

GERMANY'S EU COUNCIL PRESIDENCY

NAVIGATING THE POST-COVID POLITICAL LANDSCAPE

Tuomas Iso-Markku
Niklas Helwig



GERMANY'S EU COUNCIL PRESIDENCY

NAVIGATING THE POST-COVID POLITICAL LANDSCAPE

- In view of the pervasiveness of the Covid-19 crisis, Germany has rightly announced that its presidency of the Council of the EU in the second half of 2020 will be a 'Corona presidency'. However, it will also have to address other immediate issues as well as further longer-term priorities of the EU.
- The initial phase of the pandemic was characterised by largely uncoordinated member state action. The issues and instruments now on the table, particularly concerning economic recovery, are closer to the core of the EU's authority, underlining the importance of a successful presidency.
- Somewhat surprisingly, the Covid crisis has moulded European politics in a way that may facilitate the work of the German presidency. The positions of the member states appear less fixed, whereas the German government itself has more domestic leeway than before the crisis.
- The political situation in the EU and in Germany remains highly volatile and the presidency's success depends on factors that are partly out of Berlin's control: the development of the pandemic, the depth of the economic slump and the public perception of the EU's and Germany's crisis management measures.



TUOMAS ISO-MARKKU

Research Fellow
The European Union Research
Programme, FIIA



NIKLAS HELWIG

Leading Researcher
The European Union Research
Programme, FIIA

ISBN 978-951-769-647-0

ISSN 1795-8059

Language editing: Lynn Nikkanen

Cover photo: Flickr/European People's party (CC BY 2.0)

Desaturated from original

GERMANY'S EU COUNCIL PRESIDENCY

NAVIGATING THE POST-COVID POLITICAL LANDSCAPE

INTRODUCTION

Germany will face extraordinary circumstances when it takes over the presidency of the Council of the European Union on July 1 for the second half of 2020. Its presidency comes at a time when the EU has to find a path out of the Covid-19 pandemic and deal with its severe social and economic fallout. At the same time, the Union needs to strike a deal on its next seven-year budget framework and negotiate its post-Brexit relationship with the UK. Moreover, longer-term priority projects – ushering in a green transformation and preparing the EU for the digital age – should be translated into concrete policy measures.

Against this backdrop, it can be considered fortunate that it is Germany's turn at the helm of the Council. Few EU member states have comparable resources and networks or the necessary political clout to manage the current EU agenda. However, the expectations that Germany faces are very difficult to live up to.

The Covid-19 pandemic has thrown EU politics off balance and it remains uncertain when a post-pandemic equilibrium will be found or what it will look like. At the moment, at least four things stand out: first, the crisis has diverted attention away from previous policy priorities; second, it has – at least temporarily – strengthened the member states' executives; third, it has substantially affected the functioning of the Brussels policy-making 'machinery'; and fourth, it has created new dynamics among the member states and EU institutions.

All this has implications for the German presidency, which has to navigate through a political landscape where the member states' positions are shifting and new modes of policy-making will be needed. This presents the German presidency with both substantial difficulties and some unexpected opportunities.

This Briefing Paper analyses the circumstances of Germany's presidency on three levels. The first section will discuss the implications of the Covid-19 crisis for the priorities and programme of the German presidency. The second section analyses the EU-level political context in which the German presidency will have to operate. The domestic conditions of the presidency are the subject of the third and final section, which will be followed by brief concluding remarks.

THE MAKINGS OF A 'CORONA PRESIDENCY'

Due to the pervasiveness of the Covid-19 crisis, it is clear that it will touch upon every aspect of the German Council presidency. German policy-makers realised the challenge early on, announcing a 'Corona presidency'. The preparations for and the programme of the presidency were adapted to the Covid reality, with a strong focus on the pandemic as well as its inevitable and far-reaching consequences.

The topics that Germany initially wanted to promote and shape during its presidency included Europe's digital transformation and sovereignty, the EU's approach to strengthening social cohesion, the Union's climate policy, common values and the rule of law, as well as the reform of the European asylum and migration policy. Germany also aimed to push the EU to readjust its relationship with China and other major international actors. However, a planned high-level EU-China summit in Leipzig has been postponed.

