



## Where is Germany heading?

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Directed by Renaud DEHOUSSE and Elvire FABRY

Timo BEHR, Janis EMMANOUILIDIS, Almut MÖLLER, William E. PATERSON,  
Daniela SCHWARZER, Stefan SEIDENDORF and Henrik UTERWEDDE





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## Notre Europe

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## Introduction

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**M**ore than ever, Germany is today the focus of much attention on the European scene. The difficult negotiation over the assistance package to Greece and the setting up of a stabilisation fund has earned Chancellor Merkel bad press. Germany has been castigated and blamed for a lack of vision for its reluctance to help its Eurozone partners who are also among its main clients.

However, much of this criticism could be turned on its head. As Tommaso Padoa-Schioppa, President of *Notre Europe*, has recalled in a recent paper, no European country has ever consented to as big a transfer of sovereignty as Germany did when it accepted to do away with the Deutsche Mark. That, in and of itself, is sufficient to explain why she has found it difficult to tolerate the unruly behaviour of other Eurozone members. Moreover, it required great courage on the part of Mrs. Merkel to eventually accept the rescue package against a majority of German public opinion and the advice of some of her most prominent advisers.

Nonetheless, the fact remains that Germany now finds itself in a leadership position that it has not sought, and that it seems at times reluctant to exert. This is why it seems appropriate to discuss some of the factors that shape its European

policy. To this end, *Notre Europe* has turned to a series of experts who examine the changes that have taken place at various levels. Can Germany really be considered more inward-looking than it used to be before? Is this a long-term trend? How can the evolution of German European policy be explained? What are the current driving actors and forces?

Contributions have been made by German (or Greek-German) experts and are completed by a British external point of view.

- Janis A. Emmanouilidis (EPC) and Almut Möller (DGAP) start by scrutinising Germany's perception of EU's integration and what they consider as a process of German European policy normalisation.
- Daniela Schwarzer (SWP) examines expectations from Germany's specific relation to the Eurozone.
- Henrik Uterwedde (Franco-German Institut of Ludwigsburg) evaluates the specificity of Germany's cooperative capitalism model and its constraints regarding EU's further integration.
- Stefan Seidendorf (Franco-German Institut of Ludwigsburg) looks over opinion polls to examine the evolution of German elites and the assertion of a more popular public opinion, regarding the EU.
- Timo Behr (Finnish Institute of International Affairs) explores the state of mind of German's government when faced with the requirement of playing an active role in a more integrated European foreign policy.
- Finally, William E. Paterson (Aston Centre for Europe, Aston University) analyses the pressures on German European vocation and the risks of a more British European policy temptation.

## I - General Perception of EU Integration: Accommodating a 'New Germany'

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**JANIS A. EMMANOULIDIS** (SENIOR POLICY ANALYST, EPC) AND **ALMUT MÖLLER** (HEAD OF THE ALFRED VON OPPENHEIM CENTER FOR EUROPEAN POLICY STUDIES, DGAP)

Germany's *Europapolitik* (European politics) has changed in the two last decades. Following German reunification, the *Berliner Republik* (Berlin Republic) is in a constant process of adapting itself to a new environment following the treaty reforms of Maastricht, Amsterdam, Nice and Lisbon, the consequences of the failed constitutional project, the major enlargement rounds of 2004 and 2007, and the more recent economic, financial and sovereign debt crises. From a negative perspective one could argue that German EU politics seem inconsistent and lacking a clear strategic orientation. From a more positive standpoint one could describe this process as a logical policy adaptation and learning curve, which is part of a normalisation of Germany's *Europapolitik*.

### The struggle for direction

The general feeling of belonging to the European Union has not (yet) been put into question either by the political elite or the majority of German citizens. But at the same time, Germany's European orientation has become more pragmatic and somehow 'normal' when compared to other larger EU countries. With

increasing budgetary constraints since reunification, the federal government and the German *Länder* have become more and more focused on the financial impacts of EU policies. This became already visible in the negotiations over the Financial Perspective 2007-2013 and even more so in recent debates following the Greek sovereign debt crisis. And one can expect that this trend will continue in the upcoming debate and negotiations about the next Multi-Annual Financial Framework. But it would be going too far to assume that Berlin bases its EU engagement solely on a pure cost/benefit analysis, even if the positive German attitude towards European integration has certainly profited from the fact that the benefits of economic and monetary integration are obvious and manifest themselves in a huge German intra-EU trade surplus.

Under Chancellor Schröder (1998-2005), Germany's European orientation had already become more pragmatic, less visionary and more determined by national economic, political and financial interests. The Greek sovereign debt crisis, which eventually developed into a broader euro crisis, is further affecting Germany's European conviction and role within the EU. While the argument of 'solidarity' was still effectively employed by Chancellor Helmut Kohl in the 1990s to convince Germans of the need for big-bang enlargement, it has become much more difficult for the Merkel government to make the case for solidarity in the current crisis. More and more Germans – pushed by influential parts of the media – feel that they have to 'pay' for Europe and for a crisis caused by others inside the Union. At the peak of the Greek crisis, some media ran the headline that Germany should never again be Europe's paymaster and Chancellor Merkel benefited from a tough stance *vis-à-vis* Athens and other EU capitals. However, the tide turned as the crisis progressed. The Merkel government was eventually 'forced' to show leadership and support the Greek rescue package and the €750bn crisis facility set up in early May 2010. Subsequently, the approval ratings for Angela Merkel and her government coalition plunged, as large parts of German society were highly critical of how they had managed the situation. But it is too early to judge how the euro crisis and the reactions to it will affect Germany's European conviction in the long term and much will depend on how the economic situation develops in the years to come.

In the course of the sovereign debt crisis much attention and responsibility has fallen on Germany. The continent's largest economy has (again) become Europe's



benchmark. The spread differential between German and other European bonds has become a key indicator of financial (in)stability, and decisions taken in Berlin – such as the €80bn austerity package or the constitutional debt limitation (*Schuldenbremse*) – provoke and/or necessitate policy reactions in other EU countries.

In this situation, many in Europe – governments, market players and commentators – expect Germany to show leadership. But taking up a stronger leadership role is no easy task for Berlin to fulfil and for other capitals to deal with, for a number of reasons. First, the federal government needs to cope with growing domestic pressures expecting the executive to ‘defend’ national interests. This makes it all the more difficult for Berlin to portray itself as a motor of integration and as a defender of ‘genuine European interests’, which also takes into account the interests of other smaller EU members. Secondly, it has become increasingly difficult for individual EU countries – even the biggest one(s) – to exercise leadership in an enlarged and more heterogeneous Union of 27 and eventually more member states. The increased size of the Union and the growing diversity of interests in an EU27+ have also structurally weakened the importance and leverage of the Franco-German axis and one cannot identify any new, alternative leadership coalitions. Third, and most important, history has shown us that neither Germany nor the rest of the Europe are able to cope with German leadership. It is thus somehow a paradox that in many member states there is both moaning about a lack of German leadership and an increasing fear of German dominance.

At the peak of the euro crisis, Chancellor Merkel was not only struggling to organise support within her own party, in the coalition government between the CDU/CSU and the FDP, in the *Bundestag* and the *Bundesrat*. Berlin’s handling of the crisis also raised many questions in other EU capitals. Within a few months the Merkel government lost a great deal of sympathy and support across Europe. At times, the growing speculation and perception among governments, analysts and commentators in the media about Germany going ‘anti-European’ seemed the result of a weak and inconsistent communication policy. There is some truth to that, as the German political establishment was in many ways unable to explain its position and convey its policy choices to the outside world. However, the underlying problem is

more substantial: it is the result of different readings and policy responses concerning the crisis. Contradictory and often irreconcilable perceptions opposed each other. The Merkel government and a vast majority of German opinion-makers held that by insisting on the rules of the Stability and Growth Pact (especially the no bail-out clause) they were the ones actually defending European interests and the stability of the common currency. This assessment contrasted with the position in other EU countries, especially in those most affected by the debt crisis, where there was rising concern that Germany's reluctance to assist fellow euro countries was playing into the hands of speculators and thus worsening the situation.

## **The constitutional trauma**

The failure of the constitutional project in 2005 marked a clear rupture for Germany's *Europapolitik*. Having initiated a joint initiative with Italy during the Nice intergovernmental conference in December 2000 to discuss wider questions of European integration in a "post-Nice process", Germany was one of the main proponents of the Laeken Declaration (December 2001) and the Constitutional Convention (2002-2003). In the early years of the new millennium, the successive coalition governments of Gerhard Schröder and Angela Merkel supported and framed the idea of a European Constitution. But the negative French and Dutch referenda in 2005 and the years of agony that followed have left their marks. Under the German EU Presidency in 2007, Berlin managed a way out of the constitutional stalemate opening up the path towards the Lisbon Treaty. However, the 'constitutional trauma' has created a great deal of disillusion about the future of the 'grand European project'.

Visions for the future of the European Union do not rank high in today's debate in Germany. Indeed, the second Merkel government had already taken a passive, low profile approach on EU affairs since coming into office in the fall of 2009, for which it was widely criticised by analysts and commentators even before the sovereign debt crisis started to unfold. The political establishment rather focuses on day-to-day European politics and on achieving greater efficiency and influence within the system created by the Lisbon Treaty.

However, the once visionary notion of differentiated integration could reappear and start playing a greater role. While the issue was ranking high in the conceptual debates of the 1990s (e.g. Schäuble-Lamers paper), the instruments of flexibility introduced and further developed since the Amsterdam Treaty had not been applied in practice but were rather (mis)used as tools to pressure the ‘unwilling’. The debates about *directorates*, *triumvirates*, *pioneer* and *avant-garde groups* or *centres of gravity* have been to a large extent characterised by threats and by semantic and conceptual misunderstandings, which have overshadowed the fact that differentiation provides a key strategic opportunity in a bigger and more heterogeneous EU. But the concept of differentiation could undergo a revival in the years to come, as the instruments of differentiation are constructively applied in practice. Germany has in the first half of 2010 – together with 13 other EU countries – supported the first case of *enhanced cooperation*, concerning common divorce rules for couples of mixed nationality. The use of enhanced cooperation will provide a first opportunity to get familiar with this key instrument of differentiation in practice and this could in return lead to more cases of enhanced cooperation in the years to come. It seems likely that Germany will support a functional-pragmatic approach which aims to overcome concrete blockades in specific areas, rather than a model of differentiation aiming at a substantial transfer of sovereignty well beyond the current level in the EU.

### **Karlsruhe, the *Länder* and the battle between Federal Chancellery and Foreign Ministry**

From the 1990s up to the Constitutional Convention, the German federal states (*Länder*) played an important role in framing the German EU debate. In the past, one could hardly leave any EU related meeting without having heard the catchwords of ‘subsidiarity’ and ‘competencies’. Since the agreement on and the entry into force of the Lisbon Treaty, the *Länder* have become somehow appeased. This is partly due to the fact that many of their demands to strengthen the role of the federal states have been met both with amendments to the EU Treaties and the *Grundgesetz* in the follow-ups to the Maastricht and Lisbon Treaty.

