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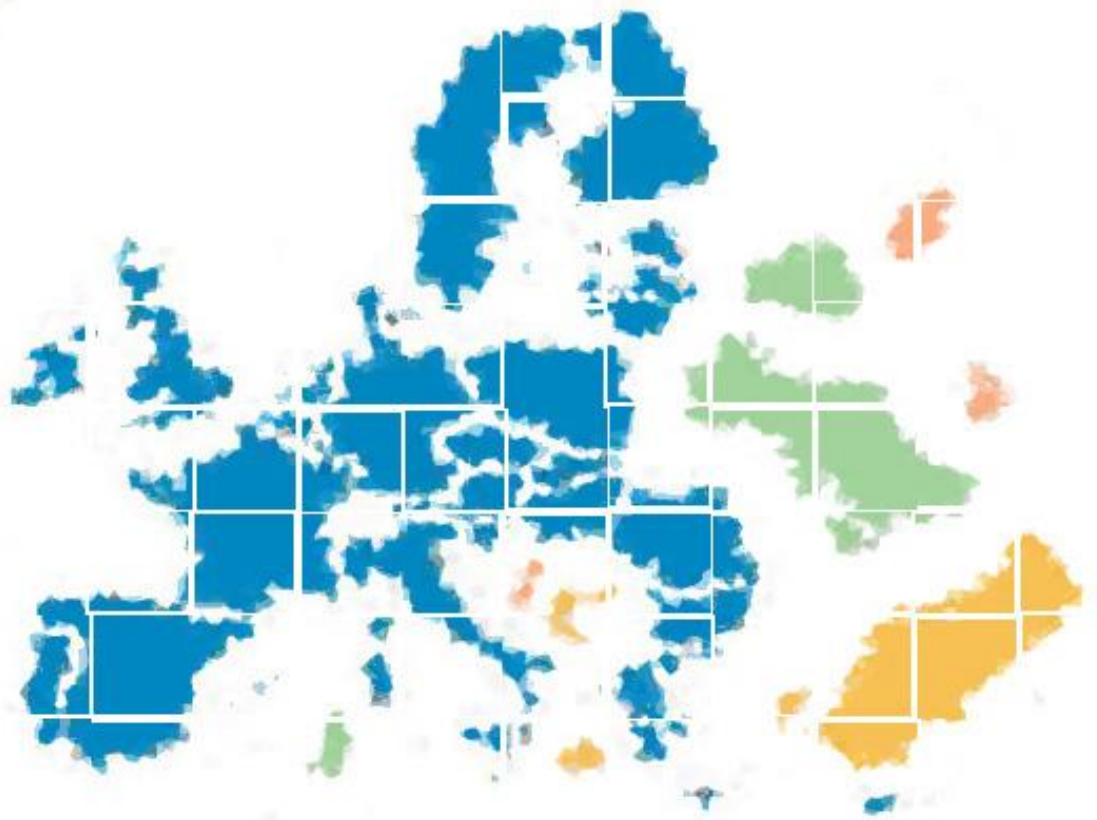
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Reconciling core state power integration with market regulation? The potential of the Macron-Rutte alliance

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Introduction

In early October 2018 news broke about the formation of a ‘liberal dream team’ between French President Emmanuel Macron and Dutch Prime Minister Mark Rutte for the upcoming 2019 elections to the European Parliament. Comments in the media and by analysts highlighted the potential for political realignment in Brussels after these elections should Macron and Rutte be successful¹, but equally pointed to their apparent political differences on reforming the EU². Indeed, despite their aspiration to form a joint political group in parliament after these elections, Macron and Rutte have been perceived to be at different ends of the spectrum on how to ‘fix’ the EU’s current problems. Despite the upcoming elections to the European Parliament in 2019 and the related reshuffle of the European Commission, most member state governments will stay in power and it is them that will play the decisive role in any major EU reforms and therefore their positions will drive the trajectory of the process. However, as German Chancellor Angela Merkel will rescind leadership of her party while planning to remain at the helm of the German government till the next elections in 2021,³ the most significant member state has become somewhat unpredictable for the moment.

