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Germany in Europe: Franco-Czech Reflections

Thursday, October 18, 2012

Mirror Hall, Ministry of Foreign Affairs, Prague, Czech Republic

Introduction/Welcome Speeches

Petr Drulák, Director, Institute of International Relations, Prague

Christian Lequesne, Director, CERI-Sciences Po, Paris

H.E. Pierre Lévy, Ambassador of the Republic of France to the Czech Republic

The conference commenced with three welcome speeches, with Mr. **Petr Drulák** speaking first. Mr. Drulák began by welcoming the audience and thanking the sponsors of the conference. He highlighted the close collaboration between France and the Czech Republic on these conferences; each year a new political or intellectual topic is chosen as the theme of their joint dialogues. Mr. Drulák then went on to describe the relationship between the Czech Republic, France and Germany. According to him, the Czech political elite do not trust France, and vice versa. The same is not true of Germany, however, where there is more trust between the Czech and German elite. Mr. Drulák also pointed out that there is a lack of opportunities for Franco-German dialogues in Europe today, and changing this would improve the relationship of those two countries. Finally, Mr. Drulák ended by saying that the Franco-Czech conference framework is unique, and he expressed his gratitude that it has now continued for the past five years.

Mr. **Christian Lequesne** continued the opening speeches with a few brief comments. He said that the original idea of the dialogue was to bring intellectuals together to discuss important issues relating to Europe, such as international relations, economics and politics. Mr. Lequesne also stressed the concern of many Europeans on Germany's role in the European Union, as well as some concerns about current Czech politics. He emphasized that the Franco-Czech relationship should continue to be strengthened, and was looking forward to the next joint conference in Paris concerning the implications of the Czech-Slovak split twenty years later. Mr. Lequesne ended by saying that the common concerns between France, Germany and the Czech Republic should continue to be discussed in similar conferences, and then introduced the French Ambassador.

The French Ambassador to the Czech Republic, Mr. **Pierre Lévy**, concluded the opening speeches by focusing his talk on the Franco-German theme of the conference. First, however, Mr. Lévy pointed out the importance of the Czech Republic as a third party in the dialogue, because of its relationship with both countries. Mr. Lévy then concentrated his discussion on three topics, with the first point recalling the basic parameters of the relationship. He pointed out that the 50th anniversary of the signing of the Élysée Treaty of Friendship between France and Germany was approaching, and that the two countries have been at the heart of European progress for decades. This includes the monetary system and a single market, the Maastricht Treaty, a joint council of ministers and combined relations in political and military matters. Furthermore, France is Germany's primary trade partner. Mr. Lévy stated that the economic and political realities of the Franco-German relationship make such conferences important; it is this relationship that holds the European system together. He also stated that while this relationship is necessary for Europe, it is also not sufficient.

Mr. Lévy then shifted his discussion to an analysis of how France and Germany have responded to the European crisis. He mentioned that both France and Germany view European security as the primary issue. Mr. Lévy also suggested steps to deal with the crisis. First, try to focus on the countries with the most economic problems, like Greece, even though he believed that the European crisis is more of a political rather than economic problem. Second, long-lasting solutions need to be found. This does not just include structural reforms, but governance and the overall framework need to be improved as well. Mr. Lévy challenged the idea that between the two countries nothing has been done to address the crisis. Taking into account the political difficulties, Mr. Lévy brought up an example of recent progress: the economic debates in France have resulted in ideas that might act as a counterbalance to the European Central Bank. Also, the existence of minority views in Germany and France is a good thing, because democracy cannot be bypassed in this process.

Finally, Mr. Lévy finished his speech by discussing the current debate on France and Germany. Mr. Lévy stated that there is a belief Europe should be a global power, but this vision was not always accepted by the other member states, including Germany. Furthermore, the debate in Germany has changed recently, and there is a more pronounced convergence in the German government on many issues with France. For example, it is now no longer taboo to speak proudly of one's German citizenship, which is likewise the case in France. There is also a convergence in both countries on reaching a level of institutional progress and enlargement; economic interdependence similarly means German and French citizens have the same concerns about the crisis and what to do about countries like Greece and Italy for example.

Mr. Lévy expressed his displeasure with the term 'normalization', and instead described France and German relations as "standing on concrete ground". It was also a sign of progress that their relationship is less emotional than it has been in the past, and that the two countries can openly talk about their national interests and their fate in the EU. Mr. Lévy concluded by saying that the future of Europe depended on better integration policies, and that cooperation was the key to

solving the crisis. Unfortunately, there is no political appetite to do this for the time being, and thus Europe needs to move forward carefully. What is clear, however, is that France needs to proceed on the same page as Germany.

