

Will Germany now take centre stage?

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Its economy is booming, but its strength poses new questions.

IN FRANCE workers angry about pension reforms have blockaded fuel refineries, causing 4,000 petrol stations to run dry. The Netherlands' recently elected minority government depends for survival on support from a Muslim-baiting populist. Economies across Europe are struggling to cope with sluggish growth, lacerating budget cuts and the after-effects of borrowing binges. But there is an exception to the gloomy European rule.

No big developed country has come out of the global recession looking stronger than Germany has. The economy minister, Rainer Brüderle, boasts of an "XL upswing". Exports are booming and unemployment is expected to fall to levels last seen in the early 1990s. The government is a stable, though sometimes fractious, coalition of three mainstream parties. The shrillest protest is aimed at a huge new railway project in Stuttgart. Amid the truculence and turmoil around it, Germany appears an oasis of tranquillity.

To many of its friends and neighbours, though, the paragon is a disappointment. Its sharp-elbowed behaviour during the near-collapse of the euro earlier this year heightened concerns about Germany's role in the world that have been stirring ever since unification 20 years ago. Speeches, seminars and scholarly articles by nervous Germans and Germany-watchers are a booming cottage industry. A recent essay published by Bruegel, a Brussels think-tank, explains "why Germany fell out of love with Europe". Another, from the European Council on Foreign Relations, alleges that Germany is "going global alone". Jürgen Habermas, Germany's most distinguished living philosopher, accuses his country of pursuing an "inward-looking national policy". "How can you not ask Germany questions about its vision of the future of Europe?" wonders Jacques Delors, who was president of the European Commission when the Berlin Wall fell. Even a pacific and prosperous Germany causes international angst.

The German question never dies. Instead, like a flu virus, it mutates. On the eve of unification some European leaders worried that it would resume killer form. "We've beaten the Germans twice and now they're back," said Margaret Thatcher, Britain's prime minister. Such fears now look comical. But even today's mild strain causes aches and pains, which afflict different regions in different ways. America's symptoms are mild. Central Europe seems to have acquired immunity. After unification 85% of Poles looked upon Germany as a threat, recalls Eugeniusz Smolar of the Centre for International Relations in Warsaw. Now just a fifth do. It is among Germany's long-standing west and south European partners that the German question feels debilitating, and where a dangerous flare-up still seems a possibility. Germany's answer to the question matters not only to them. It will shape Europe, and therefore the world.

Germans have not forgotten that their country was the author of the horrors of the 1930s and 1940s but, says Renate Kocher of Allensbach, a polling firm, they want to

“draw a line under the past”. That does not mean ignoring its lessons or neglecting to teach them to the next generation. A new exhibition on “Hitler and the Germans” at the German Historical Museum in Berlin is drawing blockbuster crowds. But Germans are no longer so ready to be put on the moral defensive or to view the Nazi era as the defining episode of their past. Even non-Germans seem willing to move on. Recent books like “Germania” and “The German Genius” suggest that English-language publishing may be entering a post-swastika phase. Germany still atones but now also preaches, usually on the evils of debt, the importance of nurturing industry and the superiority of long-term thinking in enterprise. Others are disposed to listen. “Every-one orients himself towards Germany,” says John Kornblum, a former American ambassador.

The worries below

Yet this buoyancy is checked by equally potent anxieties. Germany's bestselling book is “Deutschland schafft sich ab” (“Germany does away with itself”), a warning by a director of the Bundesbank, since forced out of his job, that too much child-bearing by the poor and by immigrants (especially Muslims), and too little by the educated classes, dooms the country to decline. The book's popularity has shaken Germany. Xenophobic parties play little role in politics, but the resentments that feed their popularity elsewhere are just as potent. A third of Germans think the country is overrun by foreigners, according to a newly published poll; a majority favour “sharply restricting” Muslim religious practice. Over a tenth would even welcome a Führer who would govern with “a strong hand”—a sign that the embers of extremism still glow.

Conservative politicians, long fearful of being outflanked on the right, are pandering. Horst Seehofer, head of the Christian Social Union, the Bavarian sister party of the ruling Christian Democratic Union (CDU), declared this month that Germany needs no further immigration from Turkey or the Arab world. Germany is “not an immigration country”, he insisted, contradicting a hard-won consensus among conservatives. Characteristically, Angela Merkel, the CDU chancellor, sought to placate anti-immigrant sentiment without stooping to populism. Multiculturalism has “absolutely failed”, she said on October 16th, implying that immigrants would be expected to integrate better into German society. But she balanced this by admitting that Islam “is part of Germany”.

Despite their economic strength, Germans fear the worst. They believe their country “has passed its zenith”, says Mrs Kocher, the pollster. This pessimism shapes Germany's dealings with the rest of the world. Unlike most countries, Germany is not driven by any great ambition, but rather by the fear that “things could fall apart if they don't hold on to stability,” suggests Mr Kornblum.

