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# THE GERMAN ELECTION: WHAT EUROPE EXPECTS – AND WHAT GERMANY WILL NOT DO

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## SUMMARY

Europeans expect a lot from Germany. Fed up with Germany's euro crisis management, which seems capable only of tackling the most immediate emergencies, they want a vision for Europe that goes beyond Chancellor Angela Merkel's "step-by-step" approach. But the Germany that many in Europe hope for is not on offer. There is a gap between European expectations and Germany's capacity to meet those expectations. Whoever is in charge after 22 September, Germany is likely to continue with the same pragmatic approach to the crisis that it has taken so far. Above all, Germany does not have the same need to push for more integration as its European neighbours.

Germany is limited by specific constraints, many of which are overlooked by the outside world. The German domestic debate is increasingly focused on income disparities and growing poverty at home, especially for retired people. Berlin simply lacks the political ambition to provide clear leadership in turbulent times. Germany may be central to European politics but it sees itself as a role model rather than as a power with an obligation to lead. It hopes to influence events by force of example and by getting others to transpose the German model of competitiveness abroad into their own economic and political cultures.

Europeans expect a lot from Germany. They want it to accept transfers of resources – and, if necessary, of power – required to sustain the long-term viability of the European integration project. Pro- and anti-integrationists alike fear Germany's growing power. Germany's election is no longer primarily a national affair: depending on the outcome, residents in other member states of the European Union and especially in the eurozone might feel the economic, social, and political impact of the result even more keenly than German voters themselves.

Many leading politicians in other EU member states share one overriding expectation.<sup>1</sup> They want Germany, the largest and most powerful economy in the EU, to accept responsibilities of political leadership commensurate with its economic heft. They want Berlin to put its money where its mouth is and accept in deed as well as in word the necessity for deeper European integration. They want whatever German government emerges from the election to propose some long-term perspective for Europe's future.

It is in many ways a surprising catalogue of demands. Fulfilling it could easily put much of the design of the new Europe largely into German hands. Yet European politicians seem

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<sup>1</sup> For this policy brief, the author conducted 15 interviews with well-known European policymakers from both the left and the right of the political spectrum. Three simple questions were posed: What is your expected outcome of the German elections? Which policy changes do you expect after the elections? If you had a three-point wish list for the new German government, what would it include? Unless otherwise stated, quotes are from those interviews, which were carried out in July 2013.

fed up with Germany's reluctance to assume an adequate leadership role and with a German approach to European crisis management that seems capable only of tackling the most immediate emergencies. They want a vision for Europe that goes beyond Chancellor Angela Merkel's "step-by-step" approach and a single-minded insistence on austerity policy. As Polish Foreign Minister Radek Sikorski said in Berlin in November 2011: "I fear German power less than I am beginning to fear German inactivity." (Many in Germany, on the other hand, think France holds the key. They see French weakness as an obstacle to effective Franco-German co-operation and as the trigger for exaggerated demands on German leadership and German resources.)

However, the Germany that many in Europe hope for is not on offer. It is hard to imagine any new government coalition – or the old one, if it is returned to power – providing enlightened leadership of a kind that accepts significant short-term sacrifice to buy into a far more uncertain vision of long-term political stability. Germany lives in a different world, with its own constraints and worries, many of which are largely overlooked by the outside world. Fears of impoverishment fuelled by a faltering demography co-exist with a new national momentum that has emerged since the fall of the Berlin Wall in 1989. There is a gap between European expectations of a more forceful and constructive German role and the German capacity to meet these expectations.

The biggest risk, therefore, is of European post-election disillusion because Germany's approach to Europe is unlikely to change. Berlin quite simply lacks the political ambition to provide clear leadership in turbulent times. Rather, it hopes to influence events by force of example, getting others to transpose the German model of thriftiness at home and competitiveness abroad into their own financial, economic, and political cultures. This, most Germans believe, is the only way for Europe to succeed in an increasingly competitive and globalised world.

