



A very French Europe?

by Charles Grant, 26 April 2022

Emmanuel Macron's decisive victory in the presidential election will reinforce France's pre-eminent position in the EU. But Macron won't have everything his own way: some Central and Eastern European member-states will oppose French policies, the British will remain a headache and the Germans may thwart some French ideas.

In recent years Macron has emerged as by far the most influential European leader. He is an inexhaustible fountain of fresh ideas on the future of the EU: some of these are soon forgotten but he pursues others with force and determination. No other European leader can match his dynamism or intellectual energy. It helps the French that the British, who often countered French thinking, have left the scene, and that Germany's hugely influential and longstanding chancellor, Angela Merkel, has retired. The new German government – a fissiparous three-party coalition led by the relatively inexperienced Olaf Scholz – is still finding its feet. France has installed its friends or nationals in key Brussels jobs, including the presidents of the European Commission and the European Council, the commissioner responsible for industry and the director-general in charge of competition policy. Macron enjoys warm relations with Mario Draghi, Italy's highly-respected prime minister.

Even more important for French influence, the world has changed in ways that resonate with French thinking. Growing fears of unfair competition from Chinese companies, Covid-inspired worries about the resilience of international supply chains, and Russia's invasion of Ukraine raising questions about energy security and defence have strengthened French arguments in favour of European 'strategic autonomy' and a more active industrial policy.

During his early years in the Elysée, Macron's effectiveness was sometimes marred by inept diplomacy, but he has learned from his mistakes. In the summer of 2019 he launched an initiative to build a dialogue with Vladimir Putin, without consulting Berlin or the Central and Eastern European countries (CEECs) which cared most about relations with Russia. The initiative upset several member-states and achieved nothing. But during this year's Ukraine diplomacy, in which Macron has frequently spoken to Putin, he has made every effort to consult and inform American and European partners about his conversations (even though those conversations have still annoyed some Europeans).

In recent years the French have persuaded the rest of the EU to sign up to several of the policies they supported, such as the regulation of Big Tech (through the Digital Markets Act and the Digital Services Act), the Recovery and Resilience Facility (the RRF, created to help the countries most affected by the pandemic), the European Defence Fund, and measures designed to tackle Chinese misbehaviour (such as curbing takeovers of EU firms by non-European companies that have received state aid). Another French priority is the Carbon Border Adjustment Mechanism (CBAM), which seeks to prevent carbon leakage by taxing imports from countries that lack an effective carbon price (the Council of Ministers has agreed on the CBAM as a general principle, but the details of its implementation cannot be fixed till the EU reforms its emissions trading system).

Macron's victory will make his position within the EU even stronger. One French priority in the coming years will be industrial policy. France favours suspending normal state aid rules in order to encourage the emergence of new industries in Europe, as has already happened regarding car batteries and microchips. Thierry Breton, the industry commissioner who favours building up companies to be 'European champions' and the on-shoring of some supply chains, is an influential proponent of French thinking on industrial policy. But many smaller member-states worry that such policies will in practice mean that most flagship investments end up in the countries with the capital and skills to host them, such as France, Germany, Italy, Belgium or the Netherlands. As for trade policy, there are occasional hints from Paris that at least some of the EU trade agreements currently blocked by France – the list includes Mexico, Chile, Australia and New Zealand – may be allowed to proceed after June's parliamentary elections.

Defence is an important component of Macron's vision for European strategic autonomy. He will continue to push for improved European capabilities and a more assertive European role in international affairs, driven by his overarching belief that Europeans cannot rely on the US to underwrite their security. He is keen on ensuring that the plan for a 5,000-strong EU intervention force, the 'Rapid Deployment Capacity', becomes a reality, and that would probably mean giving the EU a real military headquarters. Macron wants to ensure that Europe can procure the military equipment it needs without looking to the US, and thinks that EU tools like the European Defence Fund and Permanent Structured Co-operation can help to strengthen Europe's defence industrial base. Strategic autonomy also means cutting dependence on fossil fuel imports from Russia – Macron favours an embargo on Russian oil – and expanding nuclear power, a sector where French industry excels.

The French will also emphasise reform of the EU's fiscal rules, currently enshrined in the Stability and Growth Pact. France, like the Commission, wants the rules to become more counter-cyclical, more flexible when it comes to making countries reduce their debt, and more encouraging of investments in good things like defence and the digital and green transitions. France also thinks that the problems created by the war in Ukraine provide good reasons for creating a second RRF or some other sort of 'central fiscal capacity'. The war, like the pandemic, has affected the member-states asymmetrically – for example some are more dependent on Russian energy and some have taken disproportionate numbers of refugees.

