French -German Relations and the EU at the Century's End: the Economic Aspects

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This examination of French-German economic relations is divided into three parts—the first will be a more or less chronological discussion of major issues or problems as they arose. The second will be a brief discussion of the present state of the two economies, in the light of French pessimism at the time of German unification, and the extrapolation made by some French writers that a Germany increased by one-third would rapidly become not only a third more populous but a third stronger, leaving France in the dust. Thirdly, I will attempt some analysis of the major issues which have in the past and will in the future divide the policies of the two nations.

The French-German economic relation has always been an uneasy one in the last half-century, even within the cooperative and friendly relations established since 1950. In 1950 a French economist, looking uneasily at the proposal for what became the European Coal and Steel Community, wrote: "Germany, with its industry, its capacity for work, and its creative energy, is aspiring in an almost spontaneous way to become the dominant economy on the continent, and by this expansion alone is a threat to the other nations of Europe." [1]When the Treaty of Rome was in the process of negotiation, Pierre Mendès France warned that the French economy would suffer from German dynamism. However, it was only in 1968 that the Federal Republic clearly demonstrated not only the strength of its economy but its willingness to use that strength. When the turbulence of May 1968 placed great pressure on the French franc, Paris looked for relief in revaluation of the mark. Economics Minister Karl Schiller and Finance Minister Franz-Josef Strauss made it clear to the French that France must devalue; de Gaulle refused, but in the next year his successor Georges Pompidou had to comply. As Klaus Hildebrand wrote: "It was the first occasion in the history of the West German state that such an assertive line had been taken." [2]

When after some French misgivings European states agreed in 1972 on a joint float of their currencies, called "the Snake," after a year the rise of the mark had pulled the franc after it; pressure on French reserves was too great. Finance Minister Giscard consulted President Pompidou, who after hearing his advice decided to leave the Snake temporarily:

> But it isn't a good measure, because we have to work out how to coordinate our monetary policy with the Germans. I saw at the last summit that they don't have a high opinion of our situation. As soon as one talks money, they are totally egoistic. They like to make their superiority felt. Besides, from their point of view, they're not wrong."[3]

France returned to the Snake in July 1975, but after an ill-advised reflation again left the Snake in March 1976. By this time, Giscard was the French president, and his German counterpart, former finance minister, Helmut Schmidt was chancellor. Working closely together to improve the financial system and strengthen European cooperation, they came up with an improved float called the European Monetary System.

When François Mitterrand's socialist policies ran into trouble in 1981-82, German cooperation was necessary for the first two franc devaluations. 1n 1982, in return for their aid, the Germans insisted that France deflate somewhat, reducing the 1982 budget. In 1983, as economic difficulties persisted, Mitterrand flirted with the idea of leaving the EMS entirely and floating the franc. He was dissuaded by advisers who pointed out that the franc would not float, but instead sink precipitously, necessitating staggering interest rate increases to stabilize it. The upshot was another arrangements by the Germans to support a franc devaluation—and more importantly, a permanent turn away from the policies of 1981-1983. From then on, France followed a policy of shadowing the deutschemark, what became known as the *franc fort*.

Anchoring the franc to the deutschemark had considerable advantages—inflation went down, and the Germans did support the franc when it was in trouble, notably in the crisis of 1993. But since the mark became the dominant currency, "as was the case from the end of the 1980s on, once a group of countries had already realized narrow convergence in their inflation rates, it became desirable for monetary policies in these countries to be defined by reference to a common objective, and not in relation to a dominant currency whose stability might falter."[4]

Here was an objective Mitterrand found essential. If France was to have a larger say in economic affairs, vis a vis Germany, then it could only be done by Europeanizing monetary affairs. He was aided in this goal by European Commission President Jacques Delors, who in 1988 was named to head a committee with European central bankers to work out a proposal for monetary union. The Delors plan thus predated the sudden appearance on the scene of an unexpected event—the sudden possibility, then the rapid realization of German unification. In this new conjuncture, seen by Mitterrand as a crisis, keeping Germany tied to Europe became more important than ever. The German response was to agree to monetary union (although Kohl at the time pushed political integration with more interest) but to safeguard the stability always assured by the deutschemark he called for convergence criteria that would fence off the new system from the dangers of inflation and easy money. At the time, France was quite happy to join in—Finance Minister Pierre Bérégovoy was exceedingly proud of the *franc fort* he had been nursing along since he first assumed his job in 1984-1986 and 1988-1993.

