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Germany as Viewed by Other EU Member States

Almut Möller and Roderick Parkes (eds)

Abstract

This paper brings together contributions from a cross-section of EU member states and the Gallup World Poll survey on the question of how Germany is being viewed at this time of economic and political crisis. Even if the findings suggest that EU members are not as critical of Germany as they have been in recent years, German diplomacy must improve. In the heavily intergovernmentalised setting of EU decision-making today, there is talk of a “constant German EU Presidency”, which calls for a degree of inward coordination and outward-looking consultation from Berlin. Second, members of ‘core Europe’ have traditionally balanced their relations with Germany through close ties with member states now relegated to a second tier of European integration. Berlin’s closest partners are deeply nervous about these developments. Third, Germany’s current weight reflects only the conjuncture of extraordinary domestic and international economic factors. The way that Germany and the other member states behave towards one another now will have implications for their own treatment long after this moment has passed. In short, the ‘Union method’ and ‘multi-speed integration’ are already being used to excuse exclusion and fragmentation within the EU. Germany, at the heart of these developments, badly needs to develop a new style of interaction, before it too falls victim to these trends. This present paper is designed to help it do so.

Acknowledgements. Much work has been carried out recently to explain Berlin’s take on the roots and remedies of the euro crisis. EPIN decided to shift the perspective and ask our colleagues and members from think tanks across the EU how ‘the new German question’ is being discussed in their respective countries.

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Foreword

When I was a member of the European Commission from 1999 to 2004, I saw the evolution of Germany's role very clearly within the EU. At that time, Germany was experiencing a kind of 'normalisation': Gerhard Schröder was the first chancellor to be born after the Second World War and he dared to assert that Germany had its own national interests which were not necessarily congruent with European ones. 'German power' was back.

I remember too that during the Nice Treaty negotiations in December 2000, Germany managed to impose on the other member states, and especially on France, a 'breaking of ranks' that ensured that the number of German MEPs was aligned with its status as the Union's largest member state. It also maintained a hard line during negotiations for the EU multiannual financial framework (2007-2014). Finally, Germany played a key role in the EU's 2004-2007 enlargement to Eastern and Central European countries, which was in line with its interests in the region.

As a commissioner, I also experienced Germany's political system and its potential impact on European affairs. Whereas the EU Council meetings then gathered 15 EU ministers, I met several times in Germany with ministers from each of the 16 *Länder* in charge of Justice and Home Affairs. The principles of subsidiarity and competence-sharing are very well known in Germany compared with the EU level. I had the opportunity to represent the Commission, together with Michel Barnier, at the Convention on the Future of Europe in 2001-2002 and I can very clearly remember how the German representatives tried to give greater weight to both of those principles within the European Union's new framework. Their wish to adopt a catalogue of competences was rejected but, as regards the "shared competences", they obtained a clearer definition of the content of the European interventions.

As a Portuguese citizen, my experience of Germany's management of the sovereign debt crisis might be slightly different. Indeed, the German government has been very critical of several other member states, including my own. But one has to be aware of the huge evolution of Germany's position on financial assistance and economic governance during the Greek crisis and beyond. In fact, during the EU Convention, Germany was strongly opposed even to addressing the question of what economic governance might look like at the EU level; a decade later, it was Germany that took the initiative to promote a legal framework based on fiscal discipline. It might be insufficient in terms of coordinating national economic policies to fight against competitiveness unbalances, but it is nevertheless a very relevant evolution.

Germany's problem is not so much that it is generally right about the need for fiscal discipline but that it has to learn how to be right: this is the most difficult issue to manage from a political standpoint. German *ordoliberalism* calls for stringency, austerity, and fiscal consolidation measures, but economic growth is also necessary to reassure markets and minimise the negative effects of recession. German leaders finally understand this fact, as proven by the 'redemption pact' proposed by the 'Five Wise Men' and by recent public statements about inflation in the eurozone and about the evolution of German domestic demand.

To a certain extent, we can say that Berlin is increasingly imposing its economic preferences on others in the eurozone. But if we also enjoyed its level of economic success, wouldn't we also be tempted to persuade others of the merits of our own methods?

As president of *Notre Europe*, an organisation with a truly pan-European vision, I would like to underline that there is no doubt that Germany still wants to be strongly anchored to the European project. Chancellor Merkel's declarations are very clear in this regard, and she is even calling for further EU integration, as one can see from the resolutions adopted in the last CDU party congress, as well as in many of her other recent speeches.

Germany is experiencing its ‘unipolar moment’ in Europe: the German government and administration are not yet wholly comfortable with this situation, which carries dangers for the cohesion and consistency of the European project. Germany, in foreign policy as well as in economics, can exert decisive leadership in the EU, but it has to want this. All other member states recognise the *de facto* leadership position of Germany, but it is often reluctant to assume the full range of consequences. Moreover, Germany has to be careful not to turn its back on its European partners when using economic means to pursue its foreign policy ends.

The great interest of the EPIN Working Paper on “Germany as viewed by the other member states” lies in its presentation of the various member states’ attitudes towards Germany. It enables readers to draw several interesting conclusions and allows for EU countries to be sorted into several categories:

Many northern and eastern European countries are rather positive towards Germany’s attitude during the crisis. These countries tend to be very closely connected with Germany economically and/or have very similar cultural standards. Many eastern European countries also remember that Germany played a key role in favour of EU enlargement after the end of communism.

On the other hand, southern European countries are rather critical of the German attitude. They sometimes express very strong criticism, as they did in the case of Greece, where “Germany is synonymous with evil and responsible for the Greek tragedy.” These countries were strongly affected by the crisis and did not accept what they perceived as a lack of German solidarity during parts of the eurozone crisis.

Finally, I think it is worth noting the case of France, not only because of the special relations between both countries, but also because it is often said that if Germany and France can agree, then all countries will agree. Culturally, France is, contrary to Germany, close to the southern European countries in several ways. But both countries need each other: Germany needs France to legitimate its decisions whereas France needs Germany to carry on playing a key role in European affairs. The ‘Merkozy’ tandem has been heavily criticised: they tried to find solutions to address the crisis but it would have been much wiser if they had been more open to other EU countries and paid more attention to the role of European institutions.

The new French President François Hollande is very aware of the importance of the German-French relationship and made a point of making his first foreign visit as president to Germany to meet Chancellor Merkel. Even though they might not have the same priorities, austerity vs. growth, they both tend to have a consensus-building attitude. This could be very useful in addressing the ongoing crisis in the eurozone, in as much as President Hollande also insists on including EU institutions and other EU member states, which delights me. Beyond the financial and economic crisis, the EU is also suffering a crisis of confidence and Germany still has a major role to play in resolving it.

António Vitorino
President of Notre Europe

Changes in the Image of Germany – 2006 to 2011: Evidence from the Gallup World Poll

Nicolas Scharioth*

Data from the Gallup World Poll reveals that Germany's leadership enjoys high levels of approval in most EU countries and that it compares favourably to perceptions of leadership in relation to France or the UK. So far, in most states approval of German leadership has benefited since the onset of the financial crisis, except in Greece, where support for German leadership has plummeted in recent years.

Since the start of the eurozone crisis, there has been renewed interest in the question of German leadership. Germany's European partners are seeking the country's leadership in solving the continent's economic and financial problems. At the same time, perceived German dominance has led to fears of a rise in anti-German sentiment in crisis-stricken countries. While media attention has focused on high-profile reactions such as flag burnings¹ or Nazi caricatures in newspapers,² less is known about how widespread such sentiments are across Europe.

Gallup World Poll - methodology

Data collected as part of the Gallup World Poll can shed light on this question since the survey regularly asks respondents to evaluate the leadership of various major world or regional powers. This includes Germany, France and the United Kingdom. The question Gallup uses is formulated so as to encompass a general assessment of leadership – not specific to a policy area or region: “Do you approve or disapprove of the job performance of the leadership of [COUNTRY]?”

Gallup has collected data on such questions since 2006 in 160 countries around the world – including all 27 EU member states. The World Poll is conducted each year with a random sample of a minimum of 1,000 people in each country and the results are post-stratified by demographic characteristics to ensure that they are representative. Results are based on face-to-face and telephone interviews with adults in each EU member state between 2006 and 2011. For results based on each sample of national adults, one can say with 95% confidence that the maximum margin of sampling error ranges from ± 3.5 percentage points to ± 4 percentage points. The margin of error reflects the influence of data weighting. In addition to sampling error, question wording and practical difficulties in conducting surveys can introduce error or bias into the findings of public opinion polls.³ The data presented here allow for a detailed analysis of

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¹ See <http://www.youtube.com/watch?v=Gi3mNDWkb4w>.

² See *Der Spiegel* (<http://www.spiegel.de/international/zeitgeist/when-in-doubt-call-them-nazis-ugly-stereotypes-of-germany-resurface-in-greece-a-817995.html>).

³ For more complete methodology and specific survey dates, see [Gallup's Country Data Set](#) details.

how perceptions of the leadership of Germany and other European powers have changed since the beginning of the crisis.

Figure 1 presents an overview of sentiment regarding Germany's leadership. The data – collected in the most recent wave in 2011 – reveal that approval for the German leadership's job performance is above 50% in 15 EU member states, with approval surpassing two-thirds in three states: the Netherlands (72%), Hungary (69%), and Finland (68%).

The proportion of those who approve of Germany's leadership is much higher than those who disapprove, by a strong margin in all EU member states, with two exceptions: Greece and Cyprus (in the latter approval and disapproval is divided almost equally). In Greece, disapproval (66%) of German leadership heavily outweighs approval (21%). In general, there is an inverse relationship between the approval of a country's leadership and the inability to answer the question (the rate of "don't know" rises from 19% in the Netherlands to 71% in Malta). Greece, with 13%, is the exception to this rule, signalling that almost everybody has a strong opinion on the issue.

It is informative to compare the results from 2011 with data gathered in 2006, before the start of the current crisis. The columns on the right of Table 1 denote the approval rates for 2006 and the 'swing' in opinion since then. In seven EU countries, the balance of approval to disapproval has shifted significantly towards approval. Some strong five-year shifts can be seen in Spain (+35%), France (+16%), Hungary (+15%), Italy (+13%), Poland (+10%), and Denmark (+9%). Interestingly, this list includes many of the larger EU states. In 16 member states, sentiment has stayed more or less the same between 2006 and 2011. In three European countries, attitudes towards German leadership show a sharp drop in approval rates. The most striking example is Greece (-17% swing since 2006), Luxembourg (-12%) and Latvia (-9%).

Table 1. Do you approve or disapprove of the job performance of the leadership of Germany?

Country	Approval 2011	Disapproval 2011	DK/Refused 2011	Approval 2006*	% Swing 2011-2006
Netherlands	72%	9%	19%	72%	±0%
Hungary	69%	6%	25%	54%	+15%
Finland	68%	13%	19%	68%	±0%
Lithuania	59%	10%	31%	54%	+5%
France	59%	15%	26%	43%	+16%
Luxembourg	59%	19%	22%	71%	-12%
Denmark	58%	11%	31%	49%	+9%
Slovenia	58%	15%	27%	63%	-5%
Spain	58%	16%	26%	23%	+35%
Romania	57%	6%	37%	53%	+4%
Austria	56%	22%	22%	58%	-2%
Bulgaria	55%	8%	37%	57%	-2%
Estonia	53%	11%	36%	49%	+4%
Slovakia	53%	14%	33%	14%	+39%
Ireland	53%	15%	32%	49%	+4%
Latvia	49%	15%	36%	58%	-9%
Belgium	47%	15%	38%	47%	±0%
Czech Republic	47%	15%	38%	45%	+2%
United Kingdom**	43%	11%	46%	42%	+1%

Italy	42%	17%	41%	29%	+13%
Poland	42%	24%	34%	32%	+10%
Sweden	34%	11%	55%	33%	+1%
Portugal	30%	15%	55%	29%	+1%
Cyprus	28%	24%	48%	32%	-4%
Malta	23%	6%	71%	23%	±0%
Greece	21%	66%	13%	38%	-17%
<i>Notes:</i> Sorted by approval, swings statistically significant at the 95% level in bold ; * Netherlands (2007), Luxembourg (2008), Malta (2008); ** UK 2010 values for 2011; <i>Source:</i> Gallup World Poll					

Germany's image is an assessment of the country's relative standing vis-à-vis other major powers. Besides Germany, the Gallup World Poll also asks respondents to assess the job performance of the leadership of other major European players such as France and the UK.⁴ Table 2 summarises the approval rates for the year 2010 – the last wave for which comparable data are available for all three powers.

Table 2. Approval for Germany, France and the UK (2010)

Country	Germany	France	UK
Netherlands	70%	47%	49%
Finland	66%	51%	51%
Hungary	66%	50%	53%
Denmark	63%	39%	41%
Slovenia*	62%	39%	32%
France	58%	36%	32%
Luxembourg	57%	39%	31%
Lithuania	57%	41%	52%
Romania	55%	47%	43%
Bulgaria	54%	45%	43%
Austria	53%	29%	27%
Spain	50%	46%	33%
Czech Republic	50%	43%	49%
Ireland	49%	43%	46%
Slovakia	47%	40%	37%
Latvia*	44%	32%	31%
Germany	43%	40%	30%
United Kingdom	43%	33%	45%
Estonia*	42%	38%	34%
Italy	38%	28%	26%
Sweden	38%	23%	29%
Poland	37%	37%	39%

⁴ Within Germany, France and the UK approval of the job performance for the own country's leadership was used.

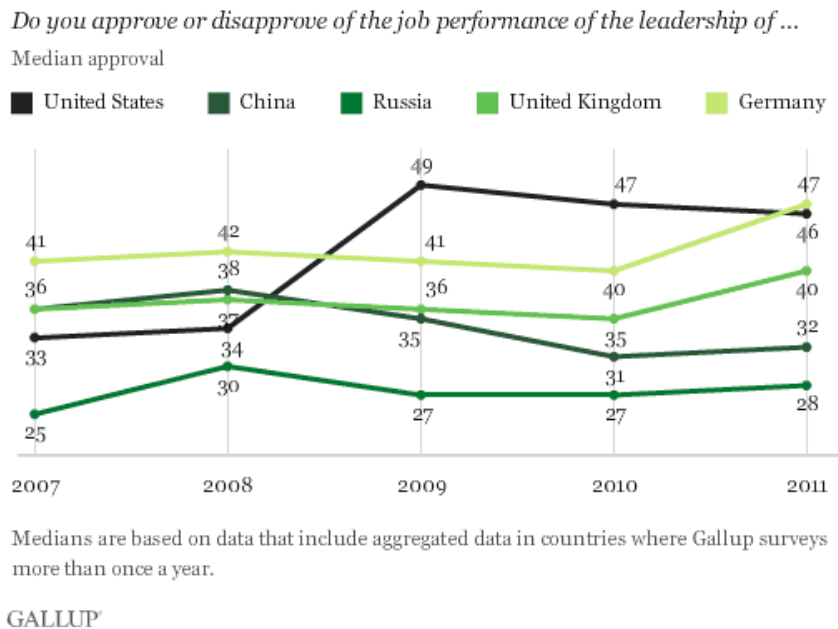
Portugal	30%	23%	19%
Belgium	28%	23%	19%
Cyprus	26%	29%	21%
Malta	23%	18%	17%
Greece	23%	36%	21%

Notes: Sorted by Germany's approval; statistically significant difference at 95% level between first and second placed marked **bold**;
 * 2009 values
Source: Gallup World Poll

The data reveal a striking result. Germany's leadership is viewed more positively than that of its rivals France and the UK by a statistically significant difference in 17 member states. In countries such as Hungary, the Netherlands, Denmark, and Finland, there are wide margins between Germany and the second most popular power. For instance, in the Netherlands, Germany has an approval rating of 70%, with the UK coming in second with 49%. France has a higher approval balance in Greece, by 36% to Germany's 23%. By contrast, nowhere in Europe is the United Kingdom more popular than Germany by a statistically significant margin. Finally, there is no clear most popular power in nine member states.

A quick glance beyond Europe reveals that Germany's image compares well to that of other major powers, also at the global level. Figure 1 indicates that the popularity of German leadership was virtually identical to that of the United States in 2011 and has improved in recent years. In many countries around the world Germany is the most popular major power.⁵

Figure 1. Global approval rates of major powers



There are several lessons that can be drawn from the World Poll data collected by Gallup. First, within the European Union, German leadership is rated at very high levels. With the significant

⁵ More information can be obtained from: (<http://www.gallup.com/poll/153965/Germany-Tie-Highest-Approval-Among-Top-Powers.aspx#1>).

exception of Greece (and Cyprus), approval is higher than disapproval by large margins in virtually all EU states.

Second, in comparing the current data with data collected before the onset of the crisis, it is evident that Germany's image has improved in many member states, and particularly in the larger states. At present, Germany's leadership appears to be valued both inside and outside the eurozone and in the north and south of the EU. It will be interesting to see if these trends continue in the future, particularly in the crisis-affected countries of the eurozone periphery.

Third, comparing approval of Germany with that of France and the United Kingdom reveals that Germany is the most popular major power in a majority of countries.

Fourth, Greece is proving to be a massive exception. Approval of Germany there has collapsed and a majority of Greeks now disapprove of the country's leadership. German leaders can perhaps take heart in the fact that such swings can also happen in the other direction, as illustrated by the examples of Spain and Poland.

Finally, it is worth taking note of the rise of Germany's image outside Europe. The political and economic challenges of the financial crisis appear not to have dented approval of the country's leadership.

It's Germany Stupid! The Greek-German Misunderstanding

George N. Tzogopoulos*

The Greek crisis, which broke out in October 2009, is multi-faceted, having played out in the economic, political, and social arenas. It has also had a significant impact on the country's media and public debate. The idea of Greeks taking on a European identity has given way to emerging ethnocentric feelings and an increasing antipathy towards 'foreigners.' Representatives of the European Central Bank (ECB), the European Commission (EC), and the International Monetary Fund (IMF) – the so-called Troika – have been demonised in public debates. But it is Germany – the leading economic power in Europe – that has been marked out as the 'other'; becoming synonymous with 'evil' and being made responsible for the Greek tragedy.

Of all the national crises playing out within the eurozone, the Greek crisis is the only one to feature a degree of continuous hostility between two of its members at both the political and public levels. In Ireland, Italy, Portugal, and Spain, the crisis did not turn into a bilateral clash. German economic policy is certainly criticised in these other countries, but it has not taken the extreme form found in the Hellenic Republic. Why has the Greek case triggered a wave of hostility towards Berlin? The following analysis will seek to answer this question by considering Germany's image in the Greek political, media, and public agendas. It will also attempt to suggest practical solutions that could contribute to an improvement in the relationship.

Scapegoating as a persuasion technique

Germany's role in the response to the European debt crisis is easily understood. The recipe of austerity, drastic fiscal consolidation, and IMF involvement in rescue packages has largely represented its national strategy. Moreover, Berlin has made no secret of its frustration when weak and undisciplined countries like Greece have failed to live up to its own standards. For Germany's part, it is perhaps convenient to attribute the crisis shaking the foundations of the common currency to the performance of a single state. The insistence on an expiatory victim could postpone other radical policy decisions such as of the introduction of Eurobonds or a Euro-wide banking resolution system that would lead to further integration and require the transfer of national powers to the Union. Naturally, a lively debate is in progress that associates Germany with the prolonging of the eurozone crisis in Greece. Of course, this reflects a misconception on the part of several politicians, journalists, and academics who consider the Memorandum of Understanding unsuccessful while often ignoring the fact that the Greek government has only partially implemented it.

An adjustment-economic programme – like the one inspired by Germany and imposed by the European Union – cannot be fairly judged if it is not properly applied. Starting in May 2010, Greek authorities have mainly concentrated on salary and pension cuts as well as tax rises, but have shown almost no progress in carrying out structural reforms and privatisation. In addition to this, laws passed in the Parliament have not been enacted because the politicians lack the will

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or are unable to win the battle against trade unions and privileged groups. As a consequence, the majority of Greek citizens are now paying a heavy price. They are victims of their government's one-sided response to the crisis, which has finally led the country into a paralysing recession.

This is in line with Greek politicians' traditional *modus operandi* of putting personal and narrow political interests above national interests and of transferring responsibility for failures and omissions either to political opponents or to external factors. In other words, scapegoating has been the persuasion technique of choice for members of both the conservative and the socialist parties for years, helping them to achieve their own priorities at the expense of the Greek population and future generations. In a remarkable pre-crisis example, when Greece was hit with wildfires in August 2007, then Minister of Public Order, Viron Polidoras, attributed his government's failure to save parts of the country to the "general wind." At precisely that time, he argued, winds had changed direction, hindering the work of fire-fighters.

Being well versed in finding scapegoats, it is not surprising that Greek politicians have adopted a similar persuasion strategy since October 2009. In a simplistic but straightforward way, they have not hesitated to condemn Germany for the slow death of the Hellenic economy. Within this framework, personifications have become an important feature, as Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble are the figures that have garnered the most blame. Specifically, criticism is interwoven into three interconnected aspects. The first is Berlin's alleged delay to act pre-emptively in support of Greece in the beginning of 2010 and immediately emphasise the need for a European bailout package. The second is Germany's supposed intransigence in accepting a growth plan to help the bankrupt country escape recession. And the third is its presumed strategy of adopting an aggressive rhetoric vis-à-vis the Hellenic Republic in order to accrue immediate political benefits at home.

There are a plethora of examples that highlight the stance of Greek politicians towards their German partners. A striking one is the phrase used by Greek President Karolos Papoulias on 15 February 2012. Referring to the German finance minister, Papoulias said: "I don't accept that my country is vilified by Mr. Schäuble. I don't accept it as a Greek person. Who is Mr Schäuble to humiliate Greece?" In similar cases, the leader of the right-wing party LAOS, George Karatzaferis, focused on "German domination" while the leader of the left-wing SYRIZA, Alexis Tsipras, concentrated on the "economic chauvinism of Ms. Merkel." In addition, former PASOK member and now independent MP George Dimaras sent an aggressive letter to the chairman of the Legal Committee of the German Parliament, Siegfried Kauder, on 30 January 2012. He argued, *inter alia*, that "thanks to Greece, Germans have been transformed from cruel and uncivilised Goths into an orderly nation."

Various Greek politicians have also used emotion in their attempts to criticise Berlin. They have frequently invoked the issue of World War II reparations, arguing that Germany had failed to respond to its financial obligations. In an interview with the *BBC* on 25 February 2010, Vice President Theodoros Pangalos commented: "They [the Nazis] took away the Greek gold that was in the Bank of Greece, they took away Greek money and they never gave it back." He concluded: "I don't say they have to give back the money necessarily, but they have to say thanks. And they [the German government] shouldn't complain much about stealing and not being very specific about economic dealings." On that basis, the emotional message sent by Greek political elites is that the Hellenic Republic has been imprisoned in a labyrinth by a country with a catastrophic and unforgivable past.

