

Is Germany still a EU-ropean power?

Susanne Gratius

»» All eyes have been on Germany's role in the euro crisis. Judgements differ on the degree of solidarity and leadership that it has shown in this crisis; serious criticisms are certainly merited of its stubborn insistence on harsh fiscal stringency. Few question the fact that on economic matters it is now the undisputedly dominant player. However, a question of equal significance is the fact that Germany's new economic power has not translated into leadership of Europe's common foreign policy interests but rather into an instrumental focus on narrow, national geo-economic interests.

Being the world's fourth largest economic power and the second largest in terms of exports has not led to any greater effort to correct Germany's low profile in foreign policy. Absent a discernible German foreign policy, economic interests are now the dominant paradigm in the country's external relations. The political weight of foreign minister Guido Westerwelle and of his liberal party is shrinking. If elections were held today, polls suggest that the German Liberal Party (FDP) would gain less than 2 per cent of the vote. Although Chancellor Angela Merkel has reluctantly assumed a pivotal role in the Euro-crisis, the German abstention on Libya and the lack of a clear voice on other global issues expose an uncertain international profile. This is as potentially damaging to the European Union (EU) as Germany's fixation with deficit reduction in internal economic policy.

ABANDONING TRADITION

The Chancellor's disordered management of the economic crisis shows that Berlin has no political roadmap for the future of Europe.

HIGHLIGHTS

- Berlin has no political roadmap for the future of Europe.
- In times of crisis many in Germany perceive the EU not as a political model but as an economic problem.
- German foreign policy will have to strike a new balance between economic interests, normative principles and national power aspirations.

»»»»» Austerity has been Berlin's only response to the crisis. Apart from already existing funds, no new commitment on growth and jobs has been adopted. Germany's export model might prove that growth without an expansion in consumption is possible; but this is not a precept that can necessarily be applied to other countries.

Chancellor Merkel's push for fiscal austerity is seriously damaging Germany's image. The cost of her short-sightedness is high: the unravelling of European integration, a creeping north-south divide between member states and the loss of global influence on trade liberalisation, development and climate change.

In times of crisis many in Germany perceive the EU not as a political model but as an economic problem. They believe that their country is a global power and feel that the EU might be too small a framework for the world's fourth largest trading power. This appears to herald a substantial shift from Germany's traditional international role. For historic reasons and because of its size, Germany has played a middle-power role in Europe for over 50 years. The Euro-Atlantic axis has been at the heart of its foreign policy, predicated on close bilateral relations with the United States, France, Poland and Israel. Europe has been the bulwark against a return to German nationalism and geopolitical expansion.

As a result of the two world wars, Germany's role both in its neighbourhood and in the world has been based on the unwritten pact that its self-image and identity could not be separated from the European project and the transatlantic community. Domestic and European interests have been treated as two sides of the same coin. In the case of a conflict between the two (such as in 1999, when two thirds of German citizens rejected the euro), the European commitment counted for more than public opinion for the post-war generation of politicians. European values like solidarity, development, democracy and human rights underlined Germany's

normative commitment to multilateralism within and outside Europe. To avoid hegemonic suspicions, Germany has always punched below its weight as a regional power in Europe and framed its initiatives within the Franco-German framework.

This is no longer a given. Although relations with France remain very close, power has clearly shifted towards Berlin. Dissociated from its historic burden, a new self-confident Germany has emerged. It now pushes more assertively for its own economic preferences (to avoid inflation and maintain a weak euro to benefit exports) against those of its Southern European neighbours (more interested in stimulating demand and advocating Eurobonds). Public and political debates reveal an increasing reluctance to pay the price of solidarity in order to address Euro-area asymmetries. The result is a risk of polarisation between a group of stable economies (Austria, Germany, Finland and the Netherlands) and deficit countries. There is a perception that a less European Germany is seeking to bring about a German Europe.

Following years of sustained economic growth, German nationalism is stirring. A scenario of Germany 'retrenching by neglect' from European integration cannot be ruled out. Apparently, more than 60 years of European integration has failed to create a common identity strong enough to meet the test of the current crisis. A new political elite less committed to the European project has come to the fore. The historic north-south divide is back, replacing the originally German concepts of *Solidargemeinschaft* and the 'transfer Union'. Two thirds of German citizens were against the rescue-package(s) for Greece, as were Merkel's Liberal and Social Christian coalition partners. Many Germans have pushed for Greece to be excluded from the Eurozone; others have proposed a division between a Northern and Southern euro, and even Germany's own exit. EU energy commissioner Günther Öttinger suggested flying the flags of the *Euro-sunders* at half-mast.