## No mood for change

All the opinion polls strongly suggest that Merkel's centre-right Christian Democratic Union (CDU) will emerge as the overwhelming electoral victor. The main question therefore appears to be not whether Merkel will remain in office, but rather what coalition she will lead. Most outside Germany assume that a grand coalition between the CDU (with its Bavarian allies in the Christian Social Union) and the centre-left opposition Social Democratic Party (SPD) is the most likely option. But although it is what a majority of voters want, it is somewhat less likely than it appears: the junior partner in the current government, the liberal Free Democratic Party (FDP), might well make the threshold of five percent of the overall vote required to enter parliament, enabling an uninspiring but in some ways reassuring continuation of the present government.

There is no real *Wechselstimmung*, or mood for change, in Germany. Sensing this, Merkel has adopted the campaigning style of Konrad Adenauer, who during the 1957 election campaigned on a promise of "no experiments". As many voters see it, the adroit Merkel has steered Germany through the crisis without running their country into trouble or Europe into the ground. Voters want to keep her experience and the stability she offers. They are swayed by her forceful but drama-free personality and tastefully low-key style even more than by her policies: up to 70 percent of Green voters say they favour the chancellor.

This is one reason why the "red-green" alliance preferred by the two main opposition parties has spectacularly failed to narrow the gap on Merkel. Peer Steinbrück, the SPD candidate, is seen as mercurial and occasionally high-handed – in detrimental contrast to the preternaturally cool Merkel. As a right-winger in his party, Steinbrück enjoys a reputation for economic competence – he was finance minister in the last "grand coalition", between 2005 and 2009. But his election platform reflects the redistributive aims of the party's left wing, with expenditure to be financed by a tax rise for higher income earners. The tension between what the candidate is known to stand for personally and the policy stance he has had to espouse in public is another reason why SPD support has failed to rise above 23 percent compared to around 40 percent for the CDU. Even with around 13 percent backing for the Greens, the two centre-left parties alone are well short of a majority.

The newly launched Alternative for Germany (AfD), the anti-euro party led by economics professor Bernd Lucke, is the newest unpredictable element. Currently polling around 3 percent, it could have a disproportionate influence. Even if it fails to clear the 5 percent hurdle, it is fair to assume that AfD will take precious votes from both the CDU and the FDP and undermine the chances of a "black-yellow" coalition between them. In that case, the final electoral result, the makeup of the Bundestag, and perhaps even of the government could all come down to technicalities linked to Germany's complex electoral laws and in particular the so-called *Überhangmandate*, or surplus mandates.<sup>2</sup> All firm bets must therefore be off.

Despite persistent speculation about a "black-green" alliance of the CDU and Greens, it has been vigorously rejected by leaders in both parties. It should be ruled out and might emerge as an option if an even further weakened SPD rejects a new grand coalition as politically suicidal. Following the last grand coalition, the Social Democrats slumped to 23 percent of the vote in the 2009 election – their worst post-war result. Steinbrück has announced that he will not serve as vice-chancellor in a new grand coalition, so it will be up

<sup>2</sup> The German electoral system gives voters two votes: one for the direct candidate, one for the party. The percentages for each party in each state level determine how many people from each party list enter the Bundestag. If there are more directly elected candidates of a party than the regional percentage would accord, directly elected candidates nonetheless can receive a mandate to compensate for it. In past elections, the CDU tended to benefit from the rule. However, a recent change of the constituencies means the CDU may lose 20 or so *Überhangmandate*.

to party chairman Sigmar Gabriel and parliamentary leader Frank-Walter Steinmeier to decide whether they will do so. Importantly, a “black–green” deal would lack support in the Bundesrat, the upper house of parliament that represents the federal states. The CDU and the Greens share a fundamentally pro-European attitude and, following Merkel’s *Energiewende*, also now agree on nuclear power, but they would be forced to make tough compromises.

Some think a “traffic light” coalition might work if the FDP were to switch sides and back the SPD and Greens. The liberals might be persuaded to jump if it gave them better jobs in government. But it would be an uncomfortable deal, with the FDP and Greens backing opposite economic agendas, although with more common ground on socially liberal policies, such as encouraging immigration.

