

Can France and
Germany steer
Europe to success?



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CENTRE FOR EUROPEAN REFORM

LONDON ★ BRUSSELS ★ BERLIN



About the CER

The Centre for European Reform is an award-winning, independent think-tank that seeks to achieve an open, outward-looking, influential and prosperous European Union, with close ties to its neighbours and allies. The CER's work in pursuit of those aims is guided by the same principles that have served us well since our foundation in 1998: sober, rigorous and realistic analysis, combined with constructive proposals for reform.

The CER's reputation as a trusted source of intelligence and timely analysis of European affairs is based on its two strongest assets: experienced and respected experts, plus an unparalleled level of contacts with senior figures in governments across Europe and in the EU's institutions. Since the UK's referendum on EU membership we have reinforced our networks in Europe by opening offices in Brussels in January 2017 and Berlin in October 2018. The diverse perspectives and specialisations of our researchers, half of whom are from EU-27 countries, enhance the quality and breadth of our analysis of European politics, economics and foreign policy.

The CER is pro-European but not uncritical. We regard European integration as largely beneficial but recognise that in many respects the Union underperforms, at home and beyond its borders. We look for ways to make it work better and then promote our ideas through publications, the media and various forms of direct engagement.

The CER's audience ranges from European politicians and officials, to journalists and the wider public who want to know more about the EU and

THE CER IN
JULY 2019
FROM LEFT TO RIGHT,
TOP TO BOTTOM:
*John Springford,
Ian Bond,
Agata Gostyńska-
Jakubowska,
Sam Lowe,
Nick Winning,
Peadar Ó hÚbáin,
Kate Mullineux,
Bea Dunscombe,
Beth Oppenheim,
Sophie Horsford,
Jordan Orsler,
Charles Grant,
Camino Mortera-
Martinez and Luigi
Scazzieri*

*Absent from the
photo: Sophia Besch,
Rosie Giorgi, Christian
Odendahl, Krystyna
Parandii and Emma
Roberts*

its activities. The CER believes it is in the long-term interests of the EU and the UK to have the closest economic and political relationship that is compatible with the political realities.

We follow closely the trials and tribulations of the eurozone and the European economies, as well as the EU's single market and its energy, climate and trade policies. We also study the Union's foreign, defence and security policies – including relations with its neighbours, and with China, Russia and the US; its approach to refugees and migration; co-operation on law-enforcement and counter-terrorism; the functioning of the EU's institutions; and the state of democracy in Europe. Since the British referendum, the CER has played an active part in developing viable and practicable proposals for the UK's future relationship with the EU.



Can France and Germany steer Europe to success?

by **Charles Grant**

Since its foundation in the 1950s, the EU has seldom been free from trials and tribulations. But the past few years have been particularly challenging. The club is surrounded by strongman leaders who spurn its liberal internationalist values and disregard its preference for a rules-based order – Donald Trump, Vladimir Putin and Recep Tayyip Erdoğan. The first two would happily see the EU disintegrate. The EU also has to contend with the growing geopolitical and economic heft of China, whose autocratic leader, Xi Jinping, professes respect for global trading rules but shares few European values.

ABOVE:
Charles Grant

Some of the EU's own governments play fast and loose with the rule of law – most egregiously in the case of Hungary, but in several other members, too. Beyond the Union's boundaries, several parts of the neighbourhood are unstable and combustible. The refugee and euro crises, though less acute in 2019 than in previous years, still fester, with the potential to poison relations among the member-states. Europe's economy needs to adapt to rapid technological change while finding ways of drastically curbing carbon emissions and overcoming worsening regional disparities. And the UK, once one of the most

influential member-states, is finally leaving the EU, three-and-a-half years after its referendum.

Faced with these and many other difficulties, the EU needs to develop a steely resilience. Part of the answer is creating the conditions in which economies can innovate and grow, while regional disparities are curbed. Another part is coping effectively with major problems like migration and climate change. The EU also needs to be firmer with member-states that show a lack of respect for the rule of law. It needs a new and better policy for stabilising its

neighbourhood that does not depend solely on the offer of accession (French President Emmanuel Macron's penchant for concentric circles or gradations of EU membership may offer a way forward). And Europe must find the capacity to unite on the big geopolitical challenges that it faces, such as how to handle the US, China, Russia and Turkey.

Finally, Europe needs effective leadership, which has been sorely lacking in recent years. The EU institutions do their best, and quite often propose sensible policies. Ursula von der Leyen, the new Commission president, has made an ambitious start, saying that she wants to run a more "geopolitical" Commission. However, the key member-states are unwilling to let the institutions lead Europe's responses to the most pressing strategic challenges. The European Commission enjoyed a golden age in the time of Jacques Delors, who was president from 1985-95, but the political climate is now much more favourable to 'inter-governmentalism'.

“In an increasingly lopsided relationship, German leaders started to lose respect for the French. The arrival of Macron promised to rectify this.”

Throughout the EU's history, France and Germany, often acting together, have provided backbone and stability, and their relationship is the focus of this essay. There were periods of great *amitié*, as when the couple were led by Charles de Gaulle and Konrad Adenauer, Georges Pompidou and Willy Brandt, Valéry Giscard d'Estaing and Helmut Schmidt, François Mitterrand and Helmut Kohl, and Jacques Chirac and Gerhard Schröder.

There have been occasional rough periods, too. The arrival of Tony Blair as British prime minister in 1997, for example, disrupted the couple – on winning office in 1998 Schröder made his first visit to London, not Paris. There were several years of a London-Berlin love-in before common agricultural interests and opposition to the Iraq War brought Paris and Berlin back together and into conflict with London.

When the tandem works well, the formula has tended to be the same: because France and Germany have such divergent interests, are governed so differently and disagree on so many issues, they have known that if they can find a common approach, it is likely to work, not only for them, but for most of the EU. Traditionally, the two go on negotiating, if necessary at great length, until they reach a compromise.

The Maastricht treaty – negotiated in 1991 – was in some respects the fruit of this formula. Mitterrand got Kohl to accept economic and monetary union (EMU). Kohl made Mitterrand sign up to EMU on German terms, with an independent central bank, and also accept the (ill-defined) concept of political union. One element of this delicate compromise was France acquiescing in German reunification in 1990.

But towards the end of the first decade of this century, the Franco-German tandem became troubled, and in some ways less influential. First, the EU enlargements of 2004-13, which brought in the Central and East European countries (CEECs), diluted the combined clout of Paris and Berlin. A German-French accord was still necessary but no longer sufficient for the EU to move forward. Paris and Berlin might well agree on what the EU should do, as they have done, for example, on responses to the refugee crisis or to climate change, but the Central Europeans could take a different view and block a common EU line.

Second, there was a problem of imbalance. With reunification, Germany became the much larger partner, but so long as the French economy performed relatively well, the disparity was not too serious. Then from around 2005, the year that Angela Merkel became chancellor, the German economy powered ahead, while France's struggled, especially after the financial crisis. Then in 2010 came the euro crisis, on which France and Germany took diametrically opposed views, and which catapulted the biggest creditor country, Germany, into a leadership role. As a result of that and of her diplomatic skills, Merkel gradually became Europe's pre-eminent leader. No major deal could be brokered at the European Council without her involvement. Nicolas Sarkozy had considerable energy but flitted about all over the place, while François Hollande (who became president in 2012) said rather little in the European Council. Merkel's political standing in Germany became ever stronger, while the domestic position of French presidents often looked shaky. In an increasingly lopsided relationship, German leaders started to lose respect for the French.

The arrival of Macron, elected in May 2017, promised to rectify these imbalances. Macron displayed a Sarkozy-like energy but seemed to be more focused and effective in implementing his ideas. His strategy was to push through economic reforms in France, get the economy growing and thus win credibility with the Germans – who would then buy at least some of his ideas on eurozone reform.



Part of this plan worked. Macron did pass more reforms than his predecessors, for example on labour markets and welfare. The economy did pick up and is now growing more strongly than that of Germany, which has been hit badly

by a slowdown in manufacturing demand and trade around the world. But Germany remained largely indifferent to Macron's ideas on eurozone reform, and this increased the frustration in Paris.

ABOVE:
(L to R)
Keir Starmer
and Sam Lowe

Differences of substance

It is not just short-term, contingent factors that explain this rocky period in Franco-German relations. There are important differences of substance too. The Germans are broadly happy with the way the EU and the eurozone work, and see the risk rather than the opportunity of substantial reform.

They regard both the EU and the euro as success stories. The EU has spread peace, stability, prosperity and security across much of the continent, enshrining the Germans' love of rules-based order, and thus helping to banish the demons of their past.

Meanwhile the euro has been good for the German economy and its export industries, delivering a not-too-strong currency while keeping inflation low. The European Central Bank has been too willing to loosen monetary policy, and too willing to boost demand, in the eyes of some Germans. But overall, Berlin has managed to limit Germany's obligations to support poorly-performing southern European economies. And if, say, Greece or Italy faces a crisis, the governance of the eurozone is not to blame, according to many influential Germans, but rather the individual countries concerned.

Their governments should have done 'their homework', as a popular (but somewhat condescending) German phrase goes, by implementing structural reforms and following the EU's budgetary rules.

