



Atlantic Council

TRANSATLANTIC RELATIONS PROGRAM

Companions in Competitiveness:

How France and the United States Can Help
Each Other Succeed in the Twenty-first Century



Nicholas Dungan

Companions in Competitiveness: How France and the United States Can Help Each Other Succeed in the Twenty-first Century

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Competitiveness—the full range of strengths that makes a country successful—carries as much importance for the Atlantic partners in the twenty-first century as our common victory over tyranny did in the last century. In a globalized world, unless we prove successful as societies and economies—and thus as nations—we shall see our ability to act as models to others, to exercise soft power, and to maintain the appeal of our democratic principles increasingly undermined. Competitiveness constitutes a subject of undeniable strategic significance.

In their pursuit of greater competitiveness, the countries of the Atlantic community will gain enormously by learning from each other as friends, rather than by merely tracking the progress of rivals from elsewhere. Indeed, the trust engendered by our shared values and common history can only enhance our mutual exchange of ideas, best practices, and forward thinking.

France and the United States display intriguingly complementary competitive advantages and deficiencies. Both are democracies built upon the principles of the Enlightenment, both led and shared in the triumphs of the West, and both have seen their competitiveness diminish in recent years. Yet, in a singular match among major economies, France tends to lead where the United States lags, and vice versa, which creates a great opportunity for reciprocal instruction and awareness. The two countries also share certain challenges in terms of competitiveness.

To explore this “complementary competitiveness,” the Atlantic Council launched the French-American Competitiveness Project, with the initial support of the Richard Lounsbery Foundation, for which we are extremely grateful. The objectives of this French-American Competitiveness Project are:

- to identify the main components of French and US competitiveness, and in particular their complementary characteristics;
- to explore French and US competitiveness within specific industry sectors;
- to formulate recommendations for enhancing competitiveness on both sides of the Atlantic; and
- to build stronger ties between French and US leaders, and future leaders.

The first event of the French-American Competitiveness Project was a full-day symposium held at the offices of Baker & McKenzie in Washington, DC, in June 2013. Participants included current and former government officials, representatives of industry and business including engineering and technology, the legal profession, and management consulting, leaders from not-for-profit and nongovernmental organizations, and representatives from the media and academia. We are grateful for the generous hospitality of Baker & McKenzie’s Washington office in acting as host of the symposium.

As an initiative of the Atlantic Council’s Transatlantic Relations Program, the French-American Competitiveness Project has benefited from the wise guidance and oversight of Council Vice President and program director Fran Burwell. Maureen McGrath, then assistant director of the program, provided invaluable outreach, administrative, and management support, particularly in organizing the symposium. The program interns, especially Pauline Wood and Sarah Bedenbaugh, helped enormously in coordination and follow-up. Finally, Nicholas Dungan, the project director and author of this report, identified the concept of complementary competitiveness between France and the United States. Dungan has acted as architect of the project, and has provided the substantive expertise and extensive French-American network required to make it a reality and a success.

Companions in Competitiveness

Building upon the symposium as well as research and interviews by the author, this report provides an overview of the state of competitiveness in France and the United States, compares a number of their principal strengths and weaknesses, suggests areas in which each can learn from the other, and submits preliminary recommendations to expand the dialogue on French and US competitiveness.

The purpose, conclusions, and proposals of this report are anchored in a paramount principle, which also forms the core mission of the Atlantic Council, that by sharing more fully the values, experiences, and best thinking of the Atlantic partners, we may renew the Atlantic community for the global challenges of the twenty-first century.

A handwritten signature in black ink, appearing to read "Fred Kempe". The signature is fluid and cursive, with the first name "Fred" and last name "Kempe" clearly distinguishable.

Frederick Kempe
President and CEO
Atlantic Council



Executive Summary

Competitiveness encompasses all the factors that will serve to make a society, an economy, and a country successful in the globalized world of the twenty-first century. France and the United States rank among the most competitive countries overall, but both have seen their position decline in recent years in key attributes of competitiveness.

More significantly still, France and the United States present exceptionally complementary competitiveness profiles: among the world's major national economies, France and the United States show an intriguing fit in their main strengths and weaknesses, with France succeeding where the United States falls short and vice versa. They also face certain competitiveness challenges in common.

Based on the rankings of the World Economic Forum *Global Competitiveness Report*, France outclasses the United States on the “fundamental factors” required to achieve and sustain competitiveness, including healthcare, primary education, the functioning of institutions, and the quality of infrastructure. The United States surpasses France on the “dynamic factors” that the World Economic Forum classifies as supporting competitive performance, including labor and goods market efficiency, financial market development, technological readiness, and innovation.

France and the United States also show complementary industrial strengths. The United States leads France, and the world, in information technology, while France leads the United States and the world in nuclear power and environmental services. Both countries need to repair their excesses and inefficiencies in government bureaucracy, reform complex tax systems, and reduce national debt.

In essence, the United States can learn from France how to do a better job of investing in the foundations of competitiveness. France can take inspiration from the United States to increase the dynamism of its performance.

To address these complementary competitiveness strengths, weaknesses, opportunities, and challenges, we recommend that **France and the United States adopt national competitiveness plans, reporting to the highest level of government.**

To strengthen ties and increase the sharing of experience and best practices, we believe **a series of French-US Competitiveness Summits should be established**, including a joint French-US annual meeting at cabinet level, summits of corporate and civil society leaders on specific industry or policy themes, and embracing new audiences not usually found in the French-US relationship.

To enhance entrepreneurialism and to promote innovation, we suggest that the **French-American Conference of Entrepreneurs should be revived** and put on a sound footing, so that it can increase contacts between French and US entrepreneurs and foster the growth of innovation in both countries.

To develop an innovative and entrepreneurial mindset in the next generations, **French-US student exchanges should be expanded** and be focused on competitiveness, both at the middle and high school level, and among university and business school students.

These initiatives would help to enrich the dialogue and mutual benefits between France and the United States, and pave the way for their success and leadership together in the current century, as in centuries past.

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An Intriguing Fit

Competitiveness—the full range of strengths that will make our countries successful—constitutes an issue of strategic national importance in the twenty-first century. This is especially true for France and the United States, democracies which claim adherence to universal values and are expected by the rest of the world to demonstrate their embodiment of those universal values. Whereas the challenge we faced as emblematic democracies in the twentieth century was to achieve victory together against foreign tyranny, our object in the twenty-first century must be to display to an interconnected world that we are capable of being successful ourselves—and therefore exemplary in the eyes of others.

