

A GRAND BARGAIN FOR EUROPE MIGHT YET BE POSSIBLE

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Ahead of the start of the Nato summit in London tomorrow, the Europeans are as divided as ever.

Emmanuel Macron, the French president shattered unity among European leaders with a letter to Vladimir Putin, offering the president of Russia talks on land-based cruise missiles. His veto of EU accession talks with Northern Macedonia and Albania still resonates in European chancelleries.

As a result, Franco-German relations have entered one of their periodic crises.

At the same time, France is the only EU country with a serious commitment to International security, post-Brexit. The 13 French soldiers who died in a helicopter crash in Mali last week are a reminder that we still live in a world in which France sends troops and Germany sends cheques.

The problems between Paris and Berlin are to some extent transitional. With Mr Macron, France entered a new era of politics, while German Chancellor Angela Merkel and her grand coalition are entering their final moments. At the weekend the Social Democrats, the junior coalition partner, elected two politicians of the hard left as joint leaders. The decision has made early elections more likely. The SPD is the party of coal. They also oppose higher defence spending. In the snake-pit of grand-coalition politics, Ms Merkel has had to sacrifice the two big multilateral targets she agreed to this decade: the Paris climate goals on carbon emissions; and the Nato defence spending targets of 2 percent of gross domestic product by 2024.

Yet last week, she reiterated her support for the 2 per cent Nato target, with a delayed date of 2030. At present, however, this has no chance of being agreed.

This is all about post-grand coalition politics. The current arrangement is due to expire by 2021. It might be succeeded by an alliance between the conservative CDU-CSU and the Greens. The Greens are not enthusiastic about higher defence spending either, but they might be persuaded to invest in a Europea» defence capacity if the long-term prize was

reduced dependence on the US. If the CDU/CSU accepted Green environmental policies in turn, conservative and green Germany would strike a grand bargain.

The politician pushing hardest for a rethink on defence policy in Germany is Annegret Kramp-Karrenbauer, CDU leader and defence minister. Her language on European defence is different from that of Mr Macron. But as Ulrike Franke, a German defence policy specialist, has noted, the two leaders are surprisingly aligned in their substantive proposals on the future of European defence. Germany has a stronger commitment to Nato than France. But even the French know that the alliance remains indispensable.

Likewise, it is also clear that Nato cannot be the exclusive pillar of European security forever. The EU will need to share a greater burden. Ms Kramp-Karrenbauer is showing some gumption by championing a cause that, for now, is unpopular in Germany. A vehicle for further integration could be the Macron-inspired European intervention initiative, a forum in which several European countries hope to co-ordinate joint military action.

Security and climate will be high up on the list of priorities for the new European Commission. One of the big projects for Ursula von der Leyen, the new commission president, will be the conference on the future of Europe, which is due to start next year. Its goal is to make recommendations for new policies and institutional changes.

A grand bargain on climate change and security would also indirectly involve the eurozone and its institutions. There is pressure on the European Central Bank to focus asset purchases on green bonds. Zaki Laidi, a professor of international relations at Sciences Po in Paris, suggested that the EU could harden its soft-power tools, which include the euro, trade and competition policy. Leveraging existing tools is likely to be more effective than creating new ones. But the trouble is that the EU has in the past lacked the political will to use the instruments it has.

A strategy to weaponise the single currency would require deep changes to the eurozone's governance structure, a eurozone budget and a mutualised sale asset among them. There is no majority for such measures right now, but these instruments perhaps look more attractive if the alternative consist of increases in conventional defence spending. The solution to some of the eurozone's ongoing problem would happen as a fortuitous byproduct.

I am well aware that the history of the EU in the past 20 years has been a triumph of hope over experience. There are hundreds of ways in which this grand bargain might not

happen. And there is only one, as far as I can see, that might just work. The chances do not look great. But they are not zero either.

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