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European Foreign Policy: In Search of a German Galileo *Carlo Bastasin and Cesare Merlini*

Over the last few years, the German government has played a central role in steering Europe's economic policies. Germany has established itself not only as the largest and most stable economy in the euro-area, but also as a benchmark for other countries' economic policymaking at large. At the same time, Chancellor Angela Merkel's recent assertiveness on foreign policy, particularly through her direct intervention in the Ukrainian crisis, suggests that Germany may be extending its clout over a broader political front. The Greek crisis has provided a telling example, in which Berlin has compounded

elements of economic and foreign policy guidance. Keeping Athens in the euro-area, while maintaining discipline in its economic management, could have significant implications for Europe's dealings with Russia.

Even after the crisis has tapered off, German economic predominance might persist for the foreseeable future and allow Berlin to use its wider fiscal margin of maneuver, relative to the other countries of the euro-area, to influence other policy nodes. Persistent trade surpluses and the low burden of debt service will provide Germany with conspicuous net savings on which Berlin can leverage its public investments. Savings allow a country to finance its investment needs with its own resources, which is often the case when public investments, particularly military expenditures, are needed. In the coming years, Germany is expected to reach yearly net savings two or three times as high as it did when the euro was first launched as the common currency in 1999.

With negative net national savings, most other euro-area countries are eating into their capital stock instead of adding to it. This is particularly true for the largest euro countries. Year after year, France struggles to rein in its fiscal deficit while its capacity to make future

Carlo Bastasin is a nonresident senior fellow at Brookings. As an economist and editorialist, Bastasin's work focuses on European political and economic analysis. He is the author of the new and expanded edition of Saving Europe: Anatomy of a Dream (Brookings Institution Press, 2015).

Cesare Merlini is a Brookings nonresident senior fellow and the Chairman of the Board of Trustees of the Italian Institute for International Affairs in Rome. His areas of expertise include transatlantic relations, European integration, and nuclear nonproliferation, with particular focus on nuclear science and technology.

public investments erodes. Italy has been heavily burdened by the servicing of its huge public debt and has seen private and public investments decline by double-digits during the last six years. Add to this the fact that the United Kingdom has chosen not to play a major role in European institutions—including those in charge of the common foreign and security policy. The inevitable consequence is that Germany's fiscal capacity is bound to beget its geopolitical centrality in the European Union (EU).

Anecdotally, a recent coincidence shows the link between the relative economic strength of the largest EU member state and its new strategic potential. On February 25, 2015, Germany sold its five-year debt at a negative yield (minus 0.08 percent) for the first time. In other words, Berlin was able to get paid by its investors, rather than owing them interest, simply for the privilege of lending to one of the world's biggest economies. The German government could raise a limited amount of resources (3 billion euros) through a bond that will expire in 2020, thereby financing federal activities at no cost to the German taxpayers. On March 1, five days after receiving such an exceptional favor from its investors, Finance Minister Wolfgang Schäuble pledged to raise military spending in the coming years—an effort to reconcile German ambitions to assume a more self-assured role in global security with a military in dire need of an overhaul. What may end up being a U-turn in German defense policy comes after years of reluctant military engagement and while defense expenditures declined from 1.3 percent of gross domestic product in 2013 to 1.1 percent this year. Hence, the emerging combination of fiscal power and the coming upgrade of defense capabilities reinforce the perception of a new all-around German political centrality.

The question then arises as to whether centrality should translate into European leadership. In other words, is economic strength the most suitable springboard for a broader leading role? Germany has solid European credentials; its economic predominance is backed by a comprehensive vision of the European economy as an area of stability run by supply-side, reform-oriented policymaking. Although the object of much criticism by euro-area partners that trail behind—and also by the U.S. government—Germany's approach has been largely consistent with the principles inscribed in the European Treaties. Moreover, Berlin has substantially overcome strong internal objections and obstructions in order to allow the European Central Bank (i.e. the euro-area institution most endowed with near-federal powers) to perform “whatever it takes” to save the common currency, to reform the continental banking system and now to enhance and steer the economic recovery. However, the German economic strategy's consistency with the European juridical framework has not shielded Berlin from harsh criticism during the management of the euro crisis. The severe recession suffered in Europe and its asymmetric impacts has led to much finger-pointing, while eroding consensus among European citizens about further integrating the EU space.

Leading from the Core: The Pattern of the Euro Crisis for Foreign Policy

Against this backdrop, one should question whether Berlin's foreign and security policy strategy should adopt the template of the current economic cooperation in attempting to make it applicable to the whole European area. Germany has always maintained that European integration is the crucial source of its power and leverage. Deeper integration has enabled Berlin to influence events within the European Economic Community (EEC) and its

successor, the EU. And by contributing to the collective strength of European nations, it has enhanced German influence beyond the Union's borders. The recent "Review" published by the Foreign Ministry observes that "Germany alone does not have enough clout to assert its interests and values at a global level, to successfully manage conflicts, or to strengthen international systems of order. Only in and through Europe does Germany bear enough weight to tip the scale."¹

However, a number of problems arise in attempting to transform European economic leadership into foreign policy influence. The first one is structural, as the EU's external action is carried out through predominantly intergovernmental approaches, instruments, and institutional bodies rather than the "communitarian" or quasi-federal structures within the monetary domain. This state of affairs was determined by the decisive influence exerted on the nature and limits of the whole European integration process by Germany's major partners, as well as by its historical rivals of the past: France and Great Britain. The structural problem becomes a political one because in an intergovernmental setup the relative strength of each member state carries far more geopolitical weight than in an even mildly supranational configuration. Paradoxically, by sticking to intergovernmental management of foreign and security affairs, Paris and London have left the upper hand to Berlin as the government wielding the strongest economy.

