France and the Future of the European Union

Post-conference Report of the Polish Institute of International Affairs

Warsaw
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Edited by: Elżbieta Kaca, Dorota Liszczyk and Roderick Parkes

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Executive Summary

- At the EU level, President Hollande is attempting to distance himself from his predecessor by putting emphasis on growth measures, as a supplement to the austerity policies opposed by some southern European states, and by opening up the Franco-German tandem to new players, notably the southern members but also those to the east.
- Franco-German disagreements concerning current EU issues, notably the scope of the banking union and the solidarity agenda towards the south, are negotiable. In relation to the future of the European project, however, besides a shared reluctance to deepen EU integration and an acceptance for strengthening eurozone governance in a multispeed format, the two countries barely share a common vision.
- This lack of a shared vision is, however, partly the result of a difficult domestic situation that plays a vital role in Hollande's EU policy. The president has to face the challenge of restoring growth to the French economy and addressing deep French euroscepticism as well as arriving at consensus on EU policy within his own Socialist Party (PS), riven by splits since the debate on the Constitutional Treaty.
- Common Security and Defence Policy is, by contrast, an area of continuity, and no major change is expected in France's involvement in developing the policy. Indeed, due to defence budget constraints, the focus will be a pragmatic one on developing concrete cooperation in the industrial field in a bilateral or trilateral format. Partnership with Poland would be fruitful.

The grounds for better Franco-Polish cooperation can be set up around the following issues:

- As France does not exclude the non-eurozone countries from taking part in ongoing discussions on eurozone integration, it would be opportune to involve Poland properly in consultations at an early stage. This would be notably important due to the current debate on the completion of the EMU. In crucial policy areas, liaison officers can be exchanged often, and meetings at the working level can be arranged on an ad-hoc basis.
- France and Poland should closely discuss the consequences of any potential eurozone integration plans also in the scope of more dense expert cooperation. Even minor new institutional arrangements cause repercussions for other policies in which Poland takes part (banking union impacts single market). In this respect the recent initiative to establish a common Centre for Franco-Polish Studies should be further developed.
- CSDP remains an attractive field for Franco-Polish cooperation and concrete projects between both countries can be launched, e.g., in the areas of air defence or the modernisation of the Polish Navy. Moreover, in order for CSDP to progress, both countries can work together to develop the idea of EU battlegroups (using the example of the Weimar Battle Group) and help the process of updating the EU security strategy.

Opening Words

Maciej Witucki*

In 2008 French President Nicolas Sarkozy signed a Strategic Partnership Agreement with the late Lech Kaczyński. Both countries committed to enhanced cooperation in the political, economic, social and cultural field in bilateral and EU relations and also to collaboration at the NATO level. In 2012, the new President of the Republic François Hollande completed his first official visit to Poland. World politics have changed significantly over the last four years, and the French political scene has reflected the turmoil of our times. France remains a leading foreign investor in Poland. French business ranks highly in the Polish economy—the capital of Seine-based companies accounts for around 13–16% of total foreign capital. French direct investment in Poland (according to various estimates) currently reaches €15 billion. Significantly, French business is very active in Central Europe as a whole: it is within the top five largest investors in each country of the region (Poland, the Czech Republic, Slovakia, Hungary) and creates several thousand jobs. Due to its size and potential, Poland is the most important partner for French companies in the region.

During this time, Polish exports to France totalled more than €8 billion, and imports, no less than €6 billion. Poland most commonly exports highly-processed electro-mechanical goods, cars, components and sub-assemblies for vehicles, machinery and electrical equipment, copper products, fertilisers, pharmaceutical goods, agricultural and food products as well as furniture. Poland mainly imports from France machinery and electronic equipment as well as medication, pharmaceuticals and cosmetics.

Paradoxically, the economic crisis has strengthened Franco-Polish economic ties, with the Polish market becoming more attractive for France. The calculation is that it is worthwhile currently to invest in Central Europe as it will bring profits in the future. And the impact of the crisis in the region has created favourable conditions for starting up businesses. Even before the crisis, labour costs in Poland were much lower than in the more developed EU economies, making Polish products more competitive. Additionally, the Polish, Czech and Hungarian economies became increasingly competitive as the zloty, koruna and forint weakened. Current prices, if translated into euros, are 20–30% lower even than a year ago. This trend of investing cheaply now in Poland will be profitable in the long term as, Europe-wide, consumers will spend more once the crisis is over.

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It seems that the political change will help to create better conditions leading to concrete cooperation in various fields, making this a good moment to return to the content of the strategic partnership, which has so often been labelled "an empty glass," and identify relevant points to develop further. Both countries need a reliable partner.

This closer cooperation should also see a reinforcement of the Weimar Triangle, the instrument in the field of foreign and EU affairs which still has more symbolic than functional

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* Maciej WItucki, president and CEO of Telekomunikacja Polska.

meaning. As different experts state the Triangle could become the real motor of change, the engine of the EU car, to use a journalistic metaphor. In order to do so, political cooperation should be cemented by further investment as well as common infrastructural and modernisation projects in energy, telecommunications and the defence industry.