In addition, issues that need immediate attention from the German presidency include the next Multi-annual Financial Framework (MFF) for the years 2021–2027 and the future relationship with the UK, although the primary responsibility for these now lies with the European Council President and the European Commission, respectively.

None of the above-mentioned issues and topics have become less important because of the Covid-19 crisis – indeed, some are probably even more important now than they were before the pandemic hit. However, the crisis forces Germany and the EU to look at the agenda from a new perspective.

The most pressing issues for the EU and its member states will be to combat the still ongoing – and possibly recurring – pandemic and to deal with its social and economic fallout. All other agenda items are likely to be largely subject to the management of the crisis and conditioned by its success.

As the EU has only supportive competences on health, the German presidency faces limitations in addressing the pandemic directly. Germany has been supportive of a stronger role for the Commission in coordinating the nationally and often sub-regionally scattered approaches to fighting the pandemic.

EU-wide coordination appears highly relevant both in view of the gradual lifting of the Corona restrictions and in curbing a potential second wave later in the year. Measures under discussion include the strengthening of the role of the European Centre for Disease Prevention and Control.

Apart from coordination, the EU institutions and instruments may have underused or unidentified potential to help combat the pandemic and prepare for potential future pandemics. Research is a crucial field in responding to the Covid-19 crisis, and the European Commission has so far allocated €47.5 million in emergency research funding to projects that generate new knowledge on Covid-19 or that help Europe prepare for future health crises.

The current pandemic has also shown the importance of further developing the EU Civilian Protection Mechanism, including the newly established rescEU reserve that is set to include, amongst others, a stockpile of medical equipment. In broader terms, the pandemic calls for the EU to think more strategically about the risks and benefits of its global dependencies, such as medical supply chains.

Compared to health, dealing with the social and economic fallout of the crisis is a different matter. Here the EU is widely expected to make a major contribution or, indeed, play a leading role. While most EU member states have adopted stimulus packages of their own, the magnitude of the crisis calls for a more coordinated and comprehensive attempt to ‘reboot’ the European economy.¹

The German government seems to have got the message and paved the way for an ambitious recovery package. In late May, Chancellor Merkel and French President Emmanuel Macron, in close coordination with the European Commission, put forward a joint proposal for a €500 billion European recovery fund to be attached to the MFF and funded by EU-level borrowing. The Franco-German initiative prepared the ground for the European Commission’s official recovery scheme ‘Next Generation EU’ with a total budget of €750 billion, including the MFF-related Recovery and Resilience Facility of €560 billion to be paid out as grants and loans.²

The Franco-German proposal has been rightly seen as a major departure from Germany’s long-term policy line, which has avoided any form of joint debt and emphasised that loans need to go hand in hand with structural reforms and budgetary discipline. At the same time, it represents a significant rapprochement between Germany and its closest EU partner, France, after a period during which their cooperation seemed to run out of steam despite ambitious rhetoric.

Despite Covid-19 and the packed agenda, the German presidency aims to deliver on the EU’s green and digital agenda as well. Here the challenge will be to create synergies between the economic recovery instruments and the EU efforts to invest in climate friendly solutions and the digital infrastructure. The negotiations on the proposed recovery fund during the German presidency will be crucial in this respect.

Options for green and digital investments are streamlined throughout the various investment instruments proposed by the Commission, including the Recovery and Resilience Facility and the €150 billion Euro Strategic Investment Facility. Moreover, the Just Transition Fund, which seeks to cushion the socio-economic impact of the green transition in fossil-fuel reliant EU economies, would be increased by €32.5 billion. However, to what extent the additional funds will eventually promote green and digital investments remains to be seen.

In many ways, the success of the German Council presidency will be measured on its ability to facilitate a broader agreement on the recovery fund and the MFF, which remain subject to substantial political disagreements among and within the member states. So far, Germany together with France displayed co-leadership and pushed for ambitious recovery solutions. In the chair of the rotating presidency, Germany will increasingly have to slip into the role of a broker in order to bring member states together, working closely with the President of the European Council.

