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**Research Report**

## Friends in need: The corona pandemic changes the landscape and groups and coalitions in the EU

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# SWP Comment

NO. 26 JUNE 2020

## Friends in Need

**The Corona Pandemic Changes the Landscape of Groups and Coalitions in the EU**

*Kai-Olaf Lang and Nicolai von Ondarza*

The corona pandemic and its economic and social consequences are testing EU cohesion as well as the balance of power in the Union. The belated – or lack of – reaction by the EU during the crisis has reinforced the national sovereignty of the member states and the dominance of the intergovernmental method in moments of crisis. One of the palpable consequences has been an alteration in the “North-South divide” resulting from a European policy offensive by Spain and Italy, a stronger “southern orientation” by France, and a simultaneous crumbling of the “New Hanseatic League”. During the corona crisis, institutionalised groups of member states have acted primarily as interest groups that exacerbate differences rather than overcome them. Germany, which will assume a special mediating role as the Presidency of the Council from 1 July 2020, has to act as a bridge builder.

To contain the corona pandemic and its secondary effects, the EU and its member states, after a brief period of shock, adopted a series of exceptional measures that deeply intervene in public life and the economy. Through that process, they have exposed – and partially shifted – the power structures. Divisions in the Union have become visible, with some keeping their traditional constellations and others changing markedly.

Firstly, the crisis has shown that the national sovereignty of the member states remains intact. Health policy is not an EU competence. The initial restrictions to contain the pandemic, therefore, were imposed by the nation-states or sometimes, as in Germany, the federal states. To date, only member states are capable of solidarity in the form of providing medical goods such

as masks or protective clothing. Also, economic aid packages initially were mainly launched on the national level, whereas the EU appeared to be hesitant and only temporarily relaxed the rules, for example on restrictions for state aid. Dutch vetoes against Eurobonds underline once again that the EU can only take fundamental decisions if all governments agree.

Step by step, the Commission and the Council have partially succeeded in regaining a coordinating role and reinstating some of the core facets of the single market. But also in the mid- to long-term response to the pandemic, the intergovernmental institutions, and thus the national governments, have so far been setting the agenda. The central body for the EU’s reaction has been the European Council, in which the



heads of state and government have thus far agreed in four video summits — as far as politically possible — on joint action, for example on the closure of the EU's external borders, the short-time working allowance (SURE), and a new recovery fund. At the ministerial level, the Eurogroup was the main body negotiating the economic response. The European Parliament, on the other hand, was only involved to a limited extent in the EU's response to the pandemic in making some adjustments to the EU budget and approving emergency legislation. Although the EU Commission may in the long-term gain new responsibilities, such as management of the recovery fund, the ground-breaking decisions have been taken by the governments in the European Council and Council of Ministers.

## New and Old Coalitions

Given the primacy of member states, “intra-European diplomacy” in bi- and mini-lateral formats has become increasingly important for EU decision-making (see SWP Aktuell 7/2018). Initially, national actions and travel restrictions also affected intergovernmental formats in the EU. Especially in regional groups, the lack of agreement on border closures led to the suspension or obstruction of cross-border cooperation. The different levels of intensity of the epidemic in particular countries, the varying number of cases, as well as the asynchronous progress of the pandemic and distinct containment strategies have “split” many established groups. However, there has also been a revival of various groupings.

First, the coronavirus pandemic has deepened the North-South divide in the EU and the Eurozone. Measured by the case numbers of officially infected people and deaths, Italy, Spain, and France have been particularly hard hit. The severity of the crisis also applies to the economic impact: Due to a combination of severe lockdown measures as well as accounting for large segments of the tourism and service industries, southern European countries are also

estimated to be particularly hard hit economically. Different levels of fiscal flexibility have also led to substantially different capacities for setting up national economic emergency measures. Italy and — above all — Spain are on the political offensive in looking for more economic and financial support from the EU.

A letter from nine states calling for more financial solidarity and the issuance of Eurobonds has shown that the traditional economic South has expanded, as Ireland, Belgium, Luxembourg, and Slovenia also offered their political support. The Baltic states and Slovakia, which in the financial crisis were strict opponents of risk-sharing and clearly assigned to the “financial North”, are at least open to the concerns of the nine. Thus, the “New Hanseatic League” is also crumbling, at least temporarily. In 2018, this grouping brought together eight small and medium-sized northern European states (the Netherlands, Finland, Ireland, Denmark, Sweden, and the three Baltic states) that, until recently, were united in their support for liberal economic policies and the further development of the Eurozone being based on budgetary discipline.

A prerequisite for the re-emergence of the South was not least the resolution of Franco-Italian tensions following the change of government in Rome. A bilateral summit at the end of February was a striking expression of the new solidarity. The more active role of the Sánchez government in European policy also contributed to the greater visibility of the South. By contrast, the old North has been put on the defensive and, apart from the sustained rejection of Eurobonds, has in principle accepted the need for support. However, the advances and simultaneous expansion of the former South are primarily being driven by (supposedly) economic necessities and an enthusiastic narrative of solidarity. It is noteworthy that France is not dissociating itself from the southern solidarity camp (as Germany did from the Hanseatic group in the past), but rather is acting as an integral part of it — or even as its spokesperson. Despite all this, neither the cohesion nor the asser-

tiveness of the heterogeneous South can be taken for granted.

