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FRENCH-GERMAN LEADERSHIP IN THE EUROPEAN UNION UNDER THE RULE OF CHANCELLOR ANGELA MERKEL

THE CONSTITUTION FOR EUROPE AND THE LISBON TREATY

The Bundestag election campaign in the second half of 2005 overlapped with a serious crisis in the European Union that resulted from the failure to implement Germany's coveted project of the Constitution for Europe. The Treaty, pushed by the SPD-Greens coalition government, and especially by Chancellor Gerhard Schröder and Foreign Affairs Minister Joschka Fischer, was signed on 29 October 2004 at the Roman Capitoline Hill and needed to be ratified by the European Parliament and parliaments of EU Member States. After its ratification by the German Bundestag and Bundesrat (12 and 27 May 2005), the finale of the referendum campaign in France was monitored by Germany with great concern as the number of opponents of the European constitution was on the rise in France. The pessimistic scenario came true, and on 29 May 2005 the French (54.87%) rejected the Constitutional Treaty which led to a political upheaval in the European Union.[1] The explicit, though expected, French vote of no confidence for this project disappointed Brussels and puzzled Berlin. After the French referendum, the position of President Jacques Chirac notably weakened in French politics. His political instinct clearly failed him, as his decision on holding the referendum and the assumed victory of supporters of the European Constitution was intended to strengthen his position on the French political arena, which did not happen.[2]

The direct consequence of the unsuccessful referendum was the dismissal of the government of Jean Pierre Raffarin and the appointment of the cabinet of Dominique de Villepin (31 May 2005). In the *exposé* of the new Prime Minister, delivered to the National Assembly (8 June), Chirac's closest collaborator proposed a union between Paris and Berlin to act jointly in selected areas. In the face of the failure, that meant taking "the hard core" approach and creating "a union within the union". In the opin-

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[1] *Francuski kłopot*, "Gazeta Wyborcza" 31. 05.2005.

[2] Ph. Gouillaud, *Le président, qui s'exprime ce soir, est la première victime du sévère échec du référendum. Le chef de l'Etat dans le temps des incertitudes*, "Le Figaro" 31. 05. 2005.

ion of de Villepin, German-French cooperation should have concentrated on the EU Foreign and Security Policy, education and research and social issues. In the French government statement, however, the French Prime Minister did not provide details of the proposal. "Frankfurter Allgemeine Zeitung" newspaper criticised his speech, and stated that after the failure of the constitutional referendum, France intended to slide into protectionism and build "a European fortress" which was not in line with German interests.[3]

As expected, Berlin's reception of de Villepin's proposal was very cold. Chancellor's spokesperson Bela Anda stated that the French ideas were not up-to-date. Gerhard Schröder, who arrived in Paris on 10 June, also expressed his negative opinion without providing much explanation. In that situation, the Minister of Internal Affairs and potential successor of Chirac in the 2007 presidential elections, Nicolas Sarkozy, suggested that French-German cooperation could be an obsolete idea. On 27 June 2005 he told the French press that "enlarged Europe cannot be propelled solely by a two-stroke engine".[4]

In the second half of 2005 and in the first half of 2006, the key issue for both states was to find a solution to the constitutional deadlock after the negative results of the French and Dutch referenda and to outline the limits on the EU expansion. German politicians, occupied with the election campaign, were relieved to hear the European Commission's suggestions to give EU Member States one year to consider the future of the Constitutional Treaty and prepare concrete proposals on that issue.

Chirac, devastated with the unsuccessful constitutional referendum and accused of fraud committed when he was Mayor of Paris, gradually withdrew from public life. At the same time, Germany, after the parliamentary elections of 18 September 2005, experienced a political crisis. After many weeks of arduous negotiations, Christian and Social Democrats reached an agreement on establishing a government of CDU-CSU-SPD wide coalition with Angela Merkel as Chancellor. Gerhard Schröder gave up and announced that his intent to withdrew from politics. Minister of Foreign Affairs Joschka Fischer decided to do the same.

The German election results disappointed France, as Social Democrats and the Greens were considered better partners in dealings with both the USA and Russia. It was also taken into account that the new cabinet of Angela Merkel would attempt to rebuild the strained by Chancellor Schröder relations with Washington and would not be susceptible to French suggestions, in terms of both keeping its distance from the USA and the future of the French-German "twin engine" on the EU arena. It

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[3] K.-D. Frankenberger, *Deutsch-französische Feste. Die Idee des neuen Premierministers de Villepin verdient das Mißtrauen der Europäer*, "Frankfurter Allgemeine Zeitung" 12-13. 06. 2005. For a positive assessment of the French proposal see: S. Schwarz, *Die französische Eigenwille in der europäischen Politik*, in: J. Franzke (Hrsg.), *Europa in der Denkpause. Wege aus der Verfassungskrise*, Potsdam 2005, p. 74.

[4] *Frankreichs Innenminister Sarkozy attackiert Chirac. Politiker wirft dem Präsidenten Zaudern vor*, "Die Welt" 13.01. 2006.

should be underlined that in the CDU, CSU and SPD coalition agreement signed on 11 November 2005, there was no mention of any French-German "union" and not much space was devoted to Franco-German bilateral relations. In the document, it was underlined that Franco-German cooperation "cannot be questioned as it creates an important impulse and will respect the interests of our EU partners". Generally, it was announced that Germany's European policy will be continued and more active in selected areas.[5]

On 23 November 2005, right after her appointment as Chancellor, Angela Merkel paid her first official visit to Paris, putting an end to speculations about any cooling trend in French-German relations. The French hosts took all efforts to reassure their guest that France, despite the unsuccessful referendum on the European Constitution, would diligently build a unified Europe, and that close cooperation between France and Germany would give Europe a new impact. At a joint press conference, when speaking about Franco-German relations, Chirac declared that the German-French friendship "that has its source in the heart and mind, is truly at the core of French foreign policy". Such a statement was not delivered by Germany. Unlike Gerhard Schröder who preferred the company of EU *big boys*, especially Tony Blair, Angela Merkel displayed more reservation and made it clear that in the area of shaping EU policies, she would be more independent and open to dialogue and to interests voiced by other, especially smaller, EU Member States.[6]

It was beyond doubt that from Angela Merkel's perspective, from May 2005 to May 2007 President Chirac was a shamed and insignificant politician but Berlin refrained from critical comments. In the Chancellor's speech on European politics, given on 8 November 2006 to the German Council of Foreign Relations (DGAP) in Berlin, France was not mentioned at all. Her speech resounded heavily in the whole European Union. [7]

German leadership of the Council of the European Union in the first half of 2007 was subjected to the reanimation of the Constitutional Treaty and the celebration of the 50th anniversary of the Treaty of Rome. On 14 December 2006, Chancellor Merkel presented the goals and key points of German EU leadership in the first half of 2007 to the German Bundestag. On 17 January 2007, the Chancellor presented Germany's proposals to the European Parliament in a notably modified form and a more emotional tone. Angela Merkel acknowledged that the old continent needed a constitutional treaty since the world and Europe kept changing rapidly and the

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[5] *Gemeinsam für Deutschland – mit Mut und Menschlichkeit. Koalitionsvertrag zwischen CDU,CSU und SPD, Berlin 11.11. 2005* (reprint); H. Marhold, *Deutsche Europapolitik nach dem Regierungswechsel 2005*, "Integration" no. 1/2006, pp. 3-22; *Paris-Berlin. La grande inconnue*, "Le Figaro" 15.10. 2005, p. 28.

[6] M. Wiegel, *Lange Zeit falsch eingeschätzt*, "Frankfurter Allgemeine Zeitung" 24.11.2005.

[7] G. Müller-Brandeck-Bocquet, *Deutsche Politik unter Angela Merkel*, in: G. Müller-Brandeck-Bocquet (2010), *Deutsche Europapolitik von Konrad Adenauer bis Angela Merkel*, Wiesbaden, p. 326; *cf.* U. Guérot, *Alors viens, Marianne!: Ohne Frankreich geht nichts in Europa; kann Berlin Paris aus der Schmollecke holen?*, "Internationale Politik" no. 1/2007, pp. 39-45.

treaties in force did not provide for further enlargement. While she spoke, it could easily be seen that the head of the German government put Germany's and her own authority at stake to achieve notable progress in the work on the European Constitution during Germany's six-month Presidency, and – most importantly – without having to start the whole debate from point zero.[8]

The Chancellor's Office assigned the outmost priority to the European Constitution and undertook actions to probe and persuade EU Member States to adopt the project, so far strongly supported by Germany. This took place in the shadow of the French election campaign and attempts to win Poland's support for German proposals.

The French presidential elections were held at the time of difficult German negotiations with Warsaw and other EU Member States. Like his predecessors, Nicolas Sarkozy, who was then Minister of the Interior, often expressed anti-German views in the presidential campaign. At his meetings on the 30th of March in Nice, and especially on the 17the of April in Metz, Sarkozy recalled that France was never lured by totalitarianism, did not terminate any nation, did not invent the *Endlösung* and did not commit genocide.[9]

On the 22nd of April, and later on the 16th of May in the second presidential round, Nicolas Sarkozy won the presidential elections, and Germany was forced to revise its ideas about Franco-German collaboration. One should admit that Chancellor Merkel cooperated quite well with Chirac until the end, although he was already a disgraced politician then. In Merkel's relation with Chirac's successor, the so-called "political chemistry" was missing. The cool and reserved Merkel kept her distance from the impulsive and emotional *hyperpresident, speedy Sarko* or *Monsieur 1000 Volt*, as the press called Sarkozy. Sarkozy did pay a short and hasty visit to Berlin at the beginning of his presidential term but on numerous occasions he implied that his meetings with German officials of various levels were a tedious obligation. Sarkozy reportedly told famous French playwright Yasmina Reza that every journey to Berlin was "hell" for him, and that he felt "terrorised" by his hosts in Berlin and Frankfurt am Main. His milieu could hardly be classed as German-friendly. That refers to Jean-David Lévitte, his political advisor and Henri Guaino, the author of the French President's speeches. Charles Pasqua Philippe Séguin and Claude Guéant were his other old collaborators.[10]

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[8] *Rede der Bundeskanzlerin vor dem Europäischen Parlament. 17.01.2007*. Presse und Informationsamt der Bundesregierung. Pressemitteilung No. 20 http://www.auswaertiges-amt.de/diplo/de/EU-P/EU-P.html.