One popular journalistic distinction is that between ‘more’ or ‘less’ Europe, in which Macron would fall into the ‘more Europe’ camp and Rutte in the ‘less Europe’ one⁴. However, this has often proven to be a false dichotomy and a generally vague and problematic distinction.⁵ Along the lines of another frequently applied distinction, one can perceive Macron as one of the major actors arguing for a ‘federalist’ vision for the future of the EU, in contrast to the intergovernmentalism of Rutte.⁶ While being a somewhat sharper distinction denoting not just the direction but also the preferred method of European integration, we want to go a step further and apply a more precise analytical device to map out their actual differences and potential overlaps. For this purpose, we will try to compare the reform proposals spelled out by Rutte and Macron over the course of roughly the past year through the lens

¹ e.g. Bochev, Venelin (2018): The Macron-Rutte Pact: A New Hurdle for Western Balkan Enlargement, European Policy Centre, 16.10.2108, <https://cep.org.rs/en/blogs/the-macron-rutte-pact/>

² e.g. Ottens, Nick (2018): Europe’s Liberal Dream Team Looks More Like a Marriage of Convenience, Atlantic Council, 11.10.2018, <http://www.atlanticcouncil.org/blogs/new-atlanticist/europe-s-liberal-dream-team-looks-more-like-a-marriage-of-convenience>

³ Jenny Hill (2018): Angela Merkel to step down as German Chancellor in 2021, BBC News, 29.10.2018 <https://www.bbc.com/news/world-europe-46020745>

⁴ Eszter Zalan (2018): Dutch PM urges ‘less is more’ EU model, euobserver.com, 13.06.2018, <https://euobserver.com/political/142074>

⁵ Arthur Boriello and Amandine Crespy (2018): Less or More Europe: The EU at a crossroads between federalism and political disintegration, 14.01.2016, <http://blogs.lse.ac.uk/euoppblog/2016/01/14/less-and-more-europe-the-eu-at-a-crossroads-between-federalism-and-political-disintegration/>

⁶ Ottens (2018)

of market integration vs. the integration of core state powers, put forward by Genschel and Jachtenfuchs.⁷ Furthermore, we use the same perspective to put Rutte and Macron in the context of the current German and Polish positions.

Perceiving EU reform through the ‘Core State Powers’ lens

The importance of analysing the Macron-Rutte alliance from the perspective of ‘Core State Powers’ integration results from the particularities of the current EU crises particular. Poland’s Prime Minister in his address to the European Parliament on the future of the EU argued that it is the accumulation of crises – Brexit, Eurozone, Migration, Russia – that differentiates the current situation from previous regular EU crises,⁸ which the EU regularly addressed by ‘muddling through’.⁹ In contrast, Genschel and Jachtenfuchs offer a crucial qualitative differentiation and highlight that the problem is not the number of affected policy areas but their nature:

‘[M]ost integration activities since the 1990s concern the integration of core resources of sovereign government (money and fiscal policy, public administration, diplomacy, military force, police power and border control.’¹⁰

Unlike with previous crises, which related to issues of market integration, the current problems of the European Union affect these areas of core state power, which makes EU level responses urgent but inviable.¹¹ There is high demand for EU level solutions, but only a very limited supply of political support for such measures due to the different degrees of exposure and diverging problem analyses among member states.

While market integration has mostly benefitted all member states, albeit to varying degrees, the integration of core state powers has resulted in zero sum distributive conflicts between member states: not market actors but member state governments have to pay adjustment costs and the burden is unevenly distributed across the EU. Member states directly affected by the crises point to systemic problems and thus refuse to foot the bill, instead calling for joint solutions and burden-sharing. In contrast, member states not directly affected refuse to subsidise affected countries, pointing to ‘homemade’ problems at the national level. Such distributional conflict cut across policy areas and have been identified in both asylum policy and single currency

⁷ Philipp Genschel and Markus Jachtenfuchs (2018): From Market Integration to Core State Powers: The Eurozone, the Refugee Crisis and Integration Theory, *Journal of Common Market Studies* 56(1), pp.178-196

⁸ European Parliament (2018): Polish PM chooses to focus on economy, amid questions on rule of law in Poland, European Parliament Press Release, 04.07.2018, <http://www.europarl.europa.eu/news/en/headlines/priorities/future/20180628IPR06806/polish-pm-chooses-to-focus-on-economy-amid-questions-on-rule-of-law-in-poland>

⁹ Thomas Klau (2011), The euro: Buying time and muddling through are no longer enough, ECFR Commentary, 22.06.2011, https://www.ecfr.eu/article/commentary_the_euro_buying_time_and_muddling_through_are_no_longer_enough

¹⁰ Genschel and Jachtenfuchs (2018): 179

¹¹ Ibid.

matters. Based on these different perspectives, two different approaches to addressing existing problems have emerged: capacity building and re-regulation. Those calling for burden-sharing seek the creation of EU-level capacities (coercive, fiscal or administrative) for this purpose. Those stressing individual policy failures seek to strengthen European regulation to force policy reforms in affected member states and ensure compliance.¹²

