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GERMANY IN EUROPE

A NEW ROLE AFTER THE FINANCIAL CRISIS?

Since the outbreak of the world financial and economic crises, the continued effects of which we are still grappling with, academics, politicians and journalists have been absorbed by the issue of the euro and the fate of the European Union. At the same time, despite various EU summits, no viable, sustainable solution has been found. This has been confounded by the enforcement of neoliberalism over recent decades. However, without a fundamental break from neoliberalism as a way of thinking and acting, as well as its institutional form, it is unlikely that a solution to these crises will ever be found.

The financial crisis that began in 2008 led to an economic crisis. This was then followed by a crisis of the euro because the 'bailout' of the banks, which secured the excess financial capital belonging to the speculators, led to a massive expansion in national debt. In other words, the bailout transferred fictive debt that had been created through speculation into real debt taken on by the state. Taxpayers were then expected to repay this debt, even if this meant reducing wages and pensions in order to do so. Furthermore, although rescuing excess capital in this manner enabled it to survive the crisis, there were few appropriate investment opportunities in the 'real economy'. Consequently, speculators began targeting the national economies of weaker EU states. These problems can be traced back to mistakes made during the foundation of the EU: communitising the freedom of capital instead of economic, fiscal and social policies; and establishing the euro as a common currency without ensuring that the countries involved were jointly responsible for it. Seen in this light, it is clear that the financial crisis has merely brought to the fore problems that were already inherent within the EU. The victims of these developments are primarily the people of Greece, Ireland, Portugal, Spain and Italy, who face ever-increasing cuts in social spending, euphemistically known as 'austerity measures' in the media. This process is drawing more and more countries away from an economic crisis and towards a social crisis that will eventually end in a crisis of political representation.

THE CRISIS, THE EU AND GERMANY

Although the crisis has clearly tested the EU as an institution, it also calls the original purpose of the EU into question. The initial idea of the EU – as proposed by people such as Jean Monnet and Robert Schuman – was to establish peace in Europe through Germany's containment. This was to be done by institutionalising Germany's shared interests at the supranational level, not only together with those of France, but

also with Italy and the Benelux countries. This process began with the European Coal and Steel Community (ECSC) (1950), was further expanded as the EEC (1957), continued with the EC, and was finally developed into the EU. Germany, which had brought untold suffering to Europe and the rest of the world through two world wars in the 20th century through its attempts to dominate Europe, was to be prevented from trying to do so again. It is essential to remember that Germany was still divided at this time: the three Western powers controlled West Germany, which from the beginning had been part of the ECSC as well as the EEC/EC/EU; whereas the Soviet Union controlled the German Democratic Republic. Clearly, NATO and the Warsaw Treaty signatories were not only using Germany to direct actions against each other, they were also there to keep the country under control.

This post-war constellation was settled with the end of the East-West conflict between 1989 and 1991: a revived and united Germany now stood in the midst of Europe as if it had won the Cold War. Eric Hujer, the Swiss journalist, described the new situation in the following manner: "Germany is no longer under guardianship, nor is the country now existentially dependent on the protection of its allies." He viewed the upheavals of 1989 to 1991 as having led to a 'revised post-war order'. Accordingly, "Russia and the victorious allied powers of France and Britain are no longer as important as they once were. In contrast, Germany is one of the winners of this new world order. Germany no longer draws its strength solely from its economic power, as it did during the Cold War. Along with a handful of other countries, Germany now has the necessary strength to influence international politics. Reunified Germany has grown into a major power, and the country is now beginning to use the opportunities that have accompanied this position."¹ This was written before the outbreak of the financial and economic crises; now Germany really has started influencing superpower politics.

