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## Member states' expectations towards the German Council Presidency

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### Abstract

As Germany assumes the presidency of the Council of the EU, the Union is facing the “biggest test of its history” according to German Chancellor Angela Merkel. The challenges of the Covid-19 pandemic and a severe economic recession could not be more extraordinary. The weight of expectations on Berlin to assume a European leadership role during the presidency are as extraordinary as those challenges. What exactly do other member states expect from Germany and how do they set their policy priorities? To answer this, the European Policy Institutes Network (EPIN) has compiled an analysis of 15 different national perspectives.



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## Executive Summary: What do member states expect from the German Council presidency?

by Minna Ålander, Sophia Russack and Nicolai von Oндarza

### 1. A presidency under extraordinary circumstances

As Germany assumes the presidency of the Council of the EU, the Union is facing the 'biggest test of its history' according to German Chancellor Angela Merkel. The challenge could not be more extraordinary: across the EU, the Covid-19 pandemic has claimed more than one hundred thousand lives. The pandemic's secondary effects are leading to the worst economic recession since the Great Depression and have accelerated many global trends, including the retreat of the US from its Western leadership role and the growing Sino-American rivalry. The implementation of uncoordinated national measures have damaged trust within the EU, and belief in open borders. Meanwhile the asymmetric economic shock due to different infection rates and fiscal capacity to react risks creating new fault lines in the Union.

From an institutional perspective, the instruments an EU Council presidency can call on to react to these extraordinary challenges are quite limited. Within the Council the presidency can only mediate between the member states, and thus will be most successful if it acts as an honest broker rather than trying to set the direction. Since the Lisbon Treaty, several of the most crucial formats of the Council system are also headed by their respective permanent Presidents – the European Council, the Council for Foreign Affairs, the Eurogroup, and their corresponding working groups. This has transformed the rotating Council presidency into much more of a service provider than a political agenda setter. The logistical limitations caused by Covid-19 restrictions will put further strain on the Council's work during the second half of 2020.

Despite all this, the expectations on Berlin to assume a European leadership role during the presidency are as extraordinary as the challenges. They rest on three pillars: first, as the largest EU member state in terms of population and economy, Germany can bring its political weight to the table to forge compromises, particularly in the challenging negotiations on the EU's Multiannual Financial Framework (MFF). The brunt of the workload of a presidency also rests with the national administration, which can be overwhelming for smaller member states. Second, Angela Merkel is by now the EU's longest serving member of the European Council, with a corresponding network among the heads of state and governments. Since 2016, Berlin has also invested in deepening its bilateral relations within the EU, for instance with the Nordic countries, Ireland, the Baltics or direct engagement with groups such as the Visegrád four. Both these political and diplomatic networks will be crucial to forging compromises at a time when building bridges within the different groups of the EU is more important than ever. Third, Germany has endorsed these high expectations by presenting an ambitious [program](#) for its presidency. These range from the coordination of the Covid-19 response, to negotiating the MFF and the EU recovery fund, to keeping the EU united over Brexit, and finally a host of initiatives in policy areas such as climate, migration, digitalisation, the rule of law and more.

Meeting these expectations and fulfilling these ambitions can only be successful if Berlin manages to forge compromises and get the agreement of the 27 countries in the Council, as well as with the other EU institutions. To better understand the different expectations and priorities of EU member states, the European Policy Institutes Network (EPIN) has compiled an analysis of 15 different national perspectives on the German EU presidency. We asked our EPIN partners what their governments' expectations towards the German presidency are (prior to publication of Germany's official presidency programme). The 15 think tanks contributing to this analysis represent the diversity of views across the EU-27 and the range of size, geography and political affiliation of governing parties.<sup>1</sup> Even withstanding their different perspectives, and despite the institutional limitations, they all share the high expectations for the German presidency 2020.

## 2. Expectations of the member states: trends and differences

Despite most diverse and partly incompatible policy expectations, all member states anticipate that Germany will broker in their interest. As for regional expectations, we see that Central and Eastern European countries view Germany as a strategic partner and supportive mediator who is perceptive of their social and political context. Southern Europe fears neglect and exclusion through either: too much focus on the East (Spain); the Franco-German tandem (Italy); or a differentiated EU in which the 'clubs' are too dominant over the periphery (Greece). The 'frugals' expect Germany to land a workable budget which does justice to their economic contribution.

The current top priority that unifies all member states is the MFF and the recovery fund. Beyond the traditional net payer/recipient logic, new cleavages are emerging between groups of member states. Unsurprisingly, we recognise a clear dividing line between the Northern member states (Sweden, the Netherlands, Denmark, Finland) as well as Austria on the one side, who consider green issues, the digital agenda and rule of law to be more than 'fair weather' topics. This group of member states want rule of law conditionality for fund accession, and to design a post-pandemic recovery that is as digital and green as possible. On the other side, Southern, Central and Eastern European as well as Baltic countries feel generally less connected to green topics and instead put great importance on cohesion policy and the Common Agricultural Policy (CAP).