Yet, there is a third possible approach. Due to the abovementioned difficulties to implement solutions at the EU level, member states and the Commission have employed a strategy of externalisation that enabled them to side-step their internal disagreements. This means drawing on the capacities of external actors to try to get a grip on the crises to prevent over-burdening any side of the abovementioned internal EU divide.¹³

What we endeavour to do in the following is, in a first step, to map the EU reform proposals previously put forward by Macron and Rutte in their major speeches¹⁴ to establish in which policy areas they rely on capacity-building, re-regulation or externalisation to establish where their visions might allow for overlap and compromise and where they likely remain irreconcilable. Analysing their approaches specifically through the lens of ‘Core State Power’ integration is crucial given that the key problems within the EU fall into this area. Within this framework, Macron and Rutte also fall into two different camps, but our ambition here is to establish more systematically where their proposals in specific areas of EU policy fall between capacity-building, re-regulating and externalising. This will enable us to assess specifically how far their proposals are apart and where potential overlap lies which is fundamental for their planned joint political project across the next European Parliament, Commission and Council. Rutte’s proposals are also relevant beyond the immediate participation in the planned liberal alliance. He can also be seen as the spokesman of the fiscally conservative and integration-cautious group of northern states, either known respectfully as the ‘New Hanseatic League’¹⁵ or disparagingly as Mark Rutte and the ‘Seven Dwarves’¹⁶.

In a second step, we seek to expand our scope to include the wider EU reform debate to map the compatibility of their proposals with the most concretely spelled out CEE vision, put forward by Polish Prime Minister Morawiecki,¹⁷

¹² Ibid: 187

¹³ Ibid: 190

¹⁴ For the purposes of this paper, we are focussing on the Sorbonne speech and the Address to the European Parliament delivered by President Macron on the 26th September 2017 and 17th April 2018 respectively. In the case of Prime Minister Rutte, we consider his speech delivered at the Bertelsmann Stiftung on the 2nd March 2018 and his Address to the European Parliament on the 13th June 2018.

¹⁵ Mehreen Khan (2018): The EU’s new Hanseatic League picks its next Brussels battle, Financial Times, 01.10.2018, <https://www.ft.com/content/ca9dc2dc-c52a-11e8-bc21-54264d1c4647>

¹⁶ Paul Taylor (2018): Brexit redraws EU alliances, Politico.eu, 20.04.2018, <https://www.politico.eu/article/brexit-redraws-eu-alliances-coalitions-stop-france-and-germany-deeper-integration/>

¹⁷ While his proposal does not represent a joint vision of the Visegrad group, if his proposals could, at least in parts, find common ground where Macron and Rutte overlap, this would provide substantial additional weight to any such reform plan and potentially bring more Central and Eastern European countries on board. This should not in any way imply that Morawiecki aligns himself politically with liberal integration

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as well as the German vision and the red lines spelled out by Chancellor Merkel. This enables us to use the ‘Core state power’ framework to develop a tentative stimulus-response scheme among major country leaders within this debate. This will allow us to assess the potential for compromise and likely deadlocks among leading member states. What we do not seek to do is to assess the contents of the proposals and their appropriateness to address the EU’s current malaise.

ideas, but in a second step Macron and Rutte would necessarily have to reach out to other member states beyond their political family. There remain other political obstacles, not least the dispute over democratic standards and rule of law, but it is nevertheless interesting to try an assessment where, politics aside, compromises might lie, and overlaps might already exist.

Approaches to solving ‘Core State Power’ integration

Drawing on the definition of ‘Core State Powers’ above, we can set out the scope of our investigation regarding relevant policy fields while cross-referencing the central topics addressed in the key programmatic speeches. The topics we are thus analysing below are the monetary policy, asylum policy and defence policy. Despite the contrast between the market integration and core state power integration, we will also include proposals for the completion of the single market that would affect core state powers and could thus lead to the same dilemmas as in the three abovementioned areas.

Fiscal policy

The Euro and its future have been the main driving force behind the Rutte-led group of Northern member states. Rutte’s proposals indeed strongly exhibit this group’s penchant for re-regulative solutions. The first priority is: ‘Everyone should keep their house in order’.¹⁸ This particularly entails the return of all member states to respecting the Maastricht criteria and implementing structural reforms.

Furthermore, Rutte suggested to use structural funds ‘to support’ such reforms.¹⁹ While this sounds similar to proposals made by the Juncker commission as part of their post-2020 long-term budget (MFF) proposal, there seems to be a notable difference in the implementation of such support between Rutte and the Commission. The Commission proposed a new instrument, the Reform Support Programme, consisting of 25 billion EUR to sweeten structural reforms in and enhance economic cohesion among member states.²⁰ Rutte’s approach to EMU reform rather suggests the addition of some form of coercive capacity to the existing structural and cohesion funds.

