental and social standards as regulatory burdens. This unchecked push for simplification penalizes responsible actors and weakens market signals. Even the ECB has issued warnings against this rollback.

The roundtable identified a significant risk: that the gains made since the 2008 crisis — including those related to sustainability — could be dismantled without a credible alternative, especially in a fragile macroeconomic context. This could trigger another financial crisis and accelerate the climate crisis.

"To consider environmental rules as obstacles to growth — that's the strategy of a deregulating imperial power." — *Bernard Cazeneuve*

Key points of disagreement included:

- **Competitiveness vs. sustainability**:

"There is no trade-off between competitiveness and sustainability." — *Laurence Scialom*

- **Effectiveness of current regulation and resilience of the financial system**:

"We are where we wanted to be in terms of regulation." — *Jean Boissinot*
"Debt levels are far higher than in 2008, and governments have far less capacity to act — that casts doubt on the resilience of the financial system." — *Laurence Scialom*

- **Backlash against regulation**:

“Regulatory fatigue.” — *Jean Boissinot*
“The headwinds against regulation have always been strong. What’s changed today is that there’s no longer anything pushing back against them.” — *Thierry Philipponnat*

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2. Structural Barriers to Financing the Real Economy

The Savings and Investment Union (SIU), a rebranding of the former Capital Markets Union, aims to better mobilize private savings. Yet the discussion highlighted several persistent limitations:

- Financial intermediaries (banks, insurers, asset managers) still wield decision-making power.

“Better mobilizing savings is a rather empty phrase; in any case, it’s not enough to redirect investment.” — *Jézabel Couppey-Soubeyran*

- Secondary markets dominate over primary markets, absorbing capital without supporting productive investment. SMEs remain dependent on bank credit, which is often allocated to real estate or speculative assets.
- “European businesses lack European financing.” — *Sandrine Ménard*
- Green finance strategies centered on transparency and labels have reached their limits.
- “We are weak when it comes to inventing our own rules for financing the economy.” — *Gabriel Cumenge*
  “Investing is not about predicting the future — it’s about shaping it. What kind of future do we want to help build?” — *Marie Ekeland*

A key point of contention was securitization:

- Supporters see it as a tool to free up space on bank balance sheets for new loans.
- Critics argue it doesn’t sufficiently support business financing and adds to systemic risk.

“Relaunching securitization would be dangerous.” — *Jézabel Couppey-Soubeyran*
“It would create room on banks’ balance sheets to finance new projects. But we must avoid the ‘yes, but’ approach and resist the illusion of a perfect solution.” — *Claude Raynal*

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3. Fragmented European Governance

The internal capital market remains deeply fragmented.

“The internal market for services doesn’t work.” — *Jérôme Reboul*

This fragmentation, including among supervisory authorities, impedes financial integration.

“We need coherence between the ECB’s mandate and European governance. That’s at least as important as the SIU.” — *Jérôme Saddier*

Legal obstacles — such as inconsistent definitions of securities, bankruptcy law, or institutional status — are seldom addressed, but constitute real barriers to financial sovereignty.

“We must tackle the fragmentation of capital markets supervision head-on.” — *Shahin Vallée*

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4. A Pivotal Moment for Strategic Autonomy

Faced with a weakening rule of law, fragmented policymaking, and declining Western leadership, Europe must clarify its strategic direction. Financial sovereignty demands alignment between political goals (e.g., climate transition, innovation, defense) and the financial instruments used to achieve them.

“We devote a lot of intellectual energy to this topic without asking the right questions.” — *Shahin Vallée*

Some critical blind spots remain:

- **Payment systems** not under European control
- **Settlement systems** in the Eurosystem that still depend on U.S. digital intermediaries

“It’s a good thing we’re making some progress on the digital euro.”

- **Cryptocurrencies**, with uneven legal treatment across member states, risk introducing vulnerabilities — particularly through stablecoins.

Recommendations

1. **Reframe the SIU** as a political strategy, not just a technical process. It must reduce Europe’s financial dependence.

2. **Clarify the SIU's purpose**: Support the real economy, finance the transition, and strengthen sovereignty. This calls for prioritization, political vision, and strategic alignment.
3. **Build a European regulatory doctrine**: Simple, robust rules (e.g., using leverage ratios instead of complex, risk-weighted formulas that enable regulatory arbitrage).
4. **Reject the notion** that more regulation necessarily undermines competitiveness.
5. **Stabilize prudential frameworks** to ensure they remain clear and responsive to emerging risks (climate, digital, etc.).
6. **Defragment financial supervision**: Move toward unified supervision of capital markets.
7. **Harmonize financial legislation** across the EU — covering definitions, bankruptcy regimes, and legal statuses.
8. **Improve coordination** among key actors: ECB, European Commission, member states, and national authorities, to avoid contradictory mandates.
9. **Redirect financial flows** toward shared societal goals.
10. **Develop savings products** that are genuinely green, transparent, and aligned with citizen expectations.
11. **Reinvigorate primary markets**, reducing the disproportionate role of secondary markets.
12. **Mobilize major institutions** (banks, insurers, funds) around a long-term investment agenda.
13. **Plan the transition strategically**:

- Set collective transformation goals (ecological, digital, defense)
- Coordinate standards, tax policies, and public–private partnerships
- Recognize states as central actors — including on capital markets — by creating instruments like **European sovereign assets** (e.g., eurobonds)