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When the Franco–German "Couple" Starts Making Sense Again

by Claire Darmé

The recent Franco-German proposal for a 500 billion euro EU Recovery Fund for the COVID-19 emergency[1] has fed unceasing and divisive debates about the bilateral relationship's role in the construction of the European project. On both sides, critical voices have questioned the importance given to this duo in European policymaking.[2]

Seen from France and Germany, there would be no European integration as we know it without the strong impulses and direction given by Paris and Berlin over the years – starting with the Monnet Declaration itself, back in 1950.

The European integration project is often viewed from these capitals as a means to pave the way towards ever-closer cooperation between the two countries and for the benefit of wider Europe, with bilateral agreements and proposals often considered natural, welcome developments.

For Eurosceptics, however, the importance given to this bilateral relationship over other national political actors is often portrayed as an example of the EU's lack of democratic accountability and its distance from everyday citizens. Interestingly enough, this discourse is also found in France itself, as demonstrated by the rhetoric coming from the most sovereigntist components or its national political scene. Indeed, the *Rassemblement National* regularly denounces the alleged disequilibrium of the relationship, which would benefit German interests.[3]

[1] Lili Bayer, Hans von der Burchard and Bjarke Smith-Meyer, "France, Germany Propose €500bn EU Recovery Fund", in *Politico*, 18 May 2020, https://www.politico.eu/article/france-germany-propose-e500b-eu-recovery-fund.

[2] See for instance ECR Group, *Zahradil: Franco-German Axis Is Exactly What We Feared After Brexit*, 22 January 2019, https://ecrgroup.eu/article/zahradil_franco_german_axis; and Sofia Vasilopouolou, "Will the New Franco-German Treaty Revive the EU, or Hold It Back?", in *Euractiv*, 24 January 2019, https://www.euractiv.com/?p=1307105.

[3] See for instance Marine Le Pen, "Finissons-en avec le mythe du couple franco-allemand!", in

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Yet, even for dedicated pro-Europeanists such as the federalists, the Franco–German axis is often seen as the peak of intergovernmentalism and a reflection of the lack of efficiency of the European institutions. According to these voices, EU institutions should be enabled and reinforced so as to raise above the need for such bilateral negotiations.

The difficulty here is that neither side in this debate is completely wrong. The Franco–German axis has been instrumental for some crucial steps through which European integration has been formed – such as the creation of the European Coal and Steel Community or the Euro for instance.[4] However, the two countries do not have the legitimacy or the political weight to impose their decisions on remaining member states. The EU decision making process is lengthy and multidimensional, reflecting the complexity of a Union which answers to 445 million individuals. Two governments cannot and should not, on their own, be able to shut out the 25 remaining member states and the citizens they represent.

As a matter of fact, those two governments do no such thing. If they tried, their proposals would surely fail within EU institutions. The current proposal for a borrowing scheme of 500 billion euro through the European budget to support post-COVID-19 recovery has shown yet again that France and Germany can nonetheless make a contribution to European integration without jeopardising equilibriums between its 27 members. Indeed, the proposal does not dwell on details, which are left to the work and expertise of the European Commission, the Council of the EU and the European Parliament. What the proposal does is to push forward a compromise on the principle of the issuance of common EU bonds to face the shared challenge of the pandemic. This is the true added value of the initiative.

The strength of a Franco–German proposal on such a difficult topic, which has divided European politics for more than a decade, resides in its attempt at bringing to the same table member states with diametrically opposed understanding of what should be done.

France managed to include in the proposals items dear to those member states traditionally defined as southern (such as Spain, Italy or Greece). In this respect, the mechanics of the fund do resemble those of the initially discussed but ultimately discarded "coronabonds", which had been backed by numerous struggling member states, particularly in southern Europe.

The French proposal, sought to build a compromise, implying the issuance of common debt via European institutions and not for instance through the European Stability Mechanism. The debt burden created in view of financing the fund is also stipulated as being commonly shared by all member states, therefore avoiding the risk of unbearable burdens on weaker economies.

Le Figaro, 22 January 2018.

[4] See for instance Emmanuel Mourlon-Druol, "Rethinking Franco-German Relations: A Historical Perspective", in *Bruegel Policy Contributions*, No. 2017/29 (November 2017), https://www.bruegel.org/?p=22688.

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As far as Germany and Angela Merkel are concerned, the proposal provides her with grounds to argue with more sceptical member states – the Netherlands, Denmark, Sweden or Austria in particular – that the funding scheme is technically a loan, although purchased and implemented under the supervision of the European Commission and within the framework of the EU budget. Therefore the funding will not come without control or conditionality. What is more, the mechanism remains exceptional and a one-off endeavour, and therefore differs from the Eurobonds idea which was debated in the aftermaths of the 2008 financial crisis, and to which Angela Merkel remains opposed.

