

## France should copy Germany's reforms to thrive

Gerhard Schröder, June 5, 2013



The crisis affecting the euro is less a currency crisis than a crisis of European policy. Renewing structures is difficult in an EU with 27 member states and a monetary union with 17 countries. But we must change course if both the euro and the union itself are to remain sustainable.

Europe now runs at “two speeds”. A core Europe that grows together more quickly politically, and a fringe Europe wishing greater autonomy. These two regions have very different visions. There are those who imagine Europe as a political union and those who think of Europe only as a single market, while the political process should remain largely national. Europe must decide between these two positions.

The gap has widened between countries that can and wish to integrate quickly and those that want to move more slowly, such as the UK. Countries in the eurozone will integrate more than the countries that are not part of this.

This is principally because, to solve the basic problem of the euro, we must change the structures of European institutions. The fundamental mistake of monetary union is that there is no co-ordination of economic and financial policy in the eurozone.

There are also strong geopolitical reasons for greater European integration; above all the rise of rapidly industrialising countries. The US is no longer focused on Europe but rather on Asia. A multipolar world is emerging. Two poles are already clear: the US, which is and will remain the superpower; and Asia, led by China, which, I am sure, will assume a responsible international role.

Between these two poles lies Europe. The case for European integration is not merely based on the question of war or peace – but on weakness or power. Only a united Europe can stand a chance in a globalised political and economic world. And our model can be a beacon and a blessing for the world: a role model for other regions, and a cornerstone of the world economy.

All of this means more not less Europe. Of course, “more Europe” needs to be defined. There are many important, proud, cultured, dynamic and varied European countries outside monetary union which make a great contribution to European politics, economics and society. The “more Europe” that I wish to see has to be rich, varied and successful enough for these countries to be fully part of.

But reform of Europe's institutional framework is not enough. I am pleased that the direction of European economic and financial policies must move away from pure austerity and towards growth. National economies risk being strangled by strict austerity measures.

I welcome the sensible decision by the European Commission to allow certain countries more time to meet deficit-reduction targets – but at the same time to carry on with intelligent reforms to strengthen their economies.

In the debate over austerity and growth, we see a return of issues of 10 years ago. At the time, the then French president Jacques Chirac and I worked together to reform the European stability and growth pact. This reform did not weaken the criteria for budget deficits but gave more flexibility to a set of rules that was too rigid.

When the Commission gives countries such as France more time to meet the deficit criteria, this is comparable to the situation in Germany at the time of the Agenda 2010 reforms that I introduced in 2003-05. Without the pact's reform, it would have been politically impossible to save billions of euros through budgetary cuts, and at the same time implement difficult and controversial labour market and social security reforms.

Today, many European countries, especially France, face similar challenges to the ones Germany did a decade ago. Structural reforms are necessary because of excessive debt, as well as demographic developments and international competition.

Staying ahead in competitiveness on a worldwide scale must be the priority for France and for Europe. From our experience with Agenda 2010, we learnt that it takes a few years for the effects to work through to producing visible success. I am confident that our friends in Paris will act accordingly.