Competitiveness thus extends beyond being an isolated economic indicator and embraces the entire array of attributes that serve to make a society, an economy, and a country successful. Those attributes have been tracked by the World Economic Forum (WEF), which each year issues a *Global Competitiveness Report* covering 148 economies with criteria closely approximating this concept of competitiveness.¹

In the WEF September 2013 ranking, France, the fifth largest economy in the world measured by national output, dropped to twenty-third place from twenty-first in terms of competitiveness, whereas it stood at fifteenth three years before. The United States, the world's largest economy by national output, which had fallen from the number one spot to number seven, regained two levels to rise to number five.²

More than their overall rankings, however, what is remarkable is how complementary French and US competitive strengths and weaknesses are. The World Economic Forum analyzes competitiveness on the

basis of twelve “pillars,” which it places in three broad categories:

1. basic requirements, including infrastructure, institutions, the macroeconomic environment, and health and primary education;
2. efficiency enhancers, including higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, and market size; and
3. innovation and business sophistication.

France outranks the United States on all the fundamentals—the “basic requirements”—while the United States outranks France on all the boosters—the “efficiency enhancers” and the “innovation and sophistication factors.”

Among the large economies in the *Global Competitiveness Report*, none display as much contrast and complementarity as France and the United States. Furthermore, only the United States demonstrates such an imbalance between poorly-ranked fundamentals and highly-ranked boosters.

For example, Germany outperforms France in all the basic requirements: institutions, infrastructure, macroeconomic environment, and health and primary education. Germany also outperforms France in all the efficiency enhancers and innovation and sophistication factors, but some of its own performance leaves much to be desired, especially in labor market efficiency and goods market efficiency. Yet there is no tidy fit between Germany and France, or Germany and the United States, compared to the strong correspondence between France and the United States.

¹ See <http://www.weforum.org/issues/global-competitiveness>.

² World Economic Forum, *The Global Competitiveness Report: 2013-2014*, ed. Klaus Schwab (Geneva: World Economic Forum, 2013), http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf, pp. 186-87 and 382-383.

GLOBAL ECONOMIC COMPETITIVENESS SCORECARDSource: *World Economic Forum Global Competitiveness Report: 2013-2014*

FRANCE	Rank (out of 148)	Score (1-7)
Global Competitiveness Index (GCI) 2013-2014	23	5.1
GCI 2012-2013 (out of 144)	21	5.1
GCI 2011-2012 (out of 142)	18	5.1
Basic Requirements	23	5.5
Institutions	31	4.8
Infrastructure	4	6.2
Macroeconomic environment	73	4.6
Health and primary education	24	6.3
Efficiency Enhancers	19	5.0
Higher education and training	24	5.2
Goods market efficiency	45	4.4
Labor market efficiency	71	4.3
Financial market development	33	4.6
Technological readiness	17	5.7
Market size	8	5.8
Innovation and Sophistication Factors	18	4.8
Business sophistication	21	5.0
Innovation	19	4.7

UNITED STATES	Rank (out of 148)	Score (1-7)
Global Competitiveness Index (GCI) 2013-2014	5	5.5
GCI 2012-2013 (out of 144)	7	5.5
GCI 2011-2012 (out of 142)	5	5.4
Basic Requirements	36	5.1
Institutions	35	4.6
Infrastructure	15	5.8
Macroeconomic environment	117	4.0
Health and primary education	34	6.1
Efficiency Enhancers	1	5.7
Higher education and training	7	5.8
Goods market efficiency	20	4.9
Labor market efficiency	4	5.4
Financial market development	10	5.3
Technological readiness	15	5.7
Market size	1	6.9
Innovation and Sophistication Factors	6	5.4
Business sophistication	6	5.5
Innovation	7	5.4



France Leads the United States on the Basics

In the World Economic Forum *Global Competitiveness Report*, France notably ranks ahead of the United States in healthcare, primary education, and infrastructure.

Healthcare

Life expectancy in France, using the WEF figures, is twelfth best in the world, at 81.7 years. The United States, by contrast, stands at thirty-fourth in the world with a life expectancy of 78.6 years.³ The United States also performs worse than France on all major health indicators: obesity, chronic diseases (including diabetes), multiple chronic diseases, healthcare costs, health disparities within the population, infant mortality (almost twice as high in the United States as in France), and the mobility and independence of seniors over the age of eighty. Yet the United States spends twice as much per capita on healthcare compared to France and half again as much as France as a portion of total GDP because, in the United States, healthcare is treated as a business with the goal of maximizing profits at virtually all levels and stages of the healthcare process.

Notwithstanding the disparities in cost, the structure of the French and US healthcare insurance systems is remarkably similar. In contrast to the single-provider National Health Service in the United Kingdom, or the provincial reimbursement method in Canada, the French system is essentially equivalent to a single-insurer health management organization (HMO) run by *Sécurité sociale*, the national insurance scheme. In American parlance, the French system equates to “Medicare for all” or a government-managed national HMO. As is the case with Medicare in the United States, the existence of an overriding single government health insurer makes it possible to contain costs. Given the prevalence of multiple for-profit insurers in US healthcare, however, costs are extremely problematic to control in the US system beyond Medicare.

French national health insurance does not cover everything and many French people choose to add private health insurance for additional coverage. The providers of such health insurance in France are often mutuals, again organized for the direct benefit of the insured as opposed to a for-profit firm. The most important difference between the two systems is that health insurance in France is not obtained as a function of employment: everyone is insured by the national *Sécurité sociale* scheme and their additional coverage is insurance they buy for themselves as individuals, not through their employer. Consequently, French health insurance is fully “portable” and does not discourage changing jobs.

It may be true that the best medical care in the United States, as many Americans believe, is as good as anywhere in the world, but the best care is not affordable to all Americans. By contrast, in France, everyone is insured, and the level of the best care is similar to that of the United States. Moreover, standard care, especially as regards prevention, is by definition better than in the United States, since France’s healthcare outcomes are so much better. And that is true despite France using a fee-for-service payment model, as in the United States, in which doctors charge per visit or per treatment, rather than doctors receiving a flat salary in exchange for working a certain number of hours.

In any event, as a single-payer insurance system, the French *Sécurité sociale* is closer to the US system in its structure than the United Kingdom, and France provides vastly better healthcare outcomes at a far lower cost. As a consequence, there are clearly lessons to be learned by the United States from France on how to operate a healthcare system more efficiently and to achieve better results.