POST-COVID EU POLITICS

In addition to the agenda, the Covid-19 crisis has affected – and will affect – the political context in the EU. Initially, the pandemic was the hour of the member states, which closed intra-EU borders, attempted to secure the supply of critical health equipment and issued lockdown measures in a largely uncoordinated manner. The European Commission, having limited

1 Julia Anderson et al., Rebooting Europe: A Framework for a post-Covid-19 economic recovery, *Bruegel Policy Brief*, May 2020, <https://www.bruegel.org/wp-content/uploads/2020/05/PB-2020-01.pdf>.

2 European Commission, Europe’s moment: Repair and Prepare for the Next Generation, May 27, 2020, <https://ec.europa.eu/info/sites/info/files/communication-europe-moment-repair-prepare-next-generation.pdf>.

competences on health matters and caught equally off-guard like most member states, could only provide limited assistance (e.g. on the repatriation of EU citizens and joint procurement of health equipment), otherwise leaving room for the member states (e.g. by temporarily relaxing the rules on state aid and budgetary deficits).

The European Council took some time to find its feet in the crisis as well. Although the heads of state and government have spent the last few years in almost permanent crisis mode, their deliberations via video conference proved sluggish. This was partly due to the missing informal diplomacy on the sidelines of the meetings, which is often elemental in the search for EU-level compromises. In the face of mounting pressure to deliver, the European Council and the Eurogroup decided on the outlines of the EU's early economic response in late April.

As the EU's crisis response enters a second, potentially more orderly, phase in mid-2020, we are likely to see the return of the European Commission as a more forceful actor. Although recent crises have arguably underlined the role of the European Council and the member states, the Commission – with its right of initiative in the EU's legislative process – has a central position in the EU's institutional system and is often skilled in using it to advance its priorities.

With its proposal on the recovery scheme, the Commission demonstrates significant ambition. Above all, the plans to accumulate EU debt and finance it by extending the EU's own resources system could trigger far-reaching changes further down the line. During the German presidency, the close links between the German government and the Commission – presided over by compatriot and former minister Ursula von der Leyen – will be of crucial importance, as the latter is also in charge of leading the negotiations with the UK.

Another crucial variable will be the interplay between EU member states, with the Covid-19 crisis shuffling the member states' positions. Although the early phase of the crisis seemed to witness the re-emergence of the sharp divide between the fiscally prudent Northerners and the investment-oriented Southerners, the EU-wide shock of Covid-19 is fraying existing groupings and dividing lines.³

The free-market and fiscally conservative 'New Hanseatic League' – consisting of the Netherlands,

Denmark, Finland, Ireland, Sweden and the three Baltics – has no common position on the MFF or on economic recovery. Ireland joined a group of nine member states advocating 'corona bonds', whereas Finland and the Baltic states – although opposed to corona bonds – have displayed a degree of flexibility. The main opposition to the Commission's proposal and the Franco-German compromise thus comes from the 'frugal four', namely Austria, the Netherlands, Denmark and Sweden. However, even they have signalled a more constructive attitude. Furthermore, tying the recovery fund and the MFF may allow for striking new compromises.

A major factor behind the current dynamics is Germany itself. The agreement between Merkel and Macron – and the concomitant return of the 'Franco-German engine', which is expected to play a significant role in the post-Brexit EU – has clearly shifted the balance of power in the MFF negotiations and reset the parameters of the debate. Traditionally, Franco-German cooperation has played an important role in providing political leadership and facilitating EU-level consensus. While the political dynamics in the current EU are more complex than in the past, it is clear that the other member states will have to adjust their position to the re-emerging Franco-German centre of gravity.