Nowadays it is not so much the *Länder* but rather the Constitutional Court (*Bundesverfassungsgericht*) in Karlsruhe that limits the government's room for manoeuvre. One can criticise the Court's 2009 ruling on the Lisbon Treaty for its flawed assumptions regarding the role of the European Parliament and for stepping beyond its actual competencies. However, the Court's verdicts are widely accepted as authoritative rulings and the *Bundersverfassungsgericht* enjoys a high standing amongst both political elites and citizens. The Lisbon as well as other earlier EU-related verdicts have become points of reference in the debate and have affected government policies in recent months, as the executive fears that its decision to support the rescue packages might be 'successfully' challenged in front of the Court. This is one reason why the Merkel government has strongly argued that any assistance to individual EU countries was only possible as an *ultima ratio*. At the same time, the Constitutional Court seems to be reflecting on its role and one should not rule out the scenario of Karlsruhe being pushed back by calls for judicial self-constraint.

A recent development of the Lisbon Treaty has created another domestic challenge: the year-old battle between the Federal Chancellery (*Kanzleramt*) and the Foreign Ministry (*Auswärtiges Amt*), usually taken by the small coalition partner, has entered a new phase. The *Kanzleramt* has increased its power at the expense of the *Auswärtiges Amt*, as the Heads of State and government play a stronger role than Foreign Ministers in the Union's new institutional architecture. The Lisbon Treaty has enhanced the power position of the European Council as the Union's strategic initiator and ultimate decision-taker. But according to the new Lisbon rules and contrary to the past, Foreign Ministers no longer participate in EU summits. As Foreign Ministers have been sidelined, the *Auswärtiges Amt* might compensate its loss of authority by acting as a spoiler rather than a facilitator of German EU politics.

## **The end of *Konsenspolitik***

For many decades, the European integration process was treated as a 'sacred cow' in the German political debate. The European Union was considered not as a matter of party politics. Germany's *Europapolitik* was based on a solid consensus

across party lines and critical voices were not welcomed but rather isolated in the political arena.

However, the EU debate started to change after Maastricht when the Union's impact on member-state policies increased. While none of the six parties represented in the German *Bundestag* can be qualified as 'anti-EU', criticism is nowadays put forward by all parties, both towards issues related to the future direction of the European Union and to its day-to-day business. Issues discussed include enlargement (in particular Turkey's accession), the development of the Union's security and defence policy, the future of European economic governance, and the balance between economic and social policies. Furthermore, with the Schröder/Fischer government (1998-2005), a new generation of politicians, born and grown up in post-1945 Germany, has entered the stage. Only very few active politicians, such as Finance Minister Wolfgang Schäuble, are left of the once influential circles of 'Europeans by heart', who dominated the *Bonner Republik* after 1949. Chancellor Angela Merkel, who grew up in the German Democratic Republic, is not guided by a particular vision of Europe but rather by a very pragmatic and less emotional approach towards European integration.

Indeed it is the conservative CDU party of former Chancellor Helmut Kohl (1982-1998), one of the architects of the European Union, which under Merkel has experienced the most visible shifts in this regard. The CSU, the Bavarian sister party of the CDU, is usually at the forefront when it comes to questions of subsidiarity, but as explained above, the issue has lost its political relevance at the moment. The Green Party in many ways seems ready to accept the European Union as a natural arena, as its major priorities such as environmental policy are by nature considered to be dealt with most efficiently at a supranational level. The Free Democrats (FDP), Chancellor Merkel's coalition partner and the party of Hans-Dietrich Genscher and Klaus Kinkel, are committed to support the process of European Union, but have not been very energetic since they entered the government and with it the Foreign Ministry in September 2009.

The political 'left' is somewhat struggling with EU affairs as the European Union is perceived by many voters on this side of the political spectrum as 'too neo-liberal' and as a catalyst of unfettered globalisation. The most 'left wing' party in the

Bundestag, the Left Party (Die Linke), which was founded in 2007 as the merger of the Party of Democratic Socialism (PDS) and the Electoral Alternative for Labour and Social Justice (WASG), has in its short history always been the most critical voice and has repeatedly voted against major EU treaty reforms.

The Social Democrats (SPD), the party of Willy Brandt and Helmut Schmidt, have a long pro-European tradition. However, the SPD has recently adopted decisions that raised eyebrows in Berlin and put into question the party's traditional commitment to the European integration process. The abstention of a majority of SPD MPs in the votes on the financial assistance for Greece and the security umbrella for the Eurozone has been a hitherto unprecedented case. On a major question that will determine the direction of the European Union in the months and years to come, the SPD leadership decided to deny their support to the government. It remains to be seen whether this move was largely motivated by political tactics or whether it constitutes a deeper shift in the party's European orientation.

In more general terms, it remains to be seen whether some of the major parties including the SPD or the CDU/CSU will opt in favour of a more EU-critical approach in an attempt to profit in future elections from a spreading negative EU sentiment in many parts of German society.

## **Conclusions and outlook**

The fall of the Berlin Wall and the 'unification' of the continent have changed Germany both domestically and with regard to its role in the European Union and in international relations. Twenty years down the road, Germany is still adapting to the transition from the Bonn to the Berlin Republic and the pre-Maastricht to the new Lisbon era. In its foreign policy, Berlin has started to break new ground, of which its active engagement in the Balkans and in Afghanistan are the most visible proof. However, the transformation of Germany's foreign policy has turned out to be a difficult process so far, touching on the very identity of the country and its citizens.

With successive rounds of enlargement and treaty reforms, the old days of European integration have vanished. The future direction of the Union has become a lot more difficult to map out and domestic constraints have made it more difficult for successive German governments over the last decade to set and pursue their agenda.

Today, Germany's *Europapolitik* does not always appear to be consistent, inclusive, convincing and confident. The European 'constitutional trauma', the restrictive verdicts of the Constitutional Court and the euro crisis have created a great deal of disillusion about the future of the 'grand European project'. However, the overall commitment to the process of European integration has not been fundamentally challenged up till now and remains a solid pillar of Germany's self-image.

However, it is not clear whether the disillusionment of recent years and months will in the long run increase scepticism towards the European Union or merely result in an even more pragmatic and inward-looking orientation of Germany's *Europapolitik*. In any case, Berlin's partners in the EU will have to accustom and accommodate themselves to this 'new Germany'. To reminisce about the 'good old days' will not be enough. One can learn from the past that the deepening of European integration and the continued pooling of sovereignty have always been a successful way to answer the question of leadership in Europe.





## II - Germany and the Euro: a Reluctant Leader?

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### Germany's evaluation of ten years of EMU

**W**hen the euro celebrated its tenth anniversary on 1 January 2009, the single currency was widely evaluated as a success story in Germany. In particular as the financial and economic crisis hit Europe, German policy makers pointed out that the euro had brought an important degree of stability to the Eurozone, both in terms of inflation and exchange rate stability for the common market. Some commentators sketched dark scenarios about what might have happened in the EU had there not been a single currency: major exchange rate instabilities could have emerged, most probably leading to a strong appreciation of the Deutschmark had it still existed. Germany's economy would have suffered considerably given the country's export dependency. In 2009, 43% of Germany's exports went to the Eurozone (63% to the EU) adding up to 14% of Germany's GDP (21% of GDP for exports to the EU).<sup>1</sup> A possible appreciation of the Deutschmark had already been among the strong economic cases for the creation of the euro in the 1990s.

1 Statistisches Bundesamt: Außenhandel: Rangfolge der Handelspartner im Außenhandel der Bundesrepublik Deutschland. <http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/DE/Content/Statistiken/Außenhandel/Handelspartner/Tabellen/Content100/RangfolgeHandelspartner,property=file.pdf>

Some other member states which had pegged their currency to the Deutschmark for many years would have probably reconsidered their decision to shadow the *Bundesbank's* monetary policy had there not been the perspective of EMU membership. A resulting further appreciation of the Deutschmark would have weighed heavily on Germany's export sector.

While political leaders did not show regret for Germany's post-war currency – on the contrary, they outlined its benefits in many speeches – the broad public evaluates the euro more critically. Since 2001, the percentage of citizens who see disadvantages in the euro has climbed from 45% of the people polled to 63% (April 2010). Only 30% today think that the euro has more advantages than disadvantages, only 6 % think both are balanced.<sup>2</sup> The major matter of concern is whether inflation has increased since the start of EMU. Tabloids often nickname the euro “Teuro”<sup>3</sup> reflecting the citizens' sentiment that prices have risen strongly since its arrival. Inflation data for Germany contradicts this perception: from 1999 to 2009, German inflation has on average been 1,5%<sup>4</sup> and ranged below the ECB's target of 2%. While price stability is a major issue, little attention is paid to the fact that the German economy been been for several years among the weak performers in the Eurozone, with only Italy doing worse.

## Fears of inflation and strategies to convince of the euro

Before the introduction of the euro, Germany experienced an emotional debate on whether it should give up the Deutschmark, which had become the symbol of the post-war *Wirtschaftswunder* and helped the country re-emerge as a European and global player. The economic success, the stable currency and the related international recognition were among the few things Germans dared to show pride in after World War II.

The debate over giving up the Deutschmark grew particularly intense when it became clear that the currency union would probably start with a rather large

<sup>2</sup> ARD- DeutschlandTREND, April 2010, Infratest dimap.

<sup>3</sup> “Teuro” plays with the words “Euro” and “teuer” (expensive).

<sup>4</sup> Own calculations based on Eurostat <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=de&pcode=tsieb060>

group of countries, including Italy, Spain and Portugal, the so-called “Club Med”<sup>5</sup>. Concerns about the future stability of the euro revealed deeply rooted fears of a society which had lived through a hyperinflation in the early 20<sup>th</sup> century, the effects of which were a root cause for the emergence of the racist and belligerent Nazi regime.

In the 1990s, the critics of the upcoming EMU were divided into two groups. While some opponents did not want EMU to happen at all, other critics, including the then President of the *Bundesbank*, Hans Tietmeyer, argued for a political union to ensure that in particular national budgetary policies would not undermine monetary stability. In order to reassure an increasingly nervous public, the acting government underlined the strong degree of independence of the European Central Bank enshrined in its statutes which could only be changed by a unanimous decision of the member states, hence not against the will of the German government. By pushing through the Stability and Growth Pact in 1997, it hardened fiscal rules and the possibility to sanction member states in order to complement the Maastricht Treaty. Furthermore, it explained that the no-bail-out-clause ensured that no government would be liable to guarantee public debt accumulated by other member states in the EMU. These provisions were not only relevant for the public debate, but also the basis upon which the German Constitutional Court ruled that the Maastricht Treaty was compatible with the German Basic Law.<sup>6</sup>

## Repercussions of the sovereign debt crisis in the EMU

The sovereign debt crisis that the EMU is currently living through shattered these mantras like an earthquake. The European Central Bank is now buying Greek government bonds, which has made some German commentators say that the ECB has been transformed into Europe’s largest “bad bank” and that it has lost its independence. The Stability and Growth Pact in particular has lost credibility since Greece and some other EMU member states have become candidates for a possible sovereign default. Trust in the fiscal rules designed to guarantee sound

<sup>5</sup> In 1997, in Baden-Württemberg, the Social Democrat, Dietmar Spöri, (unsuccessfully) fought his electoral campaign to become regional Prime Minister with an anti-Euro-campaign (which he lost)

<sup>6</sup> Bundesverfassungsgericht, Maastricht-Urteil vom 12. Oktober 1993, Aktenzeichen 2 BvR 2134/92.

budgetary policies had been undermined ever since Germany itself broke the pact in the early years of EMU and pushed through a reform of the framework in 2005 together with France.