Education

France’s primary education, at thirty-fifth in the world using the World Economic Forum figures, rates only slightly better than the United States at forty-first. But

³ Ibid.

in those same figures, France ranks significantly ahead of the United States in the quality of math and science education, where the French rank is fifteenth in the world, ahead of Germany but behind Switzerland, as against the US position of forty-ninth, which essentially puts the United States at the bottom rung of the scale of all industrialized countries.⁴

In addition to the WEF figures, equally if not more alarming poor results for the United States are contained in a study on skills released in October 2013 by the Organization for Economic Cooperation and Development (OECD): among young adults aged sixteen to twenty-four, Americans ranked twentieth out of twenty-two nationalities surveyed in literacy, near the bottom; in numeracy, Americans were at the bottom, in twenty-second place.⁵

France is known for its traditionally strong engineering culture and graduates a higher percentage of engineers than the United States, 360,000 in the United States compared to 111,000 in France according to the OECD, a ratio of 3.6:1 while the ratio of population is 5:1. In the United States, there is a lack of adequate teachers certified as instructors in mathematics and the sciences. In addition, students drop such courses as they prove increasingly difficult. Some of these issues are discussed in a 2007 National Research Council report entitled *Rising Above the Gathering Storm*.⁶

Discussion during the Atlantic Council's French-American Competitiveness Symposium in June 2013 focused on the need to introduce greater economic literacy into both the French and US curricula, in order to promote a better understanding of the business world and give students an incentive to learn useful skills.⁷ The French educational system is often accused of punishing failure rather than encouraging or rewarding success, as British journalist Peter Gumbel's book, *Ils achèvent bien les écoliers (They Shoot School Kids, Don't They?)*, argues.⁸ The left-wing political views held by many French teachers, together with the expectation of state support built into the working of French society—government-provided healthcare insurance, education, unemployment benefits, and

pensions—tend to underrate the virtues of risk-taking and ambitious individual achievement. With respect to the United States, the basic skills deficiencies displayed in the OECD study of October 2013, alongside a high dropout rate from community colleges, mean that although US students might possess higher personal confidence levels, their actual abilities are inadequate. Consequently, there would appear to be scope for mutually beneficial interchanges among French and US young people on these components of competitiveness, including economic literacy.

Infrastructure

Infrastructure includes not just transport of goods and people, but also water systems, energy and electricity production plants and distribution grids, high-speed Internet access, schools, public hospitals, and other physical public goods. High-quality infrastructure requires industrial engineering, design, and construction capabilities but also a public policy dedicated to providing that infrastructure. The value of infrastructure is that it contributes to economic growth and represents an investment in the long term for the greater good. In the United States, most new infrastructure in recent decades has been local, so Americans may be less accustomed than people in other countries to conceiving of infrastructure as a national competitiveness resource. But an excellent example of national infrastructure in the United States is the Eisenhower interstate highway system, which consists of toll-free roads and was designed to improve the national economy as a whole. In a similar way, the French "train à grande vitesse" (TGV) high-speed rail system has increased economic activity, especially in provincial cities, by making it faster and easier to move goods and people around the country, not just by charging fares. The TGV gave greater value to the regions and united the country at the same time, making whole areas of France far more accessible more efficiently. In addition, the TGV links with other infrastructure such as airports, increasing efficiency for travelers and tourists.

France's infrastructure is ranked fourth best in the *Global Competitiveness Report*. Indeed, France has been described as a "smart logistics platform" on which people, goods, and services can be moved by air, water, road, and rail quite seamlessly. Much of this was achieved as a result of the postwar planning process in which public funds were deployed to provide contracts to businesses, both private-sector and state-owned, to build and operate an integrated national infrastructure.

The United States ranks fifteenth on infrastructure in the *Global Competitiveness Report*. There exists a whole canon of recent literature lamenting the poor quality of, and underinvestment in, US infrastructure. Many of the bridges, dams, water systems, roads, railways, and

4 Ibid.

5 OECD, *OECD Skills Outlook 2013: First Results from the Survey of Adults Skills*, 2013, http://skills.oecd.org/documents/OECD_Skills_Outlook_2013.pdf.

6 National Research Council, *Rising Above the Gathering Storm: Energizing and Employing America for a Brighter Economic Future* (Washington, DC: National Academies Press, 2007), http://www.nap.edu/catalog.php?record_id=11463.

7 French-American Competitiveness Symposium, Atlantic Council, Washington, DC, June 28, 2013, <http://www.atlanticcouncil.org/events/past-events/frenchamerican-competitiveness-symposium>.

8 See <http://www.petergumbel.com/en/on-acheve-bien-les-ecoliers.php>.

schools in the United States date from the New Deal of the 1930s or earlier. A comprehensive evaluation of US infrastructure exists on the website of the American Society of Civil Engineers, which gives the United States a grade of D+ on its infrastructure and estimates that expenditures of \$3.6 trillion are required by the year 2020 in order to attain an overall grade of B.⁹ Moreover, as described by Jose W. Fernandez, the former US assistant secretary of state for economic, energy, and business affairs, few US companies are capable of designing, building, and operating infrastructure.¹⁰ The market is dominated by French, Germans, other Europeans, and Japanese.

⁹ See <http://www.infrastructurereportcard.org/>.

¹⁰ Jose W. Fernandez, "Bridge to Somewhere," *Foreign Affairs*, November/December 2013, <http://www.foreignaffairs.com/articles/140163/jose-w-fernandez/bridge-to-somewhere>.



The United States Leads France on the Dynamics

In the World Economic Forum rankings, the United States surpasses France in “efficiency enhancers” and “innovation and sophistication factors.”

Analysis of the components of the WEF pillars in these categories suggests that much of France’s relative lack of dynamism stems not so much from technical factors but, above all, from attitude and culture. The French are less opportunistic than Americans and appear less inclined as a result to identify, seize, and exploit opportunities, preferring a greater adherence to structure and custom.

On certain technical criteria, in fact, France ranks better than the United States. For example, in France, there are fewer procedures and fewer days required to open a business. France’s fixed broadband Internet penetration, Internet bandwidth, and percentage of users of the Internet exceed those of the United States—perhaps a result of France’s emphasis on infrastructure. On other dynamic factors, such as soundness of banks and enforcement of legal rights, France and the United States score approximately equally.

