

European issues

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# German Presidency of the Council of the European Union: "...and suddenly everything changed".

On July 1st, Germany takes over the [presidency of the Council of the European Union](#) (EU) for six months, followed by Portugal and Slovenia, before France takes over in January 2022. Each rotating Presidency of the Council of Ministers develops a detailed programme. It fits in with the legislative work schedule drawn up by the European Commission and reflects the requirements of current international and European events. Finally, it is also an opportunity for the state holding the presidency to introduce its own priorities into the European agenda.

Since 2007, this rotating presidency has been strongly structured by the treaties and framed by the on-going European legislative process: On the one hand, the European Council, which brings together the heads of state and government, the Eurogroup (the informal gathering of the finance ministers of the States that have adopted the Euro) and the Foreign Affairs Council have their own "permanent" president. It is up to them (Charles Michel for the European Council, Mário Centeno for the Eurogroup, Josep Borrell for Foreign Affairs) to organise and lead the work there. On the other hand, the country holding the rotating presidency depends heavily on the assistance and support of the General Secretariat of the Council to chair the multitude of "other" formal and informal meetings, from working groups to international conferences. Finally, in the interest of establishing greater coherence between the programmes of the different member states chairmanship, "trios of presidencies" were established in 2007, establishing a common framework programme between the three countries that hold the presidency for 18 months. This framework programme is defining the objectives and setting the themes and major issues to be dealt with by the Council. On the basis of this framework, each of the three countries forming the trio then defines its own six-month programme.

Faced with the dramatic situation created by the coronavirus pandemic throughout Europe and beyond, the German government was forced to completely review the priorities of its Presidency. This did not

only concern the broad outlines of the programme prepared in advance, but also the profound European convictions defended by Germany since Angela Merkel came to power in 2005.

## THE CONTEXT

Although all states holding the presidency have the same legal status and the same rights and prerogatives, the scope of the task favours the "big" member states that have the necessary means and personnel. Chairing, preparing and moderating the meetings of the European Council and its more than 200 committees and working groups, representing the member states vis-à-vis the other bodies (Parliament and European Commission) in the legislative process, and representing the Union (together with the Commission) at international level requires an enormous amount of preparatory work and mobilises considerable resources.

The German administration and government had been preparing for the Presidency for at least 24 months, from the definition of priorities to language training for the staff involved. Coordination with the other two partners in the trio, Portugal and Slovenia, had begun more than a year ago. The outline of the preliminary programme was known as early as January 2020, when the rapid spread of Covid-19 throughout the EU and the subsequent containment measures changed the situation dramatically and fundamentally.

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Since then, the virus has made Europeans understand two things: the ease with which national responses, or even nationalist reflexes, can make a comeback in Europe, in the absence of a real European capacity to act. Each member state is also experiencing its fundamental and asymmetrical dependence on external countries, notably China, as the lack of protective masks and medical equipment had demonstrated.

Faced with this dual experience of a geopolitical situation that puts Europe fundamentally under pressure, and internal tensions that threaten the very existence of the EU, the risk of a break-up of Europe was real at the summit on March 26th.

As early as April 2020, Chancellor Angela Merkel stated that all the preparatory work already done would be called into question. With the Franco-German announcement of an initiative for a reconstruction and recovery fund on May 18th, she then confirmed that it was not just a matter of revising a few details of the preliminary programme. The sums mobilised and the organisational principles that will have to govern this fund indicate that we are facing a major turning point in the European policy advocated by Angela Merkel and her various governments since 2005. And the constellations well as the context seem to favour one of those daring reversals that Angela Merkel has the secret to.

The decision to propose a European reconstruction fund, financed by bonds issued by the European Commission in the name of the member states, each of which guarantees a part of the fund, is thus in line with the other radical turnabouts that Merkel has managed to impose on her party (CDU) and the Germans. From the phasing out of nuclear power in 2011 to the introduction of a minimum wage in 2014, the decision to take in hundreds of thousands of refugees in 2015 and the decision to rapidly create the legal basis for "marriage for all", these decisions have a few points in common. While Angela Merkel seemed each time to be driven by the firm conviction that the change in question was necessary by the very nature of the problem posed, she had also and each time understood more quickly and before most of the other players that

such a change had become possible, that political circumstances allowed it, between the evolution of German public opinion, the constellation of political forces in place (fundamental in a parliamentary system), the situation in her own party and the balance of power between the federal and regional levels.

