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Will Brexit revive the Franco-German engine?

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BACKGROUND

The Brexit vote has added a new severe test to the future of the EU but it could also give a welcome impetus to the Franco-German engine of European integration. With national elections in sight in both countries, will Paris and Berlin step up to the plate?

The Franco-German duo traditionally derives strength from the ability of the two founding members to overcome their diverging opinions through compromises and then win the support of other member states. This strategy has prevailed as European integration moved from the European Coal and Steel Community to the European Communities and eventually to the EU.¹

However, over the past years, the Franco-German couple has been less reliable and effective: although Paris and Berlin have tabled bilateral initiatives, there were no major breakthroughs. Neither the experience of the economic and financial crisis nor the migration/refugee crisis have revitalised the old-stalling engine. On the contrary, France and Germany have often pulled in different directions, especially in the context of the euro area crisis, where Berlin emphasised the need for more rules and the control of budget deficits, while Paris underscored the importance of more fiscal flexibility and higher levels of investment to foster growth.

More recently, the reactions to the Brexit vote once again revealed diverging views between France and Germany. The referendum result took Berlin aback and a cautious Chancellor Angela Merkel initially suggested that the UK should remain a key partner. In contrast, the first reaction in France was in favour of a tough line with the UK as a means to deal with uncertainty and limit collateral damage in the EU.

Looking ahead, will the challenge posed by the Brexit vote reverse the centrifugal course of the EU and will the Franco-German couple act as a unifying force in that context? The start of the Brexit negotiations and the upcoming arrival of freshly-elected leaders in France and Germany could regenerate the duo if both countries adopt an attitude facilitating their cooperation and focus their attention on key priority topics (first defence, then the eurozone).

STATE OF PLAY

Different reactions to Brexit

The different reactions of Germany and France to the Brexit vote stem from the two countries' opposing interests *vis-à-vis* London. Berlin fears the economic consequences of Germany's third most important trading partner leaving the single market. Paris somewhat agrees but is more worried about the potential negative political effects of Brexit on other EU countries, including Italy, the Netherlands, and France itself, where supporters of the 'leave' camp are trying to exploit the British decision for electoral gains.²

In addition, both countries view their relationship with the UK in different terms: for Paris, London is predominantly a partner in security and defence issues, while Berlin sees the UK as a key economic partner, like-minded on issues

of (international) free trade. Little surprise then that Germany and France have come to different interpretations of Brexit and its potential implications.

Franco-German imbalance

Franco-German disagreements are also reinforced by the imbalance of power between a more self-confident, economically-strong Germany and a weakened France, facing high unemployment and low growth. Germany has not only weathered the financial and economic crisis, its political influence has substantially grown since 2008. While perhaps uneasy at first, given its history, Berlin has begun to accept the need to exercise leadership in times of profound crisis. Yet Germany insists that its stronger role should be embedded in European structures.

On the contrary, France has always sought to play a leading role in Europe following Charles De Gaulle's vision of EU integration as an extension of French power. But the *Grande Nation* is suffering from a crisis of self-confidence related to its relative economic and political weakness (at least compared to Germany), and struggles to influence decisions at the EU level. After years of turmoil, the French economy is showing some positive signs in the labour market and timid growth prospects, but the situation is improving only slowly and remains fragile. External shocks such as the one caused by Brexit could negatively affect France's current recovery.

In addition, the weak political capital of the French establishment fosters the perception of France as Germany's 'junior partner'. The historic low levels of approval reached by President François Hollande even discouraged him from seeking re-election. Social tensions are running high in France, under heavy pressure from Marine Le Pen's Front National (FN). Since mid-2013, the leader of the extreme-right party has constantly polled first or second, making it likely that she will reach the second round of the presidential elections in May 2017. Finally, while Hollande is on his way out of office, Merkel will run for – and most likely secure – a fourth term, irrespective of the divisions in her own camp or the surge in support for the right-wing party, Alternative for Germany (AfD).

Even though Brexit might alter power relations in the EU, the balance between France and Germany is therefore likely to continue to be tilted in favour of the latter.

Eurosceptic constrains in national electoral contexts

French and German leaders fear that the victory of the Leave camp in the UK might feed support for populist parties in their own countries. The Brexit vote has demonstrated that concerns raised by the AfD and FN with regard to the EU, or issues such as migration and multiculturalism, are shared by large parts of the electorate.