Last but not least, a “red–red–green” coalition – that is, one in which the far-left Linke supported the SPD and Greens – is at least mathematically possible. The Linke are expected to get around 8 percent of the vote. The party is well outside the mainstream – it is anti-EU and anti-NATO, and proposed huge and largely unfinanced social spending programmes in its election manifesto. But some observers in Berlin argue that “red–red–green” is Merkel’s biggest nightmare. It would allow the SPD to avoid being the junior partner in a grand coalition. The hope would be that a coalition would crumble fast, leading to new elections in which the CDU would run without Merkel, its biggest asset. “Black–green” would then be Merkel’s only feasible countermove, which would put the Greens in the position of kingmaker.

The outcome of the German elections may only be decided in the final stretch of a campaign that has so far lacked political excitement. A key factor will be the degree to which the main parties can mobilise their core supporters on polling day. The latest economic data, which suggests that Germany is doing even better than expected, might benefit the CDU. But despite Merkel’s extraordinary personal popularity and her party’s overwhelming lead, the result in terms of the full parliamentary arithmetic and the ensuing options for government coalitions mean that the outcome is impossible to predict.

## All eyes on Berlin

Once the dust from the election campaign has settled and Germany has a new government, many European leaders would like to see Germany move beyond its often infuriatingly piecemeal approach to the eurozone crisis in favour of a politically and institutionally coherent project that can serve as a benchmark and perhaps even as a goalpost in the further debate. In particular, they want substantial German movement on three specific fronts: building a solid banking union; a growth strategy; and a greater commitment to European foreign policy. But whoever is in charge once the new government is formed is unlikely to try to meet these expectations. The divergences between Germany and its

partners run much deeper than disagreements on political and economic tactics or the scope or sequencing of reform. They are fundamentally the reflection of conflicting readings of European and national reality.

### *Banking union now*

Few other issues have recently caused as much aggravation among European policymakers as Germany’s perceived resistance against the speedy establishment of a strong banking union. Germany is seen as a foot-dragger that is defending national controls and resisting the European Commission’s plans for a common banking resolution authority as well as direct bank recapitalisation via the European Stability Mechanism (ESM). According to this view, the ESM should become the backstop for the European Resolution Mechanism – arguably the linchpin of any effective banking union – and the general assessment is that Germany holds the key for this to happen. German officials, on the other hand, argue that banking union is in reality the biggest and most important integration project the EU has ever seen, which cannot and should not be settled within a few months.

Europeans have now largely accepted that, because of German opposition, Eurobonds are not on offer. But many think the proposal for a debt redemption fund should be reconsidered in order to reverse the trend towards renationalisation of bond markets. Although opinion varies on the common deposit scheme and on debt mutualisation, many think that both ideas – and a bigger European budget – should eventually be considered. While German reluctance to accept full fiscal union without political union is perfectly understood, this, according to British MEP Andrew Duff, is the “crux of the matter”: to lead the argument for deeper fiscal integration means logically to prepare for European federal government.

Leading European policymakers accept that Germany does indeed face specific constitutional hurdles when it comes to the question of banking union and the ESM. Yet many suspect that Germany is “hiding” behind its constitutional court on this question, as former Spanish foreign minister Ana Palacio puts it, and criticise Germany’s perceived reluctance to tackle the question of a change of its national constitutional framework. Indeed, Europeans see the construction of a viable banking union as an overriding priority both to disentangle state from bank finances and to stabilise the European project in economic and political terms.

From a German point of view, this argument ignores the need to ensure that the banking union, with its potentially far-reaching implications for state finances and parliamentary sovereignty, is legally sound in constitutional terms and politically sufficiently legitimated. For Germany, this is a fraught debate. It was hard enough to set up the first pillar of banking union, the Single Supervisory Mechanism, which was placed under the surveillance of the European Central Bank (ECB). The German Bundestag passed a new law to

mandate the German representative in the European Council to vote in favour of the regulation on the basis of an article of Germany's Basic Law. This unprecedented vote in the Bundestag was a way to assert the political rights of the German parliament and endow the European directive with further national legitimacy.

The central unresolved question is the decision about who should control the Single Resolution Mechanism: European or national agencies. In an astonishingly public controversy, German Finance Minister Wolfgang Schäuble dismissed as legally unsound the proposal by Single Market Commissioner Michel Barnier, which gave the European Commission a central role.<sup>3</sup> The current German counter-proposal argues for a network of national banking authorities. But it fails to make clear what would happen if a national authority failed in its duties and how “effective moderation” within the network could function. The deeper issue is the unsolved issue of a (common) European deposit guarantee, which faces stiff German resistance. Without such guarantee, however, a serious European stress test for banks might put national public finances at risk and undermine market confidence.

