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Back to the Future? Brexit and Franco-German Bilateralism in Europe's Union

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Introduction

This paper analyses the impact and consequences of Brexit on the relevance of the Franco-German ‘embedded bilateralism’ in Europe, and on France’s and Germany’s individual standing, relative influence, and power within the bilateral link and the EU at large. Further, by examining its impact on the roles and influence of the two remaining large member states and their ‘special’ bilateral relationship, this contribution assesses Brexit’s implications for the EU’s overall future trajectory.

Brexit brings into sharper relief three basic future scenarios for the EU: German hegemony; the degeneration, decline, or disintegration of the European project; or the ‘back to the future’ possibility of a rejuvenated Franco-German link at the union’s centre. Brexit alone, however, does not and cannot define or generate any of the three scenarios. Its impact will materialize in association with the unfolding of other developments, most notably (1) the overall strengthening of Germany’s relative standing and the (open) question of which role Germany, sooner or later, chooses to take on, most notably the slide into some sort of benign (or not so benign) regional hegemony; and (2) France’s ability (or inability) to overcome its economic and societal stasis with serious reforms to reenergize its economy. Together with these and other forces stemming from individual policy areas, Brexit, in principle, may influence the emergence of each possible scenario. Section one of this paper, in broad brush strokes, sketches the main features of these three trajectories-as-scenarios, considering the contingencies that make each one more likely.

In conjunction with multiple underlying shifts and contingencies, the United Kingdom’s exit will affect the dynamics and logics of different policy areas in different ways. These changes across policy domains will, in turn, affect the EU’s overall evolution. Brexit alters the actor constellations and preference configuration around the Brussels negotiating table. These changes affect the strategic options and potential coalition patterns among the member states—including the likelihood that French or German preferences will prevail in different EU policy fields—as well as the options for joint Franco-German initiatives and policy brokerage. Section two briefly considers Brexit’s implications for France, Germany, and France-Germany across the main policy domains in political economy (single market, external trade, union budget, eurozone governance); in foreign, security, and defence affairs; and on the possibilities for the flexible or differentiated integration of the EU’s evolving polity.

In terms’ of Brexit’s impact, we find no fully uniform logic across political domains, and no clear post-Brexit ‘winner’ in policy terms. But there is asymmetry. France, with its traditional policy orientations, clearly benefits more than Germany in terms of its options and potential to shape EU policies. If the finding is correct, this rebalancing of influence in favour of France would dampen shifts toward radically more asymmetrical relations between France and Germany, curbing the likelihood of German hegemony in the post-Brexit EU. This would provide a favourable

context for maintaining or even strengthening the Franco-German bilateral link and for joint European co-leadership.

Based on its considerations of the potential future scenarios and the examination of Brexit's impact across key EU policy domains, this paper advances two broad claims. First, Brexit in and of itself does not define a critical historical juncture (see Cappoccia and Kelemen 2007) as a genetic moment or phase of actual or possible—yet otherwise foreclosed or impossible—institutional flux on the EU's future trajectory. While it puts them in sharper focus, Brexit neither defines the range of different futures for the EU (beyond its own union-demise), nor by itself decisively brings about or precludes any of the extant possible trajectories.

Rather, Brexit is one among other causal factors that will combine with ongoing underlying developments and shifts that predate the 2016 Brexit vote and that began to unfold before and independently from British moves toward 'exit.' Most importantly, since the new century's first decade, these include Germany's overall strengthening and increasingly prominent part in European affairs, and France's meandering descent into political and social stasis and painful economic decline.

However, whether or not Germany eventually assumes a qualitatively different role on the continent and the union—ranging from markedly more determined leadership to some kind of 'regional hegemony'—will play out predominantly in the sphere of domestic politics and relates little and at best indirectly to Britain's 'exit.' The same diagnosis applies to the question of France's ability to halt or reverse its relative decline, and reform and reenergize its economy and society: whether and how this occurs will be fought out predominantly domestically. The exact impact that Britain's EU exit will exert on the roles and relative standings of France, Germany, and Franco-German embedded bilateralism in Europe, and thus on the EU's future, will depend on how these Brexit-unrelated forces further evolve, and on how Brexit's effects intermingle with them. Thus, Brexit will take on its true causal weight, meaning, and direction.

Second, among the three basic future EU trajectories that Brexit helps to sharpen, the 'back to the future' of Franco-German embedded bilateralism emerges as the most likely and plausible scenario. Brexit, thus, might even further accentuate the importance of the historically influential Franco-German relationship, not least in policy domains in which Britain hitherto has played a significant role.

