

On the right side of history

The Franco-German proposal goes far beyond the 500 billion euros. It responds to the umpteenth European crisis by forging deeper integration, it reflects qualitative developments in the German debate, and it has the ambition to shape globalisation positively. These are five pages that could go down in history.

Jean Monnet, the most important unelected European since the II World War, famously said "Europe will be forged in crises". Dear Monnet: you have hit the *mouche*. Wars have forced unlikely peace between France and Germany as well as between the republics of the former Yugoslavia. Economic crises or geopolitical shocks accelerate accessions, democratic transitions, and voluntary transfers of sovereignty to strengthen common policies. Crises and European integration have always walked hand in hand. In other words, the consolidation of peace through trade and diplomacy and the enlargement of democratic geography have been the two great success strategies of these 70 years of a progressively integrated Europe.

Covid-19 is not the first of the European crises but it is one that comes at a time of various reversals. In many other delicate situations, the USA was a constructive power in Europe: the years following the end of the Second War (Marshall Plan, 1948; NATO, 1949); the effects of the Suez crisis (Treaty of Rome one year later); the fall of the Berlin Wall and the implosion of the Soviet Union (Maastricht Treaty and NATO and EU enlargements). But not this time. Now, the Americans are instead promoting the disintegration of the EU. In addition, the UK has triggered their exit mechanism and there are member-states in clear breach of the treaties with regards to separation of powers, pluralism, respect for minorities, and the democratic rule of law. Russia and China have acted at the same time to exert the full force of external pressure on the Union; trying to append cohesion with massive disinformation efforts, accelerating technological, energy, political and economic competition for which no European was prepared. Not even Germany.

The development of the German internal debate deserves special attention in this context and it must be understood in light of this week's agreement between Paris

and Berlin. First of all, it plays into the hands of Chancellor Merkel's sense of being one year away from the end of her last term in office and pressure of the weight of history. Also, the catastrophic outcomes of covid-19 play a role in the need for speed in decisions; to avoid an explosive mixture of economic paralysis, industrial anaemia, social fear, and isolationism. Thirdly, the agreement forged with Paris benefits from her undisputed rise in popularity. It enables a proper political reply to the ruling of the Constitutional Court and the deep-rooted scepticism that now bows to impotence. It is not only CDU's parliamentary benches that support the agreement but also the more orthodox candidates for party leadership and the powerful German Industrial Federation. It is also not irrelevant that a team in the Finance Department (Scholz, Schmidt and Kukies) is much more sensitive to the mutualisation of debt as a European imperative; a concept that did not even need to be in the agreement. Not surprisingly, more than 70% of SPD and Green voters are in favour of the proposal, which politically accommodates the chancellor's move.

There are, however, two reasons for German national interest behind the agreement. The first is the devastating consequences that the paralysis of European preferential trade corridors, particularly in northern Italy, has for the German car industry. Without production, movement, and consumption in a paralysed internal market, it is Germany's own economic sustainability that is at stake. All the more so without any advancements in the trade negotiations with London in the framework of Brexit. The second reason is the negative impact on Germany of the opening of a new anti-EU wave (with an epicentre in Italy) which is applying pressure for an exit, in this case the exit of a founding member, which would kill the euro and the single market. Now, if reunified Germany has managed to get back on its feet, it must do so for the euro and the single market. Its end would not only reverse an upward economic cycle, endangering the very stability of the political system, but it would also make Berlin responsible, through omission, inefficiency, or selfishness, for the implosion of the European Union. Neither the Germans nor other Europeans would want to risk another continental tragedy.

However, the agreement announced by Merkel and Macron does not end with the proposal of the 500 billion, which would be under the management of the European Commission and for those most affected by the pandemic. Its approval by the 27 is not even certain, although it links the recipients to "an ambitious

agenda of reforms" to be carried out (yet in unclear terms). The agreement has the merit of not dropping the European Green Pact, the Commission's major concern which today, more than ever, needs a rapid response capability with a broad rearguard of aligned states – preferably with France and Germany as constructive agents. This is where a third important dimension of the text comes in; one that is about China even if it is not mentioned by name even once. European reindustrialisation, strategic autonomy in the health sector (medicines, medical equipment, standardised data), monitoring of foreign investment, more control of supply chain logistics, and reciprocity in trade with third parties. This de-globalising logic does not mean a nationalist drift but strengthening the single market with instruments, with clear rules, more controlled by Europeans. This would enable their economies to be more competitive in a world where it is important to continue to regulate trade; providing it with sustainable standards in consumer protection, decent employment, and the free movement of goods and capital. Although it communicates very little, the EU is undoubtedly the only global player with an integrated trade agenda and capable of positively influencing globalisation with norms and regulations.

The history of European integration over the past 70 years has been one of constant crisis management. In fact, the European Union, being the most successful contraption in international political history, is nothing more than the happy result of crises and of the joint formulae found by the States and Community institutions to overcome them. Covid-19 is no exception, but it perhaps exposes with brutal clarity that the success of the Portuguese recovery in the coming years is almost exclusively based on the success and speed of what is decided in the European Union. For that it is vital that Berlin is, as Merkel seems to be, on the right side of history.