As the policy-making machinery in Brussels is still recovering from the Covid-19 restrictions, the German presidency may have to resort to alternative ways to mediate between the EU member states and work towards EU-level compromises. "Shuttle diplomacy" – both physical and digital – between Berlin and the other national capitals is likely to be essential during the German presidency to bring member-state interests together. In this sense, it is a significant advantage that Germany has stood at the centre of different EU networks for many years and possesses the necessary administrative resources.

THE DOMESTIC CONTEXT

While the Covid-19 crisis will complicate the German Council presidency in a number of ways, it has served to temporarily stabilise Germany's domestic political context, ending a longer period of uncertainty. This has clearly given the German government more leeway at EU tables, exemplified by the Franco-German compromise on the recovery fund, which seems to have

3 Kail-Olaf Lang & Nicolai von Ondarza, Friends in Need: The Corona Pandemic Changes the Landscape of Groups and Coalitions in the EU, SWP Comment 2020/C 26, June 2020, <https://www.swp-berlin.org/en/publication/the-corona-pandemic-changes-the-landscape-of-groups-and-coalitions-in-the-eu/>.

ended Berlin's gradual estrangement from Paris, at least for now. The growing political rift between France and Germany before the crisis was largely the result of Germany's domestic political conditions, which occupied, constrained and weakened the German government to an increasing extent.

Germany has been in the midst of a broad political transformation at least since the last federal election in 2017, with the traditional Volksparteien – the centre-right Union of Chancellor Angela Merkel's Christian Democratic Union (CDU) and its Bavarian sister party the Christian Social Union (CSU) as well as the centre-left Social Democratic Party (SPD) – losing ground to other political forces, above all the Greens and the radical-right Alternative for Germany (AfD). This pushed Chancellor Angela Merkel to announce in October 2018 that she would not seek re-election as party leader of the CDU despite holding onto the Chancellorship until 2021. The announcement hastened the erosion of her authority and debilitated her government, as German politics began to gear up for the post-Merkel era.

The CDU chose a new leader in December 2018, with Merkel's centrist ally Annegret Kramp-Karrenbauer narrowly beating long-time Merkel rival and critic, the conservative and pro-business Friedrich Merz. This seemed to settle the question of Merkel's heir in the party and, potentially, the next Chancellor, and seal the continuation of Merkel's centrist course. However, repeated blunders, weak election results and continuing pressure from the more conservative wing of the CDU – including Merz – led Kramp-Karrenbauer to declare in February 2020 that she would step down as party leader. This reopened the divisive race for the CDU leadership and the party's political orientation as well as the next Chancellor candidate of the CDU/CSU, with Merz and at least two other men in the running.

Turbulence within the CDU/CSU's coalition partner, the SPD, added to the domestic uncertainty. Despite electing a new party leadership – the little-known, left-leaning duo of Saskia Esken and Norbert Walter-Borjans – in November 2019, the party appeared deeply uncertain of its future prospects and increasingly sceptical about its role in the government. Thus, before the Covid-19 crisis, Chancellor Merkel's lacklustre government was primarily held together by the weakness of the government parties and the growing strength of their rivals, with the SPD, in particular, fearing significant losses in the event of early elections.

However, the Covid-19 crisis has had a significant impact on the situation. First, the leadership race in the CDU, initially to be settled in April 2020, has been postponed until December. Second, as in many other EU member states, the crisis has put the spotlight on the executive – both the federal government and the regional ones – and rallied a large part of the voters and political forces behind a common cause. Third, in the opinion of a grand majority of German voters,⁴ and many international observers,⁵ Merkel's federal government has managed the crisis very well, keeping Germany's infection rate and death toll comparably low and agreeing on massive domestic stimulus measures to soften the economic blow of the pandemic.

As a result, Merkel in particular has seen her popularity ratings soar, which has strengthened her authority in party and government alike. Moreover, the CDU/CSU is riding high in the polls, closing in on the 40% mark. The SPD has not experienced a similar surge, but Finance Minister Olaf Scholz, alongside some other SPD ministers, has notably raised his profile and popularity.

