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**Informal Politics, Power Asymmetries and Franco-German Bilateralism in
Times of Crisis.
From the Eurozone to the Refugee Crisis**

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Panel 1F: The New Integrative Modus Operandi - EU Integration in Times of Crisis

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Abstract

This paper analyzes whether and to what extent a pattern of Franco-German bilateralism in close interaction with key European-level actors, similar to the pattern on the road towards Maastricht and EMU, emerged during the recent crisis years since 2009. Did this Franco-German bilateralism constitute a separate and informal level of negotiations of crucial importance for the wider negotiations on EMU crisis management and reform? And could it also be observed during the most recent refugee crisis? These questions link to the broader issue of the importance of power asymmetries in the European Union in times of crisis and during negotiations on reforms in key policy fields.

The importance of power asymmetries and the emergence of such an inner core of decision-making actors in EU crisis management and reforms, including Germany and France, is considered to be a function of:

- a) time constraints in decision making
- b) the importance of *informal* politics surrounding formal negotiations and restricting the number of important and influential participants to a small subset of those actors participating in *formal* decision-making at the level of the Eurozone members or EU-28;
- c) the asymmetry of issue-specific resources to deal with different types of crisis and, linked to this, the more or less asymmetric nature of interdependence as regards the need of and support for coordinated European level policies to deal with the succession of crises during the last years.

The paper will mainly look at crisis management and reform during the Eurozone crisis and during the refugee crisis. It attempts to identify conditions conducive to an informalization of European politics and to the restriction of decision-making on EMU reforms to a core group of actors, among the France and Germany, reflecting strong power asymmetries among the EU's member states.

Introduction

Two days after the rejection of the bailout conditions of the third assistance program in the Greek referendum of 5 July 2015, German chancellor Angela Merkel met French president François Hollande in Paris on 7 July to discuss how to handle the new situation. They acted as process managers, deciding upon the sequence of meetings leading to the extraordinary Euro Summit on 12-13 July. Immediately before the summit started, Merkel and Hollande came together in order to define their respective roles and common strategy during the summit. In the early evening of the 12th, ahead of the official start of the summit, a meeting took place bringing together Chancellor Merkel, president Hollande, European Council president Donald Tusk, the Greek prime minister Alexis Tsipras and his minister of finance, Euklid Tsakoulatos. The crucial compromises during this extraordinary summit could be struck between Merkel and the Greek prime minister, Alexis Tsipras, with European Council and Euro Summit president Donald Tusk and François Hollande acting as compromise brokers. During the breaks between the three plenary sessions, when a core group of actors including Merkel and Hollande negotiated hard, other heads of government could take a little rest.¹

This is a telling example of a powerful informal group at the center of decision-making inside the European Council – or Euro Summit in that case –, a core group of decision-makers composed mainly of the German chancellor, the French president and the president of the European Council. Can this be considered as being an exception to the rule or rather an instance of a more regular pattern? When, under which circumstances do we find such a pattern of a highly restricted group of key decision-makers? Do we find such forms of informal coordination among a small number of key actors more often today than in the past? And in case we find this pattern more often, how can we explain it?

The main thesis of this paper can be summarized as follows. During the Eurozone crisis, we could observe a trend toward more informal patterns of policy-making in the EU. In crucial moments of crisis management and EMU governance reform, small groups of key political actors found themselves at the center of negotiations, the German chancellor and – most of the time – the French president counting among them. To a varying degree, EU-level decision-making to handle the Eurozone crisis has been prepared by informal bilateral consultations and coordination between the German and French executive or between other small groups of actors, including including the French president and the German chancellor. As a consequence of this more important role of informal politics and because of the high importance of very unevenly distributed power and leadership resources among the member states, a picture of pronounced power asymmetries inside the Union emerged.

The same, however, did not hold true for the way Germany and France dealt with the next fundamental challenge to the Union's cohesion, the migration crisis starting in 2015. Although we could observe Franco-German bilateralism at work, it proved to be much less

¹ For an account of this Euro Summit, see FAZ 2015a and Le Monde 2015a.

influential than during the Eurozone crisis. Paris and Berlin made full use of their established bilateral consultation and cooperation routines and acted either as a force of proposal or lend their support to Commission initiatives on issues of external border control and relationships to third countries and on capacity building to lend support to Greece and Italy in dealing with large number of asylum seekers. No solid common ground could be found, however, between France and Germany and even more so in the EU-28 with regard to the core issue of burden sharing and relocation of refugees.

This paper makes an attempt to single out factors that explain under which circumstances a Franco-German leadership role and, more broadly, a heightened importance of core group coordination and power asymmetries in E(M)U negotiations are more likely to emerge when the EU has to deal with situations of crises. In a second step, it provides empirical evidence by looking at the two most important examples of crisis management the EU had to perform, the stabilization and reform of the Eurozone and its governance framework and the handling of the migration crisis.

Theoretical framework

In their “new intergovernmentalism” approach, Bickerton, Hudson and Puetter (2015) point to the ever more prominent role of intergovernmental decision-making inside the European Union in the Post-Maastricht period. But this intergovernmentalism is not about hard bargaining among a restricted set of powerful actors. Quite to the contrary, the authors stress the deliberative and inclusive character of the European Union’s and especially the European Council’s work, based on strong norms of consensus-seeking, softening the hard edges of power politics. Uwe Puetter identifies a trend towards informal intergovernmental decision-making (Puetter 2012a; 2014) and towards informal governance of the Eurozone (Puetter 2012b). He sees this as an example of flexible institutional adaptation serving the goal of consensus seeking and improving the deliberative character of policy-making among member states and allowing them to strive for European-level policy coordination without restricting their sovereignty.

Wolfgang Wessels makes a similar argument when pointing to the ability of smaller member states to make themselves heard in the European Council which he sees as an arena “which serves the interests of smaller states”, a body providing them “voice opportunities” and reducing “any trends towards a directorate dominated by the larger members” (Wessels 2016: 145).

I disagree. Especially in negotiations on Eurozone crisis management and EMU governance reforms, we could see a shift from formal and inclusive to informal and exclusive formats of decision-making or pre-cooking of decisions. In a number of important instances, power resources proved to be of utmost importance and big countries were able to run the show, not the least Germany and to a lesser extent France based on Franco-German bilateralism (Bulmer 2014; Bulmer and Paterson 2013; Fabbrini 2013; Meiers 2015; Schild 2011; 2013). We have strong empirical evidence and manifold examples of hard bargaining where

differences in power resources and asymmetric interdependence accounted for the distributional outcome of negotiations. Contrary to Bickerton, Hudson, and Puetter, I would argue that power asymmetries and power based hard bargaining with a key role for a limited number of member state and Union actors gained in importance in recent years. And I see informal politics and governance² not primarily as a way of reducing power asymmetries, enhancing the deliberative quality of decision-making, creating room for reasoned argumentation and processes of learning and mutual persuasion. Quite to the contrary, informal politics may result in a concentration of communication and policy coordination in the hands of a small number of key actors, excluding others from key stages of agenda setting, process management and policy formulation.

Power asymmetries between member states can come in different ways.

- Domination by a single country. In the context of the Eurozone, the only candidate for domination was Germany, either through its capacity to positively shape outcomes along the lines of its own preferences or to veto disliked proposals (Bulmer 2014; Fabbrini 2013).
- Hegemony in the sense of leadership, not domination (for the distinction, see Lentner 2005: 736-38) exercised by one member state or taking the form of co-operative German-French hegemony (Pedersen 1998).
- Decisive influence on process and/or outcomes by a small group of member states and/or Union actors.³

Power asymmetries cannot only be observed at the level of distributional outcomes of negotiations. They may manifest themselves also in earlier stages, during the agenda setting phase, in terms of process management and with regard to the degree of control over the menu of choice. What leads us to expect a growing importance of power asymmetries inside the EU in general and in the context of crisis management in particular?