But German unification soon proved to be a financial strain that did not burden the Germans alone: since the Kohl government did not wish to finance the staggering costs of reconstituting the East German economy by taxation alone, the level of borrowing drove up interest rates, and as they rose created pressure on the franc to follow. If French policy wished to keep a franc as strong as the mark, it had to accept these interest rates. The strong franc was supposed to promote disinflation, aid buying power, and also draw in foreign capital. Instead, French fiscal policy, rigidly fixed on keeping up with the Waigels, produced tight money and higher unemployment—a rigidity that soon would be decried as "*la pensée unique* "or conventional wisdom. When Eduard Balladur's conservative government replaced the socialists, Balladur also adhered to conventional wisdom.

By the time Jacques Chirac was elected president in May 1995, there was widespread skepticism whether France would be able to meet the convergence criteria for entry into the European Monetary Union scheduled to begin either in January 1997 or at the latest in January 1999. If France did not enter, clearly there would be no EMU. But although Chirac had not made it clear that he would be a supporter of integration in the EU before his election, he came around to it. The result, however, was that his expansive promises made in order to outflank his rival Edouard Balladur on the left in order to be elected president had to be abandoned.

The austerity program announced by his prime minister Alain Juppé in late 1995 to meet the budget tightening necessary to meet EU goals led to an almost unprecedented strike movement, and indirectly to the failure of Chirac's ill-fated attempt in 1997 to gain a longer-lived (if more slender) parliamentary majority. In early 1997, continuing doubt was expressed in the press and economic circles generally whether France would be capable of meeting the 3% stricture on the relation of government debt to GDP.

In December 1995 at the Madrid council meeting the French had reluctantly been obliged to give way when Helmut Kohl renewed his opposition to the name of écu or even ECU for the new European currency. To a German ear, the word sounded like the word for cow, he said—and besides, it had lost nearly 40 percent of its value since the currency crises of 1992-1993, still less of a recommendation for the Germans. Jacques Chirac was opposed to a change that robbed the currency of its French-sounding name—but since the other leaders around the council table were quite indifferent, had to accede.[5]

In May 1996 it was announced that the next president of the European Monetary Institute ,the preparatory organization for the new European Central Bank, (ECB) would be the Dutch banker Wim Duisenberg. Nothing was said of the possible candidacy of Jean-Claude Trichet, head of the Banque de France. Since this nomination clearly preceded Duisenberg's candidacy as first head of the ECB, the bankers had taken an important decision, which was then ratified at the Dublin summit in December 1996. With the Stability Pact under discussion, Paris said nothing about the Duisenberg pre-decision. But in November 1997 Jospin and Chirac put out a common statement announcing the candidature of Trichet. In May 1998 , after much resistance to Duisenberg on the French part, Chirac said that the Dutch banker's eight-year term as ECB president would be halved to make room for Trichet. But on the eve of the launch of the single currency, in late December 1998 Duisenberg told an interviewer for *Le Monde* that he did not intend to retire after four years.

According to Lionel Barber, the lack of trust between the two allies became apparent at the December 1996 Dublin summit during lengthy talks over the terms of the Stability Pact, to the point where they were screaming at each other...Chirac had got off on the wrong foot with the Germans by referring in a TV broadcast just before, to the Stability Pact as something envisaged by "certain German technocrats," which "had evolved." An angry Theo Waigel had been arguing with his French colleague Jean Arthuis that Germany could not accept the euro without a Stability Pact that included quasi-automatic sanctions if a country's deficit increased beyond 3%. Paris objected strongly to the idea of automaticity—the decision would have to be political. Arthuis objected to Waigel, "what you are proposing is a computer that takes the decisions. Policy by software."

Kohl and Chirac then engaged in a furious conversation the next day, in which Kohl used the phrase "Our confidence has been betrayed. You know perfectly well that for me the Stability Pact is a political necessity. I can't give way!" After dinner, when their tempers had cooled, however, they found a compromise: a country undergoing recession of less than a certain percent would pay a fine—unless it asked for exemption. After more argument, they compromised on the figure of a .75% reduction of the GDP.[6]

In early June 1997, the election of a new Socialist-led government whose pre-election statements and early pronouncements on the importance of measures to increase employment caused uncertainty. at the Amsterdam summit. The newly elected Lionel Jospin demanded and obtained a further German commitment to support growth through a closer co-ordination of economic policy. But doubts were dissipated, as the new French leaders signed the Treaty of Amsterdam in June 1997, obtaining in exchange some German reassurance on the employment question.