Since reunification, German foreign policy has gradually become more independent. The basic principle of German foreign policy, especially in West Germany until 1989, used to be the avoidance of unilateral action. Germany tended to form alliances and act as part of international organisations, such as the European Union, NATO or the UN. An alignment with Western foreign policy was viewed as particularly important. In response to the events of 11 September 2001, the German Chancellor, Gerhard Schröder, announced Germany's "unlimited solidarity" with the US. In cases where differences existed between US or French policy, German foreign policy always opted for one of the two positions. An example of this is the way in which the Schröder government in 2003 positioned itself demonstratively on the side of France and refused to participate in the US-Iraq war; this was a time during which the Bush administration was still searching for 'willing' partners. However, when Germany abstained from UN Security Council Resolution 1773 (of 17 March 2011) – a resolution that opened the path for Western countries to begin war in Libya – this marked the first time that Germany had not voted with the US, France or Britain; instead, Germany sided with China, Russia, India and Brazil – the emerging powers of the 21st century. At the level of symbolic politics, this sent a signal to the former Western powers, as well as Germany's long-time allies in NATO and the EU, that from now on Germany would only agree with them when it was in its own interests to do so. In other words, since 2011, German interests – as reflected in international politics – are no longer merely based on the country's 'commitments to an alliance'; nor are these interests dictated by other nations or institutions.

This leads us to the question as to whether this also applies to German EU policy. In the past, German chancellors such as Adenauer, Brandt, Schmidt and Kohl considered European integration as essential to the country's *raison d'être*: European integration was both a means to an aim, and an aim in itself. However, this stance is no longer apparent from German policies on debt. Rather, the German perspective seems to view the EU as a means of pursuing a new level of international standing. Germany is certainly in no position to negotiate with China on an equal footing; yet it could do so if German policy were backed by the support of the EU. Clearly, the collapse of US unilateralism has not only provided opportunities for 'new' powers such as China or India and 'old' powers such as Russia; it has also opened up possibilities for certain EU countries, including the 'old' military powers such as France and the UK (exemplified by their participation in the war in Libya), as well as Germany as an independent political and economic power with its own expanding global interests.

A NEW DEBATE ON GERMAN HEGEMONY

The magazine *Merkur* opened 2012 with an article entitled 'Reluctant hegemony'. The author, Christoph Schönberger, professor of public law at the University of Konstanz, described the changed situation caused by the financial crisis in the following manner: "Since the European sovereign debt crisis, none of the tedious and artificial constructions developed by Western Europe after 1945, which were later strengthened and deepened as part of the reunified continent after 1989, can be taken for granted any longer. Germany is particularly affected by such fundamental uncertainties, especially because the amazing resurgence of Germany after the Second World War was inextricably linked to the coun-

try's close integration into the network of European states. At the same time, it is also clearer than ever that Germany has now become the hegemonic power in Europe. Germany has to lead [...]"² However, this comment is followed by an almost obligatory reference to the alleged incompetence of the German political leadership: "German hegemony within the European Union comes with huge obligations, which the Federal Republic is unable to adequately fulfil. This is caused by the unfortunate manner in which intellectual and institutional factors are linked."³

The same could also be said about the periods after 1914 and 1939; but Schönberger would probably reject such comparisons. On the other hand, perhaps it really is Germany's destiny to feel called to hegemony, only to fail in the end. Towards the end of his article, Schönberger also recognises this analogy: "Hegemony in the European Union calls on the German elite and the German public to act in a manner that Germany's location at the heart of Europe has always demanded. Germany must set aside its national introversion and instead attentively study, observe and influence its European neighbours, while ensuring German interests still take those of its partners into account. In short, Germany needs to provide a vision for Europe as a whole." Ultimately, "Germany cannot let itself develop an intellectual and institutional direction that is purely aimed at managing its own vested interests [...]. Instead Germany must take on the burden of hegemony, even if this rests painfully on its shoulders."⁴

Schönberger is not referring to the profit that German capital has drawn from the euro, or to the manner in which the country has been integrated into the EU over the last twenty years; he is referring to the political challenges associated with hegemony. Ulrike Guérot, who has run the Berlin office of the European Council on Foreign Relations since 2007, commented on Wolfgang Schäuble's 2012 speech in Aachen in acceptance of the Charlemagne Prize in a similar way: "Europe is becoming more German; Germany is hegemonic in Europe. This need not be a bad thing", and concluded that "Germany must now demonstrate foresight and leadership qualities. [...] The euro has led Germany to become a world power. Nevertheless, the country is squandering these powers, because it does not understand – or does not wish to understand – that the essence of the euro is political."⁵ Around the same time, the *Tagesspiegel* expressed the tensions between the goal of hegemony and the fear of failure: "There is a great fear of German hegemony in Europe, yet this is accompanied by huge expectations about what Berlin could achieve, and these expectations are certainly not solely financial in nature. Everyone expects Germany to act and to take on not only a political leadership role but also financial responsibility for Europe."⁶