This is likely to be true for foreign, security, and defence policy, where Franco-German bilateralism could gain prominence and become decisive for Europe's future and its overall role and place in the world. Germany's growing willingness to assume more responsibility in international politics, including increasing commitment to security and defence—while at the same time shying away from (or not even considering) a more robust and much more demanding sort of regional hegemony—further enhances this tendency. A stronger Germany and a yet more prominent EU role for France-Germany are not mutually exclusive, nor do they necessarily occur at each other's expense; rather, they reinforce each other. Ironically, Brexit is likely to buttress integration in political domains in which, for various reasons, the Franco-

German impact has remained limited and the EU's overall record moderate. However, the EU's internal policy domains are also likely to see France-Germany once again moving to centre stage, not least due to President Macron's attempt to revitalize French European policy by launching ambitious domestic reforms, and thanks to his strategic choice in favour of a reinvigorated Franco-German link as the best available option to promote French interests and policy preferences inside the European Union (Schild 2017).

In stark contrast to the highly adverse impact of the British membership issue back in the 1960s on Franco-German relations and European integration dynamics, following the double veto of French president de Gaulle against British bids for entry in 1963 and 1967, the Brexit vote has the potential to contribute to a relaunch of Franco-German bilateralism and a renewal of its contribution to European integration. Still, the other two scenarios—German hegemony or the European project's decline-degeneration-disintegration—remain realistic possibilities, especially if France fails to reform and modernize. France's inability to escape stasis and economic decline would give Brexit an altogether different causal spin and direction.

Trajectories as Scenarios

With respect to France, Germany, and France-Germany in Europe, three basic overarching scenarios have taken on clearer contours. Scenarios clarify what might be. They sharpen the main features of possible realities. They draw our attention to potential futures, understood as historical conjunctures with particular predominant political configurations, power structures, and institutional practices. They are not predictions, and they do not forecast single events or specific occurrences. Rather, they are exercises that help to structure our thinking and evaluate the probabilities of what will happen in the future.¹

German Hegemony and all that

In this scenario, Brexit enhances a partially united Europe one way or another dominated by a powerful Germany as its core state. 'Brexit would,' as the *Economist* (2016) puts it, 'upset[s] the balance of power, leaving more naked both German hegemony and French weakness.' Brexit further accentuates Germany's weight, influence, economic prowess, geographic centrality, and standing as a creditor, although not necessarily equally across all policy domains but presumably not

¹ In addition, of course, scenarios are important tools for policy planning and development—an exercise in which this paper will not engage. For a methodological outline informing our employment of scenarios, see, for example, Weber 1996.

strictly limited to economic and monetary affairs. Germany, in this scenario, would take centre stage more than ever in a post-Brexit EU.²

Through Brexit, France and others certainly lose an ally to softly balance a stronger Germany within the EU, and to curb or offset German influence. The tendency toward German prominence is further enhanced by its growing willingness to assume more responsibility in international politics, including, although incrementally, in security and defence. On the other hand, through Brexit, Germany (and others) lose a market-oriented fellow member state to balance against those more sharply inclined toward protectionism and economic interventionism, frequently including France. Furthermore, as of now, Germany and the Germans continue to shy away from assuming the burdens, costs, risks, and responsibilities that regional hegemony would imply. Many among the elites, and most of the population, seem little prepared to take on the full role of a sharp(er)-edged international actor in a turbulent region and world, with all the suspicion if not open antagonism that almost certainly would imply. Often still inward-looking and, some may say, self-centred in its passivism and moralism, its overall leadership remains limited and its appetite to foot the bill for the provision of public European goods and all kinds of distresses and imbalances limited.

With German strength and standing increasing, however, for the foreseeable future, Germany will remain a 'reluctant hegemon' (Paterson 2011; Bulmer and Paterson 2013) or at most a 'hegemon against its will' (Schönberger 2012).³ Nonetheless, attitudes are subject to change, at times at a remarkable pace. As long as France is not successful in curbing or reversing its relative decline, German regional hegemony remains a possibility on or just beyond the horizon.