The time has come to closely examine the two countries' common political and economic needs, to open up to mutual sensitivities and work on a shared understanding that already exists but seems underused despite positive circumstances. Will there be a new chapter in Franco-Polish relations? Will presidents Bronisław Komorowski and François Hollande form a base for a close political alliance similar to the Polish-German friendship between Chancellor Merkel and Prime Minister Tusk? Will human relations help to build a partnership that will help face the EU's challenges in the 21st century? Let's hope so, as we can only benefit from this process.

Introduction

Elżbieta Kaca, Dorota Liszczyk*

The French political landscape completely changed after the last presidential and parliamentary elections, as the Socialist Party acquired a political monopoly. They have gained a majority in the Senate and won an absolute majority in the National Assembly. Most importantly, Socialist candidate François Hollande managed to defeat the incumbent and centre-right candidate Nicolas Sarkozy to become president. On 6 May 2012, Hollande won the election with 51.64% of votes compared to 48.36% for his opponent. Therefore after three failed attempts (in 1995, 2002 and 2007) the Left returned to Élysée Palace.

One should note, however, that France has witnessed a change not only in its political leadership but also in its political, economic and social situation, with manifest implications for EU policies. A high unemployment rate, the worrying state of French public finances and the low competitiveness of the French economy, which lacks innovativeness and readiness for structural adjustment, are the main reasons why the French government has, at the EU level, been leading the crusade to promote ways to restore economic growth and to protect European production. Moreover, for France—a constant co-leader of the EU—growing economic difficulties have negatively affected its European position and deepened the disparities with Germany.

Within this context, French society is strongly divided on European issues just as it had been in the past. One of the latest public opinion surveys by the French Institute of Public Opinion (IFOP) confirms the long-term trends. Only half of respondents believe that France has an interest in belonging to the European Union, while almost one third present a different view. French society deems the EU ineffective in combating the crisis and the common currency rather as a handicap than an asset. Importantly, 60% of French society wants less European integration as a way of fighting the crisis, while 40% would like to deepen the integration process. Nevertheless, the majority of French want to stay in the eurozone and reject a return to the franc.

The new French political elite has to tackle all those tensions related to popular expectations and economic performance, notably facing the pace of the intense EU crisis agenda. Indeed, Hollande rapidly set some markers for French European policy. By focusing mainly on his pre-electoral promise concerning the necessity to promote growth within the EU, he facilitated the adoption of a "Compact for Growth and Jobs" during the European Council held on 28–29 June 2012. Despite the internal split within the Left over the ratification of the fiscal compact, he managed to make France ratify the treaty (thanks to centre-right support). Nevertheless France still is abstaining from formulating long-term perspectives on the future of the European project.

Witnessing this challenge, PISM organised the conference "France after the Elections, and the Future of the European Union," which took place in Warsaw on 13 September 2012 with the aim of presenting the changes that will be introduced by President François Hollande and France's new government to the country's European policy. The event was an opportunity to assess how France's new leaders see and wish to develop the European project. The debate was led by prominent speakers: **Alain Richard,** a French senator and former minister of defence, **Pierre Buhler**, the ambassador of France to Poland, and **Zaki Laïdi**, a professor with the Centre for European Studies of Sciences Po. The résumé of their speeches is included in this report.

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In the absence of clear political messages from Paris, this post-conference report contains not only the summary of seminar speeches but also articles by experts. The article by **Szymon Stellmaszyk** depicts the divisions within the Socialist Party in relation to EU policy. He says that despite a seven-year history of intensified splits within the Socialist Party, when it comes to European issues—not to mention the latest turbulence around the ratification of the budgetary treaty—one should expect a more coherent Socialist position on these problems under Hollande's leadership. **Yann–Sven Rittelmeyer** analyses the current state of play in the Franco-German tandem and argues that Hollande and Merkel share a common vision of the EU's future, whilst the issues they disagree on are negotiable. The common points are the acceptance of a multispeed Europe as well as resistance to deeper political integration. However, France, in contrast to the Sarkozy period, opts for a non-exclusive Franco-German tandem, as evidenced by the intensification of relations with the South. Finally, **Krzysztof Soloch** writes about the revival of the French interest in developing Common Security and Defence Policy based on the cooperation of groups of countries in terms of common industrial projects.

These articles support the conclusion that grounds for better Franco-Polish cooperation exist. Although France calls for eurozone integration, it does not exclude the non-eurozone countries from taking part in ongoing discussions. On the other hand, due to such things as the internal situation of the Socialist Party, Hollande is resistant to huge steps in EU integration (the same as Chancellor Merkel), so Poland should not expect far-reaching changes in eurozone governance. Last but not least, CSDP remains an attractive field of Franco-Polish cooperation and, due to the renewed French impulses in this sphere as well as a growing Polish defence budget, concrete projects between both countries can be launched.