Portraying Germans

Anti-German feelings in Greece have not been limited to statements and interviews by Greek politicians. They have also become a dominant element in the media discourse and public opinion. A number of journalists have expressed their ire for Berlin's alleged aspirations to "occupy" the Hellenic Republic and build their own sphere of influence in the country. Their

stance can be attributed to three different factors. The first is their refusal to analyse the Greek debt crisis in depth, often leading them to fall back on convenient and populist stories. The second is their general preference for strike-related and commercial themes that can easily attract the attention of their audience. And the third is their defensive instinct after *Focus* magazine published a picture on its front page portraying Aphrodite of Melos begging for money in February 2010.

The Greek media have as a whole actively participated in the communication war between the Hellenic Republic and Germany. Only a few days after the *Focus* cover, the conservative daily *Eleftheros Typos* responded by printing an image of the Goddess Victoria holding a swastika. After the European Summit of 26-27 October 2011, the left-leaning *Eleftherotypia* asserted that German tanks would invade Greece. Symbolically, Greek-German misunderstanding had penetrated the media discourse to the degree that even sports newspapers covered a battle between the two states during a football game between Olympiacos FC and Borussia Dortmund in the group stage of the Champions League. On 18 October 2011, sport magazine *Gavros* urged Olympiacos FC players to “kick Germans in order to make Greece smile and humiliate the Fourth Economic Reich.” The main picture on its front page was that of Chancellor Merkel in a Nazi uniform.

As far as Greek public opinion is concerned, it can hardly resist the anti-German rhetoric used by political elites and journalists. Ordinary citizens have been through much personal pain due to various rounds of austerity measures that were supposedly dictated by the German government. A survey conducted by the polling company VPRC in February 2012 clearly mirrors their anger. 79% of the respondents have a negative view towards Germany and 81% view Chancellor Merkel negatively. Furthermore, 32.4% link the country to Hitler, Nazism, and the Third Reich while 77% consider it a fair argument that Berlin is exerting a policy equivalent to the creation of a “Fourth Reich.” Perhaps as a logical consequence, some Greeks did not hesitate to burn German flags during demonstrations and parades.

Facilitating a rapprochement

The anti-German rhetoric prevailing in the Greek political, media, and public agendas is a critical aspect of the Hellenic and European debt crisis. This communication problem, however, has become even more important due to the parallel development of anti-Greek sentiments emerging in Germany. Berlin, for instance, has sometimes openly offended Athens, as it did in January 2012, with Germany’s alleged plan for a budget commissioner to take control of Greek fiscal policy. Furthermore, the German people are not fanatic supporters of the bailout packages and national media have often regarded the Greek people as bankrupt, corrupt, and lazy.

It is clear that Germany and Greece lack the necessary solidarity to work together. They are also jeopardising their historical friendship through the current situation of deep misunderstanding and hostility. At first glance, it seems that the relationship between the countries is gradually reaching an impasse. As long as the Greek people are suffering poverty, unemployment, and psychological uncertainty, no dramatic change is expected. Important as it is, the communication dimension of the Hellenic crisis can only follow developments at the economic, political, and social levels.

An efficient communication strategy can, however, certainly play a role in facilitating a rapprochement. Here, attention should turn towards Germany as the leading economic power in Europe. Being aware that it is represented as the ‘other’ in Greece, its government should employ a new method to remove the label. This might include frequent explanatory press conferences and the publication of readable press releases in both German and Greek that elaborate Berlin’s policies vis-à-vis the Hellenic crisis. On that basis, public opinion in Greece, which is currently ill informed, would have a chance to learn the truth by accessing a primary source. A reinforced communication strategy from Berlin need not be considered an

interference in Greek politics. It could be presented, and pursued, as a sign of mutual respect and an attempt to clarify existing misunderstandings.

The multi-faceted crisis hitting Greece could certainly be a springboard for pushing the country towards reform. The path for change is a rather painful process that requires difficult political decisions and sacrifices. Within this context, populism has been on the rise and interwoven into politics. On the one hand, Greek politicians, who have invested in a system of clientelism, over-borrowing, and overspending for decades, often prefer to associate the necessity of fiscal consolidation with plans imposed from abroad – especially from Germany – in order to shift blame for the tragedy. On the other hand, German politicians, who frequently comment and insist on the supposed efficiency of their plan for the Hellenic Republic, push responsibility for non-implementation onto their Greek colleagues, despite the fact that the real margin for immediate success is rather limited.

But mutual scapegoating tactics combined with continuous hostile disagreement on the reasons for the current stalemate cannot contribute to a better vision for the future. A policy based on realism is missing for the time being. There are two main elements to such a policy that would constitute *sine qua non* parameters. The first is the belief that it is in Greece's national interest to modernise its economy, restructure its public administration, and reform itself even if Germany does not exert pressure from outside. And the second is the conviction that much more time and patience are required for the Hellenic Republic to achieve the goals of the Memorandum of Understanding. Whether both sides will practically endorse the principles of responsibility will become clear in the following critical months.

Italy's Perception of Germany and German Europeanism, 1992-2012

Federico Niglia*

Past and prejudice in the Italian representation of Germany

The idea of Germany and Italy sharing a common history and destiny has interested intellectuals and commentators since the late 19th century. The two “verspätete Nationen” (late-coming nations) were thought to have a similar future, despite huge cultural, political, and economic differences.

The scourge of two world wars and the tragedy of 1943-45 did not entirely undo this belief: even today, Germany and Italy are portrayed, at least in the Italian narrative, as two countries with ‘something in common.’ Their common destiny is also one of the main features of Europeanist rhetoric: Germany and Italy are two countries that overcame past dictatorships and built new democracies in the European framework. The newly found convergence between the two countries was symbolised by the two post-war leaders: Alcide De Gasperi and Konrad Adenauer.¹

In turning attention to the emotions at play within German-Italian relations, however, a slightly more complex picture emerges. The image of Germany and Germans has always been a mix of public and private narratives, including prejudices and old stereotypes. During the Cold War, when Italy and the FRG were officially aligned in defence of the West, the Italian view of Germany was a complex mix of the positive and negative. In the public discourse, Germany was always presented as one of Italy’s closest political and economic partners that shared the same vision on international and European affairs. On the other hand, despite its division, Germany was perceived as a country that was ‘too big’ to abstain from monopolising power in the EEC.² When Adenauer established a political axis with Charles De Gaulle’s France, the fear of a coalition between the two biggest Western European countries became an *idée fixe* for many Italians. This ambivalence remains today.

Suspicion of Germany’s leadership aspirations is deeply rooted in the Italian imagination, and is not exclusive to average citizens; it is also shared by the political and diplomatic élite. Research confirms that Italian diplomacy has often attempted to contain the rise of Germany and has triggered suspicion among the governments of smaller European countries. Giulio Andreotti, the leading political figure in Italy until the late 1980s, used to quote François Muriac in affirming that “We love Germany so much that we would prefer to have two of them.” In 1989/90, the Italian government (unsuccessfully) attempted to slow down the process of German reunification, thereby confirming the endurance of old prejudices.

After reunification, however, official relations between Rome and Berlin quickly returned to normal and were as good as those between Rome and Bonn. But since then, Italy has had to face a new continental power, free from the constraints that hindered its capacity to play an active

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¹ See the latest book edited by M. Cau, *L'Europa di De Gasperi e Adenauer. La sfida della ricostruzione [Europe of De Gasperi and Adenauer. The Challenge of Re-building] (1945-1951)*, Bologna: Il Mulino, 2011.

² I have analysed this problem from an historical point of view in *Fattore Bonn, La diplomazia italiana e la Germania di Adenauer (1945-1963)*, Le Lettere, Firenze, 2010.

role in Europe and in the world for 40 years. The Italian intelligentsia found it very hard to adapt when it was confronted with a changing Europe. An article written by the renowned journalist Furio Colombo in September 1990 illustrates the point:

I fear that the disparity in weight between Germany and Europe will become more marked, because while Germany gets heavier, physically, its partners become less responsible, psychologically, less attentive, less determined to play a role as main actors. [...] For us, therefore, the problem of Germany is linked to the problem of Italy.³ (free translation from Italian).

The inability to appreciate the positive role that a reunified Germany could play in Europe has led many Italians to reiterate old slogans against German hegemonic aspirations. These perceptions played an important role during the 1990s, when a new phase of European integration began with the Maastricht Treaty.

Maastricht and the myth of a 'Germanised' Europe

From the Italian point of view, Maastricht was a typical 'German' product because it was strongly influenced by the German economic tradition and vision, with an emphasis on stability and the fight against inflation; monetary union was thus perceived as an extension of German monetary rules to the rest of Europe.

When the treaty was signed and ratified, Italy was experiencing a period of dramatic institutional and economic transition and faced huge problems adapting to the standards required by the treaty. The Maastricht Treaty, poorly explained to the European people, was perceived by many Italians as an additional burden on their reform process that was mainly imposed by Germany. In these years, much of national public opinion saw Germany as a big and prosperous country acting without concern for the problems affecting other European partners. Only a few observers noticed that Germany was also experiencing a huge transition and was restructuring its institutional and economic system in order to reduce the gap between the Eastern and Western *Länder*.

During these years, most of the support for Germany came from a small but authoritative elite; the same group that safeguarded the transition from the so-called 'first' to the 'second' Italian Republic. The connection with Germany and the European project was mainly defended by a technocratic elite from public economic institutions (Bank of Italy, Ministry of the Treasury, etc.). Strong support also came from the two prime ministers who ruled from 1992 to 1994, Giuliano Amato and Carlo Azeglio Ciampi, who were both positively orientated towards Germany. Ciampi, as former Governor of the Bank of Italy, had a deep knowledge of Germany and its economy, and established a proactive dialogue 'at eye level' with Berlin. Silvio Berlusconi, whose first government lasted less than two years (1994-95), did not change this orientation. The two centre-left governments that followed (Romano Prodi and Massimo D'Alema) confirmed the country's good relations with Germany. These centre-left governments pushed for respect of the Maastricht parameters and adopted tough measures for the achievement of this goal.⁴

The economy was the Italians' main concern throughout the 1990s, and the fact that the "German inspired" European Union was asking for sacrifices from Italian consumers and taxpayers helped strengthen the shadow over Germany's image. Between 1991 and 2001, the

³ «Ho paura che la sproporzione di peso fra Germania ed Europa si farà più marcata, perchè mentre la Germania si appesantisce, fisicamente, i suoi partner diventano meno responsabili, psicologicamente, meno attenti, meno decisi a giocare un ruolo, meno protagonisti. [...] Per noi, dunque, il problema della Germania si aggancia al problema Italia.» F. Colombo, *Troppo Germania per questa Europa*, La Stampa, 28 September 1990.

⁴ Prodi is still remembered for the insertion of the much-hated 'Eurotax' used to reduce the deficit.

Italian and German economies performed in very different ways. In the early 1990s, both countries suffered from large domestic imbalances: Germany was still an economically divided country with the heavy burden of integrating the new *Länder*, while Italy had to completely reform its system of public finance. Ten years later, however, the picture was different: Germany had been able to ‘reconnect’ the East with the West and emerged as a global economic player. Italy, by contrast, did not complete the recovery process and appeared to be unfit for competition at the global level: large industrial structures were dismantled and SMEs were unable to enter the new markets. Italy appeared to be one of the victims of German dynamism: German enterprises and banks were replacing the Italian presence in many Balkan and Eastern European countries, and were also taking advantage of political initiatives from national governments in specific countries.⁵

It should be underlined, however, that Germany was seen not only as a threat, but also as a good model that Italy could follow to modernise itself. In 1996 one of the most respected Italian journalists, Federico Rampini, published the book *Germanizzazione*, in which he enumerated the main factors that had transformed Germany into what he believed was a model for Europe: the German criteria for public finance that were transformed into EU rules, and the German model of capitalism.⁶ For a minority of Italian experts and researchers, the German model was the best way to reform the Italian institutional and economic system. The question that challenged the majority then was whether Italy should follow the same road.

In the decade following reunification, Germany developed a dual role for Italy: on the one hand it emerged as the new leader in Europe and as the new aggressive economic superpower, while also providing a model for countries that wished to reform their institutions and their economy.

From Baghdad to Merkozy: the troubled years 2001-11

It is important to stress that in the decade between 1991 and 2001, Italian concerns about German initiatives at the European level were compensated to an extent by a convergence in the transatlantic context: Germany and Italy, both loyal members of NATO, were also ‘good friends’ of the United States.

But this assumption could no longer be taken for granted at the beginning of the new millennium, when the US administration elaborated its own response to the threat of international terrorism. Initially, both the German and the Italian governments gave their full support to the intervention in Afghanistan. But when George W. Bush promoted a larger initiative to stabilise what he called the “broader Middle East,” Palazzo Chigi and the Bundeskanzleramt reacted very differently to the decision to intervene in Iraq. Berlusconi fully supported the US approach and joined the heterogeneous coalition of European countries supporting the intervention against Saddam Hussein.⁷ The German government, which was fundamentally in line with the general purpose of fighting terrorism, did not follow. In opposition to the support provided by a number of EU countries (the United Kingdom, Spain, Italy, Holland, Portugal, Denmark, and Italy), the German government joined France in opposing the military intervention.

Cooperation between Italy and Germany at the EU level was deeply affected by their different political orientations and diverging attitudes on a major foreign policy issue. Berlusconi inverted the priorities of Italian foreign policy and subordinated Italy’s traditional European

⁵ For example, German enterprises took advantage of the government’s decision to recognise Croatian and Slovenian independence in December 1991.

⁶ F. Rampini, *Germanizzazione. Come cambierà l’Italia*, Laterza, Roma–Bari, 1996.

⁷ A good account of Italy’s evolution can be found in O. Croci’s, “The End of Bipartisan Consensus? Italian Foreign Policy and the War in Iraq”, in S. Fabbrini, V. Della Sala (eds), *Italian Politics: Italy Between Europeanization and Domestic Politics*, New York: Berghen Press, 2004.

orientation to bilateral partnerships outside of the EU (with the US as well as with Vladimir Putin's Russia).⁸ In his reassessment of Italian foreign policy, he revived the nightmare of the Franco-German axis and openly criticised the emergence of a 'Germanised Europe' in which key decisions were taken by Berlin and Paris.

These years also saw occasional drama: the Berlusconi-Schulz clash in the European Parliament was only the most notorious example of a broader problem. The situation partially improved when Romano Prodi came back to Palazzo Chigi: the centre-left cabinet formally restored the EU as the first reference point for Italy, and pushed for a new era of good relations with Germany.⁹

However, the financial and economic crisis that broke out in 2008 jeopardised the newly found convergence between the two countries. Since 2008, when the US financial crisis spread all over the world and hit the EU hard, Germany and Italy spoke with two different voices. Angela Merkel has pushed strongly to safeguard stable and credible European economies through strict fiscal rules and the fight against inflation. The Berlusconi government, alongside other EU governments, promoted a different approach to the crisis.¹⁰ From 2010 to 2011, when the effects of the global recession became evident in the EU, the two visions openly clashed. German and ECB officials expressed dismay at the Italian proposals and Merkel openly criticised Berlusconi's and Giulio Tremonti's initiatives. Despite what he called a "friendship" with the French President Sarkozy, Berlusconi did not succeed in stopping the revival of the Paris-Berlin axis. In addition, the difficult personal relationship between the German chancellor and the Italian prime minister made clear the estrangement between the two leaderships.

It should be noted that many Italians did not appreciate what they perceived as a German sense of superiority: when, in a public conference in October 2011, Merkel and Sarkozy smirked when quizzed about Berlusconi's capacity to address the crisis, Italians unanimously criticised their impolite and ungenerous behaviour.¹¹ Even though many Italian observers struggled with the lack of credibility affecting Italy at international level due to Berlusconi's stance in foreign affairs, the fact that Germany was so rigid and orthodox at the EU level increased Italian disappointment with Germany's leadership.

But this was not just about Berlusconi. Not surprisingly, even after Berlusconi resigned and Mario Monti became prime minister, the criticism of Germany did not diminish. When the Greek crisis worsened throughout 2011, the German government maintained its firm stance, refusing to give unconditional support to countries in crisis or under the attack of speculation. Most Italian commentators criticised Merkel's approach: for the first time, the chancellor was presented as the defender of German interests as opposed to European ones. The recent defeat of Merkel's CDU in elections in the largest federal state, North-Rhine Westphalia, has been welcomed with outright satisfaction: Ernesto Galli della Loggia, a well-known historian and commentator, condemned the "empty austerity of a German Europe."¹² While centre-right commentators could now take revenge on the chancellor who belittled Italy, even moderate and

⁸ Sergio Romano, "Berlusconi's Foreign Policy: Inverting Traditional Priorities", in *The International Spectator*, Vol. 41, No. 2, April-June 2006, pp. 101-107.

⁹ E. Greco, "La politica estera del governo Prodi", in Alessandro Colombo and Natalino Ronzitti (eds), *L'Italia e la politica internazionale. Edizione 2007*, Bologna: Il Mulino, 2007, pp. 41-56.

¹⁰ The Italian Finance Minister, Giulio Tremonti, promoted a strategy combining austerity and a common European effort in favour of growth. Notably, Tremonti proposed that the EU overcome its neutral attitude in fiscal policy and to transform into the locomotive of the European recovery. The Eurobond was a key element of this proposal.

¹¹ For an external comment see T. Kington, "Merkozy smirk at EU crisis summit boosts Berlusconi", *The Guardian*, 24 October 2011.

¹² E. Galli Della Loggia, "L'austerità vuota dell'Europa tedesca", *Il Corriere della Sera*, 13 May 2012.

leftist voices clamoured for the end of old-line austerity in the EU. In both cases, Merkel's Germany is portrayed as an out-dated model for European growth.

A concern for Italian analysts: the rise of Germany at the global level

For the average Italian, Germany is closely connected with the economic problems currently affecting the EU. But for experts of foreign policy and international relations, another factor affects perceptions about Germany: the rise of Germany as a global political power.

Freed from the burdens of the Cold War and the division of the country, Berlin started to play a new role at international level after reunification. Germany was rapidly affirmed as one of the world leading economic powers, with a strong orientation towards export and specialisation in strategic sectors such as green energy, automobiles, etc. Germany entered a virtuous circle in which a high-performing economy supported social and political growth, while Italy was stuck in a vicious circle of poor economic performance hindering the recovery of public finance indicators and the alleviation of structural problems (above all the gap between north and south and the structural weaknesses of an economic system based on SMEs).

The country's primary role in international economic relations, alongside a renewed faith in the German nation, led political, economic and intellectual elites to ask for international recognition of the change of the 'new' Germany. The UN became an important arena for this German affirmation: since the early 2000s, German diplomats have openly campaigned for a permanent seat on the UN Security Council. Italians perceive the German struggle for recognition as a direct threat, since they believe that a German 'rise' would be compensated by a 'downgrading' of Italy. The Italian delegation at the UN has sought to contain the German proposal and Italy still promotes UN reforms that oppose German proposals.¹³

In the last few years, Italian diplomacy has increasingly suffered from the German tendency to take centre stage, as in 2006, when Rome was excluded from the 5+1 group (the 5 permanent members of the UNSC plus Germany) in charge of negotiations with Iran, even though Italy was Teheran's most important trading partner.

Fundamentally, Italy has not accepted the new confidence that Germans have in the capacity of their country to play a role at international level. Recently, only a few commentators have been optimistic about the emergence of a 'global Germany.' The major reason being that it is not possible for most analysts to separate positive judgements of Germany from negative perceptions of Italy.

Let's move on! Understanding the German-Italian partnership

The new Italian government headed by Mario Monti has worked to establish a new dialogue with the German leadership.¹⁴ After Nicolas Sarkozy's electoral defeat in France, many commentators have called for a new Merkel-Monti partnership (a politically correct version of the old Rome-Berlin axis). Going beyond slogans, and despite the uncertainty in predicting the evolution of European politics, there might indeed be a *rapprochement* between Germany and Italy in the dialogue on European recovery.

But in the popular narrative, Italians perceive Germany as a source of concern rather than as a partner. A logical consequence of this perception is the deterioration of actual German-Italian relations. Strong evidence confirms what renowned historian Gian Enrico Rusconi has called the "schleichende Entfremdung" (creeping alienation) now affecting relations between the two

¹³ On this point, see N. Pirozzi and N. Ronzitti, "The European Union and the Reform of the UN Security Council: Toward a New Regionalism?", IAI Working Paper No. 11, May 2011 (<http://www.iai.it/pdf/DocIAI/iaiw1112.pdf>).

¹⁴ "Monti sets out to win German minds", *Financial Times*, 9 May 2012.

countries.¹⁵ Minor problems are overblown in the public narrative, while the existing strong arguments in favour of a German-Italian partnership are rarely mentioned.

The economy, which has always been presented as the main source of division between Italy and Germany, should actually be seen as a key argument in favour of the partnership. Looking at bilateral economic relations, Germany is an important and stable partner for Italy: in 2011, Italian exports to Germany grew by 12.5%, confirming Germany as the main buyer of Italian goods.¹⁶ It should be noted too that Italy is also a key market for Germany: between 1998 and 2009, Germany's export surplus has grown by 543%;¹⁷ the cases of Deutsche Bank, for which Italy is the second market after Germany, and Audi, which bought the Italian motorcycle maker Ducati, confirm Italy's importance for German investors. Recent surveys have also reaffirmed that bilateral cooperation has huge potential in each sector included in the High-Tech Strategy 2020, most notably in the field of renewable energies.

There are good reasons for Italy and Germany to revitalise their relations during this time of crisis. The task is apparently very simple: both Germans and Italians need to recognise the existing strong relations and present their partnership in a more realistic way. But stereotypes and misperceptions are not easily manageable. Given that, the European response to the economic and political crisis cannot be pursued without an effective and reciprocal understanding of European people, especially those of the countries that are founding members of the EEC.

¹⁵ G.E. Rusconi, Th. Schlemmer and H. Woller (Hrsg.), *Schleichende Entfremdung? Deutschland und Italien nach dem Fall der Mauer*, Munich: Oldenburg Verlag, 2009.

¹⁶ Ministero degli Affari Esteri – Ministero dello Sviluppo Economico, *Rapporto congiunto Germania*, 2nd Semester 2011, Rome, 2012 (file:///Users/Federico/Desktop/SWP/Rapporto%20Paese%20Congiunto:%20GERMANIA%20-%202011%20semestre%202011.webarchive).

¹⁷ B. Romano, "Emozioni tedesche", *Aspenia*, No. 49, 2010.

The View from Spain: Between euro-enthusiasm and euro-austerity

Laia Mestres*

Spain has traditionally been a country of Euro-enthusiasts. Spaniards have supported membership in the European Union because they believe that it contributes to the economic and social modernisation of Spain, as well as to its international reputation. Since 1986, Spanish Europeanism has reflected the widespread conviction that the country was finally gaining its rightful place in Europe. As the philosopher José Ortega y Gasset wrote more than a century ago, “Spain is the problem, Europe is the solution.”

Spanish politicians have repeatedly pointed out that there has been one solution for every problem in Spain: ‘more Europe.’ But what does ‘more Europe’ mean for Spaniards today? The economic crisis has not only had a negative impact on Spain’s image abroad, it also has significantly reduced its room for political manoeuvre in the EU. Indeed, Spain has gone from being a subject to an object of European policy. And this is having an effect on Spanish citizens’ perceptions, who share the impression that the austerity agenda is being imposed by the European Union. Since austerity is increasingly seen as unfair and has had a damaging effect on the economy, the blame has shifted to the EU and in particular to Germany.