If her latest turnaround in European policy is perhaps the most radical - everyone still has in mind her fundamental opposition to the proposals of both Nicolas Sarkozy and François Hollande - it is also the fruit of a skilfully developed constellation. With Emmanuel Macron, Angela Merkel is faced with a French president who, while taking the German arguments seriously and seeking to integrate them one by one in his proposals, has not let go of his initial ambition. The good understanding between finance ministers Olaf Scholz and Bruno Le Maire undoubtedly facilitated the preparation of the substantive decision taken by the Merkel-Macron duo. The appointment of Ursula von der Leyen as the head of the European Commission allows this Franco-German cooperation to continue with a "Delorsian moment" at the European level. However, Ursula von der Leyen's difficult beginnings, the opposition to her nomination and in particular her difficulties in finding a stable majority in the European Parliament, demonstrate the increased complexity of the European Union since the time of Jacques Delors. The Franco-German entente is no longer enough to impose a decision in Europe, but it remains the indispensable driving force to move the lines. In addition to the difficulties of associating and integrating the new member states of Eastern Europe, the cleavages between northern and southern countries are deepening. These cleavages have not only enabled the anti-European forces in Poland and Hungary to assert and consolidate them. Nor are they solely the result of macroeconomic developments since the financial crisis of 2008. The deepening of the divisions in Europe is also the result of political decisions taken since 2007, notably by Germany.

While one can only welcome Angela Merkel's turnaround in the face of a challenge that surely requires such bold decisions, she also has her share of responsibility for the fragile state in which the European Union has found

itself in the face of the epidemic. In order to successfully realize the new political priorities announced by the German government, a revision of some elements of German policy making in Europe may be necessary. What is the role of the Franco-German partnership, and what conditions enable it to play a structuring role? And what is the role of the other member states vis-à-vis the two countries; in what way can they be associated and integrated in the development of a European policy?

### THE METHOD

Generally speaking, German foreign policy in recent years has sought to promote a "multilateral" approach in international relations, with a world order based on strong institutions and binding rules. Seen from Berlin, this is the best guarantee against power politics and solitary decisions of the world's great powers. But for a middle power such as Germany, it is also the ideal format for promoting its own interests: Too small to dominate in a power struggle, Germany today feels big enough to weigh decisively in a multilateral alliance or coalition.

For Germany's European policy, this means two things: With Emmanuel Macron, Germany has rediscovered the potential of the Franco-German "couple" to inspire European policy. Since the French president's speech at the Sorbonne in 2017, the German "answer" has tended to lie more in deeds, in the laborious negotiation of Franco-German compromises, but there have been important agreements.

At the Meseberg summit, the principle of a euro area budget, a tax on financial transactions, the establishment of a legal framework for the activities of large companies in the digital world agreed The Treaty of Aachen, for its part, contains the commitment to a more coherent and more integrated economic area, while avoiding dumping and the erosion of social protection.

On all these initiatives, one could subsequently note a rather "lukewarm" reception by the other Europeans who, in some cases, went so far as to set up a real

opposition. It is now clear that the Franco-German cooperation alone is no longer enough to win the support of the other states. A permanent and sustained effort is also needed to associate in particular those groups of states that publicly oppose Franco-German initiatives. The Eurogroup of April 9th is a good example of how Germany and France can still influence Europe today: Starting, as often, from opposite positions, the cooperation between the two finance ministers Olaf Scholz and Bruno Le Maire has changed things. Germany has moved closer to the French position, to the detriment of the Netherlands. And France did not show unconditional support for Italy, but preferred to negotiate with Germany. This would not have been possible without the Franco-German cooperation instruments, as officials from both finance ministries had prepared in advance the rapprochement between the two positions. By taking into account the priorities of the other member states, such a rapprochement can ultimately lead to the famous "European compromise" which makes it possible to move forward.