[9] *La France n'a jamais cédé à la tentation totalitaire. Elle n'a jamais exterminé un peuple. Elle n'a pas inventé la solution finale, elle n'a pas commis de crime contre l'humanité, ni de génocide", Quand le candidat Sarkozy était accusé de "germanophobie" en 2007*, "Le Monde" 5.12.2011; J. Altwegg, *Antideutsche Klischees in Frankreich. Euro statt Wehrmacht*, "Frankfurter Allgemeine Zeitung" 06.12.201.

[10] S. Lehnartz, *Keine Freundschaft: Merkel und Sarkozy – Szenen der arrangierten Ehe*, "Die Welt" 14.03.2009; A. Grosser, *Sarkozys Außenpolitik: über Widersprüche und Irritationen*, "Die politische Meinung" no. 52/2007, p. 28-32.

The strained prestige of Paris as a half of the European decision-making duo obliged President Sarkozy to present a plan of overcoming the constitutional failure and a new, feasible and serious offer for the other EU Member States. Prior to his successful election, Sarkozy promoted the project of a Mini-Treaty or simplified treaty (*traité simplifié*) which boiled down to his proposal to adopt those fragments of the Constitutional Treaty that could be saved.

Undoubtedly, Chancellor Merkel appreciated Sarkozy's efforts to break the deadlock and adopt the *traité simplifié*, but the French President's attempt to dominate the European Council's meeting of June 2007 crowning the German Presidency, caused embarrassment. Though President Sarkozy recognised Germany's success, he underlined that it was also the success of France and his personal conciliatory efforts, just like he did in his Strasbourg speech of 2 July 2007. Merkel was not impressed by Sarkozy's praise of the "holy" Franco-German friendship, nor by him speaking about his everlasting friendship with Merkel on the occasion of awarding the Charlemagne Prize to the German Chancellor in Aachen in May 2008.[11]

Solutions adopted at the Brussels summit on 21-22 June 2007 and the congruent French-German cooperation on overcoming Poland's veto against the EU Council decision-making system (the Treaty of Nice system until 2014 and later the introduction of the so-called double majority) soothed tensions between Paris and Berlin.[12] Both France and Germany unanimously supported the Portuguese Presidency of the European Union that resulted in the signing of the Lisbon Treaty on 13 December 2007.

UNION FOR THE MEDITERRANEAN

At the beginning of Sarkozy's presidency, France made an attempt to reshuffle its foreign policy priorities and strengthen its position in relation to Germany. This policy was to be based on two pillars: France's activity in Europe and Africa, and the tightening of relations with the USA and NATO. The need for strengthening France's presence in the Mediterranean Basin, strongly underlined already during the presidential campaign, was a bold and risky idea. The future of the "Barcelona Process" launched in 1995 was still doubtful. (The Barcelona Process was to constitute an institutionalised form of cooperation between Mediterranean countries and the European Union.) Sarkozy decided to develop France's sphere of interests that would be beyond Germany's control, in a way recalling the historical colonial presence of France in North Africa.

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[11] B. Gorawantschy, *Frankreich unter Staatspräsident Sarkozy*, "Einsichten und Perspektiven" no. 3/2007, p. 144-165; J. Schild, *Sarkozys Europapolitik. Das zunehmende Gewicht der Innenpolitik*, "Integration" no. 3/2007, pp. 238-250.

[12] *European Council in Brussels 21-22 June 2007. Conclusions of the Presidency*, http://www.consilium. europa. eu/ueDocs/cms–Data/docs/pressData/PL/ec/94942.pdf. Cf. B. Koszel, *Der bittere Sieg in Brüssel*, "WeltTrends" no. 56, Herbst 2007, pp. 190-191.

On 23 October 2007 in Tangier, President Sarkozy invited leaders of all Mediterranean countries to join a summit of the leaders in France in July 2008. A union for the Mediterranean was to comprise only the countries of that region, but the project was to be financed by the whole European Union. Already at that point the President openly stated that this was a political project aimed at creating a French zone of influence in the Mediterranean Basin. It was supposed to counterbalance the privileged position of Germany in Central and Eastern Europe.[13]

From the very outset, Merkel did not conceal her scepticism as she believed that the French union would only replicate the Barcelona Process that had been launched earlier on and criticised by the German government. Merkel argued that the Mediterranean union might divide the European Union into "interest zones" with Germany's sole interest in eastern Europe, and France's in the South of Europe. Merkel also criticised the limitation of the list of possible participants in the new initiative to those from the Mediterranean Basin.[14]

Since the beginning of 2008, the German government, with the support of the mass media, had attempted to torpedo the French initiative, as it considered the Union for the Mediterranean to be unfavourable for the European Union. German opposition in the European Council and the European Parliament brought about the desired effects. The tough stance of the German government, backed, *inter alia*, by Prime Minister Donald Tusk, forced Sarkozy to revise his plans. At the French-German summit in Hannover, held at the beginning of March 2008, the French President consented to include all 27 EU Member States in the French initiative. Poland undoubtedly benefited from that conflict as it won the support of Berlin for the Eastern Partnership which Poland promoted.[15]

Officially, the French initiative was adopted on 12-13 March 2008 at the European Council meeting in Brussels and was formally named "The Barcelona Process: Union for the Mediterranean".[16] On 13 July 2008, at the summit in Paris, attended by representatives of 43 countries, the launch of the new project, whose name was shortened already in November to the "Union for the Mediterranean", took place.[17]

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[13] C. Demesmay, *L'Allemagne face à l'Europe de Nicolas Sarkozy*, "Politique étrangère" no. 2/2008, pp. 373-384.

[14] *Merkel und Sarkozy in Hannover. Abendessen mit Krisenstimmung*, "Süddeutsche Zeitung" 3.03.2008; S. Martens, *Le couple franco-allemand: nécessaire mais pas suffisant*, «Questions internationales" mai-juin 2008, pp. 74-79; *cf*. A. Jünemann, *Zehn Jahre Barcelona-Prozess. Eine gemischte Bilanz*, "Aus Politik und Zeitgeschichte" 45/2005, pp. 7-13.

[15] D. Schwarzer, I. Werenfels, *Formelkompromiss ums Mittelmeer*, "SWP-Aktuell" no. 24/2008, p. 1-8; H. Stark, *Die französische EU-Ratspräsidentschaft 2008 – zwischen aktuellem Krisenmenagement und strategischen Weichenstellung*, "Integration" no. 3/2008, p. 235-240.

[16] *European Commission. Communication from the Commission to the European Parliament and Council*, Brussels, 20.05.2008. http://translate.google.pl/translate?hl=pl&langpair=en%7Cpl&u=http://www.cremo.edu.gr/Union%2520 for%2520the%2520Mediterranean%2520Barcelona%2520Process.pdf.

[17] M. Delgado, *France and the Union for the Mediterranean: individualism versus co-operation*, "Mediterranean Politics" no. 1/2011, p. 39-57.

The European Union's priorities were listed in the declaration adopted at the summit. They included de-pollution of the Mediterranean, improvement of maritime and land highways, civil protection, alternative energies: Mediterranean solar plan, higher education and research, and the Mediterranean Business Initiative. The German Ann Lindh Foundation involved in this project was interested in cultural exchange and cooperation between institutions supporting the development of civil society. The German government expressed its interest only in the construction of solar energy plants and wind farms in North Africa. In July 2009, in Munich, twelve German companies and concerns signed an agreement on their joint construction of solar energy plants in the Sahara that would supply electricity to German households. The *Desertec* project is to cost EUR 400 million, and its implementation might take 10 years.[18]

"MERKOZY"

The energy and climate policies led to a divergence of opinion between Berlin and Paris. At the 2007 EU summit in Brussels, held during the German Presidency, the EU adopted a challenging plan to reduce GHG emissions by 20% by 2020 (against the 1990 baseline), increase the share of EU energy consumption produced from renewable resources to 20%, and improve the EU's energy efficiency by 20%.[19]

In his first speech as a state leader delivered at the June G-8 summit in Heiligendamn, Nicolas Sarkozy spoke favourably of the climate and energy policy plans and supported the German Chancellor promising joining her attempts to exert pressure on Russia and the USA in this area. Controversies arose when the discussion moved on to the details. The French opted for new nuclear plants and increasing the share of nuclear power in the EU, with a view to free the EU from raw material supplies from Russia and the Middle East. In Germany, the society increasingly approved of the "green" opposition's demands to shut down all German nuclear power plants by 2023. The French were particularly vexed by Siemens' decision to leave its nuclear plant construction partner Areva, the French national nuclear group, and launch cooperation with the Russian nuclear giant Rosatom to construct a nuclear plant in Bulgaria among others.[20]

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[18] *Niemcy planują budowę elektrowni słonecznych na pustyniach Afryki*, "Gazeta Wyborcza" 9.06.2009; For more on the functioning of the Union for the Mediterranean between 2008-2011 see: *Union pour la Méditteranée. Union for Mediterranean*, http://www.ufmsecretariat.org/en/; http://www. auswaertiges-amt. de/DE/Europa/Aussenpolitik/Regionalabkommen/EuroMedPartnerschaft–node.html.//

[19] *European Council in Brussels, 8-9 March 2007. Presidency Conclusions*, http://www.consilium.europa.eu/uedocs/cms–data/docs/pressdata/PL/ec/93142.pdf.

[20] *Siemens steigt bei Atomkonzern Areva aus*, "Die Welt" 26.01.2009; *Siemens bleibt Atom treu – nur Areva nicht*, "Handelsblatt" 23.01.2009; *Rosja kusi Niemców atomowym sojuszem*, "Gazeta Wyborcza" 3.02.2009.

