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Europe' s strategic autonomy – a real goal or merely a chimera?

The recurring difficulties in the Franco German relationship have become at the same time the main reason for and the result of a more general loss of European momentum. In recent years, rather than moving on a path towards political union, Germany, France and their partners have mostly become managers of what had been previously accomplished. So far efforts to overcome the stalemate in the bilateral relationship have not heeded the intended results and the ability to act as one bloc has suffered as a consequence. However, the current difficulties are not new. They have deeper roots.

More than a decade ago, as the result of the Great Financial Crisis of 2007/2008, out of necessity, European partners were forced to emphasize economic matters and the derived governance structures of the union. This meant making their new common currency union more resilient or trying to defend the single market. While coordination between member states was enhanced, to this day veto powers continue to slow down the decision-making process on key legislative files and threaten to stall it altogether. No major breakthrough on political integration has taken place since Helmut Kohl left power in 1998. He was the last German chancellor to assert that political union with a military component was a necessary goal to complement the currency union.

As a result of this loss of political momentum, Europe has become more 'Gaullist', mostly reliant on an intergovernmental approach to tackle common challenges, a concert of very diverse member states, often narrowly focused on advancing a national agenda rather than reconciling it with common priorities. The inability to engage in pursuing a clear and well-defined set of longer-term common goals has arguably made the European Union more confused about its role in a rapidly changing global order. So far, Europe's much-trumpeted strategic autonomy has not yet materialized.

The war in Ukraine has painfully highlighted the limits to Europe's recent approach to its challenges. Politically, the bloc finds itself still overly reliant on outside actors, the US, for its defense. Economically, the dependence on open global markets has made the union more vulnerable to increasing trade friction and geo economic fragmentation.

This is why any push to advance a truly common European defense agenda potentially represents a quantum leap. It would recalibrate Europe's uneven relationship with the US and advance the political integration of Europe, but it would also force partners to better define what role the bloc should play in a global economy that seems inevitably headed towards greater fragmentation, with economic blocs and trade barriers playing a greater role. Finally, any progress towards a truly common European defense would need to address the typical hurdle of how to pay for it.

Should Europe act in fragmented manner, with individual member countries straining their national public finances to tackle the challenge, or should it once again resort to issuing common bonds to fund long-term commitments to purchase weapons, an idea pushed by the government in Paris and parts of the EU commission in Brussels? In theory the proposal is appealing as it would push common institutions to play a greater active role in the defense of the bloc, address the uneven fiscal space of individual member states and ensure greater funding certainty for an arms industry that needs long term contractual arrangements. In practice so called 'frugal' member states, including Germany, will resist such scheme, in large part because the lack of fiscal convergence between member states still leads to the belief that to best contain national populism within national borders, means shielding taxpayers – voters, from greater financial commitments towards Europe. Typically, such debates produce scaled back European ambitions, or no significant new common initiative at all. Indeed, the German chancellor has already poured cold water on the idea of common defense spending, by inviting partners to do more of what his country is already doing unilaterally for Ukraine.

This reluctance to commit national funds to common spending is not only the result of a traditional, fiscally conservative posture in Berlin, it is increasingly also the result of deep-seated mistrust between the leaders of the two most powerful countries in the union, France and Germany. Despite superficial attempts at concealing their differences, Olaf Scholz and Emmanuel Macron still speak a different language. The French president is perceived by his German counterparts as a brilliant talker, but far worse at following up with truly European action. Scholz on the other hand is seen in Paris as a leader still unwilling to fully recognize the gravity of the geopolitical and economic challenge, the derived urgency to change German traditional priorities, overly reliant on open markets, and forge greater European unity to shield Europe, militarily as well as economically, from the headwinds it is facing.

It is not a debate that lends itself to easy answers. It requires a definition of what a new balance in the relationships between Europe and the US, between Europe and China, between Europe and the so-called Global South could and should be. The precondition for answering any of these questions is for European member states to first decide amongst themselves whether it is still sufficient to engage the biggest outside actors bilaterally, or rather as a unified bloc. It is far from clear which approach they will choose.