This year's euro crisis brought out both the apprehension and the arrogance. With Greece's near default, the promise that the euro would be as stable as the Deutschmark suddenly looked like the lie Germans had always suspected it to be. As the crisis mounted Mrs Merkel delayed giving German backing to the inevitable rescue for wobbly euro countries. A €750 billion (\$920 billion) package was eventually agreed on after a hectic weekend of negotiation in May. To Germans, this looked like the start of the dreaded “transfer union”, a bottomless commitment to subsidise Greeks' early retirement, fix an Italian budget tattered by tax evasion and clear up after Spain's burst property bubble. “Sell your islands, you bankrupt Greeks. And the Acropolis while you're at it,” demanded Bild, a popular tabloid. Mrs Merkel played to the gallery by suggesting that persistent euro sinners should be thrown out of the group.

These unEuropean outbursts startled not just Greeks, who brandished swastikas in response, but Europeans generally. They had grown up believing that the Germans saw their own interests as inseparable from those of their fellow Europeans. Now they glimpsed a different, ugly German, smug about his economy and untroubled by his past. Some pundits argue that Germany's brutality to Greece during the second world war should have tempered its irritation with the Greeks.

The crisis has created a new pecking order, at least temporarily. Germany, with its high-competitiveness, low-debt economy, is on top. The rest are having to adjust, including France, traditionally a joint leader of the European project. This is unsettling. "You get an enormous sense of German self-righteousness, which is very difficult to take, especially when there are solid foundations for it," says François Heisbourg of the International Institute for Strategic Studies. France, which has lagged behind Germany in making structural reforms, feels its influence waning. "France has to do its homework to be able to restore some level of influence in Europe," says Jean-Pierre Jouyet, a former French minister for Europe, now head of France's financial regulatory authority.

Whatever became of Gemütlichkeit?

Even during the golden age of European integration Germany was an awkward partner, too big to be first among equals but too small to dominate, as Helmut Kohl, the chancellor who unified Germany, put it. It never lost sight of its own interests. As early as 1960 France and Germany clashed over the founding of Europe's common agricultural policy. France regarded the Deutschmark as an instrument of economic terror, forcing it either to shadow the Bundesbank's monetary policy or to devalue the franc. But long before the euro arrived in 1999, the German finance minister of the day, Theo Waigel, vowed it would bear "the German hallmark".

Still, the tone changed under Mr Kohl's successor, Gerhard Schröder, who headed a coalition of Social Democrats and Greens from 1998 to 2005. He was unembarrassed to flex Germany's newly acquired muscles and to employ the sort of language heard from leaders of more nakedly nationalistic countries. He accused Brussels of "blowing" taxpayers' money. He made his quarrel with the United States over the Iraq war the centrepiece of his 2002 campaign for re-election—an unprecedented affront to Germany's most important ally. With Vladimir Putin's Russia, Mr Schröder was poodle-like. The two men agreed to build an undersea gas pipeline from Russia to Germany bypassing central Europe and the Baltic states, which Poles denounced as a second Molotov-Ribbentrop pact.

After Mr Schröder's pugnacity, Mrs Merkel's consensual style looked like a return to German form. She was instrumental in ensuring passage of the Lisbon treaty, which is supposed to help the EU cope with its expansion to 27 members and creates machinery for an EU foreign policy. She repaired relations with Germany's eastern neighbours, reassured the United States and pandered less to Russia.

As a Euro-builder, she soon showed, she is not in Mr Kohl's class. During economic crises her first instinct has been to double the guard around the German treasury. She backed the appointment of relative lightweights for both the EU presidency and the foreign minister's job created by the Lisbon treaty.

"Under Merkel, Germany is no longer an actor that supports supranational development," says Hans Stark of the French Institute for International Relations. The assumption now, he says, is that individual governments, not the European collective, will remain the principal actors "and Germany has adapted to that." Germany's

brightest business prospects do not involve its slow-growing neighbours but the charismatic economies of Asia and Latin America. A German acceptance of Turkish membership of the EU looks less likely than ever.

Relations between Germany and France, traditionally the twin motors driving European integration, are volatile. The methodical Mrs Merkel and Nicolas Sarkozy, the impulsive French president, are not natural partners. He recently quoted Mrs Merkel as saying that Germany was about to put in place a policy of expelling gypsies just like France's, which drew a sharp denial from the chancellery. When previous German chancellors and French presidents clicked, their relationship "cascaded down to other levels", says Mr Heisbourg, the strategist. "That is totally lacking today." Mrs Merkel and Mr Sarkozy manage to resolve crises as they threaten to spin out of control. But Franco-German ambitions for Europe have sputtered. German standoffishness toward the EU is now based in law: a 2009 ruling by Germany's Constitutional Court allowed it to ratify the Lisbon treaty but limited further transfers of power to Brussels. Soon the court may weigh in on the euro-zone bail-out.

Such omens suggest that the Berlin republic is a different sort of character from its westward-leaning, Bonn-based predecessor. Scholars had struck several awkward coinages to describe war-chastened Germany: it was a "tamed power" engaged in "attritional multilateralism". These no longer seem apt for today's more confident and self-willed Germany. But its identity is still unformed. Germany has "instincts sometimes rather than a clearly articulated policy", says a senior EU official. An American diplomat believes it is still "trying to decide what its foreign policy in the 21st century should look like". Germany is becoming more "normal", meaning more willing to use its strength and to accept responsibilities that go along with it. That looks to America like a good thing. But can Europe afford a more normal Germany?