German leaders are particularly worried by Eurosceptic trends in France. According to a poll carried out shortly before the British vote, French citizens have an even lower favourable view of the EU than UK citizens (38% versus 44%).³ And despite the rise in support for the EU after Britain's decision to leave the Union, the percentage of French claiming to be in favour of staying in the EU is still lower than in the UK (53% versus 56%).⁴ French Euroscepticism is not of recent making, with the rejection of the Constitutional Treaty in the 2005 referendum still vivid in the memory of the political class.

French political actors are well aware of the risks that an EU-related referendum could entail and thus prefer to steer clear of topics related to the future of the European project. After years of crises, the French political class is ever more reluctant to support European integration, fearing that this might backfire. The victory of François Fillon in the French Right primary of November 2016 illustrates this. His campaign programme defended the idea of "a sovereign France in a Europe respectful of the Nations". In line with the Gaullist heritage, Fillon, who has a good chance of winning the presidential elections in April/May 2017, sees the EU as a means of fostering French influence, but simultaneously expects it to protect French citizens and interests. In contrast, Emmanuel Macron – a campaign outsider – who is running without the support of a political party, is making the case for a more ambitious Europe and in so doing he further sets himself apart from mainstream parties.

In Germany, calls to defend German interests more rigorously in the EU are also putting Angela Merkel under pressure. The Eurosceptic AfD, currently supported by around 10-15% of the electorate, is challenging the political mainstream, including Merkel's Christian Democratic Party (CDU), by attracting protest voters from across the political spectrum. Key policy choices advocated by Chancellor Merkel are also challenged within her own government. The leader of the SPD (Sozialdemokratische Partei Deutschlands) and current Vice-Chancellor, Sigmar Gabriel, has already contradicted Merkel's position regarding the Transatlantic Trade and Investment Partnership, arguing that negotiations have *de facto* failed. He is also advocating for a change of course in Germany's policy towards Russia, through a more conciliatory stance towards Moscow and an easing of EU sanctions. On the

refugee issue, he has blamed the Chancellor for having underestimated the situation and for not consulting European partners, while the CDU's sister party, the CSU – backed also by critical voices in the CDU – has been even more critical of Merkel's handling of the migration/refugee crisis. All of this restricts Merkel's room for manoeuvre both at national and European level, even if she were to win the federal elections in September 2017.

PROSPECTS

Chances of an immediate restart of the Franco-German engine of European integration are rather limited. The campaigns in both countries have already started and will further complicate the likelihood of major joint initiatives before elections. Electoral constraints keep French and German leaders, and more specifically mainstream parties in the two countries, in straightjackets and without much leeway on EU affairs. Only a new very severe crisis may force France and Germany to act without delay by re-engaging in major joint initiatives for the sake of saving the European project. If the situation remains more or less stable, a potential new cooperation between the two sides would probably have to wait until after the national elections. Either way, for such collaboration to pay off, the two countries should adapt their approach as to facilitate teamwork and focus on a few selected topics.

Adapting roles

Germany's role in the EU needs to be re-assessed and re-calibrated. Other member states are wary of Berlin's dominating position but simultaneously expect it to act as a leading force. To rebuild confidence amid European capitals, German leaders should refrain from overemphasising national interests. This temptation might prove especially difficult to resist in electoral times, when many political forces – like the AfD but also parts of the mainstream – will advocate an even more national path. But safeguarding the EU is in Germany's own economic and political interest, and the German federal government should stick to this argument and frame policies accordingly. Berlin should multiply discussions with its partners and put its leading power behind consensual European solutions.

In the quest for closer European cooperation, France has been and still is best placed to be Berlin's main partner. But the (new) French leadership will have to reassure the Federal Republic that the country will be able to overcome the many challenges it faces at home. Above all, France has to improve its economic situation through structural reforms to boost its competitiveness and further reduce its unemployment rate.

Until then, Paris should adopt an approach that takes into account the fact that the country carries less weight than Germany in the EU. France should concentrate on acting as a source of proposals in the Franco-German couple, while Germany should act as a counterweight and then as a promotor of their common proposals once the two partners have reached compromise. Showing initiative would give Paris an influential role rather than confining it to a follower of Germany's positions.

The way to compromise would still be bumpy considering the opposing views that the two countries hold on key topics, such as the future of the Economic and Monetary Union. But both partners need to be aware of their historical responsibility in times of fundamental crisis at European level if they again want to be the driving force of European integration.