However, the French in general and Macron in particular consider such views complacent. They think the EU has never faced greater challenges and that it risks being squeezed between the US and China as they start to dominate the 21st century. They are not just big economies, like the EU, but also strategic actors, which the EU is not. Hence Macron's emphasis on the need for European strategic autonomy, by which he means not only the ability to act in foreign and defence policy but also the need to be sovereign in areas like data and technology.

As for the eurozone, Macron believes – as do Mario Draghi, many international economists, and the CER – that in the long run, it needs a 'central fiscal stabilisation function', to provide support for members that face difficulties; that is to say, a substantial eurozone budget. As second best, Macron thinks, the eurozone needs properly co-ordinated fiscal policies. That would require countries with spare capacity in their

*Breakfast on
'The Labour
Party's
approach to
Brexit',
London*

budgets, notably Germany and the Netherlands, to spend and invest more, to help boost demand elsewhere in the eurozone.

Macron's plan for a eurozone budget was more-or-less killed off by the Germans and their allies in the Dutch-led 'Hanseatic league'. They ensured that the budget will be very small and that it cannot be used for stabilisation – which shifts the argument back to whether national fiscal policies can be co-ordinated to the same effect.

“German public opinion remains firm in its opposition to establishing some sort of transfer union with the eurozone.”

Without radical reform, argues Macron, the eurozone may not survive the next crisis. But the German government regards such talk as alarmist. Senior figures in Berlin say they would take French ideas more seriously if the French could get their own borrowing under control, instead of increasing their public debt and breaching EU budget rules, year after year.

It is true that in 2019 a debate began within Germany on whether the 'black zero' (the coalition government's commitment to avoid increasing public debt) should be re-thought. The Greens and some figures in the SPD favour a policy that would allow more borrowing for investment purposes – an idea that the BDI (the German industry federation) now supports. Even

Jens Weidmann, the hard-line president of the Bundesbank, has said that the commitment to a balanced budget should not become a fetish. Public opinion has become more favourable towards infrastructure spending, even if that entails more public debt.

But most of the CDU remains strongly opposed to loosening German fiscal rules, let alone the less stringent EU ones, believing that support for these rules is an important conservative credential. Conservative economists and senior officials in government argue that reflation in Germany would help most eurozone economies only very little. And German public opinion remains firm in its opposition to establishing some sort of transfer union within the eurozone.

In addition to these substantive arguments there are issues of trust between Paris and Berlin. In June 2018, Merkel and Macron agreed on a common approach to eurozone reform, among other things, in the 'Meseberg declaration'. Germany appeared to be moving closer to French thinking, for example on the need for a eurozone budget. But a few days later at the European Council, the Hanseatic League shot down most of the French ideas, and the conclusions were far less ambitious than those of the Meseberg declaration. Some senior French figures accused the Germans of having sneakily agreed to the declaration while knowing that the Hanseatics would step in to squash the key ideas.

Domestic politics and character

Disagreements on the substance of policy have been sharpened by the political circumstances of both leaders. Merkel faced re-election a few months after Macron moved into the Elysée, but suffered a big fall in the CDU's share of the vote. After a long delay, she formed another 'grand coalition' with the SPD, while saying that she would not fight another election. All this left Merkel considerably weaker within her own party and the country than she had been. Even if she had wanted to endorse Macron's plans for eurozone reform, she would probably have lacked the strength to push many of his ideas through the Bundestag.

The French complain that the current German government is weak, introspective and dysfunctional. For example, in November the finance minister, the SPD's Olaf Scholz, offered a roadmap for completing the banking union, including a scheme for common European deposit insurance, which had been a taboo in

Berlin. It was a serious proposal that moved the German position closer to the French, despite coming with many conditions attached. But the plan was immediately attacked by senior figures in the CDU, while the chancellor herself called it a mere "contribution to the debate".

Meanwhile, Merkel and other Germans are increasingly frustrated with Macron's behaviour. They dislike his public criticism of Germany (they tend to criticise France in private rather than in public), his increasing reluctance to consult them before taking initiatives, and his penchant for bold, dramatic interventions that are grandiose but lacking in detail. The Germans believe that Macron's over-the-top behaviour is rooted in his domestic weakness: his fear of Marine Le Pen explains some of his unilateral policy initiatives (see below). But they think that in the long run, he will learn that he cannot achieve much unless he works with Germany.



Differences of character certainly do not help. The French repeatedly complain about Merkel's lack of vision, what they claim is her inability to think outside the box, and her ponderous slowness, which contributes to what they call German *immobilisme*. Merkel is a sober and dour person who resents Macron's mercurial behaviour, and the way he often appears to launch a new policy on the spur of the moment, sometimes without the knowledge of his officials. The Germans also fret about his apparent indifference to upsetting other member-states.

In the final phase of her chancellorship, Merkel sees her legacy as having been a leader who kept Europe together during a very difficult period. She believes that her key task is to prevent divisions deepening among the 27. Such an approach has led to strains with Paris, because Macron's ideas, being radical, tend to be divisive. Macron's style is to take bold initiatives in the hope of shaking up a too-complacent EU – for example by proposing a eurozone budget, a Europe of concentric circles or a European Intervention Initiative for defence co-operation.

For all these difficulties and tensions, France and Germany still work well together on many dossiers. For example, they have more-or-less agreed on the EU's responses on migration and refugees, on climate and the 'Green new deal', on appointments to the key EU jobs (such as the presidencies of the Commission and the European Central Bank), on handling the Ukraine crisis through the 'Normandy format' of

talks with the Ukrainian and Russian presidents, and on Brexit.

And in some areas where they have previously clashed, there are signs of at least partial convergence. On China policy, for example, Germany is becoming less focused on purely commercial opportunities; it is starting to share some of France's concerns about possible security threats, and German firms now worry about the theft or forced transfer of their technology and intellectual property, and about unfair subsidies to Chinese firms. And in the related area of competition policy, more people in Germany are coming to respect the French view that the EU needs 'European champions', that industrial policy should not be a dirty word, and that the Commission, when ruling on whether mergers create too little competition, should sometimes regard the relevant market as global rather than European.

At a formal level, too, the Franco-German partnership looks in good shape. The two countries signed a new concordat, the Treaty of Aachen, in January 2019. Merkel and Macron took part in a joint summit with China's Xi Jinping in Paris in March 2019, while the previous October they joined Vladimir Putin and Recep Tayyip Erdoğan in Istanbul to discuss Syria.

Yet in Paris and Berlin some of the figures most committed to Franco-German friendship fret that both sides are starting to behave in a much more unilateral manner than they would have done in the past. Some German

ABOVE:
 (L to R) Agata Gostyńska-Jakubowska and Gordon Sondland

CER/Clifford Chance lunch with Gordon Sondland, United States Ambassador to the European Union, Brussels

politicians acknowledge that not only France but also their own country has been guilty of unilateralism. For example, Germany did not consult its EU partners over its support for the Nord Stream 2 Russian gas pipeline, although it will increase the EU's dependency on Russian energy and cause tensions with the US. In March 2019, Merkel kept the French in the dark before saying that she would allow Huawei to compete for contracts in parts of Germany's 5G network; she ignored the French view that Huawei was a potential security threat and that

there should be a common EU response to the Chinese company (she has subsequently faced a strong push-back from senior figures in her own party). And then Annegret Kramp-Karrenbauer (AKK), the German defence minister and CDU leader, failed to talk to France (or the SPD-led German foreign ministry) before launching a new initiative for a safe zone in Northern Syria in October 2019, despite the presence of French troops there; French officials were withering in their comments about a proposal that had not been prepared thoroughly or thought through.

Four areas of discord

The biggest rift between France and Germany remains over eurozone governance (see above). But there are major tensions in at least four other areas, in all of which French unilateralism has annoyed Germany.

with Mercosur. There are similar tensions over France's enthusiasm for taxing America's digital giants; Berlin is much warier of upsetting Washington on digital taxes than is Paris.

“The French argued – as they often have over the past 30 years – that too much enlargement weakens the EU's cohesion and institutions.”

One of these is how to respond to President Donald Trump's protectionism. He has slapped steel and aluminium tariffs on imports from the EU, and talked about extending them to other goods. Macron believes that the best way to change Trump's behaviour is to stand firm against him. German leaders, however, are fearful that Trump may carry out his threat to put tariffs on European car exports, and would willingly seek a compromise. Thus Germany is keen to move ahead with an EU-US trade deal, which could include reductions on car tariffs by both sides. To make the deal interesting for the US, some Germans would happily include agriculture. But that would be anathema to France and its farmers, who have insisted on farming's exclusion from the trade talks, thereby – in the view of the Germans and many others – reducing the prospect of a deal.

A second set of disagreements concerns EU enlargement. In November 2019 France vetoed the start of EU accession talks with North Macedonia and Albania. It was alone in doing so for North Macedonia – which in the view of many observers had met the conditions set by the EU for the start of talks – and almost alone on Albania. Seen from Berlin, this was all about Macron's fear of Le Pen exploiting the unpopularity of enlargement during the next presidential election. But the French argued – as they often have over the past 30 years – that too much enlargement weakens the EU's cohesion and institutions.