The aim of this article is to explain both how and when German influence has shaped Spanish policy vis-à-vis the EU, as well as how Spanish public opinion and media are changing their positive opinion of Germany as the economic crisis worsens.

The complexity of an asymmetrical relationship

Can Spain become the Germany of the South? Whatever one might think about this question, this was Mariano Rajoy’s goal when he was elected in November 2011. After eight years of socialist government and with unemployment rates at more than 24%, Rajoy’s plan to solve the economic crisis is the same as Merkel’s: austerity measures, budget cuts, and structural reforms.

The adoption of Germany as a model is not new in Spanish European policy. During its transition to democracy in the late 1970s, Germany’s federal structure and its collective bargaining system (in terms of relations between the government, employer federations, and labour unions) provided inspiration for tackling some of the most politically-charged issues of that time. Furthermore, following the model of the Franco-German summits, Spain developed a strategy to place itself at the very heart of European politics in the early 1980s that consisted of nurturing closer ties to the larger EU member states, most notably Germany, France, and Italy (and, on occasion, the United Kingdom). This strategy saw the institutionalisation of regular bilateral summits at the highest level along the lines of the Franco-German summits. The first official summit between Helmut Kohl and Felipe González took place in Madrid in 1984, and was viewed as a sign of German support for Spanish membership of the European Community; it was also particularly crucial in light of France’s rather vocal opposition to membership. The close relationship between the two leaders became even more influential after the fall of the Berlin Wall. González offered his unconditional support both to German reunification and to the move towards political union in Europe. In exchange, Kohl agreed to a significant increase in EU structural and cohesion funds, as well as to the inclusion of European citizenship in the Maastricht Treaty; two issues that had been put forward by Spain.

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Despite the fact that Spanish-German summits were held annually, the relationship between Gerhard Schröder and José María Aznar in the mid-1990s became fraught with difficulties. The battle for European financial resources became evident when Spain succeeded in maintaining a considerable amount of the 2000-2006 structural and cohesion funds. The rivalry reached its peak when Aznar led the group of European countries that supported the US-led attack on Iraq, in opposition to the French and German position.

Since Angela Merkel's election as chancellor in November 2005, and in the wake of several inopportune declarations and diverging views on business matters (mainly the dispute regarding the takeover bid for Endesa between the German power firm E.ON and the Spanish company Gas Natural), relations between Spain and Germany have somewhat cooled, while relations between Spain and France experienced a kind of honeymoon. Even though José Luis Rodríguez Zapatero tried to join the Franco-German axis through a strategy known as *the return to the heart of Europe*, Spain started to feel that it was returning to the periphery of Europe. The spiral of disagreements between Spain and Germany was only aggravated by the harsh effects of the economic and financial crisis in Europe, which has strongly impacted Spain. One of the most notorious episodes was caused by an E. coli outbreak in Germany in June 2011. Without reliable data, German officials blamed cucumbers imported from Spain as the source of the disease, and the European Commission immediately (and prematurely) issued a health warning throughout Europe concerning Spanish fruit and vegetables. Despite the fact that every scientific analysis carried out in Spain and Germany on cucumber samples proved negative, Spanish agriculture was severely damaged both in economic and reputational terms.

The German discourse on Spain and its economic reforms varies depending on which analyst you ask. If the discourse is addressed to German voters, old stereotypes about lazy southern Europeans prevail. For instance, speaking at a rally in May 2011, Angela Merkel suggested that people in Greece, Portugal, and Spain took too many holidays and retired too early while Germans were expected to bail them out.¹

But the German government has always proved receptive during bilateral meetings. At the last German-Spanish summit between Angela Merkel and José Luis Rodríguez Zapatero, the Chancellor admitted: "Spain has really done its homework and I think it is on the right track."² And Volker Kauder, Head of the CDU parliamentary group in the Bundestag, gave his support to Mariano Rajoy's new government after the latter's first 100 days in office: "The reforms adopted by Spain to tackle the deficit are heading in the right direction and will be successful,"³ he stated after examining in detail Spain's budget for 2012, which had just been approved in order to meet the deficit objective of 5.3% of GDP imposed by Brussels.

Spain's new conservative government has become one of the staunchest advocates of the principle of euro-austerity. Even though many think that French proposals on supply-led growth could fit in well with Spain's troubled economy, Mariano Rajoy has avoided taking part in the debate or even supporting this change in EU economic priorities, mostly in order to avoid destabilising stock and sovereign debt markets.

One of the reasons that the Spanish-German bilateral relationship is asymmetrical is the lack of a common cooperation agenda both at the bilateral and European levels. The current crisis has made this asymmetry even more apparent. Spain cannot be seen as an ally or an equal partner of Germany because its politics and economy mainly depend on German leadership in the EU.

¹ "Merkel under fire for 'lazy Greeks' comment", *EUObserver.com*, 19 May 2011; "Merkel quiere que se armonicen vacaciones y jubilación en la UE", *El País*, 18 May 2011.

² "Press Conference by the President of the Spanish Government, José Luis Rodríguez Zapatero, and the German Chancellor, Angela Merkel, following the 23rd Spanish-German Summit", Madrid, 3 February 2011 (<http://lamoncloa.gob.es>).

³ "El partido de Merkel avala las reformas y se lleva una excelente impresión", *El Mundo*, 2 April 2012.

The impact of euro-austerity on Spanish euro-enthusiasm

“Spain, capital Berlin.”⁴ This was the headline of a leading Barcelona newspaper the day that Angela Merkel visited Madrid in 2011. Rather than expressing anti-German feeling, it captured what most Spanish citizens feel is German omnipresence in their daily lives. As we have seen, German leaders have become all-pervasive in Spanish political debates. The same can be said of media and social debates.

Angela Merkel has certainly become the most visible face of austerity measures imposed by the European Union. This is why her image, together with other Spanish politicians, was featured on several banners carried by the *Indignados*, or the 15-M Movement. At about the same time, a public opinion poll conducted by the Madrid-based think tank Real Instituto Elcano showed that Merkel’s popularity had fallen among Spaniards, though she did come in second place just after Barack Obama.⁵ Furthermore, any public statement made by the German government on Spain is avidly echoed in the Spanish media. For instance, rumours published by *Der Spiegel* about a possible offer to facilitate the hiring of skilled Spaniards to work in Germany has resulted in an explosion of interest in learning German by young people.⁶

As with other Mediterranean countries, Spaniards are fearful of a two-speed Europe, since this would probably imply that Spain would no longer be included in the central core of the process of European integration. Although this has not happened yet, the citizens of these countries already believe that they are considered as second-class citizens in Europe. The debate on the possibility of a Greek exit from the eurozone and its aftermath has also opened a wider debate in southern Europe, including in Spain, on the benefits of the common currency. The above-mentioned survey by the Real Instituto Elcano and other polls show that the majority of Spanish citizens believe that Spain has not benefited from the introduction of the euro, mainly due to the rise of basic product prices and, more recently, to the impossibility to devalue the currency in order to increase competitiveness for its exports.⁷ This perception contrasts with the consensus among experts that belonging to the eurozone has allowed Spain to benefit from better access to credit at a relatively low interest rate and has also contained inflation, which used to be above the EU average. All in all, experts and public opinion still believe that despite the shortcomings of the European Monetary Union, being ousted from the eurozone would be the worst case scenario.

In addition, the potential failure of the euro is increasingly perceived as a real threat to the European Union. If Spain’s entry into the euro was perceived as a symbol of Spain’s deep commitment to the European project, the common currency may now become a scapegoat for social discontent.

The aim of reducing the public deficit and debt through austerity measures is having an enormous impact on the lives of Spaniards. Cuts in health care, education, and research, ever-growing rates of unemployment, and Spain’s return to being a country of emigration instead of immigration, together with the failure to effectively reduce public debt and calm the markets due to worsened growth prospects, are only some of the reasons for the almost daily demonstrations in every major city, and a general disenchantment with (national and European) politics.

⁴ Juliana, Enric, “España, capital Berlín”, *La Vanguardia*, 3 February 2011.

⁵ 27th Wave of the Barometer of the *Real Instituto Elcano* (BRIE), May-June 2011, p. 17.

⁶ “Junge Europäer sollen zum Arbeiten nach Deutschland kommen”, *Der Spiegel*, 22 January 2011; quoted in, among others newspapers, “Merkel ofrece trabajo a Zapatero”, *La Razón*, 22 January 2011.

⁷ 28th Wave of the Barometer of the *Real Instituto Elcano* (BRIE), November-December 2011, p. 35; Pew Research Center’s Global Attitudes Project, May 2012.

José Ignacio Torreblanca, a leading columnist on EU affairs, has written several articles in the most-read newspaper in Spain, *El País*, as well as in *The Financial Times*, arguing that “it is time to say ‘basta’ to the nonsense of austerity.”⁸ On a similar note, Pedro J. Ramírez, Editor-in-chief of the centre-right newspaper *El Mundo*, reacted to the informal European summit on growth with this very critical tweet: “I did not like Merkel’s inflexible egoism at the summit. It is intolerable that Spain gets financing at a 6% interest rate, while Germany gets it at 1%.”

The Spanish media are not the only ones denouncing the harshness of the austerity measures imposed on Spain. The international press is also starting to support the idea that fiscal consolidation should take place in a less abrupt manner. Recently, the *New York Times* published an editorial in which it recognised that

Spain could be the next European economy brought down by Germany-led mismanagement of the eurozone crisis. It need not turn that way. But it surely will unless Chancellor Angela Merkel and her political allies inside and outside Germany acknowledge that no country can pay off its debts by suffocating economic growth.⁹

Europe Yes, but which Europe?

Spaniards continue to define themselves as ‘Europeanists’. According to regular Eurobarometer polls, six out of ten Spaniards continue to believe that, on balance, their country has benefited from being a member of the European Union.¹⁰ However, the first signs of euroscepticism can easily emerge in Spain if austerity plans imposed from abroad continue to inflict so much pain on Spanish citizens. The same polls show that trust in the European Union fell dramatically over the last year, with the same number of Spanish people declaring that they do not trust the European Union; a proportion that is well above the EU-27 average.

While citizens feel further alienated from decision-making in the EU, Spanish political leaders have shied away from their classic mantra of ‘more Europe.’ Today, Spain is more an issue of the common agenda rather than an actor shaping European policies. The example of Eurobonds is illustrative. It is widely accepted that such a measure would be positive for Spain’s economy, but neither the previous socialist government nor the current conservative government have dared to defend this proposal before the rest of the EU member states. Spain has consciously decided not to lead any proposal that could destabilise financial markets or upset credit-rating agencies, the European Central Bank, or other EU member states.

Spaniards are seeing a return of the old inferiority complex with regards to Germany or, in general, northern Europe. Since 1986, Spanish European policy has had the goal of placing Spain in Europe after more than forty years of dictatorship and international isolation. However, one of the effects of the financial crisis has been Spain’s return to the (geographical, political, and economic) periphery of Europe.

⁸ Torreblanca, José Ignacio, “Time to say basta to the nonsense of austerity”, *The Financial Times*, 25 April 2012.

⁹ “An Overdose of Pain, *The New York Times*, 12 April 2012.

¹⁰ European Commission, *Standard Eurobarometer*, No. 75, Spring 2011 and No. 76, autumn 2011.

Portugal through the EMU Crisis: Setting a good example for Germany

João Gil Freitas and Sandra Fernandes*

Introduction

This paper analyses Portuguese reactions to Germany's lead role in combating the European Monetary Union (EMU) crises under the governments of José Sócrates (2005-2011) and Passos Coelho. The events leading to Portugal's request for foreign aid in April 2011 – and to the subsequent external bailout – marked a turning point for the country. This event triggered new elections and led the country to closely align with the German model for dealing with the crisis. Until that point, the socialist government had managed to postpone German demands for austerity, although with limited macroeconomic success in improving the public debt. The current centre-right government assumed a policy much more in line with the conservative government of Angela Merkel. The emergence of Berlin as the centre of European affairs – overshadowing the power of Brussels – triggered widespread discontent among its European partners and the European public. As far as Portugal is concerned, the country has pursued the role of 'bon élève' throughout the crisis, setting a counter-example to the Greek drama and embracing austerity. Nevertheless, growing sacrifices are leading to serious doubts about the efficiency of the 'austerity method' for the opposition and civil society. Section one addresses how Sócrates dealt positively with Berlin while failing to maintain internal cohesion and establish effective solutions. Section two illustrates how the current government has assumed the austerity strategy amidst growing internal suspicion about the best way to cope with the crisis. Finally, section three explains how the Greek stigma has played a role in Portuguese perceptions of the policies designed to cope with the crisis.

Portugal under Sócrates: putting off German demands for austerity

The German government was widely criticised for its rigidity towards eurozone countries that it considered ineffective at managing their public finances. Regarding Portugal however, Germany generally supported and incentivised José Sócrates's efforts to control Portuguese public finances. Chancellor Merkel praised the work of his government and supported it until the very end (Sócrates resigned in March 2011 and handed over power in June), while accepting most of Portugal's requests, including a compromise to reduce the deficit to 4.6% of GDP in March 2011. This compromise was reached only a few weeks before the country's request for foreign aid (Portugal ended 2011 with a deficit of 5.8% of GDP despite enacting extraordinary measures).

This relatively supportive approach reflected the Portuguese government's own weakness. The Sócrates government – the socialist prime minister was re-elected for a second term in office without an absolute majority in the Parliament – was not always cohesive in its response to German proposals. In fact, several issues triggered divisions within the government even before the request for foreign aid. One of these issues was the German proposal to stipulate a deficit limit in the constitution for eurozone members. This proposal received the support of Luís

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Amado, the Minister of Foreign Affairs, but not the Prime Minister. The idea of reducing the retirement age and annual vacation days was another controversial issue in Portugal that was firmly rejected by Prime Minister Sócrates.

The bilateral meeting between Sócrates and Angela Merkel in February 2011 highlighted the different approaches of each government: Portugal proposed raising up to 500 million euros for the European Financial Stabilisation Fund (EFSF), the possibility to intervene in the primary debt market, and asked for direct loans to member states (Lusa, 2011). Germany found it difficult to accept these measures due to intense domestic pressure at the time to create a plan of controlled bankruptcy for over-indebted countries. Merkel also remained sceptical about the more flexible EFSF desired by Sócrates (Ferreira, 2012).

In parallel, the Sócrates government adopted a strategy of postponing requests for foreign aid for as long as possible. There was a widespread belief in Portugal that a formal request for foreign aid would be highly damaging to the country's credibility thereafter. This belief was based on previous experiences with IMF interventions in 1978 and 1983 that were still fresh in the country's collective memory. The Sócrates government agreed early on for the need to implement measures to cut back the country's public expenditures. External pressure, particularly from Germany and France, was enough to prompt the Portuguese government to urge Parliament to adopt several Stability and Growth Pacts (PECs) that received praise from the German Chancellor. However, the line of action the government followed did not always coincide with the position of the Social Democrats (PSD) and the Christian Democrats (CDS), led by Paulo Portas, who went on to become Minister of Foreign Affairs in the government that replaced Sócrates.

Parliament's rejection of the fourth package of reforms (PEC IV) in late March 2011 forced the prime minister's resignation, and new parliamentary elections were scheduled for early June 2011. PEC IV included a stringent set of mandatory measures which the European Central Bank, the Commission, and countries like Germany demanded from Sócrates in order to avoid an external rescue involving the IMF. Merkel did not believe in the Portuguese government's commitment to carry out these measures, but it nevertheless publicly praised the government, as well as the personal "courage" of Sócrates (Ferreira, 2012).

The issue of Eurobonds long dominated the European agenda. The Portuguese prime minister strongly supported this idea despite German opposition. The German position caused some resentment in Portugal because it was seen as a case of the strong imposing decisions upon the weak. Chancellor Merkel was frequently accused of excessive firmness by several Portuguese political commentators; an image that gradually influenced civil society in general.

Portugal under Passos Coelho: austerity but weakening internal support

The Portuguese view on Eurobonds radically changed with the new government of Passos Coelho, who rejected the idea and thereby aligned himself with Germany. Vítor Gaspar, Passos Coelho's finance minister, also believes that the previous government made a mistake by disregarding financial adjustment, which led Portugal to assume a deficit greater than its GDP and to incur more public debt. For Gaspar, this situation hugely undermined faith in the sustainability of public finances, which ultimately led to the need to request external assistance. Gaspar also praised the *troika* memorandum that advocated implementing a policy of financial adjustment in Portugal. He thinks that the memorandum lays out a balanced and credible strategy (Gaspar, 2012).

As for Portugal's own European policy, the government of Passos Coelho has aligned itself with Germany on the necessity of adopting austerity measures across Europe. Besides Passos Coelho himself, Vítor Gaspar is the most important voice within the government and the official who most actively communicates with the Portuguese people in order to explain the inevitability of the current sacrifices. Gaspar insists on the need to prioritise financial

adjustment as a basic condition for sustainable economic growth and the competitiveness of the country's economy. Without an adjustment, Portugal cannot eliminate its budget deficit, let alone its external imbalance.

Yet the Coelho government, notwithstanding its close alignment with Germany, never really managed to spread consensus within society about its macroeconomic options. The strategic option of strict adherence to the *troika* memorandum – and perhaps even going beyond its prescriptions – was criticised by Portuguese President Cavaco Silva. President Silva eagerly drew attention to an alleged excess of austerity, to the urgent need to reinforce EU economic governance, and to the need to outline a strategy focused on employment and economic development (Silva, 2011).

German European policy, which was welcomed by the new centre-right Portuguese government, was now criticised by the political left. In different tones and for different reasons, the socialists, the communists, and the Left Block accused Merkel of unilaterally imposing her will on other countries. Additionally, they accused Berlin of insisting on policies that would ultimately destroy democracy in Europe and that would aggravate the crisis and lead to higher unemployment rates (Pureza, 2012). The socialists think that the current EMU is dysfunctional (and therefore, largely responsible for the crisis), and accuse the European right – of which the German chancellor is one of the most prominent figures – of subjugating the price and flexibility of labour to competitiveness goals that are to be achieved at any cost.

Moreover, despite broad agreement between the two governments, misperceptions still exist in the relationship between Germany and Portugal; most notably on the issue of Madeira's public finances (Madeira is an island that is one of the two autonomous regions of Portugal). During a speech in Berlin, Angela Merkel remarked on the way European funds were used by the island, stating that they had been wrongly spent on constructing roads and other unnecessary infrastructure instead of fostering the island's competitiveness (Diário Económico, 2012). In reaction, several local politicians from various parties expressed their dissatisfaction and indignation with the chancellor's words.

The most common Portuguese criticism of Germany is its unsupportive attitude towards some of its European partners, despite the fact that these countries supported Germany during reunification and have provided major markets for German exports. Many commentators and observers also mention how Germany itself broke the rules on budgetary discipline and call for Berlin to be more understanding in its treatment of others. The image of a European continent subjugated to a 'Pax Germanica' that criminalises its southern partners in an attempt to pacify and neutralise them, is an expressive example of the way in which many Portuguese observers envisage German European policy (Pedro 2011, 150). According to some Portuguese political analysts, Germany has based its political strategies on a misreading of the euro crisis because the crisis of sovereign debt is the consequence of a structural error in the EMU: the power to issue and to devalue currency was not accompanied by the establishment of a real central bank or by fiscal harmonisation and a real European budget. Berlin has thus acted wrongly, even selfishly, by not recognising that the main priority should be finally completing the current EMU.

Furthermore, several national newspapers and magazines have made negative assessments of Germany's role in the crisis. Germany is accused of having disregarded the weight of history in its policies, of having a chancellor who is obsessed with the communist practice of "unifying everything," of behaving like the "eucalyptus of Europe,"¹ and of transforming its renowned rigour into an obsession (Nery, 2011).

¹ The expression "eucalyptus of Europe" was used by António Cascais, a Luso-German journalist, to illustrate how Germany is imposing its procedures and principles on the rest of Europe at the expense of others (Nery, 2011).

Running away from the Greek stigma

A closer look at the crisis-management strategy of both the Socrates and Coelho governments shows that Portugal has made a great effort to differentiate itself from Greece. This has been apparent from the beginning of the Greek crisis and was reinforced when Portugal began to attract the attention of international financial markets.

The Coelho government has been especially peremptory in stating that Portugal has complied with the troika memorandum by reducing its public spending and controlling its deficit. Deputy Minister Miguel Relvas is one of the most prominent members of the Coelho cabinet, and has been most active in putting into practice the government's strategy to differentiate itself from Greece. Relvas stated that Portugal had taken a very different path from Greece since 2011 and that the two countries can no longer be put in the same basket (2011). Declarations of this kind have been repeated regularly. Paulo Portas, the Minister of Foreign Affairs, has stated that, aside from a very demanding financial adjustment, Portugal, unlike Greece, benefits from having a government with an absolute majority in Parliament and a wide political consensus on what needs to be done (2012). The Minister of the Economy, Álvaro Santos Pereira, has emphasised the broad agreement reached by the government, syndicates, and employers, envisaging a common effort by all the sectors of the economy to overcome the crisis (2012). Coelho himself mentioned the violence in Greece as an example of what to avoid in Portugal, and argued that the country can only do so by complying with the current troika agreement (2012).

Differentiating itself from Greece became important for Portugal at a time when the Greek situation seriously deteriorated. Portugal's reassurances calmed the financial markets, the troika, and the country's European partners.

The rhetoric of the Socrates and Coelho governments towards Greece did not find a great deal of support among the public. The dominant position within Portuguese society indicated broad discontent with the government's lack of solidarity towards Greece. The most visible expression of this discontent came from a group of 30 well-known personalities and intellectuals, whose manifesto stated their "solidarity towards the people of Greece" and called the Portuguese (and European) attitude towards Greece "no less than shocking" (Lusa, 2012).

Conclusion

Many political commentators, economists, political scientists, and other specialists remain dubious about the role Germany has played in the Portuguese and European crises. Analyses diverge among commentators, but most of them agree that Berlin should curb its urge to punish debtor countries and adopt an inclusive policy by strengthening the community method, by fostering a supra-nationalist vision for the EU, and by promoting solid regulation mechanisms at the European level. However, notwithstanding a few voices inside the Socialist Party (PS) that argue against the way the EU dealt with the crisis when Sócrates was prime minister, every political party in government (PS, PSD, and CDS) is formally committed to the troika's adjustment plan and has adopted a supportive attitude towards the key objectives it pursues. In the end, a gap is emerging between a Portuguese government that approves Germany's requests for austerity under the troika method and an opposition and civil society that is increasingly losing faith in the belief that growing austerity under EU/German auspices will pay off for Portugal.

