

A German-German motor for the EU27?

Blog post by Head of Europe Tom White, 23 May 2017

Attention in the European Council has turned from unity over Brexit to whether France and Germany can find a unifying policy direction for the EU27. The view in Paris is that Franco-German compromises offer a realistic balance between the interests of member states in the west, east, north and south, and that a joint platform is more achievable without the need to take account of a London outlier, especially on economic policy and defence cooperation.

A series of Global Counsel visits to Berlin in April and May, however, revealed a striking sense of sole responsibility among German policymakers for the EU agenda. The Paris relationship, even mediated through the charismatic and ambitious President Macron, is just one of a number of issues for Angela Merkel. A German motor for the EU certainly has horsepower: economic confidence is at a 40-year high, and the cross-party political consensus on EU integration remains robust. The mood ahead of Federal elections in September is one of continuity, particularly with the challenge from Martin Schulz's SPD party fading after disappointing local election results. This has not gone unnoticed in Brussels: the urgent need identified by the European Commission earlier this year for 'leadership' from the European Council was a thinly veiled call to Berlin to reaffirm the legitimacy of the Juncker Commission and its priorities, even if this comes at the price of allowing a 'multi-speed Europe' on issues such as defence cooperation that has long been resisted by the Brussels institutions.

There are risks, however, that a German motor finds it hard to engage the gears of power without long-term strategic alliances. Aside from hackneyed arguments about historical constraints, which have long ceased to be relevant to anyone outside the UK Conservative Party, there are three big reasons why Germany may be constrained. First, Berlin is acutely aware that 'non-Eurozone' countries without the UK lose the ability to form a blocking minority in the Council. The prospect of Poland and Hungary being systematically outvoted could cement their current alienation. Second, momentum for completing the single market will require Berlin to challenge its own producer interests without being able to point at the UK or the Commission as the instigator. For example the productivity benefits of liberalised professional and digital services markets for Germany are well understood, but it has always been much easier to sell this at home as an agenda driven from elsewhere. Finally the prospect of building a coalition in favour of promoting Germany's exporter interests with free trade agreements looks very challenging, in particular with Italy - a key 'swing state' on trade - in a period of introspection.

Returning to the relationship with France, yesterday's announcement of a joint working group on Eurozone economic reform and governance by Wolfgang Schäuble and Bruno Le Maire followed a familiar pattern, with French commitment to domestic reform and an attempt to use processes and institutions to drive cooperation. It was a reminder that France is an important navigator, pointing out hazards and potential coalitions, but is some way from being able to share the driving seat. However the reluctance in Germany to advocate particular policies, at least in the absence of a crisis, is a reminder that while the EU27's main motor is powerful, it could also spend too long stuck in neutral.