Degeneration, Decline, or Disintegration of the European Project

Brexit is a symptom and expression as well as a factor of the disintegrative dynamics, centrifugal forces, and degenerative tendencies of Europe's union. Post-Brexit, this scenario would entail further bouts of stalling or selective disintegration, presumably unevenly across policy domains, and significant spells of renationalization. It might involve prolonged periods of European 'muddling through' and the chronic bending or breaching of EU law or union-level agreements. It presumably would include further loss of popularity, respect, or legitimacy for the EU; further exits or loosening of member state ties or commitments to the union; as well as a weakening, incapacitation, or break of the special bilateral Franco-German node that has characterized Europe over the past

² The exact shape or form of German regional hegemony would be important, whether a Kindlebergerian model, stressing the burdens and responsibilities of leadership and regional public goods provision, or one with the harder edges of regional domination of an offensive realist sort. For different views (and types) of hegemony, see Kindleberger 1973; Mearsheimer 2001; Clark 2011. On German hegemony and its issues, note Paterson 2011; Schönberger 2012; and Bulmer and Paterson 2013.

³ For a general conceptualization of "reluctance," note Destradi 2017.

half-century. Ultimately, this scenario might usher in chronic degeneration or partial disintegration or, over time, evolve in a slow and rugged meandering toward a 'more German' and perhaps eventually some sort of soft or uninspired regional hegemony.⁴

The table for this scenario is set. Brexit further fuels not just one EU-crisis, but a 'polycrisis' (Juncker): the confluence of myriad distinct crises feeding into each other. The current Eurozone crisis is a sovereign debt crisis as well as a competitiveness crisis affecting many of Europe's economies. It also is a crisis of governance and institutional design. The European malaise is compounded by distrust of all political stripes in the institutions and machinery of Brussels, including views that the EU scheme is too economically liberal (from the left); too centralizing and bureaucratic (centre-right); too aggressively detrimental to national sovereignty and responsibility (right); and generally too intrusive, expansionist, and fraught with democratic legitimacy deficits (across the political spectrum). And, today, no unifying purpose or vision convinces, unites, or inspires Europeans to support the European project in ways comparable to the enthusiasm generated by the ideal of 'no more war' following World War II.

Brexit would exemplify and fuel the EU-degeneration-decline scenario, but it is hardly its key cause. In addition to the leadership role that Germany might (or might not) assume, France's inability to reenergize its economy, restore its international competitiveness, fix its broken social model, and overcome its political and societal stasis would be this scenario's root cause. France's failure or refusal to carry out painful social and economic reforms—i.e. reduce the budget deficit, decrease the debt ratio, shrink an oversized public sector, and overhaul its welfare state— would stimulate more Europe-wide malaise. Yet, Emmanuel Macron has a very clear mandate to rebuild France. Working through the close links with Germany to consolidate and perhaps renew the European project is a basic strategic pillar of his first presidency, at least as of now. To date, Macron and all German interlocutors clearly work against the disintegration-degeneration-decline trajectory. If President Macron fails, however, and if Germany proves unwilling or unable to step in to provide stronger leadership and EU-wide public goods (of the above scenario's kind), this type of future, in one form or another, will become more likely.

Embedded Bilateralism: Back to the Future

Through boosting its relative weight and standing in an EU without Britain, the historically influential Franco-German relationship and its 'embedded bilateralism' in Europe will once again move centre stage and become yet more important. Brexit, as Balfour and Kirch (2017: 4) put it, 'refocuses the balance of power [inside the EU] on the Franco-German axis.' In this scenario, France and Germany and a reenergized bilateralism will uphold and reform a firmer and more credible EU, even and especially in times of European turmoil and strong internal and external

⁴ The best theoretically informed work on possible EU disintegration or decline to date includes Vollaard 2014; Webber 2014.

challenges. France and Germany together will act as a force of cohesion, preserving the Union's integrated core, both geographically and functionally, from the single market to the Schengen free travel area, even the eurozone perhaps—as well as, presumably, increasingly in foreign policy, security, and defence affairs. A recharged embedded bilateralism could mean not just tinkering with the symptoms of the crises, but wielding sustainable consolidation of solutions that take 'EU' beyond its seeming association with crisis, calamity, or dissatisfaction. This will probably comprise winning back some minimal level of respect for the European project and, perhaps, a sense of purpose across most member states' elites and populations.

In some ways, this scenario may be reminiscent of the EC prior to UK accession. Yet, it would carry a distinct 21st century appearance adapted and adjusted to the new political realities within Franco-German bilateralism, the EU, its neighbourhood, and its 'extended neighbourhood.' It would probably see a stronger and more active Germany than, say, the times of Adenauer–de Gaulle, Schmidt–Giscard, or even Kohl–Mitterrand. However, a more German leadership, not least in foreign relations, security, and defence, does not rule out a yet more prominent role for France-Germany within Europe, and is something altogether different from German hegemony (as already illustrated by its dealings with Russia in the wake of the Crimea annexation and Ukraine crisis; see Krotz and Maher 2016, 1057-1061). This scenario is not necessarily idyllic or happy for all. In fact, it is exactly what the Visagrád countries fear, as they perceive the UK as a countervailing force against the dominant role of Germany and France (Lang 2016: 1).