My first argument is a *transaction cost argument*. With the eastern enlargement, the European Union experienced a “revolution of numbers” as the French MEP Alain Lamassoure once called it (Lamassoure 2012: 2). Transaction costs for coming to an agreement rise dramatically when the number of participants increases substantially. The EU’s eastern enlargement is a case in point. The Eurozone enlarged from 11 members in 1999 to 19 members at the present time. The complex nature of multi-issue bargaining likewise increases transaction costs. Criticizing the rationality assumptions of realist and intergovernmentalist negotiation theory which see negotiations characterized by low bargaining costs and perfect information, Beach and Mazzucelli rightly underline “substantial

² For an overview on the literature on informal governance in the EU, see Christiansen/Neuhold 2013 and Kleine 2014.

³ „Decisive influence [*bestimmender Einfluss* in the original]“ is a core characteristic of how Heinrich Triepel defines hegemony, used in the sense of leadership, in his classical study on the topic (Triepel 1943[1938]: 40). He situates leadership between the poles of domination [*Herrschaft*] and influence.

bargaining costs” in “complex, multi-party negotiations”, impediments to agreement that can be overcome by active political leadership (Beach/Mazzucelli 2007: 7).

One way of dealing with this tremendous, exponential increase in transaction costs under unanimity or near unanimity conditions is to shift the preparatory stages of decision-making – if not decision-making itself – from formal, treaty-based institutions to informal settings. The higher the number of participants in the (European) Council, the more complex the bargaining agenda and hence the higher the transaction costs of negotiations, the more often we should find instances of informal politics or governance in the EU and instances of arena shifting, moving negotiations to informal settings.

A shift towards informal politics is more likely to occur when there are established patterns of cooperation and informal institutions allowing for bilateral or plurilateral communication and coordination in subsystems of member states either ahead of (European) Council meetings or during these meetings, but outside and at the margins of plenary sessions that are governed by formalized working procedures. I conceptualize these established informal or formal patterns of coordination in subsystems as a resource that actors *might* make use of in specific circumstances. The more often we find established norms and practices of regular informal and/or formal communication and coordination between individual member states, eventually forming an EU subsystem,⁴ the more likely it is that these can be used to pre-coordinate or even “precook” European-level decision-making. The Franco-German institutionally “embedded bilateralism” (Krotz/Schild 2013) and the practice of a “regularized intergovernmentalism” (Krotz 2010) provide such a resource upon which France and Germany can draw in order to informally influence EU-level decision-making. The Visegrád group, bringing together the Czech Republic, Hungary, Poland, and Slovakia, provides us with still another example of intensified and regular subsystem coordination.

My next hypothesis refers to the *time constraints* under which negotiations take place: The more severe the time constraints of decision-making, the more pronounced the incentives for informal politics and governance will be in order to reduce transaction costs. The combination of high transaction costs and severe time constraints under which negotiations take place increases the likelihood not only of a high degree of informal working methods to reduce transaction costs. It also creates incentives to reduce the number of actors actively involved in negotiations and decision-making. To put it differently: The importance of time constraints is negatively correlated with the number of actors involved at the heart of negotiations.

The impact of the emergence of a core group of key actors in negotiations in terms of power asymmetries in the EU is in part due to the importance of *information asymmetries* that come with it. Informal consultations, pre-negotiations and negotiations do not follow a random pattern. Not all member states are equal, nor are they involved to the same degree in informal politics or have equal access to key office holders in supranational institutions.

⁴ On the topic of EU subsystems, see Schoutete 1990.

There are nodal points of communication with key actors pulling the threads together. Actors at the center of the communication channels can potentially reap huge benefits from this situation as their informational advantage over less involved actors provides them with a powerful asset. This asset can be employed not only in order to oil the wheels of negotiations, but also in order to tilt the outcomes of those negotiations towards their own preferences.

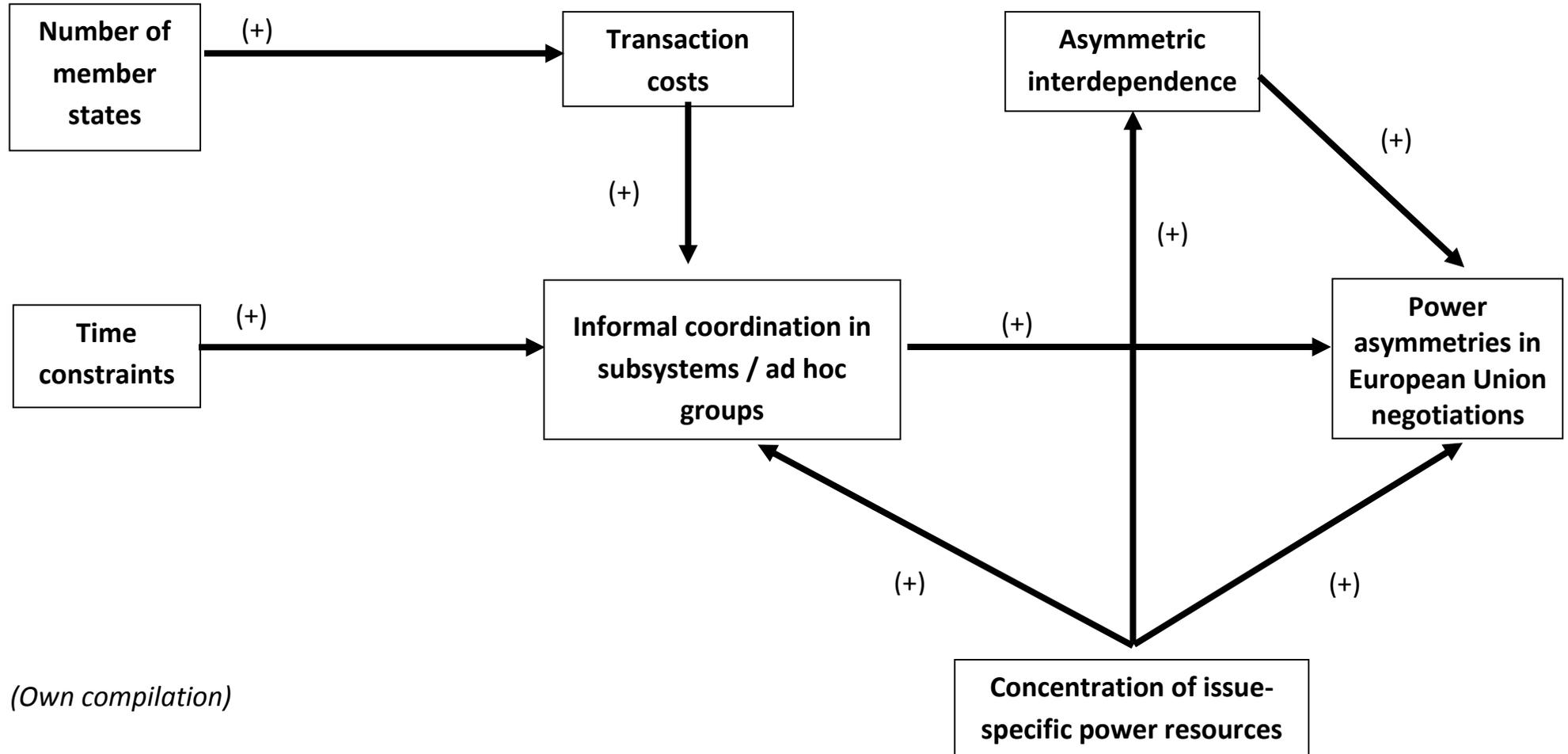
What, then, makes it more or less likely for a particular member state actor to be found among the core group of negotiation participants? Besides the aforementioned asset of being member of an established subsystem of actors sharing formal and informal norms and institutions of coordination in European policy matters, I consider *aggregate structural power* and, even more importantly, *issue specific power resources* (Tallberg 2008: 688-93) to be of special relevance to qualify for core group membership. Issue-specific power resources may take the form of hard, material resources such as financial resources or alternatively of soft power resources. The more issue-specific power resources a member state has, the more indispensable its contribution to a coordinated solution will be, and hence the more central its role in informal and formal decision-making.