The Germans (and other member-states that take a close interest in the Balkans) were angry: Berlin sees the Balkans as strategically important and worries that if the EU breaks its promises to the countries concerned, Russia, China and Turkey will move into the space that it vacates. France's response is that those powers are already moving into the countries that are negotiating membership – such as Russia in Serbia and Montenegro.

In the summer of 2019, when the Council of Ministers was discussing a draft mandate for the Commission for the trade talks with the US, several changes were made to satisfy France. But then at the last minute, France voted against the mandate (which was in any case adopted). It did so because Macron had to placate a Green politician who was due to play a leading role in the campaign for the European parliamentary elections. The Germans were not amused. Nor are they happy about French opposition to other EU trade deals, such as its threat not to ratify the FTA that has been negotiated

The French insist that they are not blocking enlargement per se, and that they will agree to the opening of accession talks if the EU reforms the enlargement process. In particular France wants two changes. Accession talks should be 'progressive', so that as a country fulfils sets of EU requirements, it should start to obtain some of the benefits of membership – such as access to regional funds, or transport networks, or the single market. Only when the negotiations were complete would the country concerned participate fully in the EU institutions. The second reform would be to make this process reversible: if a country negotiating accession



misbehaved, it would be excluded from certain policies and markets. In the long run, Germany, other member-states and the Commission may well accept aspects of this French thinking; but Berlin remains miffed that Macron acted unilaterally over enlargement.

France's willingness to defy most member-states over North Macedonia and Albania is symptomatic of a broader difference of approach between Paris and Berlin. Having never been great enthusiasts for EU enlargement, senior figures in Paris sometimes regret – in their private comments – the presence of the Central and Eastern European Countries (CEECs) in the EU. And when some of those countries behave in ways that seem incompatible with European values, as has been the case with Poland and Hungary in recent years, it reinforces the feeling in Paris that the EU has enlarged far enough already.

Germany, being in the middle of Europe, has no choice but to think about the CEECs as much as its western neighbours. German officials lament that the French – geographically more distant than themselves – have failed to invest sufficiently in relations with the CEECs. Seen from Berlin, the French alternate between being critical of these countries and ignoring them altogether. A recent CER essay by Zaki Laïdi, 'Can Europe learn to play power politics?', illustrates the Germans' point. In a powerfully-argued and provocative paper on the need for the EU to become more than a soft power, this influential French thinker says very little about the role of the CEECs.

Russia policy is the third example of French unilateralism that irks Berlin. In a speech to French ambassadors in August 2019, Macron said that he wanted to bring Russia in from the cold, for strategic reasons. Europe needed Russia to help tackle problems such as Syria and Islamic terrorism; and if it continued to cold-shoulder Moscow, the Russians could fall irreversibly into China's orbit. There are plenty of voices in Germany, and elsewhere in the EU, that instinctively favour talking to the Russians. But what annoyed such voices was Macron acting unilaterally rather than with Germany or the EU – especially on an issue that is so important for Germany. One senior foreign policy official in Berlin said that he learned about the French initiative from the Finns who had been told by the Russians. Even Austria, a member-state that is normally sympathetic to Russia, chided France for not acting via the EU. As far as those close to Merkel are concerned, Russia can very easily move towards ending its isolation by helping to broker peace in Ukraine; new initiatives from Macron or anyone else will not alter the fundamental point that Russia needs to show respect for international law.

Germany and many Central and Eastern Europeans worried that Macron might be preparing to push for the lifting of the sanctions that the EU had imposed because of Russian actions in Ukraine. By saying that the EU needed Russia, Macron implied that Russia deserved some sort of reward without having to change its behaviour. And when Macron talked of re-admitting Russia to the G-7 and of designing a new European security architecture, in which

ABOVE:
Margrethe
Vestager

*CER/Kreab
breakfast
meeting on
'Enforcing
competition
rules in a
globalised
world', Brussels*

Russia could find a place, he was raising Moscow's expectations. But in fact these worries were over-blown: Macron has not questioned the EU sanctions. He has emphasised that he is not naïve about Russia, and said that it may take a decade before this initiative brings results. Nevertheless the unilateral way that Macron handled the issue eroded trust in the French in Berlin and elsewhere – as some French officials acknowledge.

In defence, the fourth area of disagreement, France and Germany start with diametrically opposed perspectives but sometimes end up working together. France, like the UK, has a strategic culture which is relaxed about the use of force outside Europe. German views on the use of force, however, are constrained by history. Germany's post-War tradition puts a premium on solving conflict through non-violent methods, and its government cannot deploy force without parliamentary approval. German attitudes have evolved somewhat over the past 20 years, so that German troops have been sent abroad, usually when wearing NATO or EU helmets. But the political class, and especially senior figures in the SPD, remains hostile to the idea of German soldiers getting involved in a shooting war.

Thus when the EU's role in defence is discussed, Germany often favours tinkering with existing institutions or the creation of new procedures. It likes to support initiatives that all or nearly all member-states will join, such as 'permanent structured co-operation' (PESCO, a framework that allows groups of members to pursue defence projects together). France, in contrast, favours schemes that could facilitate Europeans intervening militarily with real force – such as the 14-country European Intervention Initiative, an idea of Macron's which aims to foster a common strategic culture (and which includes the UK).

Germans are insistent that any deployment of force should be on a multilateral basis, under the aegis of NATO, the EU or the UN. But they reckon that those institutions are mere options for the French, alongside the deployment of force unilaterally or in other small groups. So when Macron said to *The Economist* in November 2019 that NATO was "brain-dead", and that he was unsure whether its members would fight to defend each other as the alliance's Article 5 required them to do, he caused consternation

in Berlin (and other capitals). Some officials acknowledged that he had raised important issues, but thought that for a head of state to say such things, rather than a think-tanker, could only aid those who wished NATO ill. The Russians did of course exploit Macron's words.

France and Germany can come together on defence issues. For example, for many years they failed to agree on a common approach to arms exports, because of Germany's more restrictive rules. This discord prevented joint Franco-German armaments projects from moving forward, and thwarted some French exports of equipment that included German parts. But in October 2019 the pair agreed on a compromise set of rules.

They also both agree on the slogan of greater European strategic autonomy, but not necessarily on what that should mean in practice. For France it means building up European defence capability so that if one day the US is absent, Europe can act to defend its interests. Germany worries that pursuing that line too boldly could hasten America's departure.

In November, AKK gave a speech that in some ways leaned to the French view, arguing that Germany should be willing to deploy force in support of its strategic interests. She also called for defence spending to rise from its current level of 1.37 percent of GDP to the NATO target of 2 percent, but only by 2030. Despite AKK's fine words, however, the reality is that very few German politicians think it worthwhile to spend significantly greater sums on strengthening their country's military muscle.

Defence will thus remain a source of tension between Germany and France. Just as the CDU's commitment to the black zero budget rule makes it hard for France to work closely with Germany on eurozone issues, so the SPD's pacifism will impair French efforts to push Germany towards accepting greater European strategic autonomy in defence. On both issues, the entry of the Greens into government – which could easily happen within the next few years – would move Germany somewhat closer to French thinking. The Greens are more Keynesian than the CDU on economics, and more willing to intervene militarily than the SPD.

The future of Franco-German leadership

The EU can achieve very little unless France and Germany work together. Despite the *angst* and *méfiance* that has crept into the relationship

of late, each generation of leaders in Paris and Berlin learns this truth.



Macron needs to become a better diplomat. He would stand a greater chance of implementing his ideas if he found the time to consult and convince Germany and others before launching them. He should not undermine NATO's credibility by publicly questioning the commitment to mutual self-defence that is contained in its Article 5. Nor should he make overtures to Russia unless it shows greater respect for international law. As for enlargement, some of Macron's ideas make sense, but he should be willing to compromise on what he can get in return for lifting his veto on further accession talks.

Meanwhile the Germans need to be less complacent about some of the threats to the EU and its currency. A continuation of current policies could lead to their weakening, or worse.

Germany should accept that in the eurozone the price of leadership and success is some degree of responsibility for the welfare of weaker members. In return the Germans are entitled to expect EU mechanisms that will push 'problem' countries to manage their economies better. As for European security, the Germans should be willing to contribute more, rather than free-ride on others.

Much will depend on the leadership of those heading these two countries. Macron and Merkel are still capable of working together effectively, and she is likely to remain in office well into 2021. Potentially, their skill sets can be very complementary: he bringing vision, bold ideas and youthful energy; and she bringing calm, experience and a spirit of compromise.

ABOVE:
 The Rt Hon
 Sir John Major

*Friends of the
 CER reception
 2019, hosted
 by HE
 Mr Carlos
 Bastarreche,
 Spanish
 Ambassador to
 the UK, London*

The challenge of Brexit for European security

One huge challenge for France and Germany is minimising the damage that Brexit could inflict on the EU. Brexit makes Franco-German co-operation even more necessary – but also, in some ways, more difficult. The UK has acted as a kind of safety valve for the Franco-German relationship. When France got fed up with Germany on security issues, it could go and flirt with the UK. And when Germany found France's reticence towards free trade and EU enlargement a pain, it could talk to the British. Now each has little alternative to the other. Furthermore, Brexit makes other member-states more wary and resentful of Franco-German leadership, since that couple is now more dominant. And that in turn makes it harder for France and Germany to lead the EU, even when they agree.

