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France and Germany have a huge responsibility for the future of the European project

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Guy Maugis, president of the Franco-German Chamber of Commerce and Industry, explains the impact of the Macron government on the attractiveness of France as well as the importance of a strong relationship between Germany and France in times of political uncertainty. He also highlights the role of the chamber in helping German companies to establish operations in France.

Can you please introduce the role of the Franco-German Chamber of Commerce and Industry and why you have decided to become its president?

The Franco-German Chamber of Commerce and Industry was created in 1955 with the goal of easing and improving the ability of German companies to do business in France and vice versa. We are financing ourselves mainly through the services we offer and through our membership fees which depend on the size of the company. A very small share is coming from the German Federal Government. Our services include searching for business partners as well as employees, legal advice and organizational support, so we essentially act as a consulting firm with a strong focus on practicality. We are helping companies to focus on their core business, while we do the administrative work for them. Moreover, we offer training courses specifically for the French market and advice regarding ecological and environmental certifications.

We are also representing the German economy in France. Other activities of the chamber include the organization of conferences and round table discussions, events to share expertise and best practices, offering a young leader program and intercultural training. The latter is more important than it sounds, as, despite the geographic proximity, there are many differences between the two countries, for instance when it comes to negotiating.

I have accepted to become the president of the chamber as it is an honour. As a French citizen, I see it as my passion to help German companies to set foot in France and help my country by creating jobs.

Can you tell us more about your membership base?

The majority of our members are businesses in the manufacturing industry, which is a strength of the German economy. The biggest industry we represent is the automotive one, followed by engineering companies. Corporations in the healthcare industry make up for around 5% of our membership, including companies like Bayer, Fresenius Kabi, Boehringer Ingelheim but also many smaller players. While the large companies mostly do not need our assistance for business development, it is mainly SMEs, which we are helping to settle in France. Here, we can offer our cultural and

business expertise and give intercultural lessons as well as helping them with building relationships with the government and other businesses. These are usually big challenges for SMEs and the chamber is the right contact for these matters.

What are your current key priorities?

Providing access to information remains our key priority, although this has changed significantly during the last 20 years. While we were the first point of contact back then, today companies are looking for solutions on the internet first. Only if they cannot find what they need, they will contact the chamber. This obviously changes the type of services we are providing, as companies usually approach us with very complex and specific enquiries, mainly in the legislative area. Hence, there is a need for us to have very specialized, competent and efficient employees in our departments. We constantly improve our offers to match the demands and be able to continue to provide excellent service to our members. Another goal is to improve the visibility of the chamber and hold up our image of professionalism.

How has the pro-business Macron government affected the business environment in France?

One big effect of the Macron government has been the positive image that the international community has of France following his election. Through a survey that we conduct every two years with our members, we assess the overall image and business ecosystem of France, and we can hence know very well what the German companies think of the economic situation in the country at a given time. While we have seen a very negative evaluation of the economic situation in France during the previous government, this year there was a lot of appraisal. In 2014, only 19% of the companies rated the economic situation in France as satisfying or good; however, this number went up to 41% in 2016 and a very convincing 90% in 2018. Hence, currently there are many companies ready to invest and grow in France, hire more people and create jobs. This positive trend has also been confirmed by another pooling survey which has been assessing the opinions of managers of foreign companies in France. The American Chamber of Commerce in France has come up with similar results, so it has not only been German companies, which see the current economic situation in the country as very positive. The government does have business-friendly policies and in comparison, to the previous government, it has not only made promises but implemented reforms, such as the labour contract reform. This has been perceived very positively by the industry as labour regulation has been a key issue for the lack of attractiveness of France for businesses. Without a doubt, this was very tough legislation to change in France, as it has been perceived as too expensive and complicated to modify for many years, but the Macron government seems to have found the approach for it.

I just hope that the recent episode of the "Yellow jackets" will not deteriorate this largely improved image. I believe that the strong measures taken recently will bring calm and be seized as an opportunity to correct some negative local effects of the globalization. If, as a whole, globalization has brought a lot to many people, we have also to recognize that some others have lost. And you can find here a root cause for growing nationalism, in UK, USA, Italy!

How has the economic relationship between France and Germany changed as a result of the Macron government?

It has not really changed, as the relationship between France and Germany has always been very strong and stable over many years. Brexit and the US President have created many economic uncertainties in other countries, while the situation in France and Germany has been and is still quite predictable. Contrarily, nobody knows the practical consequences of Brexit yet, so this makes it very hard to plan for businesses. Nevertheless, the development in the UK will be a chance for the Franco-German relationship as manufacturers in all industry are interested to be in an environment, that has visibility and can be forecasted. In the automotive industry, British manufacturers depend heavily on European suppliers. With Brexit, there is a risk that the current just-in-time model will stop working, as there may be additional customs procedures on the border. Hence, some companies will not be willing to take these risks, so they will assess options for relocation. The Franco-German Chamber of Commerce and Industry is an advocate of free trade, so Brexit is a catastrophe for us. Many studies have proven that increasing free trade is creating growth, so I personally cannot understand this movement, as it is essentially a step backwards. The nationalistic tendencies are increasing product costs in every industry and will reduce the competitiveness of countries on a global scale.

We noticed that many big German companies like Boehringer Ingelheim, Merck or Fresenius Kabi have set up their French affiliate in and around Lyon. What are the reasons for German companies to have settled in the Auvergne Rhone-Alpes region?

The Lyon Metropole together with Aderly, the Invest in Lyon marketing agency, and the local healthcare cluster LyonBiopole are doing an excellent job in promoting their region, by highlighting the benefits of the local ecosystem. Lyon has a strong healthcare tradition, so naturally pharma and life sciences companies settle where there are people with expertise in this area. French professionals do offer many skills, especially in mathematics, as we have excellent academic institutions in this field. This helps us become a leader in new digital fields like big data and AI, which also become increasingly more important in health care and Lyon is a central hub in this development.

These two components are crucial factors for why there are so many German companies that have chosen Lyon for the location of their French affiliate. We see the same trends in other cities as well; Toulouse for the aerospace industry for example. While Paris has most of these location advantages, it is very expensive to rent office spaces and salaries are higher in the capital. Hence, Lyon has done a great job of selling its advantages and assets and as they are focused especially on the healthcare sector, it is no surprise to see many German pharma companies there. This has caused a snowball effect, so a foreign life sciences company will unavoidably consider Lyon as an option when deciding where to set up their French branch.

A few words to conclude?

France and Germany have a huge responsibility for the future of the European project, as the rise of populism in many parts of Europe is threatening the vision of the European Union. Stability and cohesion are needed, and our two nations will continue playing a major role in maintaining both of these elements. Our generation is the first one which has not seen war, so we need to ensure to preserve peace on the European continent, as this should not be taken for granted. While we can accept Brexit, as the UK has never been a full member of the EU, a break in Franco-German relations will most likely imply the end of the European Union.

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