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## Research Report

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# SWP Comment

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## A Corona Presidency in the Coronavirus Crisis?

**The Dual Task of the German Presidency: Containing the Crisis and Giving a Lasting Impetus to European Solidarity and Autonomy**

*Eckhard Lübkemeier and Nicolai von Ondarza*

According to the dictionary, a “corona” is the bright circle of light around the sun during a total eclipse. While the darkness of the corona pandemic is not total, the death toll and economic consequences that have come with it are devastating. This puts the EU “to the greatest test” in its history, according to Chancellor Angela Merkel. Against this backdrop, Germany will take over the EU Council presidency on 1 July 2020 – caught between high expectations on the one hand, and the diminished influence of a presidency on the other. The task of the German presidency is twofold: Contain the negative fallout from the crisis and use its integrative momentum for the revitalisation of a crisis-prone European Union. Ultimately, EU members can only achieve this together, but the German presidency can contribute a great deal by forging compromises, providing incentives, and orienting itself towards the model of a solidarity-based and autonomous Europe – even beyond the Council presidency.

Once again Germany is taking over the EU Council presidency during a crisis. In 2007, after the Dutch and French had rejected the Constitutional Treaty, the last German presidency managed to put the integration process back on track, brokering a compromise that led to what eventually became the Lisbon Treaty. This time, however, the challenge is even greater.

Since 2007 the EU has been in crisis mode for most of the time: the financial and economic crisis that erupted in 2008 and stretched the Eurozone to the breaking point; the refugee crisis from 2015; Brexit

and the emergence of anti-European populism coupled with a disregard for the constitutive principle of rule of law by some member states – a succession of shocks that has prevented the lasting stabilisation of the EU (on the EU’s enduring crises, see SWP-Studie 6/2019).

An unstable EU is now confronted with a corona pandemic that has claimed hundreds of thousands of lives and, according to the International Monetary Fund, is likely to result in the worst recession of the world economy since the 1930s. In Europe, too, more than a hundred thousand people have



fallen victim to the pandemic, and the economic downturn will be the severest in EU history.

## More Than Just a Crisis Presidency

In this critical phase, Germany assumes leadership responsibility through the Council presidency. The pandemic is accelerating international upheavals and trends that were already in effect before the outbreak, such as the erosion of multilateral institutions and rules as well as de-globalisation. While the pandemic relentlessly exposes the vulnerabilities of global trade and supply chains, it also shows that borders do not provide immunity. This is true for climate change as well, and there is no reliable protection from migratory pressures either. Nor should it be sought, as global exchange and division of labour can promote prosperity and development for all. That is why multilateral cooperation beyond pandemic control is indispensable for the EU.

However, the omens are not favourable: Donald Trump's America sees international rules and regimes as constraining rather than enhancing American power, China is becoming increasingly autocratic, and a bitter rivalry between the two countries could shape the 21st century. These three factors — enduring EU crises, pandemic devastation, world disorder — form the background to the German presidency.

Thus, Germany is looking forward to a Council presidency under unprecedented circumstances. The high expectations being placed in the German presidency are further enhanced by Germany's economic clout, which has, at least in relative terms, grown due to the corona crisis: Of the larger EU states, Germany has the best prospects for a recovery because it has managed the pandemic comparatively well. In addition, thanks to its economic strength and solid finances, it can afford government aid and economic stimulus packages on a scale hardly matched by any other EU country.

This gives rise to two overarching guidelines for the Council presidency: Germany

can only recover from the pandemic in a sustainable manner if its EU neighbours recover as well; and only a stronger Europe can be an equal partner for global powers such as the US and China, as well as non-state actors such as Google, Amazon, and others.

The second guideline for Berlin is to handle its strength with care. To do so, the ambivalence about Germany's strength must be taken into account: An EU faced with an unprecedented stress test requires a Council presidency with clout and the willingness to use it, but Germany should not be perceived as overpowering. To this end, it is important not to sideline EU leadership figures, such as the presidents of the European Council, Commission, and Parliament. Thus, the German presidency will have to display empathy and sensitivity in exercising leadership. The most powerful resource uniting Europe is mutual trust and the common recognition that collective European power complements and reinforces national identity and national interests.