The Visegrad Group (V4) is teaming up to strengthen their negotiation position. However, their interests are not necessarily uniform, as Poland and Slovakia seem to have a more positive take on the recovery fund, while Hungary and Czechia appear more sceptical. Poland will meanwhile have trouble remaining the number one beneficiary of EU funds if a rule of law conditionality comes into place. Furthermore,

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<sup>1</sup> These countries are: Austria, Bulgaria, Czechia, Finland, Greece, Ireland, Italy, Latvia, Lithuania, Poland, Romania, Slovakia, Spain, Sweden and The Netherlands.

Slovakia seems to be moving more towards the European 'mainstream' in its positions, particularly on green issues and the rule of law.

The only Eastern European member states outspoken in favouring a rule of law mechanism are Bulgaria and Romania. This is connected – politically, not legally – to their proposed accession to the Schengen Area: lifting the Cooperation and Verification Mechanism (CVM) and replacing it with a common rule of law mechanism would potentially rebut the political objections of other member states towards their accession.

Countries particularly hard hit by the corona crisis demand that economic impact be the central factor in determining the distribution of recovery funds. The criteria proposed by the Commission (GDP, unemployment rate of the past five years and population size) are perceived as unsatisfying due to their strong link to economic performance *prior to* the crisis (for instance, by countries like Slovakia) as well as the fact that the future of common fiscal rules and policies is based on conditionality and top-down structural reforms (the Greek perspective). These numbers are the only reliable statistics that are easily retrievable at the moment; the German Government will need to negotiate a readjustment of those in the course of the coming months to achieve a fairer distribution and get an agreement.

The issues of joint debt and EU's own resources (e.g. in form of a tax) are controversial along the expected lines between the so-called 'frugals' (Austria, the Netherlands and Sweden) and the diverse pro-joint debt coalition, however the topics do not appear to be the top priority for many member states even in relation to the MFF. Frustration is expressed in Greece, where the Northern countries are blamed for exercising intra-EU fiscal dumping and undermining an effective European tax instrument. Ireland on the other hand, as a hub for multinational tech companies, strongly opposes any tax-based (digital or large corporations) raising of EU own resources.

The 'frugals' still demand loans over grants, but seem ready for compromise. Sweden is firmly backing the frugals' common interests. The Netherlands are constrained by their domestic situation, as national elections will take place next year and the hard-line course of the government is so far supported by both parliament and the population. Austria seems to be convincible, not least due to its strong commitment to European integration as well as a green coalition partner in the government. Finland, despite not being a member of the frugal four, also experiences an intense domestic debate on issuing EU debt. The government prefers loans over grants but is expected to approach the Commission's proposal constructively, as the central labour market organisations representing Finnish businesses and labour unions are jointly supporting the Commission's proposal.

The high prioritisation of the MFF by all member states is reflected in the German presidency's focus areas, of which recovery from the corona crisis and the MFF are the most important. Aside from the clear prioritisation of the MFF and the recovery fund, the picture becomes much more fragmented, as priorities are set according to convergence with domestic agendas.

Aspects of the Common Foreign and Security Policy play a role for several member states, however the typical discord on priorities in the field becomes evident from the emphases on very different foreign policy topics and regions. The European Neighbourhood Policy is only a concern for member states in geographic proximity of and/or with historic ties to the neighbouring countries. In this respect, it is notable that neither the EU's relations to China – the original main focus of the German presidency before the pandemic started – nor to the US, with its decisive presidential election in November this year, seem to be a priority for the presidency, in the view of the other member states.

Digitalisation, although a priority of the German presidency, does not seem to be high on any member state's agenda and is only mentioned by Finland. For Spain it plays a role domestically but is no EU policy priority.

Surprisingly, some very crucial policy issues are hardly mentioned at all: Brexit and the negotiations on the future relationship with the UK – high on Germany's agenda – apparently move very few member states. Only the member states that will face direct financial and economic implications, such as Ireland, the Netherlands and Sweden, prioritise the topic. Ireland is the only EU member to refer to the deep geographic, historic and economic ties, otherwise any expressed interest seems to stem from an economic (or as in Latvia's case, security) concern, not a political one.

Similarly, migration policy is a topic only relevant for countries strongly affected. Only for Greece a reform of the Common European Asylum System is on top of its agenda, while Bulgaria is interested in migration in so far as the issue is seen as a continuation of their presidency in 2018. At the other end of the spectrum, Czechia is hostile towards the concept of quota and is likely to reject any kind of reallocation scheme.

The restoration of Schengen mobility has also sparked the interest of unexpectedly few member states. Only those countries with many cross border supply chains (such as Slovakia), or many commuter and posted workers (e.g. Bulgaria, Romania, Czechia) demand that Germany coordinate the lifting of those measures – and their potential reintroduction in case of a second wave. No country seems to explicitly prioritise the recommendations of the Commission on border closing and re-opening. Among other issues, this could spark an institutional rivalry between Council and Commission if the presidency is strengthened disproportionately during Germany's turn at the helm.

The single market is the core element of European integration. Small and mid-size member states, such as Finland and Lithuania, call for further consolidation of the single market and warn of protectionist tendencies. Ireland, as an export-oriented economy, pledges for a strong but not too autonomous single market, putting great importance also on global trade flows.

