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Sarkozy, Hollande and the end of “Merkozy”

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François Hollande and Nicolas Sarkozy are often said to be deeply opposed. The first would be more inclined to maintaining public spending, which does not fit with the current European budgetary discipline policies. The second, more experienced at the helm, would have the benefit of greater credibility on European issues. This crude opposition is too simplistic to be satisfying. Beyond the question of the policy mix (how much public spending /how much discipline?), all politicians from all sides, all European leaders face the same challenge: they have to change their working methods and build democracy beyond national borders.

On budgetary discipline and crisis management, although public perception is clearly in favour of Nicolas Sarkozy, the “reality check” of his achievements is not so much in favour of the current President.

Nicolas Sarkozy enjoys portraying himself as a highly-skilled politician, who the markets have faith in. Many French people believe this, as polls show. However, if the French presidency of the EU was a success in 2008, an overall assessment of his five-year mandate is less positive. At the end of his term, French debt has significantly increased, not only because of “the crisis” but also and especially because of unfair and confused fiscal and tax policies. In 2007, French Prime minister François Fillon was already legitimately raising the alarm describing a country on the brink of “bankruptcy” (sic). Little has been done to tackle this issue. The close Franco-German relationship, whose importance was so often promoted, cannot mask some significant failures on the French side: public deficit is still very high, debt is skyrocketing, the social security deficit is becoming permanent and the trade balance continues to deteriorate (70 billion euros in 2011 when Germany has a surplus of more than double that!). The country has obviously lost competitiveness under Sarkozy’s leadership. The Single Market’s potential has not been exploited to its full effect.

Moreover, we cannot ignore the change of political direction which Nicolas Sarkozy took during his campaign: more Colbertist than liberal, more nationalist than pro-European. His threat to withdraw from the Schengen agreement unless it was reviewed can obviously be seen as a nod towards far-right voters. This euro-sceptic tone is nevertheless concerning for the business community and from a President who boasts about his international stature and credibility.

When François Hollande proposed that if elected it would be necessary to review the Fiscal Compact Treaty to include growth mechanisms, he does not propose to increase public spending but specifically to increase the means of the EIB, to use “project bonds” to finance investment, to promote a financial transaction tax. In spite of a general reluctance among European counterparts to consider re-opening the Fiscal compact, the aggravation of the market crisis and the deepening recession confirm that the Socialist candidate’s claim is not completely unfounded. And he was not the only one, nor the first, to speak out: since 2009 the European Parliament has urged national authorities to add proactive measures to the ones aimed at respecting budgetary discipline. Twelve heads of government (including Monti, Cameron, Rajoy) have sent a letter to Mr Barroso focused

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on growth. Many European and foreign economists as well as international organisations (IMF, OECD) warn of a looming recession.

But the challenge goes far beyond the choice of policy mix. The real challenge is to change the crisis management. It is clear that, whoever is elected, the "Merkozy" style supremacy cannot continue. The authoritarian method favoured by the German chancellor and the outgoing French President, illustrated by chaotic summits without any public debate and no European democratic control, needs to come to an end. The future construction and development of Europe cannot be founded on closed-door deals between 2 dominant countries. The EU has to return to a dialogue which includes all institutions, all Member States and actions which they all support. Here Italy particularly has a great role to play.

Firstly because it can avoid Merkozy being replaced by a MerMonti or something similar. The temptation to make "alliances" dividing Northern and Southern countries, or Keynesians versus Liberals, would be the worst mistake that we could collectively make. The temptation for the Germans and the Italians to isolate the new French President or to ignore the mandate he has received from the French people would also be a no go. In any case, Hollande is serious when he says that without new elements, he would not put the Fiscal Compact to ratification. The *Pacta sunt servanda* principle is only valid when the ratification has taken place. That is the reason why he might be, if elected, in a strong position, by simply doing nothing. He clearly does not intend to declare war on his partners. Simply to turn the page on an exclusive tandem. And no one in Europe can believe that Giorgio Napolitano or Mario Monti play small alliance games.

The size of Italy, whose GDP represents 17.4% of the euro zone, making it Europe's third largest economy, close to that of France, places a particular responsibility on this country.

The appointment of Mario Monti as Prime Minister in November 2011, with the task of implementing far-reaching economic and social reforms shows that Italy intends to be serious in limiting public spending (here the "spending review" of Mr Bondi might even illustrate the path for France) but also growth oriented and fair («disciplina, crescita ed equità»). Furthermore, with all his years of European experience Monti enjoys a unique position in the European Council. He knows the Commission from the inside. He understands the role the European Parliament can play and has showed unusual respect for it, holding freely a speech in plenary to explain his policy on February 15 in Strasburg). He can contribute to the necessary rebalancing which has more to do with respect and tone than treaty changes.

On the substance, he has an important card in his hands. Before his nomination as Prime Minister, he presented to Mr Barroso in May 2010 a report on the internal market calling for a rebalance of European economic policies. In all his numerous op-eds in the «Corriere della Sera» or the «Financial Times», Professor Monti has always shown his attachment to competition and to the Single Market in order to support European growth. But he wrote his report in an independent manner, without liberal prejudice. He has underlined the need to reconcile Europeans with the markets and has never underestimated the rejection of its unintended social consequences.

That is the reason why he finally proposed to tackle the European sovereign debt crisis with the creation of "Eurobonds" and advocated more fiscal/social harmonisation in the euro zone. This comprehensive deal, with a measure of liberalism in the re-launch of the Single Market, and a measure of social economics to enable more consideration for some of the concerns which the liberalisation has created, should, in my opinion, be the basis of a broad agreement in June at the European Council.

Such suggestions are compatible with François Hollande's position and Merkel could easily be convinced that in the long run, the German interests are not in the bankruptcy of all their partners (clients) and the rise of extreme parties. The priority should be to keep the citizens on board, or, to be candid, to fish them from the water into which they have jumped and convince them to come aboard again...

Eventually, the challenge is to get out of the crisis by building a cross-border, efficient and legitimate democracy in the euro zone.

Far from it being simply a question of negotiations between Member State leaders, there is an urgent need for greater democratic debate. Increased public debates in national parliaments are needed, as they must continue to play an essential role in Europe's future. But the European Parliament has an increased, unique role to play. Unlike in the Council or within national governments, debates and hearings in the European Parliament are public and can be followed externally, in any of the official EU languages. Many national leaders talk exclusively to their electorate about issues which also concern other European citizens, e.g. Schengen. The European Parliament provides an arena for public, transnational debate about precisely these issues. It is by increasing the democratic accountability of the European Union that citizens will feel more involved. As Mr Trichet stressed many times, the euro is a "community of destiny". Which requires the heads of state and governments to give up their pretention to rule alone.

No single national leader can answer alone the questions of sustainable growth and lively democracy. The next French President will have to work for both the French, and the other 435 million Europeans, because their fates are intertwined.

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