During the French EU Presidency in the second half of 2008, Germany agreeably cooperated with France on climate change, migration and asylum issues, which helped the French Presidency. After Ireland rejected the Lisbon Treaty in its referendum, both France and Germany forced Dublin to repeat the Irish vote. They threatened Ireland that they would block EU's further enlargement. Chancellor Merkel loyally supported Sarkozy's preparation of a peace plan to end the Russia-Georgia war of August 2008. She did not begrudge the French leader basking in glory of the success of his peace plan. Neither was she jealous when he attempted to transform the French Presidency into what the press called a "one-man show".[21]

In 2009, the cooperation on European safety and security was gradually tightened. On 11 March 2009, France officially announced its return to NATO's Integrated Military Command Structure, which was warmly welcomed by Germany. The appointment of Bruno La Maire, highly regarded in Berlin and well acquainted with German political realities, as Secretary of State for European Affairs was also welcome in Germany. However, as early as in June 2009, he was replaced with Pierre Lellouche, a tougher politician and supporter of transatlantic relations, strongly involved in the development of the EU Common Security and Defence Policy (CSDP).[22]

France wanted to make the CSDP more active and to establish efficient, well-equipped and high readiness military forces. The Germans expressed their support for that position. In November 2010, together with the Swedes, they endorsed a project for intensifying the EU Member States' military cooperation. In December 2010, the Foreign and Defence Ministers of the Weimar Triangle states addressed the High Representative of the EU for Foreign Affairs and Security Policy, Catherine Ashton, postulating, in writing, to take concrete decisions aimed at improving the functioning of CSDP mechanisms during the Polish Presidency in the second half of 2011. The main issues were: training, logistics, division of competences, and the command structure. For France, which demanded establishment of highly effective forces with immediate deployment capacity, that was definitely not enough.[23]

It was hardly surprising that France begun pushing the UK for cooperation then. The UK shared France's views on the development of the European defence capability. On 2 November 2010, the two states signed two treaties, one on security and defence cooperation, the other on joint defence nuclear facilities.

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[21] *Sarkozy verabschiedet sich mit großem Eigenlob*, "Die Welt", 16.12.2008; J. Schild, M. Koopmann, *Der Sarkozy Moment politische Führung in der EU am Beispiel der französischen Ratspräsidentschaft*, "Integration" no. 3 2009, pp. 266-281.

[22] G. Müller-Brandeck-Bocquet, *Deutsche Europapolitik unter Angela Merkel*..., p. 330; *cf.* M. Stürmer*, Zurück in der Nato: Frankreich verfolgt nur sein nationales Interesse*, "Die Welt" 18.03.2009.

[23] R. Kempin, N. von Ondarza, *Die GSVP vor der Erosion? Die Notwendigkeit einer Wiedereinbindung Frankreichs und Grossbritanniens*, "SWP-Aktuell" no. 25, Mai 2011; *cf.* E. Brok, *Chancen und Perspektiven einer gemeinsamen europäischen Außen- und Sicherheitspolitik: Empfehlungen an die deutsch-französische Zusammenarbeit*, in: L. Albertin (Hrsg.) (2010), *Deutschland und Frankreich in der Europäischen Union: Partner auf dem Prüfstand*, Tübingen, pp. 114-132.

The Arab Uprisings in Tunisia, Egypt, Libya and Syria between 2010 and 2011 additionally deepened the split between the allies and exposed the lack of efficacy of the Common Foreign and Security Policy and the European Security and Defence Policy. Diverse positions of major EU Member States quickly became visible. While France, the UK and the US, within and beyond NATO structures, actively supported (with arms and food) rebel forces fighting dictatorial regimes, Germany showed restraint limiting its actions to moral support and a group of German officers who worked as NATO logisticians. The events of 2011 in Libya, where France was actively engaged in the overthrowing of Muammar Gaddafi, boosted further misunderstandings between Germany and France, as Berlin remained neutral. In March 2011, the Representative of Germany to the UN Security Council abstained from voting on the resolution supporting NATO operations in Libya. This sparked critical response all over France, as well as within the Federal Republic.[24]

On 27 September 2009, after German parliamentary elections, the second cabinet of Angela Merkel was formed in coalition with the liberals (FDP). In the coalition agreement signed by the CDU, CSU, and FDP on 26 October 2009, relations with France were given roughly the same amount of space as relations with Poland. They were confirmed to be exceptional in their scope (*in seiner Breite und Tiefe einzigartig*) and promoting further European unity. Readiness to intensify cooperation in education and space research, as well as on climate protection and security and defence policy was confirmed.[25]

Care was taken to make Merkel-Sarkozy relation appear close. It followed that Sarkozy and Merkel started to be perceived as inseparable and teasingly called "the Merkozys". The French President participated in the celebrations of the 20th Anniversary of the Fall of the Berlin Wall and the German Chancellor came to Paris on 11 November to celebrate the anniversary of the end of World War I.[26]

The French intended to cooperate with the new German government more intensely. It was the abovementioned French Secretary of State and Government Plenipotentiary for German Relations, Pierre Lellouche, who headed a special ministerial team working on that project since September 2009.[27]

In fact, on 4 February 2010 in Paris, the 12th joint meeting of both cabinets took place – the first one since the emergence of the CDU/CSU-FDP Government and

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[24] R. Herzinger, *Libyen: Die deutsche Außenpolitik hat sich gründlich blamiert*, "Die Welt" 22.08.2011; J. Varwick, *Unzuverlässiger Bündnispartner. Ist Deutschland aussenpolitisch isoliert?*, "Internationale Politik on line", 23.08.2011, http://www.internationalepolitik. de/2011/08/23/unzuverlassiger-bundnispartner-2/. Polls carried by ARD-DeutschlandTrend, September 2011, showed that 54% of respondents evaluated the government's stance positively, and 42% were in favour of NATO's participation in the operations in Libya. See "Die Welt" 2.09.2011.

[25] *Wachstum. Bildung. Zusammenhalt. Der Koalitionsvertrag zwischen CDU, CSU, FDP. 17. Legislaturperiode* http://www.cdu.de/doc/pdfc/091026-koalitionsvertrag-cducsu-fdp.pdf.

[26] M. Wiegel, *Gedenken in Paris. Deutsche Fahnen am Triumphbogen*, "Frankfurter Allgemeine Zeitung" 18.11.2009.

[27] S. Lehnartz, *Sarkozy will Frankreich jetzt zur Weltmacht machen*, "Die Welt" 24.09.2009.

after EU's ratification of the Lisbon Treaty. Paris wanted to underscore the symbolic meaning of the French-German engine for the EU. The Franco-German 2020 Agenda adopted at the meeting read that "the closest possible cooperation bears significant value for both countries" and emphasised that France and Germany shared the same vision of Europe's future until 2020. The ten-page-long document with proposals advancing French-German cooperation encompassed six large areas: economy, energy and climate, research, foreign policy and defence, tighter cooperation between the two nations, more contacts between citizens and tighter institutional cooperation.[28]

The number of joint undertakings (80) was indicative of France's willingness to deepen the cooperation, but the German response did not meet French expectations. The Germans concurred with the opinion that French-German relations were exceptional but decided to stick to the current formula of collaboration with France, which they found satisfying. Chancellor Merkel did not seek to boost the symbolism of the Berlin-Paris relations, as she believed it could be perceived negatively, i.e. as an attempt to dominate the whole of the European construct. It could also lead to limiting Germany's room for manoeuvre to form alliances with other EU Member States, especially with Poland whose importance in the German policy kept growing constantly.

EUROPEAN SOVEREIGN-DEBT CRISIS

What turned out to be a real challenge for *le couple franco-allemand* was the global economic crisis. In 2008, Europe experienced the first symptoms of the economic breakdown triggered by the bankruptcy of US banks and credit institutions of a scale unprecedented in the 20th century. That took place under the French leadership of the EU and, somewhat automatically, Nicolas Sarkozy took initiative. On 4 October 2008, the summit of European G8 leaders was held in Paris. It was joined by President of the European Central Bank Jean-Claude Trichet and President of the Eurogroup Jean-Claude Juncker. France spoke in favour of the Dutch proposal to follow the example of the USA and design an umbrella fund (EUR 300 billion) for EU Member States threatened with bankruptcy. Germany instantly rejected the proposal as it considered common actions to be superfluous and proposed that each case would be considered on an individual basis, and solely in the case of emergency. German Minister of Finance Peer Steinbrück argued that the establishment of a European aid fund would force Germany to contribute the lion's share without having much control over its actual expenditure.

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[28] *Deutsch-französische Agenda 2020*, http://www.bundesregierung.de/Content/DE/Artikel/2010/02/2010-02-04-deutsch-franzoesische-agenda-2020.html; *cf.* J. Kumoch, *Posiedzenie Francusko-Niemieckiej Rady Ministrów*, "Biuletyn PISM" no. 19/2010, http://www.pism.pl/files/?id_plik=805.

The German veto sparked many critical remarks but the summit ended with the adoption of some arrangements. Among others, it was agreed to coordinate joint rescue activities of EU Member States, strengthen banking supervision and organise an international meeting to design a new global fiscal strategy.[29]

The first meeting showed that Germany and France were of notably divergent opinions on the methods of solving the crisis. Germany suggested that state intervention should be the last resort solution and should be employed only in concrete individual cases. State intervention should focus on savings, budget discipline and reducing national debt. France, driven by its Republican traditions, favoured the primacy of politics over economics and a strong role of the state in the area of economy. France, however, consented to coordinated and joint international actions as, in its opinion, those would significantly increase the effectiveness of any emergency undertakings.[30]

Germany's position changed somewhat after the next emergency summit held in Paris on 12 October 2008. It was attended by the Eurozone members and the UK. Shocked with the news coming in from the USA, summit participants agreed to undertake focused action aimed at saving European banking systems. Banks were to receive state warranties that debts would be repaid, the state was to ensure capital influx while the ECB was to strictly supervise the banking system.

Soon after, on 17 October, the Bundestag adopted a special act on the "stabilisation of financial markets", under which it agreed on the EUR-500-billion bailout package. The example of the Federal German Republic was followed by France, which assigned EUR 360 billion to this end. The Brussels EU summit of 15-16 October 2008 approved the agreed solutions. However, Germany made it clear that it considered the situation to be exceptional and not to happen again.[31]

French ideas how to rescue fiscal systems of EU Member States were followed by another proposal of the French leader, which had not been consulted with Germany. On 21 October 2008, in his speech to the European Parliament, Sarkozy proposed to establish a European economic government. Sarkozy also suggested that industries of Member States should be nationalised in part. His other idea was to establish national investment funds in EU Member States. Those funds would acquire shares of financially-challenged companies. Federal Minister of Economy Michael Glos

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[29] J. Claaßen, *op. cit.*, p. 87; D. Schwarzer, *La présidence française de l'Union européenne: quels objectifs, quels partenaires?*, "Politique étrangère" no. 2/2008, pp. 361-371.

[30] *Cf.* J. Mistral, H. Unterwedde, *Wirtschafts- und Finanzpolitik: Herausforderungen und Perspektiven einer deutsch-französischer Initiative*, in: *Deutschland-Frankreich: Fünf Visionen für Europa*, "KAS Publikation. Deutsch-französischer Dialog" H. 2/2010, p 31; Ch. Deubner, *Der deutsche und französische Weg aus der Finanzkrise*, "DGAP Analyse" April 2011; P. Kauffmann, H. Unterwedde, *Verlorene Konvergenz? Deutschland, Frankreich und die Euro-Krise*, "Aus Politik und Zeitgeschichte" Bd.43/2010, pp. 13-14.