Panel I: Germany's Role in Reconstituting the European Union

Christian Lequesne, Director, CERI-Sciences Po, Paris

Vladimír Handl, Researcher, Institute of International Relations, Prague

Vít Strátecký, Researcher, Institute of International Relations, Prague

Moderator: Jaroslav Kurfürst, Director, European Section, Ministry of Foreign Affairs, Prague

Mr. **Christian Lequesne** began the first panel by discussing German relations to both France and the rest of Europe. He first focused on German leadership, and stated that historically the EU was against the idea of individual power. In terms of relationships, the Franco-German one has been one of the most prominent in the past half-century in Europe. This relationship was thought to be the 'motor' of Europe; this idea worked well in the context of a small European core, but after the end of the Cold War and because of enlargement the relationship has become more complex. Mr. Lequesne then attempted to de-mystify the Franco-German relationship, and described a system that was built on the confidence of the two separate societies and the confidence of the various actors to agree on difficult issues, such as joint institutions. He also stated that when France and Germany agree on a bilateral basis, it helps the multilateral negotiations move forward.

Mr. Lequesne did take a moment to point out some important differences between the two countries, however. For example, a public culture of consensus has made cross-party reform easier in Germany than in France. Also, the German doctrine of 'no growth without public financial stability' has imposed itself at the EU level, which has led to the 'de facto' leadership of Germany in the Eurozone. Regarding France, there is a rift between the 'Merkozy' politics of the past and President Hollande's current policies vis-à-vis Germany. The current socialist government is convinced of the need to balance public finances, which has led to the ratification of the Treaty on Budgetary Stability. According to Mr. Lequesne, it is not possible for Hollande to simply say he will stick to the German position in the EU, because of the immense domestic pressures he faces.

In conclusion, Mr. Lequesne believed that the Franco-German relationship was not dead, but there are some controversial issues to manage. The French are less sensitive than the Germans are to getting budgetary transfers to solve their public debt. Nonetheless, there have been agreements to progress on issues such as a banking union and a specific budget for the Eurozone. In terms of the public opinion, the outlook is split. Political parties in France are more divided than those in Germany, and there is a German perception that the French want a strong EU but do not want to change the institutions to make it happen. Mr. Lequesne ended by saying that the

Germans are inclined to allow a super-national entity to solve the EU problems ,since they are accustomed to federalism, but do not want to take on that burden alone.

Mr. **Vladimír Handl** continued the discussion, but chose to focus his speech on the Czech view concerning the Franco-German relationship. His first reminded the audience that France and Germany have clear cultural and economic differences, and these differences affect the dialogue between them. However, the achievements of the two nations should be lauded; Mr. Handl stated that Czech policy should embrace the culture of negotiation and compromise like these two countries have. Mr. Handl then discussed how the situation between the two countries has changed over the years. In 2007, Germany achieved its main goal of Eastern enlargement of the EU and the Lisbon Treaty; this led to a new era of European policymaking. At the time Germany did not behave like a hegemonic power, but rather a 'situated state'; it lacked ambitions beyond stabilizing its current position. Mr. Handl also mentioned that Germany was primarily interested in working on different European projects that would help maximize German profits.

This situation lasted until at least 2010, and today around 70 percent of Germans are against developing the EU into an economic union. Regardless, German economic and foreign policy experts are leading the rescue efforts of the EU. Mr. Handl stated that there are two sets of expectations of Germany in the EU. Some think Germany should do more and be more active, and there is not so much a fear of German power but instead German inactivity leading to the collapse of the EU. The other side of the argument is that Germany has already achieved a position of hegemony in the EU at the expense of the other member states. Mr. Handl rejected this critical opinion, and believes that Germany is a cautious and somewhat reluctant leader of the EU. As an example he stated that since the summer of 2011 German policy has been moving toward EU reform, and there is overall more openness to both political unions and changing the existing treaties. Ultimately, Mr. Handl expressed his desire to continue to see Germany lead from behind, rather than isolate itself from the problems of Europe.

Closing the first panel was Mr. **Vít Střítecký**, who spoke about security and defense cooperation in Europe relating to the Franco-German relationship. Mr. Střítecký stated that the issue of strategic culture in Europe has shifted recently, and reminded the audience that a country's strategic culture should be considered when thinking about defense cooperation. As an example he cited France and Britain, who have different strategic aims despite their partnership. Understanding a state's security and strategic culture is essential to understanding its policies, and it is also related to its external power projections. Mr. Střítecký then turned to an analysis of Germany. According to him, Germany is currently undergoing a reformation of military and strategic policy. This mirrors a general strategic shift in Europe. Regarding industrial cooperation, the relationship between France and Germany changed in the 1990's following the end of the Cold War and the privatization of the industrial sector. This was an important initial step in the creation of the EU. Mr. Střítecký then turned to the current situation, and described

the process of negotiations between France, Germany and the United Kingdom. The German government got the equal national share with France that it wanted, but this might become an issue of further negotiation in the future. He ended the first panel by saying that the regional frameworks are changing in Europe, and thus the strategic culture in many European countries is shifting as well.