Dutch plans also involve EU-level institutions and the use of EU funds but as a ‘last resort, not first aid’ as Rutte put it.²¹ This includes the support for unifying all EU-level crisis mechanisms under the umbrella of a European Monetary Fund (EMF). The EMF, in Rutte’s vision, shows the reluctance to cede core state powers to the supranational level, however. It should be intergovernmental and act only unanimously, while overseeing all aspects of emergency programmes (negotiation, funding and supervision).

¹⁸ Government of the Netherlands (2018): Speech by the Prime Minister of the Netherlands, Mark Rutte, at the Bertelsmann Stiftung, Berlin, 02.03.2018,

<https://www.government.nl/documents/speeches/2018/03/02/speech-by-the-prime-minister-of-the-netherlands-mark-rutte-at-the-bertelsmann-stiftung-berlin>

¹⁹ European Parliament (2018): Debate with the Prime Minister of the Netherlands, Mark Rutte, on the Future of Europe, Minutes of the debate, 13.06.2018,

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+CRE+20180613+ITEM-006+DOC+XML+V0//EN&language=EN>

²⁰ European Commission (2018): Regulation of the European Parliament and of the Council on the establishment of the Reform Support Programme, COM(2018) 391 final, https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-reform-support-programme-regulation_en.pdf

²¹ Government of the Netherlands (2018)

The Franco-German Meseberg Declaration from June 2018, which supports steps towards drawing up a common Eurozone budget with fiscal transfers, underlined the *raison d'être* of the Dutch-led group. Originally, however, President Macron presented even more ambitious goals in his Sorbonne speech.²² While acknowledging the necessity of reforms at the member state level, policy coordination and the compliance with existing rules, i.e. rather re-regulative elements, the core of his proposals was an additional Eurozone budget to support economic convergence and provide stabilisation in crisis situations. From the point of view of core state power integration, Macron's Eurozone budget proposal is most significant in his plans to fund it directly from EU level digital and ecological taxes, as well as potentially in the future through a harmonised corporate income tax, under the political control of a Eurozone 'finance minister' and oversight by the European Parliament. This would constitute the development of substantial fiscal and administrative capacities at the EU level.

The Meseberg Declaration then constituted a watering down of Macron's plans necessitated by the red lines of the German government. Chancellor Merkel had spelled out some of these out in her long interview with the conservative German daily *Frankfurter Allgemeine Zeitung*.²³ The core of her crisis proposals was the creation of a European Monetary Fund that would be equipped with the same tools used by the IMF. While the creation of an EU level institution that would tie emergency credits to structural reforms would establish permanent coercive capacities at the EU level, Merkel strongly emphasised the intergovernmental design of such an institution in a similar vein to Dutch PM Rutte. Despite the envisioned role for the EMF to also independently assess the health of member state economies and rule compliance in cooperation with the Commission, the intergovernmental nature would tilt the emphasis towards a re-regulative rather than capacity-building approach. However, Merkel equally expressed support for French proposals for a Eurozone budget, albeit in a more limited form as later evidenced in the Meseberg Declaration. Merkel spoke in favour of an investment budget, either within the overall EU budget or separate from it, to support economic convergence and modernisation that would act even outside crisis situations to address weaknesses and risks in member states. However, this fund would act by providing additional investment sources in contrast to the conditionality-based approach of the EMF. Notably, the Meseberg Declaration mentions the 'allocation of tax revenues' in addition to national contributions to the Eurozone budget, thus supporting the creation of fiscal capacities. On the other hand, a dedicated Eurozone finance minister has been dropped with the Commission foreseen administering funds.²⁴

²² Government of France (2017): Initiative pour l'Europe: Une Europe souveraine, unie, démocratique, 26.09.2017, <http://www.elysee.fr/declarations/article/initiative-pour-l-europe-discours-d-emmanuel-macron-pour-une-europe-souveraine-unie-democratique/>

²³ *Frankfurter Allgemeine Zeitung* (2018): Europa muss handlungsfähig sein - nach außen und innen, 02.06.2018

²⁴ France Diplomatie (2018): Meseberg Declaration Renewing Europe's promises of security and prosperity, 19.06.2018, <https://www.diplomatie.gouv.fr/en/country-files/germany/events/article/europe-franco-german-declaration-19-06-18>