This resource, which has already been heavily strained in the course of Europe's ongoing crises, was severely tested at the beginning of the corona pandemic: "When Europe really needed to be there for each other, too many initially looked out for themselves," remarked Commission President Ursula von der Leyen on 26 March 2020. This will not be forgotten soon, even if European community spirit now prevails. Revitalising this sentiment of togetherness is the overarching challenge of the German Council presidency.

## A Diminished Presidency

A realistic assessment of the prospects for the German presidency must take into account that the scope of the EU presidency has diminished over time. First, to state the obvious, within the EU institutions the presidency is limited to the Council, and even there it can only mediate and propose; decisions require agreement from the other member states.

A successful presidency is characterised above all by acting as an “honest broker” and facilitating compromises: among members of the European Council and in the EU legislative process together with the Council, Parliament, and Commission. Fulfilling this role is often easier for smaller member states, as they have less power and therefore draw less suspicion about using their presidencies for advancing national objectives. Larger states, on the other hand, are often exposed to both higher expectations and greater conflicts between their national self-interests and the overall European interest — as in the budget negotiations, which will be the focus of attention during the German EU presidency.

Secondly, the Lisbon Treaty has significantly changed the character of the presidency. Since then, the most important bodies in the Council have been led by their own permanent presidencies — the European Council, where the EU’s political guidelines are negotiated (Charles Michel), the Foreign Affairs Council (High Representative Josep Borrell), the Eurogroup (still Mário Centeno), and all Council working groups linked to the Euro Area and the Common Foreign and Security Policy. In the most important forum, the European Council, Chancellor Merkel will thus be an ordinary participant during the German presidency, to the extent that the representative of the largest EU member state is an ordinary participant like all the others. As a result, most Council presidencies since Lisbon have been rather inconspicuous and have, if at all, excelled as “service providers” in effectively managing Council business. The events most visible and effective in terms of publicity have been summit meetings, usually held once per presidency in the relevant EU member state.

Thirdly, the agenda of a presidency is considerably pre-determined by the EU’s long-term legislative planning, thus limiting its own scope for action. Six months are seldom sufficient to negotiate legislative projects at the European level from the beginning to the final decision. The German presidency is beginning only six

months after the von der Leyen Commission took office. In an EU legislative period, this is traditionally the time when the Commission presents its first major legislative initiatives — for the German presidency, these would be, in particular, the initiatives of the European Green Deal and the digital strategy.

The pandemic has also imposed severe logistical restrictions. The EU “compromise machine” runs primarily on a large number of formal and informal meetings. In the second half of 2019, for example, the Finnish presidency of the Council held 52 Council meetings and 52 meetings in the Committee of Permanent Representatives of the Governments of the Member States (Coreper), 1,164 meetings of Council working groups, and 131 meetings in Finland. In addition, there are the many preparatory meetings that a presidency holds to negotiate compromises. One of the presidency’s most important tasks nowadays is coordination with the EU Parliament and the Commission in the so-called *trilogues* to negotiate EU legislation in detail between the institutions. There were a total of 74 such *trilogues* under the Finnish presidency. For the second half of 2020, however, representatives of the federal government expect that only 30 per cent of the regular work of the Council can take place, which will invariably limit the work that can get done during the German presidency.

Last but not least, it is the responsibility of the presidency to react to external crises. Quite a few presidencies have been confronted with crises that have pushed aside large parts of their agendas. Almost all of the agenda of the Croatian presidency during the first half of 2020 was superseded by the extraordinary circumstances of the pandemic and the coordination of the EU’s crisis response. In view of the uncertain course of the pandemic — including its economic and social as well as foreign and security policy implications — and the outcome of the US presidential election, the German presidency will have to continually adapt its agenda and the work of the Council.

## A (Too) Ambitious Agenda

Under these circumstances, the German Council presidency had to reorganise its programme in light of three potentially conflicting factors: high expectations, a limited role of the presidency, and the challenging effects of the pandemic. As a result, the presidency agenda now has three priorities.

### **Priority 1: Corona, its consequences – and the EU budget**

The most important task will be to facilitate agreement on the EU's response to the pandemic and its multiple consequences. As Germany prepares to begin the presidency, the number of infections in EU states has fallen and restrictions on public life are gradually being lifted in the majority of states. However, the pace of relaxation, the reopening of borders, and infection rates will vary among member states. Even without a second wave of infections, substantial energy and attention will be required for coordinating national and European-level measures as far as possible.