In addition to the number of actors involved and the information asymmetries to be observed, the power asymmetries in European Union decision-making are influenced by the degree of asymmetric interdependence between actors around the negotiation table (Moravcsik 1998: 60-67). The higher the relative value an actor assigns to an agreement, the more prone he is to make major concessions to other parties to the negotiation. Figure 1 provides an overview over the causal chain of my argument.

In how far does the management of the Eurozone crisis and the management of the European refugee crisis since 2015 provide evidence of an enhanced importance of power asymmetries in the European Union's decision-making? A comprehensive test of the abovementioned hypotheses would require a broad comparative case study design covering a significant number of cases from different policy fields, not only from EMU and migration policy. Such a design is well beyond the scope of this paper. My objective is more modest. I will use empirical evidence of power asymmetries and of the role of Germany and Franco-German bilateralism to illustrate the importance of the causal factors identified so far.

As informal politics and governance is much more difficult to research than formalized procedures of decision-making, we have to rely on different sources. Besides detailed press reports, I made use of actors' testimonies and writings and, with regard to Eurozone crisis management, a number of interviews with high public servants in the French and German executive and in the ECB in March 2012 that were conducted by a group of researchers which I was a part of (Jamet/Lirzin/Schild/Schwarzer 2014).

Figure 1: Explaining Power Asymmetries in European Union Bargaining



EMU crisis management and reform

Time constraints and informal politics: situations of “supreme emergency”

Since the start of the Eurozone crisis, decision-makers experienced a number of situations of “supreme emergency” (Dyson 2013). Decisions had to be taken under severe, sometimes extreme time constraints. This holds true for the first Greek bailout and the setup of the European Financial Stability Mechanism (EFSM) and the European Financial Stability Facility (EFSF) in spring 2010, for the bailout of Cyprus in March 2013 and for the negotiations of the third adjustment program for Greece in July 2015 after the negative outcome of the Greek referendum. One might add the series of “last hope summits” in autumn 2011 and the June European Council meeting 2012 held against the background of a worsening banking crisis in Spain. In all these instances, we find examples of intensive informal coordination in highly restricted formats.

Herman Van Rompuy starts his account of his time in office with an episode of the first European Council meeting he had to chair as the first permanent president on 11 February 2010. Greece needed a reassuring signal from this summit to calm down financial markets. In order to make this European Council a success and coming up with a substantial declaration,

“ (...) it was indispensable to begin with finding agreement among the principal actors. I knew, thanks to my long experience inside the Belgian government, that crisis meetings need a small team of actors capable of taking decisions. I received this morning in my office, in diverse constellations, the Greek prime minister, the French president, the German chancellor and the presidents of the Commission, the European Central Bank and the Eurogroup. The meeting of the first three was the most important. (...) I needed the consent of chancellor Merkel to the principle of a ‘shared responsibility for the economic and financial stability in the [euro] area’ (Van Rompuy 2014: 9, my translation).

In order to get this result, the other heads of state and government had to wait for more than two hours before the official start of the European Council’s plenary session which added “only minor modifications to the text” (ibid.: 10).

In acknowledging a “shared responsibility”, this statement of the European Council (European Council 2010) removed a basic pillar of the euro area’s economic constitution (“Maastricht 1.0”): the no bail-out principle. It opened the door for the rescue package of 110 bn. € for Greece (2 May 2010) and the 750 bn. € rescue fund combining the resources of the newly established temporary funds, the European Financial Stability Mechanism (EFSM) and European Financial Stability Facility (EFSF), and from the International Monetary Fund (9 May 2010). This major change of the euro area’s economic constitution came without a long deliberation in the European Council. It was “precooked” by a very small core group of member states and Union actors when Greece came close to defaulting on its sovereign debt.

This was not the only example during the Eurozone crisis of a core group of actors, both Union and member state actors, coming together and preparing decisions at crucial moments. One format that emerged, similar to the group referred to by Herman Van Rompuy above, was dubbed the “Frankfurt Group”, named after its first meeting at the occasion of Jean-Claude Trichet’s farewell party in the Frankfurt opera on 23 October 2011 when he took his leave as ECB president. A core group composed of the German Chancellor, the French president, the presidents of the European Commission, European Central Bank, the European Council and Eurogroup came together to informally coordinate policy responses, with the IMF managing director participating several times. Having “no legal structure or secretariat”, it could influence events at a crucial moment, even though it never turned out to become “the core within Europe’s core”, as the Economist had it (The Economist 2011).

One important meeting of the ‘Frankfurt group’ came in a highly critical situation at the margin of the Cannes G20 summit of 3-4 November 2011. A few days earlier, the Greek government had announced plans to hold a referendum on the Greek adjustment program. Merkel and Sarkozy summoned the Greek prime minister Georgios Papandreou to fly in from Athens for talks with the Frankfurt group. “Merkozy,” together with José Manuel Barroso, Christine Lagarde, Herman Van Rompuy, and Jean-Claude Juncker, threatened to immediately discontinue financial support for Greece in case the Greek people would reject the adjustment program. This would have forced Greece to leave the euro area. The open and concerted pressure of this informal group without any legal mandate made the Greek prime minister think twice and dismiss his referendum plans (Illig 2013: 145; Spiegel online 2011). A few days later, he resigned from office. This kind of arm twisting is a far cry from a deliberative, consensus seeking style of policy-making. It reminds us more of Thucydides’ famous observation in his *Peloponnesian War*: “(...) the strong do what they can and the weak suffer what they must.”

Another telling example of informal decision-making came with the Cyprus crisis in March 2013. After the Cypriot parliament rejected the 10 bn. € rescue plan negotiated by the Eurozone’s ministers of finance, Herman van Rompuy came together in Brussels on 24 March 2013 with the Cypriot president Nicos Anastasiades, the presidents of the Commission, the ECB and the Eurogroup without convening a full European Council, but staying in close contact with its members, especially Angela Merkel. “The agreement, negotiated at our level [the European Council] was afterwards approved by the ministers of finance and then presented to the outside world. (...) This night reminded me once again of what can be done thanks to mutual confidence and outside of official structures” (Van Rompuy 2014: 116, my translation).

Table 1 provides further examples of this kind of informal meetings in a restricted format bringing together less than 10 key participants, as well as an overview of the frequency of informal top-level Franco-German meetings since the start of the Eurozone crisis.

The need to bring down transaction costs in moments of acute crisis characterized by very severe time constraints contributed to the ad hoc formation of informal core groups of decision-makers during the Eurozone crisis. German leaders were always, French leaders most of the time part of this core group. This type of informal core group coordination should not be equated with a simple pre-cooking of the final outcome, even if such examples exist. My argument would rather be that core group coordination pre-structures decision-making processes, define the broad limits and outlines of an agreement in formally competent bodies, the European Council, Euro Summit, Eurogroup or Ecofin.

Informal subsystem coordination: Between German dominance, Franco-German hegemony and European core group negotiations

I consider informal coordination among member states and subsystems in the EU or Eurozone as an important resource for power and leadership. Subsystem coordination can take place on an ad hoc basis but also in a regular, institutionalized setting. The Franco-German institutionally “embedded bilateralism” (Krotz/Schild 2013) and the practice of a “regularized intergovernmentalism” (Krotz 2010) provide such a resource upon which France and Germany can draw in order to informally influence EU-level decision-making. Informal practices of coordination on the bilateral and plurilateral level contribute to power asymmetries as not all member states are part of these informal coordination efforts to the same degree.