Both President Macron's Sorbonne speech as well as Commission President Juncker's 2017 State of the Union²⁵ address expressed the goal to expand the Eurozone to encompass all member states. However, most CEE governments have so far been reluctant to undertake concrete steps towards the adoption of the single currency. Therefore, it is not surprising that Poland's Prime Minister Morawiecki did not make any statements on the future of the Euro. On the other hand, the official Polish line on Euro adoption is that Poland might consider it, if the Eurozone has solved its problems and regained stability.²⁶ In this context, however, the Polish Prime Minister's speeches in the European Parliament or at the Körber Foundation in Berlin would have been good opportunities to lay out the criteria and conditions under which Poland would consider the Eurozone sufficiently 'fixed' as well as outline how Poland would envisage a Eurozone it would consider joining. After all, the non-Euro countries of Central and Eastern Europe have been concerned about not being at the table at which major macroeconomic decisions with significance for the whole of the EU will be taken, resulting in attempts to obtain an observer status at Eurozone meetings.²⁷ Given the strong interest in Eurozone enlargement in Brussels, spelling out a Polish vision for an acceptable Euro could have been a good way to insert the Central and Eastern European non-Euro member states into these debates.

Asylum policy

The second main conflict over the integration of core state powers concerns the EU's approach to refugees and migration. The EU mostly avoided dealing with the conflict by focussing on externalisation in the form of the fragile EU-Turkey deal²⁸ and the cooperation of the countries of the Western Balkan to curb migration flows²⁹. Yet, internal problems of EU asylum and migration policies remain unaddressed with diverging approaches in the analysed proposals.

French proposals to tackle the refugee crisis effectively mean the full Europeanisation of border management and asylum policies. While the goal of interconnected databases and harmonised asylum procedures could still be achieved in a re-regulative approach, Macron's plans for a European Asylum Office and a European Border Police Force to manage the external border and handle the return of rejected applicants creates substantially invasive capacities at the EU level. Macron furthermore called for a 'large scale

²⁵ Vladimir Bartovic (2017): Juncker: the wind is back in Europe's sails, in: Commentary: State of the Union Address 2017, EUROPEUM Institute for European Policy, 14.09.2017, <http://www.europeum.org/en/articles/detail/1564/commentary-state-of-the-union-address-2017>

²⁶ Lidia Kelly (2018): Poland to start debating euro zone membership only once bloc reformed – minister, Reuters, 26.05.2017, <https://www.reuters.com/article/us-cee-summit-poland-szymanski/poland-to-start-debating-euro-zone-membership-only-once-bloc-reformed-minister-idUSKBN18M1ZA>

²⁷ Ruth Frankova (2017): Czechs seek to gain observer status at Eurozone meetings, Radio Praha, 29.08.2017, <https://www.radio.cz/en/section/curraffrs/czechs-seek-to-gain-observer-status-at-eurozone-meetings>

²⁸ Judy Dempsey (2017): Judy Asks: Is the EU-Turkey Refugee Deal on the Ropes? Judy Dempsey's Strategic Europe, Carnegie Europe, 26.07.2018, <http://carnegieeurope.eu/strategieurope/72634>

²⁹ Ivana Sekularac and Gabriela Baczynska (2018): EU woos Western Balkans but is coy on membership, Reuters, 16.05.2015, <https://www.reuters.com/article/us-eu-balkans/eu-woos-western-balkans-but-is-coy-on-membership-idUSKCN1IH2ZE>

European programme to train and integrate refugees’, even though it is unclear whether that would again result in the creation of capacities at the EU level and could equally be addressed at the member state level through re-regulation. Additionally, French proposals include a strengthening of EU-Africa relations, which has been a staple of French European policy from the very inception of the European project. Macron argued in his Sorbonne speech that the Mediterranean and Africa more broadly should be the ‘first priority’ of the EU’s external affairs. Thus, he follows in the footsteps of his predecessor Nicolas Sarkozy, who inaugurated the Mediterranean Union as the Southern component of the ENP. While Macron also reminded member states to step up their efforts in the field of development assistance, in a slight re-regulative nod, the core of his agenda lies in the creation of substantial fiscal capacity at the EU level, in the form of a financial transaction tax to be used to fund EU development cooperation initiatives, including those aimed at ‘Mobility’ in partnership with African countries.³⁰

The core of the Dutch approach to the refugee crisis is externalisation. Rutte praised the EU-Turkey deal and spoke out in favour of creating further arrangements of this kind with other transit countries, including reception centres. Nevertheless, Rutte also expressed support for capacity-building measures as he supported the expansion of Frontex to increase border security. Highlighting the need for solidarity with Italy and Greece, Rutte also voiced support for a redistribution mechanism (coercive capacity-building). He presented this as only necessary temporarily, in times of crisis, if borders are tightened and illegals are deported quickly.