France after the Elections and the Future of the European Union[1]

Olga Cichowlas*

The outcome of May's French presidential elections reflected the will for change in France, in relation to both domestic and EU policies. Like numerous Member States, France is currently economically weak and requires extensive reform. Simultaneously, the European Union is experiencing a triple crisis in the economy, governance and political legitimacy. Low mobility and varying degrees of competitiveness between the countries that share the same currency sap the Union's resources; inter-governmentalism, introduced as a replacement for the community method, has failed as a mode for solving the eurozone crisis; and European citizens increasingly view the EU with scepticism. In this context, François Hollande's victory held out the promise of an improved political atmosphere for the discussion of EU policies and a novel means to deal with the eurozone's long-standing financial crisis. By opening Franco-German cooperation to other Member States and broaching the debate on the EU's "pro-growth agenda," the French Socialist president is trying to reshape policies on both a national and European scale. François Hollande's efforts to distance himself from his predecessor, Nicolas Sarkozy, are particularly evident in his attitude towards the financial crisis and the future of the EU.

Hollande's election certainly re-launched the debate in Europe, previously hijacked by the "Merkozy" system. The latter was greatly profitable for the Germans as it consisted of France accepting an officially equal position to Germany but in reality forced it to "swallow Merkel's demands." In this regard, Sarkozy's policy on Europe was more concerned with status rather than context. Whereas his predecessor was prepared to accept a weakened French position in favour of a strong Franco-German alliance, Hollande has been distancing himself from this strategy. In the presidential race, one of his key proposals was challenging Sarkozy's eurozone policy. Whilst not rejecting the introduction of strengthened fiscal discipline, which Berlin was pushing for, he conditioned the ratification of the so called fiscal compact by supplementing this policy with pro-growth initiatives (including an increase in loans from the European Investment Bank, the use of unspent EU funds to provide more focus on the promotion of growth measures, and the introduction of "project bonds" to cover the costs of risks linked to development projects pursued by private companies). Moreover, the new president recognises that that kind of Franco-German leadership is unacceptable for the rest of Europe and stresses the need to reinforce cooperation with the Germans alongside other EU Member States. This has led to renewed relations between France and Poland, which share common security and trade interests. Indeed, Hollande has shown keen interest in a dialogue with Poland and other Central European countries. During the presidential election campaign, Hollande visited Warsaw and met with President Bronisław Komorowski. A visit to Poland by French Minister of Foreign Affairs Laurent Fabius and Minister of Defence Jean-Yves Le Drian also took place in July.

The Socialist president made his intentions to disassociate himself from Sarkozy's politics clear from the beginning of his electoral campaign, when he called for a new direction in European policy regarding the financial crisis. Although both have displayed a strong resolve to preserve Europe's economic and monetary union, Hollande's policies sharply contrast with those of Nicolas Sarkozy. The new president intends to be active in an enlarged dialogue to mend relations with the southern part of Europe, and closely cooperated with Spain and Italy during the June European Council in order to agree on their pro-growth packages. Hollande's

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[1] Résumé of speeches presented during the conference.

* Olga Cichowlas, The Polish Institute of International Affairs.

priority is to solve Europe's crisis situation within the next two years relying on the following principles:

- Hollande's France is committed to preserving the integrity of the eurozone and restoring stabilisation on the continent. Fixing the monetary union is of fundamental importance for France, in both an economic and political sense. The euro has far-reaching meaning for this founding member of the European Union, its fate being linked to the health of the European project.
- Hollande has addressed the broad consensus in Europe that the economic catastrophes were largely born out of a lack of supervision of financial institutions and blind self-correcting virtues of markets. For the numerous recent scandals in the banking world not to repeat themselves, a credible body is needed to control the eurozone. This would allow the direct recapitalisation of banks and leave the burden of states vis-a-vis independent bodies. Hollande's government has worked on and made progress with his solution of a banking union, which includes a number of interconnected mechanisms such as a bank-supervision scheme, a deposit-guarantee scheme and a crisis-resolution mechanism.
- Furthermore, regarding the EU's Multiannual Financial Framework for the years 2014–2020, France advocates a "nurturing" agenda by providing the EU budget with new resources. This includes the adoption of a tax on financial transactions.
- To boost EU growth and develop stronger trade policy, France emphasises the importance of dialogue, not just between Member States but also between the EU and other countries on a global level. Alongside improved trade with third countries, Hollande stresses the importance of deepening the internal market, integrating energy and industrial policies and creating new prospects to encourage employment in Europe.

The motives behind Hollande's EU policy can be found in the current weakness of the French economy. France suffers from a huge public debt burden (which increased by €600 billion since 2007) and a trade deficit of more than €70 billion a year (compared to a slight surplus a decade ago). The country's degraded competitiveness cannot be solely attributed to the rise of energy costs and effectively translates into losses of industry and jobs to other countries.

