



One year since Macron's Sorbonne speech: Plus ça change?

by Leonard Schuette

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In September 2017, newly-elected French President Macron laid out his grand vision for relaunching the EU. He has not achieved much so far, but Macron remains the greatest hope for driving much-needed reforms.

Just over one year has passed since Emmanuel Macron gave a speech in the ostentatious amphitheatre of the Sorbonne University in Paris. He offered a vision of a sovereign Europe, endowed with significantly more powers, the better to weather the storms of the 21st century. Since then, progress has been made on defence integration, but on the eurozone and Schengen the results have been disappointing. However, though Macron has made mistakes, the lack of new political thinking elsewhere in Europe is primarily to blame.

At the heart of Macron's reform [proposals](#) lies an overhaul of the eurozone. Macron believes that the roots of the euro crisis lie in the very architecture of the currency union. He proposed a fiscal union with a eurozone budget overseen by a eurozone finance minister. He also urged the EU to complete the banking union, which has stalled after integrating supervision of the largest European banks. For the French, the banking union requires an EU-wide deposit insurance scheme, to stop bank runs from overwhelming individual member-states. Macron also wants to expand the European Stability Mechanism (ESM), which offers financial assistance to euro members in crisis, into a European Monetary Fund (EMF), endowed with greater powers and resources.

So far, few of his ideas have been translated into agreements. At a Franco-German summit in Meseberg on June 19th, Germany reluctantly accepted that fiscal policy – albeit to a limited degree – had a role to play in stimulating European-wide investment and macroeconomic stabilisation. Chancellor Merkel committed to a small eurozone budget and to exploring the possibility of European unemployment insurance – hitherto no-go areas. The summit's declaration called for the ESM to provide credit to the fund for resolving banks. Although this was not spelled out in the Meseberg declaration, Paris may have to accept that their proposed European Monetary Fund becomes the EU's de facto budget supervisor in exchange (as the Germans consider that the Commission, which currently oversees national budgets, has been too lenient with those breaking the rules).

This moderately ambitious agreement was, however, frustrated at the next European Council on June 29th. Because of [her domestic problems with her governing coalition partners](#), Angela Merkel went to Brussels to get an agreement on her migration proposals, much to the frustration of Macron, who had hoped that eurozone reforms would have top billing. The result was a compromise that satisfied no-one: eurozone members agreed that the ESM should provide a backstop for bank crisis resolution and make lending to countries facing short-term liquidity problems more flexible. But neither the eurozone budget and finance minister nor European unemployment insurance made it into the final declaration. Member states vaguely committed themselves to designing a roadmap for a European Deposit Insurance Scheme, but they disagree on how to implement that objective.

The reasons for the inertia on eurozone reforms are threefold. Firstly, there is a continuing intellectual disagreement on the causes of the eurozone malaise. The political establishments in Germany, the Netherlands and several other northern member-states dogmatically cling on to the narrative that fiscal prudence and domestic structural reforms should be the priority, not more federalised economic governance. Macron failed to convince them of the Keynesian analysis of the euro's travails.

Secondly, a powerful new coalition has formed to stop Macron's plan in its tracks. The fiscally conservative 'New [Hanseatic League](#)', consisting of the Netherlands, Finland, Sweden, Denmark, Ireland, and the three Baltic states, published a letter in March insisting on national responsibilities and budgetary restraint in a rebuff to Macron. Brexit and a renascent France created the possibility of a shift in the balance of power in favour of those advocating a fiscal union; that in turn induced smaller nations that oppose this vision to intensify co-operation, to make their voices heard. The Hanseatic League will continue to act as a counterweight to Macron, for instance in the forthcoming negotiations on the [next EU budget](#). Macron may have focused too much on Germany and underestimated other member-states' opposition to his plans.

Thirdly, populist parties and surging support for the repatriation of some powers from Brussels have narrowed national governments' freedom of manoeuvre. Mainstream parties have so far not found a way to control the agenda and persuade voters that joint EU action would be the most effective way to tackle the issues that worry them, such as migration. Instead, they have succumbed to ill-advised strategies of imitating the populists' anti-European rhetoric. Thus governments have become much less willing to cede ground to Macron's reform proposals.

In Germany the rise of the Alternative for Germany party has meant that parts of Merkel's CDU, its sister party the Bavarian CSU and the liberal FDP have rejected any moves to deepen European integration. With only a nine-seat majority in the Bundestag, Chancellor Merkel has not only lacked the necessary support but also failed to show the political leadership to push for greater compromises with Macron. Even the moderate concessions she made at Meseberg would be difficult to get through the Bundestag, and at this point it seems unlikely that Germany will commit to a substantial reform package at the next euro summit in December. There are similar political dynamics in the Netherlands and Finland, among other countries, where populist parties like Geert Wilders' PVV or the Finns Party shape the agenda.