Subsystem coordination during the Eurozone crisis

Table 1: Bilateral and European top-level meetings during the Eurozone crisis since 2010

European Councils and Euro Summits. Formal and informal meetings of Angela Merkel and Nicolas Sarkozy / François Hollande and meetings including EU top office holders

Date	Place	Participants	Institutional Context
6-3-2017	Versailles	Hollande, Merkel, Gentiloni, Rajoy	Mini Summit preparing the EU's 60th anniversary
7-4-2016	Metz	Merkel, Hollande, French and German ministers	18 th Franco-German Council of Ministers
7-2-2016	Strasbourg	Merkel, Hollande, Martin Schulz	Informal meeting of Merkel and Hollande, followed by a dinner with EP president Martin Schulz
12/13-7-2015	Brussels	EU-19	Euro Summit
12/13-7-2015	Brussels	Merkel, Hollande, Tsipras, Tusk, Greek Finance Minister Euklid Tsakalotos	Informal meeting during Euro summit
12-7-2015	Brussels	Merkel, Hollande	Informal meeting ahead of Euro Summit
7-7-2015	Brussels	EU-19	Euro Summit
6-7-2015	Paris	Merkel, Hollande	Informal meeting
26-6-2015	Brussels	Merkel, Hollande, Tsipras	Informal meeting during European Council
25/26-6-2015	Brussels	EU-28	European Council
22-6-2015	Brussels	EU-19	Euro Summit
10-6-2015	Brussels	Merkel, Hollande, Tsipras	Informal meeting ahead of EU/CELAC summit

1/2-6-2015	Berlin	Merkel, Hollande, Juncker, Draghi, Lagarde	Informal meeting
21-5-2015	Riga	Merkel, Hollande, Tsipras	Informal meeting during European Council
31-3-2015	Berlin	Merkel, Hollande, French and German ministers	17 th Franco-German Council of Ministers
19-3-2015	Brussels	Merkel, Hollande, Tsipras, Tusk, Juncker, Dijsselbloem, Draghi	Informal meeting during European Council
21-2-2015	Paris	Merkel, Hollande	Informal meeting
12-2-2015	Brussels	EU-28	Informal European Council
30-1-2015	Strasbourg	Merkel, Hollande, Martin Schulz	Informal consultations (dinner)
24-10-2014	Brussels	EU-18	Euro Summit
20/21-3-2014	Brussels	EU-28	European Council
19-2-2014	Paris	Merkel, Hollande, French and German ministers	16 th Franco-German Council of Ministers
19/20-12-2013	Brussels	EU-28	European Council
18-12-2013	Paris	Merkel, Hollande, Steinmeier, Fabius	Informal meeting, inaugural visit
24/25-10-2013	Brussels	EU-28	European Council
27/28-6-2013	Brussels	EU-27	European Council
30-5-2013	Paris	Merkel, Hollande	Informal meeting
22-5-2013	Brussels	EU-27	European Council
22-5-2013	Brussels	Merkel, Hollande	Informal meeting during European Council
14/15-3-2013	Brussels	EU-27	European Council
22-1-2013	Berlin		15. Franco-German Council of Ministers
13/14-12-2012	Brussels	EU-27	European Council
18/19-10-2012	Brussels	EU-27	European Council
18-10-2012	Brussels	Merkel, Hollande	Informal meeting ahead of European Council
23-8-2012	Berlin	Merkel, Hollande	Informal meeting dealing with Greece
28/29-6-2012	Brussels	EU-27 / EU-17	European Council / Euro Summit
27-6-2012	Paris	Merkel, Hollande	Informal meeting ahead of European Council and Euro Summit
22-6-2012	Rome	Merkel, Hollande, Monti, Rajoy	Informal meeting with Italian and Spanish prime ministers
15-5-2012	Berlin	Merkel, Hollande	Informal meeting, inaugural visit
1/2-3-2012	Brussels	EU-27	European Council
6-2-2012	Paris	Merkel, Hollande, French and German ministers	14. Franco-German Council of Ministers
30-1-2012	Brussels	EU-27	Informal European Council
9-1-2012	Berlin	Merkel, Sarkozy	Informal meeting
9-12-2011	Brussels	EU-27 / EU-17	European Council / Euro Summit
5-12-2011	Paris	Merkel, Sarkozy	Informal meeting
24-11-2011	Strasbourg	Merkel, Sarkozy, Monti	Informal meeting with the Italian Prime Minister
2-11-2011	Cannes	Merkel, Sarkozy, Barroso, Van Rompuy, Juncker, Lagarde, Papandreu (Greek prime minister)	Informal meeting („Frankfurt Round“) ahead of G20-Summit
26-10-2011	Brussels	EU-17	Euro Summit
23-10-2011	Brussels	EU-27	European Council
22-10-2011	Brussels	Merkel, Sarkozy, Barroso, Van Rompuy, Juncker, Trichet, Lagarde, Rehn, Schäuble, Baroin	Informal meeting („Frankfurt Round“) ahead of European Council

19-10-2011	Frankfurt	Merkel, Sarkozy, Barroso, Van Rompuy, Juncker, Draghi, Trichet, Lagarde, Schäuble, Baroin	Informal meeting at the farewell ceremony for Jean-Claude Trichet as president of the ECB
10-10-2011	Berlin	Merkel, Sarkozy	Informal meeting
16-8-2011	Paris	Merkel, Sarkozy	Informal meeting
21-7-2011	Brussels	EU-17	Euro Summit
20-7-2011	Berlin	Merkel, Sarkozy, Trichet, Van Rompuy (by phone)	Informal meeting
23/24-6-2011	Brussels	EU-27	European Council
17-6-2011	Berlin	Merkel, Sarkozy	Informal meeting
24/25-3-2011	Brussels	EU-27	European Council
11-3-2011	Brussels	EU-17	Euro Summit
16/17-12-2010	Brussels	EU-27	European Council
10-12-2010	Freiburg	Merkel, Sarkozy, French and German ministers	13. Franco-German Council of Ministers
28/29-10-2010	Brussels	EU-27	European Council
18-10-2010	Deauville	Merkel, Sarkozy	Informal meeting
17-6-2010	Brussels	EU-27	European Council
14-6-2010	Berlin	Merkel, Sarkozy	Informal meeting
7-5-2010	Brussels	EU-16	Special Euro Summit
25/26-3-2010	Brussels	EU-27 / EU-16	European Council / Euro Summit
25-3-2010	Brussels	Merkel, Sarkozy, Van Rompuy	Informal meeting ahead of European Council / Euro Summit
11-2-2010	Brussels	EU-27	Informal European Council
11-2-2010	Brussels	Merkel, Sarkozy, Van Rompuy	Informal meeting ahead of European Council
4-2-2010	Paris	Merkel, Sarkozy, French and German ministers	12. Franco-German Council of Ministers

Sources: www.france-allemande.fr; <http://www.european-council.europa.eu/council-meetings/conclusions/>; press articles from *Frankfurter Allgemeine Zeitung*, *Le Monde*, and *Der Spiegel*.

The importance of the Franco-German bilateralism as an instance of informal subsystem coordination inside the EU is well known. It characterized the entire history of monetary cooperation and integration in the EC/EU.⁵ It once again turned out to be an important feature of crisis management and negotiations on EMU reform during the last years. However, the intensity and impact of the Franco-German bilateralism changed over time. After slow beginnings of informal bilateral coordination in early 2010, the frequency of informal meetings and phone calls went up the more acute the crisis became.⁶ This is especially true for the period after May-June 2011 until the end of that year, when Italy and Spain came into the line of fire of financial markets and a breakup of the Eurozone became a credible scenario.

