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# Franco-German cooperation: productive tension

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## Abstract :

Although the quest for solutions to the Eurozone crisis has been interspersed by Franco-German controversies, both governments finally drew closer together and are fostering European compromise. National differences, which are inevitable and legitimate in the economic sphere does not impede vital convergence. Making good use of differences to take Europe forward, this is the permanent challenge for the leaders in both countries.

1. The most recent shots featured in the tabloid BILD which on 31st October 2012 questioned, whether « France was becoming the new Greece?» (<http://www.bild.de/politik/ausland/euro-krise/wird-frankreich-das-neue-griechenland-26957242.bild.html>); the front page of Libération (12th November 2012) with the title "Berlin à Paris : Achtung!". (Berlin in Paris: Achtung!). On the political side the repeated ranting of Economy Minister Rainer Brüderle maintains that "a magnificent fall is threatening a Grand Nation", which would be the "fatal consequence of a socialist policy" ([www.wallstreetjournal.de](http://www.wallstreetjournal.de), 10th March 2013), or the polemic started at the end of April 2013 by a Socialist Party paper which violently aggresses Chancellor Angela Merkel, calling for "a confrontation" with Germany (paragraphs that were finally removed from the paper) ([http://www.francetvinfo.fr/le-ps-s-enprend-a-angela-merkel-et-son-intransigeance-egoiste\\_311883.html](http://www.francetvinfo.fr/le-ps-s-enprend-a-angela-merkel-et-son-intransigeance-egoiste_311883.html)).

2. Cf. Henrik Uterwedde, « L'Europe allemande, mythe ou réalité ? » *Allemagne d'aujourd'hui* (199), January to March 2012, pp. 51-60. For the denunciation of Germany-turning-its-back-on-Europe, a small sample: « L'Allemagne veut-elle encore de l'Europe ? », *La Croix*, 15th December 2010 ; Jean-Louis Bourlanges, « L'Allemagne ne croit plus à l'Europe fédérale », *L'Expansion*, 21st December 2010 ; « Pourquoi l'Allemagne n'est plus en phase avec l'Europe », *www.latribune.fr*, 18th December 2010 ; « L'Allemagne contre l'Europe ? », *Le Nouvel Observateur*, Nr. 2376, 20th May 2010 ; « Angela Merkel, la chancelière comptable de l'Europe », *Le Monde*, 1st April 2010 ; « L'incompréhensible stratégie de Mme Merkel, 'Madame Nein' », *Le Monde*, 26th March 2010 ; « Tentation solitaire », *Libération*, 26th March 2010.

Since the start of the Eurozone crisis in 2010, the German and French governments have been in constant conflict when it has come to finding a political response. There have been many bones of contention: financial support for Greece, pooling of debt, the role of the ECB, the introduction of economic governance, criticism of the German export model, sanctions against lax countries, the fiscal pact and the introduction of a golden rule, to name just some. These disputes were amplified by the media and public debate, which both added their sometimes excessive share of polemic.[1] However, in the face of an unprecedented crisis, both governments have succeeded in overcoming their disagreements, reaching a necessary consensus. Does the usefulness of Franco-German cooperation lie in the intelligent management of these differences, which alone will lead to a convergence in their national positions and European progress?

## FROM THE TIME OF CONFRONTATION...

All of the controversies have been marked by tension, polemic and mutual suspicion in public opinion both in France and Germany. In Germany, the excesses of Greek public finance led to a rejection of support for further loans to Greece, with the consequence that the Merkel government delayed necessary decisions, thereby making it the main culprit in the much criticised stance of giving "too little, too late" – a criticism which has often been levelled against Europe's response to the crisis. The rules included in the Stability and Growth Pact were discussed in depth, but have nevertheless proved ineffective against the crisis and the blame has been laid squarely on Greece. The German executive has found it hard to admit that the structure

of the Maastricht Treaty, which largely matched the German vision of the EMU (independent ECB, stability as a priority, no bailout, stability pact with sanctions), was no longer adequate to deal with the problems encountered by the Eurozone, and that it was necessary to augment it. This was reason behind the tension over existing rules, and the fear of opening the way to all types of potential excesses.

