

A New Chapter in French-German Relations (January 11, 2018)

Abstract

Close cooperation between France and Germany has been at the heart of European integration. The election of Emmanuel Macron to the French Presidency in 2017 injected new life into a relationship that has tattered as of late. His economics minister outlines why a renewal of this alliance is important and how it could work.

Source

“Routine kills any relationship”

Germany and France have drifted apart. French Minister for Economic Affairs Bruno Le Maire wants to rekindle the passion between them in order to help Europe advance.

[...]

DIE ZEIT: Minister, in 2017 the French elected a government that wants to radically restructure the economy. Is that a new French Revolution, with which the country is catching up to globalization?

Bruno Le Maire: With the election of Emmanuel Macron, France has demonstrated that it can reinvent itself. When many thought that the country was down for the count, it was able to stand up and kindle a new vigor. But now we must transform this vigor into actions. During the six months that we have been in office, we have had one reform follow another: first labor market reform, then the university reform, most recently a tax reform with which we are significantly reducing capital gains taxes and are standardizing the business tax – for our country all of this does indeed mean a revolution for the benefit of businesses.

[...]

ZEIT: In Silicon Valley it is often said that France is “the next place to be.” Does that flatter you?

Le Maire: I could give you an infinite number of examples for the new, entrepreneurial France. Young people who are investing in start-ups, who are developing new technologies. Or look at a traditional company like the tire maker Michelin, which is combining manufacturing and service in a completely new way and is having success with it.

ZEIT: Are you doing advertising now?

Le Maire: For a long time all of this was not self-evident. Only five years ago, the French presidential candidate François Hollande declared France the “enemy of the financial world.” Today, we are in the process of becoming a large European center of finance. The European Banking Authority will be located in Paris in the future.

ZEIT: Paris beats Frankfurt?

Le Maire: That’s not what it’s about. We are friendly nations. But our German friends must understand that France is also a great entrepreneurial country.

ZEIT: That doesn't sound very original. There was a time when France embodied so much more! From the Popular Front in 1936 with the first paid vacation for workers, to the 35-hour week in 2000, it shaped social progress.

Le Maire: Sentimentality does not help us. Today we have only one choice in France: that between renewal and an immovable conservatism. Either we defend the nation within the framework of a new project for a stronger Europe, or we choose national retreat. That is the big choice. Every citizen is confronted with it.

ZEIT: Are the Germans also confronted with that choice?

Le Maire: I have been regularly traveling through Germany for years. I pay great attention to German politics and have therefore also followed the rise of the AfD. What is clear is that Euro-skeptical thinking is developing in Germany too. The best answer to that is rediscovering a collective European goal. For that goal, we leaders must stand together and explain to our citizens very concretely what Europe does for them.

“German-French relations must be renewed”

ZEIT: Skeptics in Germany are saying: what it does above all else is that the Germans will soon have to foot the bill for other countries even more.

Le Maire: That is precisely why we have to explain why Europe does not entail higher costs, but greater investments, more innovation, more jobs. More growth and more possibilities to protect ourselves against half a continent like China and the United States. You know, they won't make it easy for us.

ZEIT: Germany is not exactly making it easy for France at the moment either.

Le Maire: In recent years, my German interlocutors always said that their country needs a strong France. Today this strong France exists, one that is recovering its self-confidence step by step. And today I am saying the same thing to my German friends: we need a strong Germany, a stable government in Berlin, with clear political perspectives. Only if we move forward hand in hand with Germany do we have a chance to build a European continent that can withstand China and the U.S. That is our historical challenge.

ZEIT: Is that not an illusion?

Le Maire: But it's already working! When we initiated the merger of Siemens and Alstom in the summer, it became the second-largest railway company in the world. Only in that way can we counter the Chinese giant CRC, the largest railway company in the world, in the long run. Another example: recently I, along with Peter Altmaier and three other European colleagues, wrote to the American Secretary of the Treasury, Steven Mnuchin, about the tax reform in the U.S. It violates the rules of the OECD, it threatens the European jobs of American companies. Here we Europeans were united to defend our interests. The same is true of the directive on the control of foreign investments in Europe – in this area, Germany and France agree in every detail. And a final example: we are making progress in taxing the large digital companies so that they will finally pay their taxes just like every small German company does. Here France could not do anything alone. But it can together with Germany. That is the difference between power and impotence.

ZEIT: Since September, the German government has been in office only in a managing capacity. Power looks different.

Le Maire: That is indeed a problem. But France must not interfere. I can only say: the more quickly we get

a solid German government, the better for France.

ZEIT: Is your president's zeal for Europe running the risk of suffocating in the Berlin power vacuum?

Le Maire: We continue to make progress. For example, we have taken care of the financing of projects against climate change and have jointly published a black list of states which are not doing enough against tax evasion.

ZEIT: That doesn't convince anyone. Not so long ago, you yourself sharply criticized German-French relations in one of your books. What is going wrong?

Le Maire: What kills any relationship is routine. That applies to couples, but also to nations. German-French relations today are a prisoner of their routine – the routine of summits, of ministerial councils, of institutional relationships. When matters are already settled in advance and nothing surprising happens any longer, it leads to exasperation.

ZEIT: Can that be changed?

Le Maire: The relationship between Germany and France must be renewed, and right away. We again need shared goals that go beyond our own horizon. If we are able to make clear to the digital companies that we do not accept their tax injustice, this will reach far beyond France and Germany and serves a greater fairness for all. When we do more for the climate than others, we grow beyond ourselves.

ZEIT: But right now your president is not looking at such great goals, but at Berlin. Because without a Chancellor capable of acting, he himself is unable to act.

Le Maire: Absolutely not. Relations between the Chancellor and the President are very constructive and the relationship between the finance ministers is excellent.