These opinions demonstrate three points: 1) that twenty years after reunification, German hegemony in Europe is viewed as completely normal; 2) that Germany's economic power is seen as the basis of its hegemonic position, but the challenge of hegemony itself is viewed as having a political aspect; and (3) that there is consensus that the financial and economic crises have brought about change that has placed Germany in the role of a dominant political power. However, some people might object to these points and argue that there are also other voices being expressed in Germany. Be this as it may, these opinions form part of a way of thinking that is obviously held by important sections of the conservative, German bourgeoisie, which stands particularly close to

the structures of political decision-making in the country. In 2011 Bernd Ulrich, deputy editor and head of politics at the Hamburg newspaper *Die Zeit*, wrote that "Germany is a middle power: it is stronger than most European countries, but not as strong as the US or the China of today." He continued: "Up until and after reunification, it was not in Germany's interests to demonstrate its strength as this might have reignited historical reservations. Every German government has maintained this same maxim, including the present one. But this policy no longer works by itself. During the financial crisis, and especially since the European currency and debt crisis, Germany – as the healthiest economic power – has been expected to demonstrate leadership. Suddenly Germany was no longer able to camouflage its own strength. This in turn led to a complete change in Germany's role: the 'villain of world history' was now 'everybody's darling'. Germany is for Europe what the United States has been for the world for a long time – a nation that is expected to take care of everything, and one that everyone can insult afterwards – both a saviour and an imperialist." Two points are interesting here: not only is Germany now being compared to the US, it also seems that imperialism is no longer seen as such a bad thing.

In *Internationale Politik* in late 2011, Hans Kundnani, from the European Council on Foreign Relations (London), stated that "The euro crisis has spawned a new, decisive Federal Republic. Germany, a former civil power, is now a geo-economic power." In his further analysis, Kundnani refers to the Middle East (the Libya resolution was still fresh) and argues that there is "growing tension between Germany's economic and political interests". He continues by stating that "The quest for protection is no longer as important as it once was: economic interests now primarily define national interests. Nevertheless, Germany will not completely separate itself from the West. The country will continue to look to NATO (for security) and the EU (for markets). Germany is well placed in the geo-political landscape, but the German economy might outgrow its surroundings. Germany's neighbours may no longer be able to keep up; but even so, Germany is still not large enough to become hegemonic. This leads the German question to be reframed along geo-economic lines."⁸ Although compared with other authors, Kundnani questions more strongly Germany's ability to assume a hegemonic role, his definition of Germany as a 'geo-economic power' is conceptually significant. Germany is a power with interests on the global market that target the world economy and are primarily supported in economic terms. Moreover, Germany's regional integration into Europe, its involvement in the EU, its membership of NATO, its stance at the UN and other international organisations, as well as its international politics in a diplomatic sense, all reflect these economic interests.

ECONOMIC DEVELOPMENTS

According to the latest International Monetary Fund figures for 2011 (dated April 2012), global gross domestic product had a nominal total volume of 69.66 trillion US dollars. Accordingly, global GDP increased by 3.85 per cent over 2010. However, this growth continued to be distributed unevenly: China's GDP grew by 9.24 per cent; India's by 7.24 per cent; Russia's by 4.30 per cent; and Brazil's by 2.73 per cent; while GDP in the United States grew by 1.74 per cent, and the EU by 1.62 per cent. The EU itself has a GDP of 17.58 trillion US dollars, making it the largest economy in the world. Within

the EU, Germany's nominal GDP of 3.58 trillion US dollars in 2011 made up about one-fifth of total EU GDP.⁹

In 2011, German foreign trade revenues reached a volume of 1.96 trillion euros; exports for the first time passed the 1 trillion euro mark, and the trade surplus stood at 158,086.3 billion euros.¹⁰ In 2010, sales totalled 1.77 trillion euros and the export surplus amounted to 153,333.3 billion euro.¹¹ As a result, the German economy continues to be the second-largest exporter in the world. (Since 2005, Germany has been second to China: the calculation of China's export revenues and balances needs to include those of the People's Republic, Hong Kong and Macau, which are often left out of many statistics). As we can see, the new debate about Germany's international standing is actually based on hard economics.

