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Thinking towards the future. French and German businesspeople and their expectations for 2025

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As a consequence of the financial, economic and social crisis, the economy now lies at the heart of much of the public debate in Europe. Business competitiveness, consolidation of government finance, structural reform – buzzwords that worry or reassure – these expressions punctuate the speeches made by European political leaders, often without their meaning being defined however. With electoral campaigns and news programmes people have become familiar with a language that for most used to be of distant concern in their daily lives. Although we know about the positions of political leaders, economists and other intellectuals and although Franco-German divergence over economic issues has been clearly identified, we know less about what economic players are expecting – whilst they represent a major part of civil society and the issues being debated involve them first and foremost.

This is why we thought it necessary to look into the way business representatives see the challenges that their country, or more widely Europe, is facing; this includes the risks and opportunities that they associate with the future. The exercise comprised interviewing economic players in 2014 in both France and Germany, the two biggest economies in the euro zone, known for both their recurrent disagreements and their ability to compromise. They were asked to imagine the situation in 2025 – a timeframe that made various scenarios possible without becoming detached from the present; in other words, it encouraged those interviewed to use their imaginations but not to fantasize. During these semi-structured interviews around 20 business leaders spoke about the future of their national society, the EU, as well as the world context.

In no way does our study pretend to be exhaustive but it aims to show a view of the future held by economic players on either side of the Rhine. For this to be as representative as possible, we picked out a variety of firms with different profiles. Amongst these, there were both very large companies, which are leaders in the world market and extremely specialised SMEs,

representatives of traditional industry, as well as digital economy start-ups. By comparing these four categories, we were able to pick out a certain number of trends in terms of how economic players view the future. The latter, who are all executives within their respective structures, have not been named. However anonymous quotations taken from the interviews illustrate their thoughts. In the end, it seems quite clear how the positions of these business leaders differ – or not – from those of the political leaders in their countries; also on which issues the French and German economic players agree, or on the contrary, disagree.

IN BRIEF

In both France and Germany, there are common fears. Hence, economic players in both countries are equally concerned about business competitiveness – from an immediate point of view in France, in the short and mid-term in Germany – whilst regretting the lack of strategy on the part of their political leaders. And yet, their view of the future is still marked by distinct national traditions. When it comes to assessing the challenges their countries will face over the next ten

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years the differences between the French and the Germans interviewed are stronger than those observed between the representatives of the economy and the political decision makers of the same country.

Generally, concern about the future seems to be more acute in France than in Germany and goes hand in hand with doubts and questions about the country's economic, social and societal model. Proof of this lies in the numerous reports published or ordered recently by the government and to which many business leaders have contributed, whilst conversely, this is less palpable in Germany [2]. The latter show a sharp awareness of the challenges linked to the world's development and look into what makes the French identity specific in a globalised context. None of this exists in Germany, where the tradition of public reports has no equivalent but where players do not especially feel that they are experiencing a major period of transition. This attitude is not specific to the economic and political elites, but can also be found within the population. As recalled by the polls, the level of citizens' optimism about the future differs greatly from one country to another. [3]

German economic players see the future with a certain degree of optimism. They are encouraged in this by the comparison of the German situation with that of their European neighbours. Indeed, they believe that the country is doing well, notably thanks to positive growth rates and a relatively low unemployment rate. However, this optimistic attitude does not mean that the Germans interviewed have no concerns about the next few years or decades. On the contrary, many warn against the temptation, on Germany's part, to take things for granted and not prepare adequately for the future. We should note that the concerns expressed are not always precisely defined, but refer to increasing insecurity, the growing difficulty in planning and above all, the inability of political leaders to provide real answers to the challenges facing the country.

The first of these challenges is also specific to Germany: demographic transition. Although its impact on the labour market worries economic players, who already find it hard to recruit and win the loyalty of qualified staff, the latter do not just focus on this aspect. They

believe the fact that the German population is ageing and decreasing in size also affects infrastructure requirements and housing, the organisation of rural areas, as well as the dynamics of domestic policy. Concern linked to demography also explains why many economic players in Germany approve and call for an active immigration policy.

On the list of future challenges, issues related to energy and the energy policy follow very close behind demographic transition. The energy revolution (*Energiewende*) is perceived as an extremely ambitious political project, which is both negative and positive. Economic players believe that it is highly explosive for the German domestic policy and will have major impact on the country's economic power. At the same time they believe that global warming, to which geopolitical factors might be added, make it essential to reorient climate policy and therefore the country's energy policy. And although they believe that the challenges are massive, they do hope that the technological solutions provided will enable German industry to position itself towards export both in the mid and long-term.

Conversely in France, economic players say they are concerned: their view of the future is full of doubt and questions. They are entirely aware of living in a period of transition associated with major technological changes, which imply considerable adaptation on the part of the country's socio-economic model. Having said this, they are far from sharing the declinist view of many intellectuals and are confident about the possible revival of the French economy. Most stress France's strengths and the potential of its businesses if the latter were to have a more favourable framework for action. Unsurprisingly, there is a consensus in terms of reducing the wage burden and red-tape. However, doubts about the ability of the government to undertake reform are such that in the end they lead to a pessimistic attitude.

The main concern of the French is of almost philosophical character. It focuses on the strength of the republican model, since those interviewed are worried about the tension that is running through French society – and in their opinion, this tension threatening the harmony

2. The report on strengthening investments in Germany ordered by the Federal Economy Minister Sigmar Gabriel, by a committee of experts headed by the Chairman of the German Economics Institute (DIW) is an exception to the rule.

3. Jérôme Fourquet, *Crise et situation économique: regards croisés franco-allemands*, Jean Jaurès Foundation / Friedrich-Ebert-Stiftung, 8 December 2014, <http://www.jean-jaures.org/Publications/Notes/Regards-croises-France-Allemagne-sur-la-situation-economique-et-les-relations-franco-allemandes>

of the French way of “living-together”. Given the growing social and cultural differences, interviewees especially fear that equal opportunities will no longer be guaranteed. Hence their virulent criticism and their high expectations of the national education system. Beyond that, the main concern about the future of the social contract is linked to doubts about the sustainability of French identity, whilst diversity is increasingly visible in the public sphere.