The outgoing German government's view is that further change of the EU treaties is required before the necessary transfer of new powers to Brussels required for banking union can be initiated. Aware that full European treaty change is a risky endeavour, German officials have started talking about a new “amendment culture” allowing limited revisions whenever needed. Whichever the road, the end goal is clear: in the official German view, a properly functioning banking union – with a single supervisory mechanism, a single resolution mechanism, and a common resolution fund – only makes sense under a common European institutional roof. It cannot be set up without giving up further national sovereignty. In particular, Berlin fears that without formal treaty change, banking union would be challenged in the Constitutional Court in Karlsruhe, which is still considering the legality of the ECB programme of Outright Monetary Transactions and is expected to rule in October.

In sum, legal and political hurdles mean Germany is likely to continue dithering on banking union even after the elections – even if it may at some point be forced to give in. Neither the SPD nor the CDU refers extensively to banking union in their election manifestos; the SPD at least provides some details about financial regulation. But only the Greens mention explicitly all three pillars of banking union as political goals. Under these circumstances, it is hard to see where the political drive could come from – unless a resumption of dangerous market instability were to force a reluctant Germany to act.

### *A growth strategy*

A second issue policymakers across Europe feel strongly about is an overhaul of the budgetary policy mix in the eurozone. Many, especially in the southern states of Europe, want a new state spending push in those eurozone countries where economic activity is weakest. They urge Germany to take on a role analogous to that of the United States in Europe after World War II in order to avoid an economic catastrophe. “Germany has to deal with its biggest challenge of history”, said former Greek minister and European Commissioner Anna Diamantopoulou.

In particular, they want a rapid recapitalisation of banks to provide the system with liquidity and thereby revive investment and growth and further spending on education, infrastructure, and innovation. Germany needs to take responsibility to “bridge the gap between rhetoric and decisions”, says Loukas Tsoukalis. In parallel, Germany should do more to act as Europe's economic engine and boost domestic demand by encouraging higher wages and consumer spending as well as raising social spending. In short, the call is for a turnaround in German economic policy both at home and in the eurozone as a whole.

However, such calls clash radically with three deeply held German convictions about the current state of things in Germany and the eurozone. First, Germans are convinced that their own economy is doing very well thanks to hard work and tough policy choices. Second, most of them believe that, as painful as austerity may be, it is the only way for the eurozone's underperformers to get back to sustainable prosperity. Third, they feel that they are far less well-off than some of their southern neighbours seem to assume, that their own long-term prospects might not be that rosy, and that there remains much open or hidden wealth in countries such as Greece, Italy, or Spain that should rightly be tapped before Germans are asked to provide for their economically hardest-hit neighbours.

The latest economic data bear out the narrative of German success. Unemployment has fallen; tax revenue is flooding state coffers, enabling Merkel to fund billions in electorally motivated handouts to pensioners, mothers, and families.<sup>4</sup> Germany sees these successes to a significant extent as the consequence of the severe shrinking of its formerly generous welfare state during the chancellorship of Merkel's predecessor, Gerhard Schröder. In the minds of most voters, *Sparpolitik* – the German term for austerity – is what laid the foundation for Germany's ability to make money from the current phase of globalisation. If a policy of sound public and private finances, temporarily lower wages, and a leaner and meaner welfare state worked for Germany, it should work for

<sup>3</sup> Eric Bonse “Entzieht sich Deutschland der Bankenunion?”, *Cicero*, 12 July 2013, available at <http://www.cicero.de/kapital/europa-entzieht-sich-deutschland-der-bankenunion/55040/seite/3>.

<sup>4</sup> See “Merkel kündigt Wahlgeschenke in Milliardenhöhe an”, *Handelsblatt*, 31 May 2013, available at <http://www.handelsblatt.com/politik/deutschland/wahlkampf-merkel-kuendigt-wahlgeschenke-in-milliardenhoehe-an/8279484.html>.

others too.