Missed Opportunities

But as regards technology adoption, France displays less dynamism and ranks well behind the United States in Internet access in schools, use of technology by companies, and government procurement of advanced technology products. Conservatism is also evident in financial services: the availability and affordability of financial services and the ease of access to loans and local equity financing in France are rated well below the United States. Looked at in French terms, that might be construed as a critical advantage, given the excesses and financial bubbles associated with the US system. Even in venture capital, where OECD data puts the percentage of venture capital in both France and the United States at approximately equal levels of GDP, the WEF figures rank France at forty-eighth in the world in terms of venture capital availability, versus the United States at number three.¹¹

Although France’s scientific research institutions stand high at thirteenth place in the world as against the United States at fifth, university-industry collaboration in research and development, where the United States is third worldwide, falls to a rank of thirty-second in France.¹²

But where France fails badly centers on challenging and trusting people, with evidence of a deeply ingrained conservatism and, indeed, protective culture. In the category of the quality of labor-employer relations, France is rated 135th out of 148 countries, 144th out of 148 in hiring and firing practices, and 127th out of 148 in the effects of taxation on incentives to work. Where the United States ranks respectively sixth and fourth in the capacity to attract talent and to retain talent, France stands at forty-fourth and fifty-seventh worldwide. And while the United States ranks tenth in the world in the willingness to delegate authority, France scores very poorly, at seventy-seventh.¹³

To be sure, the United States enjoys structural advantages such as the single largest national market in the world and the widespread use in that market, of a single language, English. But much of French underperformance, and much of US success, result from cultural factors as well.

A Can-do Attitude

When it comes to dynamic factors such as labor market mobility, adoption of the latest technology, or the willingness to innovate—all US strengths—attitude and education are principal drivers of competitiveness. As the US example shows, individual behavior plays a strong role in whether or a country achieves competitiveness. No matter how many technical incentives policymakers may provide to incite competitive behavior, a risk-averse mentality or a sense of entitlement will ensure that those incentives come

¹¹ World Economic Forum, pp. 186-87 and 382-83.

¹² Ibid.

¹³ Ibid.

to naught. In France, attitude seems to act as a barrier to competitiveness by instilling a lesser willingness to accept risks than is present in other countries, notably the United States. This conservatism is perhaps understandable coming from a country that has so much to cherish, but it acts as a brake on innovation. It is also typical of a country whose citizens have been led to expect that the state's first duty is to protect them from hardship. According to a May 2013 Pew Research Center's Global Attitudes Project survey, the French were by far the most pessimistic people in Europe, with nine-tenths saying the economy was going in the wrong direction, three-quarters saying European economic integration has worsened conditions for France, and two-thirds disapproving of President Hollande's management of the economy.¹⁴ By contrast, in the United States, as was emphasized at the French-American Competitiveness Symposium, people believe that "we can do better tomorrow than we are doing today," whether or not that belief is validated by reality. Americans generally also have low expectations of assistance from government because the benefits available from government are, in fact, lower. France needs to teach the values and virtues of success and achievement far earlier and more fully. The United States, on the other hand, cannot realize its full competitive potential, or perhaps even maintain its current level of competitiveness, if it simply relies on individual effort to overcome societal deficiencies.

Entrepreneurship and Risk-taking, Access to Finance

Experts on the US entrepreneurial model conclude that entrepreneurs in the United States succeed more quickly than elsewhere owing to a combination of factors: a single large market, few language barriers, a large pool of talent, the US acceptance of failure and risk, and, importantly, access to finance. Income inequality in the United States has actually been a contributor to entrepreneurship as individuals who have achieved outside wealth decide to invest seed capital and venture capital in start-ups or young businesses. Such investors are not seeking a secure return on investment and, as they are injecting a relatively modest share of their personal net worth into a single investment, they are prepared to lose all the money they put into a given project but hope to make major multiples of their outlay in investments that succeed. By contrast, France has one of the lowest levels of income inequality of any industrialized country. Bank finance for small businesses in France (and generally) aims for the very conservative goal of minimal net return on capital but maximum assurance of the reimbursement of that capital.

14 "The New Sick of Europe: the European Union," Pew Research Center's Global Attitudes Project, May 13, 2013, <http://www.pewglobal.org/2013/05/13/the-new-sick-man-of-europe-the-european-union/>.

Starting and Building a Business

The incentive for business creation depends also upon the possibility of business expansion. In the United States, the government imposes few obstacles to growing a business, while in France, once a business reaches a certain size, requirements for worker consultation and increased regulations kick in. There remains a need to make France a more attractive place, from a financial standpoint, for entrepreneurs to invest and stay. As a result, France continues to lag, at thirty-eighth place, in the World Bank's Ease of Doing Business Index, whereas the United States ranks fourth, the United Kingdom tenth, Canada nineteenth, and Germany twenty-first.¹⁵

France now has seventy-one innovation clusters around the country. As described by the Invest in France Agency, a public-private organization reporting to the French finance minister, these are ecosystems "in which companies, public-sector educational institutions and research laboratories work on collaborative projects focusing on market-oriented projects and prototypes," using government grants and public-private research and development spending to promote innovation.¹⁶ Yet in the *Global Competitiveness Report*, despite government incentives and private-sector collaboration, France still ranks far behind the United States and even the United Kingdom, about on a par with Germany in terms of cluster development. Much of France's innovation seems to occur in the relatively safer havens of large enterprises. Public sector research and development actually exceeds research and development (R&D) in the private sector, but this is in part due to state ownership of majority and minority stakes in certain large companies.

Public-private Collaboration

In the United States, government research, either through grants or through collaboration, often underpins some of the major achievements of private research universities and other institutions, for example the National Institutes of Health. Government in the United States has sponsored low-probability high-reward projects, through such programs as the Defense Advanced Research Projects Agency (DARPA) and, indeed, provided the structure for the Internet. Government also has the ability to invest for no immediate financial return in areas in which the private sector would not. An example is the Advanced Research Projects Agency-Energy (ARPA-E) of the US Department of Energy which "advances high-potential, high-impact energy technologies that are too early for private-sector

15 International Finance Corporation and World Bank, "Economy Rankings," *Doing Business 2014*, <http://www.doingbusiness.org/rankings>.

16 Invest in France Agency, *France Welcomes Talent and Investment*, <http://www.invest-in-france.org/Medias/Publications/1897/France-welcomes-talent-and-investment-2013.pdf>, p. 18.

investment.” Another example in the United States is the Department of Energy research which has enabled the shale gas revolution to occur.

France has provided the example of public-private partnerships which arise initially from a government initiative and then put the private sector to work. France’s nuclear industry, high-speed rail capabilities, and public infrastructure generally arise from decisions made by government which then created investment, project, and employment opportunities for private-sector firms. The French postwar planning process essentially consisted of the state deciding on nationally important projects and then simulating companies to grow by offering them business opportunities in the form of major public procurement contracts. Thus grew major construction and infrastructure companies such as Bouygues and Vinci.