According to a European policy advisor in the German chancellery, the summer of 2011 was a key moment for defining a Franco-German strategy. In order to avoid open Franco-German

⁵ For an overview, see Krotz/Schild 2013, chapter 8.

⁶ According to our interviews with high civil servants in Germany and France, Merkel and Sarkozy considered the formal institutions of bilateral coordination such as the Franco-German Council of Ministers, too big and inflexible, thus not allowing for swift reactions to changing circumstances (Jamet/Lirzin/Schild/Schwarzer 2014: 38-39).

clashes on the European scene, especially at the level of top decision makers, France and Germany reached an understanding to bilaterally coordinate their positions systematically ahead of all important European Council or Eurozone summit meetings dealing with the crisis (Interview 2012). The frequency of top-level Franco-German meetings in various formats prior to European summit meetings clearly increased starting in June 2011, sometimes including top EU-level officials (see table 1). During this phase, especially during the second half of 2011, Franco-German bilateralism provided the inner link of wider Eurogroup and EU-27 negotiations. According to this advisor in the German chancellery, other member states sometimes even refrained from making proposals and from submitting non-papers in the run-up to European Council or Euro Summit meetings in the second half of 2011, waiting for Germany and France to come up with a coordinated common stance.

The Franco-German bilateral coordination during the “Merkozy” phase allowed for a pre-cooking of European-level decisions to a varying degree. An example of a very far reaching bilateral pre-cooking can be found at the important Euro Summit of 21 July 2011. This summit reached agreement on a second financial support program for Greece (€109 billion), on voluntary private sector involvement (€37 billion), a lengthening of the maturity period of future EFSF loans to Greece and lower lending rates.⁷ According to our interviewee’s account, this was the result of close bilateral last minute coordination, Germany and France fixing the main parameters of the agreement the day before the summit in an informal meeting bringing together Merkel, Sarkozy, ECB president Trichet, with Van Rompuy joining them by phone. No time was left for consulting other governments. The draft submitted by Van Rompuy to the Euro Summit the day after contained “95 per cent of our Franco-German pre-agreement sent to Brussels the day before” (Interview 2012).

Franco-German informal coordination proved to be important not only in instances of crisis management through providing assistance to illiquid or insolvent Eurozone member states. We also find evidence for an important common role, based on informal coordination, as regards reforming EMU rules, the Fiscal compact being the most important example.

On 16 August 2011, Merkel and Sarkozy suggested holding Euro area summits twice a year and advanced the name of Van Rompuy to chair these meetings. This important reform of the Euro area’s economic governance structure, first suggested by France and then advocated together by France and Germany, made its way to the European level. On 26 October 2011, a Euro Summit agreed upon regular Euro Summit meetings to be convened at least twice a year; another Euro Summit on 2 March 2012 appointed Van Rompuy as its president.⁸ All of this was fully in line with long-standing French preferences.

⁷ See the Statement by the Heads of State or Government of the Euro Area and EU Institutions, Brussels, 21 July 2011, URL: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/123978.pdf [last accessed on 6 April 2016].

⁸ See the Euro Summit statements from 26 October 2011 and 2 March 2012; available at www.european-council.europa.eu/council-meetings/conclusions [last accessed 12 December 2012].

In exchange for more financial solidarity—that is expanding the remit of the EFSF and providing for the possibility of leveraging this fund—Germany received commitments to more national fiscal responsibility. Berlin very actively promoted the idea of a “fiscal stability union” and found valuable support from France. The new “Fiscal compact,” forcefully advanced by Germany with French backing, ahead of the October and December 2011 European Council meetings (Rinke 2012), reinforced the recently reformed rules governing the excessive deficit procedure.⁹ In order to make reluctant Euro area members subscribe to their concept of fiscal stability union, Germany and France followed a linkage strategy, making the ESM funds available only for countries signing the Treaty on Stability Coordination and Governance in the Economic and Monetary Union (TSCG), more commonly referred to as “fiscal compact”.

The idea of implementing a “golden rule” or “debt brake” at the national level provided the key ingredient of the Franco-German “fiscal compact” package, with Germany conceding Eurozone summits to be held on a regular basis in exchange, thusly approaching the French idea of *gouvernement économique*. At their bilateral informal meeting in Paris on 16 August 2011, Merkel and Sarkozy joined forces to advocate the introduction of such balanced budget rules in national constitutions, inspired by a similar rule enshrined into the German Basic Law (Art. 109) in 2009. They sent a common letter to the European Council President Herman Van Rompuy on this issue (Beach 2013: 116), an instance of successful Franco-German agenda setting based on informal coordination. When Spanish Prime Minister José-Luis Zapatero promoted the enshrinement of such a “golden rule” into the Spanish constitution ahead of the November 2011 parliamentary elections, he admitted that this move was the result of the pressure exerted on him by Merkel and Sarkozy (Frankfurter Allgemeine Zeitung 2011).

At the European level, Germany and France basically got their way. The parties to this new international treaty signed on 2 March 2012 must introduce this rule into their national legal systems “at constitutional or equivalent level,” provide for an automatic correction mechanism in case of deviation, and “recognize the jurisdiction of the Court of Justice to verify the transposition of this rule at national level.” (Eurogroup Summit 2012).

After the election of François Hollande to the presidency of the Republic in May 2012, the frequency of bilateral informal meetings slowed down and not all the European Council and Euro Summit meetings were preceded by an informal bilateral meeting of Merkel and Hollande (see table 1). The resource of institutionalized patterns of bilateral informal coordination was less used than during the “Merkozy” phase.

The establishment of a European banking union, arguably the most important step of economic integration since the move to EMU, provided a highly important test case for Franco-German informal coordination. Germany and France were indeed “main players” (Howarth/Quaglia 2013: 111) in this game. But more often than not, they played in opposing

⁹ On the negotiation of the Fiscal Compact, see Beach 2013, Schäfer 2013 and Schöller 2013.

teams. Only occasionally, they put the institutions and routines of their bilateralism to full use in order to make a common contribution to compromise searching and consensus building. There is only very limited evidence for prior informal coordination of their positions (for a detailed overview, see Schild 2015; see also Howarth/Quaglia 2013).¹⁰

Informal Franco-German coordination played once again a much more important role during the management of the protracted Greek crisis of 2015. Germany and France found themselves center stage several times. This central position of the two member states started with the elections on 25 January 2015 that brought the Syriza-led Greek government into power and lasted until the final showdown when negotiating the Greek third adjustment program in the European Council in July 2015. On 30 January 2015, only a few days after the Greek elections, Hollande and Merkel met in Strasbourg at the invitation of the European Parliament's president, Martin Schulz. They agreed on a key principle: *pacta sunt servanda*, the new Greek government had to honor the commitments made by its predecessors in the framework of the second adjustment program, this being a precondition for negotiations on a third program (Le Monde 2015b).

In early June, Merkel and Hollande shifted the arena by lifting the stagnating negotiations between Greece and its creditors to the top level. They met in Berlin with ECB president Mario Draghi and the IMF's managing director, Christine Lagarde in order to discuss an offer to be made to Greece – another example of informal decision preparation by a core group of decision makers (FAZ 2015b). After the Greek referendum on 5 July 2015, president Hollande invited Merkel to meet him in Paris the next day. On 6 July, they agreed to increase the pressure on Greece, inviting the Greek government to make serious proposals for further negotiations. Moreover, acting as process manager, they agreed on a tight schedule for the upcoming negotiations with Greece, a time table rubber stamped by the Euro Summit on 7 July (Le Monde 2015c). The crucial role played by Merkel and Hollande as members of a core group of decision makers during the decisive 17 hour summit on 15 July 2015 was already referred to in the introduction (see above).