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France's Partner on a Pedestal: A view driven by pragmatism and envy

Claire Demesmay and Yann-Sven Rittelmeyer*

Since the fall of the Berlin wall and the end of the old world order, the French have, in their collective consciousness, associated Germany with the question of their own leadership. The awareness that Paris' political and diplomatic influence on the international stage has been eroding did not lead to resignation, but rather to an aspiration to maintain strong influence on European integration and, in this context, to be on a par with Germany. The financial crisis has helped resurrect the spectre of a symmetrical Franco-German relationship, as it has become more evident that both countries have been drifting apart in terms of economic performance. In this regard, the discourse about Franco-German cooperation has to be understood as multi-tiered and as a reflection of a more general French malaise. Confidence and reliability generally mark French perceptions of its neighbour, but misunderstandings and irritation concerning the political system and Berlin's expectations vis-à-vis European politics do occur.

Focus on Germany's economic performance

For a number of years now, Germany has been seen in France through an economic lens and has become a central point of comparison, particularly in terms of reducing unemployment, economic competitiveness, and export figures. For French policy-makers, researchers, and journalists who closely follow Germany's economic performance, the most fascinating element is often how their neighbour has succeeded in overcoming its difficulties after reunification and turned itself into the most successful European economy – whereas France's economy has been grappling with increasingly acute problems. Consequently, the French discourse on Germany has changed considerably over the past decade: the country has gone from the laggard of the late 1990s and early 2000s to today's envied 'German model.'

It is not surprising then, that Germany's economy is a core issue in the current political debate. In 2012, Nicolas Sarkozy gave the 'German model' a prominent role in his election campaign. Looking for domestic answers to the economic crisis, he referred frequently to the reforms adopted by Berlin during the era of Chancellor Gerhard Schröder. He focused on several arguments: quality ("Germany did it and it worked"), necessity ("Germany did it, so we have to do it as well"),¹ and unity ("in mimicking Germany we are supporting convergence and harmonisation, which are good for Europe"). After Standard & Poor's downgraded France's credit rating in January 2012, Nicolas Sarkozy addressed his calls for discipline not only to French voters, but also to rating agencies and France's European partners.

Nicolas Sarkozy's insistence on comparing France and Germany reflected the latter's positive image among voters. Nicolas Sarkozy hoped to score electoral points by referencing the German model. A number of polls show that over the past few decades, Germany has been associated with positive notions such as seriousness, discipline, and work. The deepening crisis apparently did not affect this opinion, as Germany's image has actually improved during the

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¹ Anne-Lise Barrière and Benoît Roussel, « La place de l'Allemagne dans le débat français sur la crise de la zone euro », *Allemagne d'aujourd'hui*, No. 199, January-March 2012, p. 66.

crisis (25% improved, 11% worsened, and 64% unchanged). At the beginning of the year, the ‘German model’ was still seen positively by a large majority of French (62%).²

In early February 2012, the invocation of the German success story reached its peak with a joint TV interview by Nicolas Sarkozy and Angela Merkel that was broadcast on both French and German television. This unusual event triggered much media attention and launched discussions about the possible politicisation of the Franco-German relationship due to Chancellor Merkel’s explicit support for the election campaign of then President Sarkozy. The interview was criticised by the opposition in France, but also by Merkel’s liberal coalition partner, the FDP. The high degree of publicity also rubbed the French electorate up the wrong way, as they generally object to following external examples and prefer to decide their own way.

Since then, the public debate has concentrated more on the negative aspects of Germany’s current economic situation. The press regularly publishes articles about social inequalities and precarious working conditions in Germany, as well as about demographic problems. In this context, critics mention in particular the absence of a legal minimum wage, which in France is seen as a central acquisition of the welfare state. The reference to the German model became so intense – and often superficial – that the German Ambassador in Paris felt impelled to intervene and to revisit “many half-truths” in a critical op-ed published in the daily newspaper *Le Monde* in mid-April 2012, focusing among other things on “one-euro jobs” and collective wage bargaining.³

How real are anti-German sentiments?

The last few months have seen controversies not only about Germany as an economic paradigm, but also as France’s partner in the European Union. Analysts and politicians have questioned Berlin’s role in the management of the eurozone crisis – and as a mirror effect, the role of Paris. Traditionally, French decision-makers are in favour of an active European Central Bank (which should be tasked with more than merely controlling inflation) as well as of expansionist budgetary policies. Besides, the decision-making process in Berlin appears to be slow and complicated from the French perspective. The French are accustomed to centralised political power and a strong role for the executive. In this context, the German approach to economic governance has regularly been criticised as too rigid, legalistic, short-sighted, and lacking in sympathy and solidarity.

The negotiations on the new European fiscal treaty at the end of 2011 (which was adopted by 25 of the 27 European Union states in January 2012) took these differences to a more dramatic level. The French Socialist Party presidential campaign was marked by controversial declarations by Arnaud Montebourg, an increasingly important figure in the party who came in third during the Socialist primary election and became minister of Industry after Hollande’s election. In November 2011, he compared Angela Merkel’s European politics with those of Bismarck, accused her of trying to kill the euro, and complained about a German “diktat.”⁴ Another Socialist politician compared Nicolas Sarkozy’s trip to Berlin with Édouard Daladier’s visit to Munich in 1938.⁵ The fact that this openly anti-German discourse emerged from representatives of a party already seen as the most likely to win the 2012 presidential election drew wide attention. So far, the party best known for such provocations is the extreme right,

² Poll conducted by Ifop, « L’image de l’Allemagne en France », January 2012 (http://www.ifop.com/media/poll/1735-1-study_file.pdf).

³ Reinhard Schäfers, “Le modèle allemand est perfectible, mais il est encore trop méconnu!”, *Le Monde*, 13 April 2012.

⁴ Interview on Public Sénat, 30 November 2011.

⁵ Note on his blog (available online: <http://blog.jmlg.fr/?p=2307>) and interview on LCP-Assemblée nationale, 25 November 2011.

whose leader, Marine Le Pen, spoke several times of a “Europe à la Schlag” – an expression reminiscent of the concentration camps – to refer to Germany and the austerity measures decided by Angela Merkel and Nicolas Sarkozy. The comments from both socialists were rapidly condemned by the French political class as well as by various prominent figures within the Socialist Party. Although their importance should not be overestimated as they clearly do not represent the party's line and have been artificially amplified by the media, they nevertheless refer to clichés that are still present and can resurface in particular circumstances.

So far, mutual perceptions in France and Germany seem to have been left unaffected by such discourses. In fact, the above-mentioned poll shows that Nazism and World War II only play a marginal role in the way Germany is viewed by French people. Of the main historical events attributed to its neighbour by the French, the fall of the Berlin Wall and the reunification of West and East Germany are mentioned first, particularly amongst the younger generation. Not only Germany (82%), but also the German Chancellor currently has a very positive image (60% positive, 24% negative)⁶ among French people. Citizens generally have a better knowledge of Germany than was the case in the past and by and large understand German taxpayers' reservations about continuing to show solidarity towards some member states.

Questioning French leadership

Behind these anti-German declarations, which can largely be attributed to domestic politics and do not reflect the majority of public opinion, is more sober criticism regarding the emerging European strategy for combating the debt crisis. French politicians do believe in austerity as an effective way out of the crisis. Given that France's economic growth is based on domestic demand, decision-makers often see austerity as a risk that could lead to a recession. The German insistence on strict budget discipline has often been criticised as inequitable, inefficient, and even hazardous. In this regard, it is revealing that both Nicolas Sarkozy, the most constant defender of the fiscal treaty, and François Hollande, who acknowledges the necessity of budget discipline, both ended their presidential campaigns by advocating growth-promoting measures at the European level.

Yet discussions about Germany and the Franco-German relationship also reflect France's own national struggles to improve its economic performance and to remain a credible player in the European Union. Those who criticised the federal government's position regarding EU crisis management also blamed Nicolas Sarkozy – albeit in a milder tone – for supposedly tagging-along with the chancellor. “Mrs. Merkel decides, Mr. Sarkozy follows,”⁷ François Hollande teased, promising that, if he were elected president, he would re-establish a more balanced relationship with Germany. The old spectre of a symmetrical relation between Paris and Berlin has been amplified by the crisis and is an important element of the discussion. The more serious France's economic difficulties become, the stronger is the apprehension that Paris could turn into Berlin's junior partner and lose its influence on European integration. The clearest expression of such concerns is the discussion so prominent in the media during the campaign about the country's economic and political “*décrochage*” from Germany. It plays on fears of France's disconnection and backwardness on the European scene.

A normalised and pragmatic relationship

Beyond all these controversies and provocations, it is worth mentioning that French politicians have never fundamentally questioned Franco-German cooperation. On the contrary, as debates about the German economic model and the attitude of the political class towards Germany

⁶ Poll Infratest Dimap, "Die deutsche Europapolitik aus französischer Perspektive," February 2012 (<http://www.infratest-dimap.de/umfragen-analysen/international/frankreich/2012/februar/>).

⁷ Interview with François Hollande broadcast on France 2, TV News, 30 November 2011.

became more heated, consensus grew between Conservatives and Socialists on the necessity of working closely with Berlin. There is no dispute about *whether* bilateral cooperation should be pursued and even intensified, only about the *modalities under which* it should occur. This view is not due to a natural preference among French decision-makers for Germany, but because of the pragmatic statement that nothing can be decided in the European Union without Berlin's agreement.

Such a perception has doubtlessly been influenced by a crisis that has confirmed and amplified Germany's role in European integration. From this point of view, the evolution of Nicolas Sarkozy's attitude towards Germany is instructive. At the beginning of his mandate in 2007, his Atlantic bias led him to place a strong emphasis on relations with the UK and to play down the importance of the Franco-German couple, which he considered insufficient in a 27-member Union.⁸ A few years later, his language was radically different. Regarding these fluctuations, his position regarding the Franco-German relationship seems the result of pragmatism rather than a determined vision.

That Franco-German cooperation has become a matter of necessity rather than passion for French politicians became clear during the 2012 presidential campaign. Although Socialist candidate François Hollande strongly criticised Berlin's strategy concerning budgetary discipline and argued for growth promotion, he sought contact with decision-makers in Berlin. He regularly met with German Social Democrats, such as party leader Sigmar Gabriel, while also expressing his intention to cooperate closely with Merkel's coalition government should he become president. It is not surprising then that his first official trip to Berlin took place on 15 May 2012, just a few hours after his inauguration as president. Furthermore, in the past, the socialisation to the Franco-German relationship has proven strong. The best relationships between French and German leaders have been independent of political affiliation.

The normalisation of perception of the Franco-German relationship applies not only to the political class, but also to the French population in general. Germany is not associated with the Nazi period anymore, but neither are these perceptions based on particularly strong emotions. The present approach is rational and pragmatic: Germany is not seen so much as a friend but rather as a very close partner: France's privileged – and even best – ally. Consequently, the Franco-German relationship is seen as a necessary and useful tool within the EU framework that has to some extent moved beyond the ubiquitous emotions that formerly characterised it.

⁸ Joint press conference given by Nicolas Sarkozy and Gordon Brown, London, 27 March 2008.

Germany as Viewed by Bulgaria: Support for Fiscal Stability

Antoinette Primatarova*

On 18 January 2012, Bulgarian Prime Minister Boyko Borisov paid a visit to Berlin to meet with Chancellor Merkel. At the end of the press conference the Chancellor was asked by a reporter whether she saw any need to do more for the eurozone and other EU countries against the background of continued appeals to Germany to show more solidarity.

Borisov leapfrogged Chancellor Merkel in answering the question: “On behalf of several countries I would like to thank Germany for being perhaps the single country that is but giving. I would advise my colleagues to argue less about Germany and instead worry more about their budget deficit and their external debt. If they would do this, they would not have to ask the Chancellor for more and more money. Bulgaria has been rewarded with a higher rating by the agencies exactly for acting like that. Countries that do deliver do also get solidarity.”¹

Borisov has made many similar statements at the national and international levels, in private and in public. These statements suggest that he might be eager to breathe new life into Bismarck’s dubbing of the Bulgarians as “the Prussians of the Balkans,” but they put him at odds with other European governments and politicians who are more critical of Germany and Chancellor Merkel’s handling of the euro crisis.

Borisov’s support for Chancellor Merkel did not make big headlines. Chancellor Merkel reacted with a benign smile and the German media all but neglected it.² The Wall Street Journal paid some modest attention to it.³

Support for Chancellor Merkel’s handling of the euro crisis and for Germany’s leading role in the EU was also expressed by newly elected Bulgarian President Rossen Plevneliev. He gave an interview to FT Deutschland⁴ a few days after taking office with three main messages:

- Germany’s leadership will result in a stronger Europe;
- The fiscal stability advocated by Germany is a must;
- Bulgaria should be an example for Greece in resolving national debt.

There are many reasons why Bulgarian support for Germany’s position in the euro crisis is not making headlines. Together with Romania, Bulgaria is the youngest member of the EU. It has little if any political or economic leverage. It has been and still is considered a laggard in many respects. It is the poorest EU member state, and has made more headlines with corruption and

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¹ Press conference Chancellor Merkel/ Prime Minister Borisov, 18 January 2012 (<http://www.bundesregierung.de/Content/DE/Mitschrift/Pressekonferenzen/2012/01/2012-01-18-pk-bkin-bulg-pm-borisov.html>).

² In one of the countless German TV debates on the European fiscal crisis, Edmund Stoiber referred to Borisov’s proposal to Greeks to cut pensions and salaries to Bulgarian levels in order to resolve the country’s problems as sounding cynical but in essence being right.

³ <http://online.wsj.com/article/BT-CO-20120118-708884.html>.

⁴ <http://www.ftd.de/politik/europa/:schuldenkrise-deutschland-wird-uns-fuehren/60161472.html>, 29 January 2012.

organised crime than with constructive regional policy or fiscal and financial stability. It is not yet part of either the Schengen area or the eurozone.

Borisov is unique not only in his populist domestic rhetoric (which forms the basis of support for his party GERB),⁵ but also in his means of courting international partners. He is definitely not unique in his pro-German position. Examples of taking Germany's side can be found throughout modern Bulgarian history. Positive Bulgarian perceptions of Germany's role in the EU can actually be explained by the country's experiences throughout the transition and the pre-accession process.

- The major German political foundations and parties played a very important role in the shaping of the political landscape in Bulgaria and the political socialisation of Bulgarian parties at the European level. Without the support of the Friedrich Ebert Foundation and Germany's Social Democrats, the Communist past of the Bulgarian Socialists would continue to be a serious international liability for the party and the recent election of Sergei Stanishev⁶ as Interim President of the European Socialists would be impossible. The Konrad Adenauer Foundation has been very active in its support for all centre-right parties in Bulgaria since the very start of transition. The Hanns Seidel Foundation did much to contribute to the development of the GERB movement as a centre-right party. The Konrad Adenauer and the Hanns Seidel Foundations, as well as the Christian Democratic Union and the Christian Socialist Union, had an important impact on the integration of these parties into the European Peoples Party. For the moment, the Friedrich Naumann Foundation does not have any strong partners in Bulgaria, but it was also quite influential in the past. As long as German political parties themselves are in agreement on Germany's role in the EU, uniform support for the German position is what can be expected from any Bulgarian government. The situation becomes more complicated when there are more differences between the major German political parties. Presently, the Bulgarian Socialist Party and the Bulgarian Socialist MEPs tend to align their position with the PES in general and with the German Social Democrats in particular, whereas GERB aligns its position first of all with Chancellor Merkel and then with the EPP.
- In contrast to France, which repeatedly put the brakes on EU enlargement, Germany is perceived by Bulgarians – politicians and citizens alike – as the driving force behind the fifth enlargement. The decisive role of the European Commission during EU negotiations was a positive experience that convinced Bulgarians (especially at the administrative level) of the benefits of the communitarian model (perceived as a traditional German bias). For a rather small country like Bulgaria, the French bias for inter-governmentalism holds no appeal. Thus, if there is disagreement between Germany and France, Bulgaria is more likely to support Germany, regardless of which government is in power.

Two more factors explain the Bulgarian position towards the German bias towards fiscal stability. On the one hand is Bulgaria's experience with fiscal stabilisation over the last 20 years, and on the other is the perception of the current Greek crisis.

Bulgaria defaulted twice during the transition from communism that started in 1989. The first time was at the very beginning of the transition in March 1990, when the Lukanov government had to declare a moratorium on servicing Bulgaria's external debt. The second time came in late 1996-early 1997 when governmental policies resulted in a persistent shortage of grain, feed,

⁵ The party started as a citizens movement in 2006 – “Citizens for the European development of Bulgaria.” The name was carefully chosen to reflect a balance between patriotism and pro-European values. The Bulgarian acronym of the party's name “GERB” means “shield” or “coat-of-arms” and has a strong patriotic connotation.

⁶ Stanishev, Chairman of the Bulgarian Socialist Party since 2011 and Bulgarian Prime Minister 2005-2009, has been Interim PES President since November 2011.

fuel, and bread, an inflation rate of 310.8% in 1996 and 578% in 1997, and a decrease in the country's foreign reserves in January 1997 to the fragile level of 365 million USD. As a result of these two crises, a currency board arrangement was introduced in 1997, and it has since been sustained as the backbone of a conservative and disciplined fiscal policy by successive Bulgarian governments. Upon taking office in 2009, the incumbent government's aim was to join the ERM II as soon as possible and to adopt the euro within its term. After more than a decade with the currency board arrangement in place, these aims did not seem overly ambitious. When the environment changed thanks to the financial crisis, Borisov adjusted the original timetable: Bulgaria would wait for eurozone countries to fulfil the Maastricht criteria.

Bulgaria's record under the currency board arrangement⁷ gave Borisov leeway to subscribe to the German-led fiscal discipline treaty, the Treaty on Stability, Coordination and Governance (TSCG), without serious opposition in parliament regarding the provisions on fiscal discipline. The Bulgarian socialists voiced serious doubts about the effectiveness of the new treaty but did not go as far as to vote against it; they merely abstained from voting. Thus, in late January 2012 Borisov received a mandate from Parliament to commit Bulgaria to the new treaty, with only a single vote cast against it.⁸

The currency board arrangement translated into austerity measures for Bulgarian citizens that were more severe than the austerity measures currently being applied to Greece. As a neighbour country, many Bulgarians visit Greece, and their perception seems to be that the crisis there is rather mild compared to the crises that hit Bulgaria in the early and mid-90s. The media also contribute to the impression that the Greeks have been buffered from the crisis because of generous EU support, and that Greeks still have a much better quality of life than Bulgarians, regardless of the crisis. Since there was no comparable support to bail out Bulgaria when it would have needed it, there seems to be a certain lack of understanding for the financial support for Greece both at the level of ordinary citizens and politicians. This became evident in March 2011 when the incumbent government committed Bulgaria to the Euro Plus Pact without any prior debate in Parliament. Media and politicians alike stirred concerns that the Euro Plus Pact implied disproportionate financial commitments for Bulgaria under the European Stability Mechanism both before and after the eventual adoption of the euro. Borisov learned his lesson from the debate over alleged Bulgarian contributions to save richer countries, and since then he is always eager to explain that he would never make any financial commitments to countries richer than Bulgaria itself. Against the background of the country's own experiences, both the incumbent Bulgarian government and ordinary citizens seem to have a high degree of understanding for Germany's insistence that solidarity and trust be conditional upon responsibility.

There is one more reason for Borisov's support for Chancellor Merkel's line on fiscal stability. He seems obsessed with the belief that Bulgaria's good record with regard to fiscal stability deserves some kind of reward – perhaps a decrease in national co-funding for projects under the EU's cohesion, fisheries, and rural development policies. To his embarrassment, this carrot has been offered to crisis countries such as Greece, Ireland, Portugal, Romania, Latvia, and Hungary. In his meeting with Chancellor Merkel, Borisov raised the issue but received only a politely evasive answer with a hint that rewards for fiscal stability could be demanded by others too, not least the Eastern German *Länder*. This example proves that regardless of the deep

⁷ The government debt-to-GDP ratio is 14.3% (31 January 2012).

⁸ Still, it has to be mentioned that Borisov's own party and government expressed some reservations. They relate to general concerns in Bulgaria about the Eurozone summits that exclude aspiring members and about the vague Chapter IV on Common Economic Policy. Many suspect that Common Economic Policy implies moving towards tax harmonization, which is a red line for the Bulgarian government in any negotiations due to fears of preserving the comparative advantages of the Bulgarian economy.

respect for Germany's role within the EU, there are and will be differences between Germany and Bulgaria on issues beyond the Fiscal Stability Treaty.

In the case of differences between large and small and between rich and poor countries, for example, Germany and Bulgaria quite naturally have different interests. The most recent case is the different positions taken by Germany and Bulgaria with regard to the funding of cohesion policy in EU's next multi-annual budget for 2014-2020.

Why Germany Should Re-think Competitiveness: A Romanian view

Agnes Nicolescu*

In Romania, the popular perception of Germany's role in the EU is positive. For the most part, Berlin basks in the glow of the country's economic achievements; a particularly important point of reference for the Romanian economy and for domestic exports. And yet, this default deferral to Germany in itself highlights a potential problem for Romania: Bucharest is still making the transition from being a 'policy-taker' to a 'policy-maker' in EU affairs, and has yet to come up with critical yet constructive approaches of its own. The current debate in Romania surrounding important questions of European policy, such as Germany's leadership role or the rationale for deepening EU integration, is still confined to rather narrow professional, academic, and research arenas.

The dilemma for Romania, as a relative newcomer to the EU's decision-making processes and as a country still fighting the consequences of ongoing economic and financial crisis, is whether it can afford to be left behind. This is without knowing the consequences of further integration and whether it should even dig its heels in and potentially overlook the benefits of deeper integration. Few authoritative voices across Romanian society have expressed serious doubts about the drawbacks of signing the Fiscal Pact. Bucharest's hasty adoption of the Pact can be interpreted as a sign of its tendency to follow the line set by Berlin, as well revealing the lack of widespread public debate. This is an odd situation for any democracy dealing with such sensitive issues.

Moreover, the reliance upon Germany and the EU framework has a further, structural aspect, as revealed by the Romanian reaction to the question of budgetary discipline. Although sovereignty over domestic finances is a delicate issue, the proposal (eventually rejected by the European Commission) on the possibility of transferring authority for national budgets to a European authority did not cause a major stir among Romanian finance authorities and analysts. On the contrary, it was generally felt that a monitoring system such as that foreseen in the Euro Plus Pact and later in the Fiscal Pact should have positive results for the finances and economies of new member states, Romania included, in terms of strengthening fiscal consolidation and helping them keep their budgets in line.

Yet these institutional arrangements can only produce sustainable, positive results if states are actually able to implement the necessary structural reforms. In countries with weak institutional and administrative establishments, supranational governance would initially pay off in the form of increased competitiveness and financial stability, but the real challenge is to encourage these countries to reach increased competitiveness objectives. Only thus will they be able to ensure long-term financial discipline. In this regard, the competitiveness gap between southern and Nordic countries is only bridged in a negative sense – by the common problems they face, of which one of the most pressing is the continuous ageing of the European population. The financial impact of ageing on the population will affect both well-established pension systems in Nordic countries and those in the south and east. In relation to this topic, Romania is particularly interested in seeing how Germany will tackle the problem of its declining population.