In order to make Hollande's EU policy credible, France requires both structural and economic reforms. Among his solutions to the domestic problems, is to halt the debt spiral by reducing the deficit to 3% by 2013. The aims of this new finance law were officially announced in the last week of September. The debt is to be reduced by €30 billion in next year's budget through new taxes and cuts in public spending. Within the country's structural reforms, competitiveness and growth are to be restored by reducing workforce costs through tax changes, introducing more flexibility in the labour market and strongly relying on economic diplomacy.

The impact of the domestic situation together with the possible continuation of the traditional Socialist programme brings considerable novelties to French politics. Whether the French desire the changes proposed by Hollande, remains a largely unanswered question. Hollande is among the many EU leaders facing deep-rooted Euroscepticism. As a result, he will possibly face criticism on European issues not only from a large part of French society, but also from his own party. The current lack of faith in Europe will no doubt influence the French President's capacity to act. Nevertheless, France chooses the European model and will preach its political construction. In this, Hollande will no doubt find common ground with Chancellor Merkel. In order to rebuild trust in Europe, it was suggested that symbols of progress, such as the Erasmus programme, should be promoted to Europe's citizens.

The Socialist Party's Divisions on European Union Policy and Its Preconditions

Szymon Stellmaszyk*

The divisions in the French Socialist Party around the issue of the European Union are nothing new. The most famous split occurred in the wake of the 2005 decision to hold a national referendum between those who campaigned for the treaty establishing a Constitution for Europe and those who were against it. Months before the referendum, the Socialist Party consulted its members. The "Yes" vote won with 59%, but the "No"-bloc continued their campaign outside the party, opposing the Constitutional treaty, citing a lack of democratic accountability and the threat that it posed to the European social model.

The EU treaty was rejected by French citizens by 54.5% of votes in May of that year, leading to a severe crisis in the party, which failed to meet its traditional electorate. Of those who voted "No," 55% were supporters of left-wing parties, while 73% of the mainstream right's electorate voted "Yes." Most of the left's electorate voted "No" (58% of Socialists, 95% of Communists, 64% of Greens), as did most young people and 81% of workers. However, the vast majority of "No" voters remained in favour of European integration.

Hollande was then the leader of the party campaigning in favour of the treaty, while Laurent Fabius, a former prime minister (1984–1986) headed the "No" side. The latter was traditionally seen as centrist within the movement, and his switching to the Left of the party was described as a tactical move with an eye to the coming nomination process for the next presidential elections. Indeed, the split over the European Constitution, as well as party leaders' competing ambitions to win the presidential nomination in 2007, led the party into significant disorder.

The French Socialist Party itself is characterised in the political system by the existence of factions, which are organised through policy declarations called "motions" on which the members vote at each party Congress. At the Congress held in November 2005 in Le Mans, the Socialist Party still managed to create a last-minute "synthesis" on EU affairs. In fact, three main factions agreed on a common agenda, based on the moderate and pro-European majority's position with some left-wing amendments. But only three years later the Socialists went badly divided into the next Congress, held in November 2008 in Reims. Between these two main party events the race to the presidential nomination for the 2007 elections took place. Fabius lost, finishing third (18.66%) behind Ségolène Royal (60.65%), who was Hollande's life partner at that time, and Dominique Strauss-Kahn (20.83%). The proponents of "Yes" regained the advantage in the party.

However, despite appeals from party leaders, the Congress in 2008 failed to win a majority for a common text of the main four motions presented by Ségolène Royal, Bertrand Delanoë, Martine Aubry and Benoît Hamon, who represented the so called left-wing of the party. Each motion received between a third and a fifth of the votes, and it was the first time since 1990 that the Congress of the Socialist Party ended without a majority. There were obvious differences over the role of the European Union in these motions as well as on the issue of responding to the financial and economic crisis. Most voices advocated stronger regulation of the financial markets.

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* Szymon Stellmaszyk, between 2003 and 2005 a member of the National Executive Committee for International Affairs, Democratic Left Alliance.

After Hollande won the presidential elections in 2012, he nominated Fabius as minister for foreign affairs and Bernard Cazeneuve, who also belonged to the "No"-bloc in 2005, as minister for European affairs. That was an important message of unity and the bridging of differences.

The ratification of the European fiscal compact negotiated on behalf of France by President Nicolas Sarkozy coincided with the transfer of power in Élysée Palace. But as soon as the end of 2011, just after the European Council agreed on the need for a treaty on budgetary discipline, then-presidential candidate Hollande had actually promised to renegotiate any fiscal compact. Three months later, the summit agreement resulted in a signed treaty. Its main goal was to write into the national legal orders of signatory states the obligation to bring public finances back into balance, with a so called "golden rule" limiting structural deficits to 0.5% of GDP or less. The treaty will also limit the national debt to 60% of GDP.

