Opinion | 11 July 2019

EU top jobs: Restarting the Franco-German motor

In the battle for the European Union's top jobs, France and Germany have come out on top. But there may be a price to pay, writes Luuk van Middelaar



The German Chancellor and French President, July 2017

Source: Shutterstock

An unexpected outcome

After last week's twists and turns in the battle for the EU's top jobs, a clear picture is emerging – even if formal appointments have yet to be made. With the nominations of Ursula von der Leyen and Christine Lagarde at the helm of the European Commission and European Central Bank, respectively, France and Germany have all but cemented their joint leadership of the EU. It was an unexpected outcome after weeks of Franco-German bickering.

Throughout the nomination process, French President Emmanuel Macron made clear he would oppose conservative candidate Manfred Weber - front-man of Angela Merkel's EPP party - as Commission president, attacking the Bavarian's lack of executive experience. At the same time, he was careful to spell out this was not an anti-German move; "if she were a candidate, I would definitely support the Chancellor", he said. Nevertheless, France's obstruction was not taken well in Berlin. Merkel knew she had to stand publicly behind a candidate who had campaigned for the

Opinion | 11 July 2019

Commission job, if not Weber then the socialist runner-up, Frans Timmermans.

To make matters worse, Paris also quietly backed the Italian and Spanish resistance to German central banker Jens Weidmann as successor to Mario Draghi. In response, Merkel dismissed all French names floated for either the Commission or ECB jobs. In sports terms, both teams focused on preventing the other from scoring and favoured a 0-0 match over a 1-1 result. So how did we end up with German Commission President Von der Leyen (probably) and French ECB President Lagarde (certainly) in the running?

How it happened

More than ever, both party political and national rivalries entered into the game. The German reaction to the outcome demonstrates this clearly. As EU leaders put forward the first German national for the Commission presidency since 1967, you might have expected big hurrahs in Berlin. Instead, a serious fight arose within Merkel's coalition. The SPD preferred "their" candidate, Dutch socialist Timmermans: rather a party member than a compatriot. French media were stunned at this lukewarm German reaction to a clear national victory.

Leaders who played both cards emerged as the winners. President Macron planted the French flag at the ECB in Frankfurt, but he also secured the job of President of the European Council for a party ally, liberal Belgian Prime Minister Charles Michel. By contrast, Chancellor Merkel misread the mood in her own Conservative party. At the margins of the G20 in Osaka, she agreed to back the socialist claim on the Commission presidency for Timmermans, but underestimated the ensuing revolt of Conservative prime ministers from smaller member states. Resistance against the Dutchman came, not only from the Hungarian and Polish leaders (as expected, in view of Timmermans' actions to uphold the rule of law in their countries) but also from the Conservative leaders of Ireland, Bulgaria, Croatia and Latvia. After Manfred Weber, the other *Spitzenkandidat* was now politically dead, too.

While the papers started writing about the demise of the chancellor's sway over her EPP party, Merkel prepared her next move. Like a tennis player at the end of a long career, she is still capable of brilliant strokes. Following Macron's suggestion (who proved his point that he had nothing against a German candidate in principle), the chancellor secured the candidacy of her party member and Defence Minister Ursula von der Leyen as Commission president. And she did not mind accepting her good friend Christine Lagarde at the ECB, a dual stroke which handed two of the most influential jobs in the EU to women. As predicted, the political campaigns in the wider arena have determined Draghi's successor.

The price to pay

What will be the impact of this Franco-German double victory? On the upside, it may restore trust between Paris and Berlin, which is vital as the EU enters a new political cycle (2019-2024) and as difficult budgetary, economic and geostrategic decisions lie ahead. It also puts two committed Europeans and experienced communicators from the two biggest member states in leadership positions. On the downside, it points to a domination of Western Europe – with the other three top jobs going to a Belgian (summit chair Michel), a Spaniard (foreign policy supremo Josep Borrell) and an Italian (speaker of the Parliament David Sassoli) – and thereby leaves Eastern Europe empty-handed. For lack of a candidate to defend, the four Visegrád countries could only celebrate the blockage of their rule-of-law nemesis Frans Timmermans.