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Germany and the beginnings of a critical debate

As with 'old' EU members such as Greece and Spain, the financial crisis has hit both the public and private sectors in Romania. Ever since the summer of 2010, there have been significant cuts to pensions and salaries, as well as massive lay-offs. Yet it was not until January 2012 that Romania witnessed major street protests. This was a turning point for the country. After several years during which the public's perception of Europeanisation was generally positive, the negative impact of the European economic recession brought a deeper and more pragmatic understanding of the responsibilities entailed by EU membership. The most obvious sign of these stirrings of critical thinking is the current assessment by the Romanian government and business sector of the concrete areas in which Romania can play an important role in the European single market. Yet, there has been a more general shift towards critical-constructive reflection, as Romanians cease to view the EU as the solution to all of its domestic problems and begin their own programme of national reforms.

Romanian economists point out that the Fiscal Pact may not work in the best interests of the Romanian economy once it goes into effect in January 2013.¹ They believe that the best that Romania can do for now is to continue along its own path towards budgetary discipline and to strive to expand its exports. Moreover, EU-inspired austerity measures have brought to light the fundamental necessity of renegotiating the tenets of the Romanian social model and ceasing reactions to cyclical economic pressures arising outside the country. There are naturally disagreements on how to proceed. The country's new labour code has largely been seen by the Romanian business sector as a step towards more flexibility while trade unions have opposed it on the grounds of social security. Meanwhile, the necessity of implementing stricter rules on financial markets, as well as in the granting of public contracts, has become a leitmotif in discourses by Romanian experts. The general social dialogue, however, is dominated by worries over stemming the growing number of unemployed in the immediate term and the need to reform the labour market in the long term. Where discourses have converged, however, is in their scepticism about pursuing the adoption of the euro as a valid objective.

There is also growing scepticism about the efficacy of the structural framework created by the EU in response to the crisis. It is not just that Romanian experts fear that the Fiscal Pact will represent only one in a series of further institutional commitments, adopted in order to keep up with the unfolding recession. The EU's existing Stability Pact is viewed as a useful instrument only in the sense that it acts as a brake, preventing member states from deviating even further from their budgetary discipline objectives. However, any further exceptions in the enforcement of the Pact's requirements would only sanction and legitimise a lack of domestic discipline. For this reason, Bucharest is particularly concerned that Germany will see a return to domestic scepticism on EU affairs. There is of course some nuance here: a 2011 GMF poll showed that 76% of Germans were in favour of the EU while 48% of them supported the Monetary Union.² While Germans remain strongly attached to the idea of 'Europeanness', after the onset of the crisis they seemed more sceptical about the financial and economic benefits associated with the EU. A reflection of this latter dimension would be the proposal of Hans Henkel, former President of the Federation of German Industries, to create a "monetary club"³ made up only of Germany and Nordic countries, which abide by the fiscal rules. Regarding German domestic politics, the liberal Free Democrat party has become more eurosceptic over the last few years

¹ Daniel Dăianu, Ella Kallai and Laurian Lungu, *Adoption of the Euro Plus Pact: implications for Romanian Fiscal Policy*, European Institute of Romania, Strategy and Policy Studies, March 2012.

² German Marshal Fund, *Transatlantic Trends 2011* (http://www.gmfus.org/publications/_TT/TT2011_final_web.pdf), p. 19.

³ "Euroscepticism rises in crisis-weary Germany", Eubusiness.com (<http://www.eubusiness.com/news-eu/finance-economy.ca8>), 18 September 2011.

while the Left Party has grown stronger in the polls. The ultimate objective of the Stability Pact is to ensure a budgetary precedent; Germany cannot break it again.

Moreover, in the eyes of Romanian experts, discipline does not make sense without financial solidarity. Without countercyclical policies, future institutional arrangements are unlikely to pay off. This casts the spotlight on Germany, regarded by Romania as the anchor of the European economy, and ultimately as its financier of last resort. To put it diplomatically: since the competitiveness of the German economy lies in intra-EU exports, Berlin is in a strong position to understand why a fair balance between these exchanges should be struck and why it should allow other European countries to enter the German market. In other words, Germany's competitiveness objectives should also encompass openness towards imports from EU members facing difficulties. Thus, the German model of export-driven growth should also target the commercial interests of a more global Europe rather than solely its own objectives. This naturally requires equal effort from the other member states to avoid seeing Berlin's global economic pursuits as disconnected from the larger European policy in the field.

Moreover, in relation to the issue of European values, and with consideration of the negative impact of the economic and financial crisis, Romania would particularly welcome sustained support from Germany in fighting the nationalist far-right movements that have flourished across Europe, even in countries with long democratic traditions such as Hungary and the Netherlands. In such periods, it has become common practice in European politics to place the blame for financial troubles on minorities across Europe, including on the Roma minority, without offering any solutions or policy proposals, except for continued discrimination, isolation, and direct or indirect political pressures.

Concerns about German realism

The fact that German Foreign Minister Guido Westerwelle's first foreign visit upon taking office was to Poland rather than to France was perceived in Romania as an indicator of Berlin's growing interest in its eastern neighbours. This eastern focus was, however, viewed with a certain ambivalence. Due to historical factors, Romania, just like Germany, has had sinuous relations with the Soviet Union and the Russian Federation. German policy towards Russia, aiming at a normalisation of political relations based on economic cooperation, is a pragmatic start that might also work for Romania, without being viewed as a model *per se*.

But it is worth pointing out at this juncture that Berlin's ever-closer economic and political relations with Moscow, and especially its restrained stance regarding Russia's deviations from democracy over the last decade, have strongly contributed to a more sombre perception of Berlin within the Romanian public and mass media. It has sparked historical fears about the ease with which a small- to medium-sized country can become caught between the (not always transparent) ambitions of Europe's two major powers to the east and the west. Again, there are concerns in Romania about Germany's apparent return to scepticism, conservatism, and realism as regards its international duties.

Although the normalisation of relations with Russia features amongst the core priorities of recent Romanian foreign policy, Berlin's close ties with Moscow are still viewed by Romanians with suspicion: they will not necessarily translate into better relations between Russia and the EU as a whole. Romania, just like Poland, guards the EU's difficult eastern border and hence has a direct interest in seeing its close neighbourhood stable and secure on all flanks. Any enforcement or radicalisation of the direction set by Germany's Meseberg agenda, for example through further agreements, would be a cause of real concern.

But this is not just a question of securing the border and the region. It has been five years since the eastern border of the EU moved to the Black Sea region, and Bucharest believes Berlin should pay more attention to the positive potential of this connecting region for improving relations between Europe and Central Asia. Progress achieved so far in the multilateral

framework has been fragmented, and a renewed understanding of this region's importance is needed. Bucharest is also aware that a more coherent policy on its part is essential in order to utilise the full potential of multilateral cooperation.

Germany's responsibilities

In the past, the principal reason for Germany's inability to follow the precise conditions set by the Stability Pact was the fact that the maximum threshold of a 3% budget deficit was largely seen as a target to be achieved and not as a firm limitation. Today, by contrast with the early 1990's, any deviation from EU rules would be seen to lie much more in a growing scepticism and realism amongst Berlin's political class, associated with a renewed understanding of national interest. This has a positive side: if Germany is now seen to keep to the EU's new rules, it is likely to spark optimism and confidence in the European project. A similar dynamic pertains to issues of EU foreign policy as well. Berlin's abstention on UNSC Resolution 1973 on the Libyan no-fly zone may have been an example of its traditional attachment to pacifism. But there is an alternative explanation for its decision to side with the emerging economies on this issue: its expanding relationship with China and Russia, especially against the background of Berlin's efforts to preserve the competitiveness of its exports in global markets, is seen to have clouded its judgement. Again, a firm commitment from Berlin to EU foreign policy would be a source of considerable confidence.

With regards to the internal dimension of EU integration, Germany should conceive of 'competitiveness' in terms that do not lead inexorably towards a multi-speed Europe, a characteristic already accentuated by the negative impact of the crisis. As 60% of German exports still go to European countries, this is also a good reason to advocate for a stronger commitment to European trade policy. In the context of the difficult negotiations on the financial framework for 2014-2020, and given the opposition of countries such as the UK to supporting a well-funded Common Agricultural Policy (CAP), Romania's sees Germany as essential to reaching an agreement over the preservation of agricultural funding. Again, the fulfilment of this role would require Berlin to resist to any populist feelings prevalent in domestic public discourse.

It is nevertheless a serious challenge to continue consolidating the European project with another poll conducted by a German research institute in 2011 suggesting that about 63% of Germans have little or no confidence in the EU.

It is nevertheless a serious challenge to continue consolidating the European project while about 63% of Germans have little or no confidence in the EU.⁴ This comes at a time when Germany seems to be rethinking its approach towards Europe; this change of tone became obvious with Chancellor Merkel's 2010 speech in Bruges, when a shift from the 'community method' to a more intergovernmental approach was announced. Berlin's sense that its heavy financial contribution to save Greece's economy should translate into greater political power than that wielded by France, and its close relations with the emerging powers in the Far East, are likely to challenge the current Euro-Atlantic agenda. At the same time, part of Germany's foreign policy over the last decade can also be explained by the continued disengagement of the US from European security issues.

Regarding the foreign policy dimension, Germany has not managed to match the influence and leadership it has inevitably gained due to its economic competitiveness with an equal sense of leadership regarding its role in the world. Indeed, until now, the European integration project has been seen in close connection with the objectives of the Atlantic community. Germany's growing economic ties to Russia and China thus throws into question Berlin's political

⁴ Thomas Petersen, "Gemeinsames Interesse für Europa in Gefahr", *Frankfurter Allgemeine Zeitung*, 25 January 2011.

commitment to both Europeanisation and Atlanticism. It is, in short, important for member states to persuade Berlin that it would be beneficial for all Europeans to have a Germany that strongly supports the European integration process as an instrument for ensuring continued economic stability and security on the continent. Under current circumstances, this will prove extremely challenging because the German leadership is trying to offset its financial commitments to the eurozone with the economic and political opportunities offered by rising powers.

Perceptions of Germany and Hungary's Self-perception in the Euro Crisis

László J. Kiss*

Tradition of bilateral relations

Since German-Hungarian relations have never really been burdened by intractable historical disputes over, for example, territory or minorities, there is surprisingly little ambivalence in the Hungarian perception of Germany, let alone fear of German dominance or Germany's failure to lead. Bilateral relations between the Federal Republic and Hungary have never ceased to be instrumental to Hungary's economy and prosperity. During the euro and the broader global economic and financial crisis, Hungary has become more dependent on Germany's economy, reaffirming the idea that no Hungarian economic recovery is possible without German involvement. This is one reason why Germany is perceived as an indispensable strategic partner and why the country's leading economic role is accepted without political debate in Hungary; even to the point where acceptance of this is part of the Hungarian *raison d'état*, no matter which party comes to power in Budapest. From the beginning of the 1990s, Hungarian politicians have often stated that a unified Germany should assume a commensurate role both in Europe and in the relevant international organisations, including permanent membership in the Security Council.

Fiscal discipline and 'double standards'

Nevertheless, the Hungarian perception of Germany is not wholly positive. When the current centre-right government came to power with a two-thirds majority, it found a country in tatters with a dramatically increasing external debt burden and huge swathes of the population sinking into poverty. In its efforts to reduce the deficit, the government decided to introduce measures such as the temporary windfall tax on the financial, retail, energy, and telecom sectors. This proved exceptionally profitable, and similar banking sector taxes have since been introduced in various European countries. Yet, thirteen foreign companies with bases in Hungary wrote to the European Commission in 2010 demanding sanctions against Budapest for the special taxes. Their mother countries support them and are using the EU institutions to pressurise Hungary into lifting these burdensome taxes and to return to the status quo ante.

Hungary's domestic politics also received unfavourable coverage in the German media, which criticised the government for taking the country down the road of undemocratic and dictatorial development. Suddenly Hungary was no longer a '*Musterknabe*' (model child) but a '*Prügelknabe*' (whipping boy) in the German and Western media. If those closest to the government and, indeed, mainstream public opinion are to be believed, any structural deficit in Hungary's democracy has been caused by the lack of an efficient opposition, and measures towards centralisation are unavoidable in times of financial crisis and economic emergency. For its part, the weakened and divided opposition has preferred to talk of the lack of checks and balances. However, on losing political ground, the opposition has had no other choice but to 'Europeanise' Hungary's domestic policy and to bolster its damaged position by means of the international left and NGOs.

Germany's role as an unwilling hegemon in the euro crisis is also affecting Hungarian perceptions of the country.¹ Since the beginning of the crisis, Germany has turned from

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reluctant paymaster into unbending promoter of EU-wide fiscal discipline. Berlin also helped bring an end to the governments of Silvio Berlusconi and George Papandreou. But even if such interventions took place in the spirit of 'saving the eurozone is saving Europe,' the manner in which the Greek and Italian governments were replaced has been a matter of some controversy, particularly given German criticism of Hungary's democratic standards at home: budget deficits in both countries are to be decreased by a scaling back of democracy. Moreover, 'European Germany' has been the means of creating 'a German Europe,' with Berlin providing the EU with the vocabulary of fiscal discipline. Merkel, with Sarkozy as junior partner, acted in a strict and resolute way to implement the fiscal pact.

And yet, when it came to the essence of these fiscal rules, Hungary was very much the *Musterknabe*. In the spirit of 'strong Europe, strong Hungary,' the Hungarian EU Council presidency accomplished several objectives in the first half of 2011; thereby enabling more fiscal stability in Europe. The agenda of the Hungarian presidency, which ranged from European energy policy to a Danube and Roma strategy, complemented Germany's interest in making Central Europe more stable and competitive. At the end of the Hungarian presidency, the EU had more means of handling crisis prevention than had been available six months earlier. The package of six legislative proposals, aimed at strengthening economic governance in the bloc, was more than 95% complete in the last month of the Hungarian presidency.

Furthermore, Hungary was amongst the first member states to insert a balanced budget rule – the so-called debt brake (*Schuldenbremse*) – into domestic constitutional law. Its new constitution came into force on 1 January 2012. The Hungarian government was thus at pains to emphasise that it had no intention of overburdening German taxpayers. Rather, the government would do everything it could to rely upon its own resources and gain control of the situation.

Budapest has not been rewarded for its efforts, however. Hungary was one of the few countries to make progress during its presidency in preparing for the package of six EU budget discipline rules, only to become the first to fall foul of the package. Of course, Budapest knows that it could not expect to be let off merely for being quick to transpose the rules. But the manner in which this occurred was the source of some tension, with certain member states failing to show the sensitivity to Hungary's domestic situation that they showed to other countries.

The European Union's standoff with Hungary exposed Brussels to charges of double standards and even unwarranted intervention. Prime Minister Viktor Orbán accused the European Union of double standards: "As a nation, we demand equal treatment. We won't be second-class European citizens." Orbán was apparently referring to the European Union's leniency towards Spain; a country that will not have to cut its deficit as deeply as it was originally told to do so. Austria, backed by Britain, Poland, and the Czech Republic said the decision to freeze €495 million of EU aid for Hungarian infrastructure projects should be delayed from 1 January 2013 until June to give it more time to fix its deficit. Austria's finance minister criticised what she called "double standards" and "political" sanctions against Hungary. But Germany voted to suspend cohesion funds against Hungary; one of the few EU countries that actually kept its deficit to a GDP ratio of 3% in 2011 (for the first time since 2004), even if it was the result of a single measure rather than a structural one.

What makes the sanctions and sharp words from Berlin more unpalatable to Budapest is the fact that Hungary's own domestic actions have been inspired by similar initiatives in Germany. In spite of the tense relationship between Budapest and the EU, Orbán stated that the Germans were still the country's main inspiration: they were the only ones who had an economy that is able to provide fantastic results. It is important to note that Hungary's own fiscal crisis preceded

¹ Kiss J. László, "Hegemónia az euróválság útján, avagy a német hatalom korlátjai" (Hegemony through euro crisis, or limits of German power), Magyar Külügyi Intézet (Hungarian Institute of International Affairs), MKI-Tanulmányok (MKI-Studies), T-2011/37.

the eurozone crisis. Indeed, since its accession to the EU, Hungary has struggled to reduce its deficit. The new centre-right government came to power following near state bankruptcy at the end of 2008, a situation that was only averted through massive loans from the IMF. Orbán talked about the Germans having a natural instinct for managing their economy successfully while the Hungarian government had to kick-start this process through their two-thirds majority in parliament. According to the premier, as long as the Hungarian government has this majority, it can foster economic recovery. In contrast to Germany's approach of dealing with power cautiously, even developing a culture of restrained power, Hungary's national conservative government has made full use of its power following the unprecedented parliamentary majority to restructure the entire political and economic system amidst a deep economic crisis.

Critical approaches: Germany as main beneficiary and two EU peripheries

Despite the gravity of the situation, however, most Hungarians remain philosophical and eschew extremist politics. The Hungarian mainstream is aware that the Germans are very cautious about taking a leading role, but among Central Europeans in general there is still nervousness about being squeezed between the Germans and the Russians yet again. The Hungarian premier put it this way: Germany is always seen as being too small to really dominate Europe, but too big to relieve the concerns of others. That is Germany's destiny. If Germany uses its power for good, then other states must put aside their concerns and create an alliance; a partner relationship.²

There are also minority opinions that are more critical of Germany's European policy, which contradict mainstream beliefs in many respects. According to some experts, Germany's competitiveness can mainly be attributed to the structure of the EU and the euro. In this reading, the country's competitive advantages were reinforced by membership in the eurozone, thanks not only to Germany's huge domestic market, outstanding capital adequacy, strong technological sector and institutional basis, but to the entire governing and regulatory structure of the EU being stacked against less competitive member states. Over time, the common currency has become undervalued for Germany and overvalued for countries that lag behind, and the competitiveness gap has continued to widen between them. Furthermore, Germany's major objective is not so much to preserve the unity of the euro or the Union, but to consolidate its great power role in the EU.³

Another approach assumes that 'many Europes' have emerged from the euro crisis. From a Hungarian point of view, it is extremely important to point out the existence of a so-called double periphery and the relationship between these peripheries in the EU. The periphery of states within the eurozone are seen to have a better deal than the even more disadvantaged periphery of Central and Eastern European member states outside the eurozone. According to the mainstream political elite, on the one hand the EU is throwing money into the bottomless pit of Greece's debt crisis within the eurozone, and the ECB has injected over a trillion euros of liquidity into eurozone banks to reassure markets and prop up ailing sovereign bonds. On the other hand, the IMF, whose mandate is purely financial and economic, refuses to negotiate with the Hungarian government until it has complied with the EU's political demands regarding laws and the constitution. Even then, it is unwilling to simply provide Hungary with the requested line of credit and insists on the country accepting a credit package.

² See Occidental Observer, Interview with Viktor Orbán, "A majority of European leaders has lost their faith in what made Europe great" (www.theoccidentalobserver.net/2012/03//interview-with-viktor-orban-a-majoriry-og-european-leaders-have), 10 May 2012.

³ Róna, Péter, "Otthon anyuka, máshol mostoha" (At home Mum, Somewhere Else Stepmother), *Népszabadság*, 10 November 2011, p.12.

Concerns about equal standards pertain not only to the treatment of the different member states but also to different issues. Brussels condemns Hungary for failing to conform to certain 'European' values but remains silent in the face of serious discrimination against ethnic minorities. According to the Hungarian mainstream, truly European values such as solidarity and equal standards need a rethink in the EU. From the German point of view, the requirement to lead and not to dominate means finding a balance between fiscal stability and growth. The idea of Eurobonds raises a major question that needs to be discussed: Can German solidarity with other member states succeed at the expense of its own society, without paying the price of increased domestic euroscepticism?

Austria's Perception of Germany: Between admiration and scepticism

Franco Algieri*

Germany is not only a neighbour but also a tangible part of daily life in Austria: Germans are the most numerous group of immigrants in Austria.¹ It is no surprise, then, that certain clichés about Germany and Germans still survive. The traditional term for Germans – “Piefke” – retains its less than positive connotation.² In Stefan Zweig's description of life in old Vienna before the First World War, the German neighbours are seen as having little sympathy for the relaxed way of life in the Austrian capital. He describes Germans as being guided by the aspiration to be efficient and with a certain dislike of the supposedly hedonistic way of life in Vienna.³ Given the current admiration of German tourists for the relaxed atmosphere in Vienna one might conclude that attitudes have changed. But what these tourists actually admire is the facade of a cosy imperial city where the Empress Sissy might walk around the corner at any moment.

Austrians like to charm others, and themselves, with the image of their country as Europe's “most beautiful and best province”.⁴ Neither the political elite nor the public actually considers that the country plays a decisive role in the EU but, as long as being provincial has no negative effects for the country, there seems little need to become a driver of European integration. Besides, even though almost half of the Austrians still think that joining the EU was beneficial, scepticism and criticism towards the supranational level and the EU in general are growing. Like Germany, Austria is facing national elections in 2013 and consequently the scope for the government to play an active and positive European role is shrinking.

Economic policy

Austria's government, industry and business are supportive of the strong economic performance of their German neighbour. Germany is widely accepted as the driver of European economic growth and this matters because, in 2010, over 72% of all Austrian imports and over 70% of all Austrian exports were in trade with EU member states. More specifically, Austria is regarded as the EU member state that has profited most from the eastern enlargement of the Union in terms

* For a German-Italian who has lived and worked in Austria for the last few years after having lived and worked in Germany before, it is a challenge to write about Austria's perception of Germany in a European context. This would not have been possible without extremely valuable and critical discussions with Austrian colleagues and friends. They deserve particular gratitude for helping me understand Austria better. Dr. Franco Algieri is Director of Research at the Austrian Institute for European and Security Policy (AIES) in Maria Enzersdorf.

¹ In 2010 one of the leading Austrian newspapers ran an article about foreigners in Austria called “More Germans than Turks”, *Die Presse*, 8.7.2010 (“Ausländer in Österreich. Mehr Deutsche als Türken“) http://diepresse.com/home/politik/innenpolitik/579861/Auslaender-in-Oesterreich_Mehr-Deutsche-als-Tuerken?from=suche.intern.portal.

² A derogatory term without precise English translation. It is doubtful whether those who use the term Piefke have a sound understanding of what lies behind the name. See Godeysen, Hubertus: *Piefke. Kulturgeschichte einer Beschimpfung*, Wien/Klosterneuburg 2010.

³ Zweig, S., *Die Welt von Gestern. Erinnerungen eines Europäers*, Frankfurt am Main 2007, 36. Auflage, p. 40.

⁴ Rainer Nowak, „Österreich, schönste und beste Provinz Europas“, *Die Presse*, special report, Aufbrüche, 25 January 2012, p. 1.

of trade and economic growth,⁵ and the economic progress of Central and Eastern Europe is critically linked to Germany's economic development.

It also goes without saying that the Austrian economy is also directly dependent upon the German economy. With a share of more than 35% of Austrian trade, Germany was the most important trading partner in 2010.⁶ Consequently, forecasts for the development of the German economy are carefully observed in Vienna, and it is not long before a negative forecast for Germany has consequences for Austria.

As for the euro crisis, even though Austria is still considered to be a rather stable country in terms of its finances, the negative effects of developments in Greece and other EU member states seriously affected by the crisis are followed closely in the country. This is again linked to corresponding debates in Germany and decisions taken by the German government. As in Germany, there is no unified opinion in Austria about the measures that should be taken to manage the crisis in a European context. Until now, the Austrian government has largely followed the steps taken by the German government and many view the strong (and strict) position of German Chancellor Angela Merkel positively. However, in recent times the effects of a strict policy of austerity have been questioned more often in Austrian debates.