ZEIT: Because Wolfgang Schäuble has left?

Le Maire: Wolfgang Schäuble was a friend, just as Peter Altmaier is today.

“Today we prefer to speak of three stages”

ZEIT: Two very different friends?

Le Maire: Different characters, but each equally committed to Europe.

ZEIT: Nevertheless, Macron demands a new edition of the Franco-German Friendship Treaty of 1963. Is the friendship in danger?

Le Maire: No, but we need a new framework and a new goal. The Franco-German Friendship Treaty offers the opportunity to redefine that goal.

ZEIT: Here you are probably thinking first and foremost of the future of the euro zone. Will the French and the Germans be able at all to reach an agreement?

Le Maire: We want a genuine restructuring of the euro zone. Not for technocratic, but for political reasons. The euro zone must prove to every one of our citizens that it provides them with growth, prosperity, employment, and better educational opportunities. That it protects them against financial crises and guarantees their savings. Today, the euro zone is a currency zone, but not yet an economic zone. It is relatively stable, but still has weaknesses. Is that difficult? Yes, very difficult. Are there obstacles? Yes, very many.

ZEIT: You and your president have been talking less and less about such a great success since the election last year. Have you given up inside?

Le Maire: Today we prefer to talk about three stages. France and Germany can first press ahead with tax harmonization. That concerns, to begin with, corporate taxes. The Chancellor has already agreed to the project. We should be done with this by the end of 2018. In the next move we would have to finish the banking and capital markets union, so that companies in the euro zone can be more easily financed. That should occupy us another year. The second stage would then follow the European elections in 2019: strengthening the European solidarity mechanism.

ZEIT: You mean the European Monetary Fund, proposed by Wolfgang Schäuble, which is so unpopular in France?

Le Maire: Schäuble's proposal is relevant and interesting. But it depends on how such a solidarity mechanism functions. We are in favor of controlling it politically. We reject automatic mechanisms of when the solidarity mechanism will be used. That could only entail even greater risks for the financial stability of the euro zone.

ZEIT: There was a time when President Macron went much further. He gave a speech in Athens at the end of August: for more democracy in the EU, for a parliament of the euro zone. All water under the bridge?

Le Maire: The euro parliament is part of the third stage, as is the introduction of a budget for the euro zone. That step poses the most difficulties, which is why we should take our time to talk with all the states concerned: How do we finance it? What crises should the euro zone react to? If we ask ourselves these questions and get to the bottom of them, we will find a solution.

[...]

ZEIT: The "black zero" [zero deficit] in the German budget has already been set by the Chancellor. That limits German investment projects for the social Europe your president likes to talk about.

Le Maire: Now you are caricaturing again, namely Macron's European project. We are not proposing a communitization of social tasks. Nor that Germany pays for the others. We are committed to financial discipline in Europe. If we want to get ahead, we must dispense with such caricatures. Let us instead talk about projects!

"Do we want a regulated or a free economy in Europe?"

ZEIT: How do you want to persuade Berlin to go along?

Le Maire: Germany has already made decisions that are going in the right direction: the minimum wage was introduced. The relatively low wages were one of the main reasons for the trade surplus. We expect more investments from Germany: in major projects, in innovation, research, and infrastructure. We have to move towards each other. France is doing that by living up to its European obligations, reducing government spending, and pushing forward economic change. We expect from Germany to go along by pursuing a more aggressive wage policy and investing more.

ZEIT: Do you consider 300 billion euros in German trade surplus morally reprehensible?

Le Maire: I do not make moral judgments about the trade surplus. I am only looking for a way that promises prosperity and employment for all citizens of the euro zone.

ZEIT: You barely mention Eastern Europe at all.

Le Maire: We are talking with every state, and every state of the euro zone must be treated equally. Macron was in Eastern Europe already in July.

ZEIT: Has Brexit actually made this project easier?

Le Maire: Brexit alters all preconditions, and radically so. It changes the debate. During the years when I was Secretary of State for European Affairs and Minister of Agriculture, the basic question was: Do we want a regulated or a free economy in Europe? That debate no longer exists today. Ever since it became clear that Great Britain will leave the EU, the central question has been: Do we want more or less European integration? On this France is speaking with the voice of a president who declared throughout his campaign that he would deepen the EU if elected.

ZEIT: Are you emphasizing this because in your eyes such a commitment was lacking in the German election campaign?

Le Maire: I am saying this because for decades there was no election campaign in France in which Europe was a central theme. But Emmanuel Macron turned Europe into the main theme and won with it. He has the necessary legitimation to advance European integration. Everywhere, in France as in Germany, in Italy as in Spain, we see that the decisive political divide is no longer between right and left, but between those who believe that the individual EU states get on better alone, and those who say, as I do: We must accelerate the building of Europe.

ZEIT: Why should the Europeans follow you?

Le Maire: The states need not be afraid. After all, they continue to exist, with all their cultures and traditions. Germany remains Germany. France remains France. But together we can achieve more. Let's take renewable energy: What is the problem? We cannot store the energy. Wind turbines turn, but we are losing the electricity they generate. That is why the continent that succeeds first in storing renewable energy will have a great advantage. But a country like France cannot accomplish that alone, the costs are too high. We must invest together. It's been like this before. Did France alone have the means to launch rockets like Ariane to put satellites into earth orbit? No. Did it have the means to create an aircraft company like Airbus, which is today a world leader alongside Boeing? No. The European states will drop out of the race of history if they fail to unite their forces.

ZEIT: Are you afraid of the great economic powers, of China and the U.S.?

Le Maire: It's not a question of fear, but of will. Many markets in China are inaccessible to us. Our companies cannot sell trains in China, but the Chinese can do so in Europe. That is unacceptable, but individually we are powerless against it.

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