So far, the sequence of shocks that have rattled Europe, from the so-called euro crisis more than a decade ago, to the Covid emergency, the war in Ukraine and climate change has exposed a behavioral pattern that no longer seems fit for purpose. It is commonly known as muddling through:

-Politically, European member states instinctively first react to shocks in a fragmented way, along national lines, often making any emergency they are facing worse. Take the euro crisis; it suffered from a very tentative initial political response, first focused on blaming the epicenter of the global financial crisis, the US, then on seeking national answers to banks' troubles, thereby precipitating a sovereign debt crisis. Not surprisingly, the US recovered much faster from the shock, while Europe's growth continued to suffer. Some parts of the continent even faced a lost decade. Low levels of investments, even in better performing economies, such as Germany, contributed to lower productivity growth vis a vis Europe's main competitors. 15 years after the Great Financial Crisis, the lackluster economic performance has spurred the EU Commission to seek independent proposals to strengthen its single market and enhance its competitiveness.

During Covid a similar pattern was followed. National governments shut down borders and focused on hoarding medical equipment in an instinctive beggar thy neighbor behavior that risked undermining the union. The war in Ukraine is one notable exception, but the unified front was made possible because the US provided the necessary muscle to the common political response. As to the initial efforts to forge common policies to fight climate change, they only partially fit the typical European pattern as a fragmented, national response looks absurd even to the most fervent advocate of national solutions.

-After the initial fragmented response, eventually member states recognize the gravity of the challenge and come together and act, sometimes by addressing it directly, often indirectly. During the euro crisis it was mostly the European Central Bank to stop the crisis from metastasizing into an existential threat. Furthermore, European governments reluctantly agreed to create a banking union with a common supervision tasked with overseeing the most relevant financial institutions.

During Covid, eventually the pandemic was contained by better coordination among member states. To address the potentially calamitous economic fallout both monetary as well as fiscal policies were deployed. Member States agreed to a 750-billion-euro heavy recovery fund. For the first time member states allowed their main common institution in Brussels to issue common debt. Some observers hailed the decision as the hamiltonian breakthrough that would propel the European Union towards becoming a federal state equipped with a sizable central fiscal capacity.

-But not so fast. For the past two decades Europe's reaction function to challenges also foresees an additional step that slows down and sometimes reverses the process that has just been set in motion.

One example is banking union, which is still very much incomplete. So far, all efforts to complete the project launched a decade ago have stalled because of narrow national interests. Instead of an integrated financial market, comprising a banking as well as a capital market union, one in which risks and rewards flow more freely among member states, capable of helping to close the huge funding gaps opened by the costly transition to a climate neutral economy, Europe's financial markets remain fragmented along national lines. They simply cannot match the depth and liquidity of their US based rivals. Financial integration in Europe is smaller now than during the first decade of the monetary union.

Even the recent recovery fund, the fiscal tool known as Next Generation EU, faces an uncertain future as the European Commission and member states struggle to spend the money well and in a timely manner. What seemed to represent the blueprint for a future permanent fiscal capacity to respond to common shocks and fund European priorities, still remains a one-off experiment.

This behavioral pattern illustrates how Europe often reacts to big challenges in self harming ways. This is particularly problematic in a highly competitive and unstable geopolitical and economic environment.

Furthermore, there is a need to recognize that ad hoc measures taken to address a shock would be far more effective if they fit into a medium to long term strategy, one shared and pushed jointly by the most relevant stakeholders of the union. This is currently not the case. And it is primarily the inability of the Franco German partnership to agree on a common strategy that is amplifying Europe' s vulnerabilities. Any attempt to regain momentum in tackling the multiple challenges the continent faces simply cannot be successful without greater Franco German unity.

Typically, muddling through, kicking the can down the road, represented an accepted and successful way to ensure political buy-in from a very diverse membership for common European decisions, albeit often based on low common denominators. Faced with a vastly more threatening global environment this traditional European way of dealing with challenges has become a liability.

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