France has long emphasized the link between research and higher education, even having a cabinet minister devoted to that topic, but France has not put the same resources behind bringing institutions and teams together as is the case with DARPA or the National Institutes of Health in the United States.

The French experience of building major businesses through public procurement may provide lessons to the United States when it finally faces the need to renew US infrastructure. The US experience of government-sponsored research into low-probability high-return investments that later benefit the private sector may be of benefit to France.



Mirror Images in Industry

French and US industrial strengths also lie in different areas. For example, France leads in nuclear power and in water and environmental services, both of which reflect its engineering culture. The United States maintains a commanding lead over France (and indeed all other countries) in information technology. Moreover, in certain industries, such as national defense or life sciences, France and the US face similar challenges. In all these industrial areas, an enhanced dialogue between French and US leaders could pave the way for benefits to both.

Nuclear Power

France has world-leading companies in nuclear energy, particularly AREVA (construction and maintenance) and EDF Electricité de France (generation and distribution). France derives 85 percent of its electricity from its fifty-nine nuclear power plants, the highest percentage in the world, with a pristine safety record, while the United States produces 20 percent of its electricity in 104 nuclear power plants, none of which was built to the same design and all of which date from before 1975. EDF has just signed a £16 billion contract with the UK government to provide the first new nuclear reactors in Britain since 1995.

The shale gas revolution in the United States makes it difficult to conceive that new US nuclear power plants will be built in the near future. The average age of US nuclear power plants is thirty-three years and they are commissioned by the Nuclear Regulatory Commission for forty years, with the possibility of a recommissioning for a further twenty years. Consequently, the existing US nuclear power plants will require some refurbishment in the coming years.

In addition, at some stage the United States will need to address its stock of spent fuel rods. These rods are currently stored at the nuclear power plants in their radioactive state. The plan to bury the spent fuel rods inside Yucca Mountain in Nevada has been delayed more than once. France recycles 96 percent of spent

fuel while the United States does not possess such capability. France also recycles spent fuel for other countries, including Japan and Germany. As a result, AREVA's expertise in reprocessing spent fuel may offer an additional opportunity for French-US collaboration.

Water and Environmental Services

France's two leading environment and water companies, Suez Environnement and Veolia Environnement, are among the three biggest in the world alongside RWE of Germany. France itself has one of the most sophisticated water management systems in the world. The French long-term concession model means that French companies enter into a contract with municipal authorities to provide a high level of service at a contractually agreed cost over a lengthy concession period, often one or two decades or more. Consequently, the French companies are able to deploy twenty-first century technology on behalf of their customers to manage water and waste across the globe, from Alexandria in Egypt to Manila in the Philippines to Melbourne in Australia.

By contrast, in the United States, two-thirds of US consumers obtain their supply from ground water and nine out of ten water suppliers are municipal public services. The US water system generally does not benefit from the global technological capabilities, nor the cutting-edge research and development, possessed by the French water and environmental services multinationals. The United States is fortunate in having readily available clean water supplies in many parts of the country. For example, New York City and San Francisco benefit from watersheds that require minimal purification before distribution to consumers. Yet other, especially more arid, parts of the United States, for example in the southwest, are already facing the need to consider how to ensure adequate water supplies in the twenty-first century. The French concession model has not taken hold in the United States because municipalities have considered the water to be "their" resource, not to be managed by an outside, private firm,

however strong the contractual safeguards on both sides and however great the advantages of gaining access to world class industrial excellence. Local politics in the United States also affects this issue: for example, in 2003, the city of Atlanta cancelled its contract with United Water (a subsidiary of the French Suez Environnement) after only four years, putting an end to what was reported at the time as the largest public-private partnership contract in the United States.

Information Technology

The United States far outpaces France, and the rest of the world, in the information technology sector. No other country but the United States has produced such enormous information technology (IT) corporations as Microsoft, Google, or Facebook, among hundreds of other possible examples. France invented the Minitel, an early telephone-based national Internet, but was unable to innovate or export the system. France's computer manufacturer, Compagnie des Machines Bull, failed to scale its software and hardware capabilities and continued to change ownership structure for many years, being nationalized at one point and a subsidiary of the US General Electric Company at another. In the same way, Gemplus (now Gemalto), which invented the smart chip used in smart cards in the late 1980s and got its start by virtue of a large order from France Telecom, only managed to penetrate the UK market a decade ago, and smart cards are still a rarity in the United States. By contrast, Cap Gemini, a French company, is a world leader in information technology consulting, with over fifty thousand employees in thirty countries. At present it is estimated that several thousand French engineers work in Silicon Valley in California and that several hundred Silicon Valley companies have French CEOs. The problem, therefore, seems less associated with technology skills than with technology adoption and the ease of growing a business, as discussed in the previous section.



Identifying Common Challenges

The World Economic Forum *Global Competitiveness Report* also compiles for each country a list of the “most problematic factors for doing business” which demonstrate, in the case of France and the United States, a strong overlap. The top six of those factors in France are:

1. restrictive labor regulations
2. tax rates
3. tax regulations
4. access to financing
5. insufficient capacity to innovate
6. inefficient government bureaucracy

The top “problematic” factors in the United States are:

1. tax regulations
2. tax rates
3. inefficient government bureaucracy
4. access to financing
5. restrictive labor regulations
6. inadequately educated workforce

The two countries share five out of the six most problematic factors for doing business.¹⁷ In France, the complexity of the tax system arises from a multiplicity of different taxes and charges on different activities; and this is combined with a labor code that is thousands of pages in length and imposes a huge burden of compliance on employers, particularly smaller and medium-sized enterprises, for which this burden is a barrier to growth. In the United States, the tax code is itself intensely complex, even with respect to income tax

alone, which has a similar anti-competitiveness effect as a surfeit of different taxes in France.

Both countries face the need to reduce their national debt, which calculates as above 100 percent of GDP in both cases—113.5 percent for France in 2013 and 109.1 percent for the United States.¹⁸ Under its socialist administration since 2012, France has mainly achieved budget savings by increasing taxes but both President Hollande and the Finance Minister Pierre Moscovici, as well as other government officials, have publicly recognized that France has reached a tax threshold of tolerance. Both in France and the United States, the national authorities need to cut government spending programs, as evidenced by multiple studies from the International Monetary Fund (IMF) and the OECD, among many others.