The rescue package for Greece and the €750bn rescue umbrella for the Eurozone, to which Germany contributes a total possible maximum of €148bn of guarantees and loans, was particularly difficult to digest for the German public. Despite the fact that the German Constitutional Court has so far not found that these decisions contradict its initial ruling on the Maastricht Treaty, quite a few commentators argue that the no-bail-out-clause had actually been given up. Complaints to the Constitutional Court have been filed. Many citizens feel that the Eurozone had turned into a currency union *à la française* in which the orthodox liberal framework of the Maastricht Treaty is undermined, and that a transfer union has *de facto* been installed in which those member states that have conducted sound budgetary policies end up paying for those who cheat and behave irresponsibly.

## **Foot dragging on Greece**

Domestic and foreign observers paid a lot of attention to the fact that the German government did not act pro-actively on Greece in spring 2010. Indeed, for quite some time, it did not show a convincing commitment to the decision of the informal European Council of 11 February 2010 which promised the help to member governments with problems refinancing their debt. For months, it did not recognise (publicly) that it had an important interest in preventing a spread of the financial crisis and a disorderly sovereign default in a member state with all its negative consequences for financial market stability and its potential political and social repercussions. The absence of an early and credible German commitment to helping Greece has probably increased nervousness in the financial markets and it has opened ample room for irresponsible polarisation in the German tabloid press. With an unparalleled degree of hostility, Greek citizens have been depicted as lazy, corrupt, irresponsible, etc. While there were efforts by other media to draw a more realistic picture of the situation in Greece, at least for a few weeks the situation in the German media remained unbalanced.

There are probably three reasons why decision-makers in Berlin did not give earlier rescue promises to Athens. One concern was to exert as much public pressure on the Greek government as possible in order to support Prime Minister Papandreou's reform agenda. The second concern was a hostile public opinion – and no willingness to attempt to convince the public of Germany's self-interest in granting support, as North-Rhine-Westphalia, Germany's largest *Land*, went to the polls on 9 May 2010. The strongest concern was probably that a German participation in a rescue package, which could not be justified with the argument that the stability of the euro was at stake, could be challenged before the German Constitutional Court. Policy-makers were deeply concerned by the scenario of a European rescue package being ruled unconstitutional in Germany, which was feared to cause substantial instabilities in financial markets.

## **Germany and European economic policy coordination**

In parallel to the negotiation of rescue packages for Eurozone members, a profound debate on the reform of the budgetary and economic governance mechanisms has developed. External observers regularly wonder why Germany is so reluctant to deepen European economic coordination. It is wrong to assume that Germany is against coordination as such. However, consecutive German governments have pursued a particular approach to the governance of the Eurozone, namely a rules-based approach based on nominal targets and sanctioning mechanisms, a low degree of risk sharing and very little political discretion. This is not shared by all of Germany's EMU partners.

Ever since the Maastricht negotiations, Germany sought that the integration of monetary policy – in the absence of a political union which the French government at the time objected to – would be backed by budgetary policy co-ordination in order to prevent unsound fiscal policies from undermining monetary stability. This resulted in the introduction of the so-called “Excessive Deficit Procedure” into the Maastricht Treaty which was supposed to ensure budget-policy surveillance and coordination. In 1996, the German government tabled an additional proposal which it called the Stability Pact to enhance budgetary policy co-ordination that

was deemed insufficient after two years of applying it and even before the euro was launched.

Germany's traditional concerns are reflected in the position it has presented to the so-called Van Rompuy Task Force, which has been set up to sketch out a reform of the Eurozone. Focused on this rules-based approach, German political leaders are for instance strongly opposed to the creation of a regular Eurozone summit as has been repeatedly suggested by the French government. There is a suspicion that such an institution and closer co-ordination among the EMU-16 forum could lead to more discretionary policies which could contradict Germany's stability concerns and the ECB's independence. Despite the pressing problems that are unique to the Eurozone, the German government's position is that fiscal and economic governance should be improved in the EU-27.

## **Challenges to the German growth model**

One of the most sensitive points in the current debate on the Eurozone's reform is how growing economic imbalances as a result of diverging degrees of competitiveness should be tackled. These have been identified as one of the root causes of the current Eurozone crisis. There is a broad European consensus that particular countries with large external deficits need to implement far-reaching structural reforms in order to improve their competitiveness.

However, on March 15<sup>th</sup> 2010, the Eurogroup acknowledged for the first time that surpluses also need to be critically reviewed.<sup>7</sup> This is a very sensitive point for Germany, which has repeatedly been criticised for relying too much on exports and too little on domestic demand as engines of growth. Reactions, for instance to the interview given by the French Finance Minister Christine Lagarde<sup>8</sup> to the Financial Times have been emotional.

<sup>7</sup> Eurogroup meeting of March 15, 2010, [http://consilium.europa.eu/uedocs/cmsUpload/Rev1clean-ToR\\_on\\_near-term\\_policy\\_priorities\\_of\\_Europe\\_2020\\_in\\_the\\_euro\\_area.pdf](http://consilium.europa.eu/uedocs/cmsUpload/Rev1clean-ToR_on_near-term_policy_priorities_of_Europe_2020_in_the_euro_area.pdf)

<sup>8</sup> Financial Times, Transcript of interview with C. Lagarde, published on March 15 2010, <http://www.ft.com/cms/s/0/78648e1a-3019-11df-8734-00144feabdc0,s01=1.html>

Some critics argue that Germany has pursued a competitive real devaluation as unit labour costs have stagnated and reductions of the financial burden on the corporate sector have improved its competitiveness. Meanwhile, the increase of the VAT to 19 % weighs on domestic consumption. German reactions to such criticism are strong as many interpret the debate about imbalances as implying that Germany's partners are asking the country "to do worse". Comparisons with the German football team, which cannot possibly be asked to score less for the sake of its neighbours, have been drawn in the public debate,<sup>9</sup> and economic performance in the Eurozone is pictured as a competitive race.

Nevertheless, the question of whether Germany needs to do more for domestic demand is today regularly raised in political debates in Berlin. There is a rising concern (for instance among some Social Democrat and Green politicians in the German Parliament, as a number of public hearings in Parliamentary Committees show) that Germany will have to do more for domestic demand in its own interest.<sup>10</sup> There are two major arguments why. Firstly, because Germany has clear self-interest that the Eurozone finds its way back to a situation of robust growth and sustainable public finances for which a strongly growing German economy is a prerequisite. Secondly, because if the Eurozone partners substantially increase their competitiveness, German as a consequence may lose market share in certain segments and will hence have to rely more strongly on domestic growth.

## **A new anchor role for Germany?**

In recent weeks, Germany has perhaps involuntarily slipped into a new leadership role in the EMU. It has strongly shaped the Eurozone reform debate and sets the pace for other member states through its ambitious consolidation agenda. Germany's partners, including France, apparently feel considerable pressure to follow Berlin's policy choices, since markets are sanctioning domestic developments much more sensitively since the sovereign debt crisis. The intensified

<sup>9</sup> See for instance, H.-O. Solms' statement in the Economic Committee Hearing of June 16, 2010.

<sup>10</sup> See for instance, H. Flassbeck, G. Horn, S. Dullien, "Europa hat noch eine Chance", in Financial Times Deutschland, 05.05.2010, p. 24.

debate over whether EU countries should introduce domestic fiscal rules somewhat similar to Germany's *Schuldenbremse* is no coincidence.

There are striking parallels to the pre-EMU situation when Germany's partners shadowed the *Bundesbank's* monetary policy in order to maintain exchange-rate stability to the Deutschmark. Currently, Germany's budgetary and economic policy decisions raise the stakes for other governments who may diverge in their assessments of suitable policies. Financial markets measure all other governments against the German one, as interest spreads between the German government bonds and those of its European partners show. If this trend persists, the question is how politically sustainable the situation will be in the long run.

Germany may yet again be confronted with a new debate on its responsibility for the economic development of the Eurozone. This will not be an easy discussion, in particular as its successful growth model is the result of an adaptation process based on tough structural reforms, wage restraint and fiscal austerity which were justified (and broadly accepted) as a necessary consequence of its own reunification and the fact that Germany entered the EMU at an overvalued exchange rate.

The fact that the Eurozone's internal divergences may not be solved solely "if the others do their homework, too" will require sensitive and far-sighted debate between Germany and its EMU partners. A particularly strong role is – again – to be taken by France and Germany which add up to 48 % of Eurozone GDP.<sup>11</sup> EMU member governments will hopefully treat economic and budgetary policies as a matter of common concern, as the EU Treaty prescribes, and will understand that ensuring growth and convergence in the EMU and guaranteeing the euro's long-term success is a precondition for the well-being of any EMU country.

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11 In Germany, comparatively little attention is paid to the intense debate on the German growth model that has developed in France both in the media and in the academic sphere, see for instance, R. Lallement, *Le régime allemand de croissance tirée par l'exportation : entre succès et remise en cause*, Document de Travail, Centre d'Analyse Stratégique, mai 2010. [http://www.strategie.gouv.fr/IMG/pdf/07\\_Doc\\_Travail\\_croissance\\_allemande.pdf](http://www.strategie.gouv.fr/IMG/pdf/07_Doc_Travail_croissance_allemande.pdf); P. Artus, "La politique économique de l'Allemagne est-elle un problème pour les autres pays européens ?", Natixis Flash, 8 décembre 2009, n° 538.



### III - German Cooperative Capitalism and EU Economic Policy: the Sources of the Tension

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**HENRIK UTERWEDDE\*** (DEPUTY DIRECTOR, DEUTSCH-FRANZÖSISCHES INSTITUT, DFI)

**G**erman cooperative capitalism, which seeks to combine economic efficiency with social partnership and justice, has been called into question by both global competition and European integration. The response of German society to this double challenge has been defined by the attempt to adapt the German model in order to preserve its core characteristics. This has led to moderate reformism, oscillating between renewal and preservation of the status quo (1). With regard to European integration, growing tension between German collective preferences and European initiatives can be observed (2). German society is thus still attached to European unification but concerned about the preservation of core German values and policy orientations.