Europe wants some nice leadership...

Germany's most pressing European business is to sort out the euro, the foundation on which the European edifice now rests. Euro members promised to observe financial disciplines, which many soon flouted (including Germany, which let its budget deficit breach 3% of GDP). That, says Germany, must never happen again. In September the European Commission proposed German-inspired rules that would limit "macroeconomic imbalances" such as excessive current-account deficits, in addition to budget deficits and public debt. Rule-breakers would face sanctions.

The reform of the euro will create a more German Europe, but not quite the economic Pax Germanica some observers are expecting. "We need German discipline," says Sylvie Goulard, a French member of the European Parliament, "but without growth it will be more difficult to make this discipline acceptable." On October 18th Mrs Merkel and Mr Sarkozy struck a deal that would weaken the sanctions regime proposed by the commission (by letting heads of government decide whether to impose them). In return, France agreed to support a debt-restructuring procedure demanded by Germany (see Charlemagne). In Brussels that caused dismay. The Franco-German axis looked stronger. But German discipline, and the role of European institutions in enforcing it, were weakened.

German leadership is more apparent in other areas. It has assets available to none of the other big euro members, including unparalleled trade links to rising powers (nearly half the EU's exports to China come from Germany) and a leader who is taken seriously by her counterparts (David Cameron is respected, but Britain does not count). Germany is claiming leading positions in EU institutions: Uwe Corsepius, Mrs Merkel's European adviser, will become secretary-general of the European Council.

Axel Weber, now head of the Bundesbank, is favoured to become the next president of the European Central Bank. In European deliberations, Germany often sets the tone. Not until the Germans concluded that the Pakistani floods were really grave did the EU take action (by extending trade concessions). They may well take the lead in deciding whether to recognise China as a market economy in applying international trade standards.

But, despite such examples of leadership, Germany's overall direction is obscure. It is torn, intrigued by its new possibilities but painfully aware that alone it does not count for much in the world. Its population is already shrinking. Europe will lose economic and demographic bulk relative to China, India and Brazil. The EU was virtually ignored at last year's Copenhagen summit on climate change, even though it had taken the lead in setting targets to reduce greenhouse-gas emissions. This was "an enormous shock", says Guy Verhofstadt, a former Belgian prime minister who now leads the liberals in the European Parliament. "It shows we need one voice." Fear of war launched the European project; he hopes that fear of irrelevance will drive it forward.

Some quarters of the German establishment nod in agreement. Pressed for Germany's vision of Europe, Werner Hoyer, an aide to the foreign minister, says it is to secure Europe's "success in a globalised world". That means "deepening economic integration", dismantling remaining barriers to the single market and dealing with other powers through Brussels, not national capitals. "It is in our interest to convince them that the gateway to Europe is European institutions," says Mr Hoyer. He thinks Europe must "globalise its foreign policy if we don't want to be bystanders". Whether the prosaic chancellor shares these ambitions is unclear. She is a pilot who does not believe in making announcements from the flight deck.

And so Germany's partners are likely to remain on edge. The EU needs Germany's leadership more than ever, but fears its pre-eminence. Europe also needs consensus, but will not get it unless the Germans foster it. Matters will be even worse if Germany's economic self-confidence comes across as political arrogance.

America would rather see it stand tall

The Obama administration views Germany's rise not with consternation but with impatience. "Germany is emerging as a much more active world player, which is a good thing," says an American diplomat. The latest sign of that is the success of Germany's campaign this month to win a temporary seat on the UN Security Council, the first time it has challenged rival contenders. It has lately been an active ally to the United States, pressing Serbia to accept Kosovo's independence and toughening sanctions imposed on Iran. And Germany's dealings with Russia arouse less suspicion under Mrs Merkel than they did when Mr Schröder was chancellor. At a triangular meeting in the French resort of Deauville this week, Mrs Merkel and Mr Sarkozy persuaded Russia's president, Dmitry Medvedev, to attend NATO's forthcoming summit and to consider joining a European missile-defence shield.

Military midget meets might.

Yet in military terms, Germany remains a midget compared not just with America but with Britain and France, which together account for 70% of the EU's military research and development and 60% of its deployable forces. "What's missing is Germany leading rather than seeing what Paris and London cook up," says a NATO diplomat. Its military deployments in Afghanistan and elsewhere are recent and unpopular. Its

body of strategic thinkers is small. Germany's trading relationships bring influence, but also inhibit its willingness to join allies to fight global threats.

America and Europe are seeking slightly different answers to questions posed by Germany's growing strength. Americans, says the diplomat, hope for "an outward-looking Germany" that is less "conflicted about its weight in the world". Europeans, for their part, look to Germany for leadership, but want it to be tempered by traditional German self-restraint. In the eyes of its allies there are still two Germanys. It may have to learn to be both.