According to figures released since the financial crisis, German GDP in 2008 increased by 1.1 per cent over the previous year; in 2009 it declined by 5.1 per cent. The German economy grew in 2010 and 2011 by 3.7 and 3.0 per cent respectively. Falling global demand in 2009 led to a massive slump in German exports of 18.4 per cent. However, by 2010, German exports had increased by 18.5 per cent; they increased again in 2011, by 11.4 per cent. This means that in 2011, German exports had even surpassed their previous peak level, which was achieved in 2008.¹² In 2010, 79 per cent of the German trade surplus consisted of exports to other EU countries; 55.22 per cent of these were exports to the euro area.¹³ In 2011, 75.6 per cent of the German trade surplus resulted from trade with the EU, with 50.83 per cent of this from trade with the euro area.¹⁴

It would be useful at this point to examine more closely the differences within the EU. Comparing the nominal GDP performance of EU countries from 2007 and 2011 (the calculation of which usually includes income and revenues from the 'financial industry'), the German share of EU GDP increased from 19.79 to 20.35 per cent; France's share increased from 14.89 to 15.79 per cent; whereas Italy's and Spain's shares remained relatively unchanged at about 12.5 and 8.5 per cent respectively. On the other hand, the UK's share of EU GDP dropped from 16.66 per cent to 13.75 per cent, and Ireland's share shrunk from 1.55 per cent to 1.24 per cent. Accordingly, the UK's and Ireland's shares of the EU's economic performance both decreased by about a fifth. This demonstrates that economies which are strongly based on the real economy have more favourably weathered the crisis than those which specialise in 'financial products' and, in other words, have provided centre-stage for speculation.

THE POLITICAL CONSEQUENCES

The clear result of German export surpluses is debt in other EU countries. Given the 'austerity measures' that are being implemented in debtor countries, the question arises as to whether Germany's customers are being slaughtered to save the euro (for example, Greece), and whether Germany is consequently destroying its own markets. This situation cannot be explained simply in terms of the influence of the 'financial markets' on politics. It has more to do with the fact that the euro is the second-most important currency in the world, and as such directly competes and conflicts with the US dollar. As the euro provides the basis for Germany's position in the world economy, and thus its position in the world today, priority is placed on rescuing and stabilising the euro, even if this is done at the expense of the social position and stability of other EU countries. This highlights the tensions be-

tween Germany's interests as a global geo-economic power and the EU as an integrated network of states, peoples and regions. Whereas from the perspective of EU integration, different levels of development within the EU ought to be reduced; from the perspective of German global interests, these differences are irrelevant provided they do not interfere with the German export economy.

The reductions in the share of other EU countries and the euro area as a whole in Germany's export surplus from 2010 to 2011 seems to confirm this: German profits from distant world trade even increase when trade reduces with the EU. This situation leads to the development of a new periphery, not only in the globalised world, but also within Europe: Germany and a number of other countries belong to the 'hard' euro area and constitute the centre of the EU, whereas debt-or countries in the Mediterranean and those on the 'edge' of the EU (Ireland, Portugal, Greece, Italy and Spain) form the ailing periphery. The question is, however, whether the EU as an institution based on integration can cope with this situation in the long-term. In the summer of 2012, Hans Kundnani, who is also quoted above, wrote: "Germany's growing power, and France's relative weakness, has enabled Berlin to impose its preferences on the euro area and the EU." Despite this, "the Europe that is developing from the crisis will be less of a German Europe than a chaotic Europe".¹⁵

At the same time, the EU is not only currently characterised by the development of an EU-wide political structure and an 'elite'; linkage between capital in Europe also continues to grow. At the same time, however, nationally organised 'state-monopolistic complexes' of power still exist, meaning that different stakeholders can be identified within the EU including: German capital and the German government; French capital and the French government; and British capital and the British government (with its special interests in terms of London as a 'financial centre'). On the one hand, this means that the institutionalisation of the EU and the communitisation of its policies are likely to continue, but on the other hand, power shifts are occurring that relate to specific nation states. Consequently, it is still analytically useful – despite EU integration – to speak of the German tendency to strive for dominance.