In this light, it is not surprising that the second challenge identified by the French is social cohesion. Although mass unemployment, particularly of young people was not spoken of much during the interviews, the fear of seeing the country divided between the privileged and the underprivileged is certainly real. Many believe that the gap is growing between them, well-paid employees and civil servants with access to technologies and financing on the one hand, and workers and some civil servants on the other, who have little training and low social protection. Likewise, they are concerned about the erosion – real or perceived – of the country’s middle class.

Social cohesion is not disconnected from the third of the major challenges identified by French economic players, i.e. the economic crisis and the competitive position of businesses. Although many doubt the ability or the will of the government to introduce the necessary conditions for improved competitiveness, all share the same observation that the French economy has assets. Hence, they note that businesses benefit from relatively cheap electricity supplies and sound infrastructures and recall that France is the world leader in many areas of activity. But to strengthen their business position they believe it urgent, apart from implementing reform – to put a stop to the brain-drain, which is affecting start-ups in particular and to support innovation in a more targeted manner. Several interviewees also criticise the cumbersome nature of French industry that is dominated by some major companies and regret that strategic industrial policy decisions are not very innovative. Many expect their leaders to be courageous and to dare to take risks.

In spite of the differences in their approach, the French

and Germans seem to agree on the need to draw up strategies and visions; they also deem the answers provided by the government to these issues as inadequate. Regarding the sustainability of society and its adaptation to tomorrow’s world, they take a severe view of the action taken by their political leaders: whilst challenges related to the future are known, little is done to face them. However, it is not just governments, but elites in general who are criticised as far as their difficulty of planning for the future is concerned. In this context, it is striking that Germany’s comfortable economic situation makes business leaders cautious: several of them warn against taking things for granted or being arrogant vis-à-vis weaker economic partners. The other common point between the French and the Germans involves relations with the EU. In both countries the idea that Europe is a project of peace and civilisation remains strongly present and benefits from a positive connotation. The common market is also seen to be self-evident and is due to remain so. As for the crisis affecting the euro zone, this is a source of concern for most economic players who often wonder – more markedly in Germany, where there is perhaps more sentiment regarding the European project – about the sustainability and continuation of European integration.

During these interviews, the question often arose about the crisis in the euro zone and its effects, notably in terms of institutional structure and the continuation of integration: amongst the issues, budgetary policy and fiscal union are most discussed. Whilst the Germans insist on the need for reform to end the crisis and also criticise France on this point, their French colleagues call for greater solidarity and cohesion. In this light, the French are more numerous in hoping for the emergence of a political union that can make its voice heard in the international arena and for it to benefit from military competences to be able to do this.

In addition to this, in both countries, Brussels is perceived as the central mainstay of European policy, actively involved in the drafting of a framework of action for businesses – even creating it – as has been the case with competition policy or any other field in which the Treaties confer (exclusive) competencies

to the EU level. It is in France that we find the most virulent criticism of European policy. The European Commission is accused of not having understood that businesses do not merely operate within the single market but around the world and that "European champions" should be created - even though this would lead to monopolies on a European level. Whilst the Germans accuse the Commission of interfering too much in States' business, there is a consensus amongst the French that a pro-active industrial policy has to be undertaken both in Brussels and Paris.

French and German business leaders, who face the same challenges, continue to expect different things of the European policy. In part these reflect a way of thinking that has shaped the approach adopted by the political leaders for decades, and this, independently of partisan differences. From this standpoint, industrial policy highlights an ongoing misunderstanding between the French and the Germans.

SATISFACTION AND FEELING OF WEAKNESS: THE SUSTAINABILITY OF THE GERMAN MODEL UNDER DEBATE

The view that the Germans - the business leaders and representatives that we interviewed at least - have of the near future is relatively optimistic. It has to be said that, right now, there are good reasons for this. The country is in a position of strength, particularly if compared to its European neighbours: amongst the criteria quoted are high growth rates and lower unemployment than in most other EU Member States. "A strong Germany", the campaign slogan which Angela Merkel's Christian Democratic Union (CDU) adopted for the Bundestag election in 2013 seems to match the attitude of German economic players. This might be summarised by the following statement: "Let's keep this up, this making greater or smaller adjustments." Of course German businessmen are not indifferent to demographic transition, the euro zone crisis, climate change and energy change, the exit from nuclear power decided by the previous government and continued by the current grand coalition. However, in view of the German situation and the country's future prospects, they very often view these challenges positively.

In spite of this, the view the Germans interviewed have of the future is not completely void of concern, which is especially linked to the sustainability of German society and European policy. Indeed, the interviews highlight a relatively vague fear which focuses both on increasing insecurity, greater difficulty in planning economic and political activity and also and above all, the incapacity of political decision makers to plan for the future and to provide answers to the associated challenges. There seems to be a consensus about the fact that the present solutions, no matter how effective they are right now, will not always work. The world surrounding Germany changes too much for this, and things moreover evolve ever more quickly, be it at national, European or world level.

In this context, most business leaders believe it vital, short of drafting an overall strategy for the future, at least to develop concepts to enable adaptation to tomorrow's challenges. Of course, we know what these challenges are, their main outline at least, but the answers to provide to them seem inadequate. It is mainly the political establishment that is deemed responsible for this situation, but also more widely the country's elites, whether this implies intellectuals, scientists or those involved in civil society. More or less vehemently, those interviewed criticise the political classes for their lack of vision - a criticism which appeared as a leitmotif in all of the interviews undertaken in Germany.

NATIONAL CHALLENGES

Whilst most German business leaders acknowledge that their country is doing well, they are quite aware that it is a momentary impression, supported by the comparison with other European States, which are in a difficult economic situation. Moreover, those interviewed note that Germany faces a series of problems, some of which - like demographic change or the energy revolution - are specific to the country and are not so acute in the neighbouring countries. According to this widely shared analysis, it is likely that in a few decades time the German situation will be completely different and not necessarily better. Hence, basing oneself on Germany's good economic

health when thinking about the future is not an option for anyone.