This is not a positive agenda. Knowing the simmering East-West tensions within the bloc, it might have been wiser to give political responsibility to a leader from the East as well – thereby visibly binding all to a common future. The last-minute Franco-German compromise does not come without costs.

Author

Amrita Naik Nimbalkar

Junior Economist, Global Macro amrita.naik.nimbalkar@ing.com

Mateusz Sutowicz

Senior Economist, Poland mateusz.sutowicz@ing.pl

Alissa Lefebre

Economist <u>alissa.lefebre@ing.com</u>

Deepali Bhargava

Regional Head of Research, Asia-Pacific <u>Deepali.Bhargava@ing.com</u>

Ruben Dewitte

Economist +32495364780 ruben.dewitte@ing.com

Kinga Havasi

Economic research trainee kinga.havasi@ing.com

Marten van Garderen

Consumer Economist, Netherlands marten.van.garderen@ing.com

David Havrlant

Chief Economist, Czech Republic 420 770 321 486 david.havrlant@ing.com

Sander Burgers

Senior Economist, Dutch Housing sander.burgers@ing.com

Lynn Song

Chief Economist, Greater China lynn.song@asia.ing.com

Michiel Tukker

Senior European Rates Strategist michiel.tukker@ing.com

Michal Rubaszek

Senior Economist, Poland michal.rubaszek@ing.pl

This is a test author

Stefan Posea

Economist, Romania tiberiu-stefan.posea@ing.com

Marine Leleux

Sector Strategist, Financials marine.leleux2@ing.com

Jesse Norcross

Senior Sector Strategist, Real Estate jesse.norcross@ing.com

Teise Stellema

Research Assistant, Energy Transition <u>teise.stellema@ing.com</u>

Diederik Stadig

Sector Economist, TMT & Healthcare diederik.stadig@ing.com

Diogo Gouveia

Sector Economist diogo.duarte.vieira.de.gouveia@ing.com

Marine Leleux

Sector Strategist, Financials marine.leleux2@ing.com

Ewa Manthey

Commodities Strategist ewa.manthey@ing.com

ING Analysts

James Wilson

EM Sovereign Strategist

James.wilson@ing.com

Sophie Smith

Digital Editor sophie.smith@ing.com

Frantisek Taborsky

EMEA FX & FI Strategist <u>frantisek.taborsky@ing.com</u>

Adam Antoniak

Senior Economist, Poland adam.antoniak@ing.pl

Min Joo Kang

Senior Economist, South Korea and Japan min.joo.kang@asia.ing.com

Coco Zhang

ESG Research coco.zhang@ing.com

Jan Frederik Slijkerman

Senior Sector Strategist, TMT jan.frederik.slijkerman@ing.com

Katinka Jongkind

Senior Economist, Services and Leisure <u>Katinka.Jongkind@ing.com</u>

Marina Le Blanc

Sector Strategist, Financials Marina.Le.Blanc@ing.com

Samuel Abettan

Junior Economist samuel.abettan@ing.com

Franziska Biehl

Senior Economist, Germany <u>Franziska.Marie.Biehl@ing.de</u>

Rebecca Byrne

Senior Editor and Supervisory Analyst rebecca.byrne@ing.com

Mirjam Bani

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

mirjam.bani@ing.com

Timothy Rahill

Credit Strategist timothy.rahill@ing.com

Leszek Kasek

Senior Economist, Poland leszek.kasek@ing.pl

Oleksiy Soroka, CFA

Senior High Yield Credit Strategist oleksiy.soroka@ing.com

Antoine Bouvet

Head of European Rates Strategy antoine.bouvet@ing.com

Jeroen van den Broek

Global Head of Sector Research jeroen.van.den.broek@inq.com

Edse Dantuma

Senior Sector Economist, Industry and Healthcare edse.dantuma@ing.com

Francesco Pesole

FX Strategist

francesco.pesole@ing.com

Rico Luman

Senior Sector Economist, Transport and Logistics Rico.Luman@ing.com

Jurjen Witteveen

Sector Economist