With the focus on the government, the opposition appears weaker. The Greens, who have been largely supportive of the government, have lost momentum. The AfD, for its part, has experienced a steep decline, as its confrontational style and narrow agenda have so far been ill suited to the health emergency. Moreover, the party is embroiled in yet another serious internal conflict.

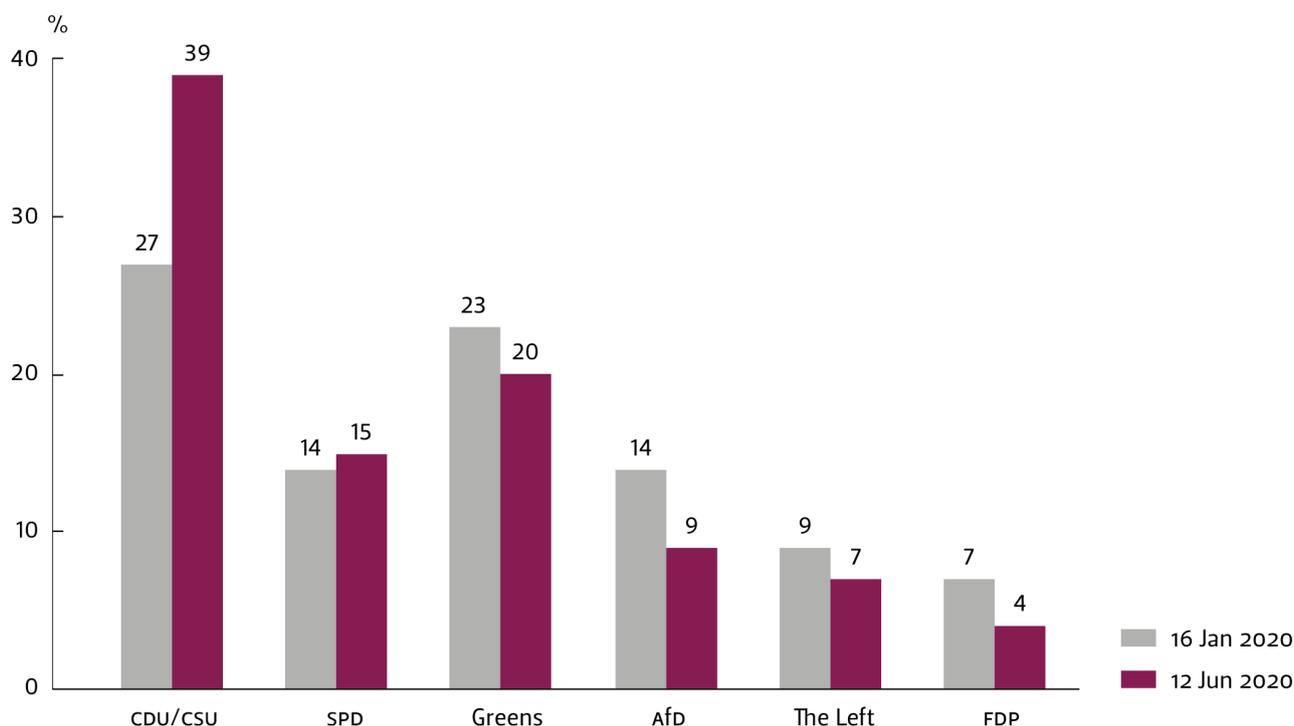
All this facilitated the Franco-German agreement on the recovery fund. Under different conditions, the proposal – which disregards several positions that the CDU and the CSU have held particularly dear – could have easily fallen prey to divisive coalition politics or resistance in the CDU/CSU's own ranks. However, in the current climate, the Franco-German agreement was applauded not only by the SPD and the Greens, but also by all the leading figures within the CDU and the CSU. Even the conservative hopeful Merz, frequently taking the role of intra-party opposition, expressed support for the initiative.

However, at the same time, Merz – who has vowed to keep the Eurosceptic AfD in check – also reiterated a long-standing CDU/CSU position, underlining that the

4 ARD-DeutschlandTREND, May 2020, <https://www.infratest-dimap.de/umfragen-analysen/bundesweit/ard-deutschlandtrend/2020/mai/>.