Concerning the UK's economic ties to the EU, the Commission will play a leading role in negotiating the future relationship, alongside France and Germany. But when it comes to moderating the harmful strategic consequences of Brexit, Merkel and Macron will be pre-eminent, since they – unlike many other EU leaders – are accustomed to thinking about the bigger picture. They understand why both Vladimir Putin and Donald Trump have been so delighted by Brexit.

The good news for those who hope for a close EU-UK security partnership is that EU thinking evolved during 2019. The Commission's starting point was that no third country could have too close a relationship with the EU – in foreign or defence policy, or justice and home affairs – because of the risk of setting a precedent. For example, if the UK posted a liaison officer in the EU military staff, Turkey might ask for the same thing. If the UK was allowed to continue to use the European Arrest Warrant, then Iceland and Norway, which had spent many years negotiating their own special (but still inferior) alternative to the warrant, would expect a comparable deal. Or if Britain's defence firms were allowed to participate in EU-funded defence capability projects, US firms would demand the same status.

Several member-states were unhappy about this focus on legal precedent. They worried that keeping the UK at arm's length could ultimately harm their own citizens' security – given how much Britain can potentially contribute. During 2019, these member-states pushed for a more flexible approach, and even the French, who had taken a very hard line, started to shift, as did the Commission. The current line in Berlin and Paris is that the EU should create bespoke structures that enable the British to plug into EU machinery, and that these arrangements should not be offered to other third countries. The caveat is that in justice and home affairs, which is about EU law, the UK will have to accept a strong role for the European Court of Justice, as well as EU rules on data privacy.

There is a fair chance that Boris Johnson's government will ultimately agree to a moderately close security relationship, because of the potential benefits for the UK; very few people voted to leave the EU because they disliked the common foreign and security policy. But there is a risk that if the talks on the future trading relationship break down in acrimony, the atmosphere will be so poisoned that Britain's leaders will spurn close security ties.

In several areas of security policy, officials may invent procedures that allow the British a voice in EU councils, though not a vote. However, in both Paris and Berlin senior figures think that an additional format needs to be created at a high level, outside the framework of the EU. Macron and Merkel have both spoken of a European Security Council (ESC). For the French, one advantage of this format could be to involve the UK in discussions on the big issues facing Europe, such as Russia, China or the Middle East, and to help prevent it becoming a loose cannon that could slide towards the US. Such meetings would also encourage human contact between British and EU politicians, facilitate common analysis of problems and help to contain disagreements. Merely inviting the UK to occasional meetings of the European Council or the Foreign Affairs Council would not be sufficient, since those two bodies are too large for serious discussion.

In Berlin, politicians such as Heiko Maas, the SPD foreign minister, and Jens Spahn, the CDU health minister, have called for an ESC that would include Britain. But other senior Germans say they would prefer to build on the informal 'EU3' meetings of Britain, France and Germany that have often played a substantive role in foreign policy, such as during the Iran nuclear negotiations. A more formal ESC, these Germans say, could rival or damage the EU's institutions and irritate excluded member-states.

Indeed, working out how an ESC should relate to the EU's institutions and procedures would be fiendishly complicated. It might meet before gatherings of EU leaders, so that the UK could help to shape but not take decisions. If EU leaders did agree to create an ESC, deciding who should sit on it would be the most difficult issue. The least bad option would probably be to follow the UN Security Council model: the larger member-states would have permanent seats, and the smaller ones would rotate. The EU institutions would need to be represented, to reassure the smaller members who were not on the council.

Many smaller countries are hostile to the concept of an ESC, fearing a big countries' club that would effectively exclude them. But the right kind of rotational structure might offer some reassurance. And the smaller states would gain little from more frequent meetings of the EU3, from which they are always excluded. In any case, if the larger countries want to meet informally, outside the EU framework, there is nothing to stop them doing so. In the long run even reticent smaller members may come to share the Franco-German view that a new mechanism is needed to plug the British firmly into European security policy.



Charles Grant
Director, CER



The CER in 2019

ABOVE:
(L to R) Amber
Rudd, Charles
Grant and
HE Jean-Pierre
Jouyet.

Britain's last year in the European Union turned out to be one of the busiest and most fruitful yet for the CER, for both the calibre of the speakers we attracted to our events and the impact of our publications. Geographically, our Brussels and Berlin offices have continued to broaden our reach, helping to cement our reputation for serious and rigorous work on both the EU in general and Britain's relationship with the Union.

*CER 21st
birthday party,
hosted by HE
Jean-Pierre
Jouyet, French
Ambassador to
the UK, London*

The CER has always had two core missions: to come up with ideas and policies that a) help to make the European Union more successful and effective, and b) improve the quality of the UK's relationship with the EU. Those missions remain highly pertinent, and the second one perhaps even more so following Brexit.

The UK's departure remained an important focus in 2019, especially in terms of our events and media work. But the lion's share of our research covered a range of other EU dossiers, including economic, foreign and security policy. Indeed, of the 11 longer papers that we published in 2019 (which we call policy briefs or essays), only one had much to do with the UK leaving the Union. But Brexit was the subject of many of the 55 shorter 'insights' or bulletin articles that we produced.

All sides of the Brexit debate recognise the value of the CER's sober and constructive approach to

the issue, as well as our well-sourced expertise on the thinking on both sides of the Channel. That is why CER researchers were asked to appear before parliamentary committees on seven occasions in 2019, and why eurosceptic ministers are willing to speak at CER events. Britain's departure from the EU has not led to a drop in demand for our analytical work on Britain's relationship with the 27. We help people in Britain to understand what is happening in the EU and vice versa.

In 2019 John Springford continued his series of insights on the cost of Brexit to the British economy. His economic modelling showed that three years after the referendum, the British economy was about 3 per cent smaller than it would have been if Remain had won. John's analysis compared Britain's GDP growth with a model showing how it would have performed if voters had chosen to stay in the EU. This was constructed using data from a selection of

countries whose economic characteristics closely matched those of the UK in the run-up to the referendum. The *doppelgänger* UK has expanded faster than Britain since the referendum, with notably stronger growth in investment and consumption. This series of insights was widely cited in the British and the international press, and by the UK's public finances watchdog, the Office for Budget Responsibility.

“Brexit has prompted the CER to open offices in Brussels (in 2017) and Berlin (in 2018) to strengthen our links with policy-makers on the continent.”

One of the most contentious issues in the Brexit negotiations proved to be the Irish border. Advocates of ‘alternative arrangements’ argued that, post-Brexit, checks on the border between Northern Ireland and Ireland could be minimised through the use of advanced technology. Sam Lowe’s insight of May, ‘Northern Ireland and the backstop: why “alternative arrangements” aren’t an alternative’, debunked much of this thinking, and questioned the logic of using Northern Irish border communities as guinea pigs for an inevitably intrusive approach to border management that did not exist anywhere else in the world. This insight, downloaded 12,000 times in 2019, proved to be prescient: the British government eventually rejected alternative arrangements and reverted to the idea of leaving Northern Ireland effectively in the EU’s customs union and parts of its single market. That means – notwithstanding what Prime Minister Boris Johnson sometimes says – that goods travelling between Northern Ireland and Great Britain will have to be checked. Sam’s constructive criticism of the government did not impede his appointment to the Department for International Trade’s strategic trade advisory group.

Alternative arrangements were the theme of our fringe meeting at the Conservative Party conference in October in Manchester. Former minister Greg Hands, who had co-authored an influential report on the subject, defended the use of advanced technology on borders, alongside fellow Tory MP Richard Graham, while Carolyn Fairbairn, representing business voices as director-general of the CBI, was more sceptical.

Our one longer paper on Brexit in 2019 was on the crucial but under-discussed subject of how, after Britain has left, Parliament should scrutinise European affairs. Agata Gostyńska-Jakubowska’s policy brief of April, ‘Not so fast! Westminster’s (continuous) oversight of European affairs post-Brexit’ proved influential with MPs. In September,

the Commons’ Liaison Committee, which consists of the chairs of all the select committees and takes evidence from the prime minister, picked up a number of Agata’s recommendations and included them in its own report on the effectiveness and influence of the select committee system. MPs concurred with Agata that parliamentarians needed to come up with more effective ways to oversee the government’s actions during the transition period and afterwards. For example, they agreed with her recommendation that there should be a single European committee to oversee EU-UK matters post-Brexit, as opposed to the current plethora.

Inevitably, Brexit was the main theme of several CER breakfasts in London in 2019, with speakers including Labour’s Sir Keir Starmer (speaking at his third CER breakfast in two years), who at the time of writing is favourite to become the new Labour leader; Chris Heaton-Harris, a Brexit minister in Theresa May’s government; Hilary Benn, the chairman of the Commons’ Brexit select committee; and Eleanor Sharpston, the UK’s last advocate-general at the European Court of Justice. We also had David Lidington, then the *de facto* deputy prime minister, speaking at a CER dinner in February. Two senior Labour politicians, Yvette Cooper and Tom Watson, chose the CER’s London office to deliver keynote contributions to the Brexit debate.