Lionel Barber has argued that the Amsterdam declaration, "dismissed as a sop to a weak leftwing government weighed down by misguided election campaign pledges," was in fact the first shot in the battle for influence in the post-EMU world. In April 1998 Theo Waigel, the German finance minister, and Dominique Strauss-Kahn, his French counterpart, disagreed over tighter budgetary discipline for 1998. Strauss-Kahn brushed aside the German demands. Budgetary policy remained national responsibility. Any "growth dividend" would go towards investment and employment." Mr Jospin drove the message home: 'My central objective is not the euro but France,' he declared: "France wants to align macroeconomic policies so that countries' economic cycles are more in tune." Barber noted that this would apply to countries such as Ireland and the Netherlands, which are ahead of others in the economic cycle. It could also apply to Europe as a whole: France wants coordinated reflation in the event that the euro zone risks tipping into recession. This co-ordination could have the effect of circumventing the Stability Pact." The Germans are nervous. Their view is that if everyone respects the Stability Pact, the system works by definition and there will be no need for an overly restrictive monetary policy. Also, they say, French demands for supranational budgetary co-ordination risk running foul of the independent-minded German states." [7]

In November, 1997 the French government unveiled its plan to replace the franc with the euro in three years. By this time, an estimated 92 percent of the French public, whether for or against the euro, were convinced that the new currency would come into being. [8]. When in early January 1998 four distinguished German economics professors challenged the legality of the switch from the deutschemark to the euro, they also questioned whether France had a real interest in accepting the common currency. "German industry is already in the process of dominating Europe," they stated. "What will happen to the French and the Italian automobile industries if they join? You may as well forget about them. "[9]

But by April 1998, as the euro was coming closer to existence, and the fixing of national currency rates within it was imminent, not only France but Italy and other countries with "shaky" currencies were qualifying for entry into EMU. Germany, which had been pushing for certainty in the choice of future partners, had itself been undergoing economic problems, and had to give ground. Thus eleven countries qualified—all except Britain, Sweden, and Denmark, self-excluding, and Greece, lagging far behind. The world did not come to an end.

With the election of the Schröder government on September 27, 1998, the French predictably expressed their worries that the advent of a new team composed of younger leaders, less favorably disposed to France, would change relations. *Le Figaro's* ediitorialist remarked with some anxiety that the new generation , not having known the horrors of the past, might be less sensitive to them. He ended:"In face of the Germans who have lost their complexes in defending their national interests, France must have convictions as well. "[10]. Here was a familiar nationalist note; it can hardly be said that the French have not displayed their convictions throughout the European Union processes, whether or not they got their way.

Foreign Minister Hubert Védrine, interviewed a few weeks after the Schröder government's entry into office, laid emphasis on renewing relations which he said had slowed down in the last months of the Kohl government. Védrine went out of his way to touch on the theme that had worried the *Figaro* editorialist: "Germany does not feel itself obliged, more than fifty years after the war …to show itself more European than it already is, in order not to 'worry people.' It is a great and normal country and a great normal partner, which is working for Europe but also defends its interests. I find that neither shocking nor worrying."

Védrine listed as priorities the big EU questions. First. financing the European Union for the years 2000-2006, where the Germans, Austrians, and Swedes want to reduce their payments, while the Mediterranean countries do not wish to lose in cohesion funds,, Britain doesn't want its rebate touched, and France does not want to lose by adjusting the Common Agricultural Policy to achieve all this. [11].

These issues were all part of Agenda 2000, set forth in a 1300 page paper introduced by Commission President Jacques Santer in July 1997, after agreement on the Treaty of Amsterdam had cleared the way. He presented Agenda 2000 to the European Parliament as the Commission's detailed strategy for strengthening and widening the

Union in the early years of the 21st century. Notably, this involved further reform of the Common Agricultural Policy. Emphasis was laid on the challenges presented by widening to the east., which involved a 50% increase in agricultural land and a doubling of the farm labor force. If the present levels of CAP support prices and direct payments were available in the Central and Eastern European Countries,, according to the Commission, major income differences and other social distortions would be created by an inordinate flow of cash into rural areas while the EU's surpluses for sugar, milk and meat would rise.

