

Heading for moment of truth in Brussels

BERLIN

Merkel, standing fast, is facing stronger push for united effort on debt

BY NICHOLAS KULISH

With its popularly elected president and powerful finance minister, the European Union of the future will be more adept at fighting crises — not to mention better equipped to prevent them from happening in the first place. Its bicameral legislature, with an empowered Parliament and an upper house like the U.S. Senate, will ensure greater democratic legitimacy among

the Continent's polyglot people.

That is how Germany's powerful finance minister and dedicated pro-European thinker Wolfgang Schäuble has laid out his vision for Europe, or at the very least the countries that use the euro currency — most recently in an interview with the newsmagazine Der Spiegel.

In a crisis battled primarily through incremental steps, vision across much of the continent has been sorely lacking. But here in Germany, academics, politicians and journalists have intensively debated what form a future Europe would take. Chancellor Angela Merkel is fond of calling for "more Europe," but few could say what that means and pessimism that leaders will find a way is growing stronger, with pundits racing

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Chancellor Angela Merkel at a debate in the Bundestag in Berlin on Wednesday.

Idea of 'more Europe' about to get stern test

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to declare the euro a failed endeavor.

Heading into Thursday's summit meeting of European leaders there was little confidence in any significant breakthrough, as public statements by leaders grew ever more rancorous. The meeting in Brussels will be the first full-scale summit meeting for leaders of the 27 European Union countries since François Hollande became the president of France. At an informal dinner last month, Mr. Hollande raised the pressure on Ms. Merkel to bend on jointly issued debt and government spending to promote growth.

Ms. Merkel was again bluntly realistic in an address before the Bundestag on Wednesday, saying that she was under "no illusions" and expected a "controversial discussion" with other leaders at the meeting in Brussels.

Her prediction of confrontation came just hours before she flew to Paris on Wednesday evening for last-minute talks with Mr. Hollande, who continues to press for some form of jointly issued debt to alleviate the crisis, commonly known as euro bonds.

In recent days it has felt as though the more leaders pressured the German chancellor to agree radical action, whether in Los Cabos, Mexico, at the Group of 20 meeting or at a summit meeting last week in Rome, the more she has dug in.

"I am afraid that at the summit far too much time will be spent talking about all kinds of ideas for a common sharing of debt, and far too little about improved controls and structures," Ms. Merkel said. "Ignoring the fact that euro bonds, euro bills, debt redemption funds and much more are not only unconstitutional in Germany, they are also economically wrong and counterproductive."

Prime Minister Mario Monti of Italy, who has proposed using the euro zone

"You have to choose the way and then you have to go there."

bailout funds and the European Central Bank to help bring down borrowing costs in troubled countries, told Italian lawmakers on Tuesday that he would not "rubber-stamp" general, pre-issued declarations at the summit meeting but would instead press for concrete measures, even if it meant working all weekend. If he comes home from the meeting empty-handed, his government may be mortally weakened.

Prime Minister Mariano Rajoy of Spain told his Parliament Wednesday that the summit meeting needed to address urgently the problem of Spain's soaring borrowing costs, a sign of market nervousness about the state of his country's finances. "We cannot finance at current prices for too long," Mr. Rajoy said.

Political analysts say that Ms. Merkel is forced to play hardball and hold out for the best possible deal, because once she signed off on jointly issued debt she could not take it back. Yet utterances such as "I don't see total debt liability as long as I live" — delivered Tuesday at a closed-door meeting of lawmakers from her Free Democratic coalition partners in Berlin — do not appear to leave her much room to maneuver.

"Politicians have to lead," said Eckart J. Stratenschulte, a political scientist and the director of the nonprofit European Academy Berlin, on a recent forum here on the future of Europe. "And leading is, as in hiking in the mountains, very clearly defined, it means you have to identify the aim, you have to explain it, and you have to choose the way and then you have to go there."

Ms. Merkel prefers to work quietly and behind the scenes. A parade of European leaders has circled through Berlin in recent months, sometimes for

one-on-one chats in the chancellery's private dining room overlooking the Tiergarten park. Crucially Ms. Merkel has courted the support of smaller countries, like the Baltics or tiny Slovenia, as well as her main partners in Rome, Paris and London.

Earlier in the year, she hosted small rounds of national leaders at her retreat an hour's drive north of the city, the Baroque 18th century Meseberg Palace, where they could speak in greater depth about the needs and wants of their individual countries than in the large groups of 27 that gather in Brussels. At the same time Ms. Merkel has been hosting a "dialogue for the future," through a series of town hall meetings around Germany.

"You have to convey in a transparent manner what the substantive prospects for the future and how the architecture of the institutions looks," said Werner Weidenfeld, director of the Center for Applied Policy Research at the University of Munich.

Ms. Merkel has been often criticized for her deliberative approach, for the cost of waiting and allowing market instability to chip away at economic activity. Her emphasis on austerity has contributed to political instability in Greece, while her reluctance to take more immediate measures has helped bring down governments in Ireland, Portugal, Spain, Italy and Greece. With populist parties on the rise, future conversations about "more Europe" may be held with very different interlocutors at the table.

But analysts have long said it was a mistake to underestimate her political instincts, or her ability to use even negative momentum to execute a judo flip.

While Ms. Merkel has played the stern taskmaster, Mr. Schäuble has had the chance to play the role of the farsighted thinker. "So far member states have almost always had the final say in Europe. This cannot continue," Mr. Schäuble told the newsmagazine *Der Spiegel* this week.

It is a common criticism that voters are more excited about the annual Eurovision song contest or the European soccer championship going on right now than voting for the European Parliament. A presidential election, Mr. Schäuble predicted, would change all that. "The direct election would be preceded by a large-scale mobilization," Mr. Schäuble told *Spiegel*, "and it would electrify citizens from Portugal to Finland."

Germany, in part because of its unique history during the Cold War, is typically seen as more prepared to give up sovereignty. Yet even here there is significant opposition toward sending more powers to Brussels.

"Political union is code for a state," said Peter Gauweiler, a member of Parliament from the Christian Social Union, the sister party in Bavaria to Ms. Merkel's Christian Democrats. "We can't allow the central committee to migrate from Moscow to Brussels," he said, referring to the demise of the Soviet bloc that once dominated nations now in the European Union.

Mr. Gauweiler plans to challenge the European rescue fund, the European Stability Mechanism, before the German Constitutional Court if it passes in the Bundestag as expected Friday.

By contrast, Mr. Weidenfeld, of Munich university, expressed confidence that "more Europe" would emerge from the current crisis. Change, he said, "only happens under pressure, never in fair weather."

"Of course we will succeed," Mr. Weidenfeld said. "Of that I have no doubt."

Melissa Eddy in Berlin, Rachel Donadio in Rome and Stephen Castle in London contributed reporting.