There is another side to Germany's collective narrative, one that is much less well-known outside the country but nearly as important. The Germany of wealth co-exists with a much poorer and less visible country marred by painfully low incomes, decaying infrastructure, empty local and regional budgets, an aging population, and a shrinking workforce. The German domestic debate is focused increasingly on income disparities and growing poverty at home, especially for retired people, and the social tensions it is producing.<sup>5</sup>

This debate explains why the SPD has chosen to focus on social issues in the current electoral campaign and emphasise its caring "left" side and not, as under Schröder, its closeness to business. Other parties such as the Greens now also stress the fragile social dimension of Germany. They say Germany cannot spend more on others in Europe. Rather, each country in Europe must be responsible for itself. Europe should not become a "transfer union" with Germany as the overtaxed paymaster. Thus Germany is unlikely to support costly, credit-financed employment initiatives or European infrastructure projects whatever the outcome of the election. Even the left-wing parties are much more "conservative" – or "ordo-liberal" – than their European counterparts.<sup>6</sup>

Europe is thus trapped between two rival and antagonistic myths about how the continent got into the crisis in the first place and how it should get out. Worse, the divergent perceptions of the present each rest on a self-serving reading of the past. The German public discourse obstinately sticks to describing Europe's fundamental ailment as a *Verschuldungskrise*, a crisis of excessive indebtedness. Saving is the only solution. Rare are German analyses that differentiate between the situations in Greece, Ireland, or Spain, that point to the disastrous pro-cyclical effects of austerity, or that call for solidarity in the form of a European Marshall Plan. In this sense, the German economic discourse is surprisingly monolithic. A clear distinction is drawn between "guilty" southern debtors and blameless northern creditors. If, as Germans believe, reckless state spending was the disease, it follows that public austerity must be the cure. To see excessive austerity as part of the problem is the reflection of a self-defeating mindset unwilling to overcome the addiction to credit – a sign that the cultural switch to a financially sustainable lifestyle has yet to be completed.

Inconvenient facts that jar with this narrative are conveniently omitted from the public discourse. Few German politicians have told the public how much money the country has made from the single market and the euro, how leading German

banks helped finance and encouraged the spending splurge in the south of Europe, or how Germany profited even out of the euro crisis through the negative interest rates on its bonds. The unfortunate role the German *Landesbanken* played in the euro crisis has hardly been debated in public. Few Germans were told then or remember today that the sovereign debt crisis resulted to a decisive degree from the need to rescue the financial sector and the real economy from collapse.

Some room for flexibility remains: Germany enjoys being tough on sinners but does not want to be seen as punishing the innocent. When soaring youth unemployment in southern Europe made headlines across the continent, including in Germany, Merkel acted to head off criticism and hosted a European youth unemployment summit in Berlin. But the message was: "We will help, but we won't change our policy." Merkel, Schäuble, and Foreign Minister Guido Westerwelle have each flown to Greece on separate missions to express respect, sympathy, and support – but also to encourage Athens to stay on the path of austerity and reform. Nothing today suggests that Germany will be ready to change that approach after the elections. Seen from Berlin, every positive economic statistic to come out of France, Portugal, or Spain strengthens the German argument that austerity is working. All it needs is time, patience, and harder work for lower pay.

#### *A commitment to European foreign policy*

The third specific request from European policymakers is for a clear German commitment to a common European foreign policy. Europe cannot have a strategic focus without Germany, but Germany itself lacks a strategic focus. According to Charles Grant of the Centre for European Reform, "Germany is the big problem" in the Common Security and Defence Policy (CSDP) because it either pursues its national interest or remains neutral. In particular, many blame Germany for the failure in November 2012 of the proposed merger between EADS and BAE Systems. Even if Europeans expect Berlin to provide leadership in negotiations with the United States on a Transatlantic Trade and Investment Partnership, they want German foreign policy to be more than trade policy. Germany should make more use of the leverage offered by the EU and contribute to a coherent foreign policy debate within it, for instance by pushing for what former Danish minister Lykke Fries calls a "European *Ostpolitik*".