[31] D. Bohnenkamp, *Deutsch-französischer Dissens. Die EU sucht Wege aus der Wirtschafts- und Finanzkrise*, "Dokumente. Zeitschrift für den deutsch-französischen Dialog" no. 1/2009, p. 508.

(CSU) recognised Sarkozy's ideas as incompatible with the German economic philosophy and rejected the French proposals.[32]

After the G-20 Summit held on 15 November 2008 in Washington, where an agreement on strict supervision of banking systems was reached, another German-French summit was held (24 November) which deepened the divide between Germany and France. When President Sarkozy announced a series of anti-crisis actions that were to enliven the economy, Germany hesitantly informed that it would undertake actions to stimulate the economy but not before January 2009. The French leader snappily commented: "while France works, Germany thinks".[33]

The last meeting of the European Council under the French leadership was held in Brussels on 11-12 December 2008 and ended with a partial success of France. EU Member States approved the economic bail-out plan amounting to about 1.5% of EU GDP, that is EUR 200 billion. Due to Germany's resistance, this amount was lower than Sarkozy expected. In the conclusions of the summit, it was underlined that in the face of the financial crisis and looming recession, "in these exceptional circumstances, Europe will act in a united, strong, rapid and decisive manner to avoid a recessionary spiral and sustain economic activity and employment".[34]

It was only natural that the French Presidency of the EU Council drew Europe's attention to Paris and President Sarkozy. Sarkozy certainly made many efforts to minimise the consequences of the global financial crisis that hit the European Union. He put forward numerous proposals of enlivening European economy, and his hyperactivity in that area won respect of German experts and political commentators. The problem was that Sarkozy repeatedly did not consult his plans and endeavours with his German partner, or informed of his intentions too late or too vaguely. Making the Federal Republic of Germany appear to be of secondary importance in the EU resulted in another cooling down of the Franco-German relations, which resembled the situation after the 2000 Nice summit.[35]

During the following Czech Presidency of the Council of the European Union, relations between Paris and Berlin gradually improved. As the next European Council summit drew near, leaders of both France and Germany wrote a letter to the leader of the Czech Presidency, Prime Minister Miroslav Topolanek, postulating that the Czech Republic adopts a tough stance on the need to regulate financial markets and to prepare a global financial strategy. That joint position demonstrated agreement between France and Germany on the need to restore financial markets and was presented at the summit of 19-20 March 2009 and impacted the course of the G-20

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[32] S. Stroß, *Das deutsch-französische Duo im Spiegel der Zeit – aktueller Impulsgeber oder überholte Allianz?* "Integration" no. 2/2011, pp. 172-177.

[33] J. Claaßen, *op. cit.*, p. 90.

[34] *European Council in Brussels on 11-12 December 2008. Conclusions of the Presidency*, http://www.eu2008.fr/webdav/site/PFUE/shared/import/1211–Conseil–europeen/Rada–Europejska–12-12-2008–Konkluzje–PL.pdf. For an assessment of Germany's position see: H. Crolly, C. Schiltz, *Merkel setzt "Non"-Politik gegen Sarkozy durch*, "Die Welt", 12.12.2008.

[35] G. Müller-Brandeck-Bocquet, *Deutsche Politik unter Angela Merkel...*, p. 329.

meeting in London. In accordance with the expectations of France and Germany, the *Global Plan for Recovery and Reform* was adopted. It foresaw strict supervision of financial markets and rating agencies, strengthening international monetary institutions, gradual elimination of tax havens, increase in the World Bank and IMF funds assigned to supporting the economy, especially in developing countries, and rejection of protectionism.[36]

In April 2009, the International Monetary Fund (IMF) warned that the crisis might also affect developed European countries and trigger very deep economic recession and huge unemployment. The Economic and Monetary Union of the European Union (EMU) faced enormous challenges, and it soon became apparent that its weakest Member States might upset its whole structure.[37] Greece, which in 2001 slipped into the Monetary Union through the "back door" having forged some convergence statistics, was heavily criticised. Its lack of fiscal discipline combined with immense spending on social benefits and "living beyond one's means", soon broke down the Greek economy. In October 2009, Greek Finance Minister Giorgos Papakonstantinou informed that Greece's national debt increased, which deepened the financial markets' mistrust in Greek and hence unwillingness to purchase Greek bonds. The purchase of Greek bonds, despite their high interest, was so risky that few ventured to acquire them. Greece's creditworthiness was lowered to the level of "trash".[38]

Germany, the largest contributor to the EU budget, was allegedly aware of the misuse of statistics that enabled Greece's joining the Monetary Union.[39] At first Germany refused to throw Greece a lifeline. Chancellor Merkel feared that if Greece received financial support, other EU Member States, e.g. Ireland, Portugal and Spain, would line up for similar aid. Merkel vetoed the proposal to provide support for indebted Greece in the form of coordinated loans from Member States belonging to the single currency area. The upcoming 2010 local elections in North Rhine-Westphalia made Angela Merkel even more reserved and her stance tougher.

Before the crucial meeting in Brussels, speculations concerning the Chancellor's position revived. The press published speculations that the largest EU Member State would cater for the interests of its own taxpayers in the first place, and would not make any successions that would undermine the principles of the Monetary Union. Merkel allegedly suggested that those who violate those principles should be expelled from the euro area. German Finance Minister Wolfgang Schäuble suggested

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[36] For details see: *The Global Plan for Recovery and Reform. 2 April 2009*, http://www.g20.org/Documents /final-communique.pdf.

[37] A. Schmidt, *Die Wirtschafts- und Finanzkrise 2008/09 – Die erste Bewährungsprobe für die Wirtschafts- und Währungsunion*, "Integration" no. 4/2009, pp. 3888-397; H. Enderlein, *Die Krise im Euro-Raum: Auslöser, Antworten, Ausblick*, "Aus Politik und Zeitgeschichte" Bd.43/2010, pp. 7-12.

[38] J. Krakowski, *Kryzys finansowy świata zachodniego i kryzys euro*, "Sprawy Międzynarodowe" no. 2/2011, p. 31.

[39] Disclosed documents point to Finance Minister Hans Eichel, see: *Griechenland-Krise: Neue Dokumente setzen Hans Eichel unter Druck*, "Die Welt" 2.11.2010.

that Member States that do not adhere to the principles should not have the same voting power as those that comply to the rules. Greek politicians openly spoke about Germany revealing its true colours and that the moment had come to learn if Angela Merkel deserved to be called *Lady Europe* or rather *Frau Germania*.[40]

The meeting of the European Council held on 25-26 March 2010 was to a large extent dictated by Germany. Conclusions of the summit included an appeal for a new strategy of coordinating economic policies and underlined the need for "ensuring the quality, reliability and timeliness of statistical data" very explicitly alluding to Greece. A task group to develop measures helping to overcome the crisis faster and increase budget discipline was established. Chancellor Merkel, called *madame non* at the time, consented to help Athens but on tough conditions. The experienced International Monetary Fund was to participate in that operation and financial support was to be granted only as *ultima ratio* while the regulations of the Stability and Growth Pact were to be stricter.[41]

After the meeting in Brussels, European press offered back-handed compliments to the Chancellor. Journalists compared Merkel to Margaret Thatcher and the "Iron Chancellor" Otto von Bismarck, i.e. to politicians who were capable of imposing their opinion on other states. In the opinion of many German politicians, Merkel followed the example of Gerhard Schröder and his *Realpolitik* which gave priority to German interests. Merkel was also accused of lowly motives and attempting to win votes before elections in North Rhine-Westphalia that were to be held on 9 May 2010.[42] The above, however, was a gross simplification. Merkel had strong arguments not to succumb to the pressure of markets and European public opinion. Making financial aid for Greece dependent on its fulfilment of strict conditions and involving the IMF in this process were time-consuming but necessary. Also accusations of *Alleingang* were not completely justified, as many Member States supported the Chancellor's actions hiding behind her back. Financial aid for Greece was never questioned in Berlin – not only for fear of the crumbling stability of the euro but also because of Germany's national interests. The bankruptcy of Greece would first affect German banks that acquired Greek bonds for approximately EUR 40 billion.

On 23 April 2010, Greece submitted its official request for financial aid to the European Union and the IMF. On the 2nd of May, finance ministers of the Eurozone agreed on a rescue package for Greece of EUR 110 billion for the period of the next three years on condition that Greece introduces harsh budget cuts. The IMF was to contribute EUR 30 billion to the financial package.

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[40] T. Bielecki, L. Baj, *Merkel zablokuje pomoc dla Grecji?*, "Gazeta Wyborcza" 25.03.2010.

[41] C. Volkery, *Merkel beim EU-Gipfel. Madame Nons riskanter Poker*, "Der Spiegel" 26.03. 2010; G. Bannas, *Das deutsche Dilemma*, "Frankfurter Allgemeine Zeitung" 26.03.2010; *European Council, 25-26 March 2010. Conclusions*, http://www.consilium.europa.eu/uedocs/cms–data/docs/ pressdata / PL/ec/113605.pdf.

[42] J. Fischer, *Frau Germania. Merkel und Europa*, "Süddeutsche Zeitung" 29.03.2010.

On 27 April 2010, the Ministry of Finance of the Federal Republic of Germany presented a special legislative proposal to the German parliament. On 7 May 2010, Chancellor Merkel speaking to the Bundestag presented a draft rescue plan for Greece and informed that Germany would contribute EUR 22.4 billion in the form of loans and credit warranties. Right after the first reading, the Bundestag adopted a draft act which enabled the government to participate in the rescue plan. On 19 May, under accelerated procedure, another legislative proposal was submitted to the Bundestag. This draft act concerned governmental financial warranties as part of the European financial mechanism. The Bundesrat adopted it on the 22nd of May. This document was signed by incumbent President of the Federal Republic of Germany Horst Köhler whose term of office was to end soon. A few days earlier, a similar draft was presented to the French National Assembly. Also without much ado, the deputies adopted the rescue package for Greece amounting to EUR 18.6 billion.[43]

In response to the rigid principles conditioning the granting of financial aid, the citizens of Greece took to the streets in protest. In this situation, the Governing Council of the European Central Bank and representatives of the IMF (the so-called *troika*) agreed to establish a special rescue package amounting to EUR 750 billion in case other economically weak Eurozone members would follow in the footsteps of Greece. One day later, the finance ministers (ECOFIN), acting under Article 122 of the Treaty on the Functioning of the European Union, established the European Financial Stability Mechanism (EFSM) and created an institutional support facility for Eurozone members called the European Financial Stability Facility (EFSF). The EFSF foresaw the launch of loans and credit lines and authorised the European Commission to take out loans on capital markets and from financial institutions. Headed by German specialist Klaus Regling, the Facility was to be a temporary solution to be replaced in 2013 with a special long-term financial mechanism.[44]

After receiving the consent of the German parliament, a coordinated operation of Eurozone states and the IMF was launched. In result, successive tranches of financial aid for Greece were disbursed from the mentioned enormous financial package of EUR 110 billion. In the first place, funds were allocated to assist national banks, stabilise the budget and to halt the economic breakdown of Greece.