In the Visegrád group, there was little coordination in fighting the corona crisis. Although the heads of government were still emphasising their willingness to co-operate at a summit meeting in early March, the borders between the four countries, for example, were closed without any discernible coordination. At the same time, however, they still managed to coordinate foreign policy priorities in the form of aid for the Eastern Partnership and for border security and the containment of the coronavirus in Libya. With regard to negotiations on the Multiannual Financial Framework (MFF) and the recovery fund, the Visegrád countries want to avoid what they consider an undue redirection of EU funding from eastern to southern member states. However, differences are visible, with the Czech Republic and Hungary arguing heavily against the recovery fund in its currently proposed shape, and Poland taking a rather positive attitude.

That means that the informal group of main beneficiaries of cohesion policies which is calling for an “ambitious Europe” through an increased EU budget can be driven apart. In contrast, the “frugal four” (Netherlands, Sweden, Austria, Denmark) are insisting on budgetary discipline, even after the outbreak of the pandemic. They also prefer loans instead of subsidies for crisis-stricken countries. But even among the four, cohesion is waning, with Sweden and Denmark signalling more openness to grants as part of the EU recovery fund.

The BeNeLux Union remains divided on economic policy issues, with Belgium and Luxembourg in favour of instruments such as Eurobonds, but the Netherlands relentlessly opposed. The three countries are therefore focusing on improving border management and creating more transparency during the crisis. At the suggestion of North Rhine-Westphalia, a Cross-Border Task Force Corona was set up with the Netherlands and Belgium.

During the crisis, the countries of northern Europe (EU and non-EU countries alike)

used their tried and tested cooperation structures. The affirmation of cooperation is also a reaction to Sweden’s special path, which has differed from the restrictive approaches of other countries in the region (and in Europe). In political terms, this signals that all countries are sticking to the goal of a “green, competitive, and socially sustainable Nordic region”. Nevertheless, in an usual regional differentiation, Denmark opened its borders to Germany and (non-EU) Norway in June 2020, but not to Sweden. In contrast, the Baltic states have established a common “travel bubble” to restore the flow of people and goods, while continuing controls with other EU countries.

The Weimar Triangle was in a phase of cautious reactivation before the outbreak of the pandemic. In January, the Secretaries of State for Europe met and underlined their willingness to revive trilateral consultations. There was improved communication and even joint initiatives in some areas (e.g. the declaration of the three agriculture ministers in October 2019; an initiative for the reform of competition policy, which was supported by Italy). President Macron’s visit to Warsaw in February did not bring about a breakthrough in the difficult bilateral relations between Poland and France, but it opened the door for the first “Weimar summit” since 2011. However, due to the pandemic, it is by no means certain when this summit will take place.

Hence, the landscape of groups and mini-lateral cooperation in the EU has changed during the pandemic: Financial-economic interest groups have come to the fore, whereas regional groups have concentrated on themselves or been fragmented by border-related issues and European policy questions. Bridge-building formats such as Weimar have not been able to provide any impetus so far.

## **Added Value and Limits of the Franco-German Engine**

In the face of these mutually obstructive coalitions of interests (and Brexit), “old”

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mechanisms of the EU are beginning to take effect. The initiative presented in mid-May by Chancellor Merkel and President Macron for the “economic recovery of Europe after the Corona crisis” bears all the hallmarks of a classic Franco-German compromise negotiated by the two largest EU member states — aiming to unite opposing groups. The goal is to reach a unanimous decision, if possible, for a significantly expanded MFF, into which a recovery fund is to be integrated (both countries envisaged the new fund to consist of €500 billion euro; the Commission has proposed to boost it up to €750 billion, of which €250 billion should be provided by loans).

This Franco-German initiative is a necessary but insufficient step to overcome the group conflicts. After all, in an EU of 27 members, the cohesiveness of the two heavyweights is not sufficient to represent all the different groups. The Visegrád states, for example, see their interests barely reflected in Franco-German compromises, and they often contradict both Berlin and Paris. On the other hand, the “Deauville trauma” still affects the Netherlands: Merkel and then-President Sarkozy of France had confronted them with a *fait accompli* in that north-western French municipality in 2011, presenting their own resolutions for how to proceed in the euro crisis. For The Hague this was a reason, along with Brexit, to build its own interest groups with the “New Hanseatic League”, and later the “frugal four”, in order to oppose, if necessary, Franco-German *deals*.

## Germany and the Groups: Consultation and Cooperation

In the current situation and with its forthcoming Council Presidency, Germany once again has a central role to play in the stabilisation and balancing of the EU. In view of increasing and (in part) uncoordinated national actions and new as well as old

polarisations, it is imperative for Germany's European policy to build bridges across political divides. The Franco-German initiative of May is a good start, but in the complex group structure of the EU, it needs further diplomatic supplements. The following options for “bridge-building” should be considered:

Firstly, Germany should use “plus formats” to enter into dialogue with groups to which it does not itself belong. A good example is the exchange with the Visegrád countries, with which the German government held video meetings at the level of heads of government immediately after the Franco-German summit and at the foreign minister level during the crisis. Equally important is the dialogue with the “frugal four”, especially with the Netherlands, who are critical of Franco-German compromises.

Secondly, Germany should support or introduce initiatives that cross existing lines of conflict. This applies in particular to the issue concerning donors and recipients of funds. One possibility would be to revive the Ventotene format (Germany, France, Italy) or to include Poland in order to symbolically absorb not only North-South, but also possible East-West and East-South disputes.

Thirdly, in order to place the predominance of financial and Eurozone conflicts into a broader context, a diverse group of economic ministers from large and small states could be created. It could deal informally with the economic and industrial policy reform processes and with questions of modernising the EU (in the style of economic Gymnich meetings).

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