'Schröder goes solo' from Die Zeit (March 1999)

Caption: In March 1999, the day after the collective resignation of the European Commission and on the eve of the Berlin Summit on Agenda 2000, the German weekly newspaper Die Zeit analyses the efforts made by Chancellor Gerhard Schröder to help Europe to find a way out of the crisis.

Source: Die Zeit. [ONLINE]. [Hamburg]: [15.04.2004]. Disponible sur http://www.zeit.de/archiv/1999/12/199912.agenda_2000_.xml.

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Schröder goes solo

At the EU's Agenda 2000 Summit in Berlin, the Federal Chancellor will be out on his own, without the Commission to support him.

Christian Wernicke

It was last autumn, before the German elections, when *The Economist* featured Gerhard Schröder on its cover page. Alongside his beaming face was an eye-catching question: 'Would you buy a used car from this man?'

Since then, the 'car dealer' has become the Federal Chancellor and head of Germany's EU Presidency. Fourteen governments in Europe now have to decide whether and how they mean to do business with him. Since Monday night, they have been more reliant than ever on Schröder's talent as a broker: the collective resignation of the Commission in Brussels has robbed the 15 government leaders of the trouble-shooter that has so often come up with technocratic solutions to tricky disputes. Finding a way out of the whole Brussels mess will also take time. But Schröder knows: 'What we need to do now is to ensure that Europe can carry on working.' Reading between the lines, what the Chancellor means is that any further crisis could send the euro into freefall.

As mere observers, deprived of high office, the Commissioners will be relegated to the wings. It will be up to the politicians to take the decisions — on reforming the costly agricultural policy, on EU structural fund aid for poorer regions, on the vexed question of a fairer distribution of net contributions. What is certain is that it will be an extremely complicated agreement, full of pitfalls and footnotes. The compromise has to last for seven years and equip Western Europe for expansion to include the countries of Central and Eastern Europe. This is why Schröder is currently on a whistle-stop tour of the western European capitals, and this is why he is issuing invitations to attend his great summit on Agenda 2000 in Berlin next week.

United against the British

Schröder's chances of getting the EU countries to agree to a deal by dawn on 26 March are actually not too bad. The Foreign Minister, Joschka Fischer, who spent last weekend with his counterparts in the sunny Rheingau region preparing a solution for the long night ahead at the Berlin Summit, already had 'compromise figures in mind'. He kept the figures and the number of zeros in them to himself, imagining that the EU Commission would still be firmly in the saddle. But the basic outlines of an agreement are beginning to take shape, as are the front lines where the EU partners will first have to cross swords: Germany against Spain, the Netherlands against Italy, and everyone against the British.

Berlin marks the end of the honeymoon period that Europe has allowed Tony Blair up to now. Worried about triggering new waves of europhobic hysteria in Britain, diplomats and ministers have previously only whispered their demands that London should agree to a reform of the EU rebate that the Iron Lady (and her handbag) won 15 years ago. At the Summit, there is now likely to be a row about the DM 6 billion or so that have been knocked off Britain's EU bill each year since then. Mr Blair says that the rebate is 'not negotiable'. But none of the other 14 government heads will let him get away without a reduction, since London will, after all, benefit from many of the other expected reforms under Agenda 2000. And if the tangle of EU rules which specially trained accountants use to calculate Britain's bonus every year remains unchanged, then, as soon as the first eastern European countries join, Mr Blair would actually pocket a special rebate — paid for by everyone else.

Putting at least this absurdity right is top of the agenda for Berlin. Experts can produce as many wonderful accounting models as they like; in the end, the only thing that counts is the political calculation: how to persuade Tony Blair to give up Britain's veto and its cash? 'Open fighting won't achieve anything,' says someone who knows all about negotiating through the night in Brussels. It would only alert enemy battalions on Labour's home front, the tabloids and the Tories. Either the EU reaches agreement with London quietly, or the Berlin conference will founder, spectacularly, on Mrs Thatcher's legacy.