This changing importance and impact of the Franco-German bilateralism on Eurozone issues since the start of the crisis in 2009/10 is confirmed by eye witness accounts. "Despite certain inconveniences of an 'entente' that is too dominant, I regretted to see the Franco-German engine slow down those last two years" (Van Rompuy 2014: 108). Another eye witness, the former Bulgarian minister of finance, Simeon Djankov, came to the same conclusion: "With the election of François Hollande to the French presidency in 2012, the duo never regained their previous importance (...). By late 2012, Germany was the only leader in the eurozone" (Djankov 2014: 80 and 124).

¹⁰ In his key note speech to the conference "Grasping the European Council – Raising Awareness for a Key Institution SUMMIT Kick-off Conference" on 28 January 2016 in Brussels, Herman Van Rompuy explicitly cited the European banking union as an example of highly important European negotiations where no Franco-German "precooking" took place.

After the French presidential election, the new president Hollande indeed changed the French strategy. Sarkozy's strategy of staying close to number one, tightly coordinating positions with Berlin was replaced by a strategy assigning France the role of a linchpin between the Northern creditor and the Southern debtor states in the euro area, France thus acting as "Europe's middle child" (Vail 2015).

What explains this loss in importance of informal Franco-German coordination? On the one hand, it is due to a deliberate shift of strategy by François Hollande adopting a mediator role for France between the Northern creditor and the Southern debtor states. On the other hand, the announcement of the ECB's Outright Monetary Transaction program (OMT) removed the prospect of a Eurozone breakup. However, the observation of renewed informal coordination by Germany and France during the latest episode of the Greek debt crisis in 2015 shows that the intensity of the Eurozone's crisis seems to be a powerful explanatory factor accounting both for the importance of Franco-German bilateral informal coordination and its impact on European-level decision-making.

Issue-specific power resources and asymmetric interdependence

Whenever the European Council, the Ecofin Council, or the Eurogroup summits decided on rescue packages, bilateral credits, credit guarantees, or permanent lending facilities, the power of the purse made Germany and France (albeit to a lesser extent) key actors at the bargaining table right from the beginning—little wonder, as together they had to foot almost half of the bill. This holds true for all major decisions on bilateral credits for Greece and the establishment and boosting of temporary support funds – the intergovernmental EFSF launched in May 2010, as well as the institution of a permanent lending facility, the European Stability Mechanism (ESM).

Even though Germany did not have to shoulder the highest burden as regards credits and guarantees in relative terms (Schieder 2014: 83), this is clearly the case in absolute terms. Most accounts of Eurozone reform decision-making agree that the "power of the purse" propelled Germany center stage in decision-making on fiscal instruments to deal with the crisis (Meiers 2015; Schöller 2016; Steinberg and Vermeiren 2016).

The power of the purse became visible right from the start. When the Eurogroup ministers of finance came together in Brussels on 9 May 2010 to hold their crisis meeting and had to come up with decisions before the markets reopened in the Far East on Monday 10 May 2010, the amount of money to be made available was basically negotiated between Angela Merkel and Nicolas Sarkozy. According to the then French Minister of Finance, Christine Lagarde, the two found an agreement behind the scenes by phone during the finance ministers' meeting to put "a huge number on the table", ending up with 500 bn. € as the European part of the overall package (Lagarde 2010).

Furthermore, the power of the purse, combined with increasing domestic opposition against ever growing German financial commitments, gave the German government the opportunity

to play effective two-level games, making a threat of involuntary defection in the process of domestic ratification highly credible in case Germany were not to get what it wanted in terms of conditionality. This allowed for effective linkage politics when Germany, backed by France, made the access to ESM resources dependent on the signature of the Fiscal Compact. This linkage politics had wider repercussions as it also affected the ECB's OMT program. The ECB made the purchase of government bonds in the OMT framework conditional upon a formal request by a member state to make use of ESM resources. In the ESM's board of governors, Germany has a veto power thanks to its weighted vote share of 27 %. Another example of linkage strategies was provided when Germany made its consent to the rescue program for Spanish banks in 2012 dependent on progress towards a European-level banking supervision (Illig 2013: 85-86).

As debtor countries found themselves continually in a situation of *demandeurs vis-à-vis* Germany and other creditor states, i.e. needing German (and French) willingness to cooperate more than Germany (and France) needed their cooperation, we have an almost perfect case of asymmetric interdependence. This is mirrored in the distributional outcomes of negotiations, mainly reflecting the preferences of creditor states (Schimmelfennig 2015: 184-188). Germany proved able to impose its "conditionality method" (Bulmer 2014: 1254), bringing the IMF into play right from the beginning, calling successfully for stronger fiscal rules and European surveillance of national fiscal policies ("six pack" and "two pack" legislation) and pushing for the Fiscal Compact that anchored a debt brake in national law.

In some cases, the "power of the purse" also allowed Germany to prevent issues from making their way to the formal decision-making agenda. The abortive attempt of the Commission to move Eurobonds onto the European agenda is a case in point. And strong pressure from Germany prevented the Barroso Commission to table a proposal on a European-level deposit insurance scheme in 2012 which the Commission saw as an integral part of its banking union plans. It had to limit its ambitions to the amendment of the Deposit Guarantee Scheme Directive of 1994, first amended in 2009, then again amended in 2014 (Directive 2014/49/EU). Only the incoming Juncker Commission took a fresh start on this issue and tabled a proposal on a European Deposit Insurance Scheme in November 2015, meeting once again with strong German resistance.

Refugee crisis

The refugee and migration crisis of 2015 provides us with another case to test the validity of our theoretical claims as regards the importance of time constraints, informal politics in subsystems, issue specific power resources and asymmetrical patterns of interdependence in order to explain the degree of power asymmetries in EU decision-making.

Time constraints and informal politics

The sharply rising number of refugees during the second half of 2015 put the EU and its member states' executives under high pressure. However, time constraints for decision-

making did rarely reach the levels observed during the high moments of the Eurozone crisis when decisions had to be taken several times over night or during a single weekend in order to avoid contagion from spreading and the Euro area from falling apart.

There was, arguably, one situation of this type during the refugee crisis, when the EU lived through a moment of political decision-making under very severe time constraints. On 4th of September, a stream of more than 1.000 refugees started its march towards Austria after the Orban government had stopped all trains to the West and after the Keleti train station in Budapest had transformed into a refugee camp. Chancellor Merkel, "convinced that the marchers could only be stopped with the help of violence" (DIE ZEIT online 2016) took the historic decision to open the border for these refugees. This move, first thought to be only a short time emergency decision, had very far-reaching consequences – or externalities – for Germany's partners in the EU. But the only government chancellor Merkel consulted with was the Austrian one, after Chancellor Werner Faymann had called her to discuss how to deal with this dangerous situation. It was only the following day that Chancellor Merkel passed a number of phone calls to ask other member state governments for solidarity. She met with cool rejections, even the French president lending "nothing more than symbolic support" (DIE ZEIT online 2016) when agreeing to take in 1.000 refugees.

Informal subsystem coordination

This initial decision to open the border and the huge inflow of refugees and economic migrants surely put pressure on the EU and its member states to react in a timely fashion. It also led to increased informal coordination among subsystems or member states. But the situation turned out to be quite different from the Eurozone crisis management in as far as two subsystems closely coordinated their positions: France and Germany on the one hand, the Visegrád Group (also referred to as V4) on the other hand.