Preparing for demographic transition

According to those interviewed, demographic transition is the greatest of these domestic challenges and at the same time it is specific to Germany in comparison with other major European countries. Many companies are already finding it difficult to recruit staff as they would like due to a lack of qualified – and motivated – labour. Very soon, the problem will worsen. To this we might add the fact – mentioned by one SME executive – that young people have a different approach from their elders to their career: many young people believe that a high salary and a prestigious post are far from being sufficient reasons for accepting or keeping a job; the balance between professional and private life, as well as personal satisfaction at work, are equally important criteria. In a context in which the labour force is decreasing, these expectations are not without effect on businesses' personnel policy which are keen to gain the loyalty of their employees. Finally, to be seen as attractive employers, businesses are being forced to adopt new approaches in order to meet the requirements of new employees.

That said, all of those interviewed say that the problems caused by demographic transition are not (and even more so in the future) – just confined to the labour market. Beyond this, it implies guaranteeing the financial sustainability of the social systems as they stand, and therefore to ensure the sustainability of the “social contract” on which Germany is founded. In this context we should not be surprised at the sharp criticism raised by the reform of the retirement system undertaken by the grand coalition, which some qualify as a “catastrophe” and “politically clientelist”: with its decision to bring the retirement age down to 63, whilst demographic transition is a threat, the federal government has sent out the wrong message. The reduction of the retirement age from 65 to 63 will cost 60 billion € up to 2030 [4], and will be financed by the youngest generations. Many economic players believe that the major challenge that German society will face over

the next few years will, on the contrary, consist of inventing a new relation vis-à-vis the employment of the older generations. This notably means working longer in order to protect the fundamental elements of the retirement system.

The fact that the German population is ageing and also decreasing will also impact other aspects of society: infrastructures and housing, the organisation of rural areas which are less and less populous – particularly in the eastern part of Germany – as well as domestic political relations. This widely shared observation explains why a major share of our interviewees approves immigration, even calling for it explicitly. In their opinion, it has indeed become necessary to design an overall immigration and integration policy. Some of them even want this to happen at the EU level. At the same time, most economic players believe that although the problems and challenges of demographic transition are now well known, policy is not rising to it, leaving questions without answers. Of course, political leaders organise regular summits and other political forums devoted to demography but they do not develop any strategies to address the issue in a thoughtful, coherent manner for the long term.

Supporting the energy revolution

On the list of challenges that will be decisive for Germany's future, demographic transition is followed closely by energy and energy policy issues – which on several occasions during the interviews appear to be key. Interviewees are perfectly aware that the energy challenge is multi-faceted. Exiting nuclear power was often qualified as an extremely ambitious political project. Business leaders generally believe that the issue is an explosive charge for German domestic policy and that its impact on the country's economic power is potentially tremendous. Notably in comparison with France, the cost of electricity is clearly higher in Germany, which of course affects the competitiveness of German businesses. At the same time, some of those interviewed believe that climate change, the impact of which is increasingly irrefutable, leaves no other choice but to rethink

4. Under the grand coalition it was decided in the summer of 2014 to reduce the retirement age to 63 for people who had contributed for 45 years. Le Parti social-démocrate (SPD) en avait fait une promesse de campagne.

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climate policy in depth, and therefore, at the same time, German and European energy policy. In several instances, German interviewees also showed concern about the difficult geopolitical situation in which European countries now find themselves with respect to energy security, as well as Germany's dependence, along with its neighbours, on energy imports.

At the same time, many stress the potential that a "new" energy policy would release, which in any event has become inevitable. Although it is undeniable that this goes together with immense difficulties, the technological solutions that will have to be found might become flagship products from which the export economy would draw benefit. Hence the importance of setting store by an innovative energy policy, as well as energy efficiency, so that Germany will retain its technological advance long term. Some regret however that this policy is not being implemented with greater courage and determination and want political leaders to make greater commitment – especially to research and development. This expectation targets national decision makers as well as the European Commission, whose support programmes to research were mentioned on several occasions.

Developing a political vision

More generally, a majority of the business leaders interviewed believe that courage and determination are the qualities most lacking amongst German decision makers. Regarding the sustainability of German society, interviewees have limited confidence in their country's political leaders. On several occasions, they accuse the federal government – and more particularly the Chancellor – for their lack of vision and for having no strategic thinking. Although major challenges in the future have been identified, i.e. demographic transition, climate change and the ability to develop a sustainable energy policy, "little or nothing" is being done in their opinion, to rise to these. Political decision makers tend to ignore "burning issues", several interviewees note. But it would be both necessary and urgent for German society to be able to debate these issues and also for

political leaders to be honest about the opportunities and dangers inherent to these challenges.

"We are playing it by ear, particularly the Chancellor. There is no long term strategy."

Although the Federal Chancellor does not take a clear stance on fundamental issues, her attitude is perceived as the hidden part of the iceberg. In the eyes of those interviewed, the entire German political class is failing in terms of planning for the future. Several interviewees moreover believe that there are fewer and fewer members of government who "understand economic processes" and that dialogue between politicians and the economy could be improved. Economic players do not just criticise politicians for this lack of vision, but the elites in general. Indeed many believe that the latter fail in their mission to make proposals and are incapable of "delivery". Negative societal pressure resulting from this situation is all the more problematic since, in their opinion, most of tomorrow's challenges will grow over the next few years.

