

German-French Summit Rediscovered Industry

by Rainer Apel

The main result of the Sept. 18 Franco-German Summit in Berlin is not the list of ten proposed technology incentives, which President Jacques Chirac and Chancellor Gerhard Schröder presented there: The realization of these projects would require more funding than the proposed 3 billion euros anyway. Much more important is the Franco-German statement in defense of productive industry, with its 45 million workers in the European Union. Their Berlin Declaration included a chapter, "Confronting the Threat of Deindustrialization," in which the French and German governments denounce "the risk of over-regulation" by the European Commission (EC), especially in the chemical industry sector (which in Germany alone employs 1.7 million workers).

The day before the Berlin summit, the German Association for Industry (BDI) released a new survey warning in no uncertain terms, that draft proposals on new standards for chemical production, published by the EC in May, had the "potential to depress the German economy significantly" by leading to a drastic drop in investments and exports, a loss of innovation, and considerably higher manufacturing costs. (German industry as a whole is already in depression.) The draft EC rule would force industry to provide data on at least 30,000 chemical substances, and prove that each substance can be used safely in terms of environmental and health effects. The EC itself estimates that the law would burden EU chemical producers with extra expenses of up to \$2 billion a year from now to 2020.

At the joint Berlin press conference with Chirac, Schröder took the example of the ongoing conflict between the French government and the European Commission over the issue of state intervention to save and consolidate the large French firm, Alstom. Schröder said that "Alstom is not just a French problem," and endorsed the French government's rescue package, noting that the industrial giant (power-generation and railway technology), which employs 110,000 workers worldwide, "also employs 11,000 people in Germany, and we have an interest in these jobs being preserved." Chirac insisted that every possibility has to be explored "that could permit a company of this size to continue operating."

A few days after the Berlin summit, the EU Commission gave the surprising go-ahead for France to intervene in support of Alstom, though in a somewhat complicated arrangement that "bans" direct government payments. Instead, the government will buy company shares, on the condition that

they be bought back at some time by Alstom—which is not very likely to happen, unless the company really receives a big boost in production and earnings in the coming few years.

An alternative would be the realization of proposals to have a big German company in the same sector—like Siemens—merge with Alstom, to form yet another big Franco-German industrial venture. This would keep the government out, but require a go-ahead by the French and German cartel offices, as well as by the EC.

Building on the Tremonti Plan

As for the aforementioned ten select projects of the Franco-German "European Growth Initiative" of the Berlin Declaration, they are explicitly referenced in the text as a "supplement" to the Tremonti Plan—which already calls for infrastructure projects, mostly in the transport sector, requiring investments of 60-70 billion euros Europeanwide. The Franco-German initiative is just adding another—though with 3 billion euros, rather modest, so far—incentive for other projects that have, like the Galileo space-based positioning satellite system, already entered the process of pre-decision at the EU. The most prominent projects proposed by France and Germany for additional funding are the Galileo system, and the railway interlink through Saarland between the two nations' high-speed rail systems, the French TGV and the German ICE. That particular project was discussed already about 20 years ago, but kept frozen until the considerable improvement of Franco-German relations which began last Autumn, ironically promoted by the common opposition in Paris and Berlin to the war policy of the Bush Administration.

The main emphasis of the other projects proposed is research in communication technology, telematics, and development of new and more efficient broad-width cables for rapid transmission of data. The Galileo project is, by the way, soon to be joined by the Chinese, who are expected to sign a partnership agreement in the context of the November EU-China summit, as was announced a few hours after the Franco-German Summit in Berlin.

Surprisingly, the Franco-German initiative in defense of industry received prominent backing by Britain's Prime Minister Tony Blair, during his meeting in Berlin with Chirac and Schröder on Sept. 20. Blair called the French-German initiative meaningful for Britain, which urgently needs an overhaul of its ailing industrial production.

The revolutionary step in both the Tremonti Plan and the Franco-German initiative, is that the main role in organizing the project funding lies with the European Investment Bank (EIB), the "house bank" of the European Union. The specialty of the EIB is to grant lower-interest loans over long periods, and with long grace periods for repayment. This approach resembles the policy of Germany's KfW (Kreditanstalt für Wiederaufbau), the state-owned bank that has done so much for the postwar reconstruction of German industry from the early 1950s on.