Brexit has prompted the CER to open offices in Brussels (in 2017) and Berlin (in 2018), to strengthen our links with policy-makers on the continent and remind people that we are a European think-tank rather than a UK-centric organisation (as it happens, the CER’s research staff is more than 50 per cent non-British, and includes two Germans, an Italian, a Pole, a Spaniard and a Ukrainian). One bonus of having these new offices is that many more of our events take place in Berlin and Brussels. In Berlin we have started a series of strategic breakfasts in collaboration with AIG, aimed at an audience of business representatives and policy-makers. The first three covered China-EU relations, transatlantic relations and Europe’s role in the Middle East.

In Brussels we continued the series of breakfasts that we run with Kreab. Speakers included the secretaries-general of the Council and the Parliament, Jeppe Tranholm-Mikkelsen and Klaus Welle respectively; Catherine De Bolle, the new head of Europol; David O’Sullivan, the outgoing EU ambassador to the US; and three commissioners – Margrethe Vestager, responsible for competition policy, Elżbieta Bieńkowska, who spoke on the European defence market, and Pierre Moscovici, who covered the EU’s



role in taxation. The Brussels office also hosted another in our series of occasional lunches with Clifford Chance, where the speaker was Gordon Sondland, US ambassador to the EU, who called for closer EU-US co-operation while also emphasising the many points on which the US administration disagreed with its partners. Our Brussels-based colleagues also assisted journalists and diplomats with their coverage of

the European Parliament election and changes in the top EU jobs. As Agata Gostyńska-Jakubowska and Leonard Schuette predicted in their bulletin piece 'The European Parliament elections: different this time?', although the pro-EU forces held their ground, the vote produced a more fragmented Parliament which has proved a difficult partner for the new Commission President.

ABOVE:
 Pierre Moscovici

CER/Kreab discussion on 'New tax laws for a new European Union', Brussels

The European economy

Europe's capital markets remain fragmented along national lines. Unified European capital markets would encourage Europe's economy to grow, help firms to fund either expansion or innovation, give retail investors more choice and strengthen the resilience of the eurozone in times of crisis. Which is why the EU has been right to set out plans for a capital markets union – even if, hitherto, progress has been very modest.

One of the key questions after Brexit will be how open Europe's capital markets are to outside actors. In July, the CER published a policy brief on that question, written by Simon Gleeson, a partner at Clifford Chance, and Sir Jonathan Faull, a former director-general of the Commission responsible for financial services and capital markets. They concluded that Europe would be well-advised to maintain an open capital market; a closed market would be costly for Europe's economy and would not succeed in isolating Europe from systemic crises. That publication was launched at a seminar in Brussels, but London was the

venue for two dinners that we held on financial services regulation, with Sir Jon Cunliffe, deputy governor of the Bank of England, and Andrea Enria, the new head of the European Central Bank's supervisory body.

Ursula von der Leyen, who became Commission President on December 1st, has made tackling carbon emissions one of the top priorities for her five-year term of office. In 2019 the CER stepped up its own work on environmental issues, initially with a major conference on 'Europe's climate change challenge', in London in April, in partnership with the Friedrich Ebert Stiftung. This brought together MPs, industry leaders, EU officials and leading researchers, to examine Europe's role in establishing and maintaining a global climate change regime, and to consider the infrastructure and regulatory measures required to complete a clean European energy union. One theme that emerged was that, post-Brexit, the UK – traditionally a leader on mitigation efforts – and the EU would have no choice but to work together to tackle climate change. The conference also considered

whether European countries could set an example in showing that competitiveness and employment need not suffer under climate-friendly energy policies.

In the autumn we published a series of insights evaluating the EU's progress on climate change. These assessed the feasibility of an EU border carbon tax; proposed tweaks to the sustainability provisions in EU free trade agreements; and recommended an overhaul of the EU budget, which currently undermines European attempts to combat climate change.

“High-tech and services firms are increasingly clustering together in larger, successful cities, which in turn attract the young and well-educated.”

Climate change seems to be offering right-wing populists a new stick with which they can beat pro-EU establishment politicians. In France, for example, the *gilets jaunes* movement was at least initially a protest against fuel duties and rural speed limits. The biggest drivers of populism in recent years, however, have been migration and economic insecurity – and in particular, according to a CER paper published in May, growing inequality between regions. Those in France who vote for Marine Le Pen and those in Britain who backed Brexit tend to be from ‘left-behind’ regions – small towns rather than big cities. In ‘The big European sort: the diverging fortunes of Europe’s regions’, John Springford and Christian Odendahl took a deeper dive into European data to analyse the scale of regional divergence at city and county levels in Europe.

They found that regional divergence in Europe is a growing problem and that high-tech and services firms are increasingly clustering together in larger, successful cities, which in

turn attract the young and well-educated. Their analysis of Bloomberg data, together with two economists from Bloomberg Economics, showed that even the profitability of firms was diverging in Europe. Their report’s findings were widely cited in the media, as was the interactive map that came with it, on which users could look at their home region’s productivity and see how it compared to others. This policy brief was the first fruit of the CER’s project on the future of the European economy, supported by Gianna Angelopoulos-Daskalaki.

In November, our annual economics conference at Ditchley Park in Oxfordshire focused on what we considered to be the five biggest problems facing Europe: an ageing society, growing competition between the US and China, gridlock over eurozone reform, climate change and regional inequality. Our view is that a stuttering European economy and regional divergence are the biggest causes of the continent’s political troubles; and that over the next decade, rivalry between the US and China, climate change and ageing will force governments to make choices that will result in winners and losers.

Participants at the conference included Barry Eichengreen, Pier Carlo Padoan, Jean Pisani-Ferry, Hélène Rey, Isabel Vansteenkiste and Jeromin Zettelmeyer. Most of those present agreed that Europe needed to raise the employment rate of older people, to keep health and pensions systems on a sustainable footing. As for the eurozone, there was consensus that incremental progress on the banking union was all that was politically achievable. But participants differed on how to deal with China-US competition, with some arguing for co-operation with China on investment and climate change, others following the Americans in calling for a tough stance, while a third group wanted the focus to be on relations with Europe’s neighbourhood and other developing countries.

Europe’s foreign policy

Whatever the EU’s economic difficulties, Russia’s economy faces far more serious challenges. For a country with a stagnant economy, an ageing and unhealthy population, and a corrupt and under-performing political system, however, Russia exerts disproportionate influence in the world. If anything, policy errors and indecision on the part of the EU and the US helped Russia’s President Vladimir Putin to enhance his international standing in 2019 – at the end of which he celebrated the 20th anniversary of his appointment to high office.

In August 2019, French President Emmanuel Macron declared that “pushing Russia away from Europe is a major strategic error” (see previous article). Then President Donald Trump’s withdrawal of US troops from Northern Syria gave Putin a much bigger public relations coup, as Russian forces took over expensively-constructed US military infrastructure, and America’s erstwhile Kurdish allies were forced to look to Russia as their new protector. The EU’s inability to agree on whom to back in Libya’s civil war also enabled Russia to increase its influence on the EU’s southern flank.



In theory, Putin is in his last term of office as president. Igor Yurgens of the Institute of Contemporary Development in Moscow and our own Ian Bond co-authored a policy brief in January, 'Putin's last term: Taking the long view', assessing the prospects for the Russian economy and society in the coming years, and for the West's relationship with Russia. They suggested areas in which Russia and the West could step up their dialogue, even if the fundamental issues dividing them could not be resolved. They proposed that the parties engage both on traditional topics like arms control and confidence-building measures, and in new areas for potential co-operation, such as global health and environmental problems.

Sophia Besch and Ian wrote about the success of Russia's information warfare and the need to counter it in their April insight on NATO's 70th anniversary. In November, we published an essay by Zaki Laïdi of Sciences Po, 'Can Europe learn to play power politics?', in which he argued that the EU could not remain a pure 'soft power' at a time when the US, China and Russia were all rejecting the EU's liberal model. And in December, in her first publication for the CER, the 2019-20 Clara Marina O'Donnell Fellow, Khrystyna Parandii – the first Ukrainian to work at the CER – set out the case for France and Germany to maintain a firm line in their attempts to work with Putin to resolve the conflict in eastern Ukraine.

Putin was not the only world leader unsettling Europe. Trump's rhetorical attacks on his allies were as frequent as those on his enemies; indeed, he often seemed to have more respect

for authoritarian strongmen like North Korea's Kim Jong-un, China's Xi Jinping or Putin than for democratic leaders like Angela Merkel.

In these circumstances the transatlantic Daimler Forum, run by the CER, Germany's Stiftung Wissenschaft und Politik and America's Brookings Institution, continues to play a vital role in maintaining a frank dialogue between US and European officials, think-tankers and commentators. We devoted a session in Brussels in April to the EU-US relationship, hearing from among others the US ambassadors to NATO and the EU, Kay Bailey Hutchison, and Gordon Sondland, respectively. There was clear frustration from the US side at the EU's slow progress in resolving trade disputes, and concern that Europe's ambitions to strengthen defence industrial co-operation would damage NATO. That topic was addressed by Sophia Besch in a number of insights, and in a project involving the CER and Germany's Konrad Adenauer Stiftung that brings together US and European defence officials and experts to look at these concerns on both sides of the Atlantic.

