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# To Cement Euro Rescue, Merkel Seeks Unity in E.U.

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BERLIN — Heading into a European Union summit meeting on Friday, Chancellor Angela Merkel is lobbying hard for strengthened continental unity, reaching out to the other member states, the European Commission and skeptics at home to cement the rescue of the euro by agreeing on a new conformity on everything from pensions to corporate tax rates.

It is an unusual move for the German leader, who since taking office in 2005 has made few memorable speeches on Europe. Last week in Davos, Switzerland, however, she not only defended the euro as Europe's very essence but urged a brake on debt, uniform retirement age, and alignment in education and research across the Continent.

Proposals now circulating in Berlin — which officials said Mrs. Merkel outlined to José Manuel Barroso, president of the European Commission, over a three-hour dinner last week — foresee a debt-brake, as in Germany. Under the German Constitution, Mrs. Merkel stressed in Davos, the government and states are required to wipe out structural deficits by 2016. She clearly favors similar limits elsewhere in Europe.

Mrs. Merkel has stirred controversy in Brussels, but she seems to be trying to capitalize on Germany's economic strength — and the austerity struggles of other euro-zone members — to push through her proposals.

Her trip to Brussels for the summit meeting on Friday includes a stopover in Madrid, where Prime Minister José Luis Rodríguez Zapatero, a Socialist and no natural ally of Mrs. Merkel, last week agreed with trade unions to raise the retirement age to 67 — just as in Germany.

Gone are the days, it seems, when Mrs. Merkel defended Germany's economic model based on lower wages, competitiveness and savings at the expense of furthering the integration of Europe. Now, she seems to want to nudge the rest of Europe toward Germany.

But even if she builds enough alliances in Europe and wins over Mr. Barroso, many voters, and members of her center-right coalition are skeptical.

With the exception of the German finance minister, Wolfgang Schäuble, cabinet members fear that Brussels, and not the 27 E.U. member states, would end up in control of any new push for unity in policy.

Mrs. Merkel's proposals, described as a "competitiveness pact" for Europe, were explained to the International Herald Tribune by officials who insisted on anonymity and are still being discussed in Berlin and Brussels. According to the officials, they foresee coordinating wage costs to ensure stable financing for pensions, and thus being able to deal with the falling birth rates besetting many E.U. countries.

In addition, the officials said, Mrs. Merkel seeks to harmonize corporate taxes across the European Union to avoid tax dumping, which lets companies choose locations with the lowest tax rate, like Ireland and Slovakia.

She also wants member states to speed mutual recognition of academic and professional qualifications, which may help Germany cope with a serious shortage of skilled labor crucial for driving its economic growth.

In fact, Ms Merkel is expected to unveil in Madrid a proposal to recruit more Spanish engineers and other young qualified specialists at a time when Spain faces a 20.3 percent jobless rate.

In Brussels over lunch on Friday, Mrs. Merkel, supported by Nicolas Sarkozy, the French president, will set out her agenda.

“The fine details have yet to be worked out,” said a senior diplomat from a North European country. “We think that Germany will call for a special summit next month to take the proposals further.”

Officials in Brussels said that Mrs. Merkel had adopted an about-face not only because of domestic reasons but also because she now believed that the euro had little chance of becoming a truly competitive currency unless the member states became competitive.

“Her domestic agenda is clear,” said a commission official who requested anonymity because the issue is so sensitive.

According to this official, Mrs. Merkel knows that the European Financial Stability Facility — the fund on which crisis-struck euro-zone members can now draw for support and to which E.U. member states have pledged €440 billion, nearly $610 billion — may have to be increased. That means, the official added, that Germany will have to pay a bit more to bail out countries “which have run up huge budget deficits and have exposed banks.”

Germans, who have seen wages and government spending cut and are now reaping the benefit, do not relish such bailouts, polls show. With elections in eight different states this year, Mrs. Merkel seems eager to persuade them that Europe is still a good idea.

She knows, said a European Commission official, that a euro under siege would damage Germany’s export bonanza and economic growth.

“That is why Mrs. Merkel is opting for closer economic integration,” the official said. “If Europe wants to be competitive, then other countries have to introduce reform measures, which Germany has done. Then maybe Mrs. Merkel can say to her domestic audience, ‘You see, they are copying us. Now we can support them.”’

Still, it is a gamble. Germans’ mistrust of Europe has risen from 40 percent in 2002 to over 67 percent this January, according to a poll published last week by the Allensbach Institute.

The Greek crisis last year was a clear factor. When respondents were asked if Mrs. Merkel had been right to adopt a tough stance, insisting that any rescue package depended on major economic and social reforms in Greece, 83 percent agreed. Only 6 percent advocated a more lenient policy.

In the governing coalition, too, Euroskepticism has grown.

“There is no one fit for all the countries,” said Hermann Otto Solms, the economic and financial policy expert of the Free Democrats, the junior partner in Mrs. Merkel’s coalition. Europe’s strength, he said in an interview, lies in competitiveness among member states, not harmonization.

The commission is not thrilled, either. “Barroso was not pleased with what he heard” when Mrs. Merkel explained her ideas last week, said a commission official who also insisted on anonymity.

“The commission is worried that Mrs. Merkel wants to give more say to the member states, particularly the 17 countries in the euro zone, while playing down the role of the commission,” he added.

Mrs. Merkel tried to reassure Mr. Barroso, according to the official, that the commission would monitor compliance if Germany’s proposals were ever agreed.

But among some member states, her tough stance may be paying off, as the newfound commonality with Mr. Zapatero and his deal to increase the retirement age suggest.

“The pensions deal demonstrates that all social agents in Spain have accepted the demands made by Germany and other European partners in terms of making more reforms,” said Vicente Palacio, director of the Observatory of Spanish Foreign Policy.

*Stephen Castle contributed reporting from Brussels and Raphael Minder from Madrid.*