Specifically, the commission proposed cuts on EU intervention prices on cereals, beef and milk .A 20% cut in the intervention price for grains in 2000 coupled with an area payment was meant to avoid a heavy potential increase in grain surpluses that the Commission calculates could rise to 58m tonnes by 2005; stocks of surplus beef could reach 1.5m tonnes by 2005 without a change of policy, and the Commission proposed to cut the price guarantee by nearly 30% per cent, while in the dairy sector 10% cuts in average support prices by 2006 would be counterbalanced by a yearly payment for dairy cows. Evidently, all these proposals were near-anathema to France., which derives the largest benefits from the CAP.

Furthermore, Germany had made no secret even before the elections that it wished to lower its contributions to the EU budget. As it turned out, however, the first controversy between Germany and other EU members came with the German decision, urged by the SPD's Green partners, to end the use of civil nuclear energy within the year. The French (and others) were taken by surprise; worse, they rapidly calculated prospective losses in recycling and building new reactors at 30 billion francs. [12]. Jospin found it necessary to warn of "stability problems in international relations." Within less than two weeks after the initial announcement, Schröder found it necessary to overrule, indeed disavow his zealous Green minister for the environment, Jürgen Trittin, giving up the date of January 1, 2000 as the end of nuclear processing, in order to negotiate a slower end of the reprocessing of nuclear fuels in France and Great Britain—and hinting that Trittin's refusal to contemplate any compensation for the termination of contracts would not be binding.[13]

The question of reducing German contributions to the EU budget was rapidly raised at the French-German summit in Potsdam on November 30-December 1, 1998. Before the meeting, German sources stressed that they believed France understood the German position. The meeting gave birth to a declaration in which the two countries declared their intention of giving new impetus to their relationship, and of resolving the budget problems during the German presidency in the first half of 1999. However, Paris remained totally opposed to the German idea of "renationalizing" a part of EU agricultural expenses. The German side did however come out for a European employment policy, to be discussed at the European summit in Vienna.[14]..

The Vienna meeting, although it insisted that employment policies should be pursued, delayed detailed discussion on them until the Cologne summit in June 1999, and put off detailed discussion of the EU budget. "A summit without ambition," commented a Green spokesman. At the beginning of the German EU presidency, in early January 1999 Schröder told *Der Spiegel* that a compromise must be achieved in order to lower German payments in the next six years. At the same time, he was coming under heavy fire from his opposition, especially from the powerful Edmund Stoiber, minister-president of Bavaria, who demanded that there be no new EU budget agreed until the German demands were met—that the 22 billion marks that mark the German net contribution must be reduced, while CDU leader Wolfgang Schäuble said that Germany should no longer pay more than other prosperous EU states.[15].

But the outspoken French agriculture minister Jean Glavany told the National Assembly that the Commission's proposals for reductions in Common Agricultural Program (CAP) payments in no way took account of the "specificity " of French agriculture or French farmers' problems and that the French government deeply disagreed with these ideas.[16].

Meeting. at an "informal" summit at Petersburg, across the Rhine from Bonn in late February 1999, the French and Germans: were able to smooth over some of their disagreements, after agriculture ministers meeting in Brussels had come to no agreement. Glavany had compared the German attitude to that of Margaret Thatcher in the 1980s: "I want my money back!."Glavany could exclaim "the mission I received has been accomplished, because there was no agreement. For me, that is what's essential. .He criticized his German counterpart Karl-Heinz Funke, saying that his proposals had taken no account of French claims."

.At Petersburg, some progress was made, however, and Jospin commented "the idea of co-financing has lost ground, and that's pleasing." The Spaniards and Portuguese remained very critical of the German presidency's proposal to limit structural funds to 200 billion euros a year [17].

During talks in Brussels in early March, the German negotiators retreated several steps, to the surprise of most of the country representatives present. They suggested that the cut for grain prices be limited to 10 percent instead of 20 and a 20 per cent price drop in beef support prices instead of the 30 percent the Commission had recommended. Germany also conceded that existing quotas might continue on milk until 2006 with no price reduction, thus bringing the German position into agreement with the French one. While Jean Glavany, welcomed the change in the German position, the Austrian farm minister spoke against "ducking bold reform: A mini-reform is the worst option." Earlier in the week, Germany also backed away from the idea of "co-financing" the CAP, while insisting that the idea remained on the agenda. The German retreat was thought to reflect domestic as well as foreign considerations, given the importance of the German farm lobby.[18]