Migration has been the main topic uniting the Visegrad Group during the past two years, which ferociously resisted any attempts to relocate refugees arriving in Southern member states.³¹ The development of any administrative and coercive capacities at the EU level has thus been firmly rejected by PM Morawiecki. Instead, the logic of bringing one’s own house in order plays out here somewhat differently from the Dutch approach to the Euro crisis. The Polish government maintains that the significant influx of Ukrainian workers largely consists of people fleeing warfare in the Donbas, but they fail to show up in statistics because Poland does not register them as refugees but as foreign workers instead, even though such claims are contested by experts.³² While Poland and the other V4 have strongly advocated to reinforce Europe’s external borders, they have also refused the development of further capacities for Frontex. Instead, they have advocated that member states should oversee efforts tightening external borders. While falling short of a proper re-regulative approach for lack of setting any firm targets, this approach nevertheless explicitly reflects the zero-sum logic, as

³⁰ Other main concerns for Macrons development cooperation initiatives would include youth unemployment as well as climate change which are also closely tied to international migration.

³¹ Euractiv.com (2018): Visegrad nations united against mandatory relocation quotas, Euractiv.com, 23.07.2018, <https://www.euractiv.com/section/justice-home-affairs/news/visegrad-nations-united-against-mandatory-relocation-quotas/>

³² Frey Lindsay (2018): Ukrainian Immigrants Give The Polish Government An Out On Refugees, Forbes, 19.09.2018, <https://www.forbes.com/sites/freylindsay/2018/09/19/ukrainian-immigrants-give-the-polish-government-an-out-on-refugees/#3d6ab4574bb1>

the V4 fear more money for Frontex might come at the expense of smaller cohesion funds for their infrastructure development, not to mention concerns about national sovereignty.³³ However, in line with the V4 mantra of ‘addressing the root causes’, Morawiecki expressed Polish support for several new EU funding instruments aimed at reducing migration flows from Africa, e.g. the Emergency Trust Fund, and announced Poland’s willingness to contribute more in this area.

German proposals contain both capacity-building and externalisation elements. First, Chancellor Merkel focussed on external border security with far-reaching proposals to expand Frontex. In the short-term, Merkel suggested largely re-regulative measures to prevent the erosion of the Schengen system and freedom of movement: develop common standards for the recognition of asylum claims, create unified procedures at the EU’s external borders and improve the exchange of information between national databases. In the long-term, the German government envisages the transformation of Frontex into an EU border police fully in charge of the EU’s external borders. This would be combined with an EU asylum office responsible for processing all asylum claims at the external borders. Under the assumption that secure borders would reduce member state objections to receive refugees, Merkel stayed unclear regarding any mandatory relocation mechanism as part of this proposed long-term solution, which could constitute a significant coercive capacity in addition to the administrative capacities that her proposals for the border police and asylum office would entail. However, she seemed to embrace the Visegrad Group’s notion of flexible solidarity by highlighting that each member state would need to contribute to some of the elements of the EU’s response but not necessarily in all of them. Furthermore, Merkel also proposed to maintain the current externalisation strategy of cooperating with countries of transit in managing migration flows. Additionally, Merkel also highlighted the importance of reducing migration pressures through the improvement of economic conditions in Africa through an equivalent of the Marshall Plan.

Defence policy

In contrast to fiscal policy and migration, the EU does not face an immediate crisis in its modest defence and security policies. Nevertheless, both the unpredictability of US President Trump and continued insecurity in Europe caused by Russia are fuelling debates about a larger defence role for the EU. Recurring discussions about an EU army have little substance in reality³⁴, especially since any such steps would require controversial treaty changes.³⁵ Nevertheless, national security and defence lie at the core of core state

³³ Euractiv.com (2018a): Poland, Czech Republic against EU border guard plan, Euractiv.com, 16.10.2018, <https://www.euractiv.com/section/future-eu/news/poland-czech-republic-against-eu-border-guard-plan/>

³⁴ Judy Dempsey (2016): The Insincere Calls for a European Army, Judy Dempsey’s Strategic Europe, Carnegie Europe, 06.09.2016, <http://carnegieeurope.eu/strategieurope/?fa=64483>

³⁵ European Political Strategy Centre (2017): Two Visions, One Direction: Plans for the Future of Europe as laid out in President Juncker’s State of the Union and President Macron’s Initiative for Europe, https://ec.europa.eu/epsc/sites/epsc/files/epsc_-_two_visions_one_direction_-_plans_for_the_future_of_europe.pdf

powers and any substantial integration initiative could lead to similar conflicts as in the case of the EMU and migration.