5 Christoph Strack, Coronavirus and Germany: Why the world is looking to Angela Merkel, *DW news*, April 15, 2020, <https://www.dw.com/en/coronavirus-and-germany-why-the-world-is-looking-to-angela-merkel/a-53236840>.

Voting intention in federal elections



The CDU/CSU has seen a surge in popularity after the start of the Covid crisis.

Source: Forschungsgruppe Wahlen: Politbarometer

EU should not become a ‘transfer union’, and stressed that the recovery fund should be compatible with EU law. This suggests that the specifics of the fund could still become subject to political disagreements within the CDU/CSU or more broadly, thereby constraining the actions of the government.

The Franco-German proposal itself may have been partly evoked by another uncertainty factor with domestic origins – the recent ruling of the Federal Constitutional Court, according to which the German government and the Bundestag need to ensure, within three months, that the European Central Bank provides stronger justification for its 2015 public sector asset-purchasing programme (PSPP). The controversial ruling raised questions about the credibility of the ECB’s measures and the primacy of the European Court of Justice that approved the PSPP. Moreover, it raised doubts about the ability of the ECB to support post-Covid economic recovery – duly underlining the need for other measures. While the broader implications of the ruling remain somewhat unclear, it could well generate controversial domestic debates during

the German presidency.

Independently of the ruling, the current domestic conditions are unlikely to prevail for long. Much will, of course, depend on how the pandemic develops and how hard the inevitable economic downturn hits Germany – and to what extent the management of the parallel crises becomes politicised as time passes. However, even if the health situation stabilises, the leadership contest within the CDU – and the battle over the next Chancellor candidate of the CDU/CSU – will likely pick up sooner rather than later. Moreover, with the next federal election, scheduled to take place in autumn 2021, looming on the horizon, all parties will want to begin sharpening their political profiles.

Whether and to what extent the inevitable restart of the domestic battles affects Germany’s six-month presidency is hard to evaluate. This will also be contingent on how long the fight over some of the most sensitive issues on the EU agenda, above all the recovery measures and the MFF, lasts. The more complex and controversial the negotiations become at the EU level, the more chance there is of them also becoming politicised domestically.

CONCLUSIONS

Although the role of Council presidencies has diminished since the entry into force of the Lisbon Treaty, the presidencies of large member states are often seen as important periods in the development of the EU and its policies. Germany's presidency comes at a time when the EU is reaching the second, and potentially more orderly phase of Covid-19 crisis management.

The EU was not able to live up to the popular expectations in the first phase of the pandemic. Simply put, the ability of the EU institutions to respond to the crisis was severely constrained due to a lack of competences, coupled with the primacy of the member states and national egoism. The political decisions and instruments that are now on the table, particularly concerning the economic recovery after the pandemic, are closer to the core of the EU's authority. Hence, a successful German presidency could crucially contribute to strengthening the EU's role in dealing with the crisis and its aftermath.

Based on an analysis of the political context of the German presidency, this paper argues that the German administration has adequately assessed the magnitude of the challenge and adjusted its programme

accordingly. If successful, the presidency could contribute to resolving the immediate policy issues on the EU agenda and lay the groundwork for the Union's longer-term policy responses.

Unexpectedly, some elements of the unfolding post-Covid political landscape at the European and the domestic level could, at least initially, facilitate the work of the German presidency. Such EU-level factors include the shifting positions of the member states and the re-ignition of the Franco-German engine. However, while Franco-German co-leadership was necessary for the EU's recovery scheme to gain momentum, the classic presidency role as an 'honest broker' will be essential in the search for EU-level compromises.

Domestically, the German government appears stronger than at any time during its period in office, which helped it to reach a compromise with France and may strengthen its hand at EU tables. At the same time, the political situation both in the EU and in Germany remains highly volatile and the presidency's success depends on factors that are partly beyond the control of the German government, namely the development of the pandemic, the depth of the economic slump and the public perception of the German and European crisis management measures. /