The French and German ministers of the interior, Bernard Cazeneuve and Thomas de Maizière, published a common declaration on 1 June 2015, reacting to the proposal of the Commission for temporary distribution scheme for asylum seekers (Cazeneuve/de Maizière 2015). They took a defensive stance, calling for a fairer burden sharing between the member states with regard to asylum seekers by advocating a modification of the redistribution key put forward by the Commission in order to limit the numbers that Germany and France had to take in. Furthermore, they underlined that such a measure must remain "temporary and exceptional" and that the "Dublin system must prevail", meaning that the member states located at the external borders should continue to be responsible for dealing with asylum seekers and processing their applications. And they made the case for frontline member states taking migrant to "hotspots", i.e. centers in Greece and Italy where the asylum seekers had to be identified, fingerprinted and registered (FAZ 2015c).

In September 2015, the Commission's proposal to relocate 120.000 migrants in Greece, Hungary, and Italy met with strong support from Germany. France, having been skeptical for some time, now was willing to subscribe to this relocation scheme and committed itself to

take in 30.000 refugees and asylum seekers in two years' time. In a common letter to the European institutions, president Hollande and Chancellor Merkel even made the case for a "long-term and mandatory mechanism" to distribute refugees among the member states, besides advocating a common European list of safe countries of origin and a strengthening of the Common European Asylum System (German Federal Government 2015; Le Monde 2015).

Later, after the terrorist attacks in France and Germany in late 2015 and 2016, the attention shifted to improved external border protection and internal security issues. When the Commission suggested to transform FRONTEX in a more effective European Border and Coast Guard Agency with an extended mandate and a doubling of its staff and budget in December 2015, it was fully in line with French and German demands. Both countries lent their strong support to this initiative and its speedy implementation and pledged to put 395 border guards (Germany 225; France 170) at the disposal of the new agency's rapid reaction pool of 1.500 border guards, available on short notice in emergency situations (Bundesministerium des Innern/Ministère de l'Intérieur 2016). Furthermore, they together advocated the setup of an Entry-Exit-System (EES) to monitor movements across the external borders of the Schengen area, eventually including EU citizens, and made the case for an electronic pre-screening of visa-free visitors intending to travel to the European Union. This Franco-German proposal to set up an EU system similar to the US ESTA system (Electronic System for Travel Authorisation) was taken up by Commission president Juncker in his state of the Union address on 14 September 2016 and then officially put forward by the Commission on 16 November 2016 under the name of "European Travel Information and Authorisation System" (ETIAS).

In another common letter dating from 4 December 2015, the French and German ministers of the interior even asked for allowing FRONTEX under exceptional circumstances to take the initiative on its own to send border guards to a member state without the respective member state asking for this support. This Franco-German demand made its way into the Commission's proposal from 15 December 2015 and into the adopted regulation on the European Border and Coast Guard (Regulation 2016/1624).¹¹ Later, the two ministers advocated a revision of the Schengen border code in order to facilitate the reestablishment of temporary border controls for longer time periods than currently allowed for in situations of threats to the public order or to internal security (Le Roux/de Maizière 2017).

As the border opening on 4 September 2015 turned out to last longer than only a few days and was not all about handling an emergency situation, criticisms in France with regard to the German government's attitude became ever sharper (Sueddeutsche.de 2015). The terrorist attacks in France on 13-14 November 2015 in Paris were a game changer. At the occasion of the Munich security conference in February 2016, prime minister Manuel Valls criticized the German migration policy in a highly unusual and harsh way in an interview with German newspapers. "This policy, that might have been justified for a time, is no longer

¹¹ See Le Monde: Face aux migrants, l'UE veut des gardes-frontières permanents, 13-14 December 2015.

acceptable. Europe cannot take in all migrants from Syria, Iraq, or from Africa. It must regain control over its borders, its migration and asylum policy" (WAZ 2016, my translation). He made clear that France was not willing to take in more refugees beyond the 30.000 it had already agreed to. This brought France in an open opposition with the German (and Italian government), who made the case for a permanent relocation scheme in the EU.

France and Germany agreed on a European policy towards third countries to lend them support in hosting refugees, strengthening their border controls and to make them readmit asylum seekers denied refugee status in the EU. The most important agreement with a third country was reached with Turkey in March 2016. In this EU-Turkey deal, Turkey accepted to readmit irregular migrants crossing into Greece from Turkey in exchange for an equivalent number of Syrian refugees to be resettled from Turkey to the EU. Brussels promised Ankara EU financial support (€ 3 bn.) and visa liberalization. Franco-German bilateralism hardly played a part in striking this deal. Chancellor Merkel played the key role, whereas France felt marginalized. The way Merkel conducted the negotiations on this bilateral agreement on her own with the Turkish prime minister Davutoğlu in the night from 6th to 7th June 2016 ahead of the EU-Turkey summit meeting caused serious irritations in Paris (Le Monde 2016a;2016b). Later, president Hollande displayed little enthusiasm with regard to lifting visa requirements for Turkish citizens, pointing to human rights concerns (Hollande 2016). Together with the FRG, France later tabled a position paper advocating an "emergency break" in case of a strong increase of the number of Turkish citizens illegally staying in the EU beyond the three months period or in case of a dramatic increase in the number of asylum applications. After initial hesitations, the Commission took this Franco-German demand into account when negotiating with Turkey on the visa liberalization issue (Frankfurter Allgemeine Zeitung 2016a;2016b).

Overall, a common Franco-German approach was more visible with regard to defensive measures to strengthen the instruments for the EU's external border control, to enhance cooperation with third countries in order to make them take back refugees denied asylum and to improve living conditions in refugee camps outside the EU (Franco-German Council of Ministers 2016). A broad agreement could be found along those lines among the EU's member states with the Franco-German bilateralism working either as a force of proposal or lending strong support to Commission proposals and pushing for swift implementation of EU decisions in dealing with the migration crisis.

The picture is quite different, however, as regards the key issue that divided the EU more than any other in this policy field: solidarity and burden sharing, f.i. by relocating refugees. France and Germany clearly positioned themselves differently on this issue, Berlin strongly advocating a fairer burden sharing (which itself had refused in the past as long as the burden lay mainly with Italy and then Greece), and Paris unwilling to play the game – at least as long as the external border control had not been reestablished.

Besides France and Germany, another subsystem of member states coordinated their positions during the refugee crisis, the Visegrád Group. The V4 issued a number of common

statements to influence the debate on how to handle the refugee crisis. Fearing negative spillovers and a fragmentation of the free travel area as a consequence from the German unilateral move to open the border, they set up a "Friends of Schengen" group dedicated to preserve the Schengen free movement of people and strongly rejected ideas of a "mini-Schengen" as aired by Dutch politicians (Visegrád Group 2015a). The V4 came out strongly in favor of regaining full control over the external borders that they considered to be the "prime objective for the European Union and its Member States". They repeatedly rejected the idea of a relocation mechanism, either ad hoc or permanent (Visegrád Group 2016a) and instead advocated 'flexible solidarity'. "This concept should enable Member States to decide on specific forms of contribution taking into account their experience and potential" (Visegrád Group 2016b), thus indicating their quite limited willingness to show solidarity. So far, the V4 proved successful in vetoing any permanent and automatic relocation scheme for refugees inside the EU. The V4 made Germany pay a price for its uncoordinated border opening.

Comparing the Eurozone and the refugee crisis

A number of differences stand out when comparing the way the European Union dealt with the Eurozone and the refugee crisis. In general, power asymmetries turned out to be much more important during the Eurozone crisis compared to the refugee crisis. This holds true for both the importance of Franco-German bilateralism as well as German power in dealing with these crises.

This overall picture can be explained based on a) the differing importance of time constraints in decision-making, b) the differing activity patterns of subsystems of member states, including the Franco-German bilateralism when dealing with these crises, and c) differences in issue-specific power resources at the disposal of France and Germany for dealing with the two crises.