During the presidential campaign, Hollande in his "60 Commitments for France" reaffirmed the will to renegotiate the treaty with a focus on growth and jobs and refocusing the role of the European Central Bank to this end. He also proposed a pact of accountability, governance and growth to emerge from the crisis as the austerity spiral worsened. Following his election, Hollande, already the French president, attended the European Council on 28 and 29 June. The decision by the EU to implement a "pact for growth and employment," mobilising €120 billion, as well as the commitment to introduce a tax on financial transactions and arrange for European bank supervision, was presented by supporters of the new head of state as his success.

However, in the Socialist camp, which only just gained an absolute majority in the National Assembly with their partners due to the legislative elections in June 2012, there was increased opposition. A group of the Left Front, some environmentalists and left-wing Socialists accused Hollande of breaking his previous statements and failing to reopen treaty negotiations. Remembering his long experience as the First Secretary of the Socialist Party and facing deep divisions caused by the referendum on the European Constitution in 2005, Hollande wanted to avoid permanent divisions. He invited Prime Minister Jean-Marc Ayrault and Minister Bernard Cazeneuve to conduct educational work on EU matters with newly elected officials.

In these circumstances, the issue of the fiscal compact was an obvious part of preparations for the Congress of the party, held in Toulouse at the end of October 2012. The majority of members supported the motion of outgoing leader Martine Aubry and Prime Minister Jean-Marc Ayrault, who advocated ratification. For them, the treaty marked progress in resolving the financial crisis and a gradual reducing of the French deficit. Hollande was, after all, committed to restore the fiscal balance by 2017. Additionally, according to Fabius, the treaty was good because it allows for the reorientation of Europe around two axes: fiscal discipline and growth. It would help to save Europe from speculation and show support for the growth–centred European policy of Hollande.

But on the other hand, the treaty was challenged by the "left of the left" in France, which accused President Hollande of failing to "renegotiate" the text as promised. The Left Front coalition of the Left Party and the Communists called for a referendum with various other organisations and a large demonstration in Paris to start a national campaign against austerity. For Jean-Luc Mélenchon, the leader of the Front, the treaty's text was simply too close to the proposal made by Sarkozy and Merkel, and the austerity imposed by the European agreement would in fact deepen the recession. Another argument of the Front was the loss of national sovereignty over budgetary choices, which could be imposed by the European Commission.

However, Minister Cazeneuve argued that the French Constitutional Council had ruled that there was no transfer of sovereignty with this legislation, underlining also that without renegotiating the treaty, President Hollande had actually changed the context of the European debate, as evidenced by the measures agreed at the EU summit in June on the growth package, the tax on financial transactions, the solidarity mechanisms that allow the ECB to intervene in markets to stop speculation, or the banking union, that is to say, bank supervision, deposit

insurance, the resolution of bank loans—even if their implementation is still the subject of intense negotiations in Brussels.

Lively debates took place also amongst ecologists. Their parliamentary group has 17 members, and the government consists of two ministers from the Green family. But Europe Écologie—Les Verts (EELV) weakened the majority and, according to some of their own members, they weakened themselves by opposing the ratification. Alain Vidal, the Socialist minister for relations with Parliament, stated that the move had created a political problem and the decision of the coalition partner was regrettable. Many MPs shared the view that the depth of commitment to François Hollande in favour of the ecological transition should be revised. On the other hand, Eva Joly, the Green MEP, noted that if 20 Socialists on the party's left wing could vote against, including Benoît Hamon in the government, why should they not follow suit? The Green minister for Development, Pascal Canfin, advised his colleagues to abstain rather than vote against the bill, claiming that ratification of the treaty was part of a compromise.

Nevertheless, tensions in the governmental coalition on the EU's fiscal compact were more visible than among society. According to a BVA poll published on 1 October, 64% of French people would vote in favour if it were put to referendum and 36% would reject it. The proportion of positive opinions was even wider on the budgetary "golden rule." According to the survey, 72% of respondents were in favour of the rule, one quarter opposed it and 3% had no opinion.

The bill to adopt the treaty was backed by 477 votes to 70. Of those, 282 Socialist Party deputies voted in favour. The centre-right opposition UMP had announced its support already at the beginning of the ratification process on the grounds that the treaty had been signed by Sarkozy. Forty-five deputies from Hollande's 315-member Socialist/Green coalition either opposed it or abstained. "Left" deputies voting against the ratification included 20 PS deputies, 12 of the 17 Greens, and the 10 representatives of Left Front.

The French Senate, the upper house where the Left has only a very small majority, also voted in favour of the treaty. Out of the 346 senators voting, 306 voted for and 32 against. This time, the majority of the Greens even did not vote against. France ratified the EU's fiscal compact in the end. However, President Hollande faced his first parliamentary rebellion. He only survived thanks to a large majority provided by opposition votes.