Macron has also lost a key ally in reforming the eurozone. The previous Italian government supported many of his ideas, but the current League-Five Star populist coalition is unlikely to play a constructive role in Brussels. The latest [Italian budget](#) proposal, though it backs away from the dramatic deficit in the two parties' coalition agreement, would still breach EU rules, setting up a confrontation with the European Commission that may be a sign of things to come.

At the Sorbonne, Macron did not limit his ambition to eurozone reform. He called for a more humane asylum regime, including more solidarity between member-states. This requires reforming the Dublin regulation, which, by making the country of first entry into the EU responsible for processing asylum applications, places an unsustainable burden on border countries like Greece and Italy. He also wants to boost the resources and powers of Frontex, the EU's external border agency, and to create a European Asylum Office to synchronise asylum rules and process applications at the external borders. Here, Macron has not really practised at home what he preaches abroad. Tough new domestic asylum legislation, disputes over controls at the Franco-Italian border, his refusal to offer a refugee rescue boat safe harbour and a general reluctance to take in a fair share of refugees have fuelled [accusations](#) of hypocrisy and undermined Macron's credibility.

Consequently, Macron has so far failed to play a leading role in brokering a consensus on [migration reform](#). In a step backwards, the latest EU summit [conclusions](#) mentioned neither previously discussed 'controlled centres' in the EU to process asylum claims nor 'processing centres' outside the EU. Austria, the Visegrád countries (Hungary, Poland, Czech Republic, and Slovakia), but also Spain continue to obstruct any progress on a refugee allocation system. In addition, countries ranging from Hungary to Finland oppose an increase in Frontex personnel, objecting to a perceived infringement of their sovereign right to guard their external borders. Once again, nationalist sentiments have prevented meaningful reform. The third major policy area that Macron identified as in need of an overhaul is European defence policy. The deterioration of the geopolitical environment – be it Trump's erratic behaviour, greater Chinese assertiveness or Russian foreign adventurism – has forced European leaders to act. Macron has played an important part in this process, given his vigorous calls for greater strategic autonomy of the EU, which can only be achieved by means of deeper integration.

In November 2017, 23 member-states agreed to launch the [Permanent Structured Co-operation](#) (PESCO) framework to design, produce and procure military equipment together, which will be supported by funds from the EU budget. PESCO has great potential for increasing EU military integration, if implemented [ambitiously](#) enough. But Macron had to accept Germany's version of PESCO: an inclusive integrationist project rather than the select group that France would have preferred, with ambitious entry requirements, including spending 2 per cent of GDP on defence.

Partly compensating for this concession on the nature of PESCO, the implementation of the European Intervention Initiative (E2I) – a military project designed to increase intelligence sharing, operational know-how, and ultimately foster a common strategic culture – is a personal success for Macron. The initiative lies outside EU structures, consisting of only nine states, including Britain, and is viewed in Paris as a centrepiece of a post-Brexit security structure that locks the British into a common European approach to defence. For now, however, it is short on detail and lacks alignment with other EU projects (like PESCO), which may undermine its effectiveness. One factor which differentiates defence policy from the eurozone and Schengen is that it has not (yet) been politicised by populists, at least on the [continent](#). This helps to explain the relatively sober debates and reasonable progress made.

Overall, Macron's record looks mediocre at best. Since the Sorbonne speech, the EU has taken steps forward in defence policy integration, crawled on eurozone reform and stood still on overhauling the Schengen regime. For some of the slow progress, Macron is to blame. But by and large, Macron's plans were stymied by developments outside his control. Due to his reliance on support from other member-states – particularly Germany and Italy – he has been held [hostage](#) by parochial domestic politics elsewhere. At home, his popularity is [waning](#).

While the situation looks bleak, however, it is too early to write obituaries for Macron's EU reforms. The forthcoming European Parliament elections in May 2019 could provide Macron with much needed new momentum. While many observers expect pro-EU parties to lose seats, that is not inevitable. Public support for the EU has been on the rise: in a recent [opinion poll](#), 62 per cent believe that EU membership of their country is a positive thing (the highest since 1993), and 68 per cent think that their country benefits from membership (the highest since 1983). So far, the populists have had a dominant influence on public opinion about the EU, while mainstream parties have either joined them in EU-bashing, or ignored the Union altogether. If mainstream parties conduct a Macron-style, avowedly pro-EU campaign, they could do better than many expect.

Macron and his 'Grande Marche pour L'Europe' will nonetheless struggle to win the European Parliament elections, but he could still act as the agenda setter. Whether this will be enough to ensure fundamental reform of the EU remains doubtful. But Macron knew that his ambitious proposals would not all be implemented, since the need for compromises is ingrained in the EU's DNA. If only parts of his agenda are realised, the EU would still be in a much better state for it.

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