However, these calls from abroad for Germany to engage more fully with the management of international tensions, threats, and conflicts find little echo in Germany itself. Although the international community seethed with indignation about the German abstention in the United Nations Security Council in March 2011, 70 percent of Germans did not want to see their country engaging militarily in Libya. Germans saw no need to engage militarily at the side of France in Mali in January 2013 to prevent an immediate massacre in Bamako. Instead, it made a symbolic gesture of support by loaning France two Transall cargo planes. The EADS–BAE Systems merger

<sup>5</sup> See Hans-Ulrich Wehler, *Die neue Umverteilung. Soziale Ungleichheit in Deutschland* (Munich: C.H. Beck, 2013); "Lebenslagen in Deutschland. Die vierte Armuts- und Reichstumsbericht der Bundesregierung", Bundesministerium für Soziales und Arbeit, March 2013, available at [http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen-DinA4/a334-4-armuts-reichtumsbericht-2013.pdf?\\_\\_blob=publicationFile](http://www.bmas.de/SharedDocs/Downloads/DE/PDF-Publikationen-DinA4/a334-4-armuts-reichtumsbericht-2013.pdf?__blob=publicationFile).

<sup>6</sup> On "ordo-liberalism", see Sebastian Dullien and Ulrike Guérot, "The Long Shadow of Ordoliberalism. Germany's Approach to the Euro Crisis", European Council on Foreign Relations, February 2012, available at [http://ecfr.eu/page/-/ECFR49\\_GERMANY\\_BRIEF.pdf](http://ecfr.eu/page/-/ECFR49_GERMANY_BRIEF.pdf).

was seen only as an inappropriate deal for German industry rather than as an opportunity to build an industrial platform for European defence.<sup>7</sup>

For half a century after World War II, Germany has been taught – and taught itself – to avoid autonomous strategic thinking on a global scale. The political and economic restraints imposed on West Germany in 1949 – strong regions to prevent a strong central authority, the divestiture of heavy industry, the independence of the constitutional court, the *Parlamentsvorbehalt* (that is, the constitutional requirement for parliamentary agreement) to send military expeditions abroad, to name just a few – have created a strategic vacuum. The German elite obsesses about business rather than diplomatic or military strategy. German citizens agree and see nothing wrong with living comfortably in a larger version of Switzerland.

German “mercantilism” – the dominance of commerce over diplomacy – may be a problem in European eyes, but in Germany it is a source of pride. While others engage in risky and often misguided war-games and other foreign adventures, Germany sells its excellent goods to the world and acquires wealth and the respect that comes with it. Germans think that, rather than chasing the pipedream of a global European diplomatic or military power, they are showing by example an alternative vision of Europe’s role in the twenty-first century. While Anglo-Saxon newspapers publish article after article about the conundrum of the reluctant “German hegemon” and complain about the lack of a strategic vision in Germany, Germans see this as a foreign and ultimately silly discussion – a distraction from the real issues facing Europe.<sup>8</sup>

## The German debate

What, then, would a serious German draft for a European to-do list look like? The first thing to understand is the fundamental importance Germany attaches to constitutional legality, both in terms of EU treaties and its own Basic Law, and to full parliamentary legitimacy – even at the cost of creating suboptimal conditions for the economic recovery and political cohesion of the eurozone and the EU. Whether on banking union or European-wide spending programmes, political function, far from dictating legal form, must follow it. A single resolution mechanism, no matter how urgent or desirable, therefore requires some form of treaty “amendment”. Full banking union needs an openly acknowledged and constitutionally sound renouncement of sovereignty. The real question is whether other key partners such as France are ready to swallow these terms.<sup>9</sup>

<sup>7</sup> See Christian Mölling, “EADS und BAE – eine rüstungspolitische Bruchlandung”, Stiftung Wissenschaft und Politik, 12 October 2012, available at <http://www.swp-berlin.org/de/publikationen/kurz-gesagt/eads-und-bae-eine-ruestungspolitische-bruchlandung.html>.

<sup>8</sup> See Jochen Bittner, Matthias Geis, Jörg Lau, Bernd Ulrich and Ronja Wurmb-Seibel, “Wir tun doch nix”, *Die Zeit*, 1 April 2013, available at <http://www.zeit.de/2013/13/Deutschland-Aussenpolitik>.

