



Pacemaker Instead of European Saviour: Germany's EU Presidency¹

*Martin Koopmann**

Theme: This ARI looks at the main issues to be confronted by the German presidency of the European Union in the midst of what is perceived to be a serious crisis for European integration.

Summary: Germany has taken over the presidency of the European Union in the midst of what is perceived to be a serious crisis for European integration. But even if the problems resulting from the faltering enlargement and deepening processes seem to be extremely complex, three important issues can be identified in which public debate since May 2005 has shown that there is the need for some action in the years to come. These areas will determine the scope of the initiatives and proposals to be addressed during the German presidency. First, the failed referendums in France and the Netherlands have been interpreted as an expression of the citizens' general loss of confidence in the EU's capacity to identify with their most pressing concerns and problems and also to design convincing solutions. The EU is caught in a vicious circle of public loss of confidence, hesitating and even paralysed governments and unattainable results. Secondly, all the EU's member states will have to focus especially on consolidating the Union's internal stability, which requires them not only to act but to reconcile the internal market's global competitiveness with the necessity of adequate social policies. Thirdly, there is an urgent need to export stability, not only to the EU's immediate neighbourhood, but also to more distant regions in order to successfully confront threats such as terrorism, extremism and organised crime.

Analysis:

Shifts in the Grand Coalition's European Policy

Since the change of government in November 2006, the new ruling coalition has modified Germany's stance on two different issues: (1) the EU's enlargement policy; and (2) Germany's role as a mediator in the Union. As to enlargement, the German position, at first glance, seems to be not all that different from the objectives pursued by the Schröder/Fischer government. The coalition agreement had already stated unambiguously that, in addition to Bulgaria, Rumania and Croatia, a 'European perspective' should also be open to the states of the Western Balkans. Only as regards the special case of Turkey is there a complex formula in the agreement which underlines the persistent struggle between the conservative CDU/CSU and the Social Democrats (SPD) about a compromise between the 'privileged partnership' favoured by Chancellor Merkel's party and the objective of full membership as stipulated by the Schröder government.

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* Resident fellow at the German Council on Foreign Relations in Berlin (DGAP), working on European integration issues and Franco-German relations

But even beyond the discussion about Turkey, over the course of the year 2006 the rhetoric of enlargement has been marked by a greater distance with respect to further accessions. There are two main reasons for this. First, the fate of the Constitutional Treaty has definitely made it clear that in the future the traditional paradigm of Germany's European policy –a larger and more integrated Community– is unlikely to survive. Secondly, there is a growing fear that further enlargement rounds could make Germany become the EU's paymaster. So it is no surprise that discussions in Germany regarding enlargement are acquiring an increasingly defensive tone under the so-called 'fourth Copenhagen criterion', which refers to the Union's capacity for absorption. This is true of both the Christian Democrats and the Social Democrats, with European policy experts of both parties attempting during 2006 to define this somewhat nebulous criterion.

France in particular is observing these developments with special interest. Paris has not forgotten Germany's insistence since the early 1990s on the accession of new members. Since the start of the Merkel government, bilateral cooperation with Paris has been characterised by a more down-to-earth approach. On the one hand, this has been a direct consequence of the announcements made by Merkel and her team during the election campaign to put a greater emphasis on balance and mediation in Germany's relations with all of its EU partners and less on its exclusive relations with France. But what seems to be even more important in this context is the problem of finding a common Franco-German ground on the central topics of the EU agenda. Differences between the two countries have become deeper since the failure of the referendum on the Constitutional Treaty, especially as regards economic and social policies, where their positions are often directly opposed.

Berlin certainly knows that the range of reliable partners for common initiatives in the Union is limited: the approaching end of the Blair era, the barely concealed anti-German resentment of Poland's Kaczynski presidency and government and the Czech Republic's European policy will hardly improve the prospects for common initiatives. The French election campaign, which is to end just a few weeks before the final EU summit under the German presidency, will make things even worse. In view of these conditions, no significant breakthrough can be expected: most areas of the German EU-agenda will probably be marked by the search for the lowest common denominator. Many observers in Germany do not exclude the possibility that the current leadership gap might be filled – together with Germany– by Italy and Spain, with the pro-European former President of the European Commission, Romano Prodi, and a Spanish government backed by the good results of its referendum on the Constitutional Treaty.