Time constraints played a much more important role when the EU had to deal with the Eurozone crisis. The bail-out of Greece in May 2010 and of Cyprus in March 2013, the series of "last hope summits" in the second half of 2011 and the June 2012 European Council held against the background of a worsening banking crisis in Spain all provide examples of decision-making under strong or even extreme time constraints. These constraints led to strong informal coordination among a very small group of actors, bringing usually together top European-level office holders, the German chancellor and the French president. There is only one comparable situation of key actors taking a concerted decision under very severe time constraints during the refugee crisis, when Austria and Germany together decided to open their borders for refugees stuck in Hungary in early September 2015. However, this remained a singular event, it did not develop into a pattern.

The role subsystems of member states played in managing these crises also differed markedly. During the Eurozone crisis, Franco-German bilateralism, especially, but not only during the "Merkozy" phase, stood out. No other structured and institutionalized subsystem

emerged, even though French president François Hollande met several times on an ad hoc basis with the Italian and Spanish prime minister in order to counter the German fiscal-consolidation-cum-structural-reform-approach with a concerted approach of the Southern Europe advocating national fiscal flexibility and a European investment program. The "southerners" could influence the course of events only at the margin. Power asymmetries manifested themselves throughout the crisis management and governance reform process, with Germany playing a key role and Franco-German bilateralism repeatedly oiling the wheels of EU decision making, notably in the years from 2010 to 2012 (Schild 2013).

During the refugee crisis, too, a pattern of regular and strong bilateral coordination between the French and German interior ministers emerged. Its impact on EU policy-making, however, turned out to be much weaker compared to the Eurozone crisis. One reason for this can be found in the existence of another tightly coordinated and institutionalized subsystem, the Visegrád group (Lang 2015; Schmidt/Inotai/Frelak 2015). Existing since more than 25 years, it could clearly strengthen its visibility and influence inside the EU during the refugee crisis. It had a political veto power on the key issue of solidarity and a permanent scheme for relocating refugees inside the EU.

Germany and France were not able to overcome the V4's resistance on this key element of a common European answer to the refugee crisis. The main reason is their lack of issue-specific power resources. During the Eurozone crisis, their combined financial resources gave them a strong hand in crisis management. Crisis-ridden and insolvent Eurozone member states found themselves in a position of a *demandeur vis-à-vis* Germany and France as these two had to foot half of the bill and subscribe to huge guarantees in favor of overindebted partners. The power of the purse gave Germany, and to a lesser extent France, strong leverage in negotiations on rescue packages, but also, through linkage politics, on economic governance reform issues. Unlike during the Eurozone crisis, Germany had no strong issue-specific resources at its disposal to make its own preferences – only partly shared by France – acceptable for others when the EU had to handle the migration crisis. Its financial resources proved much less important than during the Eurozone crisis. Whereas Germany was the "indispensable" partner to reach agreements and solutions to deal with the Eurocrisis, it was dependent on its partners in dealing with the refugee crisis. Its willingness to open the border and take in more than a million refugees and migrants provided incentives for other member states to free ride. Moreover, other member states considered Germany's approach to be a part of the problem instead of being part of the solution as it created incentives for still more refugees to make their way to Europe. The Hungarian prime minister Victor Orban stated bluntly "that the refugee crisis isn't a European problem, but a German one." (Die Zeit online 2016). German money could not buy off the resistance of reluctant partners as their unwillingness to take in more refugees was deeply grounded in sovereignty, ideological, cultural and domestic politics concerns.

Furthermore, Germany and France were unable to lead by example in the context of the refugee crisis, as both had taken the role of passive bystanders as long as Italy was the main

destination for refugees prior to 2015. Germany shifted its position only when itself became the main destination for the inflowing refugees. Hence, it lacked an issue-specific soft power resource to convince others to show more solidarity.

Finally, during the refugee crisis, reluctant partners had a unilateral alternative to a tightly concerted European approach, namely closing the border as Hungary did. Comparable unilateral courses of action – other than an extremely costly exit – were not available during the Eurozone crisis. Hence the need for debtor countries to strike compromises and to be responsive to (Franco-)German demands.

Conclusion

Can the Eurozone and the refugee crises be considered as defining moments leading to lasting changes in decision-making dynamics in the EU? In order to find a convincing answer to this question, we need more systematic research into the stability or change of decision-making dynamics in different modes of European policy-making and in different EU policy fields.

We found empirical evidence for important power asymmetries in EU decision-making in all three forms referred to above: dominance by a single member state, a co-hegemony of France-Germany, and a decisive influence of small groups of Union and member state actors. As regards dominance, Germany was able to veto the use of a certain policy instruments to deal with the Eurocrisis (f.i. Eurobonds, European Deposit Insurance Scheme). It acted on its own (only concerting with Austria) in the initial phase of the migration crisis and later dominated negotiations on an EU-Turkey refugee deal. Instances of a co-hegemony pattern in terms of joint Franco-German leadership could also be found, especially during the "Merkozy" phase of Eurozone crisis management and governance reforms and during the latest Greek psychodrama in 2015. And, finally, a decisive influence on process and/or outcomes by a small group of member states and/or Union actors could be observed during crucial phases of the Eurozone crisis, both in the early phase 2010-11 and again in resolving the 2015 Greek crisis during the negotiations on a third financial support package.

The causal factors identified – time constraints, reliance on informal patterns of coordination, issue-specific power resources/asymmetric interdependence – indeed mattered and provided part of the explanation for the different degrees of power asymmetries in EU decision-making when comparing the two crises. Power asymmetries were indeed much more important in decision-making on Eurozone issues than during the refugee crisis. We found ample empirical evidence for the importance of time constraints, leading to growing reliance on informal coordination in small groups of European-level and national decision makers, especially in situations of “supreme emergency”. These led to a shift from formal and inclusive to informal and exclusive formats of decision-making or pre-cooking of decisions. Additionally, the importance of issue-specific power resources, first of all financial resources, and the asymmetric interdependence between debtor and creditor states favored the bargaining position of Germany and to a lesser extent also France, as both

together make up roughly 50 per cent of the Eurozone's GDP. These explanatory factors all contributed to power asymmetries as regards the control over the process and outcomes of Eurozone crisis and EMU reform decision-making. This translated into fierce bargaining, sometimes including strategies of brinkmanship (Schimmelfennig 2015) on domestically hotly disputed high politics issues, thus making the hard edges of power in European bargaining highly visible. The less severe time constraints and the lesser importance of issue-specific power resources go a long way in explaining the more balanced power distribution when the EU had to decide on refugee crisis issues.

Informal politics was a pervasive feature during both crises, but it came in different forms. Governments used established formats of subsystem coordination – Franco-German bilateralism and Visegrád Group-coordination – during the refugee crisis, the former likewise being used to varying degrees during the Eurozone crisis. The pattern of small core group coordination involving top EU office holders and a very restricted number of heads of state or government, including French and German leaders, was much more visible during the Eurozone crisis, especially in situations of "supreme emergency". Our tentative conclusion would be that informal politics, restricting the number of influential actors in decision-making is more important in situation of acute crises, severe time constraints and high status quo costs.¹² However, the importance of rising transaction costs due to successive EU enlargements makes us think that there is an underlying trend towards more informal decision-making and more frequent informal "pre-cooking" of EU decisions, either in smaller ad hoc groups of core decision makers or in established, institutionalized subsystems.

French and German leaders were involved in both types of informal politics. The last ten years and the two major crises under consideration showed that Franco-German bilateralism and *occasional* bilateral leadership in the EU is here to stay, despite the growing asymmetry that characterizes this relationship. It remains a particular and important pattern of informal intergovernmental subsystem coordination.

Against the background of high distributional stakes and severe time constraints, we would expect informal politics, strong power asymmetries and an active and influential Franco-German bilateralism to manifest themselves once again during the crucial stages of the upcoming Brexit negotiations.

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¹² On the importance of status quo costs, see Schöller 2016.

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