#### **The difficult adaptation of German cooperative capitalism**

##### **Germany: a stalemate society?**

The German post-war economic and social model has three distinguishing features. The first is the concept of a social market economy (*Soziale Marktwirtschaft*), which

\* The author wishes to thank his colleague Joanna Ardizzone for critical reading and useful remarks.

should be seen as a set of general guidelines for economic policy rather than precise instructions for policy. This concept tries to merge a liberal approach to markets and competition with a concern for social justice. It fosters social partnership both at the firm and the macro level, trying to canalise class conflict into a system of social negotiation. The second feature is cooperative “Rhineland capitalism”, which has developed institutions and behaviour patterns favouring negotiation, compromise and cooperation in all fields of the economy, in particular social partnership in firms (co-determination) and a system of independent collective bargaining at the branch and national levels. German society has been, and remains, strongly attached to this model, which has fostered growth, welfare, social cohesion and participation since 1945. The third feature is that the German economy has remained more industrially based than that of other European countries, with a strong dependency on exports; hence a constant concern about the competitiveness of German industry. This competitiveness has been realised in qualitative terms (specialisation on high quality products), which makes German industry less dependant on cost competitiveness; however, Germany’s historical phobia of inflation has led to an propensity to use price stability to help contain production costs.

Criticism of this model grew when it began performing less well, undermined by the effects of globalisation and reunification. Over-regulation, weaker productivity as well as rising labour costs threatened German competitiveness, whilst German reunification added to the difficulties through the rising costs of reconstruction and a sharp increase in unemployment in Eastern Germany. At the same time, a variety of vested interests blocked necessary reforms. Acting within a decision system with various “veto players” (the regional *Länder* governments whose vote is necessary for all important reform projects and the interest groups, e.g. trade unions and employers’ or industrial associations), neither the Kohl government (1982-1998) nor the first Schröder government (1998-2002) were able (or willing) to overcome this inertia. Germany seemed to be a victim of its own success in the post-war period, having failed to renew its economy and society. Critics saw Germany as the sick man of Europe and analysts predicted the end of the German model.<sup>1</sup> Pressure for liberal reforms went alongside calls for break with the con-

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1 W. Streeck, “German Capitalism. Does it exist? Can it survive?”, In C. Crouch and W. Streeck (eds.), *Political Economy of Modern Capitalism: Mapping Convergence and Diversity*, London: Sage, 1997, p. 33-54. More optimistic: H. Uterwedde, “L’avenir du capitalisme allemand”, In H. Stark and M. Weinachter (eds.), *L’Allemagne unifiée 20 ans après la chute du mur*, Villeneuve d’Ascq: Septentrion 2009, p. 35-49.

sensual, cooperative German model for the reason that it blocked reforms. In 2002 (21 January) the Financial Times Deutschland ran the headline “Economy does not have to be social”, and pointed out that “Germany now needs a period of straight capitalism. [...] The power of trade unions must be broken. [...] We need a dose of Thatcherism”.

### **A (moderate) liberal reform agenda (2003-2005)**

When he came to power in 1998, the social democrat Gerhard Schröder flirted with New Labour ideas of the “Third Way”, signing a common paper with Tony Blair calling for a programmatic renewal of the Left in Europe. In practise, however, he continued within the framework of the German model, paying tribute to the trade unions and not embarking on reform projects which would have hurt their interests. Thus, his “Alliance for jobs”, a tripartite conference series on labour market reforms, did not succeed in overcoming mutual vetoes from trade unions and business. It was only after the 2002 general election, driven by the worsening economic situation, that Schröder launched his programme of structural reforms known as the “Agenda 2010”. His reform agenda included important changes in the social security system (pensions, health insurance) and in the labour market.<sup>2</sup>

The liberal logic of this agenda tried to reduce the level of social contributions and thus reduce labour costs, and to introduce more flexibility in to the labour market. Conditions for unemployment benefits were toughened in order to give the jobless greater incentives to return to work. New paradigms in the social security system put a greater emphasis on individual efforts as opposed to collective benefits and redefined social justice as equality of chances rather than outcome. Social agreements between trade unions and managements in the main industrial groups went in the same direction, allowing more flexibility and wage moderation in order to improve competitiveness and safeguard German production sites.

<sup>2</sup> B. Lestrade, *Les réformes sociales en Allemagne: L'Agenda 2010 du gouvernement Schröder*, Note du Cerfa no. 9, Paris: Ifri, February 2004, and I. Bourgeois, *Le modèle social allemand en mutation*, Paris: CIRAC, 2005.

## Deepening the reform policy or back-pedalling? (2005-2010)

The impact of the Schröder reforms is ambiguous. On the one hand, they were beneficial to German competitiveness. The German economy profited from the recovery in 2005-08, creating a million new jobs.<sup>3</sup> Furthermore, they ended discussions about political inertia and the impossibility of reforms in Germany, making way for more optimism. On the other hand, they amplified social inequalities. The cuts in unemployment benefits in particular provoked a wave of social protest which, although it could not hinder the implementation of the reforms, nevertheless led to a growing cleft between the SPD, its voter base and the trade unions, and finally to the dramatic electoral defeats of the SPD in following elections.

In this respect, the outcome of the 2005 general elections is significant: Gerhard Schröder lost power, but his campaign to explain the necessity of reforms succeeded in limiting the scale of defeat. Indeed, the SPD achieved a result equal to its conservative rival, the CDU-CSU. Moreover, the electorate rejected the very liberal platform of Angela Merkel (CDU-CSU) and her liberal partner (FDP), forcing her to form a coalition with the Social Democrats. The message was that there is no political majority for a liberal agenda, and that German society, while admitting (reluctantly) the necessity for reform, prefers to stick with the values of the post-war cooperative, social capitalism.<sup>4</sup>

The new coalition (2005-2009) continued with the reform agenda (e.g. raising the pension age gradually from 65 to 67 years), but took more and more care to soften some aspects of the Schröder reforms. A new emphasis was put on more “positive” aspects of the “Agenda 2010”: a new programme (and more money) for education, research and innovation, as well as increased family allowances. Moreover, the beneficial effects of the 2003 reforms on growth potential, competitiveness and on the labour market became noticeable and helped to stabilise public finances. As a reaction to the 2008 financial crisis, the grand coalition set up

<sup>3</sup> See the optimistic view of M. Hüther and B. Scharnagel: “Die Agenda 2010 : eine wirtschaftspolitische Bilanz”, in *Aus Politik und Zeitgeschichte* Nr. 32-33, 2005, p.23-30; more balanced: K. Brenke, “five years after the Reform of Social and Unemployment Benefits in Germany”, in Berlin: DIW, Weekly Report Nr. 12/2010, 86-96.

<sup>4</sup> Henrik Uterwedde, “The public debate on globalisation in Germany”, in Elvire Fabry (ed.), *Europeans and the Globalisation Challenge*, Paris: Fondation pour l’innovation politique, 2007, p. 63-97.

a major Keynesian deficit spending programme, and together with business and trade unions, it worked out a cooperative (and costly) plan to avoid redundancies.

### **The new conservative-liberal coalition: a big misunderstanding**

The outcome of the 2009 general elections, favourable to the CDU-CSU and even more so to the liberal party (FDP), allowed Angela Merkel to form a conservative-liberal government. However, the new coalition got off to a bad start. It seems that the government is the fruit of a big misunderstanding: the CDU-CSU, having learned from its 2005-2009 governmental experience, has learnt to compromise on social concerns in the population, “softened” its programme and adopted a moderate social conservatism. The FDP, without governmental experience since 1998, has reinforced its economic liberalism and upper-class clientelism. Whereas the CDU-CSU has tried to be responsive to the global monetary crisis, calling for more regulation, and to the attachment of German society to social capitalism, the liberals have stuck to their classic demands (massive tax cuts, liberalisation of the labour market and of the social security system), which have lost much of their attraction.

The result has been a climate of growing disharmony, distrust, and conflict between the two coalition partners. They have also lost the important regional election in North-Rhine-Westphalia (18 million inhabitants). The dramatic loss of political leadership could lead the Merkel government to delay, or even abandon, all conflictual reform projects.

### **German society and the European model: how to compromise**

#### **From permissive consensus to growing disaffection?**

Traditionally, German society has been very favourable to European integration since 1945. The loss of national identity after the Nazi dictatorship and German division in 1948 led to nationalism being held responsible for the catastrophe of World War II. The search for new respectability led West German governments to

have a strong commitment to European unity (which sometimes seemed to serve as an *ersatz* for a missing national identity) and to an active engagement in the integration process. For a long period, German society was characterised by a “permissive consensus” in favour of European unity, backing all governmental initiatives to deepen European integration. This did not prevent critical debates, mainly when it came to financial or economic issues. The common agricultural policy, for example, has always been fairly unpopular, and Germany’s “paymaster role” (the high German net contribution to the EU budget) has been a recurrent theme in the media since the 1970s. On the whole, however, German society felt “in phase” with the course of European integration, which was compatible with the German model of capitalism and benefited the German export-led economy.

Since reunification in 1990, commitment to Europe has been weakened, while still remaining at a high level. New domestic concerns have predominated, such as the implementation and financing of German unity. The search for a new German role in international politics has led to a greater articulation of German national interests than in the past. European monetary union has never been popular in German society and fears over the danger of inflation and uncontrollable sovereign debts have been voiced. However, in the context of German reunification and with Chancellor Kohl’s strong commitment to monetary union, the permissive consensus has worked: no notable political opposition to the euro has developed.

However, the intensification of European economic integration (single market and monetary union) has led to growing and critical concern. The compatibility of European rules and policies with German preferences has been put into question. Since the outbreak of the worldwide financial crisis in 2008, controversies between the German government and main European partners, in particular France, have amplified. Issues have been the European plan to save banks, a common European economic recovery policy, the installation of a European “economic government”, financial aid for the Greek government, the criticism of the German export-led growth model, the “excessive” German balance of trade surplus, and the future shape of stability rules within the European monetary union. The German government has been accused more than once, notably in France, of rejecting common European solutions and of turning its back on Europe.

## Attachment to national preferences

It is not the principle of European integration *per se* which is questioned in German society but the contents of specific policies. In many ways, the reserved attitudes of the German government towards current European initiatives reflect collective preferences which are strongly based in German society. Principles such as the independence of the European Central Bank or the necessity of price stability and balanced budgets are considered a priority by a large majority of citizens.

As for the Greek budget crisis, a recent opinion poll reveals that aid to Greece is extremely unpopular.<sup>5</sup> It is obvious that Germans fear damaging effects of the “irresponsible” behaviour of some European partners, plead for harder rules, and want more effective sanctions for rule-breakers. On the other hand, a majority of Germans favour European, rather than national, responses to the current crisis (see the contribution of Stefan Seidendorf in this volume).