Falling Expectations, Creating New Impulses: The German Presidency's Agenda

The German Federal Government will be confronted by a range of tasks that exclude any prior expectations of reaching final solutions. The different problems that must be solved to improve the Union's internal stability and the challenges facing the EU's external relations –related to the often quoted problem of the *Finalité politique*– are beyond the capacity of any short-term conflict resolution possibilities of a six-month Council presidency. In this respect, the German government's approach of linking its own agenda with those of the following Portuguese and Slovenian presidencies makes sense. The idea is to forge a link with the French presidency of the second half of 2008. The new French President and his government should by then be able to give a new boost to the EU. Of course, the Federal Government has defined some very specific objectives, such as the adoption of an action plan for an EU energy policy. But, nevertheless, the first six months of 2007 will be marked by its efforts to integrate widely differing positions and to provide some conceptual impulses.

Confidence Building as a Cross-section Task

This applies first of all to the question of how to explain in a more convincing way to Europe's citizens that EU integration will lead to a greater added value: that it is not a threat but an opportunity in many spheres of their daily lives. For this overall challenge facing European policy –ie, the development of confidence-building measures–, the Federal Government is trying a two-track approach. On the one hand, it is striving to set a benchmark for the most important common values and interests underlying the European integration project by adopting a 'Berlin Declaration' on the occasion of the 50th anniversary of the Treaties of Rome on 25 March 2007. But what is certainly more important in the long run are a number of projects which will not be as symbolic as a solemn declaration, but which could improve in a much more sustainable manner the confidence of the citizens in the Union: first, and regardless of the future of the Constitutional Treaty, the reinforcement of the idea of subsidiarity by ensuring the application of the principle of 'better regulation'. The Federal Government, during the German presidency, will try to convince its partners to review every relevant policy area to ascertain whether any of the laws and rules of the *Acquis communautaire* can be abolished or, alternatively, if new regulations can be adopted at the national level, 'close to the citizens'. Secondly, as the Chancellor herself has often repeated, the 'principle of discontinuity' must be applied, ie, withdrawing all drafts of directives and other EU laws that have not definitively been adopted at the time of new elections to the European Parliament and the appointment of a new Commission. The aim is to have more transparent decision-making procedures and to thin out the jungle of European regulations.

But the main focus of the German presidency revolves around three central questions: the future of the Constitutional Treaty, improving the EU's economic dynamics and its capacity to support social coherence and, finally, defining the EU's relations with its Eastern European neighbours.

The Constitutional Treaty's Future

At no time after the failed referendums in France and the Netherlands has the Federal Government left any doubt that it would continue to support the Constitutional Treaty. If, at first, it wanted to maintain the initial version of the text, its position at the start of the German presidency is slightly different: it is now the 'substance' of the text that must be safeguarded. There has been no serious discussion in Germany about any alternative to the Constitutional Treaty in the sense of a basic renegotiation or the separation of different parts of the text. Nevertheless, a proposal made by Chancellor Merkel dominated the German discussion: a not legally binding declaration to be attached to the Treaty and that would involve the Commission, the Council and the European Parliament in reviewing draft directives for their social consequences. A second idea is to add a fifth part to the Treaty, to deal with the social and national identities of the member states. This part could list the obligations and limits of European integration. In this way, sensitive areas, such as 'public service' and France's principle of *laïcité* could be protected.

During the last months before the German presidency, the Federal Government abstained from making further proposals, and even the presidency's programme only includes a short paragraph referring to the conclusions of the European Council of June 2006 to the effect that the German government should carry out consultations with all member states in the first half of 2007 in order to draft a summary report for the Council to be held in June 2007 as a basis for the next steps to be taken. This is why Berlin would rather be a mediator than an initiator. Nevertheless, it is clear from the German perspective that the Nice Treaty should serve as an interim solution for a transitional period of a few years. The two political actors of the Grand Coalition agree that institutional reforms are unavoidable and that in many areas the Constitutional Treaty closely concerns Germany's interests: institutional innovations to the Common Foreign and Security Policy (CSFP),

transparency and the strengthening of the influence of citizens on the decision-making process, the allocation of rights and duties between the European and the national levels and the role of national parliaments. Decisions about the final text will not be taken during the German presidency. But the Federal Government will strongly support the options which, at most, aim to promote some cautious negotiations about minimal modifications to the CT –knowing at the same time that the final result must be different enough from the original text to have realistic chances of a positive vote in France and the Netherlands–.