<sup>9</sup> See Ulrike Guérot, “Berlin notebook: does France hold the keys to Europe?”, European Council on Foreign Relations, 9 July 2013, available at [http://ecfr.eu/blog/entry/berlin\\_notebook\\_does\\_france\\_hold\\_the\\_keys\\_to\\_europe](http://ecfr.eu/blog/entry/berlin_notebook_does_france_hold_the_keys_to_europe).

At the same time, Germany has now come to accept and indeed embrace the French argument that a big overhaul of the European institutional system, complete with a convention and ratification in all 28 member states, is a train wreck waiting to happen. Thus full-blown treaty change under Article 487 of the European treaties looks and is simply impossible under current political conditions. If the grand entrance to EU institutional reform is closed, the back door is all that is left. Seen from Berlin, the EU is heading for a “silent revolution” of its institutional system centred on the eurozone, with the ESM as a nexus for further integration and the European Commission a more marginal player.<sup>10</sup>

The result of this approach is likely to be an increase in overall differentiation between the EU and the eurozone. Of course, everybody will be invited to join this newly designed Euroland-Europe – the idea is to be “inclusive”. But everyone knows that some countries such as Sweden and the UK will want to stay out and that others such as Bulgaria, Hungary, and Romania will have a hard time coming in any time soon. Conditions for joining the post-crisis euro and participating in the new contractual agreements to stabilise it will be more exacting than at the time since the Maastricht Treaty in 1992 or the accession treaties in 2004 – not least because they will have to contribute to the ESM.

What makes all of this German thinking about the EU’s and the eurozone’s future so difficult to gauge is the inherent tension between the country’s continued insistence on a strictly legalistic approach to EU reform and its pragmatic acceptance that major treaty reform is impossible in the foreseeable future. This paradox has been central to Berlin’s recent European policy and will remain so after the elections. Grasping its full implications is the only way to understand the policy choices Berlin has made of late and is likely to make in the post-electoral future – whatever the shape of its new government.

Inasmuch as there is a debate about full and formal institutional change in Europe, its focus has shifted away from the old dichotomy between federalism and intergovernmentalism. The new bone of contention is between “executivism” (based on France’s political tradition of executive-based discretionary approaches) versus “parliamentarism” (based on the German parliamentary culture of accountability and rule-based decision-making). There is much talk in Berlin of building a “transnational” Europe based on networks of national authorities. The European Parliament and national parliaments would jointly control a redesigned eurozone executive of which the nucleus would be formed by the ESM, a eurozone treasury, and a finance minister – the embryo of a future European government. There is also discussion about how to organise European democracy. A core idea, reflected in

<sup>10</sup> See Piotr Buras, “The EU’s Silent Revolution”, European Council on Foreign Relations, September 2013, available at [http://www.ecfr.eu/publications/summary/the\\_eus\\_silent\\_revolution214](http://www.ecfr.eu/publications/summary/the_eus_silent_revolution214)

the Westerwelle report on the Future of Europe, is to create a clearer distinction between legislative and executive power.<sup>11</sup>

However, there is another less benign reading of the current German debate. Critics suspect that the focus on “transnational” ways forward – bypassing supranational mechanisms for the governance of the eurozone – is a hidden strategy either to transfer competences back to the national level or to keep them from shifting there in the first place. Indeed, many leading voices in Germany, including Merkel herself, have welcomed the British government’s European reform agenda. On the left of the political spectrum, some prominent political economists have recently argued that the social costs of the eurozone are too high, especially for its southern member states, and that a return to national currencies might be a better option.<sup>12</sup>

The fact remains that all these discussions amount to far less than an attempt to work out a coherent economic and political concept for the eurozone and the EU. The SPD and the Greens do lay out a more coherent vision on Europe in their manifestos, comprising among other things an institutional design based on a supranational structure, more social European rights, a clearer division of power in the EU, and a directly elected EU president. But it is telling that it is the CDU, which is the least outspoken party, that leads in the opinion polls. Indeed, even many ardent German advocates of further European integration argue that now is not the right time for putting forward an encompassing vision.