When the EU leaders met again, in Berlin in late March decisions had to be reached., and indeed after 20 hours of intensive negotiation they emerged from the meeting at 6 a.m. with a compromise package of budgetary, farm, and regional policy reforms, designed to provide financial stability for the EU until 2006, and permit it to expand its membership to Eastern Europe

Gerhard Schröder, acknowledged that the compromise reached was "not ideal".but would cut Germany's contribution to the EU budget. France got almost everything it had demanded,, with EU agricultural expenses frozen at their 1999 level of 40.5 billion euros a year, with reforms to the price of milk adjourned until 2006, and a lower cut in the price of grains (15% instead of 20%) than originally suggested. The German contribution remained high, but as Schröder put it, it was "a first step." He was immediately attacked in the Bundestag by the opposition for obtaining such meager results.

Glavany, France's attack dog on agriculture, told the National Assembly on April 1 that he could not say that the agreements reached were good for France, for Europe, or its agriculture; they had only allowed improvements to the proposals made by the Commission and the German presidency. Reform on milk had really only been put off for two years, he said. The price of grain had been contained, and lowering the price of meat successfully resisted. But the general comment on the Berlin summit was bitter-sweet, to say the least. The Luxembourg prime minister remarked, "When at the end of a European Council there are only national winners, then it's Europe which is the loser."

Libération referred to the meeting's result as a bric-a brac compromise that did not hurt anyone seriously but also didn't satisfy anyone .In its analysis, the lowering of guaranteed agricultural prices was not sufficient to allow the entry of the Eastern countries, because agricultural prices in Poland and Hungary are much lower than those set by the EU, which means that if the EU had to support their agriculture it would find the burden unsustainable. [19].

One comment on the Berlin summit suggests that the French-German relation is indeed suffering from the change of governments in Germany. It argues that the strongest link the French had forged with the new government was with Finance Minister Oskar Lafontaine , and that after his sudden resignation only a firm relation with Schröder on Chirac's part could have redressed the balance. According to this argument, Chirac, by pushing too hard on the agricultural question, and keeping everyone up all night, not only alienated the Germans but expended all his credit on this one issue, The British won their fight to continue the rebate granted Mrs. Thatcher in 1984, and by allowing Germany, the Netherlands, Austria and Sweden to reduce their contributions to it, Chirac not only admitted its continuing legitimacy but also ended up paying an extra 200 million euro to Blair.[20]

For French Minister for European Affairs Pierre Moscovici, the negotiations had achieved an all around agreement, fairly well balanced, much of it due to France. Germany, he acknowledged, had probably let European interests go before strictly German ones. Moscovici did not comment on whether France had thought of doing the same.

Was the compromise on the CAP at the Berlin summit a Pyrrhic victory for France, bought at the cost of German resentment and almost certain to be revised before 2006? It is rather too soon to tell. French behavior was in any case narrowly self-interested, seemingly surprised that their German partners did not recognize the importance of the CAP for them, seemingly unaware of the fact that the Germans are increasingly unhappy at paying more than any other member state.

An Economic Government?

One enduring French concern in EU negotiations, and more specifically in bilateral French-German dealings concerning the EU has been to balance the power of the future European Central Bank with something which the late Prime Minister Pierre Bérégovoy referred to as early as 1992 as an "economic government." The idea—of introducing political control over a new European Central Bank—immediately evoked a strong negative reaction from the Germans, who feared that the independence of the ECB would be dangerously compromised. Since the Bundesbank had always been independent of political control (or largely so) the ECB, if it was to resemble the Bundesbank, most also be protected.

In October 1997 Waigel and Strauss-Kahn suggested that a new forum should meet regularly ahead of meetings of all 15 European Union finance ministers, to monitor general economic developments including currency movements, budget plans, structural reform including tax, and wages and other costs. Here was the idea of economic government in a slightly different form . French officials suggested the new forum could include central bank governors in discussions on matters such as currency markets. France's search for additional mechanisms to coordinate national economies was blunted by German distrust of any weakening of the central bank's role, and France was obliged to accept that the central bank's independence in monetary policy should not be diluted. Waigel also argued that an informal body could act effectively, pointing to the example of the G7 group of industrial nations, which has no official statute or secretariat. [21].

