



» Opinion

## Franco-German Engine Needs Kick-Start

The Franco-German friendship served as a strong foundation for the development of the European Union and its trump card, the euro. I grew up close to the French border and participated in a youth exchange program. At that time Jean-Jacques Servan-Schreiber wrote “The American Challenge”. Later I served on the German-French Council of Economic Advisors.

Today the Franco-German engine is stalling. But is it needed anymore? After all, much attention is now focused on the Chinese challenge and the transatlantic axis, which during Obama’s first term has not gained the stability that many observers had hoped for. On the other hand, the transatlantic relationship is important to Americans only if Europe is strong and united. This is one of the reasons why the crumbling Franco-German axis needs to be invigorated.

A half century ago, on January 22, 1963, both countries signed their historic friendship treaty. Since then, there has been an abundance of successful cultural, educational and youth exchange programs. Cross-border trade has flourished, and the governments have cooperated well in managing the economic crisis.

But on the key issues of economic, fiscal, employment and social policy, the neighbors keep treading their own paths. For example, the January 1988 amendment of the Elysée Treaty called for joint annual budget consultations before the budget plans go to the national parliaments for approval. This was never really implemented. Likewise, the German-French “Agenda 2020” adopted at the February 2010 summit has not yet led to closer cooperation in practice.

After the French presidential elections, national differences in judging the need for structural reforms of the labor market and social security, the role of fis-

cal discipline, and the tasks of the European Central Bank have grown substantially.

The German-style “social market economy” is characterized by competition paired with societal consensus, structural reforms and fiscal stability. The “Grande Nation”, in contrast, favors the principle of centralized “planification”, based on the notion of “égalité”. This fundamental difference becomes apparent in all binational debates among policymakers, business leaders or academics.

The impact of demographic change will fall much more heavily on Germany than on France, which is soon to become the most populous country of the European Union. Obviously, the French are more successful in combining family and work through job flexibility and adequate child care. At the same time, the French labor market as a whole is much less flexible, productivity is lower, and export activity is weaker than in Germany. And French policymakers still seem to believe they can avoid the inevitable expansion of working time.

The Franco-German project urgently needs to be revived. Both nations can learn a lot from each other and help make Europe more competitive again. The euro crisis must be used to implement structural reforms and restore fiscal health in Europe without strangling investment in the name of austerity. Germany’s economic performance of the past decade shows that this can be done.

The 50th anniversary of the Elysée Treaty should remind us that Europe can only “function” if the Paris-Berlin axis is functional.



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