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‘Mummy’ Merkel battered as Germans lose faith in EU

After bailing out Greece and now the euro, Germany is fed up with being Europe’s paymaster

Germans are proud of working for global brand names such as manufacturing firms such as Mercedes-Benz and are outraged that Angela Merkel is giving taxpayers? money to a country with little industrial output

Peter Millar in Berlin

GISELA and Susi, thirtysomething civil service secretaries, were shivering over their sausages in what the tabloids labelled the “most miserable May of the millennium” and planning their summer holidays. “I know where I’m not going,” one of them said. “The hotels, service and food aren’t as good as Turkey but the prices are as high as Italy!”

As Berliners bravely sat on the banks of the River Spree in unseasonably cold weather for the Ascension Day holiday that traditionally marks the start of summer, they had no doubt that the cold wind was blowing from the sunny south: Greece in particular.

The multi-billion-euro payout for Greece, followed by an even more expensive rescue package for the threatened single currency, has created the greatest political climate change in a generation.

Suddenly Germans are asking questions about the European project that has been the bedrock of their politics for 60 years, leaving Angela Merkel, the chancellor, under fire from the electorate, the opposition and her own party.

It took a stand-up display of table-banging aggression from President Nicolas Sarkozy and an intervention on the telephone from President Barack Obama to get Merkel to agree to the euro package.

“We foot the bill for EU disaster,” screamed a headline in Bild, the tabloid newspaper. Christoph Schmidt, a government economist, responded by warning: “Germany cannot become Europe’s paymaster.”

The tension between Germany and France threatened to spill over at a Brussels summit last weekend when Merkel and Sarkozy had a furious row. According to observers, it ended with Sarkozy threatening to leave the euro.

“It was a stand-up argument,” an official told El Pais, the Spanish newspaper. Sarkozy, furious at Merkel’s reluctance to sign up to a safety net of €750 billion (£644 billion), was shouting and bawling at Merkel and smashed his fist on the table. “It was Sarkozy on steroids,” one witness said.

Dubbed “our Iron Lady” — or just “Mutti” (Mummy) within the Christian Democratic Union (CDU) that she dominates — Merkel returned to Germany accused of having given too much, too late.

Her timing was also poor. The euro talks, combined with the Greek bailout, led to a CDU defeat in North Rhine-Westphalia’s state election last weekend and with it the loss of her majority in the upper house.

The stakes could scarcely be higher. “If the euro fails, it is not only the currency that fails,” Merkel warned last week. “Then Europe fails. The idea of European unity fails.”

Sarkozy’s petulant outburst won the day — Merkel was forced to back down on the rescue — but in the longer term it may undermine his objective of a more closely integrated Europe.

There is now a pervasive awareness in Germany that the post-war consensus of subsuming its national identity — and national self-interest — in the “common European house” no longer gets a popular rubber stamp.

“We give millions to countries where they have big annual pay rises, perks for civil servants and soaring pensions. I’ll have to work to 67 for a pension that might not be enough,” complained Ulrike Daunheim, a 38-year-old shop assistant and Bild reader.

“Greece has no industry worthy of the name, makes no products with prospects on a global scale and carries out no research to discover any,” was the verdict of the left-liberal Der Spiegel news magazine.

The contrast is vividly demonstrated by the Berlin Automobilforum on Unter den Linden showcasing the best of Volkswagen, including Skoda, Seat, Bentley and Bugatti — a pan-European empire owned and run from Germany.

Part of the public outrage over Greece comes from the shock felt over its financial duplicity in a society based on trust and honesty: Germans face no barriers on tubes or trains, while soft drinks and beer are sold from open fridges on the street into the small hours.

This is not to say that German businessmen are incapable of adapting to local conditions. Prosecutors are examining allegations of bribes paid to Greek officials to secure contracts for the sale of submarines, tanks and equipment that got the Athens underground railway running for the 2004 Olympics.