The key precondition for this scenario is France's ability to reform its economy, political system, or polity as a whole. A modernized and rejuvenated France could provide a solid basis for a renewed bilateral link and viable embedded bilateralism. It would silence the condescending attitudes towards France of its European partners, including parts of the German political elite, as well as tempering hitherto unrealistic expectations about Germany's leadership role in Europe. If Macron only partially succeeds in enacting reforms at home, a Franco-German 'back to the future' embedded bilateralism, albeit adjusted to 21st century realities, is a plausible trajectory. If, however, France fails sufficiently to modernize and overcome stasis, the future will more likely tilt toward the two other scenarios.

Political Domains and Policy Dynamics

With Brexit, the union loses a state that has supported market liberalism; the deepening of the single market, especially in financial services; open international trade; economic and cultural globalization; and the subsidiary principle. Britain has also been an important net contributor to the budget. In reverse, it has been sceptical towards increasing EU centralization, and about Eurocrats' and French pleas for more union-level harmonization in social affairs or taxation; hostile to a hollowing out of NATO's role in European security affairs; and suspicious of EU moves in security policy that could entail this risk. Besides France, it has been the only member with a truly global outlook in foreign and security affairs. It has

reacted allergically to high-flying European dreams and ill-founded promises but defended a very pragmatic, sober, and results-oriented approach to European affairs (George 1998). Does Brexit strengthen either France or Germany in EU policy-making in given political domains, such that it tilts the balance of influence and power in favour of one of the two, and/or alters their bilateral relationship? Did the UK block integration in certain policy fields advocated by France, Germany, or both, and will Brexit thus open or facilitate new options?

Political Economy Fields — Single Market, International Trade, Union Budget, Eurozone Governance

Without the UK, Germany (and other market-oriented member states) lose an ally in single market issues against those more sharply inclined towards economic interventionism, supportive of an active industrial policy favouring national champions, and reluctant to endorse a liberalization agenda. The ‘market shaping’ coalition on single market issues will be strengthened at the expense of a hitherto UK-led ‘market making’ coalition (Quaglia 2010). France might take advantage of Brexit when following its deeply-ingrained *dirigiste* and at times protectionist instincts and its harmonization agenda in social and economic policies. Germany, however, does not consistently occupy the liberal end of a market liberalization vs. regulation continuum. In the field of services, market liberalization, especially of the financial sector, it ‘combines general acceptance of liberalization with the persistence of strong obstacles to integration’ (Grossman/Leblond 2011: 429). According to Quaglia (2010: 1010), Germany, together with France, was part of the market-shaping rather than the UK-led market-making advocacy coalition on financial market liberalization/regulation issues. With Brexit, the EU loses a fervent advocate, the ‘pace-setter’ (and main beneficiary) of the most important current project on single market liberalization: the Capital Market Union (CMU) (Howarth/Quaglia 2017: 4). Both Germany and France lent much more cautious support to this Commission initiative, backed mainly by the UK, Ireland, Sweden, the Netherlands, and Luxembourg. Paris and Berlin expressed reservations regarding the merits of a US-style capital market-based system of business financing sources, as neither had experienced any credit crunch in their bank-based financing systems after the financial market crash (Quaglia/Howarth/Liebe 2016: 198-199). Brexit will strengthen their position in future negotiations on CMU legislation.

On issues of international free trade, Germany loses an ally against French protectionist temptations. France has long advocated new and stronger protectionist instruments in the framework of the EU’s autonomous trade policy against unfair trade practices. Paris promotes the principle of reciprocity in market access, including public procurement, and calls for stronger control of foreign direct investment in strategic economic sectors. On the latter point, Germany’s willingness to follow France has grown as a consequence of the Kuka takeover, when the Chinese Midea group in 2016 made a successful bid to take control of the leading German high-tech robotics manufacturer. Recently, Germany has subscribed more broadly to the French trade policy agenda. Both governments together have advocated a reinforcement and modernization of the EU’s defensive

trade policy instruments, promoted the idea of more reciprocity in market access in public procurement, and asked the Commission, together with Italy, to work on a proposal allowing member states to better protect their strategic industries against third country FDIs (Conseil des Ministres Franco-Allemand 2017). The odds of getting their way are rising with Brexit. These German adjustments notwithstanding, the trade policy outlook of export champion Germany will, for structural reasons, remain more liberal-minded than the preferences of France and the Mediterranean countries, plagued by international competitiveness problems and with—compared to Germany—a lower share of extra-EU exports relative to overall exports. Brexit will tilt the balance of power inside the EU towards this group of countries.

