

The Greek saga has gnawed at the foundations of the eurozone and distressed European unity for quite some years now. One of the greatest risks it poses is in the further erosion it causes to Franco-German relations.

The European project was built along the Paris-Berlin axis from the start. France's political and military might and the German economic miracle created an equilibrium of sorts. Together, the countries formed a twin engine that drove the European integration process. German reunification threw the relationship off-balance to some degree, and that bond has since continued to deteriorate. For starters, France does not have a patch on Germany when it comes to economic performance. Further, the eastward expansion of the European Union has put Berlin at the Union's geographical heart, replacing Paris as Europe's crossroads. The credit crisis and its many ramifications have definitively put Germany on the map (not always voluntarily) as Europe's dominant power. It is almost regarded as a hegemon.

The Germans find this uncomfortable, and so does the rest of Europe. France's role as the other leading EU country is being steadily undermined as Germany calls the political (and economic) shots in Europe. More often than not, the orderly nature of Germany's economy is at odds with French flair, which creates tension. Not accidentally, French President Francois Hollande has been cast as the leader of the eurozone moderates, who agitate against German policies viewed as binding member states in economic straightjackets. France does not necessarily want to write off Greek debt. However, it was President Hollande, along with Italian Prime Minister Matteo Renzi, who came to Greece's aid when the Germans went too far.

The Franco-German axis barely exists anymore. Undoubtedly, tensions will mount between Paris and Berlin in the years to come. The French are a proud people with memories of a time when they had a powerful empire. That time is gone, but the conduct of former President Charles De Gaulle and his successors within the European Union and its forerunners showed the power of its legacy. In essence, France still thinks of itself as a great power -- note how it retains a military presence in its former colonies. We do not think Paris will gracefully step aside and let Berlin lead the Continent now. Nor are many other countries that keen on German supremacy. In all likelihood, they will support France as it attempts to curb Berlin's accumulation of power.

European integration was meant to render Germany more European in character, and to prevent a return to the dark periods of the 20th century. Now, many fear that Europe is instead becoming more German. This clash will continue over the coming years. Berlin is not consciously striving for hegemony; Germany's ascendance seems nearly accidental. Whereas it is prepared to take the lead, it does not want to be seen as a bully that forces others to follow in its economic footsteps.

Right or wrong, many commentators think it is already too late. The Irish journalist Fintan O'Toole wrote: "What's the difference between the Mafia and the current European leadership? The Mafia makes you an offer you can't refuse. The leaders of the European Union offer you a deal you can neither refuse nor accept without destroying yourself.... Germany is first in a new Europe of unequals we are in a new EU now, one that has a dominant power at its centre and a single acceptable ideology."

The euro crisis has poisoned Germany's attitude towards Europe and Europe's attitude towards Germany. Germany's ascendant dominance, and the way Europe chooses to deal with it, is going to be one of the great drivers of or breaks on the European project in the years to come.

If we are to believe the financial markets, all is well in Europe. Stock exchanges are in an excellent mood, not just in the core, but also in the periphery of the eurozone and of the broader European Union. Credit spreads have remained largely stable between German government bonds -- Europe's benchmark -- and the weaker European economies. But are market prices correct? Do the markets put the right price on the impact of complex European politics, or are they blind to looming dangers?