It was beyond doubt that there were still discrepancies between Germany and France on further EU actions concerning economy and finance. Nicolas Sarkozy rightly argued that the Economic and Monetary Union and the ECB's leadership would definitely not suffice as the EU lacked a common macroeconomic policy. Sarkozy maintained his previous offer of establishing "an economic government" (*gouvernement économique*) of Eurozone states and granting it broad powers. Chancellor Merkel rejected those proposals. She favoured *gouvernance économique*, i.e.

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[43] *Merkel obiecuje pomoc dla Grecji i straszy*, "Gazeta Wyborcza", 20.052010; *cf.* G. Nonnenmacher, *Stunde der Wahrheit*, "Frankfurter Allgemeine Zeitung" 6.05.2010.

[44] *Regulation of the Council of 11 May 2010 establishing a European financial stabilisation mechanism*, 9606/10 http://register.consilium.europa.eu/pdf/pl/10/st09/st09606.pl10.pdf.

strict coordination and cooperation encompassing all 27 Member States. Merkel did not want to divide the European Union into two groups and she was concerned that "the economic government" would have a negative impact on the German economic model and violate the autonomy of the European Central Bank.[45]

The European Council summit of 17 June 2010 was a compromise between expectations of the two politicians. Its Conclusions read: "we reaffirmed our collective determination to ensure fiscal sustainability, including by accelerating plans for fiscal consolidation where warranted; we confirm our commitment to ensuring financial stability by addressing the gaps in regulation and supervision of financial markets, both at the level of the EU and at the G20. […] we fully agree on the urgent need to reinforce the coordination of our economic policies". First regulations on the Stability and Growth Pact, budget supervision and broader macroeconomic supervision were adopted. In fact, it was promised to reinforce the Stability and Growth Pact by taking into account the postulate of the European Commission to ensure that financial sanctions would be imposed not only on states exceeding the 3% budget deficit threshold but also on those with public debt higher that 60%. It was foreseen that appropriate amendments to the Lisbon Treaty would be made and that the right to vote at EU institutions would be taken away from states that repeatedly violate fiscal restrictions. Merkel made her reservation that in case the "economic government" idea was adopted, that project should embrace all 27 Member States.[46]

During the German-French consultations in Deuaville in October 2010, it was decided that the current crisis management mechanism should be replaced with a new, much stricter one and that the new mechanism should be included in the Treaty provisions. The witty Secretary-General of the French President Nicolas Sarkozy's Office, Xavier Musca, and EU Affairs Adviser to the German Chancellor, Uwe Corsepius, led the expert debate and reached an agreement on the methods of punishing EU Member States for failing to comply with EU fiscal requirements. In order to reach the compromise, Chancellor Merkel abandoned the previously defended postulate to impose sanctions automatically without the consent of the Council of the European Union. In return, Nicolas Sarkozy supported Germany's requests concerning amending the Treaty. The issue of Eurobonds, postulated by some EU Member States, was rejected. New regulations were to enter into force by the end of 2013.[47]

Although the proposal to amend the Lisbon Treaty surprised other EU Member States, Germany and France unrelentingly pushed their arrangements forward. The Chancellor had the support of Prime Minister Donald Tusk, who attended the Polish-German intergovernmental consultations in Berlin on the 6th of December.

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[45] C. Gammelin, M. Kläsgen, *Ein Brief, zwei Welten*, "Süddeutsche Zeitung" 10.06.2010

[46] *European Council. 17 June 2010. Conclusions*, http://www.consilium.europa.eu/uedocs/cms data /docs/pressdata/PL/ec/115354.pdf.

[47] P. Ehrlich, J. Zepelin, L. Meier, *Als Merkel Stabilitätspakt aufweichte*, "Financial Times Deutschland" 21.10.2010; C. Gammelin, S. Ulrich, *Merkel gibt bei Stabilitätspakt nach*, "Süddeutsche Zeitung" 19.10.2010.

In those circumstances, on 16-17 December 2010, the Brussels summit of the European Council approved the previously agreed French-German terms and conditions. Under the pressure exerted by Germany, the amendment of the Lisbon Treaty was approved and the provision that Member States whose currency is the euro "may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality". The amendment of the Treaty was necessary for Chancellor Merkel. Merkel was concerned that the generously disbursed German financial aid for troubled EU Member States would be challenged and brought to the Federal Constitutional Court. The fact that such a possibility was foreseen in the Treaty protected Merkel's government against such actions.[48]

The draft amendment approved by the December EU summit was to allow the Euroland to establish a permanent crisis management mechanism for Eurozone states (European Stability Mechanism, ESM) on 1 July 2013. The ESM, with its capital of EUR 700 billion, would replace the EFSF and would be based on loans and credit warranties granted to countries with financial problems. Future aid for the euro area would involve "controlled bankruptcy", i.e. the bad debts of Eurozone members would be repaid not only by Eurozone taxpayers, but also by private creditors (mainly banks) that unreasonably lent money to countries with poor financial perspectives. Germany was to contribute 27.1% (i.e. EUR 190 billion of share capital and warranties) and France was to transfer 20.3% (EUR 142.7 billion) to this end.

At the beginning of 2011, one could observe a shift in the German government's strategy concerning combating the financial crisis in the euro area. Chancellor Merkel adopted the French point of view that it was necessary to establish the economic government of the Eurozone, and that anti-crisis meetings should be held first among representatives of 17 Member States. Undoubtedly this change was brought about by the necessity to rescue another Member State, i.e. Ireland where the entire banking system staggered and its rescuing upset state structures. On 21 November 2010, the Irish government requested financial support and quickly received a rescue package of EUR 85 billion. The situation repeated itself a few months later, as on 16 May 2011 Portugal received EUR 78 billion of financial aid.[49]

At the next meeting of EU leaders held in February 2011, the so-called Competitiveness Pact drafted jointly by Germany and France was presented. This Pact extended the scope of economic governance. It announced that the economic standing of Member States would be supervised by means of indexes that measure the

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[48] N. Busse, *Ein Brüsssel Gipfel für die Karlsruher Richter*, "Frankfurter Allgemeine Zeitung" 17.12.2010; *Merkel Auflagen für Pleiteländer durch*, "Die Welt" 17.12.2010; *European Council of 16-17 December 2010. Conclusions. Annex no. I*, http:// www. consilium. europa. eu/uedocs /cms–data/ docs/ pressdata/PL/ec/118607.pdf.

[49] R. Alexander, J. Hildebrand, *Euro-Krise: Europa brennt – und Deutsche sind an allen Fronten*, "Die Welt" 16.10.2010.

stability of public finance and competitiveness. In order to ensure competitiveness of EU Member States, strict obligations were to be imposed: adoption of the admissible budget deficit in the constitutions of Member States, cancelling the indexation of retirement pensions, salaries and disability allowances, adjustment and, in practice, extension of retirement age, agreeing on a common corporate income tax base, establishment of national principles of crisis management for the banking sector, as well as mutual recognition of diplomas and professional qualifications.[50]

Chancellor Merkel explicitly stated that the approval of new solutions would expand the possibilities of the current financial mechanism and be conducive to the establishment of the long-term European Stabilisation Mechanism. Merkel made it clear that the consent to those terms would condition Germany's joining the extended financial aid warranty for Eurozone states threatened with insolvency.

Germany and France demanded that the Competitiveness Pact be adopted by Eurogroup representatives on the 11th of March, before the planned regular meeting of the European Council. Poland and Sweden voiced their reservations as two separate meetings were to be held. In that situation, President of the European Council Herman Van Rompuy and José Manuel Barroso started consulting a new version of the Pact that would be acceptable to all Eurozone members. Details of the talks and the agreement reached were disclosed at the Eurogroup summit of the 11th of March. The new pact was adopted and called the "Pact for the Euro". Under the agreed common policy for sustainability of competitiveness and financial stability, Eurozone members received the right to take independent decisions and individually shape their national policies. Increasing EFSF effective funds to the volume of EUR 440 billion and the establishment of the permanent European financial stability mechanism with EUR 500 billion were approved. The interest on loans granted to Greece was lowered to 4.2% and the repayment deadline was prolonged to 7.5 years.[51]

Thus the Federal Republic of Germany managed to push through its proposal to enhance economic cooperation in the Eurozone under the "Pact for the Euro" and that solution was adopted by the European Council at the meeting of 24-25 March 2011. The Council also consented to the introduction of the extended formula of the Pact called the "Euro Plus Pact", as other non-Eurozone Member States decided to enter into the agreement (Poland, Denmark, Lithuania, Latvia, Bulgaria and Romania). Under the "Euro Plus Pact", the participating states agreed to the reduce their public debts to less than 60% of their GDP, and streamline sanction imposition on excessively indebted countries. Member States would not be punished only if two thirds of Member States voted against the implementation of sanctions.[52]

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[50] J. Krakowski, *op. cit*., p. 39.

[51] C. Gammelin, *Der Pakt für den Euro*, "Süddeutsche Zeitung" 11.03.2011.

[52] For more details see: *European Council of 24-25 March 2011. Conclusions*, http://www.consilium.europa.eu/uedocs/cms–data/docs/pressdata/PL/ec/120311.pdf; *Pakt für den Euro*, Die Bundesregierung, http://www.bundesregierung.de/nn–987416/ Content/ DE / Artikel/2011/ 03/2011-03-25-pakt-fuer-den-euro.html; A. Słojewska, *Rusza pakt na rzecz euro*, "Rzeczpospolita" 23.03.2011.