Economic Dynamics and Social Coherence

It is no surprise that in this area the coalition's two partners place a different emphasis: one on open markets and the other on the form of the social security system. Nevertheless, there is no fundamental conflict between the two political camps in this regard. Following the tradition of Germany's European policy, the Federal Ministry of Economics has announced several initiatives to promote the Internal Market. Its main objectives are to adopt concrete measures to support liberalisation, mainly regarding the Single Market for services and the consequent implementation of the Internal Market for gas and oil by 1 July 2007. The Social Democrats, on the other hand, emphasise the social dimension of the Internal Market. The Federal Foreign Office has requested that assessments be made of the social consequences of any European legislative project. Furthermore, the shaping of the social security system –from the perspective of the SPD-led Ministry– should continue to be the responsibility of the individual member states in order to avoid any assimilation of social standards. It is interesting to note that this position has not been incorporated into the Federal Government's official presidency programme.

The problems in this policy area are obvious. The debate about the social dimension of European integration will become increasingly intense as further steps are taken towards liberalisation, integration in the social sector and even harmonisation of corporate taxation; and this certainly goes beyond the German presidency's scope. Germany will not find it easy to play the role of mediator during the first half of 2007. The chances of success for any convincing and innovative progress are very limited –especially due to the poor prospects for constructive cooperation with France–. The French and German ideas of a European model for a common economic and social policy are significantly divergent. The successful implementation of the Lisbon Strategy requires a long-term debate among all EU member states about if and how –beyond the definition of growth objectives– they will be able to agree on common social values. Only if they succeed in providing a common answer to this question will the EU be able to shape, little by little, a real European system of economic governance. This is a long-term objective that will not be achieved in a single effort but at best by taking many laborious small steps. All that Germany can do during its presidency is to provide a renewed momentum to the Lisbon Strategy in the specific areas named above.

Foreign Policy and Enlargement

The question of how the EU can contribute to a greater stability in its international environment will be relevant during the German presidency on two different levels. In the area of conflict prevention and conflict management great importance has been attached to the capacity to react in a flexible way to unexpected events and crises. As from 1 January 2007 the EU will be able to mobilise its first so-called 'battle groups', multinational and highly flexible combat units of around 1,500 troops that will be in a position to conduct independent short-term missions or to prepare larger-scale military operations. In the light of the experiences of the past few years with the first autonomous EU military missions in the Congo and Europe's commitments within the framework of the UNIFIL mission in the Lebanon, the ability to react rapidly to new conflicts will be one of the major challenges for each new Council presidency.

Apart from the political management of these missions, it is the Federal Government's declared objective to strengthen the civil component of the European Security and Defence Policy (ESDP). An important test, in the event of the successful engagement in negotiations, would be the subsequent despatch of a civil ESDP mission to Kosovo, that would be the biggest in the short history of the ESDP. The strengthening of the civil component is furthermore related to another concern that is high on the German Government's agenda: improving the cooperation between the EU and NATO, including the crisis management operations in Afghanistan. Finally, the entire CFSP area will be overshadowed by conflicts of long standing such as the Middle East, Iran and Africa.

However, the Federal Government's preparations for the German presidency were dominated several months before January 2007 by another important challenge: exporting stability to the EU's eastern neighbours. In this context, the EU has three essential policy approaches: (1) enlargement, which relates to Croatia, Turkey and the Western Balkan states; (2) the European neighbourhood policy (ENP), which concerns the Ukraine, Belarus, Moldova and the states of the southern Caucasus; and (3) relations with Russia.

These three policies are marked by multiple interactions, but also by four weak points.

- Since the failure of the Constitutional Treaty and the accession of Bulgaria and Rumania, many of the member states are far less keen on enlargement. Accession negotiations with Turkey, which were already difficult since their inception, are becoming even more complicated on account of Cyprus.
- The essentially highly innovative concept of the ENP clearly has deficiencies regarding the definition of its objectives, its underdeveloped regional dimension (as it is currently implemented exclusively through bilateral action plans) and the not legally binding nature of its action plans, which are simply political arrangements.
- From these two points it follows that the ENP is exposed to the risk of failing in another of its declared objectives: instead of avoiding new dividing lines, new potential frontiers seem to be emerging between states that are economically behind the EU but that nevertheless have official prospects for accession (eg, Albania and Bosnia-Herzegovina) and ENP-countries with similar economic deficits but with no such prospects (eg, the Ukraine and Moldova).
- Regarding the EU's relations with Russia, it will probably start negotiations with Moscow about a new Partnership and Cooperation Agreement (PCA). One of the most important topics will be Russia's acceptance of the European Energy Charter's rules. But beyond this important point, which covers another significant topic for the presidency (ie, the internal and external aspects of a European Energy and Climate policy), Russian interests are involved in all the questions relating to the EU's eastern neighbourhood.