Despite this remarkable accident it seems that the position of President Hollande will be very strong in the coming years in the Socialist Party. At the last Congress, Harlem Désir, the newly elected First Secretary, in the closing speech gave his vision of the current political landscape and described the party's role in it. The key goals included the resolution of divisions between Socialists surrounding European policy. During the five years of the presidential term, the party will be obviously determined to implement the 60 commitments Hollande stated. Many of them were already implemented by a Socialist administration. For Désir the role of the Socialist Party is not only to be united, but also inventive and ambitious to propose and innovate. He declared his commitment to renovate the party as well. He pointed out that the future of France lies in a Europe that would be socially reoriented. The European Union not only deserved a Nobel Prize for Peace but also a total commitment from the French Socialist Party. The solution to the crisis is European and he refused that European solidarity would be shattered on national egoism.

Désir raised almost 72.5% of the votes. His rival, Emmanuel Maurel, representing the left wing of the party, got 27.5%. But one must remember that internal divisions are natural within the Socialist Party's structure. Real differences based on programme issues, more or less social accents in the agenda, were always present. However, the internal gridlock as well as personal conflicts among party leaders motivated by their personal ambitions allowed the Socialist Party to lose power and influence for a long time. Time will tell if the leadership learn from the experience and mistakes made in the past.

The victory of Socialist François Hollande in the presidential elections in May 2012 and one month later of his party in the elections to the National Assembly, gaining the absolute majority together with left-leaning candidates from other parties, have changed the internal attitude in France. The determination to combat internal divisions is stronger than before. On the other hand, accents on program differences by smaller partners are typical in coalition governments. The Socialists and their own president will do everything to keep this system for good.

France and the Deepening of the Eurozone: Is There a Way for Franco-German Convergence?

Yann-Sven Rittelmeyer*

François Hollande's election to president in May 2012 raised fears about a difficult relationship with Germany that could hamper the evolution of the European project at a time when deeper integration—especially of the eurozone—has been widely identified as the best way to overcome the economic crisis. A possible breakdown of the Franco-German motor is seen with anxiety. The tensions and risks associated with this new political configuration feed discourses about the strain on the Franco-German relationship. Since the new French president took office, the bilateral relationship has indeed proved confrontational. Nevertheless, France and Germany have generally been able to aggregate more easily the support of other EU Member States when they had diverging starting points and only afterwards reached agreement. Initial disagreements are not particularly worrying, the most important being to reach a compromise at some point.

Diverging Strategies: France and Germany on Separate Roads

During the European Council that took place in October 2012, media focused on the original disagreement between France and Germany on a banking union. France was in favour of broad supervision introduced as soon as possible. Germany, thanks to the sensitivities surrounding its *Landesbank*en, wanted to limit the control to the largest banks and take more time in order to introduce an effective supervisory mechanism. More generally, the cleavage between a solidarity-agenda supported by France and a stability-agenda advocated by Germany strengthened the idea that the two Member States were on fundamentally different paths.

Simultaneously, such Franco-German divergences on questions at the heart of the European agenda raise questions about the kind of relationship French and German leaders want. Hollande and Merkel are both in favour of a non-exclusive Franco-German relationship. Of course, this aspiration was already held by their predecessors (Sarkozy, for example, wanted at the beginning of his mandate to narrow the ties with the United Kingdom). With Hollande's election, however, France has actually acted upon this, looking more to the south with the intention to establish itself as the link between Southern and Northern Europe. These closer ties with the Mediterranean states are intrinsically linked with Hollande's genuine desire to find a new balance in the relationship with Germany.

Beyond this observation of diverging positions, the tension between the strategies of the two countries may be even more problematic. Germany currently pushes for agreement on the convocation of a Convention at the European Council of December 2012, whereas France would like to delay the debate about Europe's future until the next European Parliament elections in 2014. Unlike the German elite's discourse, French debates about Europe are neither about institutional reform nor about the future design of the EU, but more about the current situation. In recent months, French arguments regarding European matters have been almost entirely devoted to the Treaty on Stability, Coordination and Governance. The goal was quite simply to avoid a weakening (or even a split) of the Socialist Party and the governing majority on the ratification of this treaty.

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Under pressure from the German side, leading French political actors talk about "more integration" and, with less enthusiasm, about a "political union." For Hollande, a political union is indeed a real prospect but will only be possible in the long term after a long integration process. This integration process should first be completed to the levels of a banking union, a fiscal union and a social union before a real political union would be introduced. This should also be backed by progress in terms of democratic legitimacy. The French strategy consists of focusing on short and medium-term result-oriented projects rather than on big projects about institutional design.

At the European Council held in June 2012, the concept of *intégration solidaire* (integration with solidarity) was enounced by the French president in order to avoid discussions about institutional changes or—even worse for French public opinion—about federalisation. The meaning as well as the content of *intégration solidaire* is still unclear but the underlying idea is that each disciplinary measure or each institutional change towards more integration should go hand in hand with progress in terms of solidarity.

Similar Ideas under National Constraints

This French attitude is best explained by the trends regarding further integration in the country. Since 2005 and the failed referendum on the constitutional treaty, almost the whole French political class is either avoiding talk about Europe or explicitly criticising the European integration process. The Socialist Party has been the most affected by this episode. Hollande, who was at that time leading the party, could not avoid the split of his party into two camps. Several leading figures of the French Socialist Party, including Fabius, now minister for Foreign Affairs, and Montebourg, the industry minister, expressed themselves against the constitutional treaty and thus opposed Hollande, who at that time was First Secretary of the party. The official position of the party had to be decided by an internal referendum—which saw 59% approval of the treaty—but this division has left wounds.