European security and defence policy

During the first Austrian EU presidency in the second half of 1998, a remarkable development began for EU security and defence policy when the then Austrian Defence Minister Werner Fasslabend convened the first informal meeting of EU defence ministers. In order to make such a meeting politically acceptable for other EU member states, consultation with the German government was integral, since any step in this policy field cannot be taken without consulting with the big member states. And in the early years of the European Security and Defence Policy (ESDP) (now the Common Security and Defence Policy (CSDP)), Austria looked with great interest at German attitudes towards the Europeanisation of security and defence. One essential aspect was (and still is) that the legitimacy and development of Austrian defence policy would be best viewed in a European context, and this in turn requires German action.

But, *the times they are a-changin'*⁷ and today the security and defence debate in Austria has become a marginal topic. The country is split on the purpose and use of their armed forces, which are facing an enduring existential crisis. While some continue to uphold the banner of neutrality, others are trying to improve Austria's role as a security and defence actor in the framework of the CSDP. The pros and cons of more Austrian engagement in European security and defence policy are debated in both parties of the grand coalition, i.e. the social democratic SPÖ and the conservative ÖVP. However, the supporters for CSDP are well aware that Austria cannot move ahead in a European context without delivering results and being supported by like-minded states. Consequently, several options can be distinguished in this context: a) cooperation with neutral and non-aligned countries, b) working with Central European countries, or c) rapprochement with the big three (France, Germany, and the UK). Looking at the draft of Austria's new security strategy, Austria wants to (at least conceptually) maintain an ambitious role inside the CSDP, but whether the necessary steps will be taken is doubtful.⁸

⁵ Breuss, Fritz: "Die Zukunft Europas", in Bundesministerium für Wirtschaft, Familie und Jugend, *Das österreichische Außenwirtschaftsleitbild. Globalisierung gestalten – Erfolg durch Offenheit und Innovation*. Wien 2009, 2nd edition, pp. 33-63, here p. 61.

⁶ Statistik Austria 2011, *Statistische Nachrichten* 8/2011, Wien 2011, pp. 813-815.

⁷ Bob Dylan, released as the title-track of his 1964 album, "The Times They Are a-Changin'".

⁸ See Franco Algieri/Arnold Kammel, „Des Kaisers neue Kleider. Europapolitische Aspekte im Entwurf der österreichischen Sicherheitsstrategie“, *Wiener Blätter zur Friedensforschung* 149, pp. 17-24.

For Austria (as for other smaller EU member states) it is important to carve out a position in the ongoing process of defining and structuring European defence. Being part of the ‘influence game’ would allow those states “to prevent the larger states either acting outside the institutional frameworks or, indeed, the wholesale and progressive renationalisation of security and defence efforts taking place, which is a danger.”⁹ Suspicion concerning the goodwill of the three big EU member states, including Germany, remains. Many ask whether they are really that united, how differences among them might deepen, and what consequences this may have for smaller member states.¹⁰ There are demands that smaller member states should work together more closely in order to prevent the bigger states from determining the rules of the European game.¹¹ But, despite growing disappointment at the indecisiveness of Germany in the field of CSDP, it remains to be seen whether Austria could be the driver of such a development.

Austria as a small state cannot afford – even though this is often the reality – to be left behind by other European states in European and global affairs.¹² But as in Germany, a gap can be found between the theoretical necessity of deeper European integration on the one hand and domestically oriented political realities on the other hand.

Germany and the future of European integration

Times are also changing with respect to how close political actors in Germany and Austria are to one another. While former CDU German Chancellor Helmut Kohl was seen as a friend of Austria, his SPD successor Gerhard Schröder and his Green Foreign Minister Joschka Fischer had a less positive image in Austria. This was due not least to the critical positioning of the then German government during the period when Austria was sanctioned by other EU member states.¹³ The perception of the current CDU Chancellor Angela Merkel as a (once) powerful actor for European integration (recalling the German role in moving out of the constitutional crisis and paving the way towards the Lisbon Treaty), which was also positive for Austria, is slowly fading. And the longer the eurozone financial crisis lasts, the more doubts will grow about how Germany will be able to handle the crisis-management of the common currency.

The Austrian perception of Germany’s role in the European integration process vacillates between admiration and scepticism. In the end, the high degree of interdependence between the two countries, bilaterally as well as in the European context, will make it necessary for Austria to continue its pragmatic relationship with Germany in the EU. In the past an unspoken consensus existed between the two major Austrian parties, the SPÖ and ÖVP, which implied that in the event of any move towards a kind of ‘core Europe’, Austria wanted to be part of that core. Currently, such a consensus is less evident. Nevertheless, if Germany is moving the process of European integration towards a core Europe, then it can be expected that Austria will follow that course and not be left behind.

⁹ Julian Lindley-French, „The influence game. The meaning of defence for smaller Europeans“, in Pucher, Johann/Frank, Johann (eds), *Strategie und Sicherheit 2011. Globale Herausforderungen – globale Antworten*, Wien 2011, pp. 365-373, here 372.

¹⁰ See in this context Andreas Unterberger, „Die Grenzen verschwimmen. Österreichs Sicherheit in einer sich verändernden Welt“, in Pucher/Frank (eds), op. cit., pp. 543-553, here p. 548.

¹¹ See the Austrian MEP Hannes Swoboda, „Zur internationalen Rolle Österreichs in einer sich verändernden Welt“, in Pucher/Frank (eds), op. cit., pp. 501-511, here p. 508.

¹² See in this context also Erhard Busek, „Sicherheit – ein Thema für Österreich“, in Pucher/Frank (eds), op. cit., pp. 527-532.

¹³ See Michael Gehler, *Der lange Weg nach Europa. Österreich vom Ende der Monarchie bis zur EU. Darstellung*. Innsbruck et al., 2002, pp. 443-444.

Good Neighbours, not Strategic Allies? German EU policy as seen from Prague

David Král*

The importance of Germany for the Czech Republic is beyond doubt: Germany is the Czechs' largest and most populous neighbour and its biggest trading partner, consuming more than 30% of Czech exports; their shared land border is the second longest for both; German tourists are still the most numerous visitors to the Czech Republic; and Germans are the second largest group of non-Czech EU residents in the Czech Republic (after Slovaks). Sociologists describe the Czech perception of Germany as an ambivalent mix of fear and admiration (especially with an eye to German economic strength), but it has improved markedly in recent years. Opinion polls in 2010 showed growing sympathy towards Germans and Germany,¹ especially among the younger generation.

The complicated historical relations between the two countries and the unresolved issues arising from them (such as possible property claims on the part of Sudeten Germans expelled from Czechoslovakia after WWII) have been largely de-politicised and conferred to historians. The political agenda is instead dominated by future-oriented problems. But, while there is no doubt that Germany is recognised as a key player in the European arena by the Czech political class, acceptance of German leadership varies – it at once is welcomed, accepted, contested, seen as inevitable, and viewed with suspicion and caution. Moreover, the current Czech perspective of Czech-German relations is almost exclusively bilateral, which leads to the fading importance of the Czech Republic for Germany when it comes to dealing with EU-wide issues, despite their geographical proximity and economic interconnectivity.

Writing about the Czech perception of Germany's EU policy is thus rather challenging. The political class in the Czech Republic is more deeply divided than in most other EU states, notably over the question of where the European Union is heading and whether Germany is pulling it in the right direction. The disagreements go beyond the coalition/opposition cleavage. Even within government, the two main coalition partners (ODS – the Civil Democratic Party and TOP09 – Tradition, Responsibility, Prosperity Party), as much as they might agree on many domestic economic issues, have rather opposing views on Europe. Indeed, TOP09 and the opposition Social Democrats (CSSD) have far fewer qualms about accepting the German vision of a stronger role for the European Commission and the European Parliament, a shift of competencies to the EU level, common economic governance, and, in the case of the Social Democrats, even some kind of fiscal harmonisation.

The fact that the two governing parties each control one of the two key institutions responsible for EU affairs – the Office of Government or Prime Minister's office (ODS) and the Foreign Ministry (TOP09) – has led to unprecedented clashes over the EU agenda (most notably on the fiscal pact) and culminated in both the prime minister and foreign minister appointing deputies who are each supposed to be responsible for the EU agenda as a whole. This potentially

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¹ According to a 2010 CVVM poll, relations with Germany are considered to be the third best after Slovakia and Poland, among 13 countries surveyed, with 89% of respondents viewing them as very positive or rather positive (compared to 77% in 2000). In terms of overall sympathies, in a similar 2010 poll Germany ranked middle behind Slovakia, France, the UK, Austria, Poland, the US, and Japan – ahead of Hungary, Russia, Cuba, Ukraine, China, and Israel. For the press releases relating to these polls, see http://www.cvvm.cas.cz/upl/zpravy/101082s_pm101221b.pdf and http://www.cvvm.cas.cz/upl/zpravy/101081s_pm101221a.pdf (in Czech only).

explosive mix (set to become one of the decisive factors in the next parliamentary election) is not helped by the fervent euroscepticism of Czech President Václav Klaus. He has set the tone of public debate in the past two years, contributing to the growing euroscepticism charted in opinion polls, including Eurobarometer.²

Relations with Germany have been further complicated by the parties of the current coalition government in Prague having no natural counterpart in the Federal Republic. This matters because many issues are discussed bi- and multi-laterally not only among governments, but also between the political parties. ODS is not part of the EPP (which includes the CDU) but has aligned itself more with the British Conservatives and PiS of Poland in the ECR group. The natural counterpart of the CDU, the Christian Democratic Party (KDU-ČSL), is not currently represented in the Czech parliament and is unlikely to make a comeback. TOP09, while being an EPP member, is a new party, which has not created many links with its European counterparts yet and has no seats in the European Parliament. The smallest coalition partner – the Public Affairs Party (VV) – is in the process of disintegration and is unlikely to survive. By contrast, the Social Democrats enjoy numerous and fruitful contacts with their German counterpart (the SPD), not least on EU issues; they are, however, in opposition.

Business as usual? Agreements and disagreements over policy issues

On most aspects of EU policy, relations between Prague and Berlin are characterised by minor agreements and disagreements. In the area of EU foreign policy, for example, Germany and the Czech Republic work together as part of the Eastern Partnership. The Czechs, seeing themselves as one of the spiritual fathers of this initiative, praise the active role that Germany has played vis-à-vis the EU's eastern neighbours and view Berlin as a necessary counterweight to countries such as Spain, Italy, and France that push for a greater focus on the Southern Mediterranean. But disagreements do arise when it comes to Russia. Many (though not all) Czechs are reluctant to recognise Russia as a strategic partner, and view the German position as too uncritical of domestic Russian developments. Regarding further enlargement, both countries are actively involved in the Western Balkans and they share a desire for the region's eventual incorporation into the EU. Differences arise in relation to Turkey: while the current German government prefers a privileged partnership, Czech governments – regardless of their political stripe – generally recognise Turkey's potential to become a fully-fledged member of the EU.

Similarities in the structure of the German and Czech economies (especially in terms of the large share of industry and the dominance of exports, which amount to 50% of German GDP and 80% of Czech GDP) lead to correlations in relevant EU policies: both countries share a similar interest in trade liberalisation with third parties and are interested in providing support for industry, as well as fostering European competitiveness and a functioning single market. Moreover, in discussions on the growth agenda, both countries now seem to believe that the 'completion' and liberalisation of the internal market is a better way to boost growth in Europe than government-funded stimulus packages; a position that many southern members of the EU (including France) tend not to agree with.

Berlin and Prague have diverging views on energy and climate change. Germany is concerned with reducing greenhouse emissions and increasing the share of renewables in its energy mix. The Czech Republic considers itself more constrained in this respect because of a landscape that provides little by way of water, solar or wind power and is dispensing with a series of coal power plants that cannot easily be replaced. Although the EU does not mandate the nature of a country's energy mix, both countries are pursuing distinctly different paths. While Germany has

² According to Eurobarometer 379 (April 2012), only 52% of Czechs are happy living in the EU (the third lowest number after Hungary and Greece), as opposed to 86% of Germans who are happy living in the EU (the 6th highest in the EU).

decided to shut down its nuclear power plants, Prague sees nuclear energy as the cornerstone of its energy security and has launched a huge tender for the extension of the Temelín nuclear power plant in southern Bohemia. Given its proximity to Germany, one can expect pressure (especially from Bavaria) on the German federal government to convince Prague to withdraw the tender (although Chancellor Angela Merkel has excluded this). A change in the Czech government is unlikely to yield a U-turn in the Czech position, as only the Green Party is currently opposed to increasing the proportion of nuclear energy in the Czech energy mix (the party is in fact against nuclear power altogether).

The German decision to abandon nuclear power has triggered another concern: that those German companies (especially RWE) which have invested in the Czech energy sector will sell their Czech acquisitions so that they can increase their investments in Germany's altered energy landscape. Since Russian companies would be among the likely buyers, Czech politicians (especially on the political right) view this as a security risk, and fear that this perception is not shared by their German counterparts. Another source of concern for the Czechs is the overflow of wind-generated electricity from the German state of Saxony, which has previously brought the Czech electricity transfer system to the verge of collapse. Energy interconnectivity between the member states is one area where even the Czech government would have no problem shifting more decision-making to Brussels.

EU economic policy: the current debt crisis and economic governance

The eurozone crisis is where real divergences between the two current governments have come to a head. Prague has largely endorsed the 'German medicine': bringing government deficit and debts under control while pushing austerity measures in favour of balanced budgets and prudent macroeconomic policies. The government sees the Czech Republic as part of a fiscally responsible northern zone where Germany is a natural leader. This helps explain the lively debate as to whether the Czech Republic should participate in the EFSF through loans to the IMF. Although the government finally endorsed taking part in the fund, their participation would be at a substantially lower level than that proposed by the European Commission. The Czech government is wary of Czech public opinion, which is strongly opposed to providing loans to countries whose economic policy is viewed as irresponsible – a sentiment that is expressed in both Czech and German public debates.

However, the agreement between the two governments pertains only to the substance and not to the form of the response. It seems that Prime Minister Nečas is *a priori* opposed to any further "surrender" of Czech sovereignty and to giving the Commission and fellow member states oversight of the Czech budget.³ Nečas apparently sees the fiscal compact and the measures that preceded it (such as the Euro Plus Pact) as heralding a federalisation of the eurozone and the EU. But the disagreement stems from a misperception on the part of the ODS: while for them giving more power to the EU would mean more bureaucracy and centralisation, Merkel's reading is different, entailing a balance between 'community' and 'union' methods. The opposition Social Democrats and ODS' coalition partner TOP09 did indeed argue that the fiscal pact would not represent any limitation of Czech sovereignty until the country adopts the euro and that the pact's adoption would actually guarantee the Czechs a seat at the table when major economic issues are being discussed. However, neither party pushed the issue strongly enough to change the PM's position. The TOP09 leader Karel Schwarzenberg initially threatened to pull out of the coalition if the Czech Republic does not sign the pact, but then softened his stance,

³ This is partly because his party is still internally divided over the issue of membership in the eurozone. Although Nečas never explicitly ruled out the idea of eventual Czech adoption of the single currency (unlike Klaus, who argues for negotiating an opt-out), he is still lukewarm about its prospects, let alone open to setting an indicative date. Not least because of the strong opposition inside his party, he has proposed to hold a referendum if the Czech Republic finally signs the Fiscal Pact.

claiming that it would be possible to accede to it at a later stage thanks to the likelihood of Klaus vetoing the arrangement.

Both for the intergovernmental method?

ODS strongly favours the intergovernmental method at the EU level, believing that it not only preserves sovereignty for the member states in crucial issues but is also more legitimate than the traditional ‘community method’ which ODS politicians continue to associate with Berlin. This position was articulated at a recent joint lecture by Nečas and Chancellor Merkel in the Law Faculty in Prague, where one of the ten theses presented by Nečas was that the European Council must play a key role in the EU’s future strategic decisions. This preference for the intergovernmental method is deeply rooted in ODS ideology and stems from the Manifesto of Czech Euro-realism, a party document written by MEP Jan Zahradil and adopted in the early 2000s, which still serves as the bible for ODS EU policy. Nečas’s suspicion of the Commission and the European Parliament is notorious.

Paradoxically, however, the EU’s recent swing to inter-governmentalism has not been welcomed by ODS. Prime Minister Nečas has complained that the deal on the Euro Plus Pact (which the Czech Republic did not sign) was a Franco-German deal put to him as a “*fait accompli*.” The ODS has difficulty accepting a Franco-German tandem which, in its opinion, is driving the EU towards a European super-state. It is not the first time the government has struggled to reconcile the principle of safeguarding sovereignty with practical implications. PM Nečas is also ambivalent about the emergence of a multi-speed Europe in which the Czech Republic might be marginalised. Although Nečas has admitted that the EU has always been a political project,⁴ for him the main task is preserving and consolidating the single market without any ambition to proceed with integration in other areas (especially a fiscal union). He recognises a particular need for the eurozone to integrate further, but he speaks more of “variable geometry” whereby core policies are shared by everyone and the rest is shared according to the preferences of individual member states.

Yet ODS remains strongly opposed to giving the EU more power, calling instead for the re-nationalisation of some policies (although the party did not specify which ones, we can assume that it would most like to de-communitarise aspects of the Common Agricultural Policy). This is in line with one point that the Czech delegation advocated for strongly in the Lisbon Treaty – the so-called ‘reverse passerelle’ whereby it would be possible for the European Council to ‘return’ some communitarised (or unionised) capabilities back to the capitals without a treaty change. This is in striking contrast to Merkel’s recent remarks in Prague on the need to enhance the competences of the European Union (albeit under strong subsidiarity scrutiny) especially in the area of economic governance. The ODS also believes that a shift of decision-making to the EU level cannot simply be legitimised by giving more powers to the European Commission or to the European Parliament, as in their view these bodies still lack the legitimacy enjoyed by national governments.

Structurally, however, there are interesting parallels between the two countries with regard to the institutional checks placed on any shift of competencies to the EU. One is the extremely active role that their respective constitutional courts play in scrutinising the EU treaties, especially in determining the limits of sovereignty transfers. In this respect, the court in Brno takes inspiration from the deliberations and rulings of its Karlsruhe counterpart, something apparent in the three rulings on the Lisbon Treaty initiated by the Senate. Moreover, parliamentary scrutiny of the EU subsidiary principle in the Czech case (especially in the

⁴ Office of Government of the Czech Republic, Ten Theses of the Prime Minister on Future of Europe, 3 April 2012 (<http://www.vlada.cz/cz/clenove-vlady/premier/vyznamne-projevy/prednaska-premiera-petra-necase-na-pravnicke-fakulte-univerzity-karlovy-94293/>).

Senate) is very much inspired by the activism of the Bundesrat in Germany. This points to a rather legalistic approach to EU-related issues in the Czech Republic that is inspired by German jurisprudence and also to the preponderance of legal experts dealing with EU issues in the PM's office, compared to the low numbers of political scientists and economists.

Concluding remarks

It is clear that there is a substantial divergence between Prague and Berlin regarding the future of Europe. The main cleavage stems from the fact that the Czech Republic is not in the eurozone and the current government has not sent any signals as to when it intends to join. The Czechs recognise that the eurozone has to consolidate and integrate further, but because of their hesitancy, they have adopted a very low profile in the discussions on how to tackle the debt crisis. Although the Czechs largely endorse the flavour of the German proposals, their rejection of the Euro Plus Pact and the fiscal pact points to a scepticism about whether the eurozone can survive in its current form, and at times it seems (and this is also reflected in some of the Czech media) that the optimal scenario would be the creation of a new, 'German' or 'northern' eurozone that the Czech Republic, as a fiscally prudent and macro-economically responsible country, could join.

The current Czech government cannot be counted on as a strategic ally or as a supporter of Germany in the EU. Prague has been sending strong signals that it counts on a strategic partnership with London rather than with Berlin, and has repeatedly failed to send signals on the kind of German leadership it would like to see. The Czechs are becoming strategically marginal, if not irrelevant, for Germany, as illustrated by the fact that Karel Schwarzenberg was not invited to a recent informal brainstorming session for selected EU foreign ministers in Berlin. Although ODS frequently criticises Germany for its hegemony in solving EU problems, it (unlike Poland) fails to see that this is not done by choice but by default, and it underestimates the risk of an inward-looking, eurosceptic Germany and what this might imply for the Czech position within the EU.

This attitude is, however, likely to change with the government in Prague. The Social Democrats are clearly in favour of swift adoption of the euro, and would probably have much less of a problem with accepting some of Germany's ideas on the institutional framework for economic governance. TOP09 is a little less pronounced in its position on the euro, but both parties would be strongly opposed to the Czech Republic's current self-marginalisation within the EU. Unlike ODS, which sees the current development of the EU in purely ideological terms (i.e. as a process leading to centralisation, federalisation, and the transfer to more competences to the EU-level, with Germany as a hegemon), the other two parties see European integration as a strategic choice where they want to play an active and constructive role with Germany as a crucial actor with whom they need to and want to actively cooperate.

“Provided you include us in decision-making, Poland will support you” – German EU Policy as viewed by Poland

Agnieszka Łada^{1*}

Germany is Poland’s largest EU neighbour. Numerous conflicts between the two countries have led many Poles to see Germany as a threat and as a state that longs for domination. But this situation changed in 1989. Germany supported Poland’s transformation and helped the country join the European community. As a consequence, relations between the two states began to take on more of a ‘big brother – younger brother’ quality. Poland’s accession to the European Union, and the (at least theoretical) parity with Germany within the Union, added a new dimension to their common relations and perceptions, especially within the European arena.

Today, Polish-German bilateral relations are the best they have been for years. There are no significant problems, although, as between all neighbours, there are always questions that need to be discussed or resolved. The Polish government and the majority of Poles deem relations to be good to very good. Three quarters of respondents believe that the two countries should concentrate on the present and the future, not on the past.² Germany continues to be Poland’s most important economic partner, and for Germany Poland is an even more valuable export market than Russia. Poles living in Germany form the third largest foreign minority group after Turks and Italians (around 7%). Roughly 11,000 Polish students currently study at German universities, and around 550 partnerships between Polish and German cities have been established. Polish and German NGOs are linked in innumerable joint projects. These networks mean that Polish-German proximity in the EU is in the interest of both countries.

Poland’s assessment of Germany is also influenced by its perception of its own role within the European Union. From the moment of its accession to power in 2007, the current Polish government has established for itself a good position in the EU based on clear policies, the launch of initiatives like the Eastern Partnership, its capacity for coalition-building, and its exceptional economic indicators. This, together with the fact that Poland is the EU’s sixth largest country, means that Warsaw no longer wants to be seen as a ‘new’ member state that merely implements directives inspired by others, especially by Germany. It perceives itself as a partner with equal rights, including deeper cooperation with the German-French tandem. The Polish EU Council Presidency in the second half of 2011, which was efficient and successful in light of the complicated economic and international situation,³ confirmed the positive perception of Poland in Europe.