Finally, only Austria has a long wish list for improving the institutional framework of the EU. Otherwise there appears to be no appetite for institutional innovation, let alone treaty change, which has also been reflected in the [Council's position](#) on the Conference on the Future of Europe. Assuming there will be no second pandemic

wave, the conference is expected to be launched during the German presidency. The lack of debate on a possible transfer of competences in the area of health is surprising considering the prominence of the topic during the past months. However, it may still be too early for a common European vision in this policy field, as the pandemic is far from over, and the EU and its member states are still very much preoccupied with acute crisis management.

The German presidency would be well advised to be sensitive to the new cleavages emerging from the MFF negotiations due to its connection to the recovery fund. It is a concern shared by all member states and is most likely the topic that Germany's performance will be measured against. An opportunity might arise in a trade-off between rules of law (and potentially green) conditionality and the great bone of contention, the balance between loans and grants. Here, the demand of conditionality by the 'frugal four' could be accommodated in exchange for the demand of grants expressed by other member states.

In other areas, decisions on where to invest time and effort should be made pragmatically. On migration, for instance, while it is certainly to be welcomed if Germany can bring some motion, it is better to not burn too much valuable time on a currently quite deadlocked case. In the case of the future relationship with the UK, the apparent indifference of many member states could prove to have a practical value in the negotiations, as finding consensus among the EU-27 is not expected to be complicated by strong positions.

## Austria's 'stop and go' on EU integration

by Paul Schmidt

The corona crisis and its harsh implications increase the urgency for the upcoming German presidency of the EU Council to reach an agreement on the EU's Multiannual Financial Framework (MFF) and the European economic recovery fund.

The Austrian government, being part of the self-proclaimed "frugal four", stands ready to help, but expects clarity and further analysis on the corona-related economic damage. It continues to favour loans over grants, and wants to discuss an easing of credit conditions. The financial help should be a one-off measure for a limited duration, linked to the rule of law and focused primarily on projects designed to boost resilience and reform the structure of the respective economies. Austria believes the EU should be a pioneer in climate protection, and supports the introduction of a digital tax.

Hence, there is room for compromise to accommodate the different views and make progress in the area of the EU's own resources, which would limit the increase of budgetary contributions. However, if EU member states cannot reach agreement soon, European action to mitigate the effects of the pandemic might come too late.

The corona crisis could yet also become a catalyst for positive change. Regarding the Conference on the Future of Europe, Austria expects the German presidency to move swiftly to prepare the ground, with the aim to get it started in the autumn.

The Austrian government wants to see a new Treaty on European Union. It argues for an open and transparent process, with a substantial participation of civil society. EU bureaucracy should be reduced through, for example, a smaller College of European Commissioners with a fair rotation system between EU countries; a review of the value of the EU agencies and legislation; a sunset clause for legislative acts; and a stronger use of EU directives in place of regulations.

Austria is eager to improve the EU's ability to act by advancing with qualified majority voting, e.g. in foreign affairs, to widen the scope of the co-decision procedure. It also wants a true right of initiative for the European Parliament.

Europe will be at the crossroads for a while yet. However, the Union is moving, which is far better than being stuck at a dead end.

## **Bulgaria: consolidation of the EU and Bulgaria's position within it**

*by Antoinette Primatarova*

The reinforced long-term budget of the EU for 2021-2027 and the Next Generation EU recovery instrument will be at the core of the German presidency. These measures are presented and perceived as an unprecedented opportunity for Bulgaria, yet Bulgaria's government and analysts are aware that the Commission's proposals are – and will be – contested. Nevertheless, confidence in Germany's role as an experienced broker prevails in the public debate.

While the Bulgarian government supports the principle of climate neutrality by 2050, it is reluctant to subscribe to more ambitious commitments for 2030.

Having joined the EU in 2007, under the previous German presidency, Bulgaria's government and its civil society consider Germany a primary strategic partner. The timing of the coming German presidency is now associated with opportunities to consolidate Bulgaria's position within the EU.

Bulgaria supports the rule of law priority of the German presidency, and has no opposition to rule of law conditionality of funding. A new peer review system on rule of law is expected to facilitate the lifting of the special monitoring of the Bulgarian judicial system and probably also accession to Schengen<sup>2</sup>.

This will be essential for the effectiveness of Bulgaria's commitments on external border control. Any progress on security issues related to migration, border control and asylum would be seen as a natural continuation of efforts made during the 2018 Bulgarian presidency. In July, Bulgaria hopes to join, together with Croatia, the banking union and the Exchange Rate Mechanism 2 (ERM II) as a first step towards joining the eurozone.

While not directly linked to enlargement, discussions on the Western Balkan countries were one of the priorities of the 2018 Bulgarian presidency. These represented an important contribution towards the decision of the European Council to open negotiations with Albania and North Macedonia in March 2020. Bulgarian officials continue, however, to foster [speculations](#) about Bulgaria eventually blocking the launch of negotiations with North Macedonia unless a common history interpretation is accepted. Cooperation with the German presidency on the Western Balkans file and the next summit under the Berlin Process will be important in consolidating Bulgaria's role as a constructive regional player.