The French proposals for EU defence policy made in President Macron's Sorbonne speech rest mostly on the implementation of existing low-key capacity building initiatives (European Defence Fund, PESCO) and the creation of far-reaching additional capacities at the EU level in the form of a 'common intervention force' as well as a 'common defence budget'. Also, regarding intelligence cooperation, the French goal of 'closer ties between member state intelligence agencies' is to be achieved through the creation of a European Intelligence Agency, which, depending on its design, could result in the creation of substantial administrative capacities at the EU level in a core state power field.

On defence, Rutte did not offer much, as he clearly highlighted that NATO comes first and that any EU initiative can only be complementary³⁶. While supporting joint defence projects within the PESCO framework to enhance joint procurement, coordination and complementarity among member states, in this field, too, the Dutch stance mostly favours proposals along the lines of re-regulation. Exemplary of this is Rutte's insistence on improving military mobility within EU member states by cutting national red tape to allow member state armed forces to be quickly deployed to aid one another when needed. Thus, member states are to remain in charge and expected to meet jointly agreed upon goals and targets.

Defence matters have traditionally ranked high on Poland's political agenda, independently of party politics. Morawiecki thus also emphasised defence and security matters. He focussed primarily on member state responsibility for providing appropriate defence capabilities and an adequate level of military spending.³⁷ Poland has been traditionally lukewarm towards major EU level initiatives in this area which is reflected in this more re-regulative approach. Nevertheless, Morawiecki expressed support for recently launched minimally invasive capacity-building defence initiatives (PESCO and the European Defence Fund), which he presented as opportunities to strengthen national defence industries. Poland would undoubtedly hope to significantly profit in this form. Additionally, Morawiecki highlighted the significant vulnerabilities in cybersecurity, but his appeal for joint EU action in this area did not specify whether he would seek a capacity-building or re-regulation approach.

Merkel also endorsed PESCO to improve joint procurement and streamline the diversity of European weapons systems.³⁸ The unequivocal support of PESCO is also an expression of the acknowledgement that any more far-

³⁶ Government of the Netherlands (2018), op. cit.

³⁷ European Parliament (2018a): Debate with the Prime Minister of Poland, Mateusz Morawiecki, on the Future of Europe, Minutes of the debate, 04.07.2018
<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+CRE+20180704+ITEM-004+DOC+XML+V0//EN&language=EN>

³⁸ Frankfurter Allgemeine Zeitung (2018), op. cit.

reaching initiative developing more extensive EU-level capacities would require controversial treaty changes and would thus be highly unlikely. Showcasing traditional German reluctance towards military spending, Merkel suggested using the new European Defence Fund to finance operations of the intervention force proposed by President Macron. This reluctance also extended to increasing efforts to increase member state capabilities. Additionally, Merkel was the only one to refer to a different, but closely related, area of core state powers: diplomacy. She highlighted the necessity to react more quickly to foreign policy crises and suggested the creation of an EU security council to streamline decision-making by entrusting some aspects of foreign policy to a small rotating group of member states in cooperation with the EEAS.

Single Market

Another key element of all proposals for the future direction of the EU heavily emphasised the completion of the single market in various additional parts of the economy. As we outlined above, market integration is a far less contentious aspect of the EU project. It is thus not surprising that one can point to far more overlap and consensus in this area. Nevertheless, the completion of the single market might affect core state powers and thus also shift the mode of integration to the more contentious variant. We will thus also try to map out proposals made that would require new coercive, fiscal and administrative capacities at the EU level.

While Rutte expressed his support for the completion of the single market in the areas of services, energy and the digital economy. Concrete proposals remained focussed mainly on traditional market integration aspects of the single market, e.g. the deregulation of national rules on professions³⁹. Macron and Morawiecki also strongly emphasised the need to extend the single market into further areas. However, they also strongly emphasised a social dimension of the single market that extended into taxation matters. Morawiecki pointed to his government's efforts to combat abuses of the VAT system, expressing his support for own income sources for the EU of which VAT is one.⁴⁰ However, he did not express any concrete proposals, instead his appeal to follow Poland's example on improving VAT collection falls not even into re-regulative territory but was targeted at domestic audiences. French proposals are more far-reaching. We already referred in the section on the Eurozone to Macron's plans for a carbon tax and a digital tax, which could create fiscal capacities at the EU level. This stands in contrast to the existing Commission proposal which points to income for national treasuries and thus constitutes an attempt at re-regulation by providing common rules for the EU-wide introduction of digital taxation.⁴¹ In another area, however, Macron

³⁹ Government of the Netherlands (2018), op. cit.

⁴⁰ European Parliament (2018a), op. cit.