The OECD Surveys

In its 2013 economic survey of France, the OECD particularly recommends reducing government spending and easing regulations to make companies more competitive, improve the economic situation of young people, and increase the fairness of the tax system through simplification and greater equitableness across the population.¹⁹ In its 2012 survey of the United States (the latest available), the OECD especially singled out the need for macroeconomic policies to sustain economic recovery, policies to promote job creation, the reduction of income inequality including through a fairer tax system, and the need to combat poverty.²⁰ In order to increase innovation, the OECD counseled the United States to avoid reducing federal research budgets and to invest more heavily in science, technology, engineering, and math (STEM) education.

¹⁸ Ibid.

¹⁹ OECD, *OECD Economic Surveys: France 2013*, March 19, 2013, http://www.oecd-ilibrary.org/economics/oecd-economic-surveys-france-2013_eco_surveys-fra-2013-en.

²⁰ OECD, *OECD Economic Surveys: United States 2012*, June 2012, <http://www.oecd.org/eco/surveys/economicsoftheunitedstates2012.htm>.

¹⁷ World Economic Forum, pp. 186-87 and 382-83.

The IMF Consultations

The IMF concluded its “Article IV” consultations with France and the United States in late July 2013. With respect to France, the IMF underscored the “structural rigidities in labor and product markets” as a bar to competitiveness and applauded the structural reforms enacted, especially a reduction in labor taxes and a new form of “flexicurity” that makes it less expensive and cumbersome for employers to hire and fire but still protects workers’ rights.²¹ As concerns the United States, the IMF “stressed the importance of adopting a comprehensive and back-loaded medium-term plan entailing lower growth in entitlement spending and higher revenues” as well as an “active labor market policy to complement efforts to boost domestic demand.”²²

The Gallois Report

In response to a request from President Hollande, Louis Gallois, the former CEO of the EADS (Airbus) aeronautics company, prepared a report entitled “Pacte pour la compétitivité de l’industrie française”²³ and took up a position as head of the Commissariat général à l’investissement (CGI) of the French government. The Gallois report, issued on November 5, 2012, proposes twenty-two “principal measures” to increase French competitiveness. Chief among these is a “competitiveness shock treatment” of injecting into the economy €30 billion or 1.5 percent of French GDP via a reduction in social charges payable by employers (two-thirds) and employees (one-third). Other measures concern tax breaks to encourage investment, greater worker representation on boards, investment incentives, maintenance of research budgets, governance issues, and increased worker training. Overall, the Gallois report addresses a range of discrete issues without, paradoxically, providing a master framework to increase competitiveness.

The Institut Montaigne Proposals

In the same month, November 2012, the center-right think tank Institut Montaigne released a series of its own proposals, *Restaurer la Compétitivité de L’économie Française* (“Restore the Competitiveness of the French Economy”).²⁴ The Institut Montaigne first recommends a massive investment in preschool and primary school education, better teacher training, and more targeted

vocational training. The report goes on to call for a “competitiveness shock treatment” in the economy by reducing social charges, encouraging investment in small and medium-size enterprises (SMEs), and directing more private savings toward equity investment, especially in SMEs.

The Institut de l’Entreprise Note

Possibly the first use of the phrase “competitiveness shock treatment” was made in the title of a note issued by the business think tank Institut de l’Entreprise in January 2012, “Pour un choc de compétitivité en France.”²⁵ The note calls for a “national mobilization” in favor of competitiveness consisting of public-private commitment to measures that will increase capital available to private enterprises, increase employment, and improve management-worker relations. The note makes three chief recommendations: government support for competitiveness through reduced public expenditure, stabilization of key tax provisions and regulations over five years, and an improved dialogue between labor and management. The note encourages French leaders to take inspiration from the German model.

Harvard Business School’s Competitiveness at a Crossroads Survey

In the second edition of this survey, issued in February 2013, Michael Porter and two colleagues insist on the need for US government and business to act together in order to increase competitiveness.²⁶ They ask government to “put the federal budget on a sustainable path,” reform the corporate tax code, improve infrastructure, address distortions in international trade, streamline regulation, and ease immigration of high-skilled workers, as well as developing a framework for oil and gas exploration.²⁷ They deplore the fact that “America and Americans maintained an illusion of growing prosperity” following the advent of globalization and “did not invest so that the [US] middle class could compete in the global marketplace.”²⁸ Their criteria of competitiveness adhere quite closely to those of the WEF *Global Competitiveness Report*, not surprising since Porter helped design the WEF criteria himself. They also propose actions by business, many of which are designed to encourage increased competitiveness in the company’s industry, location, or supply chain, but they also stress the need to “advocate for laws and rules

21 IMF, “IMF Executive Board Concludes 2013 Article IV Consultation with France,” press release, August 5, 2013, <http://www.imf.org/external/np/sec/pr/2013/pr13295.htm>.

22 IMF, “IMF Executive Board Concludes 2013 Article IV Consultation with the United States,” press release, June 26, 2013, <http://www.imf.org/external/np/sec/pr/2013/pr13277.htm>.

23 See <http://www.ladocumentationfrancaise.fr/rapports-publics/124000591/index.shtml>.

24 See <http://www.institutmontaigne.org/fr/publications/restaurer-la-competitivite-de-leconomie-francaise>.

25 See <http://www.institut-entreprise.fr/les-publications/pour-un-choc-de-competitivite-en-france>.

26 Michael E. Porter, Jan W. Rivkin, and Rosabeth Moss Kanter, *Competitiveness at a Crossroads: Findings of Harvard Business School’s 2012 Survey on US Competitiveness*, Harvard Business School, February 2013, <http://www.hbs.edu/competitiveness/survey/2013-02-28.html>.

27 *Ibid.*, p. 2.

28 *Ibid.*, p. 4.

that benefit business as a whole rather than lobby for the special interests of your firm or industry.”²⁹

Together with the conclusions of the World Economic Forum *Global Competitiveness Report*, these additional competitiveness analyses point to the need for France and the United States to restore the health of government finance so as to remove a barrier to growth. Both countries need to simplify their tax and regulatory approaches.

²⁹ Ibid., p. 17.



Getting the Balance Right

France needs to increase its dynamism, building on a solid base. The United States needs to build better foundations, to support its dynamism. In both cases, the challenge is to get the balance right between the public interest and private initiative.

France's superior ranking compared to the United States on the fundamentals results in part from the historical difference between a consensus-driven planning model in France and a business-driven competition model in the United States. France benefited from a guidance-based planning process for fifty years beginning with the first postwar plan developed by political economist and diplomat Jean Monnet at the behest of General Charles de Gaulle in 1946. The five-year plans focused on healthcare, education, industry, infrastructure, technology, and the place of France in a changing world. The plans were paid for by the state—Marshall Plan money, government borrowings, taxes—and brought France many of the competitiveness advantages it enjoys today. Arguably, these investments underpinned, precisely as they were intended to do, much of the economic growth of the “trente glorieuses,” the “glorious thirty years” of postwar prosperity. They turned France into a modern country. The French five-year plan, however, was never compulsory, only consultative and advisory.