The Ukrainian crisis has provided new evidence of this dynamic. Although Franco-German cooperation remains of paramount importance for the whole of Europe, the

Merkel-Hollande odd couple traveling to Moscow, Kiev, and Minsk was less balanced than the "Merkozy" tandem at the onset of the euro crisis. A German newspaper described the relation between the German Chancellor and the current French President as one between "the cook and a waiter"². Significantly, a recent speech by the German Defense Minister at the Munich Security Conference coined the definition of Germany as the country "leading from the center" enabling "others with less resources to make their vital contributions as equal partners."³ By this definition Minister van der Leyen inadvertently underscored the concept of a "core" Europe, based on its defining economic strength, that had forged Europe's controversial experience in the euro crisis.

Furthermore, the analogy between European economic and foreign policies in the German approach is linked to the country's unique institutional context. Similar to its stance on economic integration within the EU, through the German Parliament and Constitutional Court, Berlin maintains its sovereign foreign policy prerogatives to an extent unparalleled in other countries. As Claudia Major and Christian Mölling of the German Institute for International and Security Affairs (SWP) observed, "Germany must create the political and legal conditions that will allow it to cooperate closely with partners. Legally, it has to be clarified whether the acceptance of such close, even irreversible, dependence complies with the opinion of the German Supreme Court regarding the Lisbon Treaty—or if, to retain sovereignty, such cooperation might even be imperative, as it is the only way Germany remains capable of acting militarily. As far as its

¹Auswaertiges-amt: "Review 2014" - http://www.auswaertiges-amt.de/cae/servlet/contentblob/699336/publicationFile/202970/Review_Abschlussbericht.pdf

² Frankfurter Allgemeine Zeitung March 6, 2015 "Köchin und Kellner" by Michaela Wiegel

³ Speech by the Federal Minister of Defense, Dr. Ursula von der Leyen, at the 51st Munich Security Conference, February 6, 2015

partners are concerned, Germany must create and sustain the conditions for intense cooperation, and for the resulting pooling of sovereignty.”⁴

That leads to the issue of whether the German comprehensive vision is matched with an adequate perception of the sensitivities of its partners and, most importantly, with the priorities of the Union as a whole—not a minor feature of accepted leadership. Doubts about Berlin’s awareness may be valid. One example is the scant attention paid by the German public debate to the Mediterranean troubles and in particular to the “systemic disorder” that developed throughout Libya at the same time that the Ukrainian crisis was unfolding. Germany has been playing second fiddle as far as the broader Middle East is concerned. Possibly due to historical considerations, it may have found it awkward to endorse anything other than conservative strategies in the region.

Southern European countries may be more inclined to fear the threat of Islamic terrorism than Northern countries, and not only for domestic security concerns. For Southern Europe, the stability of the Arabic countries and the neighboring Northern Africa region is of paramount importance. It is true that Germany, in the wake of a highly controversial domestic debate, has broken some taboos by providing, in addition to humanitarian relief, weapons, and ammunition to the Kurdish Peshmerga forces fighting the Islamic State in Syria. Moreover, the Bundestag decided last February to send troops to Northern Iraq for a training mission. Nonetheless, the current state of German and broader European engagement in the southern Mediterranean

area demonstrates that the EU is a long way from becoming a credible player in the area, to the detriment of the institutional values it tries to represent. Finally, most of the continental public opinion only reluctantly and painstakingly acknowledges the plight of migrants drowning in the Mediterranean Sea, yet another daunting challenge that requires a sound and comprehensive strategy.

An Economic View of Foreign Policy

European foreign policy has traditionally been inspired by a vision of the Union as mainly an economic entity, much to the satisfaction of its central and largest member state. Europe’s soft-power strategy has thus centered on its transformative power to lure other countries into trading with the world’s largest economic area in return for their adoption of the principles of peaceful cooperation and respect for human rights. This strategy was particularly successful in drawing post-communist countries into the EU after the fall of the Berlin Wall. This dynamic has been described as the most significant geopolitical transformation since the end of the Second World War as well as the most successful experiment of spreading democracy by the West.