There will also be verbal skirmishing at the Summit along a second front, in the battle between north and south for the structural funds. This is one battle that is guaranteed to take place, but it will be less damaging. It is a European ritual: the Spanish, Greeks and Portuguese haggle for their thousands of millions in aid, while the Germans and Dutch insist on a reduction in their high net contributions. Huffing and puffing and slamming doors are all part of the diplomats' trade here. Seasoned observers, however, say that they are 'cautiously optimistic that a compromise can be reached.' The two extremes between which Gerhard Schröder and Spain's José-María Aznar will have to meet in the middle on the last night of the Summit are already defined: Bonn would like Brussels to pay out no more than EUR 190.5 billion over the next seven years, while Madrid will insist on a maximum of 216 billion. That would be 10 % less than the Commission originally recommended. This 'stabilisation' of the budget would mean that Europe would cost the Germans almost DM 5 billion less, and, at the same time, they are hoping for DM 2 billion more in regional aid from Brussels — every year! This is pretty much the deal that Monika Wulf-Mathies, the Commissioner responsible, managed to work out for her fellow countrymen.

This section of Schröder's Agenda 2000 business is far from signed and sealed. First, for example, Aznar needs to be sure that his country, which is in the euro zone, will continue to benefit from the Cohesion Fund, designed to even out the differences in development between wealthy and poor Member States. Although there is a lot less money at stake here for Spain than in the structural funds, it is the number of zeros on the figures by which the public at home will measure his success. Bonn, tactically astute, has already given way on this.

The red-green coalition, at any event, is sending out only muted signals so soon before the Berlin Summit. Nine months ago, everyone, particularly the British, joked that 'Kohl is swinging Maggie's handbag' — he wanted his money back, as Mrs Thatcher once did. A general reduction for all the overstretched net contributors is still included in every EU paper that comes out of Bonn, but Schröder secretly abandoned this idea a long time ago. His foreign minister has already been paving the way for a retreat on this in his public pronouncement. Would Germany soon be paying less to Brussels? 'I don't know — but is that the most important issue?' It always seemed to be up to now. Fischer's words now sound almost like Helmut Kohl, saying 'Germany is the big winner in the enlargement process.'

He is right. But his serious expression betrays little enthusiasm. The burden on Bonn will be eased by the widespread freeze on EU spending, but the savings will be far less than planned. Even the Netherlands Government, whose coalition agreement boldly included a reduction in its payments to Brussels from 2002 onwards, is going to have to think again. Germany and the Netherlands therefore find themselves at odds with Paris, whose diplomats have, verging on the treacherous, deprived the net contributors of their chief weapon: the national co-financing of EU agricultural spending is, to a large extent at least, taboo.

Looking for a back door

France wrung this concession out of its partners before it agreed to the troublesome compromise on the CAP last week. It is only a partial reform, yet it is a reform nevertheless. Prices are to come down, though by less than recommended by the Brussels experts, which is why all the various arable and livestock premiums that compensate farmers will work out a little cheaper in the short term. The agriculture ministers actually handed their clients almost DM 14 billion more than the government heads had originally approved, but, in Berlin, the government heads intend to make further improvements and a few more savings. A number of farming subsidies should soon be coming down again; perhaps there might even be room for a bit of co-financing through the back door. But it will not be much, otherwise the whole farming package, so laboriously tacked together, will fall apart. So there will have to be more haggling in just three years' time, or less. By then, enlargement to include the countries of Central and Eastern Europe will be imminent, and Europe will be back in the firing line at the World Trade Organisation for its farming protectionism.

In the short term, the much-criticised agricultural compromise does, admittedly, provide a solution that is typical of the Agenda 2000 chess game in Berlin, where everything depends on everything else. Since Italy has succeeded in increasing its milk quotas, the Rome Government is now being more conciliatory about the future calculation of national EU contributions. Hitherto, part of each country's payments to Brussels was calculated on the basis of VAT revenue. That favoured Italy and Belgium, where the parallel economy is doing particularly well. It is fairer if, as planned, the calculations are based more on national prosperity (GDP) in future. This will mean that Europe will cost Italy DM 2.4 billion more every year, and it will save the new treasurer in Schröder's team EUR 700 million a year.

The deal on the milk quotas has thus brought hidden benefits, but, if he wants to enjoy them, Hans Eichel will, admittedly, have to settle down for a long relationship with Gerhard Schröder: the 'car dealer's' wheeling and dealing will probably not take effect properly until 2006.