But business leaders counterbalance these three problems – demographic transition, energy revolution and lack of political vision – with the Federal Republic's strong points. Amongst these, they regularly boast their approach to sustainability in the widest sense of the term – e.g. the determination of social partners always to look for viable, long-term solutions. Likewise, several of them speak of social players' tendency to lay emphasis on common sense, to share "costs and profits". In their opinion, this is also one of the German decision makers' greatest strengths that must be preserved. The more interviewees have experienced other national contexts in the past, the more marked this observation. The German system, oriented towards consensus, is deemed particularly apt when it is compared to the one in France. In this context economic players point to the readiness for dialogue in German society which, in their opinion, is rarely found elsewhere – whether this is in the European Union beyond. The "Rhine Model" and notably the social partnership (*Sozialpartnerschaft*) between employers and employees enjoys a very positive image overall – to the extent that most of those interviewed see in this a model one that deserves to be exported, likewise the "dual" professional training system. [5]

5. In virtue of this several business leaders criticise growing 'academisation' which impedes response to economic requirements: it is not necessary for everyone to "study" because in the end businesses will lack experienced personnel, whilst young university graduates often know nothing about "real life" and find it hard to integrate into company life.

EUROPE AND THE WORLD

The acquis of European Integration

As soon as the focus is no longer on Germany, but on the EU as a whole, the business representatives that we met are concerned about the *acquis* of European integration. Generally, the idea of a united Europe is viewed positively and they believe that the European way of life is attractive and worth preserving. At the same time, they are just as worried about the euro zone crisis and its many consequences – which they feel in their companies – as they are more fundamentally about the protection and deepening of European integration. Although Europe is important in the interviews, the matter is generally addressed from two different angles. On the one hand, there are topical economic issues, like the euro zone crisis and its implications – going as far as debate over institutional reform and deepened integration, notably in terms of budgetary policy and fiscal union. On the other hand, businessmen and women often speak of “Brussels” as a central player in European policy, which actively sets the rules for the environment companies operate in, as with the competition policy for example.

Regarding the diagnosis of the euro zone crisis, opinions differ greatly to the extent that it is difficult to define a clear trend on the issue. Some of those interviewed believe that the European Union has now overcome the crisis, whilst others maintain that this is far from being the case and for this reason notably, they seek the salvation of their businesses on distant markets, outside of the European Union. Opinions also differ when it comes to the management of the crisis by the European institutions and national governments. However, given the generally optimistic view that business representatives have of the German situation, they do not seem to see the crisis and its management as a direct threat to the German economy.

“Southern Europe is totally adrift”

Beyond the euro zone crisis and its immediate economic implications, the Germans we met tended to worry about the future of European integration. Although they generally view Europe as a project

of peace, which they also approve, many perceive that the achievements of integration are now being challenged. Hence several of them say they fear that the present crisis will release centripetal forces that will threaten the European project – underlining that they think this way as European citizens and not as Germans, concerned about pan-European interests. Differences in prosperity within the EU seem to worry them more than anything else and not just because this impacts markets (and therefore outlets for German businesses), but because this affects the heart of the European project. In this context, businessmen are often extremely critical of France, which is deemed to be “Europe’s sick man” across the board. A majority of those interviewed believe that France has more potential than is generally spoken of in public debate. However, although the French economy is doing better than that of Spain or Italy, the government’s incapacity to undertake necessary reform leads to fears of major problems within the next few years. In the darkest scenario, France might even take Europe with it into the abyss.

“Germany must not become arrogant”

“We cannot allow for nationalism/chauvinism, as some political leaders have done in the euro crisis.”

But not everyone is so pessimistic. Some interviewees conversely believe that under the pressure of the crisis, the 28 Member States will be forced to undertake institutional reform and take steps that are necessary for Europe. Since this pressure has always “worked” as Europe has developed, they hope that the euro zone crisis will have positive effects at the end of the day. In this context, some economic players yet wonder about Germany’s role in the EU and warn of “arrogance” and “a lack of maturity” on the part of German decision makers when it comes to Germany’s strengths. They call on the latter to be more modest. Economic players are aware that present economic developments in Europe are a potential threat to the European project and that, in this context, Germany’s relative success could turn against it. To be “despised as is the best pupil in class” – as one of the interviewees summarized it – is not a very enviable fate. Yet trends of this kind

have already become visible in everyday business life. Interviewees are hence not just worried about the institutional framework and the common market in terms of the acquis of European integration. They also fear that the rapprochement of the populations – ongoing since the end of the Second World War – may suffer setbacks as a result of the crisis.

"The greatest danger is Europe's isolation."

As for Brussels' work, opinions are varied, sometimes contradictory. A majority of those interviewed criticise the European Commission for its "regulatory excesses" – which is now a commonplace comment – and of interfering too much in States' business. At the same time, many ask for "more" Europe in specific political fields, notably in terms of research and development – for example in support of the creation of new areas of activity via technological innovation. This is particularly true in the areas of climate and energy, which are of great interest to businessmen. Beyond this, the latter also expect the European institutions – and not just the federal government – to give greater support to the creation of businesses. In this context, they often speak of the European competition policy. One of the main questions raised is whether the European Commission should not start to consider the world as a whole as a reference framework rather than just looking at the single market.

A winning Germany in a globalised world

Economic players are now operating at a global level, including the representatives of SMEs. In a world where the economy is highly integrated, all of those interviewed consider Germany to be a "winner in a globalised world". Most of those we interviewed believe that the (economic) future now lies outside of Europe, in that global markets have become more interesting than the German or European markets. Although this observation is not just linked to the euro zone crisis, the latter seems to have encouraged a certain number of businesses, amongst the ones we met, to turn more to non-European markets. Since they consider it increasingly "normal" to act on a global level, entrepreneurs are preparing for it (just like their

employees and colleagues), notably by way of language courses and intercultural training. These efforts are not always crowned with success however, as some note. It is not surprising that the economic players who regret the lack of opening on the world on the part of their fellow countrymen are those who have the most experience abroad. In their opinion, it is important for the Germans, and particularly the 50+ generation, to acquire more intercultural communication methods and to leave provincial world-views behind. In view of this, an executive, familiar with the French and German business culture, goes as far as talking of inbreeding when considering the regional establishment of some major German enterprises – and views this tendency as an impediment to understanding the complex nature of external risks. Those interviewed believe that entrepreneurs are more at ease with globalisation than political leaders, but again – in spite of the English lessons and the interest in distant markets – they believe there is some catching up to do.

