



Macron Asks, Can Germany Answer?

By Martin Quencez, Rachel Tausendfreund, Peter Sparding

PARIS/BERLIN/WASHINGTON — In a two-hour address at the University of La Sorbonne in Paris two days after Angela Merkel won her fourth term as German chancellor, Emmanuel Macron presented his “Initiative for a United, Sovereign and Democratic Europe.” Following a first speech in Athens earlier in the month, the French president further developed his ideas about the refoundation of the European project.

The speech had a domestic purpose: it enabled him to elevate the public debate to long-term, European issues while his government is currently facing growing opposition movements against the reform of the French labor code. But more importantly, Macron’s target audience was Germany. It is no coincidence that the French media has been particularly attentive to the “German reactions” to the speech since Wednesday: despite its European tone, the speech called for a response from the new German majority. Of course, in Germany the view is widespread that the French president should first and foremost focus on domestic reform efforts, which are seen as long overdue in Berlin. Still, it was expected that efforts for European reforms would regain momentum following the German elections, so the French suggestions did not come as a surprise.

When Macron came to power in May 2017, the state of the Franco-German relationship was the embodiment of the general sense of international decline that had characterized French politics in recent years. Elected with a message of assertive optimism, the French president has made a priority of reclaiming a leadership role for France in Europe, and promoting a more balanced relationship with Berlin. The Sorbonne’s speech was meant to offer a coherent vision and a series of concrete projects, and force the German leadership to take a position.

Macron’s vision for Europe is about getting rid of all inhibitions: multispeed already exists, and should be embraced when it is efficient; the French and German taboos — changing the treaties, reforming the Common Agricultural Policy, moving toward a transfer union — should be overcome. Disengagement from the United States is inevitable and should be anticipated. His ambition is to talk about everything, even the most controversial topics — “I have no red line” — and expects his partners to have the same spirit.

Yet, despite the apparent bluntness of its proposals, the address was also careful, designed not to exacerbate tensions with Angela Merkel and her future government. Indeed, in the long list of topics, Macron avoided any form of prioritization. The most contentious issues



for Berlin, the fiscal and social convergences and the reform of the eurozone, are mixed into a much larger package of ideas for the European project that find more favor in Berlin.

By laying his cards on the table, Macron has taken the initiative and the spotlight is now on Germany. The proposal to sign a new Elysée Treaty in January 2018 gives a more precise deadline to the German reaction, though complicated coalition negotiations in Berlin may mean that a new German government will only take office towards the end of 2017. French leadership knows that a grand bargain with Berlin is unrealistic — especially since the elections — but Paris still hopes to move Berlin toward meaningful compromises sooner than expected.

Angela Merkel seems to have read that signal clearly, calling Macron's speech a "good impetus." She also saw in the speech "a good foundation" for Franco-German cooperation. But of course, before she can start to work on Europe with Macron, she first needs to build a government at home.

The coalition building between Merkel's Christian Democrats (CDU), the CDU Bavarian sister party the Christian Socialists (CSU), the Green party and the Liberals (FDP) is no easy task, not least because of stark divides over eurozone politics. One potential partner, Green party co-leader Cem Özdemir, endorsed Macron's vision even more strongly, saying its time to "take Macron's outstretched hand" and move forward. But that's only two out of four.

Common ground between Macron and the FDP and the CSU (as well as other conservatives in Merkel's CDU) will be harder to find. Anything resembling a transfer union -- and Macron's eurozone budget does -- is opposed by the FDP and many in the CDU/CSU. Prominent CSU member Joachim Herrmann said he was "very, very skeptical" about Macron's financial policies and the FDP vice-chair accused Macron of wanting Germany to "pay for everything." Any steps towards increased risk-sharing are thus likely only possible at all, if the credibility of the "no-bailout" — clause, a major concern for the German side, can be restored at the same time.

Though major euro area reform will be difficult to achieve, these parties could find overlap with some of Macron's other suggestions, including on defense and security, corporate tax alignment, and a common Asylum system. Thus perhaps enough compromises can be found to propel the partnership — and the European project — forward. It would be a significant boost for the Union to prove it can work together and actually solve some of its challenges, especially a salient issue like asylum. Success stories will be necessary to counter the anti-EU narratives of Eurosceptic parties who have been on the rise across Europe. The appearance of a strong, and balanced, partnership between Paris and Berlin is also reinvigorating, and a boon to both governments at home.

Reestablishing the Franco-German engine is also seen as a key necessity by many observers outside the EU. Though president Trump may not be focused on the details of European reform efforts, Washington and financial markets in New York have long hoped for a more stable eurozone. At the same time, the experience of Europe muddling through and Germany holding a hard line over the last years, has left most American Europe watchers skeptical regarding the prospects of major euro area reform. Still, there is hope for incremental progress and thus a stabilized eurozone going forward.

But is that enough? Without meaningful agreement on eurozone governance, both the coalition government in Berlin and the European Union will be built on a tectonic fault. We can wait out four more years, but if the plates shift, it could all collapse.

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