At the same time, centrifugal forces have to be contained. The corona pandemic is a symmetrical shock with asymmetrical effects: It will hit southern EU states harder economically than northern and central/eastern European states. Even Greece, which has managed to keep infection rates relatively low, is likely to suffer heavily due to the economic importance of its tourism sector. In addition, the leeway for budgetary stimuli differs widely among member states. Countries such as Germany have been able to launch extensive economic stimulus packages. Such disparities could also endanger the level playing field of the internal market.

In response to the disparities, France and Germany have proposed an EU recovery fund, which the EU Commission has now included in its proposal for the Multiannual Financial Framework (MFF) 2021–2027 – with €500 billion in grants and €250 billion in loans. Although EU member states agree

in principle that such a recovery fund is necessary, key issues such as the volume of the fund, the ratio of grants and loans, and control of the use of funds are to be negotiated during the German presidency. If member states reach agreement on the basic elements of the recovery fund, it would entail a significant deepening of European integration.

Closely linked to this is the finalising of the MFF – the EU's regular seven-year budget – for the period 2021–2027. Even under normal circumstances, MFF negotiations are among the most difficult in the EU: Member states have to decide unanimously about financial allocations, and thus political priorities, while also negotiating which states are to benefit most from the EU budget and which are to contribute the most as net contributors. In this regard, too, close coordination with EU institutions is necessary – the proposal for the MFF is presented by the Commission, and the delicate negotiations between the member states are conducted at the highest level in the European Council and chaired by Council President Michel. The German presidency will be primarily responsible for facilitating a compromise within the European Council and for reaching an agreement with the European Parliament.

This will require a great deal of coordination, and the stakes are high: The success or failure of the German presidency will be largely determined by the outcome of the negotiations on the MFF and the recovery fund.

### **Priority 2: Brexit and other time-critical dossiers**

Second-order priorities are those processes that need to be completed by the end of 2020 due to legal deadlines – despite logistical constraints caused by the pandemic. These include not only the MFF, which must be adopted early in the second half of 2020 so that EU funds can be disbursed at the beginning of 2021, but also, for example, the annual fishing quotas and the regular 2021 budget.

A significant legal deadline is 31 December 2020, which is the end of the Brexit transition period, after which the UK will no longer apply EU law, thus leaving the EU single market and Customs Union and ceasing to participate in all other EU policies. By then, the agreement(s) on the future relationship between the EU and the UK should be in force, otherwise there is a risk of a “no trade deal” Brexit, including the reintroduction of border controls and customs duties. It is not only because of the pandemic that talks have gone nowhere so far, pointing towards another conflict-laden autumn with tough EU-UK negotiations.

On Brexit, the German presidency has only a limited role to play — the negotiations are conducted by the EU Commission, coordination among the EU-27 is delegated to a separate working group in the Council under permanent leadership, and the relevant body at the political level is the European Council. Thus, separate initiatives by the German presidency or bilateral German-British negotiations on Brexit would be counterproductive. In practice, the presidency’s role will be to support EU negotiators and preserve the unity of the EU-27, though Brexit is likely to dominate European politics again in the autumn.

### **Priority 3: Any other business**

Containing the pandemic and reaching an agreement on a recovery fund, as well as MFF and Brexit negotiations, present formidable challenges in themselves. In addition, legislative dossiers not finalised during the Croatian presidency will have to be taken up again, and the Council’s work will continue to be logistically limited due to the pandemic. There will thus be only limited time and political attention left for anything other than obligatory projects.

Politically, Berlin’s presidency comes at the beginning of the von der Leyen Commission. Thus, the presidency would be called upon to take forward the first major initiatives of the new Commission, both in the European Council and in the dialogues with the European Parliament and the

Commission. Key projects are, for example, legislative initiatives on the European Green Deal, EU regulation on artificial intelligence, the expansion of the digital internal market, and the draft law to combat tax evasion in Europe.