Hollande, who was in the 1990s even described as Jacques Delors' "spiritual son," is certainly more in favour of deepening integration than his predecessor as president was, but he is still trying to avoid a debate about possible treaty changes. A lot of attention has been dedicated to the idea that Merkel's personality is closer to that of Hollande than Sarkozy. Importantly, their personal views on Europe may also coincide. Like his German counterpart, the French President defends the supranational institutions, as demonstrated for example by his support for the European Parliament on discussions about the possibility of separate parliamentary representation for the eurozone.

But at this point, Hollande prefers to calm the tense relationship between French citizens and the EU and to regain their confidence through small steps and concrete projects. Similarly, Merkel, in contrast with her predecessors and although she also favours greater federalisation, has a cautious view towards Europe, preferring a step-by-step approach. This is due to the growing resistance towards European integration by the German population as well as a certain instinctive cautiousness on her part. As a former citizen of East Germany, she did not grow up with the European construction in the same way that West Germans did, and thus sees this project differently. She is also a scientist, and consequently prefers to test things and look at the results before moving forward.

In short, the two leaders probably hold relatively similar visions of the European project, cemented by a shared cautiousness. As a result, France is increasingly at ease with German criticism for its failure to meet German plans on the grand institutional development of the EU because Paris recognises the gap between bold German speeches and this cautious attitude. There is thus growing scepticism in France about Germany's real wishes. The German desire to slow down and limit the establishment of a banking union as well as the collapse of the EADS-BAE deal due mainly to German resistance are contrasting strongly with Germany's official discourses on further integration. In a strategic move on the eve of the October 2012

European Council, Hollande even implicitly accused Germany of speaking a lot about a political union but of inactivity when relevant decisions have to be taken.

Where Will France and Germany Meet?

Both leaders have a lack of leeway at the national level. Hollande has to deal not only with the French economic situation but also domestic public opinion that is very reluctant towards European matters, difficult governing allies from the Green party, as well as dissenting members from his own party. Merkel is in an even more complicated political situation with an increasingly unmanageable governing coalition (thanks particularly to the start of the national electoral campaign), German public opinion opposing new solidarity measures and the Bundestag controlling all decisions on European matters.

However various points do suggest that an effective working relationship will emerge. The division between eurozone "ins" and "outs" chimes with France's traditional conceptions, and Germany has made an important move in accepting it as a reality (as did other actors traditionally defending supranational institutions and a communitarian approach). Some divergences nevertheless remain: Hollande is clearly supporting stronger European economic governance around the eurozone (as did his predecessor, Sarkozy). He advocates a distinct political dimension for the eurozone, with monthly meetings of eurozone leaders as well as efforts to reinforce the Eurogroup and to give a clear and longer mandate to its president. By contrast, Germany, in its tradition of favouring stronger European institutions, supports the notion of a powerful "currency commissioner." Both France and Germany are in favour of a eurozone budget, independent from the EU's Multiannual Financial Framework. France has proposed to finance this budget through revenue from a Financial Transaction Tax—also an element supported by France and Germany—for which an agreement to launch enhanced cooperation (i.e., cooperation amongst a subset of EU members) has been found. Regarding the EU members outside the eurozone, France and Germany also share a quite similar position, making a distinction between countries willing to join the euro area and others that do not intend to do so: the former should be associated to the discussions (probably without being able to formally vote if a vote has to take place), but not the latter.

In the coming months, the main issue for Franco-German relations will be to transform the celebrations and symbolic acts associated with the 50th anniversary of the Élysée treaty into useful and effective actions. A window of opportunity, strengthened by the crisis, has been opened with Hollande's election but may be closed by the intensification of the German electoral campaign. The upcoming moves on the eurozone or on the EU's architecture will not just determine the future of the whole EU but also will be an important test for the Franco-German relationship.

The New French Approach to Common Security and Defence Policy

Krzysztof Soloch*

France has continually supported a greater security role for the European Union, and the development of Common Security and Defence Policy is, for Paris, a natural progression for European integration and an essential element in the validity of Common Foreign and Security Policy. As the French took over the presidency of the Council of the European Union in July 2000 and again in 2008, CSDP remained the number one priority for them. After the entry into force of the Lisbon Treaty on 1 December 2009, the European Union (EU) was supposed to benefit from a new, more active and effective Common Defence and Security Policy. The CDSP is designed to give the EU the means to cope with crisis resolution—by giving it operational tools (civilian and military ones) it is designed to make the Union's foreign policy more credible. But the EU is not yet able to influence the course of events in the world around it. The EU's failure in Libya has confirmed the permanent gap between Europe's ambitions and its insufficient capacity. The refusal on the part of High Representative Catherine Ashton to accept the EU's lead in commanding the naval embargo of Libya represented a severe setback for the EEAS when at the same time this proposal had been agreed by the UK, France and other EU members and enjoyed the support of the U.S. The EU remains a major civil power, able to carry out humanitarian operations and provide important economic support. But the EU has yet been unable to influence the course of events.

