

economic imperative of supporting big national champions the French government fostered "Franco-French" mergers. In 1998, the French state transferred its 45.7% stake in Dassault Aviation to Aerospatiale, which was later merged with Matra Hautes Technologies.<sup>19</sup> The French industrialists concurred with the views of the French politicians. Advocating the Aerospatiale-Dassault merger, the chairman of Aerospatiale, told members of the French National Assembly defence committee that the "existence of a French leader is necessary for dialogue on the European and international level with the United States."<sup>20</sup>

After fears in 1998 that an impending BAe-DASA merger would effect a Franco-German schism came proclamations of a Franco-German rapprochement occasioned by the agreement to merge Aerospatiale-Matra and Daimler-Chrysler Aerospace, signed by German Chancellor Gerhard Schröder and French Prime Minister Lionel Jospin on 14 October 1999. The merger created the European Aeronautic Defence and Space Company (EADS) with defence revenues worth \$6 billion out of total revenues of \$21 billion, placing it sixth in the world league of defence companies. As a concession to the Germans, the French government reduced its holding in EADS to 15% of the shares, while DASA was to become the biggest shareholder with 30% of the company ownership.

EADS according to the then French Finance Minister Dominique Strauss-Kahn, "complemented the initiative to establish a common European currency." Further, it exemplified the importance of the Franco-German relationship to European integration. In the words of a French observer: "When the Germans and French fall out, Europe gets stuck. Any nation can block the European machine, but only France and Germany know how to get it moving again."<sup>21</sup>

The interplay of politics and industrial restructuring did not escape notice of cogent observers. For example, only 24 hours before the merger agreement was signed, French President Jacques Chirac and Chancellor Schröder authored a letter in which they supported granting strong powers to the EU's new High Representative for Foreign and Security Policy, Javier Solana.<sup>22</sup> Similarly, the French design for an EU military committee was then more likely to win German support.

Likewise, it is expected that the Aerospatiale-DASA merger would facilitate long-awaited German government's decisions regarding a number of common projects: a procurement decision on NH 90 military transport helicopters, produced by the Franco-German Eurocopter consortium; the reversal of Berlin's threat to review funding for the German-French-Italian Polyphen missile program, as well as the choice between Antonov An-70 or Airbus Industrie's A400M aircraft as Germany's future military transport aircraft.

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19. J.A.C. Lewis, "Dassault may buy back stake to escape EADS," *Jane's Defense Weekly* (27 Oct. 1999), p. 18.

20. "France needs Aerospatiale/Dassault merger — Michot," *Reuters* (3 July 1998), <http://www.cdi.org/ArmsTradeDatabase/>.

21. J.A.C. Lewis, "Industrial détente," *Jane's Defense Weekly* (27 Oct. 1999), p. 19.

22. *Ibid.*, p. 19.