Domestic and electoral concerns today prevail over European and foreign policy goals. Negative public opinion polls and opposition from her own camp reduced the Chancellor's room for manoeuvre. The demand for austerity in Greece, Ireland, Italy, Portugal and Spain, has seriously damaged Germany's soft power. According to public opinion polls, Germany is the most disliked country in Greece, while in Italy Mario Monti has warned of mounting resentment, and the Spanish media has remorselessly criticised Merkel.

It is unlikely that the 'Merkozy' Fiscal Pact approved on 30 January 2012 will repair the damage. First, fiscal discipline will not reduce the risk of recession and growing unemployment in the deficit states. Second, the UK and the Czech Republic will not be part of the deal, whose

implementation will prove legally controversial. Third, there is a problem of credibility; the Fiscal Pact foresees the same kind of rules that were first violated by France and Germany themselves.

According to former Chancellor Helmut Schmidt, Merkel has isolated Germany in Europe. The crisis

will necessarily have an impact on Germany itself, as more than 70 per cent of the country's exports go to Europe. Furthermore, this pursuit of economic self-interest and the resulting weakening of political cohesion within the EU also undermine Germany's international prestige as a normative civil power. The Merkel coalition seems to have moved away from the basic principles of Germany's foreign policy – Europe and the transatlantic community – replacing them by a bilateral commercial diplomacy focused on new global powers.

DECLINING GLOBAL INFLUENCE AND PRESTIGE

The picture is not much brighter on the international stage. Germany is the third largest contributor to the UN budget, but its political influence and visibility do not match its financial commitment. The German decision to abstain on the UN Security Council (UNSC) vote on military intervention in Libya was not only a mistake, attracting much criticism at home and abroad without any tangible benefits. It has also provided further evidence of the absence of clear foreign policy goals and a creeping unilateralism.

Apart from damaging Germany's credibility as a promoter of democracy and human rights, the Libya case cemented Berlin's low profile and France's leading role in the Arab Spring. A further example of Germany's uncomfortable position in the Middle East conflict was its vote against recognition of an independent Palestinian state at the UN debate in September 2011. In addition, the German aspiration to become a permanent member of the UN Security Council also rubs uneasily against EU unity.

Although it has joined the European consensus on the recent oil-embargo on Iran, Berlin's position has long fallen in-between the tough approach advocated by France, the UK and the US, on the one hand, and the Chinese and Russian position, on the other hand. Its role in Syria has also been cautious and somewhat ambivalent. Relations with Washington are at a low point, and Berlin's international commitments are measured by their electoral costs. Even ex-Chancellor Helmut Kohl has criticised the 'disoriented' foreign policy of his former protégé, Angela Merkel.

There is a mismatch between Germany's aim to become a permanent member of the UNSC and its declining political influence on the global stage. Its record during its one year membership of the UNSC (2011-2012) was sobering. The UN reform agenda is stuck and multilateral

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»»»» negotiations on climate change – where Berlin has played a leading role – are going nowhere.

Germany is looking for new strategic partnerships, particularly with China and Russia but also with Brazil, India and South Africa through the dialogue forum GIBSA. According to Westerwelle, Germany, as a global trading power, has to be part of the emerging new world architecture led by successful countries in Asia, Latin America and Africa. In February 2012, the German foreign ministry published a new policy document on relations with non-traditional powers, including the BRICS as well as a more novel focus on the likes of Mexico, Colombia, Indonesia and Vietnam. The paper confirms the transition towards a policy beyond Europe, formally still based on values but with a clear prioritisation of economic, security and energy interests abroad.

This is the latest step in a trend that began at the end of the 1990s under the government of Gerhard Schröder (1998-2005), who's pragmatic approach to foreign policy focused on exports and energy security. Today, Russia is a close partner of Germany and China its fastest growing export market. In 2007, the Merkel government launched the first Central Asia Strategy clearly oriented towards energy security. Despite human rights violations, in February 2012, Germany signed a partnership agreement on energy, industry and technology with Kazakhstan. And during the Chancellor's visit to China at the beginning of February 2012, meetings with dissidents were sacrificed to new economic agreements. Democratic values are increasingly subordinated to trade and energy interests.