Apart from a possibly stronger civil ESDP engagement in the Western Balkans, the German Government is trying to react to these challenges by shaping the enlargement and neighbourhood policy. In the presidency programme's short paragraph on these two policies, the EU's absorption capacity is mentioned twice –the slight change operated by the Grand Coalition will be significant for the EU as a whole–. The consequences became clearly visible on occasion of the European Council of December 2006 when the EU decided to slow down the speed of enlargement. The Federal Government has integrated a strategic position into its programme that goes far beyond the German presidency's time span and that can have a significant impact on the future of the EU's enlargement policy.

Furthermore, Berlin is attempting to re-direct the ENP into an 'ENP-plus'. The cornerstone of the German stance is a stronger eastern dimension. To this end, Berlin proposes a 'partnership of modernisation' with the ENP states in Eastern Europe and the southern Caucasus. In this context, bilateral and regional sector agreements will be offered in policy areas that have a regional dimension *per se*: energy, traffic, migration, the environment, etc. The ENP that harkens back to the basics of the EU's enlargement policy will be transformed into a more flexible concept. However, the exclusively Eastern European orientation of this offer will put an end to the sensitive balance between the ENP's eastern and southern dimensions that must reflect the interests of both the EU's northern and southern members.

The message behind these ideas is very clear and can only be welcomed: regarding the blocked process of deepening the EU, the ENP will diverge further from the Union's enlargement policy and, at the same time, focus to a greater extent on the interests of neighbouring states in specific areas. This might possibly enhance the chances of efficiently promoting the economic and political transformation of the ENP states. A mid-term effect will be that the always important topic of accession might –perhaps– be less pervasive. Nevertheless, several questions would remain unresolved: what about the common framework for the eastern and southern ENP states after such a reinforcement of the eastern dimension? Have Germany's ideas been sufficiently communicated to the EU's other actors, namely its southern partners such as France, Spain and Italy?

The general idea underlying these approaches to CFSP/ESDP, enlargement and neighbourhood policy is to make the EU's eastern policy more coherent. An important element in this ambitious objective is to shape the EU's policy towards Russia. In this respect, the Federal Foreign Office has developed the concept of 'rapprochement by integration'. To achieve a 'value-based partnership', the EU and Russia should envisage a free-trade area and an energy partnership, closer research cooperation and cooperation in ESDP missions. However, as for the other topics discussed above, expectations should not be set too high: in a very negative but not necessarily unrealistic scenario, negotiations for a new PCA can still take some years, and a precondition to the opening of official negotiations is the need to overcome internal EU conflicts about the best way of talking to Russia. An important criterion for the German presidency's success in this area will be the capacity of German diplomacy to convince Poland of the necessity for a more flexible policy vis-à-vis Moscow. Against this background, the German Government's self-image as a mediator in the EU will be subject to a serious test.

Conclusions: The Federal Government will not be able to resolve all the EU's major problems during its presidency, including the Constitutional Treaty, the Lisbon strategy and social coherence and the Union's Eastern policy. At best, it will be able to switch the points: as for the Constitutional Treaty it would not be too traumatic if the Treaty in its current version were to finally be declared dead. But as from 1 July 2007 it should be clear in what direction the EU is moving: it must break out of the vicious circle of loss of confidence, lack of capacity to act and unreachable objectives. A cautious but at the same time symbolic modification of the existing text could be a possible way out.

As to economic reforms, Germany will not solve the structural problems of the Lisbon Process. Central reforms concerning the social security systems, the labour market and research policies will remain for a long time the responsibility of each nation state. But it will be all the more important to counter growing doubts in areas for which the EU is responsible: the services directive must be implemented without hesitation and the same applies to the internal energy market. Falling oil and gas prices are the best arguments to convince citizens of the added value of European integration.

The EU's relations with its Eastern neighbours need to be reformed. The challenge is not to definitively determine the EU's borders, but to correct (and not fundamentally reform) the ENP concept in order to support transformation processes beyond them and help to avoid unrealistic hopes of accession. For all this, Germany needs the support of France, the UK, Spain, Italy and –last but not least– Poland. It is only together with its partners that Germany can become a successful pacemaker for the EU.

Martin Koopmann

Resident fellow at the German Council on Foreign Relations in Berlin (DGAP), working on European integration issues and Franco-German relations