The paradox is that if German companies were overpaid at the expense of the Greek taxpayer, it is now German taxpayers who have had the bill passed on to them. Germany’s share of the euro bailout package is €120 billion, but it is already expected to rise by a further €25 billion.

The greatest fear in German minds is that by agreeing to buy bonds issued by countries such as Greece, which have been reduced to “junk” status, the European Central Bank (ECB) will weaken the euro and risk rampant inflation.

That is a word that strikes a chill in the heart of every citizen of a nation that has twice in the past 100 years seen its money made worthless and its savings evaporate, most notably during the 1920s.

During a 16-way conference call of ECB board members that had to endorse Merkel’s and Sarkozy’s agreement, Axel Weber, the Bundesbank president, pointed out it was mostly German money and came close to slamming down the telephone on his colleagues.

The markets were boosted only temporarily. Josef Ackermann, chairman of Deutsche Bank, has warned that Greeks may not be able to meet their debts no matter how much more they are helped.

Hardly surprising, German critics say, that Sarkozy can claim the deal as a “95% French idea”, given the role of his compatriots Jean-Claude Trichet, the ECB president, and Dominique Strauss-Kahn, head of the International Monetary Fund.

Merkel is being urged to insist that the “stability pact” is hedged with strict controls on national economic policies. By the end of last week she was even coming round to a suggestion by Olli Rehn, the Finnish EU commissioner, that national budgets should be submitted to Brussels first to keep an eye out for further Greek-style accounting.

Ulrike Guérot, head of the European Council on Foreign Relations think tank, said: “Germany has provided the oil that greased Europe. If we don’t want to do that any more, we need to say so. But that means we no longer want to see a Europeanised Germany, but a German-style Europe.”

This would mean a halt to European Union expansion — and certainly to eurozone expansion to dodgy economies. Friday’s Frankfurter Allgemeine Zeitung, the epitome of conservative economic orthodoxy, suggested that if others do not toe the line the euro could retrench to a few economically compatible countries, or else Germany should leave. That would finish the euro and make Sarkozy’s threat to pull out if he did not get his way look a bad joke.

The creation of the euro, within a decade of East Germans being given the coveted western D-mark, was sold as a “thank you” for German unification: in effect extending the stable German currency to the rest of the continent.

The question being asked this weekend is whether or not Merkel is standing up strongly enough for Germany’s own interests.

Her allies in the pro-business Free Democratic party (FDP) are furious that their promise to cut taxes may be ditched and say they may rewrite their coalition agreement. Otto Solms, the party’s finance expert, has threatened revolt against Merkel’s support for a financial transaction tax.

Within her own party, Roland Koch, prime minister of the state of Hesse, whose economy is almost as big as that of Greece, says he will be forced to shelve planned free childcare for the under-threes.

The Christian Social Union (CSU), Merkel’s Bavarian sister party, is also up in arms. Christine Haderthauer, the state’s social affairs minister, has accused Merkel of “acting like an arsonist and thinking like a dinosaur”. Horst Seehofer, the CSU leader, has complained he heard about the euro rescue pact “only on my car radio”.

The argument is about the future of the European idea. Sarkozy felt Merkel was wrong to leave behind the euro crisis to attend a VE Day anniversary ceremony in Moscow. For Merkel that was missing the point: the European project has been about superseding the national rivalries that lead to war.

For 60 years Germans, aware of their own past, were happy to pay the pipers of peace.

The mantra of Britain, which always argued that the EU should be expanded without economic integration, was “wider, not deeper”. This may have allowed countries such as Greece, with a different economic culture, to be embraced all the more readily.

German politicians believed the euro meant stronger economic bonds that would ultimately imply political union — and that the dilution of national sovereignty would be driven by the bigger partners.

That is now in doubt. In the midst of the crisis Wolfgang Schäuble, Merkel’s finance minister, was taken to hospital after suffering an allergic reaction to medication.

The same fate may yet await the European project.

Peter Millar’s book 1989:

The Berlin Wall (My part in its downfall) is published by Arcadia, £11.99