

How France and Germany could strengthen the EU

by Michael Heise

Hopes are high that the election of Emmanuel Macron as President of the Fifth French Republic will offer the European Union a helping hand out of the current crisis. The crisis is about more than just the United Kingdom's decision to leave the Union. Populist, euroskeptic parties and movements are gaining ground in all of the EU's member states and, in some cases, have already made inroads into government. Economic development in the European Union, in particular, has been disappointing over the past ten years, and lofty promises of economic prosperity or even "prosperity for everyone" have remained unfulfilled. Today, having been through the mire of the financial and euro crisis, the majority of EU countries have something of a lost decade to look back on.

So what does the future hold and how can a new Franco-German axis rebuild cohesion within Europe? One approach would be to embark on political and treaty reforms in a quest to carve a political and cultural identity out of the European Union. As things stand at the moment, however, a renewal project on this scale would likely have a hard job drumming up support, regardless of who is in power in Paris or Berlin. And it is no secret that Germany and France hardly see eye-to-eye on the sort of architecture that the EU should be aiming for in the long run. Whereas France has traditionally been in favor of a European budget and aspects of joint liability such as eurobonds or a joint deposit guarantee system - a stance that is likely to continue with Macron at the helm - Germany is keen to point out that tools like these can only work if the nation states are also prepared to relinquish sovereignty to a certain extent, which is currently not the case.

Given the current situation, the French-German axis would be wise not to trumpet any grand designs, but instead look for specific ways of enhancing the public's general acceptance of the European Union again. And there are certainly a few ways they could go about this.

Protecting the EU's common external borders and combatting terrorism, for example, is a key concern of many EU citizens and something that can only be tackled as part of a concerted effort. A Franco-German initiative to drive progress in foreign and defense policy collaboration would also give the European Union a boost in the approval ratings. This is an aspect that both countries have traditionally been open to.

Particular opportunities lie in moves to revive the EU economy. If both countries were to embark on a growth-oriented reform course, this could make a huge difference to the EU. Pro-growth policies in France and Germany would provide partner countries with considerable impetus. After all, in a single market with a single currency, reforms implemented in one country always provide stimulus for the other EU member states as well. This is why the analyses conducted by the European Commission and other institutions attach so much importance to coordinated reform efforts. The more countries that implement growth-oriented reforms at the same time, the greater the overall impact. France and Germany should set a good example. While France will have to focus on getting its labor market back on track, making its corporate sector more competitive and streamlining its state apparatus, Germany is faced with the task of improving the overall framework to stimulate investment in order to reduce the current account surplus, boost innovation and

entrepreneurship and alleviate the extremely heavy overall tax burden on lower and middle income groups. This sort of joint effort could give economic growth a real shot in the arm. And member states that manage to boost economic activity have more of a justification for calling upon other countries to step up their reform efforts.

Developments like these would help to repair the EU's reputation - a top priority, particularly with Brexit on the agenda. This sort of Franco-German reform drive is not, of course, a sure thing. Although Macron has set out his reform plans, he needs a majority in parliament to implement them. Nevertheless, the odds of him succeeding are not too bad with the conservative forces, which are open to reforms, currently on track to secure a strong position in parliament.