The Daimler Forum met again in December in Washington. Speakers included Fiona Hill, former US National Security Council Senior Director for Europe and Eurasia; Robert Karem, national security adviser to the Republican Majority Leader in the US Senate, Mitch McConnell; Jens Plötner, the German foreign ministry's Political Director; and Philip Reeker, acting US Assistant Secretary of State for Europe. By this time the list of transatlantic irritants also included American concerns about European countries' willingness

ABOVE:
 (L to R)
 Barry
 Eichengreen,
 Alicia García-
 Herrero, Charles
 Grant, Daniela
 Schwarzer and
 Martin Sandbu

*Conference
 on 'Five
 challenges
 for Europe',
 Ditchley Park*

to let China's Huawei provide some of the infrastructure for their 5G systems.

But Europe also found itself at odds with the US over a number of issues in the Middle East, and above all Iran. As Trump sought to exert 'maximum pressure' on Iran, Europeans (including the UK, despite its impending departure from the EU) continued to look for ways to preserve the nuclear deal, and to find routes for European companies to trade with Iran without being subject to US sanctions – a subject explored in Luigi Scazzieri's July policy brief, 'A troubled partnership: the US and Europe in the Middle East'. Luigi urged Europe to be less passive, arguing that Europeans should step up co-operation with the US where their interests were aligned, and try to moderate US policy where it might harm European security.

“The EU's poorly co-ordinated arms export policy was symptomatic of a lack of consensus in Europe on threat perception and strategic assessment.”

The EU continued to struggle to speak with one voice on foreign policy. One way of ensuring that EU foreign policy cannot be blocked by one or two member-states would be to move from unanimous decision-making to majority voting on some topics – an idea long espoused by European federalists. Leonard Schuette, our 2018-2019 Clara Marina O'Donnell fellow, made the case for adopting majority voting just in the area of sanctions policy, in a policy brief of May, 'Should the EU make foreign policy decisions by majority voting?'

The murder of Saudi journalist Jamal Khashoggi at the end of 2018 and the conflict in Yemen laid bare Europe's divisions, with member-states quarrelling over whether to suspend arms exports to the Saudi-led military coalition in Yemen. In a May policy brief on Saudi Arabia,

Beth Oppenheim argued that the EU should take a decisive and co-ordinated approach if it wanted to promote stability in the region and progress inside the kingdom. In another policy brief in September, Sophia and Beth argued that the EU's poorly co-ordinated arms export policy was symptomatic of a lack of consensus in Europe on threat perception and strategic assessment. They concluded that stronger co-ordination at the EU level was essential for Europe to protect its security and legal integrity, and to develop a European defence industry.

We have followed Turkey closely since our foundation and we continue to do so. Ankara's purchase of a Russian air defence system, its military offensive against Kurdish forces in Northern Syria, and its drilling activities in the Eastern Mediterranean led to a sharp rise in tensions with the US and the EU. Turkey's maritime border delineation deal with the UN-backed Libyan government added fuel to the fire. Luigi warned in an insight in October that, despite these difficulties, it was in the EU's interest to make every effort to avoid a broader rupture and risk seeing Turkey drift further towards a partnership with Russia.

In this context of rising tensions between Turkey and the West, the annual CER/EDAM Bodrum Roundtable, held in October, continues to be an invaluable forum for informal dialogue between Turkish and Western policy-makers. Speakers this year included Carl Bildt, former Swedish prime minister, Faruk Kaymakçi, deputy foreign minister of Turkey, Camille Grand, NATO assistant secretary general, Reza Moghadam, former head of the IMF in Europe and Kori Schake, the then IISS deputy director-general. In April the CER hosted a workshop in London, exploring how the ties between the EU, Turkey and the UK could evolve post-Brexit, and whether they might lead to new models for the EU's relationships with its close neighbours.

Justice and Home Affairs

The Amato group, a joint initiative by the Open Society European Policy Institute and the CER that gathers together high level migration and security officials, met twice in 2019. During the first meeting, in March, a leading American political strategist, Anat Shenker-Osorio, led a workshop on how the way that politicians and officials talk about migration can shape elections, in Europe and the US.

The second meeting, in July, looked at what the EU was doing to fight corruption. Vice

President Frans Timmermans, just reappointed to the Commission, opened the seminar with a keynote address which focused on the difficulty of getting member-states to respect the rule of law. Another speaker – shortly before her appointment as the first European Public Prosecutor – was Laura Kövesi, who explained how her home country, Romania, had sought to tackle the problem. Tiina Astola, director-general for justice at the European Commission, talked about what the EU institutions were doing to minimise corruption in the member-states.



In 2019, we produced two policy briefs on the back of the work of the Amato group. The first, 'The EU's Security Union: A bill of health', by Camino Mortera-Martinez, looked at what the Security Union had achieved since it was set up in 2016 and what its prospects were once Julian King, the British commissioner responsible, stepped down after Brexit.

The second report, 'Schengen reloaded', by Raoul Ueberecken, director for home affairs at the Council of Ministers, was downloaded 11,000 times from our website, more than any other long CER publication in 2019. The Schengen area has struggled to cope with

the scale of population movements; and its mechanisms for law-enforcement co-operation have not kept up with technological developments or new forms of criminal activity. Ueberecken set out a programme for reform, including steps to increase the interoperability of the EU's numerous law-enforcement databases, investment in crime-fighting technology and a migration system that incorporated real-time monitoring of flows and a single point of co-ordination and decision-making. He also argued that the EU should strengthen its co-operation on these issues with non-EU countries, including those in the Western Balkans, and post-Brexit Britain.

ABOVE:
 Catherine
 De Bolle

*CER/Kreab
 breakfast on
 'Catch me if
 you can: What
 are Europol's
 priorities for
 the next five
 years?'; Brussels*

Stability at the CER

The CER's research team remained constant in 2019, though in the admin team Bea Dunscombe and Peadar Ó hÚbáin moved on, being replaced by Rosie Giorgi and Emma Roberts. Beth Oppenheim was promoted to become a CER research fellow and took on responsibility for our weekly podcasts. These have won a significant following, with the most popular ones attracting several thousand listeners. Of the five most listened to podcasts, two were on Brexit, and the others were about the European elections, the allocation of top jobs in the European institutions and the EU's Security Union.

Despite the importance of podcasts, social media and www.cer.eu (which had over 800,000 views in 2019, 100,000 more than 2018), we still take old-fashioned media seriously. On Brexit, we were as widely quoted as any think-tank

in European newspapers. And we like to write op-eds, placing 75 of them in newspapers, magazines and websites in 2019. In no small part due to the energies of our press officer, Nick Winning, op-eds appeared in outlets such as the *Financial Times*, *Project Syndicate*, *The Telegraph*, *The Guardian*, *The Independent*, *The New Statesman*, *Prospect*, *Politico*, *El Pais*, *Bloomberg*, *Haaretz*, *Süddeutsche Zeitung*, *Tagesspiegel*, *Tortoise*, *Forbes*, *Gazeta*, *Les Echos* and *International Politik*.

In earlier years the CER's track-record on providing women speakers at its events left much to be desired. But in 2019 we made a big effort to turn that around, with some success. The proportion of our speakers and panellists who were women rose from 27 per cent in 2018 to 35 per cent in 2019 (and reached 50 per cent

at our Ditchley economics conference). We are also proud to be a supporter of The Brussels Binder, a database of female experts that aims to help conference organisers and media outlets improve the gender balance in policy debates.

The CER's advisory board has also been too male, but in 2019 we made some amends. Three women joined: Catherine Barnard, professor of EU law at Cambridge University; Katinka Barysch, a former deputy director of the CER and now responsible for group strategy at Allianz in Munich; and Sylvie Goulard, deputy governor of the Banque de France (who narrowly missed out on becoming France's commissioner). Ian Taylor, chairman of Vitol Group, the oil-trading company, also joined the board, while Sir Nigel Wicks, who had contributed a lot to our understanding of financial markets, stepped down.

The board continued to give wise advice to our researchers, and to feed ideas into our work programme. Its meeting in June, when the board spent half a day brainstorming with researchers, was particularly memorable for the impact of some of our special guests on the discussion. Rory Stewart, then international development secretary and a candidate for Conservative Party leader, spoke on the EU's role in the world and made a blistering attack on the track record

of the West's 'development establishment' in impoverished countries. He did not spare his own government from criticism.

Normally we hold one party a year, at which we let our hair down. But last year we thought we deserved two. We started with a 22nd birthday party in June at the French ambassador's residence, with Amber Rudd, the then work and pensions secretary, as guest speaker. Then in September we had another party, for the CER's friends and supporters, at the Spanish ambassador's residence. Sir John Major, the former Conservative prime minister, did the honours with a speech on Brexit that was reported in every national newspaper.