At the same time, the provision of the fundamental pillars of competitiveness, but without enough pressure on individuals to perform, can explain part of France's declining competitiveness in recent years. People have traditionally looked to the state not only to guarantee high-quality healthcare, education, and infrastructure, but also to protect employment, provide pensions, and avoid hardship in the lives of the citizens. Now French people are becoming once again, as they were before the welfare state was created, more self-sufficient and enterprising. Under the pressure of the financial markets, the IMF, the OECD, and the European Union (EU), President Hollande and his government have initiated more reforms in the past year and a half

than the right-wing governments of the prior decades were able to implement: reduction of labor taxes, investment in priority industrial sectors, more flexible labor contracts to encourage employment, reduction of unemployment benefits to encourage people to find jobs, increased vocational training, reduction in public spending. But there remains a long way to go and Hollande is certainly not in the mold of the socialist reformer such as Gerhard Schroder in Germany a decade before.

From a European standpoint, Americans put too much faith in competition as a path to competitiveness. In this view, competition can be wasteful instead of being efficient, while planning and consensus can avoid such waste. For example, in the mobile telephony industry in the United States, standards only evolved after several competing companies were combined through mergers and acquisitions. Such standards were agreed through planning and consensus in Europe, which for a couple of decades held an advance over the United States in mobile telephony. Competition also exists among state and local governments within the United States, for instance in offering tax subsidies to companies, which is discouraged as “fiscal dumping” within the European Union. In a related example, if the California high-speed rail project adopts one set of standards, and Texas or Florida others, and Amtrak still different ones, it will simply not be worthwhile for global multinational corporate suppliers to tailor research and development specifications to the whims of different municipal customers which could readily have adopted common standards by planning and consensus. In the same way, companies will be discouraged from tendering for contracts if US cities adopt different standards for municipal tramways (which are a clean, safe, convenient, inexpensive form of local transport). The correct balance must be struck, in other words, between consensus and competition, which is actually just a variant on the balance between the public good and private initiative.

The fact that the United States has neglected to invest sufficiently in fundamental sources of competitiveness identified by the World Economic Forum—healthcare, education, infrastructure—shifts the burden of competitive performance to the individual and the private sector. However, there is only so much that the individual or the private sector can do to compensate for the lack of public goods. The risk at that point is that future competitiveness becomes impaired as businesses and individuals cannot fully make up for relatively poor health among the population, for example, which is already the case today. Similarly, deficiencies in skills, failing infrastructure, and inefficiencies in government institutions, also threaten future competitiveness. Less tangible, but also important is the lack of a sense of common purpose as people increasingly have to fend only for themselves.

Consequently, we recommend that France and the United States both adopt national competitiveness plans and increase the exchanges among leaders, entrepreneurs, and students, with a view to getting the balance right. France can aim for a more dynamic competitiveness performance while retaining its basic competitiveness strengths, and the United States can focus on improving its basics so as to provide a more solid platform for its performance. Each has much to offer the other.



Moving Ahead Together

Against the background of such complementary competitiveness strengths, weaknesses, and challenges, we recommend that France and the United States expand and intensify their cooperation so as to become closer partners in enhancing their competitiveness. To that end, they should undertake the following initiatives:

Adopt National Competitiveness Plans

The United States already engages in a form of planning through the Quadrennial Defense Review of the Department of Defense.³⁰ This was augmented in 2010, under then-Secretary of State Hillary Clinton, by a Quadrennial Diplomacy and Development Review at the Department of State.³¹ The national competitiveness plan, in the US context, might be modeled on these two forms of strategic review.

The president's Council on Jobs and Competitiveness, known for short as the "Jobs Council," has not met in plenary session, according to the White House website, since January 2012.³² Its work could be folded into the elaboration of a national competitiveness plan. The US vice president was assigned responsibility for a "Middle Class Task Force" by the president and it may be appropriate for the national competitiveness plan to be overseen by the vice president on a continuing basis.

In France, the Commissariat général à la stratégie et à la prospective (CGSP) already exists and has a recently enlarged charter. In August 2013, President Hollande and Prime Minister Jean-Marc Ayrault directed the CGSP to provide, by the end of 2013, a strategy paper giving the outlook and policy choices for France in 2025, based on a preliminary note already delivered.³³ The French national competitiveness plan could be assigned to the CGSP and to the CGI.

30 See <http://www.defense.gov/qdr/>.

31 See <http://www.state.gov/s/dmr/qddr/>.

32 See <http://www.whitehouse.gov/administration/advisory-boards/jobs-council/meetings>.

33 See <http://www.strategie.gouv.fr/blog/2013/08/note-quelle-france-dans-dix-ans/>.

The processes of elaborating, debating, and implementing the national competitiveness plans could be extended to include, on a consultative basis, as many experts and leaders as possible from different backgrounds who can contribute to the process, notably from academia, business, local and regional government, the media, not-for-profit and nongovernmental organizations.

Establish a Series of French-US Competitiveness Summits

A series of French-US Competitiveness Summits should be established, in multiple areas, but all rigorously focused on the issue of competitiveness. To add to the significance and continuity of these summits, it would be helpful if they were created and pursued under the auspices, for example, of the French prime minister and the US vice president.

Hold a Joint French-US Cabinet Meeting Once a Year

French cabinet ministers and US executive branch department heads whose areas of responsibility include issues related to competitiveness should hold a joint cabinet meeting annually. Ministerial colleagues in defense, foreign policy, homeland security, economics, and finance already see each other frequently, but these meetings would bring together ministers and cabinet secretaries focused on trade, industry, SMEs, and the like, for a day's structured deliberation. These joint cabinet meetings should be used as an opportunity to create lasting contacts not only among politicians but between French and US civil servants and staff members in parallel government departments.

Convene Summits of Corporate and Civil Society Leaders

Business leaders—whether CEOs, board members, or senior corporate management—should also meet regularly on the subject of competitiveness. These French-US business summits would replace and give additional substance to the former French-American Business Council. Again placed under the French prime

minister and the US vice president, such business summits should also be extended to include key policymakers, academics, heads of powerful civil society organizations, and other experts.