Brexit's impact on French and German contributions to the EU's budget will also be asymmetrical. Germany and France are the two most important net contributors to the budget in absolute terms, the UK ranking third. But contrary to Germany, France has no rebate on the British budget rebate. Hence, after Brexit, those enjoying a rebate on the British rebate—Austria, Germany, the Netherlands, and Sweden—will come under pressure to contribute relatively more to plug the gaping holes in the EU's budget caused by Brexit, an estimated € 8 to 10 bn. per year (Becker 2017; Haas/Rubio 2017). Against the background of its vibrant economy and healthy public finances, Germany will likely be expected to take a large share in order to balance the post-Brexit budget. The balance of power in budgetary politics will shift in favour of the net recipients. Germany is likely to lose its pivotal position in future negotiations on the EU's Multiannual Financial Framework between the hard stance of the UK and the demands of net recipients (Becker 2017: 12). As a member state with lower net contributions, in the future France might find itself in a key position to advance compromises between the opposing camps of net contributors and net recipients.

Brexit will profoundly affect the relationship between the euro-ins and euro-outs. The latter fear a second-class status following a deeper integration and separate institutions for the eurozone; they will lose a key coalition partner. The agreement negotiated between the EU and the Cameron government before the referendum foresaw that any further deepening of the EU would 'respect the rights and competences of the non-participating member states' (European Council 2016). As this agreement is null and void after the 'Leave' vote, the euro-outs will have a harder time resisting the euro-ins' attempts to deepen the institutional, legal, and political lines dividing them in a multi-speed Europe. Therefore, Brexit contributes to opening a reform window in eurozone governance (and puts pressure on the euro-outs to join the Euro; see Chang 2017). On the one hand, this creates an opportunity for a revival of Franco-German bilateralism, as both are committed to eurozone governance reforms. This reform debate gathered momentum with the election of Emmanuel Macron to the highest office in France. Finance ministers Schäuble and Le Maire set up a Franco-German working group to elaborate common positions. On the other hand, the combined effects of Brexit and the French elections put pressure on Germany to accept more financial redistribution and risk-sharing.

Brexit changes not only the actor constellations and hence the potential coalitions in the Council, but also how those translate into Council decision-making. Brexit, according to Hans-Werner Sinn, will lead to major power shifts in the Council. A German-led coalition of like-minded member states favouring free trade and a liberal economic order—including Austria, the Netherlands, Finland, and (so far) the UK—will see its population share shrink from 35 per cent to only 26 per cent after Brexit. Hence, it loses its blocking majority in QMV decision-making in the Council according to the 35 per cent population criterion. The ‘Club Med’ states (France, Greece, Italy, Portugal, and Spain), on the contrary, will see their share of the EU population rise from 25 to 44 per cent after Brexit.⁵ France, Italy, and Spain alone move from 34 to 39 per cent of the EU’s population and thus need only one additional state as a coalition partner to build a blocking minority in the Council (requiring four member states with at least 35 per cent of the EU’s population). And France, Italy, and Spain are by no means unlikely bedfellows in Council voting. Their voting behaviour is much more consistent with each other than with Germany (Frantescu 2017). Whereas Germany has not consistently sided with the liberal pro-market liberalization coalition, comprising the UK, Ireland, the Scandinavian countries and several Eastern European countries, it often had a pivotal role and could tilt the balance either towards the market making or the market shaping coalition (Göllner 2017). This might change after Brexit, as the relative institutional power resources of France, Italy, and Spain increase.

Foreign Policy, Security, and Defence

Shorter-term factors, and longer-term shifts, are likely to boost the significance and impact of Franco-German bilateralism and EU commitment in the domains of foreign policy, security, and defence. In spite of the short-term turbulences of Britain’s ‘exit’, Brexit as just one among other factors and forces is likely to enhance and accentuate these trends. It will thus contribute to boosting not only the role of France and Germany but, ironically and counter-intuitively perhaps, will also significantly strengthen European integration in areas where it traditionally has often proceeded only slowly and with difficulty.⁶ Brexit thereby coincides with a period in which defence spending in Europe is past its nadir and has begun to rise again, and Germany’s reluctance to more seriously engage regionally and internationally, specifically in security and defence, is (slowly) waning. These factors will not immediately fully offset Britain’s exit, but they will help smooth the transition.