In France, criticism (which was necessary and often justified) of the German attitude rapidly became excessive. The German positions were misrepresented, their lack of solidarity attacked (although the Germans' concern was only to establish a link between the principles of solidarity and responsibility), or their wish to "punish" Greece (which was mainly a warning on the danger of the moral hazard linked to granting financial aid). The egoism of the "German export model" was criticised and blamed for the imbalances and the Eurozone crisis; the Merkel government was accused of wanting to "force" austerity on all of Europe (whereas it was merely a question of admitting the need for the re-balancing of public finances). Germany was also suspected of attempting to shun Europe, and towards the end of Nicolas Sarkozy's mandate, the absurd accusation of it wanting a "German Europe" [2] emerged. In an unhealthy climate like this, François Hollande's claim for a more balanced Franco-German relationship was inevitable, since he was dallying with new alliances in order to set a European agenda more in line with the French vision.

## ... TO THE QUEST FOR CONVERGENCE

However, in spite of these confrontations, which have

hampered the quest for solutions, both governments, together with the leaders of the other European countries have continuously addressed the issues and tried to find the necessary compromises for a common response. In the face of an unprecedented crisis, this mission has been regrettably prone to mistakes. [3] Nevertheless, after a great deal of trial and error, it seems that the main factors necessary to strengthen Monetary Union have now been agreed upon and are already the focus of European reform and agreements: more effective prevention, with the tightening of the rules of the stability and growth pact and the fiscal pact; greater macro-economic supervision; crisis mechanisms in the shape of conditional aid (ESM); better coordination of economic and budgetary policies, thereby improving growth potential and competitiveness (European Semester; Euro plus strategy, Europe 2020 strategy; national structural reforms; European growth agenda); a banking union that will enable direct aid to banks without involving public budgets. The question of debt pooling is still extremely difficult for the time being, and in all likelihood it will not be possible without progress being made on political integration, which would give the Union greater potential to impose national budgetary discipline.

Although a certain amount of controversy continues over priorities, the urgency and the concrete form of the measures, the roadmap towards the redrafting of the EMU (named "Maastricht 2.0" by the Council of five German economic experts [4]) now seems to be clearer. Both governments finally admitted that the concerns of their counterpart were legitimate, and that far from mutually excluding one another, the German and French approaches are often complementary: the tightening of rules and sanctions, dear to Germany, is not incompatible with the French desire for greater political coordination; concern over budgetary stability does not rule out action fostering growth; the quest for greater European solidarity does not exclude accountability on the part of the recipient countries, and so on.

This has resulted in an easing of tension on both sides of the Rhine. In Germany, words and actions have started to change, moving towards compromise. In 2011, the Federal government was still vehemently reject-

ing the accusation that its growth model was egoistic and was refusing requests to provide greater support for domestic demand, but its position has relaxed somewhat since. Salaries have risen since 2011, the coalition has taken some moderate measures to sustain domestic demand, and debate over the introduction of a minimum wage is being pursued with greater energy.[5] In May 2012, finance minister Wolfgang Schäuble declared that a greater rise in German salaries than in neighbouring countries was justified and might help to reduce imbalances in Europe.[6] For its part, the Bundesbank seems to be admitting that the German inflation rate will be (slightly) above the European average of 2% defined as a goal by the ECB, which will facilitate the necessary adjustments in the countries in crisis. More recently, the federal government's budgetary policy also revealed that it aims to sustain German domestic demand.[7]

Public debate over Greece, which was fed by the polemic of politicians in Angela Merkel's majority, has died down. Merkel herself put an end to speculation over a possible Greek exit from the euro zone, travelling to Athens to support Antonis Samaras' government. Also, Wolfgang Schäuble has categorically ruled out Greece's exit from the euro zone.[8] Generally speaking, the Federal government has become more aware of the need to stimulate European growth, as seen in the joint Franco-German initiative to counter youth employment.[9] Finally the German government approved the European Commission's decision to grant France and Spain more time to stabilise their public finances; in Wolfgang Schäuble's opinion this decision is in line with the new stability pact, which "allows for a certain amount of flexibility in the respect of the rules."