Whatever the rights and wrongs of Brexit, we regret that the current Conservative Party does not appear to have space for the likes of Stewart, Rudd or indeed Sir John. That may change in the future. In any case, the CER deals with the world as it is rather than as we would wish it to be. We have always welcomed eurosceptics onto our platforms and we will continue to do so. Both Michael Gove and Boris Johnson have spoken at previous CER birthday parties. Those of a similar ilk will be welcome to do so in the future, as will politicians with very different views.

Charles Grant and colleagues

CER events 2019

16 January

CER/Kreab breakfast on 'The EU's future post-Brexit'
with *Jeppe Tranholm-Mikkelsen, Brussels*

22 January

Dinner on 'What does Brexit mean for the City of London?'
with *Jon Cunliffe, London (top, right)*

31 January

Breakfast on 'Can Parliament stop a no-deal Brexit?'
with *Hilary Benn, London*

4 February

Launch of 'Putin's last term: Taking the long view'
with *Igor Yurgens and Kadri Liik, London*

7 February

Dinner on 'EU Exit and beyond'
with *David Lidington, London (second from top, right)*

26 February

Breakfast on 'Is Britain prepared for Brexit?'
with *Chris Heaton-Harris, London*

11 March

Speech on 'Brexit: Next steps'
with *Yvette Cooper, London*

12 March

Seminar on 'The big European sort: The diverging fortunes of Europe's regions'
with *Lorenzo Codogno and Peter Sanfey, London*

22 March

Breakfast on '(How) will the role of the ECJ change after Brexit?'
with *Eleanor Sharpston, London (middle, right)*

25 March

Ninth meeting of the Amato Group on 'Talking migration in the time of populism'
speakers included *Laura Krause and Anat Shenker-Osorio, Brussels*

26 March

CER/AIG breakfast on 'China and the EU: New opportunities, new risks'
with *Janka Oertel, Volker Stanzel and Friedolin Strack, Berlin*

1 April

CER/Kreab breakfast on 'Catch me if you can: What are Europol's priorities for the next five years?'
with *Catherine De Bolle, Brussels*

3 April

Breakfast on 'The Labour Party's approach to Brexit'
with *Keir Starmer, London*

4 April

CER/IKV/IPM round table on 'Britain, Turkey and the EU: Mapping the future of differentiated integration'
with *Sanem Baykal, Atila Eralp, Fuat Keyman and Julie Smith, London*

9 April

CER/Kreab breakfast on 'The EU-US relationship in the Trump era'
with *David O'Sullivan, Brussels*

11-12 April

Brookings/CER/SWP Daimler US-European forum on Global Issues
speakers included *Kay Bailey Hutchison, Richard Moore, Nicolas de Rivière and Gordon Sondland, Brussels*

24 April

CER/FES conference on 'Europe's climate change challenge'
speakers included *Elina Bardram, Lisa Fischer, Catherine Howarth, Jostein Kristensen, Clive Lewis, Philipp Niessen, Clare Moody and Corinna Zierold, London (second from bottom, right)*

25 April

CER/Kreab breakfast on 'What will the European Parliament look like after the elections?'
with *Klaus Welle, Brussels*

8 May

Launch of 'The big European sort? The diverging fortunes of Europe's regions'
speakers included *Cinzia Alcidi, Joaquín Almunia, Joaquim Oliveira Martins, Raquel Ortega-Argilés and John Springford, Brussels (bottom, right)*

15 May

Panel on 'Is Macron's En Marche dead in its tracks?'
speakers included *Chris Bickerton, Charles Grant, Natalie Nougayrède and Brendan Simms, Cambridge*





22 May

CER/Kreab breakfast on 'Enforcing competition rules in a globalised world' with Margrethe Vestager, Brussels

17 June

Speech on 'The Future of Britain and Europe' with Tom Watson, London (top, left)

18 June

21st birthday party with a keynote speech by Amber Rudd, hosted by Ambassador Jean-Pierre Jouyet, London

20 June

CER/Clifford Chance lunch with Gordon Sondland, Brussels



10 July

Tenth meeting of the Amato Group on 'An offer the EU can't refuse: What is Europe doing to fight corruption?' with Tiina Astola, Laura Kövesi and Frans Timmermans, Brussels

11 July

CER/Kreab discussion on 'New tax laws for a new European Union' with Pierre Moscovici, Brussels



18 September

CER/Kreab breakfast on 'The EU's space and defence policy as a move towards European strategic autonomy' with Elżbieta Bieńkowska, Brussels (second from top, left)

11 September

CER/AIG breakfast on 'The US and the EU: Entering a new phase' with Susanne Riegraf, Jana Puglierin and Stormy-Annika Mildner, Berlin



19 September

CER breakfast on 'The new world (dis) order and the future of Europe' with Alexander Stubb, London

24 September

Labour Party Conference fringe event on 'What route out of the Brexit maze?' with Ian Bond, Charles Grant, John Peet and Therese Raphael, Brighton



26 September

Friends of the CER reception with a keynote speech by John Major, hosted by Ambassador Carlos Bastarreche, London

1 October

Conservative Party Conference fringe event on 'What route out of the Brexit maze?' with Carolyn Fairbairn, Richard Graham and Greg Hands, Manchester (middle, left)

4-6 October

15th Bodrum roundtable speakers include Faruk Kaymakci, Alexander Graf Lambsdorff, Reza Moghadam, Peter Roskam and Kori Schake, Bodrum

17 October

CER/Clifford Chance launch of 'The capital markets union: Should the EU shut out the City of London?' with Jonathan Faull, Christian Ebeke and Judith Hardt, Brussels (second from bottom, left)

30 October

Dinner on 'The Banking Union in 2019: Supervisory priorities and economic risks' with Andrea Enria, London (bottom, left)

15-16 November

Conference on 'Five challenges for Europe' speakers included Barry Eichengreen, Pier Carlo Padoan, H el ene Rey and Daniela Schwarzner, Ditchley Park

12-13 December

Brookings/CER/SWP Daimler US-European forum on Global Issues speakers included Fiona Hill, Robert Karem, Jens Pl otner and Philip Reeker, Washington DC

17 December

CER/KAS workshop on 'European autonomy and transatlantic divergence' with Paul Johnston, Arnout Molenaar and Rachel Ellehuus, Brussels

CER publications 2019

After the meaningful vote: What are Theresa May's options?

insight by Sam Lowe and John Springford *January 2019*

Putin's last term: Taking the long view

policy brief by Ian Bond and Igor Yurgens *January 2019*

Is Spain simply late to Europe's populist party?

insight by Camino Mortera-Martinez *January 2019*

Trump's foreign policy: Two years of living dangerously

insight by Ian Bond *January 2019*

How to combat Europe's economic slowdown

insight by Christian Odendahl *January 2019*

The cost of Brexit to September 2018

insight by John Springford *January 2019*

Can the UK extend the Brexit deadline?

insight by Agata Gostyńska-Jakubowska *February 2019*

Tearing at Europe's core: Why France and Italy are at loggerheads

insight by Luigi Scazzieri *February 2019*

Five years (is/is not)* a long time in Ukrainian politics (*Delete as applicable)

insight by Ian Bond *February 2019*

Europe without the UK: Liberated or diminished?

insight by Sophia Besch, Ian Bond, Agata Gostyńska-Jakubowska, Camino Mortera-Martinez and Sam Lowe *March 2019*

Appalled by strategic autonomy? Applaud it instead

insight by Sophia Besch *March 2019*

Dreaming of life after Brexit

insight by Sam Lowe *March 2019*

The European Parliament elections: Different this time?

insight by Agata Gostyńska-Jakubowska and Leonard Schuette *March 2019*

The cost of Brexit to December 2018: Towards relative decline?

insight by John Springford *March 2019*

Catch me if you can: The European Arrest Warrant and the end of mutual trust

insight by Camino Mortera-Martinez *April 2019*

NATO at 70: Twilight years or a new dawn?

insight by Sophia Besch and Ian Bond *April 2019*

Not so fast! Westminster's (continuous) oversight of European affairs post-Brexit

policy brief by Agata Gostyńska-Jakubowska *April 2019*

You never listen to me: The European-Saudi relationship after Khashoggi

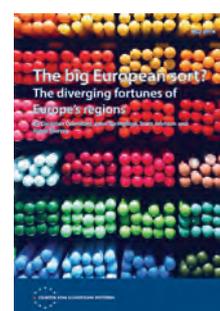
policy brief by Beth Oppenheim *May 2019*

The big European sort? The diverging fortunes of Europe's regions

policy brief by Christian Odendahl, John Springford, Scott Johnson and Jamie Murray *May 2019*

The Brussels view of Brexit

insight by Charlers Grant *May 2019*



Should the EU make foreign policy decisions by majority voting?

policy brief by Leonard Schuette *May 2019*

The EU can keep the Iran nuclear deal alive

insight by Luigi Scazzieri *May 2019*

Restricting immigration means constricting trade in services

insight by Sam Lowe *May 2019*

Germany should not run the ECB

insight by Christian Odendahl *May 2019*

Northern Ireland and the backstop: Why 'alternative arrangements' aren't an alternative

insight by Sam Lowe *May 2019*

Trump's state visit to a country in a state

insight by Ian Bond *May 2019*

The European Parliament elections: No grounds for complacency

insight by Agata Gostyńska-Jakubowska *June 2019*

Competition policy in the 21st century: Size isn't everything

insight by John Springford *June 2019*

The EU needs an effective common arms export policy

insight by Sophia Besch and Beth Oppenheim *June 2019*

Taking a hard line with Italy may do the EU more harm than good

insight by Luigi Scazzieri *June 2019*

Huawei, my way or the highway: Which way should the EU turn?

insight by Ian Bond *June 2019*

The EU's Security Union: A bill of health

policy brief by Camino Mortera-Martinez *June 2019*

Now is the worst time for 'global Britain'

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A troubled partnership: The US and Europe in the Middle East

policy brief by Luigi Scazzieri *July 2019*

The EU, the US and the Middle East Peace Process: Two-state solution – or dissolution?

