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Macron's victory brings new hope across Europe on several fronts

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The resounding victory of the centrist, pro-European Emmanuel Macron, who will become the next French president, has shown that populism can be defeated; not by trying to appease xenophobic voters, but by offering an alternative based on openness and European integration. This was also confirmed by regional elections in Germany, which delivered another victory to the CDU party of Angela Merkel and only a modest score of 6% to the German radical right, AfD.

With populism in check on both sides of the Rhine, one can now hope that the European Union can take some further steps forward, based on a renewed Franco-German leadership.

Reforming the eurozone seems an obvious first step towards this end – one that Macron himself often brings up. But this might be more difficult than anticipated, but for different reasons than a fundamental Franco-German disagreement on the approach. The strong economic team assembled by Macron seems to have accepted the premise that France needs to reform itself first in order to re-start growth. Moreover, the programme of his party, En Marche, also emphasises the necessity of bringing public finances under control. The new President-elect thus seems to have accepted the two key tenants of German policy rules. The deep differences between the economic philosophies of policy-makers in France and Germany no longer seem insurmountable.

Of course, the differences between France and Germany extend beyond economic philosophy, to actual performance. But even those differences may not pose an insurmountable obstacle to cooperation.

While much has been made of the weaknesses in the French economy, in many ways, France represents the eurozone average. Its growth rate has been about half a percentage point lower than Germany's over the last few years. But this is now changing, and France's potential future growth is about half a percentage point higher than that of Germany, where the population is shrinking.

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Moreover, France's unemployment rate is declining, although it remains much higher than Germany's. Likewise, while France's public finances do represent a problem, the debt level is on a downward path, and Macron's programme recognises the need to reduce spending, in order to enable tax cuts.

In this context, a Franco-German initiative to reform the eurozone may well be possible. If it is, what should be done to shore up the monetary union?

As it stands, there is no longer any need for emergency action. Tensions in financial markets have subsided and the economy is expanding, with employment returning to its pre-crisis peak. So the policy focus would be on long-term reforms.

Such an agenda should include the completion of the banking union, with the strengthening of common deposit insurance. The challenge here lies in the fact that common deposit insurance is incompatible with banks' current practice of holding very large amounts of their own government's debt. If the government becomes insolvent, crashing the banks, the costs would be borne by the entire eurozone.

Here, the problem is not between Germany and France, but between Germany and Italy. Germany has insisted that, without limits on the amount of government debt that banks can hold, no common deposit insurance can be introduced. But Italy has objected to such limits, fearing that government's funding costs might skyrocket, and perhaps also that its own banks, which depend financially on the higher interest earnings of their holdings of public debt, might suffer deeply.

Italy represents the sticking point for Germany on debt mutualisation as well. The Germans have enough faith in France's long-term economic stability to consider some kind of small budget for the eurozone. But when it comes to Italy – with its combination of high debt and sluggish growth – Germany has no such confidence. This reservation represents the biggest obstacle to further fiscal integration in the eurozone.

There is another area where the problem concerns Germany and Italy more than Germany and France: the management of refugee flows and the distribution of asylum-seekers. To be sure, the EU's 2015 deal with Turkey, combined with the closure of the Balkan route in the spring of 2016, has reduced the number of refugees reaching the EU from the southeast to a mere trickle.

But thousands continue to arrive from the south, crossing the Mediterranean. And as the conflict in Libya intensifies, there is a strong threat that these flows will increase. At the moment, anyone picked up in the Mediterranean is brought to the nearest port, which just happens to be in Italy. Under the so-called Dublin rules, Italy is then responsible for taking care of these refugees, providing them with humanitarian support and processing their asylum applications, which number in the hundreds of thousands.

For many of those asylum-seekers, however, Germany is the real goal. The German government knows that and recognises that it cannot simply hide behind the Dublin rules. Both Italy and Germany thus have a strong interest in finding a European approach, one that strengthens the

EU's capacity to guard its external borders, perhaps via a European Coast Guard, while at the same time distributing the burden of accepting refugees more equitably across the Union.

France has so far not been active in this discussion. After all, its main problem is not immigration, but rather the integration of the second generation of immigrants – and the extremism that failure on that front can foment.

The incoming new French President is also interested in developing the EU's contribution to external security and defence. This represents the one area where the interests of the three big countries – France, Germany and Italy – overlap. It is also the area where Germany's relative economic strength counts for little while progress has become urgent, given the combination of heightened instability on the EU's eastern and southern flank with the advent of President Trump in the US.

The next French president will thus have to choose carefully on which issues he should expend his valuable political capital. Package deals are a specialty of the EU, and Macron should not concentrate exclusively on the euro agenda. Instead, he should take into account the priorities of both Italy and Germany. That means putting together a package that responds to Germany's priorities – namely, ensuring fiscal stability and securing limits on bank holdings of sovereign debt – while helping to ease the burden on Italy of guarding the EU's external border and shoring up Europe's capacity to look after its own security at a time when the US umbrella is becoming weaker. With such an approach, a Franco-Germanic-Italian agreement on advances on all three fronts could open the way forward for the EU.