Trade increasingly leads foreign policy. In 2010, exports represented 45.9 per cent of GDP. Twenty years ago, it was just 25 per cent. These figures demonstrate that Germany has heavily increased its external dependency. Priorities have begun to change too. With a share of 16 per cent of Germany's trade, Asia has already overtaken the Americas (10 per cent). Bilateral commercial diplomacy beyond traditional partners concentrates on China and Russia. China is Germany's

primary source of imports and could soon become its second export market. German exports still concentrate on Europe (first) and the United States (second), with China ranked sixth after Italy. But Russia (13th), Brazil (19th) and India (21st) are all fast growing markets that are beginning to feature more prominently in Germany's trade flows.

MORE OR LESS EUROPE?

Germany's recent economic boom is based on structural adjustments made under the former government and an export model – concentrated on the automobile sector that represents 20 per cent of GDP – whose success depends in part on the depreciation of the euro and on growth rates in the largest export markets. High intraregional trade flows show how closely linked the German economy is to the EU. Thus, German foreign policy cannot (yet) be separated from Europe. The highly likely recession in the Euro-zone will also damage the German economy. Despite a growth rate of 3 per cent in 2011, growth fell to 0.25 per cent in the last three months of the year. It will be much more difficult to achieve a viable economic governance of the Euro-area if Germany enters a recession.

Economic interests and foreign policy are now represented by Guido Westerwelle and the minister for economy, Philipp Rösler, both from the liberal FDP. The geo-economic logic is beginning to replace the traditional European and transatlantic focus as the guiding principle of Germany's external relations. Apart from new energy partnerships, 'civilian power' Germany is now the number three exporter of weapons and military equipment of the world. The main buyers are European countries and the United States, but also Saudi Arabia, Turkey, Brazil and South Africa.

Nonetheless, the increasing 'economisation' of Germany's foreign policy might have occurred more by accident than through a conscious strategy, as large German companies have filled the vacuum left by a weak foreign minister. In a

recent interview, Guido Westerwelle denied any undue economisation of foreign policy but identified German companies as part of the country's external diplomacy and the country's global projection as an economic powerhouse. According to analyst Hans Kundnani, the big companies have exerted an increasingly notable influence on German foreign policy.

OPTIONS FOR THE FUTURE

Germany has three options for redefining its place in Europe and on the global stage: to return to traditional foreign policy principles and alliances despite this running counter to public opinion; to go it alone and create ad-hoc alliances with as wide a range of partners as possible; or to get closer to the BRICS as a well-worked strategic option. The Libya case proves that Germany has to make a choice.

Dismissing speculation on German hegemonic aspirations in his pro-European speech on 20 January in Washington, the foreign minister made clear that 'more Europe not less Europe has to be the answer to the current crisis.' Nonetheless, Westerwelle's and Merkel's rhetorical commitments to 'more Europe' need to deliver beyond ad-hoc, ineffective crisis management. The German government also needs to invest much more political capital in addressing public concerns and making the case for Europe. They have started to do that abroad but less so at home.

Going it alone is not a credible alternative. Since Germany's economic stability is the result of the single European market, economic interests cannot justify such a move. Besides, apart from export capacities, Germany is far from being a global power: demographic figures show a constant decline, its military capacities have been reduced and its soft power is limited to the economic success story. Germany has neither the will nor the strength to go it alone.

Given Germany's economic and energy interests in Russia, China and Brazil, getting closer to the

BRICS is a better option. Under pressure from a powerful private sector that is pushing for new markets, German foreign policy may become less value oriented and more closely pursue economic interests in emerging markets. However, such interests cannot substitute for foreign policy, and the heterogeneous BRICS group is not a realistic foreign policy alternative to the EU.

In the end, these are not exclusive but complementary options. For political, historic and economic reasons, Germany will probably stay firmly committed to European integration. But its size and position as a global trading power also require it to look beyond Europe and to establish closer relations with emerging powers. Thus, German foreign policy will have to strike a new balance between economic interests, normative principles and national power aspirations.

More imperative than new strategic concepts with emerging powers would be a long-term, politically driven road map for Europe. Following Merkel's prediction that the end of the euro would be the end of the EU, Germany should use its economic might for a less nationally-oriented leadership in the EU. To prescribe fiscal austerity by law might contribute to improving the government's image at home, but will undermine support for German leadership abroad. Germany's traditional role as a medium power relying on normative appeal and multilateral commitment is suffering even as the country asserts more economic power over its European partners.

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