## **Czechia: economic recovery at the expense of climate and**

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<sup>2</sup> The Netherlands have for years made their agreement to Schengen accession conditional upon positive evaluation of the Bulgarian judicial system.

## **solidarity**

*by Christian Kvorning Lassen and Jan Kovář*

Amid the national developments related to Covid-19, the upcoming German presidency did not generate great public and political attention in Czechia until late May, after the recent meeting of V4 prime ministers with Angela Merkel. In general, the expectation is that the German presidency will be better positioned to provide leadership than the outgoing Croatian presidency, due to its greater experience and administrative capacity.

We can file the main expectations in the category 'it's the economy, stupid.'

The EU recovery fund is the primary expectation, as well as the main bone of contention. Czechia clearly disagrees with the Commission methodology of distributing aid on the basis of benchmarks that have no clear connection to the pandemic, such as pre-crisis levels of unemployment or GDP growth.

The following Multiannual Financial Framework (MFF) is next in line. Czechia hopes that Germany will forge a compromise that ensures more funding for the cohesion policy and more flexibility to use those funds, including those allocated to the European Green Deal. Czechs look towards the German presidency in hope that the salience of the Green Deal will fall, arguing instead that the pandemic requires a delay – or even abandonment – of a principally green-based restructuring of the economy. The fact that studies based on the previous financial crisis indicate that [green investments are ideally positioned to spur economic recovery](#) is ignored; the resistance towards climate neutrality in Czechia is ideological rather than empirical.

Czechia, as a country whose current pandemic situation is relatively positive, expects the Germans to work towards a gradual lifting of measures that limit cross-border movement of people, either locally or at the EU-wide level. Czechia vigilantly monitors the debate regarding the reform of the Dublin system as our 'nemesis'. The relocation scheme has now appeared on the stage once again, due to the stagnation of viable reforms.

Lastly, the future of the eurozone and the suggestion of transferring new competences to the EU after the pandemic also breeds anxiety. Regarding the former, Czechs worry chronically that excessively deep integration of the eurozone may degrade their membership to a second class. Regarding the latter, an empowered EU with additional competences would diminish Czechs' ability to criticise the EU and frame it as inefficient. This would erode an eternal source of domestic political capital, one which always makes the transfer of competences a red flag in Czechia.

## **Finnish hopes and concerns for the German presidency**

*by Juha Jokela*

Helsinki would like Germany to use its political clout and well-resourced presidency to forge consensus among the member states to address the severe implications of the Covid-19 crisis. Finland is also hopeful that some of its own presidency priorities from 2019 will feature on Germany's agenda. These include the rule of law and climate leadership, as well as the EU's competitiveness and comprehensive security.

The number one issue on the table, however, is the Multiannual Financial Framework (MFF) and the related negotiations for the EU's recovery fund. Allowing the EU to fund its expenditure (extensively) by issuing debt has led to an intense debate in Finland. This includes strong reservations expressed by the Parliament's Constitutional Law Committee, mainly with regard to the legal basis for the proposal and Finland's budgetary sovereignty.

Although the Finnish government would prefer a smaller fund, loans to grants, and shorter maturity for EU debt, it has stated that it will approach the Commission's proposal constructively. Importantly, the central labour market organisations representing Finnish businesses and labour unions are jointly supporting the proposal. This is because the EU is Finland's main market and its exports rely heavily on investment goods.

The government has highlighted that these extraordinary measures must indeed be temporary. The allocation of new funds should also be accurately linked to the economic impact of the Covid-19 crisis, as well as the EU's priorities such as the Green Deal and digital agenda. Importantly, Finland continues to call for attaching stronger rule of law safeguards to EU spending.

Finland also wishes that Germany would take into account the concerns of smaller and mid-sized EU economies related to potential protectionist tendencies around industrial policy and bolstering economic resilience. It has called for a fair and competitive single market, and the maintaining of a strict and independent EU competition policy.

Finland would also positively engage with proposals to increase the efficiency of the Common Foreign and Security Policy including limited application of qualified majority voting, and intensifying EU defence cooperation. The Finnish Commissioner responsible for the EU's international partnerships has further highlighted the importance of EU-Africa relations to Helsinki. Germany can also rely on Finnish support in defending multilateralism and the rules-based international order.

## The German EU presidency 2020 viewed from Greece: coping with a fragmented Europe

by *Filippa Chatzistavrou*

Greece is the weakest member of the club of 'peripheral and highly indebted countries'. Here, elite and public perceptions oscillate between Germany as a caring hegemon, driven by enlightened self-interest to restrict further fragmentation in Europe, on the one hand, and the inescapable domination of politics by 'clubs', on the other. The Next Generation EU recovery plan and the reform of the Common European Asylum System (CEAS) are at the top of the agenda, for policy circles and the public alike.