"The world is our terrain"

In terms of prices, we have no chance on the world market. We have to focus on quality, on the label "Made in Germany"

This said, all of the German players interviewed believe that their company's chances on the world markets are good, very good even. Many of them continue to lay emphasis on the traditional factors of "German quality work", thanks to which they believe it possible – today and in the future – to pitch themselves against cheaper competitors, who also offer poorer quality. The success of the country's export model can be explained, in their opinion, by the quality of German products. Hence the need to protect the guarantee for quality that "Made in Germany" has become – in spite of increasing manufacturing costs and possible relocations to client-countries – and to develop it actively. One business leader wondered however about the meaning of "Made in Germany" in a world where more and more products are designed, manufactured and consumed in China. He concluded with a warning: the image of German quality will last a certain amount of time but it can only be sustained if it is justified.

When it came to discussing the globalised economy during these interviews, the transatlantic relationship played a secondary role. Most of the time interviewees were indifferent to the scandal of American spying and the NSA. As for the free-trade agreement between the EU and the USA (*Transatlantic Trade and Investment Partnership*, TTIP), whilst negotiations are on-going, economic players are only slightly interested in it, as they generally only talked about the issue if they were asked about it. Most of the executives interviewed believe that a transatlantic free-trade zone will not provide many advantages to their activities; some of them even believe that, in any case, the negotiations will not be concluded. In their opinion, there are more dynamic markets than the North American one and so their priority lies elsewhere.

Global challenges like climate change and its consequences (in South East Asia and in all other regions, which unlike Europe, are concerned directly and massively by the phenomenon), international migration flows and inter-state conflicts play a small role in the way economic players see the future. On the whole, the latter are aware of the serious problems that are emerging globally and are worried about their potentially dangerous effects in the years to come. At the same time, from a geographical and psychological point of view, these factors are far away from strong Germany and do not affect it directly. This is particularly true of global warming: although many feel concerned by this challenge from a professional point of view, they only read it through the federal government's energy policy lense, which is of course only an extremely limited aspect of it.

THE FRENCH ARE CONCERNED ABOUT THE FUTURE: FEAR OF COLLAPSE

The overall impression that emerges from the interviews undertaken in France is that economic players look to the future with concern, doubt and questions. This reflects an acute awareness of living in a period of transition in which the world is considerably changing and in which France can only succeed if it makes some major changes to its socio-economic model. In this context, technological changes and the

upcoming digital age seem to fascinate people. At the same time, these developments are often perceived as potential sources of instability, likely also to impact the organisation of social relations, as well as the balance between the major poles of global power.

The interviews that were undertaken did yet not reflect a depressed discourse, as seen in many publications over the last few years, in terms of French "declinism". France's assets and those of Europe in a globalised environment, marked by an increase in trade and a race to be competitive, were regularly highlighted by the interviewees. The latter notably speak of the strength and results produced by French businesses which, if they had a more favourable fiscal and regulatory framework, would again be able to win in the global competition. Whilst they are confident in their country's businesses and particularly in their own, interviewees often mention their doubts and questions about the government's ability to undertake vital reforms within the necessary timeframe. This makes them pessimistic to a certain degree.

On this point, it is revealing that the interviewees are sensitive to the danger of fragmentation. They often talk about a France whose social fabric has been weakened, but also a European Union that they believe threatened by national egotism. It is of course worth noting that all of these interviews have taken place long before the January 7 attacks on "Charlie Hebdo" and the ensuing debates. Concern about maintaining cohesion and solidarity and again, at both a national and European level, was recurrent. Generally, a great deal is expected of the European Union. Although there are many critics of Brussels' policy, it is often said that France needs a pro-active European policy in order to be able to face the future in the right conditions.

This concern is not one shared just by business leaders. Assessments undertaken within administrative bodies and even by personalities in economic life on the request of the government bear witness to deep uncertainty about the country's ability to ensure the sustainability of its model. Looking at some of these reports [6] (although they at first seem to extend beyond the present context) is very interesting because leading

6. This is the report on French competitiveness which Louis Gallois was asked to write and given to the Prime Minister in April 2012, <http://www.ladocumentationfrancaise.fr/var/storage/rapports-publics/124000591/0000.pdf> ; of the report by the Innovation Committee 2030, chaired by Anne Lauvergeon, delivered in April 2013 to the President of the Republic, http://innovation-2030.entreprises.gouv.fr/pdf/Rapport_Innovation_BDV4.pdf; and the report entitled « Quelle France dans dix ans ? » by the Commissariat général à la stratégie et à la prospective (France Stratégie), delivered to the President of the Republic and the Prime Minister in June 2014, www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/f10_rapport_final_23062014_1.pdf.

economic players have participated in their writing, like Anne Lauvergeon, the former Chairman of the Board of Areva and Louis Gallois, the former head of EADS; and because they also include analyses that mainly match those of the business representatives we met.

Whilst they naturally are more detailed than the interviews, these reports – which have no counterpart in Germany – do confirm what was said by the business leaders we talked with.

NATIONAL CHALLENGES

If we discuss how France will be in 2025, the three main challenges that economic players mention are the upkeep of social cohesion, the determination to end government debt and the completion of reform as well as the ability to find an economic model that provides jobs. These challenges all reflect the observation that the model on which France's socio-economic model is based suffers from structural weaknesses. These weaknesses have increased over the last few years and need to be rapidly addressed, or otherwise the country's future will be compromised. Overall, however, the interviewees we met do not challenge the principles on which the system is based, but they want to adapt them to the modern age so that they can be rekindled more easily.