In April 2011, the Greek government, under the pressure exerted by the European Commission, announced adoption of radical cuts in its public spending, and on 10 June 2011 the German Bundestag adopted a new bailout package for Greece, also granted under strict conditions. Greece was to execute a far reaching privatisation of its public sector and continue cutting down its expenditure. Finance Minister Wolfgang Schäuble demanded that private creditors participate in the rescue operation. Schäuble wanted to involve commercial banks that generously granted loans to Greece and acquired Greek bonds while being aware of the appalling condition of the Greek financial situation.[53]

According to the calculations of the Bank for International Settlements (BIS), European lenders held USD 52.3 billion in Greek sovereign debt, with German banks owning the biggest share, i.e. 43%, and 27% was owned by French financial institutions. Taking into account the debts of the private sector, French banks were the greatest creditor of Greece. At the end of 2010, Greece owed foreign entities almost USD 150 billion. Liabilities to French banks amounted to USD 56.7 billion, and USD 34 billion to German financial institutions.[54]

New developments in Greece led to a spontaneous meeting of Chancellor Merkel and President Sarkozy in Berlin on the 17th of June. Both politicians agreed that it was necessary to ensure support for the private sector in Greece. They considered it to be necessary to prepare the second bailout package for Greece in active cooperation with the European Central Bank. Support was to be provided on condition that the Greek government continued to implement expenditure cutting reforms and that the most potent political powers of Greece reached an agreement on that issue, especially the conservative opposition and the socialists.[55]

In the situation where Greece was threatened with insolvency, the summit of the European Union in Brussels held on 23-24 June 2011 adopted new solutions taking into account that Greece's Prime Minister George Papandreou received the vote of confidence from the Greek parliament and swore to continue strict savings reforms. It was agreed that additional funds for Greece "will be financed through both official and private sources". This meant a new financial package provided by Eurozone members and the IMF the value of which was EUR 109 billion. Commercial banks, pension funds and insurance institutions were to participate in that project providing EUR 37 billion. The European Council appealed to Greece for "national unity" and support of all political powers "to ensure a rigorous and expeditious implementation" of reforms.[56]

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[53] J. Hildebrand, *Merkel und Schäuble werben für weiteres Hilfspaket*, "Die Welt" 8.06.2011.

[54] *Politycy chcą, aby banki dołączyły do pomocy dla Grecji*, "Gazeta Wyborcza" 30.06.2011.

[55] *Griechenland-Hilfe: Merkel und Sarkozy wollen Privatsektor beteiligen*, "Die Welt" 17.06.2011.

[56] *Council of Europe, 23-24 June 2011*. Conclusions, http://www.consilium.europa.eu/uedocs/cms–data/docs/pressdata/PL/ec/123087.pdf; Ch. B. Schiltz, *EU-Gipfel: Viele Regierungschefs sind von Griechenland genervt*, "Die Welt" 23.06.2011.

After the adoption of savings reforms by the Greek government on the 29th of June, finance ministers of Eurozone Member States launched the transfer of EUR 12 billion to Greece. That was part of the first bailout package that was to meet Greece's most urgent needs. Christoph B. Schiltz, a well-known commentator of "Die Welt" newspaper wrote: "Europeans treated themselves to this scenario. But they did not have a choice. If Greece is to avoid bankruptcy in July, they have to pay, irrespective of whether Greece introduces savings or not. Cash in return for savings. A beautiful motto, but it is no means of exerting pressure".[57]

On the eve of the Brussels summit, the capital of Germany hosted difficult 7-hour Franco-German talks that were to prepare the scenario for the European Council meeting. The results of the Brussels summit of the 21st of July were assessed as a partial success. Chancellor Merkel's success was the participation of private creditors in the project of saving Greece as she argued for that solution for months. Greece was to receive a new influx of funds from the EFSF in the form of low-interest credit (3.5%) and the repayment period extended from 7.5 to 15 years. The anti-crisis action instruments were expanded within the EFSF. The European Financial Stabilisation Mechanism would be able to acquire newly-issued bonds of Eurozone Member States and purchase them on the secondary market (in exceptional cases also in exchange trading). The possibility of launching prevention credit lines that would not have to be used but could serve the purpose of calming capital markets, was also an option.[58]

Endeavours toward closer economic integration in the Eurozone were met by the next proposal of Chancellor Merkel and President Sarkozy announced on the 16th of August after the talks held at the Élysée Palace. Returning to previous proposals, both politicians proposed the establishment of an economic government of the euro area. That government was to convene twice a year. It was to be headed by Herman Van Rompuy. It was intended to introduce debt thresholds and a tax on financial transactions to Eurozone members' national constitutions. It was postulated to introduce a Common Consolidated Corporate Tax Base at the beginning of 2013 as that would lower competitiveness of enterprises from states with low CIT rates. To set an example, Merkel and Sarkozy announced that that tax would be harmonised in the Federal Republic of Germany and in France.[59]

In Germany, the postulates presented at the summit met with criticism of opposition parties (SPD, the Greens and the Left Party). Chancellor Merkel, attacked even by her own party, managed the new arrangements on Germany's involvement

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[57] Ch. B. Schiltz, *Viele Regierungschefs*...

[58] *Umschuldungspläne: Gewinner und Verlierer der Griechenland-Einigung*, "Financial Times Deutschland" 22.07.2011; *Gipfeltreffen der Euroländer: Banken wollen sich an Griechenland-Hilfe beteiligen*, "Frankfurter Allgemeine Zeitung" 21.07.2011.

[59] Ch. Roche, Ch. von Boetticher, *Krise: Europa sollte Deutschland einen hohen Preis wert sein*, "Die Welt" 16.08.2011; *Sarkozy et Merkel favorables é des sanctions contre les mauvais élèves de la zone euro*, "Le Monde",17.08 2011; *Sarkozy et Merkel cherchent le remède pour rassurer les marchés*, "Le Monde" 16.08.2011; *Der Gipfel der Erwartungen*, "Handelsblatt" 16.08.2011.

in the EFSF to be adopted by her cabinet on the 31st of August. The final decision, however, was to be taken by the German parliament. A good thing was that at the beginning of September the Federal Constitutional Court issued its awaited statement. A group of so-called euro rebels, headed by Bavarian politician Peter Gauweiler, well-known for similar actions, filed a constitutional complaint in the accelerated procedure. In the opinion of Gauweiler's group, the decision of the government to participate in the EFSF would increase the record high debt of Germany and would step up inflation. The complaint was rejected but the Federal Constitutional Court in Karlsruhe ruled that the government, before it lends money to another country, must obtain the consent of the parliamentary budget committee.[60]

On the 4th of September in elections to the Landtag in Mecklenburg-Vorpommern, the CDU suffered painful defeat. Nevertheless three days later at the Bundestag, Chancellor Merkel warned the deputies that "if the euro falls, so shall Europe". Merkel also underlined that "the euro cannot fall, it cannot and it will not fall on condition that we decide to follow a long and difficult path. But that is the right path", the Chancellor argued. In response, social democrats accused Merkel of pursuing a chaotic foreign policy and delaying the "green light" for the Greek bailout package, because she did not want to irritate voters before important elections to Landtags.[61]

Before the vote at the Bundestag at the end of September 2011, the voting so important for Merkel's cabinet, Germany pressured Greece to continue the process of reforming its finances as their standing would condition the influx of funds to the Greek economy in the form of tranches disbursed by the EFSF. At the same time, acting in a tense and nervous atmosphere, Chancellor Merkel was forced to pacify resistant politicians and deputies belonging to her own CDU party and its coalition partner FDP whose leader and Germany's Deputy Chancellor and Federal Minister of Economics and Technology Philipp Rösler openly spoke of the necessity to allow for the bankruptcy of Greece. "This has never happened before – wrote the commentator of the opinion-forming 'Frankfurter Allgemeine Zeitung', Günter Bannas – that the Deputy Chancellor and head of the coalition party was scolded so much by the leaders of the CDU".[62]

On 16 September 2011, at an informal meeting of EU finance ministers in Wrocław (that meeting was a success of the Polish Presidency of the EU Council), the so-called legislative six-pack was agreed. That set of legislative acts would allow for enforcing fiscal discipline in EU Member States which exceed the 3% GDP of budget deficit and 60% of public debt threshold. Every year it would be checked whether the Member States displayed symptoms of increasing imbalance, and the

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[60] *Beschwerde zurückgewiesen: Bundesverfassungsgericht billigt EU-Rettungsschirm*, "Frankfurter Allgemeine Zeitung" 7.09.2011; *Euro-Urteil: Richter retten Euro-Retter*, "Financial Times Deutschland" 7.09.2011.

[61] *Generaldebatte im Bundestag: "Scheitert der Euro, scheitert Europa"*, "Frankfurter Allgemeine Zeitung" of 7.09.2011; W. Kumm, *Merkel verteidigt die Euro-Rettung*, "Die Zeit" 7.09.2011.

[62] G. Bannas, *Die Kanzlerin und der Sündenbock*, "Frankfurter Allgemeine Zeitung" 15.09.2011.

countries that would not adhere to those principles would automatically be punished with sanctions.[63]

Despite an open mutiny within the CDU and CSU, the Chancellor knew that loyalty limits of the coalition would not be trespassed as the only alternative was the fall of her government and by-elections. She also knew that, in the case of the six-pack, she could count on the opposition, i.e. the pro-European SPD which supported the plans of saving Greece from the financial breakdown. In this situation, the results of the vote held at the Bundestag on 29 September 2011 were a foregone conclusion. The project of expanding and extending competences of the EFSF was supported by a vast majority of deputies to the Bundestag.[64]

In October 2011, France and Germany jointly and with great determination strived to include private banks and financial institutions in the programme of bailing out threatened countries under the EFSF. After obtaining the consent and mandate of the Bundestag, Chancellor Merkel, supported by Nicolas Sarkozy and Herman Van Rompuy as well as by the newly-appointed head of the IMF, Christine Lagarde, managed to secure the "voluntary" consent of Greece's bank creditors to waive 50% of Greek bonds at the Eurozone summit of the 27th of October. Some blackmailing was indispensable. The EU leaders made it clear that if banks did not consent to the 50% reduction, they would allow for the uncontrolled bankruptcy of Greece, which would translate into the loss of 100% of the value of the banks' receivables. French Minister of Economy, Finance and Industry François Baroin and President Nicolas Sarkozy judged the above to be a huge success as the reduction amounted to about EUR 100 billion, which prevented the immediate verdict on Greece's bankruptcy by rating agencies. Moreover, the leaders of the Eurozone consented to the strengthening of the EFSF bailout fund. The EFSF was to assume part of the risk taken by the investors that acquire bonds of threatened Eurozone members and attract new capital, mainly from China.[65]

In Germany's approach, the strengthening of the EFSF was to be accompanied by actions disciplining those Eurozone members that would delay the introduction of drastic savings and expenditure reforms. In her speech to the Bundestag before the Eurogroup summit, the Chancellor did not conceal that she would like to subject Athens to regular EU and IMF supervision and "the stability culture" to be written into revised EU Treaties. The Chancellor also signalled that if that did not happened,

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[63] *Parlament Europejski przyjął tzw. sześciopak*, "Gazeta Wyborcza" 28.09.2011.