Moving forward with the vital reform of the CEAS should not transform Greece into Europe's center for asylum applications. The Greek public is skeptical of cumbersome 'pre-examination' processes and the installation of facilities on external borders. In fact, a solid EU-centralised system of prompt applications control and balanced distribution of asylum seekers among all European countries, without opt-outs or conditionality clauses, is more than welcomed. The reformed CEAS should include a monitoring mechanism for countries' violations on: refugee quotas; human rights, in case of illegal deportations and push-backs of refugees and migrants; and on political asylum (e.g. outdoor prison camps, national laws that make it difficult for recognised refugees to survive).

Linking the Next Generation EU recovery plan with the Multiannual Financial Framework (MFF) negotiations is viewed in Greece as a clever negotiating tactic. But the real controversy lies in the method used: the future of common fiscal rules and policies based on conditionality and top-down structural reforms. The problem for the Greek public is that these patterns of response to repetitive crises do not have similar effects in all countries.

This has to do with unequal power relations within the EU but also with competitive national strategies toward globalisation. Northern countries, being 'free riders', exercise fiscal dumping by promising capital higher profits, thus undermining effective European tax instruments while southern countries struggle with indebtedness and a serious post-corona labour market crisis.

The bailout of the single market – through medium-term softening of fiscal rules along with grants and loans only for top-down measures directly related to the corona crisis – lags far behind expectations. The German presidency should address the dumping problem within the EU, opening the discussion in favour of measures against labour market social dumping, and the development of solid tax-based EU own resources against intra-EU dumping practices.

If Germany's goal is to work on the logic of balancing expectations between 'clubs', then a further differentiated integration perspective will reinforce the idea of a multi-speed Europe.

## The only certainty is uncertainty: Ireland's expectations of the German EU Council presidency

by James Cotter

Ireland has grappled with the consequences of the Covid-19 pandemic at a time of domestic political uncertainty, following the inconclusive result of its February 2020 general election. However, as the slow process of government formation draws to a conclusion on the eve of the German EU Council presidency, there are some certainties: 1. Ireland – like all EU member states – faces [severe economic consequences](#) due to the Covid-19 pandemic; 2. the Brexit transition period is set to conclude on 31 December 2020; 3. global challenges that require multilateral solutions have not receded.

On the economic front, Ireland was one of the nine member states to initially call for joint debt issuance to address the increased spending needs precipitated by the pandemic. It will now hope for flexibility on the part of Germany in building a compromise solution for the next Multiannual Financial Framework (MFF) and the recovery fund, which will ultimately define the future relevance of the Union. Nevertheless, and considering its status as a hub for multinational tech companies, Ireland will strongly oppose any proposals for a digital tax or a tax on large corporations as new forms of own resources.

Ireland and Germany share an interest in avoiding a no-deal Brexit and ensuring the EU has as close a relationship as possible with the UK. This interest becomes more urgent with every passing week – a point underlined by the UK's formal notification to the EU that it will not seek an extension to the transition period. Ireland has deep geographic, historic and economic ties to the UK, and thus has a particular interest in seeing a favourable resolution to the negotiations on the future relationship. As such, it will expect the German presidency to be guided by the pragmatism and solidarity that has repeatedly proven crucial at the late stages of such negotiations.

On trade, Ireland will eagerly expect Germany – as a fellow export-oriented economy – to place the restoration of the single market high on the agenda. However, Ireland will view with caution the push for greater strategic autonomy in response to Covid-19 – particularly the incentivisation to produce certain goods within the EU – that is expected to gain pace during the German presidency.

As a small open economy that has strongly benefited from international trade, Ireland will argue in favour of striking a balance between prioritising European supply chains and remaining strongly integrated with global trade flows, so as not to fragment international trade and potentially replace one vulnerability with another. Ireland is also an engaged multilateralist, exemplified by its recent election to the UN Security Council 2021-2022. As such, it will look to Germany during its presidency to challenge the EU to be a stronger global actor and a voice for multilateralism.

## Italy: Germany should turn the crisis into a catalyst for the EU

by Eleonora Poli

With an April 2020 poll finding that [45%](#) of Italians regard Germany as an enemy rather than an ally, Italian expectations towards the German EU Council presidency ought not to be high. Yet this number does not tell the whole story. The Italian public and government do in fact perceive Germany as the most efficient economy in Europe. They also see it as the country that has best managed the Covid-19 pandemic, avoiding a healthcare capacity crisis, and with limited negative economic consequences.

In this respect, public and political mood towards Germany will very much depend on the way the country performs its presidency. The Commission's proposal for a 'Next Generation Europe', which is considered the result of French-German diplomacy, has already contributed to a change in citizens' perceptions of the EU ([+12% since April 2020](#)) and of Germany ([+3% since April 2020](#)).

Yet, to revitalise Italian Europhilia and affiliation towards Germany, the Italian government, among others, expects to be included in the traditional close relationship between Paris and Berlin. Its exclusion from what is perceived as the European cornerstone would fuel anti-EU sentiments and provide more support for external actors, especially China, which is already considered to be an ally by [52%](#) of Italians.