In answer to these careful, pragmatic changes in attitude, the French also seem to be taking steps towards reconciliation with Germany on these issues. As a presidential candidate, François Hollande fuelled the polemic against the budgetary pact being promoted by Germany, which he wanted to renegotiate, and more generally against a German policy accused of wanting to impose austerity on all Europeans. His policy as President, however, is subtle. He has pushed through the ratification of the budgetary pact, which means the es-

3. Cf. Jean Pisani-Ferry, *Le réveil des démons*, Paris, Fayard, 2011.

4. Cf. The proposals put forward by the Council of Experts, available in English: German Council of Economic Experts, *After the Euro Area Summit: Time to Implement Long-term Solutions, Special Report*, 30th July 2012 ([http://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/download/publikationen/special\\_report\\_2012.pdf](http://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/download/publikationen/special_report_2012.pdf))

5. Cf. Henrik Uterwedde, « L'exception économique allemande », in : *L'État de la mondialisation 2013, Alternatives internationales*, special edition, January 2013.

6. « Schäuble: Die Löhne können kräftig steigen », *www.faz.de*, 05-05-2012 (<http://www.faz.net/aktuell/wirtschaft/tarifverhandlungen-schaeuble-die-loehne-koennen-kraeftig-steigen-11740624.html>).

7. The comment made by the Financial Times Deutschland, which believes it perceived a certain turn in German policy: « Toll, dass Deutschland sich bewegt », *www.ftd.de*, 14th May 2012 (<http://www.ftd.de/politik/deutschland/wirtschaftspolitik-dogmen-toll-dass-sich-deutschland-bewegt/70036776.html>).

8. Cf. « La coalition d'Angela Merkel adopte des mesures de relance », *www.lemonde.fr*, 6th November 2012 ([http://www.lemonde.fr/international/article/2012/11/06/la-coalition-d-angela-merkel-adopte-des-mesures-de-relance\\_1786363\\_3210.html](http://www.lemonde.fr/international/article/2012/11/06/la-coalition-d-angela-merkel-adopte-des-mesures-de-relance_1786363_3210.html)); « Les patrons allemands furieux contre les mesures de relance de Merkel », *lesechos.fr*, 5th November 2012 (<http://www.lesechos.fr/economie-politique/monde/actu/0202363960974-les-patrons-allemands-furieux-contre-les-mesures-de-relance-de-merkel-507152.php>).

9. Schäuble schließt Euro-Austritt Griechenlands aus, *handelsblatt.com*, 14th October 2012 ([www.handelsblatt.com/politik/international/eu-schuldenkrise-schaeuble-schliesst-euro-austritt-griechenlands-aus/7252252.html](http://www.handelsblatt.com/politik/international/eu-schuldenkrise-schaeuble-schliesst-euro-austritt-griechenlands-aus/7252252.html)).

10. Cf the joint article by the German and French Labour and Finance Ministers: "Let's launch a new European deal to promote youth employment. *Le Monde* 28th May 2013 ([http://www.lemonde.fr/idees/article/2013/05/28/lancons-un-new-deal-europeen-pour-promouvoir-l-emploi-des-jeunes\\_3419361\\_3232.html](http://www.lemonde.fr/idees/article/2013/05/28/lancons-un-new-deal-europeen-pour-promouvoir-l-emploi-des-jeunes_3419361_3232.html)).

establishment of a golden budgetary rule in France and he has committed himself to bringing France's debt below the 3% mark. Likewise, the government has promised to address structural problems affecting the French economy (public debt, competitiveness). This promise, the implementation of which is still awaited, likewise the first measures such as the reform of the labour market will reassure Germany, since it knows perfectly well that it needs a strong, dynamic partner. Of course, public debate in France still seems characterized by a certain obsession with "dominant Germany" which "conceals the fear of difficult reform and a certain amount of confusion as to the solutions to be implemented" as suggested by Jean-Dominique Giuliani.[10] Some opinions within the Socialist majority, such as the paper that violently criticised Angela Merkel – the Chancellor of Austerity's "intransigent egotism", illustrates the temptation to blame Germany seeking out an easy scapegoat in order to escape difficult reform. This said the immediate response of the Prime Minister, a good share of the media and the political classes to this paper leave reason to hope that these fantasies will give way to the more serious, realistic debate necessary for undertaking structural reform both in France and in Europe. President Hollande maintaining his eye on the target of reform, in reference to the tribute he made to the reform policy initiated by former German Chancellor Schröder which he delivered in Leipzig,[11] is moving in this direction. Finally we should quote a recent survey by the Pew Research Center undertaken in eight European countries which revealed that 74% of the French believe that Angela Merkel has managed the economic crisis well and that 81% of the French prioritize the reduction of the debt.[12]

