France, Germany hold talks on EU approval of France’s 2015 budget

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On Monday, French Economy Minister Emmanuel Macron and Finance Minister Michel Sapin traveled to Berlin to discuss German support for the 2015 French budget. The budget projects that France will run a budget deficit of 4.3 percent of the country’s gross domestic product (GDP) next year, higher than the European Union limit. It faces a possible veto by the European Commission (EC).

Paris submitted the budget last Wednesday for EC approval. Although the Socialist Party (PS) government’s budget lays out plans for €50 billion in social cuts—including gutting family benefits and local government spending—the EC may oppose it and demand further cuts to bring it in line with EU deficit limits. By the end of October, the EC must decide whether to approve the budget and, if it does not, whether to impose fines on France or send the budget back to Paris for changes.

Attempts to put forward a joint Franco-German initiative at the Berlin summit failed. Macron reportedly called for a €50 billion investment program by Germany to stimulate the economy and counterbalance France’s €50 billion in cuts. The two countries agreed only to produce an economic paper by early December.

“When France and Germany work together, all of Europe benefits,” Sapin commented at a joint news conference in Berlin.

German officials told *Euro News* they would not agree to anything “extravagant” in response to French requests, however.

The German news magazine *Der Spiegel* reported that France and Germany are trying to negotiate a behind-the-scenes deal to secure EC approval of the French budget. The agreement would be based on plans for intensified, long-term austerity measures against the working class in France.

According to *Der Spiegel*, “the two governments are working on a written agreement under which France will provide the Commission with a detailed road map for deficit reduction and structural reform.” In exchange, “Germany would overlook France’s repeated flouting of its pledge to bring its budget deficit inside the eurozone’s 3 percent of national output ceiling and oppose any sanctions that the European Commission might propose.”

German and French officials denied *Der Spiegel*’s report. However, Paris and Berlin are clearly making undisclosed plans for more attacks of the working class by the deeply unpopular PS government of French President François Hollande, whether or not these plans succeed in obtaining EC approval of the French budget.

Speaking to RTL before traveling to Berlin, Macron predicted that the EC would not veto the budget. “I am totally certain at this stage,” he said, “that there will not be a negative response from the Commission, because we are not placing ourselves in this situation. The Commission will decide, but France is a great country that must lead the debate.”

Macron said he thought the French position would have the support of major banks and financial institutions, which fear that a policy of strict austerity could bring about economic collapse and bankruptcies across Europe. “We are leading a debate, which is also taking place in other forums such as the International Monetary Fund, and which is a debate on the eurozone’s situation. The eurozone is anemic,” Macron said.

The PS government’s presentation of the situation as under control and EC approval of its budget as being guaranteed by France’s role as a “great country” is a fraud. Paris is preparing devastating austerity measures amid an ongoing collapse of the European economy and explosive tensions between Germany and France.

Projections for economic growth and inflation in Europe are rapidly falling. Germany reported a 5.8 percent fall in exports in August, shocking the financial markets. The country's central bank, the Bundesbank, issued a report yesterday predicting little or no economic growth in the second half of the year by the eurozone's leading economy.

Interest rates for government bonds have surged dramatically in Greece, Spain, Portugal and Italy, raising the specter of a new European debt crisis potentially worse than that of 2010. Last week, Greece's 10-year yield increased to just under 9 percent, the biggest jump since July 2012.

The Ukrainian economy, devastated by the civil war that followed a Western-backed, fascist-led putsch in Kiev in February, will contract 8 percent, according to the World Bank.

Yesterday, the European Central Bank (ECB) decided on a controversial measure to expand the money supply by €1 trillion and use this freshly minted money to buy covered bonds. This is a desperate maneuver to pump cash into European banks.

Tensions between France and Germany are further destabilizing this deeply fraught situation. The Hollande administration has been discredited by the economic collapse and rising joblessness caused by its austerity policies. Fully 84 percent of the French population, and 75 percent of PS voters, do not want him to seek re-election in 2017. In August, he was forced to fire two PS ministers who publicly attacked his austerity policies and blamed them on Berlin.

The main beneficiary of the PS collapse is the far-right National Front (FN), which is calling for France to break with the euro and the EU and embark on an independent policy from Berlin.

The German bourgeoisie is itself deeply divided over whether to accommodate French demands in order to preserve good relations with France and the "Franco-German axis" upon which the EU rests, or to continue pushing for austerity policies.

Several German officials made comments suggesting that some sort of deal would be reached with Paris. *Der Spiege* l cited a high-ranking member of the German government as saying an official EC rejection of the French budget would "massively burden German-French relations."

"You just can't do that with France, not with France," a German EU diplomat said. "It would be presented as if we were somehow responsible because of our obsession with austerity."

On the other hand, Berlin is intensifying its calls for austerity, which would mean deeper budget cuts in France. On Thursday, German Chancellor Angela Merkel said, "All, and at this point I will reiterate this again, all member states must fully respect the strengthened rules of the [EU] Stability and Growth Pact."

"If we make an exception for Paris here, then we are calling into question the entire stability pact," said Gunther Krichbaum, a member of Merkel's right-wing Christian Democratic Union (CDU) and head of the European Affairs Committee in the German parliament.

"France and Germany have done this before," he said, referring to violations by Germany and France of the 3 percent budget deficit limit in 2003 and 2004. "We should not allow it to happen again."