For the German administration, the key to enabling the Franco-German couple to play a dynamic role lies in the close involvement of the other Member States in the elaboration of the compromises - not necessarily to go in their direction, but rather to listen to their priorities and ensure, at the end of the negotiation process, their support at the decisive moment of decision-making. As a consequence of this paradigm, the German Presidency is paying particular attention to emphasising the principle of the "trio" presidency. In the first statements introducing the presidency, political leaders tended to recall the first trio, which dates back to 2007. This pioneering experience had already linked Germany with Portugal and Slovenia.

Today, the three countries are presenting a common programme under the title "A stronger, fairer and more sustainable Europe". Even if it remains vague enough to allow each of the three countries to integrate their respective priorities, it nevertheless contains the essential points of a consensus that has been established among Europeans since the complicated election of Ursula von der Leyen in the second half of 2019. A "more sustainable"

Europe refers to the priorities of the "New Green Deal" formulated by the Commission before the pandemic broke out. A "fairer" Europe refers to the need for greater internal coherence between member countries, without it being clear whether this necessarily means a "more social" Europe. The objective of a "stronger" Europe can be read as a direct reaction to the unsatisfactory role that the Union was able to play during the Covid-19 crisis.

### THE CHALLENGES

The German six-months of the trio presidency, which has adopted the slogan "Together for Europe's recovery", will undoubtedly be devoted to managing the crisis resulting from the Covid-19 pandemic and to preparing the European response to the major challenges now facing the EU, both in terms of the geopolitical and international situation and the internal tensions within the Union. More concretely, the remodelled programme seeks first and foremost to provide responses to the current health situation and the socio-economic consequences of the crisis. In addition, there are a number of priorities from a German perspective which, in the context of a programme for a Council Presidency, logically also represent the current political and social situation in Europe.

### CURRENT CHALLENGES FOR THE GERMAN PRESIDENCY

Taking over the Presidency on July 1st, Germany faces a triple challenge: financial, political and institutional. The first major task concerns the Union's multiannual financial framework - in short, the European budget for the next seven years, 2021-2027 - which is necessary for the Union's political action. Politically, it will be a question of successfully restarting the European economy, by linking it to the priorities, particularly the climate priorities, defined together before the crisis. Thirdly, the establishment of the Reconstruction fund will be the priority tool for organising this economic recovery. Its institutional design and its structuring principles will decide whether the Union succeeds in overcoming the divisions between Member States that threaten its very foundations.

Work on the multiannual financial framework was already well advanced before the corona crisis broke out. A large majority of the member states had acknowledged the need for an enlarged budget, enabling the implementation of the ambitious programme outlined by Ursula von der Leyen linked to increased contributions from the Member States to make up for the British contribution. In particular, the German government had accepted to increase its contribution considerably. Persistent resistance is currently coming mainly from those countries that still benefit from the various "rebates" on their contributions (a practice that was hoped to be abolished after Brexit).

In addition to this first major task, which must be completed very quickly in order to enable the Commission to launch recovery policies, there is also the second institutional and financial challenge, the establishment of the new "reconstruction fund". With its volume of 500 billion € (to which can be added, according to the European Commission's latest proposal, 250 billion € in preferential loans, making a total of 750 billion €) and its entirely new architecture, the points of friction already look massive. However, German diplomats hope that, as is often the case in Brussels, more resources to be distributed, will allow to better satisfy everyone's particular interests and thus to rally all states around a compromise.

On the recovery fund, a real "revolution" in Angela Merkel's European policy if we are to believe the comments made in the French press in particular, observers will be well advised to listen to the details of the chancellor's speech. As is often the case with this physicist, everything is in the nuance and every word counts. In her joint press conference with the French President, in a speech to the Konrad Adenauer Foundation, in the presence of the French Ambassador in Berlin, and in her statement to the Bundestag on the occasion of the announcement of the programme of the German Presidency, Angela Merkel insisted on several points:

Concerning the reconstruction fund, this is a singular and unique programme in response to the pandemic and the "greatest crisis" (Merkel) that the Union

has ever known. Hence it is not about a sustainable redistribution among Europeans (for the chancellor, other policies are already doing so), nor the beginning of a European budget of its own, independent of the member states and fed by European debts: Firstly, the amount available in the fund will be exactly quantified; it will be subject to the approval of national parliaments, which will thus retain all their prerogatives in this area. By agreeing "once" to the necessary sums, subsequent legislatures will not be bound by the fund in place. They will be free to decide whether to extend, suspend or terminate it.