## National choices and European integration

In a general way, it seems that the current controversies between the French and the German governments point to differences in the respective collective preferences of the two societies. When Angela Merkel rejects an economic government for the euro zone which would interfere with governmental choices on national economic policy, she may be sure that there is a strong consensus in German society. The example of the dramatic public reactions in Germany to the questioning of the German export-led growth model by French finance minister Christine Lagarde shows that a large majority of Germans are not willing to abandon an economic model which ensures employment for a substantial part of the labour force. If experts close to the left and trade unions also starting to question the German export-led model,<sup>6</sup> the impact of this debate on public policy is limited.

5 IFOP: Les Européens face à la crise grecque – Résultats détaillés. Etude réalisée pour la Fondation pour l’innovation politique (Fondapol), <http://www.fondapol.org/fileadmin/uploads/pdf/sondage/Sondage-Europeens-face-crise-grecque-resultats-complets-FR.pdf> (13.6.2010).

6 See G. Horn and al., *Einseitige Exportorientierung belastet Wachstum – Frankreich besser als Deutschland*, IMK Policy Brief, 24 March 2010, Düsseldorf: Hans Böckler Stiftung, or K. Busch, *Gouvernement économique européen et coordination des politiques salariales – la crise de la zone euro appelle des réformes structurelles*, Paris: Friedrich-Ebert-Stiftung, May 2010 (<http://www.fesparis.org/common/pdf/publications/Wirtschaftsregierung.pdf>).

Given the growing concern for more social balance, perceptible in the current political climate, pressure for higher wages and income could rise in the forthcoming months and years, but this will be led by internal dynamics much more than by European considerations.

German society is not so much raising a barrier against Europe, but sticking to its fundamental principles, as do other societies too. European integration is interfering more and more directly not only with national policies but also with the fundamental collective choices and preferences of national societies. This suggests that there are serious problems ahead with the acceptance and legitimacy of European policies. Without a convincing answer to these problems, further progress in integration will be unlikely.



## IV - German Public Opinion and EU Membership

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Comments on an alleged ‘shift’ towards a transformation of Germany’s ‘position’ or ‘role’ within the European Union (EU) usually focus on the behaviour of German elites. Attention is directed towards political, economic and administrative actors. We know relatively little about the feeling of ‘ordinary’ German citizens on questions of European integration. Has their perception of the EU changed over the past decade? Are we witnessing a ‘Euroscepticism’ comparable to what we see in other EU member states?<sup>1</sup> To tackle this question, I present some general insights provided by recent survey data (1), before presenting some insights that can be gained from an analytical framework linking public debates, public opinion and political leadership (2).

### Survey data and German public perception of the European Union

The main survey instrument for studying public opinion and citizens’ perceptions of the EU, the European Commission’s *Eurobarometer*, groups within its ‘standard

1 D. Della Porta, *Social Movements and the European Union: Eurosceptics or Critical Europeanists?*, Policy Paper N°22, Paris: Notre Europe, 2006.

version' (asked twice a year) a range of general questions under the headings "perception of the European Union" and "image of the European Union".<sup>2</sup> The answers give a first hint to the question of whether the perception of the EU has changed in Germany during recent years or months. The fieldwork for EB 72 (autumn 2009) was done from October to November 2009, before the height of the Euro crisis in spring 2010. 60% of Germans (53% of Europeans) think that their country's EU membership is a good thing and 57% of Germans (57% of Europeans) believe that their country has benefited from EU membership. No major change in this judgement has occurred during recent years. Concerning the 'image of the EU' and the 'personal associations with the EU', Germans are more critical than in the preceding assessment, yet share this feeling with other Europeans.<sup>3</sup> Eurobarometer's 'qualitative' surveys, dealing with the EU's 'image' and citizen's expectations concerning the 'future of Europe', largely corroborate the overall results of the quantitative studies: the EU has by and large a positive image, and participation and integration into the EU are seen as beneficial for Germany, as well as for the individual citizen.<sup>4</sup>

According to these results, Germany is comparable to other founding members of the EU. If one takes a closer look in order to find some differences, German citizens are more critical towards the EU's bureaucracy and 'wasting of money' and they fear the consequences of the current financial and economic crisis in a more sustained manner than their neighbours. This is not enough to mean a particularly negative perception of the EU and the integration process in Germany, but it rather shows that the 'permissive consensus' of the early years has been replaced by a differentiated view. A recent comparative survey on "Les Européens face à la crise grecque" (Europeans and the Greek crisis),<sup>5</sup> with fieldwork done during the height of the Greek crisis in France, Germany, UK, Spain and Italy (12-19 March 2010),

<sup>2</sup> [http://ec.europa.eu/public\\_opinion/standard\\_en.htm](http://ec.europa.eu/public_opinion/standard_en.htm)

<sup>3</sup> 47% of Germans, 48% of Europeans had a good image of the EU. On the negative side, 37% of Germans link the EU to bureaucracy, 34% to a "waste of money", whereas only 20 and 21% of their fellow Europeans share this perception. Germans appreciate the freedom to travel, study and work anywhere in the EU (57%), a point shared by 46% of all Europeans.

<sup>4</sup> "Perceptions of the European Union – a Qualitative study of the Public's Attitudes to and Expectations of the European Union in 15 Member States and in 9 Candidate Countries", Study by Optem S.A.R.L. for the European Commission 2001, [http://ec.europa.eu/public\\_opinion/quali/ql\\_perceptions\\_summary\\_en.pdf](http://ec.europa.eu/public_opinion/quali/ql_perceptions_summary_en.pdf) (08.06.2010) and "The European Citizens and the Future of Europe – Qualitative study among citizens in the 25 member states", Study by Optem S.A.R.L. for the DG Communication of the European Commission, [http://ec.europa.eu/public\\_opinion/quali/ql\\_futur\\_en.pdf](http://ec.europa.eu/public_opinion/quali/ql_futur_en.pdf) (08.06.2010).

<sup>5</sup> IFOP (2010): « Les Européens face à la crise grecque – Résultats détaillés », étude réalisée pour la Fondation pour l'Innovation Politique (Fondapol), <http://www.fondapol.org/fileadmin/uploads/pdf/sondage/Sondage-Europeens-face-crise-grecque-EN.pdf> (11.06.10)

confirms this point: a general reluctance to help Greece “in the name of European solidarity”,<sup>6</sup> or to support a general “European tax” to help EU member states in trouble<sup>7</sup>, contrasts with the answer to the question of *where* the current economic crisis should be solved, at the national or the European level. A majority in favour of more European solutions exists *only* in Germany (52%), whereas citizens of the other countries prefer *national* solutions (F 54%, Esp 75%, It 53%, UK 75%). The key to this seemingly paradoxical attitude lies in the German understanding of the Greek crisis: 78% of German respondents hold the Greek government for responsible of the Greek crisis, a feeling that is shared to a lesser degree by other Europeans (F 57%, Esp 59%, It 44%, UK 56%).

These findings suggest that notwithstanding the current row about the Eurozone crisis, the German public should not be considered to be *more* Eurosceptic or Euro-hostile *in general* than other Europeans. Germans see the Greek crisis as a *Greek*, not a European one. They are against “paying for Greece”, not against further European integration in general. Further integration may even include enhanced contributions to the European budget, as a last question confirms. Asked if they were ready to spend more for common European projects and less for only national projects, even at the price of reduced ‘national sovereignty’, not only 76% French, 72% Spanish and 77% Italian, but also 61% German citizens are *in favour* of such a solution. Only a British majority of 55% is against an enhanced common budget.

## Linking political leadership, the role of the media and public opinion

To explain this particular picture, we may have to refine our understanding of “public opinion”. If public opinion were a mere aggregation of individual opinions, electoral or referendum campaigns should be without influence. Individuals would vote according to their individual interests. The ‘structural variables’ (gender, age, class, social or political preferences) would explain the outcome. However, a look at the evolution of public opinion during recent referendum campaigns shows that

<sup>6</sup> 76% of Germans and 78% of British citizens are opposed to this, but only 47% of French and 33% Italian citizens.  
<sup>7</sup> Not only opposed by 82% of Germans, but also by 73% of French and British and even 45% Spaniards and 44% of Italians, citizens of countries who potentially could benefit from such a tax.

this view does not hold. The majorities for or against a proposed EU treaty frequently changed during campaigns. This evolution cannot be explained by the sole existence of structural variables. Rather, the intervening effect of public debate, media and political campaigns must be considered.<sup>8</sup> If we apply this general statement to the German case, we can ask what are the driving factors behind the German debate on the integration process and the perception of the European Union? Here, a distinction must be made between a ‘European level’ that sets the larger topics of the debate and the particular ‘national framing’ of the debate, which identifies and concentrates on ‘salient’ issues with regard to the national constellation.<sup>9</sup> Concerning the European level, the larger stage is provided by the recent financial and economic crisis and its repercussions on Greece and, subsequently, on the rest of the Euro member states. Yet by enlarging this short-term perception, we must also take into account two more long-term evolutions that have structured the debate on European Union over the last years: one is the process of eastern enlargement of the EU, the other the internal process of ‘constitutionalisation’ of the EU.

Enlargement was largely seen as a historical ‘necessity’ and, in the official discourse, linked to the opportunities it provided for German business.<sup>10</sup> On the other side, public fears were expressed at the highest level of the state, for example in Chancellor Gerhard Schröder’s unilateral restrictions of one of the EU’s four fundamental freedoms, namely free movement. Only after seven years of EU membership would citizens from the new member states be entitled to live and work in Germany. A second fear was linked to Germany’s perceived role as *Zahlmeister*, as major contributor to the EU budget. Another famous Schröder’s quotation was that he would object to ‘burning German money’ in Brussels. These are, of course, anecdotic illustrations, yet they shed light on an underlying phenomenon: an absence of public debate does not mean that people do not have an opinion and discuss European topics. However, without political or elite guidance and lacking institutionalised fora, such public opinion is most probably linked to fears, stereotypes and generalising resentments. In this respect Chancellor

8 C.H. De Wreese, “Context, Elites, Media and Public Opinion in Referendums: When Campaigns really matter.”, In C.H. de Wreese (ed.), *The Dynamics of Referendum Campaigns*. Basingstoke: Palgrave Macmillan, 2007, pp. 1-20.

9 U. Liebert and H.-J. Trezz, “Mass media and contested meanings: EU constitutional politics after popular rejection”, in EU Working Papers RSCAS N°2008/28, 2008.

10 F. Schimmelfennig, “The Community Trap: Liberal Norms, Rhetorical Action, and the Eastern Enlargement of the European Union”, in *International Organisation* 55:1, 2001, pp. 47-80.

Schröder quotations touched upon a public ill-feeling that exists in Germany. Very generally, it seems to be made up of fear concerning future developments that may lie out of national control and are linked to material loss (compare with the ‘fear’ expressed in opinion surveys, above). It could give rise to an identity debate based on “we-them” opposition.