The special position of France within NATO has been perceived with suspicion by some European countries, particularly in the context of its commitment to develop an autonomous CSDP. The re-establishment of full participation in NATO's military command, rapprochement with the U.S. and a rebalancing between Anglo-centric and EU priorities decided by Nicolas Sarkozy were supposed to help frame the debate over whether to develop European defence more effectively or to seriously reform the Atlantic alliance. This decision was supposed to enable the construction of European defence in harmony with NATO, rather than in opposition to it. Three years later, we can see the limitations of this approach. The new French president, François Hollande, and defence minister, Jean-Yves Le Drian, have a more reserved attitude about the benefits that France and CSDP can draw from the end of the French exception within NATO. There is no question of reversing this normalisation, but now the emphasis will be put on the development of European defence. The French defence minister has repeatedly emphasised that major cooperative efforts on European capabilities are required to avoid strategic irrelevance. What are the preconditions for CSDP development? Putting aside the political dimension of policy, the logical starting point for Le Drian is to consider specifically the military aspects and their affordability: first, the generation of enhanced capabilities via synergies of existing assets and structures; second, the generation of generic strategic assets via a radical consolidation of European budgets, particularly as concerns high-end strategic assets, such as strategic awareness about specific situations.

The three main defence actors, Britain, France, and Germany (65% of all EU defence expenditures and about 90% of all research and technology), bear a special responsibility in the sense that no European defence (and foreign) policy is possible or feasible without their respective consent and the direct involvement of their national military high command apparatus. Having acknowledged this prerequisite—their partners having accepted it—the three will have to consider new forms of organisation, structure and synergy, including building, pooling and sharing assets and capabilities.

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In defence matters, cooperation with the UK (notably the Lancaster House agreement) is being developed in a very pragmatic matter. France will continue developing specific tools, notably in intelligence (e.g., the recent launching of the Elisa constellation satellites), reflecting its own political and strategic requirements, notably the maintenance of a unique and fruitful cooperation with the U.S. In addition, on key operational issues, a kind of triumvirate is developing between Washington–Paris–London. This policy is the result of a growing perception that the EU Member States are quitting the domain of military affairs as they have only residual, although efficient, military capabilities. This situation is not, however, the end state of intra-European cooperation on defence affairs. Building European defence with 27 Member States is simply not possible. This observation was put forward by the French defence minister during discussions with his European counterparts. This is why bilateral or trilateral defence cooperation will be clearly favoured. The efforts to revive the Weimar Triangle with Germany and Poland will be followed up. In the context of Franco-British defence cooperation, the question is whether it is useful to expand it to a core European defence. Several French policymakers hoped that this cooperation could bring Great Britain closer to European defence. With hindsight, it is clear that France was mistaken in thinking that the key to reviving a Europe of Defence is found only in London. On the other hand, the extension of this cooperation does not make sense given that only bilateral cooperation counts for the UK.

The most important challenge for the French government is the management of budget cuts and their impact on French armed forces. The country's commitment to reduce the deficit from 5.2% today to 3% next year will bear heavily on the next six-year plan for defence (2014–2020). The question of French defence ambitions dominates the debate, and will continue to dominate it for the next few years. The drafting of a White Paper comes up in the context of a transformation of French defence, the largest since the end of the Cold War. Le Drian will defer orders, deliveries and payments to contribute to the budgetary efforts advocated by Hollande. All programmes and all air, land and sea forces will be affected, except for deterrence, which is sacrosanct, and the budget for the maintenance of equipment, which will be up slightly in 2013.

In the context of these challenges, Hollande has seized the opportunity to identify new opportunities to revive European defence. This is why he decided to associate, for the first time, certain European partners in the preparation of the new White Paper on Defence and National Security: Wolfgang Ischinger (chairman of the Munich Conference for Security Policy) and Peter Ricketts (Britain's ambassador to France). Apart from reinvigorating the European Union's Common Security and Defence Policy, which is a central component of French defence ambitions, the challenges are significant. The new White Paper should ensure "the intelligent management of realism," as noted Jean-Marie Guéhenno, chairman of the Defence and National Security White Paper Commission. This document must not only define for the coming years the ambition level and the means of French defence but also find answers to the question of how to maintain France's strategic independence in light of the rise of the emerging economies (BRICS), evaluate the French return to NATO's military structure and increase France's defence industrial power. On this last point, Patricia Adam, the Socialist president of the defence commission at the Assemblée Nationale emphasised the need to maintain operational competencies and continue to build an industrial and technological defence base, renewed at national and European levels. But the major question is whether France still has the means to raise these challenges.

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