These business summits could then be extended to specialize in competitiveness as it relates to specific policy areas such as healthcare, education, infrastructure, innovation, and research. They could also focus on industry sectors such as environmental services, nuclear and other non-fossil energy, information technology, defense, and life sciences. A series of scoping papers, one for each sector, could outline the potential issues to be addressed as well as give a preliminary sense of the agenda and possible outcomes.

Expand the French-US Competitiveness Summits to New Audiences

A specific effort should be made to create and extend French-US Competitiveness Summits to leaders and experts who would not normally have the channels to meet or exchange views on a regular basis, still less in a structured fashion on the broad topic of competitiveness. Such groups include local and regional government officials, teachers and education leaders, and not-for-profit and nongovernmental organizations in relevant policy sectors such as healthcare.

Revive the French American Conference of Entrepreneurs

The first meeting of the French-American Conference of Entrepreneurs (FACE) took place in conference facilities at the Louvre Museum in Paris in 2008 and gathered more than five hundred participants from France and the United States for a full day, among them owners and managers of high-growth and start-up companies, venture capitalists, government officials with an interest in promoting innovation and entrepreneurship, technology experts, lawyers, and journalists. The second meeting was held in the United States in 2009 at the New York Academy of Sciences. Further smaller gatherings took place in subsequent years. The French-American Conference of Entrepreneurs was launched as a private initiative and managed to achieve these early successes but, lacking substantial resources or a standing sponsor, the company which initiated it reduced and refocused its activities.

As part of the national competitiveness plans and again under the sponsorship of the French prime minister and the US vice president, the French-American Conference of Entrepreneurs should be revived. Permanent funding and sponsorship should be secured, if possible with cornerstone grants from the French and US governments, as well as key corporations, and its activities should operate on a full-time basis and be expanded beyond the core conference concept.

It is crucial to involve universities and government research departments in the French-American Conference of Entrepreneurs so as to establish as many lasting links as possible, and share as much knowledge as possible, among those innovation communities.

The French-American Conference of Entrepreneurs, once reestablished, should also monitor competitiveness policy proposals and the progress of proposals once enacted into policy in France and the United States. It should monitor, inter alia, the growth and mapping of competitiveness clusters in both countries, and more broadly. In the United States, the Institute for Strategy and Competitiveness at Harvard Business School,³⁴ which produces the US cluster mapping website,³⁵ could be a core partner of the FACE. In Europe, the European Union Cluster Observatory³⁶ as well as the European Foundation for Cluster Excellence³⁷ and the European Cluster Policy Group³⁸ could be starting points in addition to the very complete French-specific *pôles de compétitivité* initiative under the auspices of the French Ministry of the Economy, Finance, and it can act as a mini-think tank to distill and disseminate both business and policy ideas related to innovation, technology, and entrepreneurship.

Increase Student Exchanges Focused on Future Competitiveness

Students in middle school and high school today are especially concerned with issues of training, jobs, skills, and opportunities. French-US student exchanges focused on the issues of competitiveness could serve to concentrate younger minds on the issue, bring a different perspective to the competitiveness problem, and emphasize that competitiveness is a strategic issue that it is not too early to think about when in middle school or high school. Such a focus on competitiveness could include an emphasis on science and math achievement, travel to Silicon Valley and French innovation clusters, and meeting successful entrepreneurs.

Examine the Feasibility of a French-US Student Competitiveness Exchange Program

It would be necessary to review the scope of existing programs, so as to maximize efficiency and coordination with current exchanges. These French-US Student Competitiveness Exchanges could, for example, be organized with the Alliance Française, the organization promoting French language culture, which has over one hundred chapters in the United States, and with the French American Chambers of Commerce, which are

34 See <http://www.isc.hbs.edu/index.html>.

35 See <http://clustermapping.us/home/>.

36 See <http://www.clusterobservatory.eu/index.html>.

37 See <http://clustercompetitiveness.org/>.

38 See <http://ec.europa.eu/enterprise/policies/innovation/policy/clusters/>.

present in major US cities, together with their relevant counterparts in France. Such a series of exchanges could also be established under the French prime minister and the US vice president.

The proposed French-US student exchanges could be modeled on the French-Germans exchanges. Indeed, fifty years ago, in 1963, the French President Charles de Gaulle and the German Chancellor Konrad Adenauer signed the Treaty of Friendship between France and Germany known as the Elysée Treaty. Among its provisions was the creation of the Office franco-allemand pour la jeunesse-Deutsch-Französische Jugendwerk, or French-German Youth Office. Since then, eight million young French and German students have participated in more than three hundred thousand exchange programs.

The French-US Student Competitiveness Exchanges will create the types of bonds of understanding, respect, and friendship that have been fostered by the French-German Youth Office, but with a focus on the competitiveness issues facing France and the United States in the twenty-first century.

Strengthen the Current French-US University Ties Around Competitiveness

France has about eight hundred agreements with US universities and is the fourth-ranked destination for foreign studies by US students, with about seventeen thousand young Americans studying in France each year. Nearly seventy projects have been financed by the French-US “Partner University Fund” since 2007 and the Chateaubriand Fellowships offer the opportunity for eight months of study in France by about fifty US doctoral candidates. Several more structured partnerships exist, such as the Alliance Program at Columbia University with the Sorbonne, Polytechnique, and Sciences Po, and the Fulbright Commission scholarships, which allow French students to study in the United States.

These are very small numbers, however, compared to the potential for such programs, and there is scope to increase exchanges at university level around the subject of competitiveness, particularly through increased flows of students among top business schools, political science departments, and other social sciences disciplines. This

is also the case for engineering, science, and technology students. This initiative could also be placed under the high patronage of the French prime minister and the US vice president. If increased university and business school exchanges focused on competitiveness carry such policy endorsement and prestige, then a discussion among deans of the top business schools, together with university presidents whose institutions are already active in the French-US relationship, should represent a promising starting point. Pilot programs could then develop into structural exchanges that attract secure funding and institutional support from the universities and business schools.

National competitiveness plans and these series of French-US summits and exchanges can help emphasize that competitiveness really does constitute a strategic live-or-die issue for our democracies in the twenty-first century. This preliminary report represents a first step in encouraging France and the United States to realize that their complementary competitiveness is an important area in which they have enormous benefits to offer each other.

About the Author

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He is a writer and independent commentator on international relations, politics, and business, and the author of the biography *Gallatin: America’s Swiss Founding Father* (New York University Press, 2010). His next book, currently in preparation, is entitled *Why France Matters*. He is a senior adviser to the Institut de Relations Internationales et Stratégiques in Paris (IRIS).

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