For many in Europe, a clear vision would give their citizens a perspective to explain where the current economic pain is leading. But many Germans would see a grand plan as a ploy to push the country into a full-blown “transfer union” designed to sustain more than a dozen tottering economies with German treasure. Even though German citizens are still, despite the crisis, essentially pro-European, they are increasingly defensive or distant. As it basks in praise for its economic prowess, even from some in Italy such as the philosopher Angelo Bolaffi, Germany might be said to be too pleased with itself to devote itself to Europe.

## Conclusion

Germany *cannot* now put forward a coherent vision for Europe’s future and comply with the strategic demands of its partners. If it were to assume a more dynamic leadership role, some of the same partners might see Germany as overbearing in a different way. The task for the next decade will be, above all, to work on developing a common understanding of the key issue: where the others talk about politics, Germany talks about law; where France and the UK talk about strategy, Germany talks about business. This is why the European debate that is taking place in Germany is so often misunderstood or overlooked abroad: it does not fit into the classical strategic patterns. Germany and the rest of Europe are operating on different frequencies.

Germany may be central to European politics but it sees itself as a leading role model rather than as a power with an obligation to lead. The German intelligentsia remains amazingly agnostic about the need to do more for Europe and speed up the process of integration. Germany is listening carefully enough to Europe’s demands, but only does the minimum to ensure they do not upset the nation’s equanimity. Whatever the outcome of the elections, they are unlikely to usher in a change. Rather, the decisive time for the EU will be after the European elections in 2014, when new leaders take over and the UK holds a referendum on its membership of the EU. This is when the European deck of cards might be dealt anew – with Germany neither the only player nor the main one. It does no harm to remember this fact at a time when German politics is being watched in Europe with much trepidation – in fact too much, given the years that lie ahead.

<sup>11</sup> See the final report of the Future of Europe Group, 17 September 2012, available at <http://www.auswaertiges-amt.de/cae/servlet/contentblob/626338/publicationFile/171844/120918-Abschlussbericht-Zukunftsgruppe.pdf>.

<sup>12</sup> See, for example, Wolfgang Streeck, *Gekaufte Zeit. Die vertagte Krise des demokratischen Kapitalismus* (Berlin: Suhrkamp, 2013), pp. 25 ff.

<sup>13</sup> See Angelo Bolaffi, *Il cuore tedesco. Il modello Germania, l'Italia e la crisi europea* (Rome: Donzelli, 2013).

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## Acknowledgements

A paper such as this cannot be written alone. First, and above all, I am thankful to the ECFR Council Members and (other) European friends who agreed to be interviewed for and quoted in this paper: Ana Palacio, Teija Tiilikainen, Andrés Ortega, Charles Grant, Paweł Świeboda, Anna Diamantopoulou, Giuliano Amato, Kalypso Nicolaïdis, Lykke Friis, Ivan Krastev, Georgi Pirinski, Giuseppe Scognamiglio, and Aleksander Smolar; and to others who did not want to be named because they are in government positions. Thanks to all of them for taking the time to be interviewed.

I am also grateful to Quentin Peel of the *Financial Times*, who saw a first draft of the text and helped to improve it a lot. Arndt Freytag von Lohringhoven of the German foreign ministry gave helpful comments and criticism; so did Armin von Bogdandy of MPI Heidelberg on some of the legal aspects, and some other friends from the German foreign ministry, the finance ministry, and the financial markets on the questions of banking union, though they did not want to be quoted.

Finally, I am very thankful to Thomas Klau, my ECFR colleague in Paris, who did a great job editing the paper. Hans Kundnani gave a last critical look. Finally, my intern, Ana-Constantina Kolb, helped me to get the footnotes right and assisted me with all the emails, tasks, traffic, and organisation that go along with such a paper.

My colleagues in Paris (Thomas Klau), Rome (Silvia Francescon), Warsaw (Piotr Buras), Berlin (Olaf Böhnke), and Madrid (José Ignacio Torreblanca), and their respective assistants (Pirro Vengu, Teresa Coratella, Marta Makowska, Felix Mengel, and Marisa Figueroa) helped to organise an advocacy tour of the paper to various European capitals to present it before the German elections. Thank you all very much!

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ISBN: 978-1-906538-88-0

Published by the European Council on Foreign Relations (ECFR),  
35 Old Queen Street, London,  
SW1H 9JA, United Kingdom

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