The very principle of the functioning of this fund is then interesting: for the German government, it certainly involves the (debt) obligations contracted by the European Commission (and therefore by Europe), which is the great novelty of this policy. However, not all member states will jointly guarantee the means of the fund - this would entail, from a German point of view, the risk that each state (Germany or another country) will have unlimited liability for the entire fund (in the event of bankruptcy or the inability of other states to meet their commitments). The interpretation on the German side is that the fund should come with a limited guarantee from each member state that will only cover a certain percentage of the fund, roughly modelled on the percentage of each state's contribution to the European budget. Germany will provide a guarantee on about 27% or 135 billion of the 500 billion bonds that the Commission is about to raise. The Bundestag will thus be able to define exactly what risk it is running by underwriting Germany's contribution to the reconstruction fund. This will be an important guarantee when it comes to convincing the judges of the Constitutional Court in Karlsruhe of the constitutionality of the programme.

Angela Merkel has made it very clear that she wants to conclude this work quickly, ideally by this summer. This will then leave time for the implementation of innovative policies, the third major challenge, which should make it possible to relaunch the economy, while using the Fund's resources to build an economic system that is better adapted to the challenges of our time, more sustainable and more in tune with

Europe's geopolitical situation and the expectations of its citizens.

In the Franco-German initiative, it was made clear that the means committed by the fund will be directly allocated to the countries in need, which will thus not have to reimburse this money (no credits). The countries most affected by Covid-19 will have to benefit "more" than those relatively unscathed - a novelty in relation to the principle of "fair return" which, since the time of Margaret Thatcher, has meant that each country "receives" more or less the same resources from the Union as it contributes to it - with some differences for the "big" net contributors such as Denmark, Germany, Austria, Sweden or the Netherlands (in that order, if one takes into account the contribution per "head" of population or the share of committed GDP).

Before the Bundestag, the Chancellor insisted that overcoming the Covid crisis should also be understood as an opportunity to speed up the achievement of the objectives set out by Ursula von der Leyen at the head of the Commission in her strategic agenda for 2019-2024. Six months after the start of her term of office, the Commission will be ready to propose the first major legislative packages in relation to its programme. Angela Merkel stressed in particular the need to link recovery to the ecological transformation of the economy, with the conclusion, under the German Presidency, of a binding agreement on CO2 emissions from 2030 onwards. For the Chancellor, this should also lead to a sustainable improvement in the competitiveness of the European economy, which still seems to be her first response to developing a more social Europe.

In addition to the ecological objective, Angela Merkel is proposing a new ambition for the digitalisation of the European economy. This will involve defining standards, developing infrastructures and supporting research and entrepreneurship. However, there is also another aspect of this dossier, which is indeed a German turnaround. For a long time, the digital infrastructure dossier was a key example of the difficulty Europeans had in agreeing on a common industrial strategy, with the result that there was a lack of "European sovereignty" in this area, linked to

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the loss of skills and capacities. Germany, which had long advocated globalized trade and the widest possible free trade, now joined the camp of those who, like France, had always defended the idea of protecting strategic sectors. In a world where the control of and access to digital data and communication has become a strategic asset, technological autonomy is of decisive importance for independence and sovereignty. The recent initiatives of the German and French Economics Ministers are along the same lines.

The responses to this triple challenge - financial, institutional and political - will ultimately decide on the development of a more coherent Europe. This internal coherence also seems to be a condition for enabling Europe to play its role as a "pole of stability" (*Stabilitätsanker*) in the world (Merkel). This is the last "mandatory" point on the list of dossiers that are on the table for the German Presidency of the Council of Ministers:

Foreign policy now also includes the negotiation of the future relationship with the United Kingdom. The work, which should in principle lead to a treaty before the end of the year, seems to have stalled since the British Prime Minister is increasingly openly discussing the possibility of a "no deal". This option would not only entail considerable risks for the United Kingdom, but would also be highly problematic for the European Union. The resolution of this conflict could therefore be on the table of the Heads of State and Government at the end of the German Presidency.