Rebuilding social links

Unlike in Germany, concern about the future of the France's population does not focus on ageing. Of course, demography is often mentioned but more as a strength, including for the future, than as a potential danger. On this point, the comparison with Germany is a matter of course: like the committee on innovation led by Anne Lauvergeon, French interlocutors often recalled – not without a certain amount of pride – that there will be more French than Germans in 2030. It is revealing that the only interviewee to worry about the ageing of French society works in the "silver economy" and consequently addresses the issue with a professional "bias". During the interviews, recurrently and almost systematically, concern focuses much more on the sustainability of social links and the growing

difficulty in guaranteeing a satisfactory level of solidarity – whether this involves people, generations, territories and even between the States of Europe.

"French society is like a family that has run out of momentum. There could be political crises, mini latent civil wars, communities which rebel."

In this context, the first split to be identified is of a cultural nature. The emergence of increasingly visible diversity, asserted in the public sphere, goes hand in hand with the fear of seeing French society break up. Whilst one businesswoman of North-African descent points to impediments linked to daily discrimination, notably on the labour market, other economic players warn against a France that is trying to organise solidarity based on community membership. Behind this observation of weakened social cohesion and a potentially threatened future, we find the same disappointment, mixed with tension: the Republic is finding it increasingly difficult to fulfil its promise of unity and equality. From this point of view, there is undoubtedly something specifically French linked to the traditional consensus on the Republican discourse. In a way, this fear reflects deeper questions about the sustainability of France's identity in a context that is destined to become increasingly multi-cultural. The answers provided to this challenge extend from encouraging citizens, to their commitment to the fight to counter discrimination, and to rekindling the role played by school – which is criticised for its inadequacies however – as a place where social cohesion is created and organised.

The second great divide – a direct effect of the economic crisis – that threatens French society, according to our interviewees at least, is social order. Mass unemployment, of young people in particular, is mentioned very little as such, whilst it is affecting the country quite severely. However the interviews reveal a vaguer kind of fear – of a France that is dividing between the privileged who have access to knowledge, technologies, as well as financing and those who are threatened, who face global competition, with low levels of social protection. On the one hand, there are the employees of the CAC40 firms and financial

institutions, as well as leading executives in the civil service, and on the other industrial workers and a share of people working in the civil service. We should note that this divide does not correspond to a differentiation between public/private sectors but is mainly based on educational criteria – hence, the extremely high expectations of the educational system. The latter is supposed to do away with initial social inequalities and correct them in line with its primary task, including the integration of immigrants into French society.

Adapting the economic and financial framework

The other challenge that economic players associate with the country's future within the next ten years focuses on its economic and financial choices. Unsurprisingly, given the present debate on the consolidation of government finance, interviewees all share the same view that France is living beyond its means. Although one person worries about how the reduction of the government debt will affect the way the social system is financed in the future, all acknowledge that although investments cannot be made in all political areas, it has become vital to reduce spending levels and better define the priorities of government action. In the interviews, however, these priorities are not expressed in a concrete manner, neither are the pace and degree of deleveraging.

Alongside the consolidation of government finance, we note the demand for reform that will enable French businesses to increase their margins and competitiveness. Again, this is an issue with a high media profile, debated in the political arena since the electoral campaign of 2012 and which is the focus of the Gallois Report. Mainly, we can pinpoint two types of demands: reducing charges in order to reduce labour costs and the simplification of administrative regulations.

The first matches the analysis made by the competitiveness committee, which suggests that given the competition of the industries of Germany and the emerging countries, French companies have constantly had to reduce their margins in order to remain competitive. This has forced them to reduce their

self-financing levels and therefore their investments in productivity and innovation. As for the second claim – which is just as common in the interviews – it is taken up by the Lauvergeon committee, which identifies “regulatory constraints” as being one of the factors that undermines French businesses’ capacity for innovation.

“French only find fulfilment in conflict – major national debates. Let’s take ourselves in hand and stop expecting that everything will come from above.”

Several interviewees note that the measures taken by the government are moving in the right direction, notably the “Crédit d’impôt pour la compétitivité et l’emploi (Tax Credit for Competitiveness and Employment, CICE) [7] whilst they regret that they were decided upon late in the day and that they have not had great effect given the challenges to be faced. In all, there is doubt about French political leaders’ capabilities, whatever their political leaning, to design and implement ambitious projects. Not only are they criticised for not knowing enough about the “fundamentals” of the economy, but also because they are incapable of anticipating the future and of motivating the population. On several occasions, France’s dependency on its creditors is described as a Damocles Sword, as if the motivation to reform came less from a deep belief than from external pressure. The prospect of “punishment” on the part of the financial markets and a loss of credibility with their German partner, if France does not take the necessary measures, seem to feed the idea that there is no possible alternative to budgetary discipline and reform. Reform also provides an opportunity to discuss the impasse in terms of the confrontational nature of social dialogue. One interviewee is quick to criticise the continuation of a 19th century myth in France, which revolves around the idea of an oppressed working class. The report on the improvement of competitiveness of French industry also devotes a chapter to this issue. Deeming that the “social pact” established at the end of the Second World War is now obsolete, its authors call for a new one, adapted to the digital age, innovation and globalised trade. France Stratégie’s report moves in this direction. Its authors note that the hierarchical nature of French companies adds to the dissatisfaction

7. The CICE is a tax benefit for companies that take staff on and reduces their social charges.

of their employees and to a conflictual relationship with employers. It might be better to value and involve employees in the governance of the company while also fostering collective bargaining in work life – these are the means that might appease social relations within companies, thereby making them more productive in the future.

Recommitting to an industrial strategy

Directly linked to the adaptation of the economic and financial framework, the third major challenge focuses on the need to rebuild a viable, job-creating industrial model. Whilst the re-industrialisation of France is at the heart of public debate, a more alarmist tone on the part of economic players might be expected. But although the latter do fear the erosion of the country's industrial base, the only one to mention radical impoverishment of the French industrial fabric leads an SME established far away from Paris. He is also very much aware of the specific nature of his position stressing a gap between discourse in the capital and the reality of the situation in the regions.