Panel II: Is Germany Solving or Deepening the Euro Crisis?

Jérôme Sgard, Senior Research Fellow, CERI-Sciences Po, Paris

Petr Zahradník, Member of the National Economic Council, Government of the Czech Republic

Moderator: Philippe Rusin, Director, CEFRES, Prague

The second Panel began with a brief introduction by the moderator Mr. **Philippe Rusin**, who introduced the two panelists and their topics for discussion. Mr. Rusin also spoke about Chancellor Merkel and the hard decisions she faces in the near future. For example, how does she reconcile the political image of Germany in Europe, even as she faces domestic pressures and an election in September? He then gave the floor to Mr. Sgard.

Mr. **Jérôme Sgard** commenced his discussion by examining the crisis in Southern Europe. He spoke about the situation in Greece, and compared it to Latin America in the 1980's. In the region, it is not just about less growth and more employment. There is a serious panic, and all cuts in public spending have a major impact. Mr. Sgard further mentioned that part of the problem is an obsolete social model in Southern Europe that needs to be reformed. He then turned to the economics of the crisis. Mr. Sgard stated that this is an EU problem, and the bargaining process between countries like France and the rest of the EU has been very long and difficult. In terms of Germany, Mr. Sgard said that the situation is controversial, because many view Germany as a hegemon in the region. On top of this, countries such as Belgium and Austria have remained mostly silent on the issues. The UK is also not acting as an auditor in the Eurozone, since it has its own interests. Likewise, the growing polarization between net creditors and net debtors makes compromise difficult.

Mr. Sgard ended his speech by stating that France was in an unusual situation. It has certainly been weakened by the crisis, but it is also in a position to act decisively. Concerning the EU, Mr. Sgard emphasized that it was constructed over many decades, and the current crisis does not mean it will simply cease to exist tomorrow. He also repeated a few of the crucial questions the EU will have to address to move forward, including:

- Do we want deeper integration?
- What can be decided in the EU Council?
- How do you address enlargement and the new member states?
- How do you achieve deeper integration of the core of the EU, and of the Eurozone?

Mr. **Petr Zahradník** thanked the organizers of the conference and spoke about both Czech, and larger European economic conditions. He stated that never before have European states been so heterogeneous regarding their economic policies, and thus they have had different reactions to the crisis. For example, Poland is not in an economic recession at all, and Hungary faced problematic economic development long before the current crisis even materialized. Mr. Zahradník also discussed the Visegrád Group and the Czech economy. According to him, the Czech Republic has had a fragile economic recovery. Poland and Slovakia have both created an appropriate economic policy mix, from fiscal and economic budgetary discipline to active investment policy, and overall have a better system than the Czech Republic.

Speaking more specifically about the crisis, Mr. Zahradník broke it down into three main aspects: financial, fiscal and structural issues. Regarding the financial aspect, the most visible cause is an unsustainable public deficit in a number of countries. In some Southern states there is a low responsibility or efficiency of public expenditure, while in Northern Europe the opposite is the case. Dependence on public redistribution is also still very strong in most Eastern European countries. Mr. Zahradník stated that if fiscal aspects were common for most of the countries in the EU, financial markets would be selectively visible in a number of countries. The Czech Republic and Slovenia did not need any grant to support a financial bank system, for example.

In general, Germany played a key role in the diagnosis of the economic deficiencies. It provided positive change in terms of reforms that created conditions for competitiveness. Mr. Zahradník agreed with the policy of fiscal discipline, and that future economic acceleration would help mitigate the crisis. He also suggested a permanent EU fiscal supervisor might be needed, but Germany clearly will not step into that role since they have not been a supporter of the measure. He ended by talking about the German role in the Czech economy. Looking at a worse-case scenario, Mr. Zahradník said that the low probability of a German banking collapse would have a disastrous effect on Czech institutions. While that is unlikely to happen, it is clear that Germany is the biggest contributor to the EU's budget, and its important position is reflected in countries like the Czech Republic. Mr. Zahradník ended the conference with a hope that Germany would continue to pursue measures to help solve the crisis in the EU.