Foreign policy also concerns the Iranian dossier and of course relations with China, which was already on the original agenda of the German presidency before the outbreak of the Covid crisis. How can Europe reconcile an egalitarian and profitable economic relationship with the defence of its standards and values while guaranteeing the unity of the EU, which is systematically called into question by China (new Silk Road, purchase of infrastructures in Europe, massive investments in certain countries)?

### GERMAN PRIORITIES

Before the pandemic, the highlight of the presidency, on which Angela Merkel had personally invested herself,

should have been an EU-China summit, symbolising the importance the German government attaches to this relationship. The summit, originally scheduled to take place in Leipzig in September, has been postponed for the time being, but the Chancellor told the Bundestag that Europeans "will have to understand the determination with which China is demanding a leading role in international structures. And we should not only understand this, but also react with determination and confidence to the challenge this poses. »

Although the summit is postponed, the framework for this relationship remains on the table and it requires first of all agreement among Europeans. In concrete terms, the German government hopes to be able to conclude the bilateral investment agreement and make progress on mutual commitments for climate and environmental protection.

The pandemic has therefore not "changed everything", but it has considerably altered priorities. Germany continues to advocate the idea that Europe has a special responsibility to maintain and deepen an international architecture based on common rules, strong institutions and a spirit of cooperation between states. The differences that have emerged in recent times, with China and Russia, but also with Donald Trump's United States, require more than ever the instruments of dialogue, cooperation and mutual exchange. Europe must express "a strong voice for the protection of human dignity, democracy and freedom", and for Angela Merkel, it is in the relationship with Africa that Europe must make a difference. In a further move towards France's priorities since Robert Schuman, Germany will organize a summit of the EU with the African Union in October on issues ranging from the management of the pandemic, climate and migration to sustainable development, the key to peace and security for Africans and Europeans alike.

Alongside this particular interest in the external dimension of European policy, which is dear to Angela Merkel, Germany also hopes to continue and deepen work on the common immigration and asylum policy, with a new attempt to reform the Dublin (asylum) and Schengen (freedom of movement) agreements. In response to current events

and citizens' expectations, a final point concerns the development of a European pandemic mechanism.

In the light of all these elements, one may obviously wonder whether this might not be an overloaded presidency. The management of immediate current events will undoubtedly require compromises to be made on its other priorities. More specifically, Angela Merkel's last European Presidency, which will be intense due to the accumulation of various emergencies and crises (geopolitical, environmental, institutional, social and health), is partly suffering from the missed opportunities of the past. Although Angela Merkel has played her - considerable - role in the management of the various emergencies since 2008 (financial, migration), the responses provided have never made it possible to reform the European Union in depth in order to give it the capacity to act politically. In particular, the window opened after the French and German elections in 2017 has not been used to lead other Europeans towards a reform of the Union that would have made it more effective, while bringing it closer to the citizens.

This German Presidency in a time of polycrisis should therefore embody new impetus for the European Union and for Germany. In the next six months, much will depend on the method and style used by Germany: Will the German government, with the announced changes in substance and method, manage to exercise its "responsibility for Europe", which is just another word for the leadership that other countries are asking for, as much as they fear it?

It is certain that success will depend on reaching an agreement with France, more than ever the indispensable

partner for Germany, at a time when the United Kingdom is casting off. But success will also require the involvement of the other member states and we can only welcome the importance the government attaches to the organisation of its presidency "in trio", with Portugal and Slovenia. However, while no single European state can claim to embody the European interest alone, some states must make a greater effort to contribute to it. Germany, like France, is one of them.

The fundamental reform that remains to be carried out brings a final aspect, concerning the democratic and civic dimension of the Union. The European Parliament, like the national parliaments, must undoubtedly be involved in the work on the reconstruction fund. However, it is Angela Merkel's proposal to start work on the reform of the treaties that should attract attention. A limited reform, carried out around a clear set of specifications, but with the involvement of civil society actors and in particular EU citizens, in the framework of a "conference on the future of Europe", which will begin under the German presidency and end in 2022 under the French presidency, could indeed become the historical legacy that Angela Merkel will leave to Europeans.

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