More generally, the EU’s dramatically changing international environment and increasing external pressures, equally profound and evolving, provide strong incentives for France and Germany and the EU as a whole to intensify their security

⁵ Data from Eurostat (1 January 2016).

⁶ On France–Germany in these areas over the past half century, see Krotz and Schild 2013, chapter 9.

and defence efforts, and their search for greater strategic autonomy for Europe. To its east, an assertive and resurgent Russia, not least through its Crimea annexation and proxy war in eastern Ukraine, has brought geopolitics back to the continent. To its south and southeast, the arc of instability—or ‘ring of fire’ (Economist 2014)—with its recurrent violence in the Mideast and the unsettled post-Arab ‘spring’ Maghreb will not disappear anytime soon. And to its west, the strategic reorientation of the United States toward East Asia and the Pacific, ongoing with or without a President Trump, is likely to have longer-term implications that will prompt or force the Europeans, including the Germans, to commit more seriously to taking care of their own security and defence (in whatever exact form or format).

While causing troubles in the short term, Brexit is unlikely to undermine, much less put an end to the EU’s Common Security and Defence Policy (CSDP) and its military operations and civilian missions. Britain has ranked only fifth among EU member states in troop contributions to CSDP military operations, and seventh in civilian CSDP personnel contributions (Faleg 2016). In some respects, it has hindered CSDP’s development, for example, by slowing or impeding greater integration in security and defence, and by frequently prioritizing NATO. In specific instances, the UK blocked efforts to establish a permanent operational military headquarters for the EU and opposed CSDP intervention in the Democratic Republic of Congo in 2008 (Telegraph 2011; Guardian 2008).

Still, France loses the only EU partner sharing its global strategic outlook in foreign and security affairs, and its readiness to use military means to promote its interests and values on the international scene. Paris could compensate for this loss by developing closer bilateral links to post-Brexit UK. This would be in line with the bilateral approach adopted by the two during the last decade, when they signed the Lancaster House treaty in 2010 on defence, security, and nuclear co-operation (Pannier 2013). Indeed, French President Macron made the case for ‘a strong and pragmatic relationship with a post-Brexit Britain, working together on defence and counter-terrorism because of the two countries’ “linked destinies” (Guardian 2017). A renewed intensity of Franco-British relations in this policy field would be all the more likely if attempts to revitalize and develop the EU’s foreign, security, and defence policy come to nothing and if Germany proves unwilling to take a more active and less risk-averse or complacent role in international politics.

As of now, however, it does not appear likely that France will have to turn to the UK due to a German lack of interest in developing European security and defence co-operation. Among the policy fields in which Germany and France might be able to infuse a new dynamic into EU-level co-operation, security and defence policy stands out. During and after Brexit, the UK will lose its ability to hamper or block initiatives strengthening the EU’s military capacities, decision-making structures, and ambitions due to concerns of undermining NATO or duplicating its assets, or for other reasons.

The empirical evidence available so far, a slew of initiatives, policy projects, and stated intentions certainly document that Franco-German co-operation in the areas of foreign policy, security, and defence is gathering momentum. Already, two days after the Brexit referendum, the Ayrault-Steinmeier declaration of the two foreign ministers suggested making use—for the first time ever—of the Lisbon Treaty's clause on permanent structured co-operation (Articles 42(6) and 46 of the Treaty on European Union-TEU) in military matters. It allows for the creation of a subgroup of Member States committing themselves to strict criteria as regards the development of their defence capacities as well as their participation in European equipment programmes and multinational forces (Ayrault/Steinmeier 2016).

In September 2016, the two defence ministers, Le Drian and von der Leyen, followed up by tabling a substantial common contribution, laying out a roadmap towards a revitalized CSDP. Besides calling for permanent structured co-operations (PESCOs), they advocated—among other ideas—a permanent EU military and civilian planning and conduct capability, regular European Council meetings on security and defence issues, common financing of CSDP missions, and the establishment of strategic European transport capacities and of a European Medical Command (Le Drian/von der Leyen 2016).

Perhaps the most remarkably, at the 19th Franco-German Ministerial Council of July 2017, when the two countries announced the launch of a European initiative in favour of a PESCO and defined a common approach to the criteria allowing partner countries to participate in it.⁷ Furthermore, in the field of armament and procurement, France and Germany envisage the development and procurement of the next generation's major weapon systems: tanks, combat aircraft, and combat helicopters.⁸ A common project developing drones together with Italy is already underway. A high-level Franco-German working group focuses on concrete proposals in this field (Conseil des Ministres Franco-Allemand 2017).