On a different note, many interviewees stress the advantages of low electricity prices. Apart from demography they often quote energy, whose relatively low cost they note in comparison with other European countries – starting with Germany – as a sound competitive advantage. This does not mean they are against the energy revolution, but they want a mix that will enable them to retain low energy prices. Further advantages mentioned is the existence of international groups, world leaders in their area of activity – like aeronautics, agro-food, energy or the luxury market; sound infrastructures, notably in terms of the healthcare system, the university landscape and the urban model, as well as a strong position in areas of future promise, like transport, environment and ITs. Discourse over the country's assets does not prevent a critical view of the development of the French industrial sector. The Louis Gallois committee believes that all lights (share of industry in total value added, industrial employment levels, export market shares) are on red: "crisis point has been reached", to quote the title of the first part of the report. Several economic players have

a particularly severe opinion of the lack of strategic choice on the part of private decision makers, but also and especially on the part of the government. One man regrets that France finds it hard to break away from the traditional industrial model, defined by de Gaulle at the time and that it is missing out on technological revolutions that will be decisive for the future – for example in the intelligence industry and particularly in biotechnologies.

"The worrying thing is companies' short-term view. Over the last thirty years, the strategic role of the State has been lost. It has become much more managerial and less strategic."

More generally thought about the future productive model reflects concern about stopping the brain-drain, which is primarily affecting start-ups, and supporting innovation in a more targeted manner. In the three reports mentioned, the latter point is one of consensus. France Stratégie acknowledges the weaknesses of the French innovation system and advocates new forms of horizontal cooperation between public and private sectors, notably using the digital revolution as a support. As for the committee chaired by Ann Lauvergeon, which is entirely devoted to innovation, they hope to encourage a culture of risk and experimentation, including at schools and universities. The committee members support a strategic State and also pinpoint seven areas with future promise, which are energy storage, the recycling of raw materials, the valuation of marine wealth, vegetal proteins, individualised medicine, the silver economy and the valuation of massive data. These priorities also overlap in the main with the three sectors identified by the Gallois committee for strategic investments, i.e. digital technologies, healthcare, life economy as well as energy revolution.

EUROPE AND THE WORLD

This interpretation of France's socio-economic situation is closely related to the way one sees the country's European, and more widely, its international environment. Although the identification of the EU as the framework of action and attachment to the

European project go without saying, we cannot speak of any overwhelming enthusiasm for European policy as it is undertaken in Brussels. On the contrary, it is often judged severely, particularly when it comes to industrial policy and competition. The main criticism made is that European businesses are not supported adequately in a world in which competition is increasingly exacerbated.

A cold view of the European project

In the main, the economic players we met believe that Europe is an intangible reality and as a result it is a natural framework of action, which is also due to remain so. European integration is often seen as a project of civilisation with a positive connotation – with which one associates principles (like the value of human life) as well as a specific way of seeing social relations, notably on the labour market. But at the same time, Europe is also associated with a view of the outside world that is both too self-centred and too timid. Several interviewees deplore the trend towards collective self-satisfaction by both citizens and leaders. Not only is this reflected in low awareness of international threats – whether this involves terrorism, cyber-security or global change – but also in an anxiety-provoking perception of risks, notably technological, which prevents Europeans from being audacious in terms of experimentation and innovation. Moreover, attachment to the project of integration does not impede sometimes extremely severe criticism of European executives. Almost systematically, Brussels is accused of being bureaucratic and inflexible in a globalised context.

In a rapidly changing, potentially threatening environment, interviewees often want the EU to become an economic, cultural and especially political power in the future – a wish mixed with the fear that it will not be equal to this ambition. Interviewees believe that this means that the EU must firstly avoid internal collapse, potentially caused in the months or years to come by the dynamics of financial fragmentation. More than government debt and a lack of competitiveness, the biggest concern in the present crisis is the prospect of a Union subject to national egotism, as it becomes

immersed in internal battles and an “every-man-for-himself” approach – from a financial point of view and also in terms of industrial and energy policy – rather than choosing greater integration, based on mechanisms of solidarity. Hence the call to consolidate the euro zone. This demand for European power presupposes on the other hand that the European Union will position itself vis-à-vis the rest of the world as a credible political player, that it speaks with one voice and that its voice is heard. This will also enable France – as intimated by several interviewees – to win back influence in the international arena. In view of this, several business representatives stress that although economic power is decisive, it will not be enough. They also call for the emergence of a Europe that has credible military capabilities.

A smaller number of interviewees only see the European Union as an administration amongst others. The former, who often work in new technologies and believe they use a universal means of communication, think that French businesses’ field of play is much wider than the European framework, extending to the Western world and beyond. In this case, the European Union is, at best, seen as a source of funding for research projects, at worst, as an impediment to entrepreneurship. In both instances and whatever the attachment to the integration project, there is a relative consensus to say that it is now difficult to foster growth in Europe and that increasingly, European businesses will have to go and seek growth beyond the continent in the future. This is why it is vital to adopt a coherent, assertive European position vis-à-vis global competition.

For European economic patriotism

From these interviews and the interpretation of the three reports, a consensus for a pro-active European industrial policy emerges. Such an economic patriotism is seen as a vital condition to ensure the positioning of European businesses in the future. This analysis comprises two elements: firstly, the Commission is criticised for organising the competition policy in a way that is not adapted to increasingly aggressive international competition, which will only increase over the next few years. Beyond this, expectations are high

as far as support is concerned – both by Member States and by the Commission – in terms of the creation of “European giants” that can be leaders on tomorrow’s world market. These two elements, which are proof of the importance given to the European lever to strengthen French businesses’ competitiveness, are mentioned by the Louis Gallois committee, which devotes a whole chapter of its report to “European industrial policy”.

On the first point, the report severely criticises the European Commission’s work. Not only is it accused of distorting international competition by privileging the consumer over the manufacturer, it is also accused of opting for an excessively legalistic approach, which leaves insufficient room for other factors, like the “economic dimension, the size of the relevant market, the dynamics of sectors mid-term, the effects of scale or aid regimes that competitors benefit from.” This is a recurrent reproach in the interviews, which highlights the difficulty, even impossibility of bringing businesses closer together in Europe, which is yet necessary. On this point, some players go as far as to say that they do not fear the competition of other continents. At present, however, competition is unfair because of the rules that the Europeans impose on themselves. In answer to this concern, the experts who worked with Louis Gallois advocate that every decision taken by the European Commission regarding competition be preceded by the “opinion of independent economic and industrial experts.”