[64] G. Bannas, *Mehr als eine Mehrheit*, "Frankfurter Allgemeine Zeitung" 30.09.2011; *Bundestag: Ein Etappensieg für die Kanzlerin. Aber nicht mehr*, 29.09.2011; *Finanzkrise: Bundesrat billigt Rettungsschirm*, "Frankfurter Rundschau" 30.09.2011.

[65] *Pour la droite, l'accord de Bruxelles «a sauvé l'euro»*, "Le Figaro" 27.10. 2011; G. Bohsem, *Befreiungsschlag in der Euro-Krise*, "Süddeutsche Zeitung" 27.102011; *Deutsche Finanzhilfen: Der Preis der Euro-Rettung*, "Der Spiegel", 27.10.2011; *Sommet européen: les principales décisions*, "Libération" 27.10.2011; Ch. Jaigu, *Le rendez-vous européen de Sarkozy avant 2012*, "Le Figaro" 25.10 2011.

interested Eurozone members would sign appropriate agreements.[66] That seemed to convince President Sarkozy, who in a television interview right after the summit, praised the pro-savings and disciplined economic policy of the Merkel and Schröder government and fought off accusations of the French media that he was too prone to German influence.[67]

In mid-November, preparations for the December summit of the European Council started. At the summit, final decisions about methods of further combating the sovereign-debt crisis were to be taken. Chancellor Merkel continued to prefer blocking the incurring of internal debt by Member States, budget discipline and supervision of public spending. She received a strong support of the CDU. At the convention in Leipzig held on the 15th of November, the CDU supported the political direction chosen by the Chancellor but, contrary to the CSU, in its special resolution it excluded the possibility of removing any highly-indebted state from the Monetary Union. The President of the CDU/CSU group in the Bundestag, Volker Kauder, when praising the tough stance of Chancellor Merkel and the German model of economy, expressed the hope that at least once "Europe will speak German".[68]

On the 24th of November, at the Merkel-Sarkozy meeting in Strasbourg, it turned out that under the rapidly changing circumstances both leaders had little room for manoeuvre and were forced to cooperate closely and seek compromises. Merkel's position was weakened by the information that reached Strasbourg one day earlier. Berlin had to admit that, for the first time in decades, it found it hard to sell all its bonds (EUR 6 billion), which was indicative of the fact that financial markets had growing concerns whether the strategy adopted by the Chancellor was beneficial not only for the Eurozone, but also for Germany itself.[69] Finally, an agreement on amendments to the EU Treaties was reached that was to force the Euroland to strengthen budgetary discipline. This initiative was supported by Italian Prime Minister Mario Monti, who was also present in the capital of Alsace at the time. The President of France, who wanted to convince Merkel to take decisive and fast action, even at the expense of budget sovereignty, so valued by France, had to give up on persuading the ECB to be elastic and acquire the bonds of indebted countries.

The unyielding resistance of the German Chancellor and her attempts to push through her own ideas were publically criticised in France, which until then supported Germany in the struggle against the crisis. Jacques Attali, former head of the European Bank for Reconstruction and Development and adviser to François Mitterrand, ignoring political correctness recalled that in the 20th century, Europe had already committed suicide twice by unleashing armed conflicts and presently it

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[66] *Bundestag und Krisengipfel: Merkels Großkampftag für die Euro-Rettung*, "Die Welt" 26.10.2011.

[67] S. Lehnartz, *Sarkozy will Frankreich ein bißchen deutscher machen*, "Die Welt" 28.10.2011.

[68] *Kauder-Rede: "Auf einmal wird in Europa Deutsch gesprochen"*, "Die Welt" 15.11.2011.

[69] H. Kozieł, *Kryzys puka do bram Berlina*, "Rzeczpospolita" 23.11.2011; J. Bielecki, *Niemiec wobec kryzysu euro*, "Biuletyn Niemiecki" no. 21, 30.11.2011, csm.org.pl/pl/nocache. html? cid= 2507 &did = 2393&sechash.

was Germany again that held the weapon of Europe's mass suicide. Influential deputy of the French Socialist Party Arnoud Montebourg compared Merkel's policy to actions of Chancellor Bismarck. Another SP deputy Jean-Marie Le Guen compared Sarkozy's position with that of Prime Minister Édouard Daladier toward the Third Reich at the 1938 Munich conference. Other prominent politicians also joined in and chastised the dogmatic position of Germany: President of the European Commission Jacques Delors, former Minister of European Affairs in Mitterrand's government and spokesperson to the presidential candidate François Hollande, Dominique Moscovici, and, traditionally, former Minister of External Affairs Jean-Pierre Chevènement.[70]

In that difficult situation, Merkel received much support from Polish Minister of Foreign Affairs Radosław Sikorski. On the 28th of November, in his speech consulted beforehand with Germany and given to the German Society for Foreign Affairs in Berlin, Sikorski called for a new European solidarity and courage in taking difficult decisions that might enhance full European integration (federation).[71] The support of the Polish politician, so needed by the Chancellor, had its price. However, Germany was willing to pay for the support of the *de facto* German concept of saving the Euroland. Contrary to the intentions of France to create a homogenous Eurogroup driven by its own rules and principles which would inevitably lead to the establishment of a two-speed Europe, Poland was to be included in the decision-making process concerning the future of the Monetary Union and European integration. In her speech of the 2nd of December to the Bundestag, the Chancellor emphasised that the Eurozone must be open to all states that wish to cooperate with it. Merkel praised the Warsaw government as Poland, which did yet not adopt the euro, wanted to assume greater obligations and take the path toward the EU stability.[72]

Though France and Germany agreed on the general line of action on the sovereign-debt crisis, they defended their divergent stances on details till the very end. At the meeting with his supporters held in Toulon on the 1st of November, the President of France addressed 5 thousand strong audience. Sarkozy said that he was in favour of the independence of the ECB and its fulfilment of solely Treaty-related functions

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[70] J. Quatremer, *Arnaud Montebourg, la germanophobie et le populisme de gauche*, "Libéracion" 30.11.2011; G. Perrault, *Le retour du discours anti-allemand*, "Le Figaro" 2.11.2011; Ph. Goulliaud, A. Rovan, *Juppé: Non aux vieux démons de la germanophobie*, *ibidem*; M. de Boni, *Montebourg: La politique à la Bismarck de Mme Merkel*, *ibid.*; S. Lehnartz, *Die französische Angst vor einem "deutschen Europa"* "Die Welt", 28.11.2011; G. Lachmann, *Europa hat sich gegen Angela Merkel verschworen*, "Die Welt" 24.11.2011.

[71] "*Poland and the future of the European Union*" Radosław Sikorski, Foreign Minister of Poland, Berlin, 28 November 2011. http://www.msz.gov.pl/files/docs/komunikaty/20111128BERLIN/ radoslaw–sikorski–polska–a–przyszlosc–ue.pdf; *Europakrise: "Ich fürchte die deutsche Untätigkeit"*, "Die Zeit" 30.11.2011; T. Bielecki, *Europa mówi Sikorskim*, "Gazeta Wyborcza" 30.11.2011; *Vorschläge des polnischen Außenministers. Merkel sieht Schwung für EU-Vertragsreform*, "Frankfurter Allgemeine Zeitung" 29.11.201.

[72] Bart, *Merkel mówi o przyszłości Europy i chwali Polskę*, "Gazeta Wyborcza" 2.12.2011.

(maintenance of price stability in the EU) but in the case of a threat, the ECB should "act for Europe". In the President's opinion, European integration had to be deepened through international cooperation, and the last say on imposing sanctions on insubordinate Eurozone members should belong to a council of heads of state and government of Eurogroup members, not to the Court of Justice of the European Union, as the Germans demanded. On the other hand, the President explained that strengthening the role of EU institutions and closer supervision over the finances of Member States was not a threat to the sovereignty of France.[73]

In her speech to the Bundestag on 2 December 2011, Angela Merkel fought off accusations of the French press that she intended to dominate the European Union. She commented quite bluntly that such suggestions were "nonsense and absurd". Merkel declared that she wished to undertake actions in the same manner as former Chancellors – Konrad Adenauer and Helmut Kohl, and that her intention was solely to introduce the "culture of stability and growth" to the EU. Without going into detail, Merkel recalled that Paris and Berlin jointly promoted amendments to European Treaties, introduction of rigid rules and principles, and automatic sanctions on Member States that exceed the 3% budget deficit limit and the 60% internal debt threshold. Merkel made it clear that the mission of the ECB was to ensure price and inflation rate stability and not to buy out the bonds of excessively indebted states.[74]

On 5 December 2011, at their summit in Paris, France and Germany reached an agreement on their joint position right before the upcoming meeting of the heads of EU Member States. That agreement, in the form of a letter, was sent to the President of the European Council, Herman Van Rompuy. Regarding the most important issue, i.e. financial sanctions on the states that violate the internal debt and budget deficit levels, it was foreseen that sanctions would be automatically approved by the Court of Justice of the EU which would also have the right to veto badly designed proposals of national budgetary legislation. As the latter would be an unprecedented intrusion into state sovereignty and due to objections voiced in Paris, a compromise was reached. 85% of the Member States of the Eurozone could overrule the implementation of such restrictions. The same majority, and not unanimity, was to decide about the disbursement of funds from the new stability fund (ESM) to crisis threatened countries. The fund was to be launched in 2012, one year earlier than originally planned. The principles of budget regime were to be introduced by Eurozone Members to their national constitutions. President Sarkozy and Chancellor Merkel postulated that the reform of the Eurozone be implemented by amending EU Treaties

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[73] Ch. Jaigu, *Politique Sarkozy, l'Europe au coeur de la campagne*, "Le Figaro" 2.12.2011; S. Lehnartz, *Sarkozy will Europa mal eben neu erfinden*, "Die Welt" 01.12.2011.