European Polity and Institutional Frame

Brexit reveals fundamental differences among member states as to the underlying social purpose of European integration. Accordingly, the foreign ministers of France and Germany made the case for finding 'better ways to deal with different levels of ambition' in the EU, particularly hinting at defence, asylum, migration, and eurozone governance as policy areas in which subgroups might move ahead (Ayrault/Steinmeier 2016). At the bilateral Franco-German Ministerial Council in July 2017, the two states spelled out in greater detail their ideas on increased subgroup co-ordination, especially in the domain of defence (Conseil des Ministres Franco-Allemand 2017).

⁷ On the bilateral Ministerial Councils, formerly Franco-German Summits, as part of the French-German web of regularized intergovernmentalism, see Krotz and Schild 2013, chapter 2; and Krotz 2010.

⁸ For some of the vicissitudes of Franco-German armament and procurement affairs, see Krotz 2011.

The UK's EU withdrawal removes a very high obstacle on the road towards such an enhanced subgroup co-operation in key policy fields. Strongly pushed by France and with more German support than ever before, this idea was taken up by the Benelux countries in their common 'Vision on the Future of Europe' (Michel 2017) and made its way into the Rome declaration, on the occasion of the EEC's 60th anniversary (25 March 2017), underlining the intention to 'act together, at different paces and intensity where necessary'. Even the Commission—traditionally hostile to schemes of flexible integration—in its March 2017 White Paper depicted it as one of several imaginable trajectories on the future of Europe. This option found support in France, Germany, Spain, and Italy (Chang 2017: 13).

In the past, France and Germany had initiated all major steps of flexible integration and deepening of integration in subgroups—the European Monetary System, the Schengen Agreement, EMU, the Fiscal Compact—with the notable exception of the Banking Union. Brexit is likely to reenergize Paris' and Berlin's lead in moving the EU toward ever more flexible integration schemes, and 'variable geometry' is likely to regain importance with Brexit. Table 1 summarizes this section's findings and considerations.

Table 1: The Impact of Brexit: Shifting Influence of France and Germany in different fields

	Germany	France
single market	weakened where Germany advocates liberalization, strengthened where Germany is part of a market shaping coalition	France strengthened as key player in market shaping coalitions
trade	overall weakened; but partially strengthened where Germany seeks protectionist instruments	strengthened, key demands in terms of protectionist instruments meet with less resistance
union budget	weakened, demands for higher German contributions, less pivotal role in MFF negotiations	strengthened, potential pivotal role in MFF negotiations
eurozone governance	strengthened when supporting eurozone reform agenda, but increasing demands for Germany fiscal transfers	strengthened, fewer obstacles on the road to ambitious reform
foreign policy and defence	strengthened, more ambitious international role, common Franco-German leadership in promoting permanent structured cooperation in defence	strengthened, common Franco-German leadership in promoting permanent structured cooperation in defence
polity	strengthened, common leadership role with France in promoting key integration projects in subgroups	strengthened, common leadership role with Germany in promoting key integration projects in subgroups

Conclusions

Brexit is an important marker in the history and politics of the European project, with potentially significant implications for Franco-German 'embedded bilateralism' in Europe as well as the two countries' individual roles, standings, and influence within the bilateral link and with the EU at large. It will markedly affect the policy dynamics across key EU political domains. Yet, by itself, it does not define (or fundamentally redefine) the range of the EU's possible future trajectories, nor

the roles of France, Germany, or France–Germany in them. Rather, in its impact on the EU’s overall future trajectory, Brexit will combine with other forces and factors, functioning as a catalyst for some trends while accelerating, boosting, or impeding other shifts or tendencies.

Whether the EU will drift toward German hegemony, disintegration-degeneration-decline, or a ‘back-to-the future’ of Franco-German embedded bilateralism will importantly depend on the extent to which Germany takes on more leadership; the risks and burdens of stronger engagement for the union as a whole across policy domains, but especially in security and defence; and France’s ability to pursue domestic reforms, revitalizing its economy, society, and political system, and curbing or reversing its decline inside the EU. Evolutions, developments, ruptures, or breakdowns of either will give Brexit’s implications a particular spin or direction. Brexit is an ingredient of a larger (and more complex) European brew.

Brexit’s effects on the policy dynamics across the main political EU domains do not generate a clear ‘winner’ (or ‘loser’). But there is an asymmetry that benefits France rather than Germany and that, overall, favours France’s potential to shape EU policies in accordance with traditional French orientations. In addition, the UK’s future absence in the Council will provide yet more opportunity, weight, and potential to joint Franco-German initiatives and European co-leadership.