The Green Deal is a case in point on the pandemic’s impact on other issues. Although still part of the presidency’s agenda, the debate on the Green Deal now focuses on the importance that climate policy should be accorded in the recovery programmes. In view of the immense economic damage caused by the pandemic, critics are warning against imposing further restrictions on European industry at present. Proponents argue that climate protection cannot wait, and that the recovery fund should be used to drive the transformation of the European economy towards climate neutrality. This will put Germany’s negotiating skills to the test, in particular because the Just Transition Fund for member states that are more affected by the energy transformation might be lower than envisaged before the pandemic struck. However, as Europe’s industrial powerhouse, Germany has particular powers of persuasion that it can deploy to push for the Green Deal.

The protection of democracy and the rule of law will be sensitive issues for the German presidency in two respects. On the one hand, the Commission intends to make proposals on how to strengthen the rule of law in member states. For another, the next report on the state of the rule of law is due in the second half of 2020. A focus will be on Poland and Hungary, against which proceedings for breaches of the rule of law are underway. The situation has worsened due to the pandemic, as some EU member states have decided to restrict fundamental rights and public life in order to contain the spread of the coronavirus. Such measures have to be rescinded once the acute phase of the pandemic is over. The challenge facing the German presidency will be to combine the protection of the fundamental rule of law principle with the negotiations on the next budget and the recovery fund. In addition, the conclusion of a new “pact

for asylum and migration” is an ambition of Berlin. However, it is unlikely to come to fruition during Germany’s presidency because member states remain deadlocked, especially on the question of the distribution of refugees (see SWP Comment 28/2020).

The pandemic has also affected the presidency’s foreign policy agenda. Prior to the outbreak, the German government had set its sights on EU relations with China as a major topic. Meanwhile, the associated summit has been postponed until an unspecified date. A summit meeting between the EU and the African Union is still scheduled to take place. The second half of 2020 will also see presidential elections in the US, after which EU member states will have to decide on what to make of the outcome and how to deal with the winner – a politically sensitive issue regardless of who wins. In addition, there are likely to be unexpected events and challenges in the EU’s southern neighbourhood and beyond that demand an EU response. Thus, the presidency would be well advised to strongly support the efforts of the EU High Representative of the Union for Foreign Affairs and Security Policy, Josep Borrell.

### Three Guiding Principles for the Presidency

“Never let a serious crisis go to waste”: This warning – employed in 2009 by Rahm Emanuel, US President Barack Obama’s chief of staff, during the financial and economic crisis – is even more valid today. The economic slump resulting from the corona pandemic will be even more drastic, and it is hitting the EU during its ongoing crises. Beyond concrete projects, there are three principles that should inform Germany’s approach to its presidency.

#### Exercising co-leadership – also beyond the presidency

The German presidency can only succeed in this if it can broker compromises between its

EU partners. But in view of the devastating effects of the pandemic, more can and will be expected of Germany as an EU heavy-weight than just forging compromises and working through a predetermined agenda. Still, the presidency cannot be the sole driving force providing strong leadership in Europe. Instead, it must work together with newly elected EU leaders still working to consolidate their political authority. It would be of little help to the future development of the EU if Germany were to reinforce the role of the presidency at the expense of the institutional leadership of the European Council president, the Commission president, and/or the High Representative. Germany’s leadership responsibility will not end with its Council presidency.

Priority must be given to crisis containment, to mitigating the immediate effects of the pandemic, bearing in mind that – without a vaccine and effective medication – a second wave of infections could cause even greater damage. Yet, it is equally important not to get lost in crisis management. For therein lies the greatest opportunity and challenge: to heed the lessons of the pandemic and use them to revitalise a crisis-ridden EU.

In this regard, the corona crisis has opened a window of opportunity as it potentially demonstrates the unique added value that member states gain from European unification. In combating pandemics, a “prevention paradox” can be observed: Strict hygiene measures and restrictions concerning contact and mobility ensure containment, but their very success appears to undermine the rationale, and thus tends to render people more inclined to disregard cumbersome restrictions. The EU sometimes suffers from a similar “success trap”: If everyone assumes that the Union is fail-safe, they can reduce their willingness to exercise national solidarity for the European common good.

This was evident at the beginning of the pandemic, when national reflexes prevailed and borders were closed in an uncoordinated manner. However, the crisis quickly taught member states that going it alone is not a

viable option, meaning that only a collective European response was the way out. Unprecedented rescue and recovery programmes were mobilised both nationally and at the European level. Germany, too, initially alienated partners by imposing export restrictions, but then quickly showed practical solidarity (e.g. by supplying medical goods, admitting Covid-19 patients to German hospitals, and lifting said restrictions).