* NOTE: The citation in the title is from Radosław Sikorski, “Poland and the future of the European Union”, Berlin, 28 November 2011.

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² A.Łada, *Patrzymy w przyszłość*, Instytut Spraw Publicznych, Warszawa, 2011.

³ Agnieszka Łada and Jacek Kucharczyk, “Pole Position: Polish Presidency of the EU Council” (<http://www.boell.eu/web/270-798.html>), Agnieszka Łada, *Polnische Ratspräsidentschaft. Bestandene Reifeprüfung in Krisenzeiten*, IFRI, 2012 (<http://ifri.org/?page=detail-contribution&id=7053&lang=fr>); Christian Schmitz, Agnieszka Łada, *Wahlen in Warschau, Verhandlungen in Brüssel. Die polnischen Parlamentswahlen und die EU-Ratspräsidentschaft*, *Auslandsinformationen der Konrad-Adenauer-Stiftung*, February 2012 (<http://www.kas.de/wf/de/33.30193/>).

However, while Warsaw currently aspires to a greater role in the EU, there are a number of obstacles that hold the country back. First, Poland has an influential right-wing opposition that is sceptical of the EU (led by the Law and Justice Party, headed by Jarosław Kaczyński, and a group of dissidents who moved even further right from this party). Even though it has no chance of coming back to power in the next three years, its destructive attitude colours debates on Europe in the country. Such debates rarely take place, however, and usually lack merit. Poland thus still has a problem defining its own vision for the EU; a fact that prevents Warsaw from moving from policy-taker to policy-maker. Last but surely not least, for the country is still waiting to join the most significant area of EU integration (the euro), Poland cannot take part in many important aspects of European policy-making.

Berlin has to get used to Poland's new ambitions and their limitations. But the timing is welcome: being confronted with the task of salvaging the European project and identifying a similar mentality in Poland, as well as the parallel prescription of a debt brake as a part of Polish law, Germany has begun to perceive its Eastern neighbour as a reliable ally, and sometimes even as a counterweight to France.

Leadership, solidarity, and self-interest

The best summary of the Polish government's approach towards German EU-policy was expressed in Berlin in November 2011 by the Polish Foreign Minister Radosław Sikorski during a speech on the future of Europe. It is worth quoting him at length:

“What, as Poland's foreign minister, do I regard as the biggest threat to the security and prosperity of Poland today, on 28th November 2011? It's not terrorism, it's not the Taliban, and it's certainly not German tanks. It's not even Russian missiles, which President Medvedev has just threatened to deploy on the EU's border. The biggest threat to the security and prosperity of Poland would be the collapse of the eurozone.

And I demand of Germany that, for your own sake and for ours, you help it survive and prosper. You know full well that nobody else can do it. I will probably be first Polish foreign minister in history to say so, but here it is: I fear German power less than I am beginning to fear German inactivity. [...] You have become Europe's indispensable nation. You may not fail to lead. Not dominate, but to lead in reform.”⁴

Coming from a Pole, these words are exceptionally strong. However, it was not said without regard for self-interest. The minister pointed out very clearly what he expects from Berlin in exchange for this assignment of leadership in Europe: “[p]rovided you include us in decision-making, Poland will support you.”⁵

In earlier sections of the speech, Sikorski declared himself in favour of the construction of a strong European Union and a strengthening of European institutions, the Parliament, and the Commission as a counterweight to the strong position of some states. This agenda was not necessarily welcomed by the Germans, but as it turned out Sikorski's words were appreciated amongst their target audience – in Berlin and other European capitals. Poland directly demanded that the Germans become active and finally present its vision of Europe. But there were not many innovative ideas that hadn't already been discussed by other EU actors and the obstacles inherent in the Polish wish to be an important player were not resolved in this one evening. The speech was not, however, universally praised – the minister was harshly criticised by the right-wing Polish opposition. They reproached the government for giving itself up to German wishes. The biggest opposition party, Law and Justice (PiS), vows to keep the most

⁴ “Poland and the future of the European Union”, Radek Sikorski, Foreign Minister of Poland, Berlin, 28 November 2011 (http://www.msz.gov.pl/files/docs/komunikaty/20111128BERLIN/radoslaw_sikorski_poland_and_the_future_of_the_eu.pdf).

⁵ Ibid.

important powers for the nation states and holds that German politics constitute a threat rather than an opportunity for Poland.

Despite this criticism, Poland maintained its efforts to strengthen German engagement. In his March 2012 “exposé,” Sikorski acknowledges:

“[w]hether we look at its population, GDP, or the voting powers acquired under the Lisbon Treaty, Germany is the biggest shareholder in the European Union. The ‘biggest’ – with around one-quarter of shares – but not the ‘dominant’ one. This means that it is difficult to get anything done in the EU against Germany’s will, but it also means that in order to implement its ideas, Germany must look for more than just one partner. If a given endeavour is at risk, obviously it is the biggest shareholder that has the greatest responsibility – and the most means – to come to the rescue. We want to work together towards a stronger Union.”⁶

The government’s support for Germany’s plan to stabilise the euro crisis and Warsaw’s offer of assistance also derive from pragmatic calculations: it is only worth cooperating with a strong partner if this furthers one’s own interests. But such a position would be impossible if there were not broad agreement between the two countries on most questions pertaining to the future of the Union.

The Polish government was clearly in favour of the fiscal pact from the beginning, but on condition that Poland, although not part of the eurozone, would have a seat at the table. Warsaw’s main fear is the creation of a ‘Europe of two speeds,’ where Poland would end up excluded from core decision-making. Berlin has given assurances to this effect, but Warsaw remains sceptical and perhaps a little insecure: Would Berlin really accept Warsaw as a member of the inner circle?

Polish-German cooperation can also be seen in the Eastern Partnership, although the two countries are not in agreement on all issues. Poland initiated this programme and tries to bring the Eastern neighbours as close to the European Union as possible. One of the most important issues for Warsaw is the speedy abolition of visas for the six Eastern countries. Poland understands that giving their citizens the opportunity to experience what democracy, the rule of law and freedom mean by spending time in EU countries is the best way to bring them round to reforming their own system. Germany, fearful of too much migration, is not a proponent of visa liberalisation in the short term. But both countries tend to work together within the Eastern Partnership on different levels. For example, the German and Polish foreign ministers visited Kiev (2009) and Minsk (2010) together to underline their shared attitude towards the development of the initiative.

The major point of division concerns the future of EU funding. Poland, the main beneficiary of EU funds and Germany, the biggest contributor, simply cannot reach a common view on this issue. These differences are particularly visible on the issue of cohesion policy. Here, Germany wants to reduce funding whereas Poland wants it to be left, at least at current levels.

It is worth pointing out that both capitals are also clearly divided in their approach to climate policy. Germany, which has spent years restructuring its energy sector towards more renewable sources, has asked other member states to follow suit. For Poland’s coal-based economy that is still under development, this would result in much higher costs. When Poland votes against Germany on such matters, however, it is inconsistent with the principle of solidarity so often cited by Poland. Whereas Warsaw is in favour of solidarity in the context of support by richer states for poorer states (a higher budget for cohesion policy), and willing to participate in the implementation of protective financial rules (signing the fiscal pact as a non-member of the

⁶ The Minister of Foreign Affairs on Polish Foreign Policy for 2012 (www.msz.gov.pl).

eurozone), it does not feel obligated to show solidarity in the fight against climate change, arguing that it cannot afford it for the time being.

Public perceptions of German EU policy

Polish society has a positive view of German EU policy – in its attitude towards German plans for the development of the EU as well as towards the areas of Polish-German cooperation. Eighty-one percent of Poles support Poland's EU membership. This has remained constant since Polish EU accession. In spite of the financial crisis, Poles are still convinced that a deepening of EU integration would be in their country's interest (62%). Accordingly, they agree with the point of view expressed by Radosław Sikorski in Berlin. At the same time, they think that deeper integration would have a higher pay-off for the biggest states such as Germany and France (58%). Around half of Polish people think that this would result in a German-dominated Europe.

The fiscal pact, initiated by Germany, was supported before Poland signed it by 42% of respondents, with 35% against. The majority accepted the principles of the contract, which were derived from German propositions: increased control of government budgets within the eurozone by EU institutions (62%) and punishment for eurozone governments that do not commit to fiscal discipline in their public budgets (65%).

A 2011 study by the Warsaw Institute of Public Affairs shows that Poles see a need for cooperation with Germany in many different areas. The issues chosen reveal a high degree of pragmatism and mainly concern European internal affairs. Relatively low importance is accorded to cooperation in EU foreign affairs.

Poles see the greatest need for Polish-German cooperation in the fight against the economic crisis and terrorism (77%). Almost as important are support for less-developed regions and the technological development of the European economy (73%), support for European agriculture and EU energy independence (71%), and the fight against climate change (67%). Together, Poland and Germany should also support the transition towards democracy and market economies in Eastern Europe and Russia.⁷

As for German European policy, in 2010 a strong majority of Poles believed that Germany was improving cooperation in Europe (69%). This represented an increase of several percentage points compared to the results just after the country's accession to the EU in 2005 (65%). At the same time, more than half of Poles (54%) are of the opinion that Germany pursues its own interests in Europe, yet respects the interests of other countries. And two thirds of Poles (65%) think that Germany supports the deepening of European integration, with only 11% disagreeing.⁸

All these figures show quite clearly that Polish society is not only in favour of strong Polish-German cooperation, but also of close contacts at European level, which could motivate the Polish government to act. But much depends on the German position. If Poland is too often left aside and German moves do not correspond with their promises to let Poland play an important role at Berlin's side, the anti-German slogans spread by the Polish right wing will find fertile ground to flourish in society.

⁷ A.Łada, *Patrzymy w przyszłość. Polacy o polsko-niemieckiej współpracy i o znaczeniu historii we wzajemnych stosunkach*, Instytut Spraw Publicznych, Warszawa 2011 [*Looking towards the future. Poles on Polish-German cooperation and the role of the history in the bilateral relations*], Instytut Spraw Publicznych, Warszawa, 2011.

⁸ A.Łada, *Dwadzieścia lat minęło. Polacy o zjednoczeniu Niemiec i stosunkach polsko-niemieckich w dwudziestą rocznicę zjednoczenia*, Instytut Spraw Publicznych, Warszawa 2010. [*20 years on. Poles on the German reunification and the Polish-German relations 20 years after the reunification*], Instytut Spraw Publicznych, Warszawa, 2010.

Closing remarks

The Polish attitude towards German European policy is in flux. It ranges from fears of German domination, which might be a threat to Poland, to support for German leadership, which is seen as a chance to safeguard the proper functioning of the EU. At any rate, Polish support for German activities is contingent upon German assurances of mutual decision-making. Poland is interested in strengthening the EU institutions to balance the strong German position, but it is also eager to accept reforms and show willingness to make necessary changes to the EU and be accepted as a solid partner within the community. The Polish point of view is, however, very dependent on the current incumbent party governing in Warsaw.

Germany's Response to the Euro Crisis: The View from Britain

Hans Kundnani*

In the last 20 years, Britain seems to have overcome its post-war inferiority complex towards Germany. Its long and vexed relationship with Germany since 1945 goes back not so much to the war itself, as is sometimes assumed, but rather to a sense of having “won the war but lost the peace.” Since the late 1990s, however, the pervasive feeling in the UK towards Germany has not been *antipathy*, as some Germans still tend to think, but rather *apathy*. This change was reflected in British tabloid newspaper coverage of Germany: since its climax in the mid-90s, anti-German sentiment has become less virulent. In fact, Germany disappeared almost entirely from most British newspapers.

But that has now changed. Since the beginning of the euro crisis two years ago, there has been a re-emergence of British antipathy towards Germany. Of course, this is not just a British phenomenon. In fact, it has been more prevalent and virulent in indebted eurozone countries such as Greece, where protesters have burned German flags and compared Chancellor Angela Merkel to Hitler.¹ The tragedy of the euro crisis is that, as Gideon Rachman has put it, “a single currency that was meant to bring Europeans together is instead driving them apart.”² Moreover, as Germany is perceived as the most powerful country in the European Union, and Europe's response to the euro crisis is increasingly seen as determined by Berlin, Germany is being conflated with the EU – a new and particularly worrying development.

Criticism of Germany in the UK during the last two years should thus not be seen simply as a re-emergence of old-fashioned Germanophobia. It is based not so much on prejudice than on a genuine sense of bafflement – and fear – at current developments. One often hears the view expressed that Germans simply ‘don't get it’ – that is, they don't understand macroeconomics. It is not just a phenomenon of the Eurosceptic and xenophobic right but also of the traditionally Europhile *left*. In fact, the Keynesian left finds the German response to the euro crisis even more baffling than the monetarist right, which tends to be more hawkish on austerity and therefore has more sympathy with the German approach – even if it is also uncomfortable with the idea of a German-dominated Europe.

In fact, against the background of the euro crisis, the old current of right-wing British Euroscepticism and Germanophobia and a new current of left-wing opposition to austerity are converging and increasing both Euroscepticism and anti-German feeling in the UK. While the right agrees with austerity, it opposes the greater European integration that it sees Germany demanding. Meanwhile the left is somewhat more sympathetic to European integration but opposes Germany's imposition of austerity on the rest of Europe for both democratic and economic reasons. Both, however, increasingly see Germany as the problem. As a result, after a period in which Britain and Germany appeared to be becoming closer, Britain's relationship with Germany is now deteriorating due to the euro crisis.

The UK's longstanding approach to Europe, based on the idea of semi-detachment, has become increasingly difficult to maintain since the deepening of European integration in the 1990s and

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¹ See Tony Barber, “Greeks direct cries of pain at Germany”, *Financial Times*, 14 February 2012 (<http://www.ft.com/intl/cms/s/0/67ff90dc-5728-11e1-869b-00144feabdc0.html#axzz1p4kMceBT>).

² See Gideon Rachman, “Political union cannot fix the euro”, *Financial Times*, 20 June 2011 (<http://www.ft.com/cms/s/0/7944de54-9b69-11e0-bbc6-00144feabdc0.html#axzz1mjhQeZAJ>).

in particular with the creation of the single currency; trends that further marginalised the UK within the EU while strengthening British Euroscepticism. The euro crisis has further exacerbated this marginalisation and strengthened Euroscepticism. In particular, the steps towards greater integration that have been taken by eurozone countries in response to the crisis have presented Britain with a dilemma: it enjoys little influence over developments that could nevertheless directly affect British interests and above all the City. This dilemma culminated in Prime Minister David Cameron's opposition to an amendment of the European treaties at the European summit in December 2011.

From the British point of view, the basic dilemma is that further European integration, and in particular the idea of a 'fiscal union,' is both economically necessary and politically impossible.³ Hence Britain's slightly schizophrenic approach: in July 2011, Chancellor of the Exchequer George Osborne talked of the "inexorable logic" of fiscal union; but in December Cameron opposed the proposed establishment of a "fiscal union" within the European treaties. Since the December summit, the UK's economic and political interests have been out of sync: the government wants the euro to survive in order to prevent a huge recession; but at the same time wants to prevent the UK from being further marginalised within the EU, as is likely to happen if the "fiscal union" succeeds.

As for the specific economic questions that have been posed by the crisis, it is difficult to generalise about attitudes within the British political class. In Berlin, there is a basic consensus around the idea of the social market economy. In the UK, on the other hand, the left and right have radically different views of economics: the right tends to be Friedmanite and the left more Keynesian. Nevertheless, it is possible to speak of a British mainstream view, which includes both the Cameron government (though not all Eurosceptic Conservatives) and the Labour opposition, which wants the eurozone to do what it takes to save the single currency but also to protect British national interests – above all the City.

Both the left and right in Britain see the eurozone as a flawed construction. They believe it is impossible to have a common currency without a common treasury. Such convictions were indeed part of the reason for the British opt-out when the single currency was created. Many British politicians believe a mutualisation of debt is now required – thus Cameron has talked about the need for a system of fiscal transfers and collective debt issuance.⁴ Connected to this is the belief that the single currency has in effect distorted the European economy. Politicians see not just fiscal indiscipline but rather economic imbalances within the eurozone as part of the problem: Cameron argued that the euro crisis was "a problem of trade deficits, not just budget deficits" and urged countries such as Germany to cut their trade surpluses.⁵ In fact, many people in Britain seem to share George Soros's view that Germany has a "chronic trade surplus."⁶

As a result, few people in Britain see austerity alone as the solution to the current crisis, as many in Germany seem to. The British left thinks austerity has gone too far and wants to slow the pace of deficit reduction in Europe and would shift some of the focus onto stimulating economies. Even the right accepts that, although austerity is necessary, it is not sufficient: growth stimulation is necessary as well. Both the left and right also accept that in a global

³ On the paradox of the necessity and impossibility of European integration, see Mark Leonard, "Four Scenarios for the reinvention of Europe", European Council on Foreign Relations, November 2011 (http://www.ecfr.eu/page/-/ECFR43_REINVENTION_OF_EUROPE_ESSAY_AW1.pdf).

⁴ Chris Giles, George Parker and Gerrit Wiesmann, "Cameron criticises European financial tax", *Financial Times*, (<http://www.ft.com/intl/cms/s/0/0c4fcda4-4843-11e1-941c-00144feabdc0.html#axzz1p4kMceBT>).

⁵ Ibid.

⁶ George Soros, "How to resolve the euro crisis", Project Syndicate, 15 August 2011 (<http://www.project-syndicate.org/commentary/soros70/English>).

economy or single currency zone it is risky for all states to tighten monetary and fiscal policy at the same time. They fear that what Martin Wolf has called “kamikaze tightening” will increase rather than reduce debt in the eurozone periphery and thus make the problem worse.⁷ In short, the British view is that you cannot simply universalise German policy.

In addition, both the left and right dislike the idea of Germany *imposing* austerity on others in the eurozone, which seems to them both anti-democratic and unsustainable. In fact, both right-wing and left-wing newspapers in the UK are now accusing Germany of imperialism. Simon Heffer wrote in the right-wing *Daily Mail* in November 2011 of “Germany's economic colonisation of Europe.”⁸ At the end of January 2012, following the revelation in the *Financial Times* of a plan to install a budget commissioner to oversee Greek spending, an editorial in the *Guardian* – hardly a Germanophobe newspaper – also accused Germany of “fiscal imperialism” and said it planned to create “the eurozone equivalent of a modern-day viceroy” in Greece.⁹ (In fact, the idea of a budget commissioner was originally a Dutch one.) “This is not a monetary union,” wrote Martin Wolf in the *Financial Times* in May. “It is far more like an empire.”¹⁰

Just as there is broad agreement that Germany's focus on austerity is the wrong approach to solving the crisis, so there is also a consensus that France and Germany are wrong to target the City. Of course, the British are themselves not uncritical of their financial services sector. Specifically, they share German anger at the banks and in particular at bankers' bonuses. In January 2012, for example, the chief executive of the Royal Bank of Scotland, Stephen Hester, was forced to give in to massive media and public pressure and forgo a 1 million-pound bonus for 2011 (on top of a 1.2 million-pound salary). The government also accepted in full the recommendations of the Vickers report published in September 2011, which included the separation of retail and investment banking. There is also a new post-crisis consensus in Britain about the need to “rebalance” the economy away from financial services towards manufacturing.

However, despite this anger, it is hard to imagine even Ed Miliband describing the world of finance as his “true adversary” as his French counterpart François Hollande did.¹¹ Except on the far left, ‘shadow banking’ (structured investment vehicles, hedge funds, money market funds, etc.) is not generally seen as a problem in the same way as it is in Germany, and hedge funds have never generally been perceived as ‘Heuschrecken,’ or ‘locusts.’ Thus there is less support in the UK for a financial transaction tax (FTT) than in France or Germany. The European Commission proposes to tax shares and bonds at a rate of 0.1% and derivative contracts at a rate of 0.01% across the EU and to put two-thirds of revenues into the EU budget. This is seen as inherently unfair in the UK: it is generally expected that around 75% of revenues would be from the UK. Thus Cameron called the FTT “quite simply madness.”¹²

Measures such as the FTT that have been taken or are being proposed in response to the euro crisis have put Cameron under greater pressure to accede to the demands of the Euro-sceptic

⁷ Martin Wolf, “Time to think the unthinkable and start printing again”, *Financial Times*, 29 September 2011 (<http://www.ft.com/cms/s/0/045aab84-e61c-11e0-960c-00144feabdc0.html#axzz1qs58t39w>).

⁸ Simon Heffer, “Germany's economic colonisation of Europe”, *Daily Mail*, 8 November 2011 (<http://www.dailymail.co.uk/debate/article-2058770/Germanys-economic-colonisation-Europe.html>).

⁹ “The euro: more summits, more problems”, *Guardian*, 29 January 2012 (<http://www.guardian.co.uk/commentisfree/2012/jan/29/euro-summit-europe-problems>).

¹⁰ Martin Wolf, “What Hollande must tell Germany”, *Financial Times*, 8 May 2012 (<http://www.ft.com/cms/s/0/51bf429c-98f8-11e1-948a-00144feabdc0.html#axzz1ud7mAf5z>).

¹¹ See James Boxell, “Hollande hits at his ‘true adversary’”, *Financial Times*, 22 January 2012 (<http://www.ft.com/cms/s/0/8abf4ca8-4520-11e1-a719-00144feabdc0.html#axzz1mjhQeZAJ>).

¹² Giles, Parker and Wiesmann, “Cameron criticises European financial tax” (<http://www.ft.com/intl/cms/s/0/0c4fcd4-4843-11e1-941c-00144feabdc0.html#axzz1yQFlonbn>).

wing of the Conservative party – which has become stronger during the last decade and in particular sees its opposition to British membership of the single currency as having been vindicated by the euro crisis – for an in-out referendum on British membership of the EU. Last October, 81 Tory MPs defied a three-line whip and voted in favour of such a referendum. Cameron’s approach at the European summit in December 2011 was in part a response to this rebellion.

There is now a real possibility that the UK will leave the EU in the next five to ten years. Even if Cameron is successful in avoiding a referendum while he is prime minister, his successor as leader of the Conservative party could well promise to hold a referendum if elected in order to gain support from Eurosceptics (one possible candidate, Boris Johnson, has already committed himself to a referendum). The outcome of such a referendum is difficult to predict and will likely depend to a large extent on the comparative economic situation in the eurozone and the UK at the time. But if the “fiscal compact” is folded back into the European treaties at some point in the future, as the European Commission proposes, the UK may in any case think it has little choice but to leave the EU altogether.

Germany and the EU as Seen from Copenhagen

Peter Munk Jensen*

The historical roots of Danish relations with Germany

Since the Middle Ages, Denmark has played host to immigration and cultural influences from Germany. At the beginning of the 19th century, German was even the language of the army and enjoyed an equal footing with Danish in the administrative sector. The loss of the duchies of Schleswig, Holstein, and Lauenburg, however, saw Germany replace Sweden as Denmark's archrival. The loss sowed the seeds of scepticism and mistrust towards Germany among a large part of the Danish population. Even after Northern Schleswig returned to Denmark by referendum, the border issue remained sensitive and Germany's offensive and often aggressive foreign policy was a preoccupation for Denmark's own foreign and security policy. This situation culminated during the Second World War when Denmark was occupied by Germany, leaving a lasting negative image of Germany among a large part of the Danish population, not least the older generation.