#### MAKING GOOD USE OF DIFFERENCES

In the light of the 50th anniversary of the Elysée Treaty, it should be remembered that since 1963, Franco-German government cooperation has always experienced controversy, and even confrontation for one fundamental reason: since the beginning of European integration, both countries have pursued different approaches to economic policy and to economic and monetary Europe: the German *ordo-liberal* approach, which above all has promoted the opening of the mar-

kets and competition, as well as the single market; and a more pro-active French approach advocating European interventionism via common policies.[13] Hence both France and Germany opposed each other as early as the 1960s over the common trade policy and the building of a common agricultural policy; in the 1970s and 80s they challenged each other over a Monetary Europe, an industrial policy and macro-economic coordination, and from the 1990s they debated the structure of the Monetary Union and the trade-off between stability and growth. The history of European integration has been punctuated by Franco-German controversy. However, although these differences have illustrated how difficult European integration has been – comprising the convergence of structures, cultures, and extremely diverse national policies, they have not prevented the German and French governments from working together to formulate necessary compromises. In doing this, they have permitted the settlement of certain differences and the enabled convergence on various positions. Thus there is now a common base to the broad direction of economic policy, too seldom mentioned: a common concern to defend an economic and social model typified by a regulated market economy and committed to social cohesion, as well as a common objective of adapting and renewing this model to guarantee its sustainability.[14] The differences that remain (and those which are emerging) are no longer so divisive, making compromises easier to find.

It could even be argued that Franco-German differences are a constituent part of the "driving" role that the two countries have played in taking Europe forward. Europe means diversity, it means compromise, it is a "grand coalition" that does not try to divide but to bring the various actors closer together. In this context, the German and French approaches have often been the poles which have structured European debate, as they represent the range of possible positions; the quest for a European compromise necessarily entails a Franco-German compromise.

Moreover, in a Europe which is now closely interdependent and where the decisions to be taken increasingly relate to "domestic policy", affecting taxpayers' money and national social models, debate and contro-

10. Jean-Dominique Giuliani, "France, a problem for Europe?" Robert Schuman Foundation, *The Letter*, no. 555, 12th November 2012.

11. "Progress also means undertaking courageous reform to maintain employment and anticipate social and cultural changes as Gerhard Schröder illustrated. We can nothing stroing if we ignore reality." *lesechos.fr*, 23.5.2013 (<http://www.lesechos.fr/economie-politique/politique/actu/0202780908416-a-leipzig-hollande-fait-l-elogue-des-reformes-schroder-568786.php>).

12. Pew Research Center : « The New Sick Man of Europe : the European Union », 13 mai 2013 ([www.pewresearch.org](http://www.pewresearch.org)).

13. Cf. Henrik Uterwedde, « La politique économique: quelles(s) vision(s) franco-allemande(s) ? », *Allemagne d'aujourd'hui* (201), July-September 2012, pp. 102-111.

14. For these convergences cf the Franco-German report *Commissariat général du Plan/Deutsch-Französisches Institut (dir.)*, *Compétitivité globale : une perspective franco-allemande*, Paris, La Documentation française, 2001.

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versy are necessary. How can we accept a contradictory political debate when it comes to defining a national budgetary policy and reject it when it comes to European choices? Arbitration between the policies of supply and demand, between stability and growth, between European solidarity and national responsibility, between interventionism and the markets are political choices which call for Europe-wide debate. Franco-German controversy can be useful if it contributes to the European debate on society.

Furthermore, it is now too simplistic to argue solely in national terms, to oppose the "French position" or the "German position". In the recent quarrels over the Eurozone crisis, many voices (leftwing opposition, unions, certain economists, and some media) stood against Angela Merkel's position on budgetary rigour and pooling of debt, with arguments close to those of the French government. Likewise, Angela Merkel's position has found support in France, which deemed that the determination of the Federal Government to set conditions on financial aid was quite legitimate. There was support for her demand for balanced public finances. This is why it is necessary to broaden Fran-

co-German governmental cooperation with regular and institutionalised debate between the two Parliaments, for example.

### CONCLUSION

In conclusion, it is thus a case of "vive la difference" – on condition that we ensure that the argument is constructive. This calls for frankness in debate whilst respecting the culture and limits of the partner, without misrepresentation or manipulation of its political positions. It also calls for the will and ability to reach compromises as well as the courage to make European choices and to accept the consequences these entail. This is the direction in which leaders in both countries should be moving, in order to make to the celebrations of the 50th anniversary of the Elysée Treaty meaningful.

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