jurjen.witteveen@ing.com

Dmitry Dolgin

Chief Economist, CIS dmitry.dolgin@inq.de

Nicholas Mapa

Senior Economist, Philippines nicholas.antonio.mapa@asia.ing.com

Egor Fedorov

Senior Credit Analyst

egor.fedorov@ing.com

Sebastian Franke

Consumer Economist sebastian.franke@ing.de

Gerben Hieminga

Senior Sector Economist, Energy gerben.hieminga@ing.com

Nadège Tillier

Head of Corporates Sector Strategy nadeqe.tillier@ing.com

Charlotte de Montpellier

Senior Economist, France and Switzerland charlotte.de.montpellier@ing.com

Laura Straeter

Behavioural Scientist +31(0)611172684 laura.Straeter@ing.com

Valentin Tataru

Chief Economist, Romania valentin.tataru@ing.com

James Smith

Developed Markets Economist, UK <u>james.smith@ing.com</u>

Suvi Platerink Kosonen

Senior Sector Strategist, Financials suvi.platerink-kosonen@ing.com

Thijs Geijer

Senior Sector Economist, Food & Agri thijs.geijer@ing.com

Maurice van Sante

Senior Economist Construction & Team Lead Sectors maurice.van.sante@ing.com

Marcel Klok

Senior Economist, Netherlands marcel.klok@ing.com

Piotr Poplawski

Senior Economist, Poland piotr.poplawski@ing.pl

Paolo Pizzoli

Senior Economist, Italy, Greece paolo.pizzoli@ing.com

Marieke Blom

Chief Economist and Global Head of Research marieke.blom@ing.com

Raoul Leering

Senior Macro Economist raoul.leering@ing.com

Maarten Leen

Head of Global IFRS9 ME Scenarios maarten.leen@ing.com

Maureen Schuller

Head of Financials Sector Strategy <u>Maureen.Schuller@ing.com</u>

Warren Patterson

Head of Commodities Strategy Warren.Patterson@asia.ing.com

Rafal Benecki

Chief Economist, Poland rafal.benecki@ing.pl

Philippe Ledent

Senior Economist, Belgium, Luxembourg philippe.ledent@ing.com

Peter Virovacz

Senior Economist, Hungary peter.virovacz@ing.com

Inga Fechner

Senior Economist, Germany, Global Trade inga.fechner@ing.de

Dimitry Fleming

Senior Data Analyst, Netherlands <u>Dimitry.Fleming@ing.com</u>

Ciprian Dascalu

Chief Economist, Romania +40 31 406 8990 ciprian.dascalu@ing.com

Muhammet Mercan

Chief Economist, Turkey muhammet.mercan@ingbank.com.tr

Iris Pang

Chief Economist, Greater China iris.pang@asia.ing.com

Sophie Freeman

Writer, Group Research +44 20 7767 6209 Sophie.Freeman@uk.ing.com

Padhraic Garvey, CFA

Regional Head of Research, Americas padhraic.garvey@ing.com

James Knightley

Chief International Economist, US <u>james.knightley@ing.com</u>

Tim Condon

Asia Chief Economist +65 6232-6020

Martin van Vliet

Senior Interest Rate Strategist +31 20 563 8801 martin.van.vliet@ing.com

Karol Pogorzelski

Senior Economist, Poland Karol.Pogorzelski@ing.pl

Carsten Brzeski

Global Head of Macro carsten.brzeski@inq.de

Viraj Patel

Foreign Exchange Strategist +44 20 7767 6405 viraj.patel@ing.com

Owen Thomas

Global Head of Editorial Content +44 (0) 207 767 5331 owen.thomas@ing.com

Bert Colijn

Chief Economist, Netherlands bert.colijn@ing.com

Peter Vanden Houte

Chief Economist, Belgium, Luxembourg, Eurozone peter.vandenhoute@ing.com

Benjamin Schroeder

Senior Rates Strategist benjamin.schroder@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE chris.turner@ing.com

Gustavo Rangel

Chief Economist, LATAM +1 646 424 6464 qustavo.rangel@ing.com

Carlo Cocuzzo

Economist, Digital Finance +44 20 7767 5306 <u>carlo.cocuzzo@ing.com</u>

Opinion | 11 July 2019