[74] *Merkel bekräftigt Ziel einer Änderung der EU-Verträge. Regierungserklärung*. Deutscher Bundestag. http://www.bundestag.de/dokumente/textarchiv/2011/36876770–kw48–de–regierungserklaerung/index.html; *Regierungserklärung: Merkel fordert "neue europäische Schuldenbremse*", "Frankfurter Allgemeine Zeitung" 2.12.2011; *Angela Merkel: Niemcy chcą zdominować Europę? To bzdura i absurd*, "Rzeczpospolita" 3.12.2011.

binding at the time, and if that were impossible, under an intergovernmental agreement signed by and between EU 17 Member States. It was the wish of both Merkel and Sarkozy that the Eurogroup Member States ratify the new agreement by March 2012, i.e. before the upcoming April and May presidential elections in France.[75]

As predicted, the solution devised under the pressure exerted by the German government at the European Council meeting held in Brussels on 8-9 December 2011 was supported by majority of Member States. The "fiscal union" and its strict enforcement by EU institutions did not evoke reservations, however, concerns arose in the area of its implementation by amending the Treaties. Some states, e.g. Poland, feared that the ratification procedure of the new order by all Member States would take so long that the "two speed" European Union would be created in the meantime. After nine hours of talks, the "fiscal union" was adopted. David Cameron, the British Prime Minister, opposed that solution and demanded that in return for the UK's consent to amend UE Treaties, the UK should be granted "immunity" of its financial services. The dispute ended in a decision to introduce tighter regime in the Eurozone and to adopt a long-discussed alternative intergovernmental agreement of the Eurogroup members only.

Apart from the UK, all Member States declared they would work jointly on the new intergovernmental agreement. Three Member States: Sweden, Hungary and the Czech Republic, announced that their decision on joining the negotiations was dependent on the consent of their parliaments. The agreement was to be signed by March 2012 and subject to ratification by national parliaments or referenda.

Another important issue discussed in Brussels at the time was the lack of funds necessary for saving the threatened states. The funds available melted down to EUR 250 billion. The decision to increase the capital of the EFSF by EUR 200 billion, of which EUR 150 billion was to be transferred to the IMF in the form of loan guarantees by central banks of Eurogroup members, and the remaining EUR 50 billion was to be, possibly, provided by non-Eurozone members, including Poland.[76]

In France and Germany, the results of the summit were received with moderate optimism. Both countries considered the partial calming of the situation on financial markets to be a success in itself. At that stage, nothing more could have been achieved. Criticism was directed mainly at the UK which shattered European solidarity at the time of trial. The most vehement critics demanded that the UK be expelled from the European Union as it hindered the integration process and the pro-

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[75] *Deutsch-französisches Treffen: Merkel und Sarkozy wollen automatische Strafen für Schuldensünder*, "Der Tagesspiegel" 6.12.2011. *Cf. Angela Merkel souhaite une "union budgétaire" de l'Europe*, "Le Journal du dimanche" 2.12.2011; *Zone euro: Paris et Berlin divergent, ibid.*

[76] *Kampf gegen Staatsschuldenkrise: Euro-Rettung mit schwerem Kollateralschaden*, "Financial Times Deutschland", 9.12.2011; M. Visot, *Euro: 9 heures de négociations pour un accord*, "Le Figaro" 9.12.2011; *Schuldenkrise: Merkel zufrieden, Großbritannien im Abseits*, "Frankfurter Rundschau" 9.12.2011.

cess of building a united Europe.[77] The British press did not remain silent, and – in Cameron's defence – alarmed that Germany displayed tendencies to dominate EU leadership and attempted to dominate all of Europe, which had long been its dream. "The Guardian" daily worryingly concluded that "as the dust settles, a cold new Europe with Germany in charge will emerge".[78]

It is unquestionable that the cooperation between France and reunified Germany in the European Union passed a difficult test in the turbulent time at the beginning of the 21st century. The Franco-German "integration engine" experienced successes and failures, but it did not break down as it was based on the solid foundations laid by Chancellor Adenauer and President de Gaulle. Germany, under Merkel's government, proved to be a loyal and predictable partner, and France, during Sarkozy's term, kept clear of trespassing any lines that could threaten the French-German collaboration. After a breakdown following the French EU constitutional referendum, the Franco-German couple experienced some tensions and rifts but worked together relatively smoothly.

The Franco-German leadership of the European Union was truly put to the test when the sovereign-debt crisis settled in. Both Member States favoured different approaches to overcoming the crisis. It seemed that President Sarkozy had a better picture of the situation and was capable of responding more quickly to the growing threats, while Germany, owing to its internal situation, delayed taking large-scale bailout actions.

On the other hand, Germany was perfectly aware that healing the euro and the European economy was in the interest of the Federal Republic. Germany benefits from the single currency more than any other Member State as a huge part of its enormous industrial production is exported to the single market. Germany increased its trade surplus threefold in the years 2000-2008, i.e. from EUR 61 billion to EUR 182 billion. More than half of that surplus was generated by trading with Eurozone members. The economic breakdown in southern EU Member States would automatically decrease imports of goods from the Federal Republic of Germany, a slump in orders and a rise in unemployment in Germany. Many economists quite rightly argued that some of the blame should be put on Germany itself since for many years it tolerated the fact that weaker states incurred debts to buy German products. German economy was stimulated by strong growth in exports and pulled back by the simultaneous standstill of national demand. The high quality and competitiveness of

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[77] *Brüsseler Beschlüsse: "Anfang vom Ende der britischen EU-Mitgliedschaft"*; "Die Welt" 11.12.2011; F. Eder, *Beschlüsse: Camerons Nein ist falsch und gefährlich für Europa*, *ibid.*: *EU-Gipfel: Camerons Blockade spaltet Großbritannien*, "Frankfurter Allgemeine Zeitung" 9.12.2011; *EU-Gipfel zur Euro-Schuldenkrise: Briten bleibt Extrawurst im Hals stecken*, "Financial Times Deutschland" 9.12.2011; F. Collomp, *Londres s'éloigne de l'Union européenne*, "Le Figaro" 9.12.2011.

[78] I. Traynor, *As the dust settles, a cold new Europe with Germany in charge will emerge*, "The Guardian" 9.12.2011. *Europe speaks German now! Controversial claim from Merkel ally that EU countries all follow Berlin's lead – and Britain should fall into line*, "Daily Mail" 23.12.2011. *Cf. Euro-Krise: Briten wütend über deutsche Dominanz in Europa*, "Die Welt" 17.11.2011.

German machinery, cars and chemicals appeared to affect the economic growth of states whose products did not stand a chance to compete with German products. This led to a situation where, *inter alia*, Germany with its surplus became the creditor of weaker states with deficits, and that could eventually threaten the stability of German banks and financial institutions.[79]

France saw the sovereign-debt crisis as an opportunity to create the European "core of integration". Paris strongly opted for this solution since the failure of the European Constitution. Experience shows that each and every more serious failure in the broadly understood integration process always tempted Member States to engage in the establishment of a "pioneer group" and speed up integration within the group of most developed and oldest members of the European Community. The creation of a "variable-geometry" Europe would undoubtedly be unfavourable for countries that joined the EU in the years 2004-2007. Germany, when taking the decision to gradually tighten cooperation with France in numerous additional areas, did not intend to allow for the disintegration of the Eurozone and the emergence of a two-speed Europe. This could be the beginning of the end of "the European project", which consumed so much efforts and funds of Bonn/Berlin.

Until December 2011, Germany vigorously opposed the issue of "eurobonds", as it believed that their issuance would lead to the emergence of "an inflation community". Germany managed to persuade France to support its position. Chancellor Angela Merkel called this proposal "debt collectivisation" and presumed that it would lead to the further worsening of the situation in the Euroland. However, under the pressure of growing difficulties, the European Commission did not withdraw its announcement of preparing a report on the feasibility of this project and in November 2011 it presented its initial proposals concerning the issue of "stabilisation bonds". Their introduction would require an amendment of EU Treaties and the constitutions of Eurogroup members. The project was supported by many influential EU politicians. At the SPD convention held at the beginning of December 2011 in Berlin, former Chancellor Helmut Schmidt feared that the manner in which Merkel managed the sovereign-debt crisis would lead to "the marginalisation of Europe and isolation of Germany".[80] In German and French finance circles, it has been argued that the Eurobonds would be founded on the mutual debt warranties granted by European states. Consequently, investors would consider the bonds to be very safe and that would translate into low interest rates. At the same time, it was underlined that Eurobonds would be a spectacular step toward the economic integration of the European Union.

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[79] *Angela Merkel und die Euro-Krise: Die eiserne Kanzlerin laviert*, "Frankfurter Allgemeine Zeitung" 20.07.2011; J. Krakowski, *op. cit.*, p. 28.

[80] *Schuldenkrise: Helmut Schmidt macht "Wahn" der Deutschen Sorgen*, "Die Welt" 2.12.2011; *Helmut Helmut Schmidts Rede: Deutschland muss sich auf mehr Europa einlassen*, "Der Tagesspiegel" 4.12.2011

In order to provide the necessary stimuli to further European integration, France and Germany are doomed to cooperate. The EU certainly needs a strong leader. However, the "special" layout of the French-German relations and the attempt to create "a union within the union" constitute a threat for the future of European integration as it would force the EU to develop at "two speeds". The Federal Republic of Germany decided to tighten bilateral relations with the Fifth Republic, though Germany has been aware that it might not necessarily be beneficial in a long-term. Both countries differ in their approaches to liberalisation of the energy, transport, ecology (nuclear power plants) market policies, the asylum, immigration, agricultural and fishery policies, as well as in some areas of the defence policy. The interests of Paris are still concentrated in the Mediterranean and France is reluctant to Germany's involvement in CEE countries.

ABSTRACT

The author discusses the thesis that in the arduous circumstances of the 21st century France passed the test of cooperation with the united Germany. The French-German "integration engine" scored both successes and failures, but did not break down. Germany governed by Chancellor Merkel proved to be a loyal and predictable partner, while France during Sarkozy's presidency did not venture any steps that would strain this cooperation. A real test of the German-French leadership of the EU came with the financial crisis of the Eurozone. President Sarkozy understood the situation better and reacted faster to the growing threats, whereas Germany, for internal reasons, delayed launching large-scale rescue actions. Nevertheless, the signing of the fiscal union pact was the effect of a compromise between the two partners and yet another proof of the stability of the German-French cooperation.