Defining a Franco-German Brexit strategy

At present, the EU is encumbered by the UK's reluctance to trigger Article 50 of the Treaty on European Union. At their meeting mid-December 2016, the EU27 agreed on Brexit negotiation principles and announced that they would adopt guidelines defining the framework for the talks and setting out the EU's overall positions.

In order to give consistency to these guidelines and prove their ability to work together, France and Germany should draw up an agreement outlining their priorities and red lines. This is in their direct interest because the ability of Eurosceptic parties in both countries to benefit or not from the result of the British referendum will be influenced not only by the consequences of Brexit for the UK itself, but also by how this decision is handled by the EU and the member states' governments.

Now that Theresa May has acknowledged that Brexit means leaving the single market, France and Germany should preserve the EU27's unity by demonstrating through results that remaining in the club is more beneficial than leaving it. They should also strictly reject the possibility for a non-EU member state to interfere in the EU

decision-making process.⁵ A Franco-German Brexit strategy by itself would reduce the risk of deep clashes among the EU27 during the negotiations.

Focusing on two key topics – security and the euro

Once France and Germany manage to agree on how to best deal with Brexit, the two should focus on how to move the EU27 forward. It is doubtful that the French debates about a comprehensive overhaul of the EU will be a priority after the elections. In Germany, key political figures, including Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble, do not think the time is ripe for substantial reform and visionary thinking in the EU, and argue instead for the immediate need to stabilise the Union. SPD leaders promote a greater emphasis on growth and investment, but also a sharper focus on the key challenges.

The broad range of policies on the agenda of Franco-German relations often leads to a rather vague catalogue of measures. The two should instead concentrate on a couple of priority topics. The first relates to the Franco-German contribution on security and defence proposed the week before the Bratislava Summit, which gained attention and strong support from other member states. Some measures have already been adopted, but the high expectations on these key issues require more significant results and thus a sustained commitment from the partners at the origin of the proposal.

The second priority area is linked to the future of the common currency and the aim to reinforce the eurozone by equipping it with the tools it needs to avoid future crises. Although a potential reescalation of the euro area crisis might have uncontrollable consequences, reform proposals, expressed for example in the Four and Five Presidents' Reports, have been largely unimplemented and set aside. France and Germany should ascertain which of the elements discussed so far are in their view essential, agree on a compromise and then put their energy behind it. France's desire of a 'government' for the eurozone might have to concede some delegation of sovereignty at EU level as favoured by Germany, especially with respect to accepting some new budgetary rules. Such a joint initiative of the two main European economic powers would be essential to trigger the support of other EU/euro countries.

Together, France and Germany should be able to lead the way to tangible results in these areas. If Berlin and Paris seize the opportunity of the Brexit crisis to genuinely restart their cooperation, the UK's departure might just end up spelling good news for the EU.

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The views expressed in this PolicyBrief are the sole responsibility of the author.

- 1 See Krotz, Ulrich and Schild, Joachim (2012), *Shaping Europe. France, Germany, and Embedded Bilateralism from the Elysee Treaty to Twenty-First Century Politics*, Oxford: Oxford University Press.
- 2 Provided, of course, that the surge in support for EU membership and desire to stay in the EU documented by several polls post-Brexit does not placate first those seeking to emulate the UK experience in their own countries. See Ifop (2016), "Les Européens et le Brexit", available at: http://www.ifop.com/media/poll/3442-1-study_file.pdf, or Bertelsmann Stiftung (2016), "Brexit has raised support for the European Union", available at: https://www.bertelsmann-stiftung.de/fileadmin/files/user_upload/EZ_flashlight_europe_02_2016_EN.pdf
- 3 Stokes, Bruce (2016), "Euroskepticism beyond Brexit", Pew Research Center, available at: <http://www.pewglobal.org/2016/06/07/euroskepticism-beyond-brexit/>
- 4 Bertelsmann Stiftung, "Brexit has raised support...", *op. cit.*
- 5 See also the 'red lines' for the EU-27 proposed by Emmanouilidis, Janis A. and Zuleeg, Fabian (2016), "*EU@60 - Countering a regressive and illiberal Europe*", Input Paper prepared for EPC Strategic Council and 20th Anniversary Conference, Brussels: European Policy Centre, available at: http://www.epc.eu/documents/uploads/pub_7020_counteringaregressiveilliberaleurope.pdf

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