This is certainly true for the areas of foreign, security, and defence policy where, thanks to its experience, military assets, and professional diplomacy, Britain was a key union player. In these domains, Britain’s exit removes significant hindrances to greater union-ambitions and engagement, from institution-building (for example the creation of union-military headquarters) or deeper integration toward joint forces, assets, arms procurement, and defence industries, among others. These areas are highly likely to experience new bouts of integration, and the Franco-German node a more prominent role than it has seen before, or at least since the end of the Cold War.

In the key political economy domains, Brexit favours French interests, preferences, and options for coalitions and brinkmanship in the Council. This Brexit-induced causal twist might at least partially offset the overall rise of Germany’s standing and influence—a meaningful shift on the continent over the past decade-and-a-half. No matter exactly how much Brexit favours France in policy fields such as single market matters, international trade, union budget, or eurozone governance, a stronger Germany and an even more prominent role for Franco-German embedded bilateralism in Europe are hardly incompatible or mutually exclusive, but rather complement and reinforce each other. In fact, Brexit might actually fuel a new mix or phase of the Franco-German node.

Britain’s union exodus is also highly likely to remove obstacles to greater emphasis on differentiated forms and speeds of integration. Again, Brexit does not cause, but simplifies and accelerates the trend towards a multi-speed Europe or permanent forms of variable geometry as a suitable way for the EU to accommodate the heterogeneity of its member states and their differing ideas on the purpose of the EU. Multi-speed Europe and variable geometry enhance another tendency that

predates Brexit: the (not least eurocrisis-fuelled) renewed intergovernmentalism (Fabbrini 2013). The growing ‘demand’ for differentiated subgroup co-operation with its intergovernmentalism (as in the prior history of European integration) provides ample opportunities for Franco-German agenda-setting, policy initiatives, and compromise building around core post-Brexit projects.

So far, we can observe a strong resolve in Paris and Berlin to take up the challenge of Brexit and the wider ‘polycrisis’ and to seize the opportunities that come with them in terms of a renewal of their joint influence and leadership on key projects. After the French elections, Merkel and Macron made a clear and deliberate choice in favour of renewing and reenergizing older patterns of Franco-German bilateralism and its nodal position in the European project.

Table 2 summarizes all of these aspects and the preceding sections’ considerations. In case of various contingencies, the cells highlight in bold the factor’s most likely impact. (The Table refrains from assessment on the degree of success or failure of reforming France.) Taken together, these considerations and available evidence seem to support the likelihood of the ‘back-to-the-future’ of a renewed embedded bilateralism-scenario, rather than ‘German hegemony’ or disintegration-degeneration-decline.

Table 2: Key Factors and Scenarios

scenario	German hegemony	disintegration	back to the future
factor			
greater German leadership, more engagement, and/or strong(er) commitment to provide European public goods	undermines, if absent or rejected; neutral, if moderate; favours, if very strong	undermines, if moderate or (very) strong; favours if rejected or reduced	undermines, if rejected or reduced; strongly favours, if moderate; neutral if (very) strong
extent and success of French domestic (economic) reforms	undermines if successful or very successful; permissive if failure	undermines if successful or very successful; favours if failure	undermines, if failure; strongly favours if successful or very successful
change in Council preference configurations and coalition options across key policy fields, asymmetrically favouring France	undermines	neutral	favours or strongly favours joint initiative and co-leadership
differentiated integration, ‘multi-speed,’ ‘variable geometry’	neutral	undermines	favours or strongly favours
deliberate choice in Paris and Berlin for renewed Franco-German bilateralism	undermines	undermines	favours or strongly favours

Brexit has certainly sharpened French and German leaders’ perceptions of the challenges confronting the European project, its possible futures, and France’s and Germany’s common responsibility to prevent it from unravelling. Note, however, that crucial factors for a determined renewal of Franco-German embedded bilateralism are located at the domestic level with its own logics and contingencies: Will the German public and political elites subscribe to the idea of Germany taking on more responsibility regionally and internationally—along with the associated

risks and costs? Will the new French president Macron overcome the multiple obstacles on the road towards fixing France's broken economic and social model? Only time will tell. If Germany turns its back to the union (or decisively bids for real regional hegemony), and/or if France fails to reform and modernize, the 'disintegration-degeneration-decline' or the 'German hegemony' scenarios are bound to forcefully re-enter the scene as realistic continental futures, giving Brexit a quite different casual direction and meaning.

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