In a nutshell, the Italian government's expectations of the upcoming German presidency are rather ambitious. Germany needs to have the courage to be a leader for Europeans. EU member states must agree on a set of concrete economic and industrial plans that allow the EU to exit the sanitarian and economic crisis, and to compete in the global market as a whole. This is necessary to prevent anti-European forces and parties from taking power in more member states, and in Italy in particular.

Beyond sympathy, if there is a country able to lead the EU on this path, it is certainly Germany.

## Latvia: expecting things to not get worse

by Karlis Bukovskis and Aleksandra Palkova

For almost three decades, Latvia has followed with strict dedication its central goal of re-integration with the West, including the core structures of the European Union. Now, while striving to maintain its image as a trustworthy partner to the EU partners, Latvia seeks the preservation of the existing multilateral, institution-driven international system based on rule of law. Hence Latvia will hope that the EU security and further political and economic integration in the EU progresses in the coming years.

German presidency of the EU Council is an important moment to prevent that from happening. This is because of the ongoing negotiation of the Multiannual Financial

Framework (MFF) 2021-2027, Brexit negotiations, and relations between the EU and the USA, that will shape the political and economic future of the EU. Germany's leadership in maintaining stability of, and within, the EU are seen as vital by the small Baltic country.

The MFF is central to furthering Latvia's economic growth. Cohesion funding and Common Agricultural Policy subsidies have been successful annual sources of investment and capitalisation of Latvia's economy. Now, with the current need to revive economic sectors hit by the Covid-19 pandemic, Latvia is even more eager for a fair MFF solution. As a means for both economic and political stability, Latvia supports deepening European Monetary Union (EMU), to make it more shock-resistant and better able to reduce the socio-economic differences between EU member states.

Latvia is also expecting the German presidency to keep the UK in the post-Brexit European security loop, improve the fight against hybrid threats, and most importantly, build European defence capabilities without substituting NATO. In Latvia's view, it is impossible to keep Europe safe without efforts by the German presidency to strengthen political, economic and security ties between the EU and the USA.

### **Lithuania: a mix of current agenda and traditional priorities**

*by Ramūnas Vilpišauskas*

Germany has had to adjust its EU Council presidency agenda to the fast-changing healthcare and economic situation related to the Covid-19 pandemic. There has been a merger of the ongoing negotiations of the next Multiannual Financial Framework (MFF) for 2021-2027 and the perceived need for a joint EU response, as articulated by German Chancellor Angela Merkel, to the crisis. This now increases the importance of completing the negotiations for the next MFF.

Despite the crisis, Lithuania continues to favour its traditional priorities for MFF spending. They include: maintaining the cohesion funding; equalisation of the direct payments allocated to farmers in EU member states; and maintaining adequate funding for projects related to the EU membership commitments, such as the decommissioning of the Ignalina Nuclear Power Plant.

There is also a concern that the economic recovery instrument proposed by the European Commission focuses too much on healthcare allocation criteria, overshadowing the economic convergence needs of Central and Eastern European states. During the European Council video conference on 19 June, Lithuania's President Nausėda expressed his support for a swift conclusion of the negotiations. Yet he also stressed that Lithuania's position on MFF remains unchanged, and that access to the European recovery fund should be based on criteria that reflect the economic impact of the pandemic and the most recent statistics.

Another traditional Lithuanian priority is support for the Eastern Partnership (EaP) countries, including funds for economic recovery, and providing them assurances on the long-term integration into the EU, conditional on domestic reforms. With a view to the EU-EaP Summit scheduled for 2021, Lithuania expects German leadership in reinforcing the EaP policy.

Lithuania has also traditionally supported further consolidation of the Single Market, including the energy market and provision of services. Lastly, it has been critical of the mobility package, for discriminating against peripheral member states and running contrary to green goals.

### **Poland: strong on financial transfers, weak on policy commitments**

*by Wojciech Białyżyt and Jacek Kucharczyk*

During the German presidency of the EU Council, Poland will focus mainly on the financial discussions that will take place between member states. A major priority will be the cohesion funds and the Common Agricultural Policy (CAP). Poland will strive to keep their levels unchanged, despite new EU priorities such as the Green Deal. Regarding the CAP, Prime Minister Mateusz Morawiecki has already sent a [letter](#) to the European leaders advocating an increase in the financial allocation for agriculture.

Similarly, Poland sees the post-Covid recovery fund as its major point of interest in the coming months. During the negotiations, Poland will certainly aim to keep its status as one of the biggest beneficiaries of the program. To strengthen its negotiating position, Warsaw will team up with other Visegrad Group (V4) countries, as already confirmed during a recent meeting of the V4. The meeting revealed some differences in attitudes between the four Central European states. Poland and Slovakia adopted a more positive view of the recovery fund, while Hungary and Czechia appeared more skeptical.

These Polish priorities for the upcoming presidency will most likely be affected by the ongoing debate on the rule of law conditionality, allowing cuts to the funding of countries violating it. The German presidency has already announced that the rule of law will remain high on the agenda of the EU. It may be expected that Prime Minister Morawiecki will face an uneasy task in keeping Poland high on the list of beneficiaries of EU funds, while defending his party's moves to take political control over the Polish judiciary.