A similar argument can be made in relation to the institutional debate of the last decade. The fact that in Germany the ratification of recent treaty changes was not linked to a political debate does not mean that Germans were not exposed to and integrated into Europe-wide public debate on the subject. On the one hand, there may be more of a ‘European public sphere’ than we suspect.<sup>11</sup> The major events of the process of constitutionalisation, especially the solemn declarations and hard bargaining nights of heads of state and government, were covered by national media, as were the ‘referendum battles’ in France, the Netherlands and Ireland. As in other founding-member countries, the ultimate treaty changes let down the normative expectations initially generated by the ‘process of constitutionalisation’. Yet on top of that, in the German case, we find the frustration that ‘we the people’ were not allowed to ratify these treaty changes, unlike the French or Dutch or Irish populations. If we turn to the ‘post-referendum process’ and its media representation, we find a framing in more intergovernmental and national colours. This is not surprising, but rather the usual framing of the summits of heads of state and government. It is clearly due to the institutional structure of these meetings, where bargaining, horse-trading and package deals in the early hours are the usual procedure. The media representation insists on the national representative’s ‘performance’, on the defence of ‘national interest’ or the ‘sacrifices’ that were conceded at the last minute. Yet linked to growing public attention, this framing may in term lead to a situation where the usual left-right cleavage of politics is replaced by a dichotomisation along national lines, fostering separatist tendencies amongst the EU member states. The recent debates around the Greek and Euro crises fit perfectly with this picture: ‘We’ (Germans) have to defend our money against ‘them’ (Greeks), people who ‘defrauded’ in order to ‘gain’ our national currency. This is the setting for an identity debate, and it is the particular role of the German currency (Deutsche Mark) as an identity marker, described

11 U. Liebert, “Introduction: structuring political conflict about Europe: national media in trans-national discourse analysis”, in *Perspectives on European Politics and Society* 8:3, 2007, pp.235-260.

by various scholars, which is in question here.<sup>12</sup> However, without a political debate it is difficult to see what actors and events could trigger such a change. As mentioned above, no referendum or election campaign on European topics took place in Germany. The main parties continue to paint an uncontroversial picture of European politics (though *Die Linke*, the far-left party, takes a more confrontational stance on topics of European politics and voted against the Constitutional Treaty and the Lisbon Treaty).

In the German case, the rulings of the Constitutional Court of Karlsruhe and the debates that developed around these rulings may be compared to the catalytic role that EU referenda took on in other EU member states: as it is known, the Court regularly expressed democratic and normative concerns against the prospect of an ever closer integration and unsurprisingly, the ‘emergency mechanism’ invented to deal with the Greek Euro-crisis will again be brought before the Court.<sup>13</sup> Important with regard to this paper’s argument is again the media coverage and the ensuing public perception of the Court’s role. The ‘usual’ claimants are mainly members of academia, professors of law and economics. Traditionally, they are held in high esteem within a German society that nowadays is permanently looking for ‘experts’ expressing (seemingly) substantial opinions on difficult questions. The Constitutional Court itself, together with the federal president (and the old *Bundesbank!*), can claim the highest support in terms of confidence and trust by German citizens. Without political debate and political leadership, the public may turn to these highly esteemed institutions that permanently seem to defend German democracy and sovereignty against ‘Brussels bureaucratic bulimia’. Once again this could lead to an identity debate that questions the existence of the integration project in its current form.

## **Conclusion: Public euroscepticism without public debate?**

Drawing together my arguments allows for a differentiated conclusion. On the one hand, survey data corroborates neither the existence of fundamental

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12 T. Risse, D. Engelmann-Martin, H.-J. Knopf, and K. Roscher, “To Euro or Not to Euro? The EMU and Identity Politics in the European Union”, in *European Journal of International Relations* 5:2, 1999, pp. 147-187.

13 A. Fischer-Lescano, J. Christian and W. Arndt (eds.), *The German Constitutional Court’s Lisbon Ruling: Legal and Political Science Perspectives*, in ZERP discussion paper, University of Bremen, 2010.

Euroscepticism in the German population nor the hypothesis of a transformation or shift in its perception of the European Union. On the other hand, looking beneath survey data leads to a more sceptical view: if there is no institutional or political provision that would allow for a controversial public and political debate on the European Union in Germany, this does not mean that such a debate does not exist. Germany is part of the process of growing EU politicisation, and this includes a differentiated view of 'the EU'. One can be in favour of 'further integration' and still oppose emergency aid or financial transfers to Greece. However, the fact that this debate is subconscious may contain dangerous potential: without political leadership and framing, the debate is reduced to expressions of fear, stereotypes and resentments. This can provide the grounds for an 'identity debate' that opposes a national 'us' against a diffuse European / global / foreign 'them'. Linked to the emotional potential inherent in identity markers (the currency, the Constitutional Court) and dealing with questions of 'constitutional politics' (of the EU), Germany's apparently clement public opinion may well follow the trajectory in other Eurosceptic member states. However, such a movement would need a political leader. Even if some Christian Democrat voices seem to fear the development of a conservative, nationalist and populist force right of the CDU, no such a development is currently in sight.





## V - Germany and the EU's External Policies

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### The normality debate

Ever since Germany's unification two decades ago observers of German foreign affairs have been enthralled by a singular question: has Germany become a more "normal" actor in international affairs? And if so, what has been the impact of this normality?<sup>1</sup> The debate about German "normality" is framed by a particular academic view of the Federal Republic's foreign policy disposition. Most analysts agree that during the Cold War the FRG had broken with its militaristic past and turned into a different kind of international power whose foreign policy objectives were based on compromise and reconciliation.

As a "civilian power", Germany took on the role of an international bridge-builder that placed the pursuit of an "exaggerated multilateralism" over its own national self-interests.<sup>2</sup> Germany's overall foreign policy objective was to promote a civilis-

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1 S. Harnisch & H. W. Maull, *Germany as a Civilian Power? The Foreign Policy of the Berlin Republic*, Manchester: Manchester University Press, 2001; S. Erb, *German foreign policy: navigating a new era*, Boulder: L. Rienner, 2003; A.-M. Le Gloannec, "The Unilateralist Temptation: Germany's Foreign Policy after the Cold War", *Internationale Politik und Gesellschaft* 1, 2004.

2 P. J. Katzenstein, *Tamed Power: German in Europe*, Ithaca: Cornell University Press, 1997.

ing of international affairs by building multilateral networks of international governance. Among the hallmarks of this foreign policy approach were an ardent pacifism, an emphasis on reconciliation, a policy of self-restraint on the international stage, and above all an unswerving commitment to the European project.<sup>3</sup> The latter was clearly articulated by the epitaph of Hans-Dietrich Genscher, Germany's long-time Foreign Minister, that "Germany has no national interests, because its interests are identical with Europe."

All of this made Germany into an ardent supporter of a more integrated European foreign policy. The FRG strongly backed the development of European Political Cooperation (EPC) and later was equally supportive of the development of the EU's Common Foreign and Security Policy (CFSP) at Maastricht. Germany also generally abstained from taking unilateral action on the international stage, but preferred to pursue its national interests through common European initiatives. Moreover, despite being a staunch supporter of a more ambitious and integrated CFSP, Germany adopted a rather passive stance and willingly ceded leadership on CFSP issues to other European countries. While German passivity made it an uncomplicated partner within the EU, it also raised questions about burden sharing, especially in international crisis management operations.

With the end of the Cold War unified Germany's foreign policy orientation has been undergoing a gradual transformation that for many indicated a shift away from this traditional role as a civilian power. In the process, Germany is assumed to have become a more "normal" European country that pursues an expanding set of international interest with increasing self-confidence.<sup>4</sup> The source of this transformation is contested. While some analysts have seen it primarily as a reaction to the changing structures of international politics and the nature of the European Union, others have argued that Germany's normalisation relates to its new domestic context and political culture.

But whatever the source of these changes, German "normality" has had an overwhelmingly negative connotation. The prospects of a more self-confident and sta-

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3 U. Krotz, "National Role Conceptions and Foreign Policies: France and Germany compared", Working Paper 2(1), Cambridge, Minda de Gunzburg Center for European Studies, Harvard University, 2002.

4 R. Karp, "The New German Foreign Policy Consensus", *The Washington Quarterly* 29(1), 2006.

tus-oriented Germany claiming a larger international role once again has raised the specter of a new “German Problem” in Europe. When it comes to the EU’s external policies, a more activist and less compromising Germany is seen as undermining the development of EU external relations. Germany’s uncompromising position during the Iraq crisis and Chancellor Gerhard Schröder’s insistence that “German interests are made in Berlin and nowhere else” have been widely seen as a watershed in this regards. But is Germany’s “normalisation” really undermining the development of CFSD and CSDP?

### **Genscher’s children: Germany & CFSP**

For most of the 1990s, the foreign policy of reunified Germany seemed to differ little from that of the FRG. Under Kohl’s conservative-liberal coalition, Germany continued to buttress the institutional development of CFSP and accepted a minor role in international affairs. Even when called upon to live up to its new status – as happened during the Gulf War and the Balkan crisis – Germany used its financial wealth and culture of pacifism to excuse itself from taking a more active role. The few occasion on which unified Germany seemed to stray from this trajectory – such as its unilateral recognition of Croatia – were quickly dismissed as rooted in Germany’s complex history and EU incompetence.<sup>5</sup>

To many observes the real shift in Germany’s foreign policy only appeared with the onset of the red-green coalition government in the late 1990s. The new coalition displayed an unknown willingness to defend Germany’s “national interests” and no longer seemed to pursue multilateralism and a deepening of European integration as goals in and of themselves. In foreign affairs this became most obvious in the German government’s determined “Nein” to the Iraq War and in its unilateral pursuit of a closer partnership with Russia.<sup>6</sup> In both cases the red-green coalition government was seen as placing narrow domestic interests over the requirements of European solidarity.

5 B. Crawford, “German Foreign Policy and European Political Cooperation: The Diplomatic Recognition of Croatia”, *German Politics and Society* 13(1), 1995.

6 P. Rudolf, “The Myth of the German Way: German Foreign Policy and Transatlantic Relations”, *Survival* 47(1), 2007; R. Götz, “Germany and Russia – Strategic Partner?”, *Geopolitical Affairs* 4, 2007.

While initially dismissed as a populist move by a single individual, successive German governments have shown to be similarly combative in defending Germany's perceived national interests and have continued to pursue a more activist foreign policy agenda. Under Angela Merkel Germany's foreign policy rhetoric might have been more conciliatory; but in substance there have been few differences. Gone are the unquestioning and unconditional German commitment to European and transatlantic solidarity and the willingness to leave the directing of the EU's international fortunes to others. While Germany continues to back the CFSP, it now demands more of a say in determining its direction. The impact of this change has been mixed for the EU.