“On a European level we work alone and sometimes even against Brussels”

“We compete against ourselves. We have to understand that we are together. We should no longer compare France and Germany, but European countries with the rest of the world.”

As for the idea of developing a pro-active industrial policy, two types of criticism/demand emerge from the interviews. On the one hand, interviewees note that different tax regimes in the EU damage the emergence of any major industrial projects, for instance in the area of renewable energies. In response to this, they

call for a rapprochement in the national tax models, and even the introduction of a “fiscal corridor”. On the other hand, they fear a European brain-drain that has already been seen on a national level. The danger, in their eyes, lies in foreign companies, notably American and Chinese, taking control of future technologies of which the Europeans are on the leading edge today – for example in the connected objects sector. Some advocate the creation of European Silicon Valleys, which would notably imply competitive financial support to start-ups – a branch in which the French economy is in a position of strength. Regarding industrial policy, the report on competitiveness advises on a European energy or raw materials policy, whose absence is, in its opinion, a “serious flaw”. Beyond this, it hopes for the introduction of some major European research programmes that may lead to ambitious industrial projects like Galileo or Ariane. These should target previously identified future sectors, notably in connection with the energy revolution, and that might be financed by project bonds and by the European Investment Bank. Again, innovation is seen as key to future competitiveness. France, which enjoys a tradition and expertise in terms of major industrial projects, is called to take the initiative and convince its partners of the merits of this kind of policy.

Facing global competition

These thoughts reveal an awareness of a dramatically changing world that demands the ability to adapt rapidly on the part of the Europeans. Several interviews as well as the reports by the innovation committee of France Stratégie, highlight the imminence of major geopolitical change. The image that regularly emerges is one of a multi-polar world in which Europe will remain a major centre of power, yet amongst others that lie in Asia and in the USA.

Unsurprisingly China – and more widely the emerging economies – is often seen as tomorrow’s major competitor in a world where economic power will be increasingly important. But not everyone is worried about this. Some relativise its competitive power, if Europe can position itself in high know-how sectors; others regard China’s economic development positively

since it is synonymous to exports. The other major competitor is the USA, which traditionally positions itself in strategic economic sectors with future promise, like the digital and biotechnological areas and in which financing conditions for new created businesses are deemed better. Although most of those interviewed admit they do not know much about TTIP, the transatlantic trade agreement currently being negotiated, many mistrust the American trend towards protectionism and its alleged propensity to bend multi-lateral rules for its own benefit. As far as the French are concerned, a marked interest in Africa is also notable. In spite of some reticence linked to the continent's political instability and its technological immaturity, several economic players believe that it has great potential in terms of growth and consumption of European products. On several occasions, Africa is quoted as a privileged territory to conquer.

"Europeans will be the losers over energy and labour costs. Let's not be the losers in terms of grey matter, let's not be fatalistic."

The speeding-up of trade and the spread of knowledge, particularly to the emerging countries, as well as the ever-growing digital market are forcing Europeans to position themselves in the knowledge niche. Most of the French players we met agree on this point. The only way they differ – and significantly so – is in terms of the degree of urgency and difficulty they associate with this challenge. Some believe that it will be enough for Europe to remain "one step ahead" in its control of knowledge and technologies. Others however believe Europe's competitors are catching up so quickly, notably thanks to considerable financial effort, that the battle will be a tough one and that it is urgent to take the necessary steps. On this point, several business representatives believe that France, including the government, has to make a real effort to open up and adapt to globalisation. This notably concerns the school system, which is deemed to be out of sync with the challenges of the modern world.

CONCLUSION

When it comes to drawing lessons from these

interviews, it is rather difficult to define who – of the French and Germans interviewed –, are the most worried about the future. At first, pessimism is clearly more apparent in France. Having said this, the picture is more subtle than it first appears. Undeniably, French economic leaders are (extremely) concerned about their country's present situation and likewise that of the European Union. They believe that tension in French society is such that it could very quickly challenge the Republican consensus and therefore threaten the French way of living together. Likewise, they fear that the crisis, as it exacerbates national egotism, will lead to the collapse of the European Union. However, in the mid to long-term, they reject defeatism. They seem, on the contrary, convinced that if government action is well managed, both at national and European level – the trend might be reversed, thereby enabling businesses to recover a competitive position and succeed in a globalised world.

The Germans reflect an opposite image. They are serene given the sound economic situation of their country. Although they are aware of international risks, whether these are geopolitical or environmental, they do not feel that they are directly concerned. However, they too are worried about the future, not just fearing for the *acquis* of European integration but also for the position of their country in the globalised world. Many are indeed convinced that if Germany continues to take things for granted and that it does not gauge the challenges it already faces, its situation is bound to deteriorate rapidly. With this prospect, demographic and a "new" energy policy are viewed as obstacles to the German model's sustainability, at least if nothing is done to support it.

When looking to the future, both the French and the Germans agree to say that it is urgent to act. This does not prevent them from developing different solutions, for example regarding industrial policy or the EU's military capabilities. On these issues, as on others, the answers provided reflect national traditions well anchored in the collective subconscious of each country. Given the newness of European integration, it seems logical that these differences persist. But at the same time, economic players agree on other issues,

whether this means criticising Brussels' competition policy or asking for greater support for research and technological innovations in order to resist Chinese and American competition. On these issues, business leaders often part company with the political leaders of their country or the EU, whom they accuse of not planning adequately enough for the future.

No common strategic culture emerges from this picture

– no more than it does in the economic field, foreign policy or the security area. However, the perception of risks and opportunities linked to globalisation brings the points of view of the economic players in both countries closer together. Whether this still limited convergence will continue or lead to concerted political action remains to be seen. The ball is in the political court.

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