Poland should not be expected to play a significant role regarding the German presidency's China priority. Warsaw is under pressure from the US government to exercise caution with respect to Chinese investments in the region, including 5G, and is looking to Washington rather than Brussels or Berlin for guidance on this matter.

The dynamics of Polish EU priorities may change as a result of the presidential elections scheduled for 28 June and 12 July. A possible electoral victory of Rafal Trzaskowski, who is likely to challenge the incumbent Andrzej Duda in the second round of elections, would introduce an important new player to the EU debate in Poland. While Duda's attention in foreign policy has largely been focused on relations with the US, Trzaskowski is a former Member of the European Parliament and European affairs minister who was nominated by the liberal-conservative Civic Platform (EPP). He will likely attempt to pressure the government in Warsaw to adopt a less confrontational approach on issues such as the Green Deal and the rule of law, during the German presidency and beyond.

### **The only cure for the pandemic crisis is more Europe: a Romanian view**

*by Mihai Sebe and Bogdan Mureşan*

The coronavirus pandemic is taking a great socio-economic toll, both on member states and the European Union as a whole. At this time, Romania, while supporting the principle of 'more Europe' and coordinated action, remains focused on joining the Schengen Area and closing down the Cooperation and Verification Mechanism (CVM) procedure. Since coming to power at the end of last year, the new government has [pledged](#) to implement all the [recommendations](#) made by the Commission in order to curb corruption and increase the independence of the judiciary. At the same time it has demanded that [similar](#) monitoring be extended to the rest of the European Union.

In February, Prime Minister Ludovic Orban reminded his European partners that Romania has long met all the technical accession criteria for the Schengen Area, in the hope that the political opposition of some member states will eventually be lifted. In the past, Germany blocked Romania and Bulgaria's Schengen accession due to concerns about the strength of the rule of law in the two countries. Romania announced earlier this year that it does not oppose the initiative of potential rule of law conditionality in the next Multiannual Financial Framework (MFF), supported by Germany, but that the criteria need further clarification.

A great deal of the real – not just nominal – European solidarity depends both on the massive recovery plan announced by the Commission and also on the upcoming EU budget. Romania hopes for an approach tailored to each member state, prioritising convergence and cohesion as core values, reflected in the next MFF for the 2021-2027 period.

Romania is interested in a more consistent yet flexible EU budget, especially with respect to the Cohesion Policy and the Common Agricultural Policy (CAP), believing that this simplified framework is better equipped to adapt investment priorities to its national needs. Moreover, as the CAP is also a very important EU policy for Romania, the country continues to seek convergence with Western Europe in terms of direct payments to farmers.

The need for a coordinated response at EU level to counter and contain the coronavirus outbreak will be met through **more Europe**, not less. Romania supports the EU4Health programme and the idea to expand the budget allocated to the rescEU civil protection mechanism. Enabling the free movement of workers and goods, as lockdowns and other restrictions are lifted, will be as important.

Last but not least, as the EU strives to be a more relevant global actor, it should continue its efforts to consolidate the Eastern Partnership post-2020 framework. Romania's main interest here will be to support the European path of the Republic of Moldova.

### **Slovakia: a constructive approach is best during the German presidency**

*by Alena Kudzko*

Slovakia is approaching the German EU Council presidency with high expectations. Germany has traditionally been one of Slovakia's key political and economic partners and, at the EU level, a mediator that is perceptive of Central Europe's social and political context. Bratislava is consequently pinning its hopes on the presidency to broker compromises that will accommodate Slovak priorities.

Although a member of the Visegrad Group (V4), Slovakia has been increasingly diversifying its cooperation formats (e.g. the Slavkov format with Austria and Czech Republic has gained prominence during the Covid-19 pandemic). Slovakia is likely to navigate a path that enables the country to be seen as a constructive player from the region – one that is more aligned with the European 'mainstream'. This includes issues related to the rule of law and climate change.

Slovakia is cautious about a skewed rule of law discussion stereotyping countries from the region but has not adopted the same rhetoric, or policies, as its Hungarian or Polish counterparts. Germany could prove a trustworthy chair that can effectively lead discussions following the first Rule of Law Report to be published by the EU Commission.

Despite having [managed](#) the coronavirus outbreak extraordinarily well, as indicated by low infection and death rates, Slovakia is one of the most impacted countries [economically](#). The government, therefore, is advocating that economic impact be the central factor in determining the distribution of recovery funds. Slovakia, moreover, is stressing the importance of linking funding to the implementation of structural reforms. Emphasising the urgency to agree on the repayment mechanism, Slovakia is likely to support new own-revenue sources, especially those that will be primarily generated outside of the country (e.g. financial transaction tax).

Given Slovakia's reliance on cross-border value chains and its high [share](#) of cross-border commuters, the country is striving to maintain a fully functioning Schengen Area. While the German presidency must comply with the Commission's recommendations,

Slovakia nevertheless expects Germany to contribute to the coordination of a gradual reopening of borders, as well as the potential reintroduction of border checks if there is a second wave. Slovakia will also support EU initiatives aimed at protecting the EU's external borders.