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Boris Johnson and Brexit: What to expect

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Will the 'Servant of the People' be the master of Ukraine?

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Von der Leyen's bumpy road to becoming Commission president

insight by Agata Gostyńska-Jakubowska *August 2019*

No-deal Brexit means trouble for Brits living in the EU

insight by Camino Mortera-Martinez *August 2019*

What next for the EU's capital markets union?

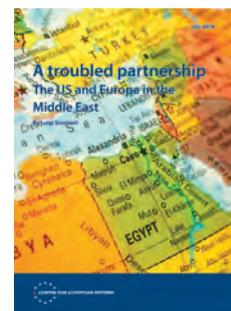
insight by Jonathan Faull and Simon Gleeson *August 2019*

A no-deal Brexit is not inevitable

insight by Charles Grant *August 2019*

How would negotiations after a no-deal Brexit play out?

insight by John Springford *September 2019*



Up in arms: Warring over Europe's arms export regime

policy brief by Sophia Besch and Beth Oppenheim *September 2019*

The EU should seize the chance to stop Italy's eurosceptic drift

insight by Luigi Scazzieri *September 2019*

Deal or no deal? Five questions on Boris Johnson's Brexit talks

insight by Charles Grant *September 2019*

Moving back the finishing line: The EU's progress on climate

insight by Noah Gordon *September 2019*

Should the EU tax imported CO2?

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Choppy waters ahead for EU trade policy

insight by Sam Lowe *September 2019*

Christine Lagarde must get ready to fight on two fronts

insight by Christian Odendahl *September 2019*

Can Josep Borrell get EU foreign policy off the ground?

insight by Ian Bond and Luigi Scazzieri *September 2019*

Four questions on the Polish parliamentary elections

insight by Agata Gostyńska-Jakubowska *October 2019*

The cost of Brexit to June 2019

insight by John Springford *October 2019*

One step closer to a rupture: Europe, the US and Turkey

insight by Luigi Scazzieri *October 2019*

The EU should reconsider its approach to trade and sustainable development

insight by Sam Lowe *October 2019*

The EU budget needs climate-proofing

insight by John Springford *November 2019*

What a Boris Johnson EU-UK free trade agreement means for business

insight by Sam Lowe *November 2019*

Schengen reloaded

policy brief by Raoul Ueberecken *November 2019*

Can the European Commission develop Europe's defence industry?

insight by Sophia Besch *November 2019*

Towards a European Security Council?

insight by Luigi Scazzieri *November 2019*

Defence without direction

insight by Sophia Besch *November 2019*

How economically damaging will Brexit be?

insight by John Springford *November 2019*

How should the EU 'get Brexit done'?

insight by Agata Gostyńska-Jakubowska *November 2019*

Can Europe learn to play power politics?

essay by Zaki Laïdi *November 2019*

NATO: Brain dead, or just resting?

insight by Ian Bond *December 2019*

Will the Normandy Four summit bring 'peace for our time' to Ukraine?

insight by Khrystyna Parandii *December 2019*



CER staff 2019

Charles Grant is the director.

His interests include Britain's relationship with the EU, European institutions, European foreign and defence policy, Russia and China.



John Springford is the deputy director.

He specialises in Britain's relationship with the EU, the single market, international trade and the economics of migration.



Ian Bond is the director of foreign policy.

He specialises in Russia and the former Soviet Union, European foreign policy, Europe-Asia relations and US foreign policy.



Christian Odendahl is the chief economist.

He focuses on macroeconomics, the eurozone, the European Central Bank and Germany. He also covers trade and financial markets.



Agata Gostyńska-Jakubowska is a senior research fellow.

She specialises in the EU's institutions and decision-making processes, Poland's European policy and Britain's relationship with Europe.



Camino Mortera-Martinez is a senior research fellow.

She specialises in justice and home affairs, migration, internal security, privacy, criminal law and police and judicial co-operation.



Sam Lowe is a senior research fellow.

He specialises in international trade, European trade policy, rules of origin, the single market, Brexit, environmental co-operation and investor-state dispute settlement.



Sophia Besch is a senior research fellow.

She specialises in NATO, European defence and German foreign policy.



Luigi Scazzieri is a research fellow.

He works on European foreign and security policy, focusing on the EU's neighbourhood and transatlantic relations..



Beth Oppenheim is a research fellow.

She focuses on Britain's future relationship with the EU, and EU foreign policy in the Middle East.



Khrystyna Parandii is the Clara Marina O'Donnell fellow (2019-20).

The fellowship is aimed at those at the start of their careers who are interested in foreign, defence and security policy.



Leonard Schuette was the Clara Marina O'Donnell fellow (2018-19).



Kate Mullineux is the publications manager & website editor. She designs CER publications, organises their production and is responsible for managing all website content.



Nick Winning is the media officer & editor. He is responsible for the CER's media coverage and strategy and edits research.



Sophie Horsford is the fundraising & operations manager. She is responsible for the day-to-day management of the CER, particularly finance and fundraising.



Jordan Orsler is the events manager. She is responsible for the planning and execution of the CER's conferences and roundtables.



Rosie Giorgi is the administrative assistant & PA to Charles Grant. She is the first point of contact for visitors to the CER and supports the work of researchers.



Emma Roberts is the events co-ordinator. She assists with the co-ordination and administration of CER events.



Bea Dunscombe was the administrative assistant & PA to Charles Grant.



Peadar Ó hÚbáin was the events co-ordinator.



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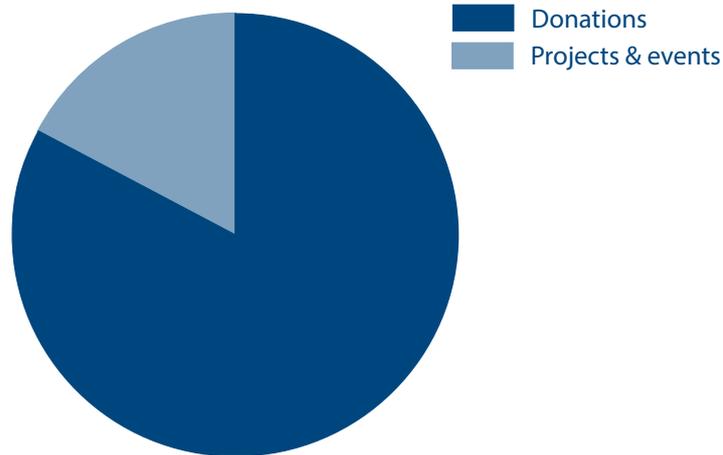
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Financial information

Audited accounts for year ending 31.12.2018

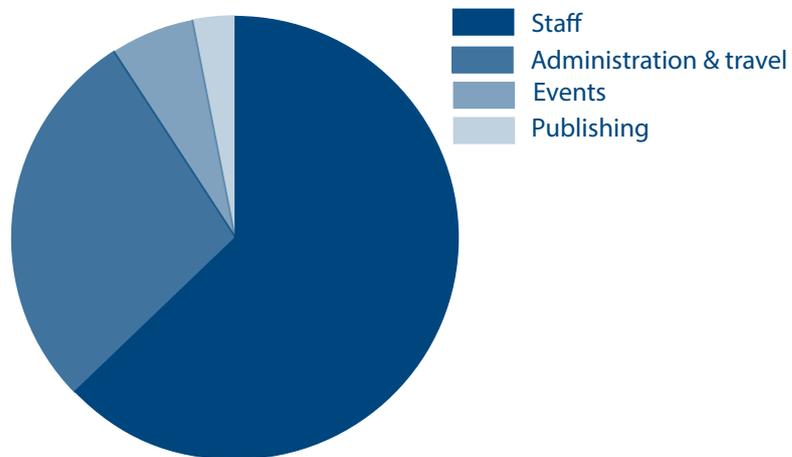
Income for 2018:

Total £1,726,233



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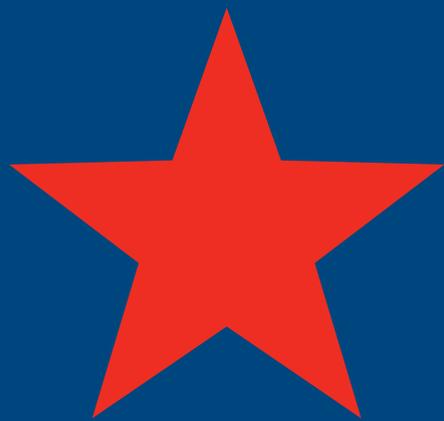
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