As Strauss-Kahn put it in an article in the *Financial Times* in November 1997: "The case for a closer coordination within the euro zone rests on two arguments: one political, the other economic. The political argument is that, in the absence of a visible and legitimate political body, the ECB might soon be regarded by the public as the only institution responsible for macro-economic policy. In the absence of a counterpart, citizens in the euro zone might soon make the bank responsible for growth, employment, or even unemployment, whereas its mandate is to focus on the narrower objective of price stability. This discrepancy between the legal mandate of the ECB and its perception by European citizens would ultimately limit its room to maneuver. In this respect, emphasizing the collective responsibility of the ministers of the euro zone could in fact protect the bank from misplaced pressures. [22]

At the December 1997 Luxembourg summit, , it was decided on French initiative that the president of the European Council should inform the ECB on the "economic policies of the member states and the evaluations they draw from them, so that the ECB not decide on over-hasty changes in interest rates.. The ECB president should also participate in the overall orientation of economic policy, and can raise an alarm if he judges them incompatible with price stability. [23]It is difficult to imagine that there will not be future disagreement between France and Germany on the question of political influence over the ECB—the only questions are when will a serious disagreement arise, under what circumstances, and who among other countries will support each position.

The Two Economies in the 21st Century

At each important stage in the Franco-German relationship since 1950 voices of warning and lamentation have been raised in France on the danger of German economic power—even, as we have seen, in 1950. In early 1990 the defense analyst and RPR politician Pierre Lellouche wrote that the future united Germany would no longer need

France, and that Delors' plan to contain Germany within the EU was illusory. "The real question," Lellouche wrote, "is to know whether the Germans will decide to do without Europe in future, or to attach to it infinitely less importance than in the past..."[24]

According to OECD statistics, the German GDP was 1391.5 billion Ecus in 1991 (West Germany only). In 1998, it was 1910.3 at current market prices. France had a GDP of 971.7 billion ecus in 1991; in 1998 1280.5. In other words, both these countries have grown, despite some slow years in the 1990s, but the extrapolation of fearful Frenchmen in 1990 that the addition of 17 million East Germans to 61 million West. Germans would equate to a 27% increase over and above other growth was quite unrealistic.

The French assumption that a unified Germany would take the largest share of trade with Poland and the Czech Republic was, on the other hand, quite correct. In 1995 38.4 percent of Poland's exports went to Germany, and 26.6 percent of imports came from Germany.. German imports from Poland rose by 41% from 1994 to 1997; exports to Poland rose by 99%. However, that was only 2.3% of Germany's exports The 1995 figures for French exports to and imports from Poland were only 3.6 and 4.9 percent.

Between 1996 and 1998 the share of German exports to Russia and all the other countries of the former Soviet bloc rose from 7.7 percent of German exports to 9.5 percent in 1998. But the share of exports to the other EU countries remained nearly constant between 1996-1998, going from 57.5 percent to 57.6 percent. (Exports to East Asia fell off, obviously because of economic conditions there.)[25]

In 1995 Germany's share of direct investment in the Czech republic was 22.2 % (down from 48.4% in 1994), versus French direct investment of only 6.5% in 1995. (Switzerland's share in 1995 was 26.5%, and the Netherlands' share was 28.8%.)see One might conclude that French business did not find either of these countries particularly attractive investment objectives The French did, however, invest more heavily in former East Germany.

Some Tentative Comments

What can be said of the French-German relationship in the economic area during the 1990s, as described here? The first, hardly surprising, is that Germany remains the economic powerhouse of Europe—but that it has not greatly distanced France, as some had feared. Nearly ten years after unification, the great investments made in former East Germany have not produced enormous gains in GDP, although anyone who traveled in the area immediately before unification and returned recently can testify that the money spent on infrastructure has produced great and visible results. But the region still lags behind former West Germany in productivity and employment, and no immediate leap forward is in sight.

A number of authors have pointed out that the French, having pushed for EMU with the intent of gaining some control over the Bundesbank and the deutschemark, have largely failed in the effort, and that the program for greater European integration begun in 1984 by a Socialist president has led to a distinctly non-Socialist Europe.[26] Paradoxically, the Germans, having entered the process of monetary integration with strong doubts, preferring to place the accent on political integration, were stalled on that front by the French and made creation of EMU a priority.