### **Spain, in light of the German presidency**

*by Héctor Sánchez Margalef*

Despite its reluctance to fully embrace the leadership role, Germany is the *de facto* hegemon in the European Union and Spain is comfortable with that. In fact the Spanish view of Germany in late 2019 was favourable for 76% of the population. Confidence in German Chancellor Merkel was also higher than in French President Macron (69% vs 60%), according to [Pew Research Centre](#). Therefore, the expectations for the German presidency are as high as the challenges ahead.

Regarding EU foreign policy, Spain should be watchful that a presidency too orientated towards the east does not undermine efforts and challenges coming from the Southern neighbourhood, particularly in the year commemorating 25 years of the Barcelona Process. Spain may also want to participate actively in the leader's summit of Leipzig (if it takes place), which will contribute to shaping the future relationship with China.

However, Spain has more interests at stake in the internal issues of the EU. Its main goal would be to obtain a favourable distribution of the new Multiannual Financial Framework (MFF) for 2021-2027. Spain aims to minimise the cuts to the Cohesion Fund; secure more grants than loans within the recovery fund; and agree on a governance and accountability system of the fund that does not require unanimity in the Council to unlock the money.

Moreover, Spain hopes to push Germany towards a 'Hamiltonian' moment. Governments in Southern Europe are aware of the difficulty of such a task, but favourable funding conditions would help boost Spain's economic recovery, and help the Spanish government to secure a victory at home.

In any case, Spain could build on its good relationship with Germany to undertake reforms that have been delayed for too long. This does not necessarily mean cutting public services. Instead, Spain could take the opportunity of the new instrument architecture to envisage the reforms it needs (such as the modernisation and digitalisation of public administration, or digital public education reinforcement, among others). It could then present these reforms to Germany and the rest of the European partners as examples of its commitment to modernising the country.

## Sweden on the German presidency: getting back to business

by Jakob Lewander

Since the outbreak of the pandemic, the usual Brussels working methods have given way to troublesome videoconferences and a sense of an erratic *modus operandi*. For what remains of 2020, Sweden hopes the German presidency can return the EU Council to organisational normality. Doing so will provide the functioning environment that is needed for the details of the new Multiannual Financial Framework (MFF) to be resolved.

As one of the resolutely frugal member states, the MFF negotiations are a key concern for Sweden. The alignment of typical Swedish interests with German priorities, such as rule of law and green issues, also raises expectations for the upcoming presidency. Sweden not only sees the frugal group as solid and united in their common interests but is also banking on Germany's capacity to land a workable budget while respecting the economic contribution of the group. The aim to contain the Swedish economic contribution to the EU budget is shared by the parliamentary opposition.

Having been a strong ally of the UK, it is very important to Sweden that relations with the UK remain close and do not cause major trade disruptions. Sweden stands united behind the Commission mandate.

The Swedish population remains positive towards the EU and the impact of its membership on many key political areas. However, Swedes remain clearly opposed to further EU integration. Thus, the EU is not a topic of political conflict but there is some underlying concern about the prospect of a disproportionate rise in Sweden's economic contribution that could spark political discontent.

## Dutch view on the German Council presidency: no panacea

by Adriaan Nunes

Expectations of the German EU Council presidency to resolve European deadlocks [are sky high](#). But rather than steering freely, Germany will find itself constrained by the ongoing crises. Therefore the Netherlands has no illusions about the German presidency being some kind of panacea for European discord.

For the Netherlands, the two most important files that will likely be completed under Berlin's presidency are, more than for most member states, intrinsically interlinked. The Multiannual Financial Framework (MFF) and Brexit will both have massive financial and economic implications for the North Sea nation. Hence its firm, typically blunt position on the MFF. On Brexit, Germany is expected to preserve a consensus among the EU-27 to uphold the interests of member states hit hardest by the British departure from the EU.

Diplomatic pressure on the Netherlands to abandon its perceived frugality [is increasing](#), illustrated by the [first foreign visit](#) of German Foreign Minister Maas to meet his Dutch

counterpart. Yet Dutch officials firmly underlined that "[much work needs to be done](#)" and stressed the importance of "[quality over speed](#)".

While the German presidency may be surrounded by [high expectations](#), the Dutch government will not easily give in to peer pressure to concede its position. With Dutch parliamentary elections approaching in early 2021, neither Prime Minister Rutte's VVD party nor Finance Minister Hoekstra's CDA party intend to volte-face on the European budget. Hoekstra and Rutte still enjoy [broad parliamentary](#) and [public support](#) for their positioning on the MFF.

Rather, Rutte's government will take its time to build political and public domestic support. In that respect, Hoekstra's softened language in his [most recent letter](#) on MFF to the Dutch Parliament is an indicator.

The Dutch will be observing closely how ambitious and indulgent the German presidency will be, particularly vis-à-vis southern member states. It also remains to be seen to what extent Chancellor Merkel will assume the driving seat or leave the hard work to Council President Michel, keeping her hands free for diplomatic intricacies (which the Dutch would prefer).

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