Analyses OSW

CENTRE FOR EASTERN STUDIES 24.08.2011 www.osw.waw.pl

The Merkel–Sarkozy summit on the stabilisation of the eurozone

A number of proposals for the stabilisation of the eurozone were presented in effect of the meeting of German Chancellor Angela Merkel with French President Nicolas Sarkozy on 16 August in Paris. The two leaders proposed for example the establishment of an economic government for the eurozone, which would be led by the president of the Council of the European Union, Herman van Rompuy. Unlike the Euro-Plus Pact, which envisaged a closer co-operation of the eurozone and non-eurozone member states, this project does not provide for the possibility for the countries which do not use the common EU currency to participate.

Chancellor Merkel and President Sarkozy want to introduce an economic government which will consist of the government heads of state and government of the 17 eurozone member states and which will meet twice a year. This project also envisages the introduction of regulations on the maximum debt level in the constitutions of the eurozone member states and the imposition of a tax on financial transactions. Merkel and Sarkozy also supported the adoption of the Stability and Growth Pact as soon as possible. They also want a common base for the calculation of CIT to apply from the beginning of 2013, which would undermine the competitiveness of entrepreneurs from the countries which have a low CIT rate. The summit proposals have been criticised by opposition parties in Germany (the SPD, the Green Party and the Left Party). The opposition sees the decisions made during the summit as feigned declarations and actions which instead of stabilising the eurozone, only make its crisis more acute. The parties are demanding concrete solutions, including the introduction of eurobonds as a method which is more beneficial for Germany than subsequent bailouts for countries which go bankrupt. Chancellor Merkel has also been criticised for not putting the Eurobond question on the official agenda of the meeting with President Sarkozy as a concession to the FDP, being a member of the government coalition, which strongly opposes the introduction of Eurobonds. <koma, zawil>