At the end of 2002, the European Commission designed a strategy of cooperation with neighboring countries called the “Circle of Friends.” The strategy was based on the assumption that transformative power would align neighboring countries with the prerequisites of democracy and peace. Thirteen years on, the outcome is at best unsatisfactory. Little has been achieved on Europe’s Eastern borders, besides underwriting a number of Association Treaties. The opportunities provided by the Arab Spring in 2011 have been lost on the Southern borders. On both fronts, wars and conflicts are plaguing

⁴ “The Framework Nations Concept - Germany’s Contribution to a Capable European Defence”
Stiftung Wissenschaft und Politik (SWP)

the near abroad and spell the failure of the so-called European Neighborhood Policy. The relative erosion of the European economic power that has come on top of that as a consequence of the crisis in the euro-area appears to be challenging the suitability of the “economic” strategy discussed above. The growing role of new economic powers, particularly in East Asia, has taken the shine off the economic and social model of old Europe for many emerging countries. China’s experimentation with a top-down market economy, and America’s technological advantages have caused Europe’s model of financial stability and social justice to lose some of the credibility and attractiveness it enjoyed in the past.

The economic approach to foreign policy has informed coercive instruments as well as cooperative ones. The use of sanctions is obviously a major case in point, and has had a central role in the negotiations with Iran to ensure the peaceful nature of its nuclear program—a negotiation which has Germany sitting at the table. The new test case is the current effort to stop Russian interference in Eastern Ukraine. Angela Merkel, after some initial reluctance, has taken a middle course among her fellow partners and the leadership of a major sanction-based diplomatic operation. Economic sanctions are a costly foreign policy instrument for all EU member states, although to various degrees from country to country. The sanctions reflect, however, the prevalent view that employing a military option is likely to give Putin the upper hand thanks to proximity and historical legacy. But the outcome of the tug of war may also be decisive for Europe’s bet on economic interdependence as its geopolitical strategy of choice under the German paradigm.

Germany's Unique Chance to Shape a New CFSP

The lack of a political dimension and of transparent debate on foreign policy issues at the European level—rather than an economic assessment of cost-benefit by few governments—has negatively affected national debates on such critical issues. The absence of a European democratic debate has allowed for populist forces to steal the stage with simplistic or outright nationalist propaganda. During the Ukrainian crisis, pro-Putin fringes on the side of anti-EU and anti-American groups have grown in the national public debates, taking a number of observers by surprise. Moscow has succeeded in putting a wedge in European national politics by funding opposition parties like the German *Alternativ für Deutschland* and the French *Front National*, while Russian flags were waved in Rome at the gathering of the euro-phobic and xenophobic Northern League. The Kremlin has also succeeded in drawing Cyprus into an agreement that could allow the Russian Navy to use a military base in the middle of the Mediterranean Sea—a first in centuries. The new Greek government may be coming to terms with the Eurogroup, but on foreign policy the new defense minister Panos Kammenos has generated unwelcome tensions with Turkey that had been carefully avoided by his predecessors. At a critical juncture for the Mediterranean, Greece and Cyprus risk weakening any effort by the EU to rebuild a strategy in the area. Kammenos has also threatened Berlin with funneling migrants coming from the Middle-East region—explicitly mentioning potential terrorists—to Germany, scuppering the credibility of the freedom of circulation within Europe’s borders, one of the Union’s fundamental pillars.

An attempt to initiate a European debate on common defense and foreign policy issues seems to be lurking in Brussels. It will not be

strictly confined to the economic approach discussed above. On March 8 the president of the EU Commission, Jean-Claude Juncker, actually called for the establishment of a common army and has received some favorable reactions from Berlin. At the current juncture, Germany may have a unique chance to demonstrate a new sense of leadership by going beyond the traditional preference for leading European politics via its economic prerogatives.

The following words of the German Defense Minister are indicative of a new awareness of the political establishment in the country: “Do we think of leadership in terms of Germany storming ahead in the belief that it has to be number one in Europe? No! None of this represents Germany’s political culture in the 21st century. I will tell you what type of leadership Germany is very much prepared to exercise: It is leadership from the center. This is what our partners expect of us - and what we should expect of ourselves. Leading from the center means to contribute one’s best resources and capabilities to alliances and partnerships. This applies to Germany more than it does to others.”⁵

The above link between centrality and leadership corresponds to the point we have tried to make here. However, to make a leading role fully credible, in our view, Angela Merkel and her coalition government should take further steps and invite as many European partners as possible to join in a more comprehensive institutional setup than the one provided by the existing intergovernmental machinery. Going into details would be beyond the scope of this paper, but a better involvement and a larger role for the European

⁵ Speech by the Federal Minister of Defense, Dr. Ursula von der Leyen at the 51st Munich Security Conference Munich, February 6, 2015

institutions, such as the EU Council, the EU Commission, and the European Parliament, appears advisable. This also implies that national legislative and constitutional powers in Germany, as well as in the other participating states, yield further portions of sovereignty to the European level and accept the deliberations of shared authorities. Otherwise Berlin’s centrality will remain a Ptolemaic vision that has already proven insufficient in steering economic and monetary union and creating consensus for and throughout Europe. We need a new Galileo to show that Germany—for all its centrality, laudable principles, and economic strength—is rotating around Europe, and not the reverse.

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