

What a difference a year can make! A year ago, Angela Merkel had been crowned - reluctantly as far as she was concerned - the new leader of the Free World and the power couple of Europe was Macron-Merkel. Today, she is still the most powerful European leader, and Macron is still injecting ideas in the European debate, but they are both on the defensive and the sense of forwarding momentum that existed in continental Europe - even after the Brexit upset - is largely gone.

At home, Merkel has to fight on two fronts: on her right, she has so far won the battle with her CSU Minister of Interior, Horst Seehofer, who challenged her immigration policies: she needed an agreement in Brussels on a European immigration policy, and she got it after a long night of negotiations, but the agreement, which requires the cooperation of African countries to create processing centres for migrants outside the European Union (EU), may never be fully implemented. On her left, the Social-Democrats finally agreed after months of negotiations to remain in a coalition with the CDU/CSU, but they have learned their lesson from the last coalition: being nice partners of Merkel and her party has not served them well, resulting in their worse electoral result in the history of the Federal Republic of Germany. They are now determined to keep a visible profile and won't be easy partners for the Chancellor.

In France, Macron is in a much stronger position than Merkel in Germany or May in the UK: he enjoys a solid majority in Parliament, as well as the extensive powers of the president under the French constitution. The unions and the students have been unable to derail his reformist agenda; he gets high marks on labour code and education reforms and is creating a much friendlier environment for business. But the budgetary performance has been less convincing, the traditional French budget deficit has shrunk, but that is more because of increased revenues reflecting improved economic circumstances than genuine cuts in public spending.

That is all the more concerning as the economic cycle is becoming less favourable in Europe. Macron had hopes for a concerted macroeconomic European policy that would sustain EU-wide growth in the midst of geopolitical and trade uncertainties. That is not going to happen any time soon. While Merkel, at the recent Meserberg French-German summit, was more forthcoming on eurozone governance than most had expected, likely reforms - and especially an EU investment budget - fall far short of French hopes, and other EU members are already expressing some nervousness about a French-German drive towards more EU integration. The expected departure of the UK does not make intra-European dynamics easier, on the contrary. The smaller countries of the EU were happy to exploit the political space and flexibility created by the complex interactions that define relations between the EU-3 (France, Germany and the UK). They want the French and the Germans to agree, but they don't necessarily like the results of their agreement and are uncomfortable with the prospect of a diarchic Europe.

What is remarkable however is that while Brexit has strategic implications for Europe, it is no more a major political topic in continental Europe. It obviously matters enormously for the UK and Ireland, but for the rest of Europe, the divides within the EU between North and South and between East and West on migration, as well as the divides between debtor and creditor countries are more pressing. As far as Brexit is concerned, the main lesson for European public opinion is that leaving the EU is an enormously complicated affair and that the UK example is better not replicated. Of course, European continental business remains seriously worried, and its preferred outcome would be a continued customs union that avoids disruption of the value chains that connect the UK to the rest of the EU, and a bespoke arrangement for services. That would be very beneficial for the EU, which has a surplus of goods with the UK

# Dragoman

and a deficit in services. Considering the lack of engagement of continental European public opinion as a whole on the issue, and the specific interests of particular countries, one should expect the EU commission to continue to drive the negotiations with enough support from member states not to significantly amend its position. Under the circumstances, Brexit is not perceived as an existential crisis for the EU, but rather as an additional contributor to European uncertainty.

The most pressing challenge is the new Italian government, combining the extreme right with a maverick movement ("cinque stelle") that cannot be described as extreme left, but is another illustration of the crisis of traditional politics, in Europe and beyond. It raises concerns on two issues: EU fiscal discipline, which is openly challenged by Italy, whose size makes it a different case from Greece. The Italian position is likely to lead to a protracted fight, that will reinforce the German fear of turning the EU into a transfer Union, but it is unlikely to trigger a catastrophic showdown. The other issue is the migrant crisis. It peaked two years ago, and the EU has largely succeeded in stemming uncontrolled entry into Europe. But the migrant crisis goes to the heart of the European malaise: with an aging population and a neighbouring African continent that has not completed its demographic transition, Europe will eventually have to manage inward flows of migrants, and in the process, adapt its identity. That is a transformation that many Europeans are not prepared for.

The likely outcome is not a collapse of the EU, as repeatedly and wrongly predicted by outsiders who have consistently underestimated the depth of political commitment to the European project. Actually, according to a Eurobarometer poll published in May 67% of European citizens consider that the advantages of membership in the Union have outweighed its disadvantages, the highest figure in 35 years. The figure is the lowest in Italy, with 44% considering that benefits outweigh the disadvantages, but still ahead of those who see more disadvantages (41%) than benefits. More likely, therefore, is an extended period of muddling through, which will thwart attempts by Macron to re-launch the EU in a decisive manner. That will leave the Europeans in a weak position to assert, except for traditional trade policy, their economic and strategic interests, as Russia, China, and now the United States try to exploit European weakness. The incapacity of Europe to develop, beyond rhetorical statements, an effective operational response to the new US policy on Iran is a first and telling illustration of that trend.



**Jean-Marie Guéhenno** is a former French diplomat. Among his various positions, he served as President and CEO of the International Crisis Group (2014-2017), Chairman of the Henri Dunant Centre for Humanitarian Dialogue (2010-2012), and United Nations Under-Secretary-General for Peacekeeping Operations (2000-2008). Before joining the United Nations, Jean-Marie served as Director of Policy Planning in the French Ministry of Foreign Affairs (1989-1993).