The areas where greater German assertiveness has perhaps been most directly felt concerns the EU's relationship with Russia and the post-Soviet space.<sup>7</sup> Here Germany's leadership claim is primarily seen as having a negative impact, as it is thought to have zapped the EU's resolve when being confronted with Russia's reviving imperialism. As a result of its trade and energy dependence, Germany has shown a tendency to engage in direct deals with Russia that ignore the well-founded concerns of many Central and Eastern European member states. Examples for this policy abound. Whether it comes to the controversial Baltic Gas Pipeline, the brokering of a new Partnership and Cooperation Agreement, Merkel's rejection of fast-track NATO membership for Georgia and Ukraine, or the recent joint proposal for an EU-Russia security committee, Germany is seen as riding roughshod over the concerns of other EU countries.

Of course, Germany is not the only EU country that favours a conciliatory approach towards Russia, and German *Ostpolitik* and its strategy of "hedged cooperation and integration"<sup>8</sup> have deep roots, but Berlin's policy is widely seen as complicating the EU's attempt to adopt a more coordinated approach towards Russia. Most notably, Germany's dependence on Russian gas has hindered the development of a more integrated EU external energy policy. More recently, German reticence seems to have become less acute of an issue in this regard. French, Dutch and Italian companies have now joined German companies in the divisive North and

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7 S. F. Szabo, "Can Berlin and Washington Agree on Russia?", *The Washington Quarterly* 32(4), 2009; C. Chivvis and T. Rid, "The Roots of Germany's Russia Policy", *Survival* 51(2), 2009.

8 P. Rudolf, "Towards a Common Transatlantic Strategy in Dealing with Russia?", *SWP Comments* 22, Berlin: Stiftung Wissenschaft und Politik, October 2008.

South Stream pipeline projects and a thawing of Polish-Russian relations has meant that a deepening of EU-Russian energy ties is being more widely supported.

And yet, the recent spat between Russia and the EU over Belarus has again shown that energy security remains a blind spot for the EU.

While this has been acknowledged in Berlin, for now there seems to be little appetite in Germany for placing the fate of Germany's gas-hungry industry into the hands of Brussels.

At the same time, German leadership and support have been instrumental for the development of the EU's policies in other parts of the post-Soviet space, including Berlin's support for the Eastern Partnership initiative and its promotion of a common EU strategy for Central Asia. Given a lack of interest by other EU countries, German activism has served as a catalyst for common EU initiatives on these issues. Here, Germany has increasingly played a more positive role which is similar to that of France in the Mediterranean.

While greater German activism and assertiveness have had a somewhat mixed impact on EU policies in the East, their effect tended to be more benign elsewhere. One result has been that Germany has become more involved in regions where it has traditionally been absent – including the Middle East and Sub-Saharan Africa. Here German activism and the development of a more comprehensive “Weltanschauung” have been mostly a boon, providing EU policies with greater weight.<sup>9</sup> In the Middle East, Berlin has shown greater willingness to support a common EU line in the peace process and has placed European and transatlantic solidarity over its traditionally close business ties with Iran. Germany's approach in most cases has also tended to favour a strong role for the common EU institutions, as shown by Merkel's determined opposition to the Mediterranean Union and German support for the further development of the European Neighbourhood Policy.

<sup>9</sup> G. Steinberg, “German Middle East and North Africa Policy: Interests, Strategies, Options”, SWP Research Paper/ RP 09, September 2009.

Finally, when it comes to the institutional development of the CFSP, German “normality” had only a mild impact. During the Constitutional Convention Germany endorsed the idea of a European Foreign Minister and the development of a European External Action Service (EEAS). But while accepting the leadership of others on this issue, Germany has sought to ensure that its interests would be adequately represented within the new service. In a leaked diplomatic note from spring 2010<sup>10</sup>, Germany attacked British overrepresentation in the EEAS and Germany’s Foreign Minister Guido Westerwelle (unsuccessfully) campaigned to have German accepted as an official language. On most other issues concerning the institutional set-up of the EEAS or the EU’s embattled High Representative Catherine Ashton, Germany has followed the lead of others.

## **The end of innocence: Germany & the CSDP**

When it comes to Europe’s Common Security and Defence Policy (CSDP), greater German “normality” has largely had a positive impact. Throughout the 1990s and 2000s unified Germany slowly parted with its dogmatic opposition to the use of force and has displayed a greater willingness to carry its share of the burden in international crisis management operations.<sup>11</sup> While the development of the CSDP emerged from a Franco-British compromise, it was given its initial institutional framing during Germany’s EU Presidency. Since then, Germany has continued to be a staunch supporter of the CSDP and participated in a number of CSDP operations, including some “out-of-area” operations in Congo and the Gulf of Aden.

Germany has also consistently backed a greater European role in international crisis management issues. Since the Iraq crisis Germany has moderated its long-standing preference for NATO as Europe’s primary security organisations and has backed greater independence for the EU in defence matters – including the setting up of an EU planning capacity. More than on CFSP matters, Germany has also tended to give primacy to European solidarity over national concerns or grand-

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10 A. Rettman, “Germany attacks UK over diplomatic service”, EUObserver, 1 March 2010.

11 H. Maull, “Germany and the use of force: still a civilian power?”, *Survival* 42(2), 2000; K. Longhurst, *Germany and the use of force: The evolution of German security policy 1990-2003*, Manchester: Manchester University Press, 2004.

standing when it concerned the CSDP. Germany has opted to integrate its forces into several joint EU Battlegroups, rather than insisting on putting together an individual one and has lent its support to EU operations even when it disagreed with them in principal – such as in case of Eufor Chad.

Besides all of this, Germany's transition to become a more active security actor has not been without complications. In more than one case, Germany's European partners have complained about its reluctance to contribute its part to high-end military operations and for maintaining stringent national caveats on the use of force. Moreover, the unfamiliarity of the German public with crisis management operations and its still deep-rooted pacifism have meant that Germany can sometimes be an uncertain partner in this regard. Especially Germany's loss of innocence in Afghanistan has been a difficult issue for the public and has strengthened a domestic urge towards isolationism.<sup>12</sup> All in all, the CSDP seems to have therefore benefited from Germany's "normalisation".

## **Post-Lisbon Germany: stepping stone or stumbling block?**

Overall, Germany's transition to becoming a more "normal" international actor seems to have a dual effect for the EU's external policies. On the one hand it has meant that Germany has become more assertive within the EU about defending its own perceived national interests and more status-oriented when it comes to international affairs. While Germany does not contest the principal of EU foreign policy cooperation and remains a staunch supporter of the CFSP and CSDP, it now demands a greater say in determining their direction. This has created problems in areas where German interests have clashed with those of other EU member states – especially over Russia. However, even here Germany continues to prefer common EU solutions and compromise over unilateral initiatives.

On the other hand, there is some evidence that greater German activism on foreign and defence issues has also strengthened EU policies in some regards. Germany has taken leadership on developing EU policies on some previously neglected

<sup>12</sup> T. Behr, "Germany", in T. Archer and al, *Afghanistan's Hard Summer: The Role of European troop contributing nations*, UPI Briefing Paper 43, 2009.

regions and greater German involvement has been beneficial for EU policies in the Middle East and elsewhere. Indeed, when it comes to CSDP, more rather than less German “normality” seems to be desirable. All of this shows that as far as the EU’s external relations are concerned, Germany’s normalisation did not have a singularly negative effect. As always, where the balance lies is difficult to judge. However, if the EU wants to become a truly global player, a more grown-up Germany might not be such a bad thing after all.



## VI - Between the Rhineland and the English Channel

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**G**ermany together with France has played a key role in the development of European integration. Among the large powers Germany has been notable for the strength of its European vocation – a vocation which has come under increasing pressure. This article will analyse the pressures on this European vocation and the way in which German European policy has become less inclusive, more centred on a narrow national interest.<sup>1</sup>The title alludes to Germany’s traditional European vision and the implications of some elements of its current policy and concludes that the adoption of a British type EU policy is neither in Germany’s nor the EU’s interest.

### The erosion of the European vocation

German European policy rested internally on an elite pro-European consensus which had lasted since the late 1950’s. This elite consensus and the low saliency

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<sup>1</sup> W.E. Paterson, “Does Germany Still Have a European Vocation?”, *German Politics*, Vol 19, No 1, March 2010, pp41-52.

of EU issues allowed a very high degree of elite autonomy. This high degree of elite autonomy combined with the strength of the German economy allowed Germany to pursue an inclusive European policy and to be the key coalition maker in the European Union, normally on the basis of a Franco –German agreement. This has been a notably successful policy both for Germany and the European Union but has however come under increasing strain.

## Internal pressures

Germany's European vocation was shaped and sustained by the European visions of successive Chancellors, notably those of Konrad Adenauer and Helmut Kohl.<sup>2</sup> These visions were informed by direct personal experience of the Third Reich and the necessity of learning from that terrible episode in German history. Inevitably that imperative weakens as generations without direct personal experience reconstitute the political class. Generational change is not all encompassing and Joschka Fischer retained and developed a European vision but neither of the two most recent Chancellors have had a European vision. Gerhard Schröder developed a strategic relationship with Russia and whereas a Kohl speech would always refer to being born in a border area, Chancellor Merkel's negative reference point is her upbringing in a dictatorship and she has relied on a reputation for problem solving and brokering rather than 'vision', but this leaves her dangerously exposed when problems prove intractable.

Lawyers and legal norms remain central to the operation of German politics and the Federal Constitutional Court enjoys a very high standing. Its judgement on the 30<sup>th</sup> of June 2009 on the constitutionality of the Lisbon Treaty will therefore have a profound long-term effect on the discourse and future scope of German European policy.<sup>3</sup> It set limits to future integration policy by specifying a number of areas where the state should retain sovereignty. It also called for a strengthening of the control powers of the *Bundestag* especially in relation to the Treaty's 'passerelle' clauses. The ruling also required that the *Bundestag* pass an accompanying act.

<sup>2</sup> W.E.Paterson, "Helmut Kohl, the 'Vision Thing' and Escaping the Semi Sovereignty", *Trap* Vol 7, No 1, March 1998, pp 17-36.

<sup>3</sup> A.L.Barriere and B Rousel, *Le traité de Lisbonne, étape ultime de l'intégration européenne ? Le Jugement du 30 juin 2009 de la Cour Constitutionnelle Allemande*, Paris: Institut français des relations internationales, Note du Cerfa, 66, 2009.

Whilst an attempt by the CSU to impose a set of provisions which would have significantly further constrained the autonomy of the executive in this area failed, it is apparent that the FCC is contributing to a limited party-politicisation of EU policy.

European integration has very largely been a fair-weather creation and Germany's support was strongest during the so-called 'fetten Jahre's (prosperous years). The impact of German unity has produced a 'resource crunch' which makes it much more difficult than in the past to underwrite European integration.<sup>4</sup> These pressures have dramatically increased as a result of the euro crisis which will have a major impact on the German budget.

For over two decades mass opinion in Germany was less enthusiastic than elite opinion but had little discernible impact on an inclusive European policy.