⁴¹ European Commission (2018a): Proposal for a Council Directive laying down rules relating to the corporate taxation of a significant digital presence, COM(2018) 147 final, 21.03.2018, https://ec.europa.eu/taxation_customs/sites/taxation/files/proposal_significant_digital_presence_21032018_en.pdf

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also suggests re-regulative measures, as he proposed the introduction of a 'corridor' for CIT with the goal of harmonising tax rates across the EU.

Conclusions

The composition of the Council, i.e. the make-up of national governments and their priorities, will be crucial for the future trajectory of EU reform. Of course, the announcement of Chancellor Merkel to withdraw from the leadership of the Christian Democratic Union is creating some degree of uncertainty about the EU reform process. Germany's role and position will depend on how much damage Merkel's authority as Chancellor will take after leaving party leadership, who the new party leader will be. The most substantial potential disturbance could emanate from CDU's coalition partner, the social democrats. Should they decide, amidst dismal poll ratings and dissatisfaction with the coalition, to bring down the government,⁴² the make-up of Germany's leadership and its direction on EU reform would become even more uncertain. Nevertheless, as it stands the situation appears as follows.

In their Eurozone proposals, both Macron and Rutte refer to both re-regulative as well as capacity building approaches, yet with a substantially divergent emphasis. The line of the German government so far has been a synthesis of Rutte's and Macron's concerns. Merkel supports both an intergovernmental EMF as well as an additional investment budget for the Eurozone including EU level taxes for its funding. While this combination might open the way for a compromise between Rutte and Macron to ensure that fiscal transfers are perceived as fair if coercive capacities balance redistributive measures, there still remains the question if this could satisfy a wider group of member states, particularly those more directly affected by the crisis. Italy's current conflict with the Commission regarding Rome's national budget highlights the limitations in this regard.

On migration there is largely consensus between Germany, France and the Netherlands regarding the harmonisation of procedures with the goal of creating additional capacities at the EU level. Yet, the Polish stance remains reflective of the rejection of any coercive and administrative capacities to automatically relocate refugees by the Visegrad Group. Despite agreeing on the need for better border security, even here Poland is not supporting additional capacities but rather a re-regulative approach to improve member states' own efforts to tighten borders. Ultimately, this leaves the continued externalisation to transit countries and the Marshall Plan for Africa, which can be at best a long-term solution. Thus, it is not surprising that this approach is strongly supported by all four leaders, with the hope in Germany, France and the Netherlands that thus the political controversy can be reduced so far that compromise might become possible.

⁴² While it is doubtful whether the social democrats would risk new elections that could reduce them from being the second largest party in parliament to potentially just the fourth, there is a possibility that dissatisfaction with the state of the party might lead leaders and/or rank-and-file members to conclude that, as they say in Germany: 'Lieber ein Ende mit Schrecken als ein Schrecken ohne Ende'. (Better an end with terror than terror without an end.)

Regarding defence, ultimately the focus also lies on externalisation. Unlike with migration, the reliance on NATO capacities is not fraught with the same degree of risk. Thus, the demand for core state power integration is also very limited. Thus, despite the strong rift between Rutte and Macron in this field, conflict levels are rather low, and all four leaders seem thus content with the low-key measures that are PESCO and the European Defence Fund.

Regarding Single Market policies, Rutte's plans to further open cross-border markets for services have faced a considerable degree of resistance in France and Germany. Both fear a race to the bottom on wage competition particularly by workers from CEE countries. This shows that the established re-regulative mechanism does not necessarily bring consensus, especially against the backdrop of existing protectionist sentiments on both the populist left and right-wing. To avoid renewed, tiring battles on the extent of market liberalisation, the introduction of a new EU capacity to tax digital champions could serve to reconcile integrationist forces with EU citizens mindful of social protection. Thus, intergovernmental solutions at a later point might cause spill-overs equipping the supranational level with more core state powers.

The need to address problems in the integration of core state powers is evident in all visions. Yet, we still do not know in all aspects how far each member state is willing to go and what course of action is preferable. It remains clear, however, that the core crux of core state power integration remains the zero-sum conflicts. There is no clear-cut capacity building view in contrast to a re-regulation view. Each member state vision highlights the individual vulnerabilities and proposed solutions are attempts to minimise losses. Thus, a 'grand bargain' between state leaders providing a 'one size fits all'-solution is unlikely to happen. Externalisation remains popular to reduce internal pressure, but it remains a very risky strategy that could at any time fall apart and the EU would meet renewed crisis unprepared.

Despite their different point of views, Macron and Rutte running on a joint ticket can be seen as an acknowledgement of the urgency of addressing the integration of own core state powers. The debate however on how to resolve existing pressures for integration affecting core state powers still needs to be held.

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