However, doing so poses the 'German question' once again. Germany is the main beneficiary of the euro, but it would also bear the brunt of the currency's collapse. Despite this, the euro should not be rescued through hegemony, but through cooperation. The EU, in its institutional form since 1950, has been fundamentally opposed to hegemony: any attempt to assert informal hegemony can only fail due to the EU's institutional regulations. If the purpose of the EU was to provide a space for states to resolve conflicts peacefully and through statutory provisions, instead of through trench warfare, this purpose surely needs to be emphasised now. Although the strong German position within the EU has remained relatively unchallenged because the former French president, Nicolas Sarkozy, followed Chancellor Angela Merkel's policies without much opposition, the current French president, Francois Hollande, liaises with the Spanish and the Italian prime ministers and now occupies a comparatively strong position within EU institutions; this currently provides a balance to Germany. Germany has no interest in a weak euro, and no interest in a collapse of the common currency or the EU. Confronted with any of these situations, Germany's strong export economy and fiscal positions

would ultimately be of little use. The EU was not constructed for the hegemony of any particular country, and any move towards hegemony is contrary to its basic principles.

As such, the battle for the future of the European Union is taking place on three levels: (1) struggles continue between labour and capital, between people in dependent employment and the owners of capital, but these struggles are being exacerbated by the economic and financial crises; (2) there are conflicts between the various 'state-monopolistic complexes'; and (3) conflict also exists between German hegemonic policies and the EU's institutional arrangements. The different struggles that are taking place at these three levels are interwoven and influence each other.

The results of these struggles will largely decide the fate of Europe. How these struggles will end is still unclear, at least in the sense that the current 'objective conditions' mean that various outcomes are possible. The political skills of the actors involved will dictate how things will turn out in the end. Importantly, these actors are not only governments and the bureaucratic administration in Brussels, but also people throughout the EU who are organised in political movements and parties, trade unions and organisations; and their courage to act. If the euro were to collapse, then this would be due to those in power and government – the 'European elite' – having created conditions that they were no longer able to control. However, this would also place us in a fundamentally different situation from the one we find ourselves in today.

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1 Eric Hujer: Schluss mit der Heuchelei. Deutschland ist eine Großmacht, Edition Körber-Stiftung, Hamburg 2007, p. 9. **2** Christoph Schönberger: Hegemon wider Willen. Zur Stellung Deutschlands in der Europäischen Union, in: Merkur. Deutsche Zeitschrift für europäisches Denken, Heft 752, Berlin, January 2012, p. 1. **3** Ibid., p. 5. **4** Ibid., p. 8. **5** Deutschlandradio Kultur, 11 June 2012. <http://www.dradio.de/dkultur/sendungen/politischesfeuilleton/1779725/>. **6** Christoph Seils: Merkel und der Euro. Wann wird 'Madame No' weich? In: Der Tagesspiegel, Berlin, 25 June 2012. **7** Bernd Ulrich: Wofür Deutschland Krieg führen darf. Und muss, Reinbek bei Hamburg: Rowohlt Verlag 2011, pp. 64–66. **8** Hans Kundnani: Paradoxon Deutschland. Eine geoökonomische Macht in der Zwickmühle, in: Internationale Politik, Berlin, Heft 6/2012, pp. 62 and 67. **9** de.wikipedia.org/wiki/Liste_der_Länder_nach_Bruttoinlandsprodukt (accessed: 3 August 2012). **10** Statistisches Bundesamt: Außenhandel. Rangfolge der Handelspartner im Außenhandel der Bundesrepublik Deutschland (mit Umsatz und Saldo) 2011, 12 July 2012 (available at: destatis.de). **11** Statistisches Bundesamt: Außenhandel. Rangfolge der Handelspartner im Außenhandel der Bundesrepublik Deutschland (mit Umsatz und Saldo) 2010, 10 March 2011 (available at: destatis.de). **12** Data from EUROSTAT, 14 February 2012, and UNCTAD-stat. **13** Own calculations. The Exporterlös for 2010 is based on the new figures from UNCTAD; the data from the Statistischen Bundesamte (Footnote 10) for 2010 were 79.8 per cent for the EU and 55.8 per cent for the euro area. **14** Own calculations, based on data from the Statistisches Bundesamt 2011. **15** Hans Kundnani: Was für ein Hegemon? Berlins Politik führt zu keinem deutschen, sondern einem chaotischen Europa, in: Internationale Politik, Berlin, Heft 3/2012, p. 25.

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