Indeed, the idea of the proposed fund is not to allow member states to issue common bonds on financial markets without supervision by or involvement from EU institutions. A framework has been designed to reduce the risk of moral hazard, a variable of outmost importance for Germany and the rest of the "frugal" member states.

The above illustrates why the Franco–German axis has never been as efficient, or even necessary, to bridge gaps among EU members as when Paris and Germany are in deep disagreement on the issue at hand. What matters to help untangle political deadlocks is not the respective political or economic weight of the two countries; rather it is their respective capacity to find compromise solutions acceptable to those member states that are closer to them.

In a nutshell and with the due simplifications in mind, France often acts as the voice of southern Europe in bilateral negotiations with Berlin, while Germany tends to stake out positions more acceptable to northern countries. To a degree, both act as agents for other member states, while having the latitude to come up with original proposals on those difficult issues which demand such backchannel negotiations in the first place. Once they reach a compromise taking into account their diverging interests and opinions, they have better chances to convince other member states to join the dynamic.

The plan for a 500 billion euro borrowing scheme through the EU budget will now require unanimous support by member states to become a reality, notwithstanding France and Germany's bet that such a measure does not require difficult reforms of EU Treaties. The constructive trend that can emerge from the proposal depends on the capacity of both countries to convince like-minded member states that they have reached a compromise which takes their preferences into consideration.

Both France and Germany will also need to make sure countries which have been less hit by the COVID-19 crisis, especially in central and eastern Europe, will support a scheme for which they may not be the main beneficiaries. It is probable that a trade-off might develop in this regard. The debate could for instance become intertwined with ongoing discussions on the scale and structure of the 2021–2027 multiannual financial framework cohesion policy. Discussion is presently based on the Juncker commission proposal issued in 2018, which suggests a 37 per cent reduction in funding for the EU Cohesion Fund – an issue particularly dear to central and eastern European member states.

Recent developments surrounding political support for Emmanuel Macron and Angela Merkel also shows how current negotiating dynamics are far from predictable. While Merkel arguably went furthest from her original stance, agreeing to form some sort of a Union of transfers for the first time where richer member states mutualise risk and debt burden with the poorer ones, her party united behind her and she seems now reinforced in her political standing.[5] Yet, her ability to convince more frugal member states will still be a challenge. Austria, Denmark, the Netherlands and Sweden have already announced they are working on a counter-proposal to Franco–German initiative.[6]

Emmanuel Macron, on the contrary, has now lost his parliamentary majority within the French national assembly where seven deputies decided to break from the group of *La République en marche* to join a group formed almost exclusively of deputies who used to be part of Macron's party.[7] Although the event was unrelated to the Franco–German announcement, it serves as a reminder that Emmanuel Macron walks a thin line at home as well as at the EU level.

Overall, the Franco–German proposal has thrust forward the important debate on how to finance the post COVID-19 recovery. On the one hand, the compromise includes elements about the principle of providing financial support to the hardest hit member states which were already circulating following the works of the Commission, the European Parliament and the European Council. Yet, it also brings new perspectives into the debate only a few days after the controversial ruling by the German constitutional court on the competences of the European Central Bank seemed to jeopardise the negotiations and ultimately the very ability of the EU to recover from the crisis.[8] This is in itself a welcome development.

The scale of the proposal and the decision to use the scheme of a transfer Union constitutes an ambitious attempt at reconciling different stances among 27 member states and come up with a realistic and enforceable answer to address the developing economic crisis. The force of attraction of both France and Germany towards the rest of the member states will be put to a test, and the relevance of the Franco–German axis for European integration will have a chance to demonstrate whether it can still be a constructive

[5] Matthew Karnitschnig, "German Conservatives' Eurobond Awakening", in *Politico*, 20 May 2020, https://www.politico.eu/article/germany-conservatives-eurobond-awakening.

[6] Philipp Grüll, "'Frugal Four' Working on Counter-Proposal to Franco-German Recovery Fund", in *Euractiv*, 20 May 2020, https://www.euractiv.com/?p=1468872.

[7] Alice Tidey, "French President Emmanuel Macron Loses Absolute Majority in Parliament After Defections", in *Euronews*, 19 May 2020, https://www.euronews.com/2020/05/19/french-president-emmanuel-macron-loses-absolute-majority-in-parliament-after-defections.

[8] Phillip Inman, "Jolt to Eurozone as German Court Warns Against Central Bank Stimulus", in *The Guardian*, 5 May 2020, https://gu.com/p/dnnv3.

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force under the current institutional scheme of the European Union.

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