The excellent relationship achieved by François Mitterrand and Helmut Kohl , unshaken even by the trials of German unification, was not really continued when Chirac succeeded Kohl.. Just how important these personal relations between presidents and chancellors are is a matter for speculation. At a minimum, they can clearly smooth procedures and make compromise easier—or vice versa. But with the exception of some of the tensions outlined above (partially paralleled in the Mitterrand time in1989-1990) the relations do not seem to be that bad. The French have made a great deal of fuss about statements by and about Schröder suggesting that he feels himself a member of a different generation and therefore less bound than his predecessor to the French-German relationship of before. Here it might be remarked that Helmut Kohl created or attempted to create his own myth as "the last European," which if one takes it literally might mean that any CDU successor might have also taken a more relaxed attitude to the French.

Interstate relations, whether bilateral or within the EU, do not work this way. If Schröder compromised on the CAP, it was not because of the charm of Chirac's or Jospin's smile, or even fatigue, but because there were real German interests that advised that a compromise might be useful. If these considerations had been stronger, of course, Schröder might never have pushed so hard for larger CAP reductions. If they had not existed at all, then the French might have found their differences with the Germans irreconcilable But it is precisely the fact that there is a large overlap of interests between the two countries that has made a productive relation possible.

Insistence on making place for French officials, as in the Duisenberg-Trichet controversy, may sour relations, but ultimately is not likely to be decisive. Much more important is the money question as it relates to enlargement to the east. Here Germany has a strong interest in paving the way for the entry of its eastern neighbors, not just because they are good trading partners and are likely to be better ones, but because anchoring them firmly in the EU is an important security interest for Germany. The French undoubtedly understand this consideration—but may pay less attention to it, and more attention to the pain that reductions in CAP prices are likely to cause the French government. Here the latitude given Jean Glavany to advertise French truculence is a distinctly bad sign.

In economic relations as in security and other affairs, the Germans have always needed the French in EC, then EU negotiation and administration. Barring great changes in German attitudes that are not visible on the horizon, or serious mistakes by the French, the only major factor that may change their relation in the future is the new role that may be played in the future by Britain. One can only speculate how the past French-German relationship would have developed had Britain, from the Messina meeting in 1955 on, had taken a different attitude toward European integration. The Blair government is now emitting strong signals that it is prepared to join EMU after the next general election, presumably in 2001.

Nevertheless, forty-plus years of British chilliness toward Europe have left abiding doubts. Even if Blair's Britain does join EMU in 2001 or soon after, and begins to take a full part in all EU affairs, skepticism will remain that Britain—as after its accession to the EEC in 1974—intends only a minimalist role for the EU. The French-German relationship, in chilly weather as in warm, appears to have a long future ahead of it.

ENDNOTES

[1] . Quoted in F. Roy Willis, France, Germany, and the New Europe, 1945-1963 (Stanford: Stanford University Press, 1965), p. 79.

[2] . Klaus Hildebrand, German Foreign Policy from Bismarck to Adenauer: the Limits of Statecraft, trans. Louise Wilmit (London and Boston: Unwin Hyman, 1989), p. 218.

[3] 3. . Valéry Giscard d'Estaing, Le Pouvoir et la vie (Paris: Compagnie 12, 1988) pp. 140-141.

[4] . .Fabrice Fries, Les Grands débats européens, (Paris: Seuil 1995), p. 362.

[5] "Histoire intime de la monnaie unique," *Libération, April 27, 1998.*

6. *Ibid.*

7.. *Financial Times*, April 28, 1998.

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[8] *Libération* November 25, 1997

[9] *Libération* January 7, 1998.'

[10] *Le Figaro* , September 28, 1998

[11] *Libération*, November 24, 1998

[12] *Libération January 15, 1999*

[13] *Libération*, January 27, 1999.

[14] *Libération*, December 2, 1998

[15] *Die Welt*, January 4, 1999

[16] *Le Journal officiel*, January 18, 1999.

[17] *Libération*, February 27-28, 1999

[18] *Financial Times*, March 6, 1999.

[19] *Libération*, March 27-28, 1999

[20] The European Voice, April 1999. Http://www.european-voice.com.

[21] *Financial Times* October 15, 1997

[22] *Financial Times*, November 27, 1997.

[23] *Libération*, February 11, 1998.

[24] Pierre Lellouche, *Politique internationale*, no. 47 (1990) 110-115,

[25] Deutsches Institut für Wirtschaftsforschung *Economic Bulletin*, vol. 35 no. 11, table 1.

[26] See, among others, George Ross, "The Euro, the French Model of Society,' and French Politics," *French Politics and Society* vol. 16 no. 4 (Fall 1988).