One of the main tasks of the German presidency will be to ensure that solidarity and a joint economic recovery programme are achieved quickly. However, it is not only the result that counts, but also how an agreement is reached. For the fund is unique not only because of its size, but also because it is based on the collective assumption of debt, which will be repaid in the long term from EU own resources. This would be a significant step towards fiscal integration, which the member states have so far been unwilling to take.

What is more, the integrative push resulting from the pandemic crisis might also facilitate “package solutions”. A deadlock on individual issues can sometimes be overcome if these issues become part of a larger package: Achieving a compromise can be made easier if more items are on offer that enable cross-issue deals. Such a “grand package” deal could consist of the recovery fund, the MFF, the Green Deal’s Just Transition Fund, the rule of law, and migration issues.

## **Seize the opportunity**

Secondly, Germany and Europe could make up for a previously missed opportunity. Between the French and German elections in 2017 and the European elections in 2019, there was an opportunity to enact more far-reaching EU reforms. It was not seized upon — partly because Berlin remained too passive during this period.

In addition to the joint fight against — and recovery from — the pandemic, two other factors now favour European integration. The first is the May 2020 ruling of

the German Constitutional Court on the bond purchase programme of the European Central Bank (ECB). Its central message is that the ECB must not overstep its authority if it does not want to come into conflict with the German constitution. The ruling should encourage the German government to press ahead with the structural reform of the Eurozone in order to provide relief for the ECB and make the member states more accountable to each other. In the end this, would entail fewer ECB interventions and more fiscal union.

Another integrative factor is the US. Under President Trump, transatlantic relations have deteriorated and will hardly improve if he is re-elected. But even under a President Joe Biden, there will be no going back to the time before Trump due to the country’s fragmentation, its demographic change, the devastations wrought by the pandemic, and the wounds Trump will leave behind. The US will demand more burden-sharing and ownership from Europe, which coincides with Europe’s interest in a more balanced transatlantic partnership. In addition, the US-China rivalry — Trump or no Trump — will not vanish, not least because of the high-handedness of the autocratic Chinese leadership. Only a united Europe can prevent its member states from becoming pawns in the games of global powers.

The corona pandemic, Brexit, the ECB ruling of the Constitutional Court, a balanced transatlantic partnership, Europe’s self-assertion in the US-Chinese rivalry, and vis-à-vis an expansive China — they are all integration-promoting circumstances and factors that could advance a successful German presidency. The planned launch of the Conference on the Future of Europe can also provide a long-term impetus for the progressive development of the EU.

## **Promoting European solidarity and autonomy**

It is easier to enhance Europe’s popularity and exercise political leadership if one has a guiding idea of what Europe stands for



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and how it should deliver for the benefit of its citizens. Such an idea could be an autonomous Europe that relies on mutual solidarity. Solidarity is a comprehensive principle based on reciprocity: Reciprocal political solidarity means that it can be expected when everyone does their national share for the common European good. Tangible solidarity implies more than financial support for those who have suffered most from the pandemic; at its core it is about being loyal to the Union, that is, adhering to the values, rules, and objectives as laid down in EU treaties. This includes respecting the EU as a community of democracy and rule of law. Furthermore, solidarity has an external dimension: a Europe that acts as a fair and generous partner to others.

Autonomy does not mean self-sufficiency, which is neither attainable nor desirable (see SWP Research Paper 4/2019). An autonomous Europe is a Europe whose collective power puts its member states on an equal footing with third parties, be they states or non-governmental actors such as America's Google and Amazon or Chinese companies such as Baidu and Alibaba. The pandemic has revealed how fragile supply chains and how harmful excessive dependencies can be. A long-term challenge transcending the German presidency will be to make Europe more autonomous through measured de-globalisation, not only with regard to medicines and protective clothing, but also with regard to digital infrastructure, energy, and key technologies. Such a Europe can and must act as a self-determined regional and global player. Only an autonomous Europe can enter into symmetrical interdependencies of its own choosing. Championing an autonomous Europe based on solidarity is worth all the efforts of the German presidency.

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