



Macron Must Wait: Germany's Caution towards Rapid EU Reform

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The new German government has so far kept its distance from the bold plans of European reform proposed by the president of France. This is due to the fear of deepening divisions between the Member States and further splitting the EU, the intention to thin French ideas regarding the euro area, as well as the internal political situation. In addition, Germany has its own idea for a less political and more flexible Union.

The visit of the president of France on 19 April this year to Berlin can be read as a signal of impatience. Emmanuel Macron, who, hoping for the support of Germany, announced in the autumn of last year ambitious plans to reinvigorate the EU, first waited a long time for the creation of a new government in Berlin. Finally, the coalition agreement contained promising wording for France, but so far it has not translated into satisfying action. There is speculation about the reasons for Chancellor Angela Merkel maintaining her distance from one of the most important political agendas of Elysée Palace. The easiest one is to point to the political situation in Germany alone.

The current grand coalition is the weakest of all: both the Social Democrats (SPD) and the Christian Democrats/Social Union (CDU/CSU) suffered losses in the election and are facing further difficult campaigns in the Länder. In support of France's plans, the Merkel government would have to face severe opposition from the nationalist Alternative for Germany (AfD) as well as the liberal Free Democratic Party (FDP). Especially for AfD, the criticism of EU reforms as a "hunt on German taxpayer cash" and the surrender of power to the Brussels bureaucracy would be a chance to jump over the threshold of 15% of support at the federal level. Merkel's delay in the discussion is therefore rational, and at the same time easier thanks to changes in SPD. Martin Schulz, the recent leader of the party and the main promoter of a federation of Europe, is now just a regular member of the Bundestag.

Waiting for the Budget Negotiations. Other reasons for the careful approach to the reform, however, should be found primarily in European politics. There is no doubt that after the Brexit referendum the Germans began to pay more attention to the diverse and previously slightly neglected cracks in the integration project. There are a lot of them, from the effects of the recent economic crisis, swelling protest against immigration, anti-Islam bias, approaches to the terrorist and other external threats, to the different ideas about the future of integration. However, there is a fear in the chancellor's office that to approach them in a hasty, uncoordinated manner may lead to a spiral of disputes between Member States and divide the EU even further.

Much speaks instead for combining the reform with the negotiations on the new 2020–2027 financial perspective. The budget is a handy tool for balancing the interests of the Member States, giving the chance to combine in one package compromise on many controversial issues like the euro, security, immigration, climate, and energy. In this way, the new financial perspective can contribute to strengthening the unity of

the Union. In addition, Germany will have a strong position in these negotiations since it is a net contributor to the budget, able to compensate for the lack of payments from the UK.

This systemic approach, aiming to keep all Member States focused on unity, is very much needed. There are challenges outside Europe's borders that will require a coherent response. One, for example, is U.S. protectionist trade policy, which may greatly harm European, especially German, business. Without unity in the EU, it is difficult to imagine an effective policy on the Middle East and Iran, China's economic expansion, not to mention stopping Russia, which does not lose any opportunity to divide and weaken the Western allies.

To Thin Macron's Ideas on the Euro. Postponing the discussion on the future of the EU is also related to doubts about the French proposals for the reconstruction of the euro area, the most complex and challenging area of integration. Macron wants to increase expenditures to stimulate investment and reduce unemployment. In addition, he is pushing for institutional changes: the appointment of a joint minister of finance and the creation of a budget for the needs of the euro area. If necessary, he is willing to pursue them in a smaller, politically integrated group of countries to be led by France and Germany.

For Germany, these proposals are at least problematic. The country prefers further strengthening fiscal discipline and carrying out structural reforms. Germany is also cautious about the idea of a joint finance minister, whom they fear would politicise the fiscal procedures even more than now. Supervising budgetary discipline should be entrusted to a more independent institution, for example, the European Monetary Fund (the planned successor of the ESM). Germany may also have doubts about the political dimension of the French proposals. They too easily conceive of a permanent division of the Union into a core and periphery, undermining the goal of European unity. In addition, this duumvirate not only would provoke criticism about an "Elysée dictate" but would elevate Macron to the dynamic reformer and leader of Europe and Merkel to a politician of the past, blocking the necessary changes.

That is why the Germans are playing for time on the euro question and are trying to dilute the French proposals. Merkel applies her classic methods here by introducing new, seemingly conciliatory ideas, dragging out discussions and enlarging their scope, and including new actors in the negotiations. The latest proposal to transform the Eurogroup into a so-called "Jumbo Council" by extending its composition to include economic ministers fits this scheme. It is possible to find in it the demand to increase the competences of this body, but it is also easy to suspect that it is about adding a new thread to the negotiations. By the way, it also makes it possible to strengthen CDU Minister of Economy and Energy Peter Altmaier at the expense of the SPD's Olaf Scholz, who is running the Ministry of Finance.

A helping hand to Germany is given by other Member States. At the beginning of March, the finance ministers of Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, the Netherlands, and Sweden warned in a joint letter that deepening the eurozone in line with the French expectations would mean abandoning ambitious structural reforms and opening new channels for the redistribution of funds from countries coping economically better to those in a weak condition. Such a solution, the group of eight argues, would not be conducive to strengthening the competitiveness of the European economy. The letter from the finance ministers also contained a political message. First, they will not concede France and Germany the role of the main designers of the future eurozone, to impose bilaterally negotiated ideas on the other states. Second, among the signatories are countries not in the euro area, which should be read as a lack of consent to divide the EU into core and periphery.

Conclusions. In some media, Germany's moderate reaction to Macron's proposals has been interpreted as evidence of the weakness of the new grand coalition and the inability to form a pro-European agenda. However, there are many arguments supporting the view that Germany's "time-wasting" is both rational and calculated. What's more, there is a well-thought out and not really new vision of European integration behind it. This vision is neither a shallow Union of a minimal common denominator on controversial issues, nor a Union of concentric circles with a distinguishable political core. It is rather a flexible structure with many areas of enhanced cooperation. In principle, they are to be created by different groups of Member States while observing the principles of openness for other EU members and the unity of political institutions in creating these areas. Germany hopes that promoting this method will prevent integration from fragmentation and will not jeopardise the existence of the Union as a single area of cooperation.

For countries that feel pushed to the periphery of the EU in Macron's plans, the German design of integration would be much more favourable. Among these countries is Poland, which in recent months has been observing the plans to deepen the euro area, establish new political institutions, and set new migration policy with increasing concern. The German approach offers a third way: it allows Poland in essence to be an outsider in one area of integration and, at the same time, a champion in another.