Elite and mass views continue to diverge but the prevailing elite consensus and the relatively low salience of European issues has allowed continued elite autonomy. The question is for how long?<sup>5</sup>

The euro crisis has finally answered this question with the potential impact of the Greek bail-out on the German budget, the deep hostility of public opinion reflected in the *Land* election of North Rhine Westphalia and a determined campaign by the *Bild Zeitung* giving European policy a high saliency, which is likely to be maintained as the unfolding crisis makes further demands on the German taxpayer. This combination of a very hostile press and public opinion led to a very significant erosion of the party political consensus in the *Bundestag* debate on support for the Greek bail out on 21 May, where the main opposition parties for the first time in a number of decades refused to support the government position.

4 W. Streeck, "Endgame? The Fiscal Crisis of the German State", in A. Miskimmon, W.E. Paterson, J. Sloam (eds) *The Gathering Crisis: The 2005 Federal Election and the Grand Coalition*, Basingstoke: Palgrave Macmillan, 2009, pp 38-63.

5 W.E. Paterson, "European Policy Making: Between Associated Sovereignty and Semi Sovereignty", in S. Green and W.E. Paterson (eds), *Governance in Contemporary Germany*, Cambridge: Cambridge University Press, 2005, p 282.

## External constraints

Successive enlargements to 27 members have transformed the geopolitics of the European Union and the emerging picture is one of a shrinking core and an expanding periphery. In this situation the Franco-German core, the default choice of Germany loses traction. This had already been anticipated in the Kohl period and helps explain the discourse of irreversibility associated especially and perhaps in retrospect a little ironically with the EMU, where it was hoped that the centralising logic at the heart of the project could be hard wired into the EU system before enlargement took place. In the second Red-Green government, post-Iraq isolation led to a very heavy dependence on the Franco-German relationship and the declining ability of that relationship to shape the EU in a positive sense became manifest, though of course it still functioned as a very powerful 'arrière garde': a brake rather than a motor on Germany and France's failure to meet the terms of the Stability and Growth Pact in 2002-3 and the reform of the CAP.

The complexity and size of the enlarged EU means that the chances of realising the narrow core model as motor of the EU are minimal. Enlargement to 27 members entailed institutionalising a logic of diversity, and there is also a clear aggregation of preferences problem. In a recent study Simon Hix identifies a number of coalitions in the Council of Ministers, with the Franco-German coalition being seen as pivotal in only 25% of the cases.<sup>6</sup> Moreover, Germany constrained by a 'resource crunch' and a hostile public opinion is unwilling and unable to make side payments on the scale that lubricated the acceptance of the Kohl-Mitterrand agenda. The future seems rather to lie with differentiated integration.<sup>7</sup>

## The Iron Triangle

The establishment of a stable democracy in post war Germany required above all a stable and prosperous economy. In laying the foundations for this prosperous economy the key principles were derived from the traumatic failures of earlier

<sup>6</sup> S. Hix, *The Political System of the European Union*, Basingstoke: Palgrave 2nd ed, 2005.

<sup>7</sup> K. Dyson and A. Sepos (eds), *Which Europe? The Politics of Differentiated Integration*, Basingstoke: Palgrave Macmillan, 2010.

German politics, notably the Great Inflation of 1923 and murderous and ultimately self-destructive Nazi regime.<sup>8</sup> The three key principles constituted a self-reinforcing iron triangle. The first principle was a rejection of autarchy and an endorsement of a hyper-export strategy whereby Germany was in Wolfgang Hager's characterisation 'an extraordinary trader'.

### **'Germany is not an ordinary country ...'**

No other phenomenon marks Germany as an extraordinary trader as much as its persistent trade surpluses.<sup>9</sup>

The second principle based on the 1923 trauma was an unwavering commitment to sound money, with the *Bundesbank* as its independent guardian. The third and overarching principle was a European vocation where European integration appeared to be part of the DNA of the German governing class. Europe provided the access to export markets required by an 'extraordinary trader', and Germany's reflexive multilateralism and its budgetary contribution made this acceptable to other member states.

### **The Eurocrisis as tipping point?**

The establishment of the Eurozone was seen as reflecting the first and third principles perfectly and while the sound money principle may have been less obviously reflected, reassurance was sought in the way in which the ECB reflected German assumptions and the introduction of the Stability and Growth Pact. From the mid 2000's positive attention was focussed on the mounting German surpluses rather than 'the sea of red' in southern Europe where attention had been centred on exploiting the cheap credit rather than making their economies more competitive. This omission was to leave them dangerously exposed after the onset of the

8 M.G. Schmidt, "Learning from Catastrophes: West Germany's Public Policy", in F. Castles (ed), *The Comparative History of Public Policy*, Cambridge: Polity, 1989.

9 W. Hager, "Germany as an extraordinary trader", in W. Kohl and G. Basevi (eds), *West Germany: A European and Global Power*, Lexington MA: Lexington Books, 1980, pp3-43, and pp 3-5.

recession in 2008 and by early 2010 it became apparent that without external aid, Greece was in danger of default.

The course of the crisis exposed serious weaknesses in the presentation and substance of German policy.<sup>10</sup> The initial Brussels Summit on 25 March 2010 allowed Germany supported by France to pursue a narrow national-interest strategy and avoid a bail-out but the situation quickly deteriorated and the summit of 7 May indicated that Germany could not prevail with a national-interest strategy without the support of France. In contrast to the past where Germany excelled at the strategic level, the current German government appeared to have lost its touch on both strategy and tactics and seemed to be playing a reactive negotiating stance badly.<sup>11</sup> At the domestic level Chancellor Merkel compounded her weakness in not articulating a vision by failing to confront the Bild Zeitung campaign. The agreement to a bail out which is likely to be followed by debt rescheduling in some other member states is a severe strain on the sound money principle. Finally German European policy has relied on elite consensus and its breakdown in the debate on 21 May is potentially very serious because of its likely reinforcing effect for an already less pro-EU integration policy and an increasingly negative public opinion.

## Conclusion

*‘For our European friends, they need to come to terms with the fact that Germany is going to act just as other countries do in Brussels.’<sup>12</sup>*

*De Maizière*

The course of the euro crisis has led many to see Chancellor Merkel as a latter-day Mrs Thatcher and Germany on a track towards a more British EU policy. There has been a perceptible domestication of EU policy with policy sometimes following

<sup>10</sup> See the case study on the Eurocrisis in S. Bulmer and W.E. Paterson, “From ‘Tamed Power’ to ‘Normalized Power’”, International Affairs, forthcoming.

<sup>11</sup> For the distinction between German excellence at EU strategy and UK excellence at tactics see S. Bulmer, C. Jeffery and W.E. Paterson *Germany’s European Diplomacy: Shaping the Regional Milieu*, Manchester: MUP, 2000.

<sup>12</sup> Quoted in J. Chaffin, “Why a fearful Germany is refusing to rush to the rescue”, Financial Times, 25th May 2010 p10.

rather than leading public opinion.<sup>13</sup> Sometimes too the path taken has been an *Alleingang* and perceptible differences have opened up on some key issues with France. So far so British.

Whatever may have been the merits of UK European policy for the United Kingdom, it will not ultimately prove a promising template for Germany or the EU. Unlike Britain, Germany is an extraordinary beneficiary from EU trade and has an existential interest in maintaining the basic frameworks of the EU, including the Eurozone, which continue to benefit Germany greatly. Its facility in coalition making at the EU level has acted as a force multiplier.<sup>14</sup> It is not at all clear that a state defined by internal semi-sovereignty and institutional pluralism with a very high number of veto players can identify and pursue a clear national interest in the manner of France and the United Kingdom. It would require a fundamental reform of the current complex decision-making but this would be very difficult 'owing to its embeddedness in a de-concentrated pattern of authority amongst ministers and to the now established pattern that each coalition partner holds one of the coordination points'.<sup>15</sup> Role theory would also indicate that changing one's role is very difficult, as was shown by the failure of Tony Blair to change the United Kingdom's attitude towards the EU.<sup>16</sup> More broadly, Germany's size and centrality make it more equal than other member states and a European policy driven entirely by a narrow national interest would have a harmful effect on the EU.<sup>17</sup>

Germany now needs to be less reactive and develop a new European strategy. Having been instrumental in the successful salvage of the Lisbon Treaty, it is disappointing that the Chancellor seems so bereft of ideas of how to use the new machinery. Urgent attention ought to be given to addressing the possibilities of the new institutional relationships. Coordination with France remains vital though it needs to be less exclusive if it is to lead the expanded EU rather than being a defensive alliance. Public opinion needs to be addressed through stressing the

13 S. Harnisch, "The Politics of Domestication: A New Paradigm in German Foreign Policy", *German Politics* Vol 18, 4, 2009, pp 455-469.

14 H W. Maull, "Germany and the Art of Coalition Building", *Journal of European Integration* Vol 30, 2008, pp 131-152.

15 Bulmer and Paterson, forthcoming.

16 W.E. Paterson, "Strategy and Politics in the Blair Era", in J. Raschke and R. Tils (eds) *Strategie in der Politikwissenschaft: Konturen eines neuen Forschungsfelds*, Wiesbaden: VS Verlag, 2010, pp 301 -322.

17 This point is developed in J. Fischer, "Mrs Europa ist jetzt Frau Germania", *Sueddeutsche Zeitung*, 29th March 2010.

benefits of EU and Eurozone membership, a step Chancellor Merkel took only after the North Rhine Westphalia election. Alongside this obvious move, a new vision needs to be articulated, focusing less on the last century and on Kohlian war and peace and avoidance of nationalism sonorities, and more on building on Europe's political and economic role in a new global order where Europe is challenged by rising powers. This might mean for example that the defence load would be taken by France and the United Kingdom. Closer cooperation remains vital for Germany and its European partners.



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## European Democracy in Action

### Where is Germany heading?

More than ever, Germany is today the focus of much attention on the European scene. The difficult negotiation over the assistance package to Greece and the setting up of a stabilisation fund has earned Chancellor Merkel bad press. Germany has been castigated and blamed for a lack of vision for its reluctance to help its Eurozone partners who are also among its main clients. However, much of this criticism could be turned on its head. As Tommaso Padoa-Schioppa, President of *Notre Europe*, has recalled in a recent paper, no European country has ever consented to as big a transfer of sovereignty as Germany did when it accepted to do away with the Deutsche Mark. That, in and of itself, is sufficient to explain why she has found it difficult to tolerate the unruly behaviour of other Eurozone members. Moreover, it required great courage on the part of Mrs. Merkel to eventually accept the rescue package against a majority of German public opinion and the advice of some of her most prominent advisers. Nonetheless, the fact remains that Germany now finds itself in a leadership position that it has not sought, and that it seems at times reluctant to exert. This is why it seems appropriate to discuss some of the factors that shape its European policy.

To this end, *Notre Europe* has turned to a series of experts who examine the changes that have taken place at various levels. Can Germany really be considered more inward-looking than it used to be before? Is this a long-term trend? How can the evolution of German European policy be explained? What are the current driving actors and forces? Contributions have been made by German experts and are completed by a British external point of view.

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