Macron will find that some of these priorities meet resistance from CEECs. If French thinking on defence appears hostile to NATO, Poland, the Balts and others will raise objections. On climate policy, the CEECs tend to be much more sceptical than most West European governments on the need for radical action – and high energy prices will increase their reluctance to reduce carbon emissions quickly. CEECs like Bulgaria and Hungary, which are almost wholly reliant on Russia's gas, would face big recessions if there were a full embargo on its gas imports.

One of the biggest unresolved rows within the EU is over Poland and Hungary's failure to respect the rule of law. Paris has been a leading proponent of throwing the rule book at Warsaw and Budapest. The war in Ukraine, and Poland's generous support for Ukrainian refugees, has led both Brussels and Warsaw to seek to moderate the tensions between them. But the rift between the EU and the recently re-elected Viktor Orbán in Hungary remains wide. The Commission is using its new 'conditionality mechanism' against Hungary – which may deprive it of EU funds. There is some risk that Orbán could retaliate by vetoing EU measures that require unanimity – for example on tax, climate or sanctions against Russia.

If relations between the EU and Poland worsen, Poland could make comparable threats (though it would never veto sanctions on Russia). Such a deterioration is certainly possible. Earlier this month Polish Prime Minister Mateusz Morawiecki criticised Macron for negotiating with Putin, asking "would you negotiate with Hitler, with Stalin, with Pol Pot?". Macron hit back by accusing Morawiecki of being "a far-right anti-Semite who bans LGBT persons".

The CEECs will also matter for the EU's relations with the UK. The British will remain a headache for the EU, chiefly because of their reluctance to implement the Northern Ireland protocol that they negotiated. Of all the EU leaders, Macron has taken the hardest line on the UK. He wants everyone to see that leaving the EU must involve some pain. He has gained the support of the Commission for his line that the British should not be allowed to renegotiate the terms of the protocol.

Macron's re-election will not do much for Franco-British relations, which are in a dire state. Boris Johnson's people have been briefing that France was being difficult because Macron was playing electoral politics, and that after the elections relations could improve. But in Paris people say the problem is that Macron does not believe he can do business with Johnson: he sees the British prime minister as untrustworthy, mendacious and prone to play to the gallery. The fact that Johnson is – it seems – preparing to introduce legislation that would enable him to dispense with parts of the Northern Ireland protocol will not endear him to the French.

The French president will use his influence to try and prevent the EU going soft on the UK. But he may meet resistance from countries like Poland and the Baltic trio. Johnson has generated goodwill in parts of Central and Eastern Europe with his strong support for Ukraine. Some governments may therefore be reluctant to vote for strong punishment of the UK if it scraps the protocol. Last December, Commission officials were saying that if Johnson tore up the protocol, there would be unanimous support for suspending the EU's Trade and Co-operation Agreement with the UK. The same officials now admit that that is no longer the case, partly because in an economic downturn governments are reluctant to curtail trade.

If one permanent feature of the EU is that France and Germany need to work together in order for change to happen, another is that there are always tensions between Paris and Berlin. In the words of one senior European official, "the job of the French is to come up with ideas and the job of the Germans is to block those ideas or shape them". The Scholz-Macron relationship for the time being lacks the warmth of that between Merkel and Macron.

Chancellor Scholz quickly declared Russia's invasion of Ukraine a *Zeitenwende* – a historical turning-point – and committed Germany to a dramatic increase in its defence budget. That should make it easier for Macron to achieve some of what he wants on European defence. But that does not mean that Germany

will always buy European (and especially French), as Macron might hope. Scholz has announced plans to buy American F-35 fighter aircraft to maintain Germany's ability to deliver US nuclear bombs as part of NATO's nuclear sharing arrangements. If Germany goes on to buy more F-35s, that would call into question the project for a new Franco-German-Spanish fighter. Energy is always a particularly fraught subject between Paris and Berlin. Diametrically opposed on the desirability of nuclear power, France and Germany have very different views on the Commission's proposed 'taxonomy' on what kinds of energy should count as green. And there will be arguments over EU-level fiscal policy: Scholz is taking a hard and traditionally Germanic line in opposing a softening of the Stability and Growth Pact, and he – like several other North European leaders – also opposes French plans for a second RRF.

During Macron's second term France will be about as influential as a member-state can be in the EU. But the EU is organised in such a way that even a very influential member-state cannot always get what it wants. As Macron has learned over the past five years, member-states need to build alliances and work with the European institutions in order to achieve their objectives. That is why the EU usually moves slowly. But sudden shocks – such as Covid-19 or Russia's invasion of Ukraine – can spur governments to change their policies quickly. It is far too early to judge the long-term impact of the war in Ukraine. But if Macron gets his way, it will be a stronger EU role in defence, more European technological and industrial sovereignty, and a bigger EU involvement in fiscal policy.

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