In the post-war era however, Denmark followed a twin-track approach towards Germany, bilaterally seeking stable and peaceful neighbourly relations while at the same time supporting German integration into multilateral structures (NATO, the EU, UN, etc.). Denmark later supported German membership in NATO and in 1962 established a common NATO-command, BALTAP, which linked the defences of Denmark, Schleswig-Holstein, and Hamburg and allowed for the posting of German troops on Danish soil. In this way, Germany became one of Denmark's closest partners, most prominently in defence and the economy. In 1955 Denmark and Germany signed the Copenhagen/Bonn-Declarations on the treatment of national minorities on each side of the border – a model for cross-border cooperation and the treatment of national minorities. And although Danish PM Poul Schlüter (he himself coming from the border region) initially expressed hesitation on the German unification process, Denmark supported unification without reservations while strongly underlining the wish for a unified Germany being solidly integrated within European structures.

Denmark's European policy has thus always taken Germany's political development as a key point of reference. And while officially Denmark was quick to give up reservations towards (Western) Germany, popular resentment towards Germany largely remained – founded both on historical experience and on the fact that Germany was the 'big' neighbour to the south. Over time, distrust of Germany became synonymous with a broader euroscepticism that developed in Denmark up to and after the referendum on membership in the (then) European Community in 1972. This too had historical roots. Denmark had been liberated by the British, and after World War II, the country's politicians and public looked to the West for security. Strong Atlanticism and a pro-American attitude replaced Danish neutrality and led Denmark into NATO. This move was conceived partly as a contrast to a European path, and Denmark thus refrained from joining the WEU. This policy of anchoring Denmark in transatlantic rather than European security structures persists today and still enjoys broad political and public support. Denmark has an opt-out for the CSDP.

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Danish/German relations in the EU

The desire to anchor Germany in European structures and Denmark in transatlantic ones meant that European policy was practically the only major field of foreign policy where Denmark and Germany followed different paths. But German reunification and the collapse of communism led to a more positive attitude towards EU integration. Germany's growing stature led Denmark to invest more heavily in the EU as a means to anchor Germany in multilateral structures. With Germany traditionally viewing further integration positively, Denmark joined the EC in 1973.

Its considerable exports to Germany weighed heavily in the Danish decision to join the EU. For years, Germany has been by far Denmark's largest trading partner. In 2010 almost 17% of Danish exports went to Germany, totalling nearly €15 billion. Another aspect of Danish dependence on Germany is the fact that the Danish currency – the crown – has been linked to the deutsche mark and then to the euro via a fixed exchange rate policy since 1982. The Danish economy has been reliant upon economic developments in Germany for three decades. One could argue that Germany, even after the introduction of the euro, has served as an economic anchor for Denmark. Danish European policy has thus been dominated from the outset more by economic cost/benefit considerations and commercial interests than by political conviction, let alone commitment to the European project. Although Danish politicians have become more open to political integration over time – and even dare to speak out loud about it! – remnants of this dominant economic cost/benefit approach to the EU are still detectable, perhaps due to the continued and significant presence of EU sceptics among the population.

During its years of EU membership, Denmark has followed a course of 'non alliance.' Despite its *de facto* dependence upon Germany, the country has sought to maximise its interests with shifting partners and to avoid any formal cooperation ties with other member states such as the Benelux countries. During the 1970s and 80s, Denmark tended to orient itself more to the UK's line of pragmatic economic cooperation with reservations regarding political integration. Yet German unification and EU enlargement to the East were turning points, and successive Danish governments have regarded strengthened EU cooperation as a means of European stabilisation and solidarity. In the 1990s, the majority of Danish politicians gradually adopted a cautiously positive attitude towards European cooperation and started to look more to Berlin. Whereas Denmark previously tended to regard the EU as a predominantly economic cooperation partner ("The Union is stone dead" as former PM Schlüter stated in 1986), Danish politicians after 1990 started speaking openly of the political aspects of European integration.

This habit of turning to deeper European integration whenever difficult external factors make it necessary has not always gone down well with the public. Danish scepticism towards the EU was on display leading to the 'No' vote (and to Danish opt-outs) during the referendum on the Maastricht Treaty in 1992 (and later on joining the eurozone in 2000). Although not equally widespread today, popular scepticism towards European integration remains at a rather high level in Denmark, at least with regard to particular issues like joining the euro. Maintaining Danish sovereignty, however symbolic and formal, also carries a lot of weight among many Danes.

Germany and the financial crisis seen from a Danish perspective

As a non-member of the eurozone, Denmark has not been at the centre of discussions in recent years. But Denmark has striven to participate as closely as possible – within the limits of the Danish opt-out – in cooperation with the euro countries because of the Danish linkage to the euro. Unlike Sweden, Denmark joined the Euro-plus Pact in March 2011. Danish Minister of Economy Margrethe Vestager rejected claims that the national German budget-restraint 'model' had been transferred to EU level. In her opinion it has grown out of a common European ambition to handle the crisis in the best way possible: "There's nothing particularly German about it – on the contrary, it's more European." Indeed, Danish Prime Minister Helle Thorning-

Schmidt has recognised and praised the role of Germany and the leadership of Chancellor Merkel in bringing about a solution to the Greek problem and paving the way for the fiscal compact. The notion of a Germany acting more in accordance with national interests than with European interests that may no longer serve as Europe's 'paymaster' has not given rise to any larger public or political debate in Denmark. A large majority in the Danish Parliament supports the fiscal compact, and public polls also suggest a large majority in favour.

This is not to deny differences of opinion. The Danish government certainly supports the kind of budgetary restraint advocated by Germany, but Copenhagen wants to strike a balance between consolidation and growth. Fiscal discipline is seen as the precondition for growth and employment but it will not suffice to bring the EU out of its current crisis. Denmark thus advocates a transfer of the national Danish economic 'kick start' to the EU level. The Danish EU presidency noted with great satisfaction how Chancellor Merkel acknowledged growth and employment measures as necessary steps out of the crisis in early 2012. This was later expressed in the Declaration on Growth and Jobs from the European Council in March 2012.

Moreover, Denmark, like Germany, acknowledges that the solution to the current crisis is more Europe, not less. But, in contrast to Germany's more federalist visions, Denmark favours a strengthening of cooperation within the existing institutional framework, with a focus on achieving practical results. Denmark initially expressed a wish not to make changes to the Treaty in connection with the fiscal compact. It wanted to save time for the Danish presidency in the first half of 2012 – and to avoid the necessity of a Danish referendum. Only when it became clear that Germany and France would insist did the Danish government accept this and concentrate its efforts on keeping the 27 member states together and limit the changes as far as possible. Denmark attaches great importance to the EU's formal decision-making procedures, insisting that decisions concerning all 27 member states are made as far as possible among all 27 (and not in selected capitals or exclusive groups). The Danish PM said in the European Parliament on 18 January 2012: "The Community method should be preserved and protected. We need to rely on the strong rules and institutions for decision-making that are already firmly established in our Union." As President of the Council, Denmark puts more emphasis on holding together the 27 and seeks to act as a bridge between eurozone countries and non-euro countries.

Furthermore, the financial crisis has given rise to a debate on legitimacy. The debate in Germany has focused on increased powers for national parliaments, as reflected both in the demands of the Bundestag and Bundesrat and by way of the Bundesverfassungsgericht (German Constitutional Court). Denmark and Germany seem to follow the same path of strong and increased parliamentary involvement in the national EU decision-making process, albeit for somewhat different reasons. Denmark has a long tradition of involving Parliament deeply in the national EU decision-making process by way of its parliamentary committee on Europe. The Danish parliament also demands greater influence as a result of the fiscal compact, which gives the Commission oversight and influence on national budgets. However, no major public or political voices have called for consolidating further powers in the European Parliament as some in Germany have. The EP does not enjoy any particular respect – or recognition – among most Danes.

German Foreign Minister Guido Westerwelle recently suggested the need for a publicly elected chairman of the European Council and a European "Verfassung" (constitution). The ruling Christian Democratic Union (CDU) also wants to see the Commission President elected directly in order to boost the legitimacy of the office. Danish Foreign Minister Villy Søvndal turned down these proposals on 11 March 2012:

"It is obvious that we do many things together, Germany and Denmark. But there are areas where we do not agree. We see no need to write a new treaty or constitution. And we see no need for a common European president, so there we differ". He continued:

“[t]here is always reason to discuss the public foundation of the European project... but I'm not sure that the conclusions Westerwelle has arrived at are the right ones”.

Despite these points of difference, only the far-right Dansk Folkeparti (DF) has voiced scepticism towards Germany – and this was in connection with Germany's critique of Denmark's plan to reinforce border controls following the crisis in the Schengen Area following the Arab Spring. DF leader Pia Kjaersgaard told the Germans to “run and jump” and accused Germany of acting as a “gang of toughs” towards Denmark. DF Member of Parliament Jesper Langballe accused Germany of being “a neurotic nation constantly haunted by its shadows from the past. And in its desperate attempt to defy its Nazi past Germany uses the EU to create that supranational monster who shall tame the fire of nationalism.” In a television debate, DF MEP Morten Messerschmidt accused Germany of making Europe's decisions. “Europe is no longer run from Brussels but from Berlin.” However, these statements are exceptions and do not resonate broadly in the public or among politicians. Despite rather widespread EU scepticism among the population, Danes tend to regard Germany in the EU more positively.

Conclusion

The Danish position is based equally on conviction and pragmatism. Denmark takes stock of the centre of gravity for EU cooperation – and it is evidently in Berlin. Denmark thus orients itself increasingly towards Berlin without abandoning its policy of ‘non-alliance’ that has been a guiding principle since Danish EU membership in 1973. Ever since the early 1990s, when Danish EU policy gradually evolved towards closer political co-operation, it has pursued a rapprochement with Germany.

Part of the Danish population – mostly elderly people – remains sceptical of the EU and Germany. This is due to historical experience, fear of domination from Brussels or Berlin, strong emphasis on the maintenance of formal/symbolic sovereignty, a feeling of strong attachment to the UK and the US, and other more individual reasons. But over time Danish resentment of the EU and of Germany seems to be fading.

The notions of sovereignty and independence have changed in the era of globalisation. Many Danes realise that national sovereignty can best (and only) be asserted in close cooperation with one's partners. Opening up to more EU cooperation, and thus ‘more Germany’, appears to be more acceptable than before.

An increasing number of Danes – most notably young people – seem to view both the EU and Germany with a more open mind and without the fear of EU or German domination felt by former generations. The younger generations did not experience the German occupation and only have experience of dealing with a cooperative and non-aggressive Germany. The Danish public's positive attitude towards Germany is reflected by the fact that Berlin attracts tens of thousands of Danish tourists and Danes buy property in the city. In addition, Germany has been by far Denmark's largest trading partner for years.

Many people on the Danish left have also changed their views on the EU and now tend to regard it as a bulwark against unbridled free market forces. The Danish right has actually become more sceptical towards the EU and has criticised its unnecessary regulations and overwhelming bureaucracy.

Denmark seems most likely to follow a course of pragmatic steps towards closer EU cooperation. Provided that the referendum on some of the Danish opt-outs results in their abolishment, this might pave the way for a further Danish rapprochement with Germany in the EU – short of the most federal visions. Should the opt-outs remain, it is unlikely that the Danish government would feel tempted to follow the same course.

From the Danish point of view, the recent decision for a new tunnel connecting Denmark and Germany under the Freshmen Belt represents tangible evidence of Danish/German cohesion and

Denmark's orientation towards Europe. Paradoxically, Denmark's more open attitude after years of reservations and scepticism regarding Germany and the EU has been met with a more cautious German attitude! Germany does not seem to share Denmark's enthusiasm and has left the Danes to pick up the bill for the tunnel. This has given the impression of German reservations both to the bilateral and European bearing and perspective of the project. In light of Danish-German relations, this is a historical irony!

German EU Policy as Viewed from Finland – Aligned in substance, dissenting in method

Kaisa Korhonen*

German and Finnish approaches to EU politics are surprisingly similar when one takes into account how different each state's role is in Europe. Germany is a founding member, is at the heart of Europe geographically, and politically at its core. Finland joined the EU in 1995, thus becoming the Union's north-eastern periphery. Germany is the largest EU member state, whereas Finland, with its population of some 5 million citizens, is among the most sparsely populated countries in Europe. Finally, Germany provides a fundamental contribution to EU economic governance, while Finland's contribution remains marginal. For instance, Finland's contribution to the ESM is about 1.8% of the fund, compared to Germany's 27%.

Despite these differences, both countries have – at least traditionally – been described as intuitively pro-European. They have engaged intensively from the beginning of European projects such as the common currency. In general, Germany and Finland have shown clear constructive and pragmatic approaches to common policy-making compared to their closest reference group of countries: France, the UK and the Nordic countries, respectively. Finland is the only Nordic country that is simultaneously a member of the EU and the eurozone with no *de jure* (Denmark) or *de facto* (Sweden) opt-outs.

Rather than standing alone, Germany and Finland prefer to be active members of a larger community. But what kind of community? The greatest difference between German and Finnish EU policy is their understanding of how to develop EU institutional structures and policy-making processes. In all, Finland is more reserved than Germany as regards a more federal union. The country is however a strong supporter of the community method and dislikes current intergovernmental trends, as the latter is problematic for smaller states.

With such background factors in mind, this article discusses how German EU policy is currently viewed in Finland. The aim is to consider how strong German leadership is viewed by Finns and how Finnish EU policy is being tailored to the new political-economic situation in Europe.

Finnish views on German leadership in economic governance

Since the start of the current economic crisis, Germany has been criticised by its European partners for first not making decisions and then for making wrong decisions. Germany has been blamed for its narcissistic economic and monetary policy choices as well as for trying to export its own domestic model of economic governance to the rest of Europe. In Finland, however, such criticism is rare and is only found at the fringes of public debate. Even when the economic policy initiatives emanating from Brussels are not considered a success, the Finnish mainstream refrains from blaming German economic leadership for making things worse. It is rather the countries that fail to follow Germany's lead that are to blame.¹

These positive associations with the German brand can be explained in part by the generally close relations between Finland and Germany. In addition to the Nordic countries, Germany is

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¹ A good example of this type of discourse is an editorial by the largest newspaper *Helsingin Sanomat* from 20 February 2012 titled "Resentment surfaces and a sense of community shatters." The main message of the editorial is that Germany is unreasonably criticised.

often regarded as the country whose interests are most similar to those of Finland. Germany is an even more important reference point in the realm of EU affairs because its role is more central and its political engagement more stable than that of the Nordic countries. But the quiet respect for Germany in Finnish political discourse is also related to the country's self-image. A national stereotype in Finland holds that the Finns are hard-working rule-followers like the Germans,² with both countries' political culture focused on pragmatic problem-solving.

Subsequently, Germany's macro-economic approach to the European economic crisis has been largely supported by the current and previous governments in Finland. First, Helsinki stresses the same priorities as the German leadership when it comes to economic policy-making: first common rules, then perhaps pan-European solidarity. Finland's national position is supportive of strong fiscal discipline for all member states, strict loan conditionality in terms of austerity measures, and tougher regulations for the financial markets, including the EU-wide financial transaction tax. These principles not only enjoy Finnish support, but could double as the Finnish solution to the crisis.

The so-called six-pack of legislative measures and the European Semester have been welcomed by successive Finnish governments as tools that will strengthen economic coordination. The same applies to the Euro Plus Pact ("competitiveness pact"), including its aim to coordinate tax policies to prevent fraud and tax evasion. Finnish centre-right ministers in particular have recently placed a strong emphasis on the growth and competitiveness agenda as well as on the completion of the EU's internal market with a digital internal market. In sum, economic discipline, enforceable common rules, and European competitiveness in global markets have been the cornerstones of Finnish economic reasoning during the crisis.

But any moves towards a 'transfer' union are a no-go in Finland. Prime Minister Jyrki Katainen is not alone in strongly arguing against Eurobonds, stating that even if the bonds were designed to encourage strict budgetary discipline, they would end up encouraging more lax national expenditures.³ Shared responsibility for sovereign debts is such an unpopular idea in Finland that there are really no political parties or individual opinion leaders that openly promote Eurobonds as *the* solution to the crisis.

In this context, of course, it is worth stating that the Finnish position is a result of continuous negotiations within a coalition government formed by the prime minister's centre-right National Coalition Party (NCP) and Finance Minister Jutta Urpilainen's Social Democratic Party (SDP). Although there are four other smaller parties in the government, this coalition can only function by finding workable compromises on EU affairs between the NCP and the SDP.

This is due to the fact that there are strong eurosceptic, or at least euro-*concerned*, voices in the opposition. The Eurosceptic True Finns Party (official name in English is "the Finns") holds 39 seats in the 200-member parliament, which makes it the third largest party after the NCP (44 seats) and the SDP (42 seats). The Centre Party, which led the previous pro-European coalition government, lost the last elections and gained only 35 seats. Due to this electoral defeat, the party's young pro-European leadership is about to step down and the party's eurosceptic honorary chair is among the candidates for the new party leadership.

In this context, fear of losing electoral support has meant that even the centre-left SDP has become more cautious in EU affairs than it was during previous decades. Its more reserved stance can also be explained by trans-national party politics: the centre-right family of European political parties – including the German CDU – has recently been much more influential in leading EU economic governance than Europe's centre-left parties. Although the Finnish Social

² Cf. with Honor Mahony's feature in *EUobserver* on 22 February 2012, "National stereotyping – the eurozone's other story" (<http://euobserver.com/843/115340>).

³ PM Jyrki Katainen, Speech at the Future of Europe seminar, Helsinki, 7 September 2011.

Democrats remain pro-EU and pro-euro, there has been some friction within the government. Foreign Minister Erkki Tuomioja (SDP) has, for instance, argued against the official government position and suggested that Finland should remain outside the Treaty on Stability, Coordination and Governance (TSCG). FM Tuomioja particularly disliked the 0.5% GDP structural budget deficit rule and feared for the Treaty's impact on the EU's institutional set-up.⁴

The Finnish party-political landscape is more eurosceptic than in Germany, and the Finnish party-political compromise over EU economic governance remains delicate. For the time being, Finland has nevertheless aligned itself with German EMU policy. But this relative harmony does not pertain to the development of EU decision-making methods. In that case, Finnish views are more critical.

Finnish concerns over crisis decision-making

At present, there are two dimensions to Finland's self-image as an EU member state. On the one hand, Finland has positioned itself as one of the EU's few AAA-rated member states and the country sees itself as a member state that has taken good care of its national economy.⁵ This, the government believes, gives Finland the right to have a relatively strong say in EU economic affairs. On the other hand, Finland has been continuously reminded of its small state status. Franco-German bilateral negotiations before meetings of the European Council are perceived as infringements of legitimate decision-making methods, and many argue that such bilateral compromises weaken the negotiation position of smaller member states.

This Finnish fear of being excluded from the *de facto* negotiation table was not as pronounced during the early years of Finnish EU membership. For a long time, Finnish-German interests in EU institutional affairs were similar enough to create a perception that Germany supported small states' call for a voice. Both countries have traditionally been in favour of deeper integration and strong institutions.⁶ Yet, Finnish public opinion has been –and remains – more critical of a federal EU than Germany, where European integration is not seen as infringing on state sovereignty but as empowering Germany to become a 'normal' state. In Finland, a federal system, on the other hand, is somewhat inaccurately linked with the centralisation of power in Brussels and seen as reducing small states' influence compared to the present confederation model.

Finland's small state identity was made apparent in this regard during the European Convention 2002-2003 and the following Intergovernmental Conferences: Franco-German proposals were interpreted as a step away from the principle of equality between states.⁷ This trend has been accelerating during the past few years of crisis management. Divisions between small and large member states have become ever more pronounced due to Franco-German dominance and intergovernmental practices applied to the most central decisions. Because changing the Treaty to move towards a federal union is difficult to achieve, Germany has increasingly applied the intergovernmental method of decision-making, which is most famously embodied in Chancellor Merkel's Union method⁸ and the intergovernmental TSCG.

⁴ FM Erkki Tuomioja, Blog entry, 21 January 2012, available (in Finnish) at: www.tuomioja.org.

⁵ For an example of defining the EU core in economic terms and positioning Finland as an AAA-rated country, see the speech by Alexander Stubb, Minister for European Affairs and Foreign Trade, at the College of Europe, Bruges, 17 November 2011.

⁶ Glenn R. Gassen, *Getting along with Gulliver: A Review of Finnish-German Relations*, WP 64/2010, The Finnish Institute of International Affairs, pp. 14f.

⁷ *Ibid.*, pp.16f.

⁸ Speech by Federal Chancellor Angela Merkel at the opening ceremony of the 61st academic year of the College of Europe, Bruges, 2 November 2010.

Instead of intergovernmental methods of policy or treaty-making, Finland supports extensive use of the community method and favours a strong Commission. Some argue that the negotiating position of small member states is weakened by the empowerment of both formal and informal European Council meetings and of its president Herman Van Rompuy at the cost of the Commission. Besides the fact that power politics does not serve small states, the extra-constitutional Franco-German way of initiating common European policies is problematic because the decision-making cycle is shorter and leaves little time for preparations at the national level. In Finland, this change is a cause for concern across party lines because the Finnish pro-integrationist position is linked with an understanding of the EU as a confederation based upon the principle of equality between states.

Most recent opinion polls show that the Finnish leadership is not alone in its concerns. Notwithstanding the above-mentioned discourse that Finland's voice has been relatively strong due to its AAA-status, 74% of Finns agree with the statement: "the hegemony of large member states has continuously increased in the EU."⁹ The same poll from March 2012 shows that only 9% of Finns support developments towards a European federation.¹⁰

During its 17 years of EU membership, Finland has not always shared German preferences for further integration, but it has been open to compromise in the end.¹¹ But if Germany were now to propose a more federal model, meaning for example that the number of MEPs would more directly reflect the population of member states,¹² it would be difficult to find a political compromise in Finland that would enable the country to follow the German leadership.

A recent example illustrates the more reserved Finnish approach to deeper integration. In December 2011 the Constitutional Affairs Committee of the Finnish Parliament argued that the draft proposal for the European Stability Mechanism infringed upon state sovereignty because it included a QMV decision-making rule that would mean a loss of Finland's veto right in practice. The draft agreement was revised in a way that reassured Finnish constitutional concerns, but the case remains a precedent that shows that Finland only supports deepened integration when it is modelled to secure the formal rights of small member states.

Concluding remarks

There is a general perception in Finland that German leadership in EU affairs is strengthened by the need for crisis management and that Finland should carefully and sympathetically follow developments in German EU policy. The central role played by Germany in EU economic governance is deemed necessary and Germany's substantial influence reasonable because of its economic strength. This perception is long-standing and was not borne out of the crisis. It has even been tentatively suggested that, as a small member state, Finland would prefer Germany single-handedly leading the Union over a constellation of large member states taking the lead.¹³

This is a contentious, even provocative, argument. Besides, Germany has never strived to dominate the EU but rather has sought to share a leadership role with France. What has nevertheless become clear during the past years of crisis management is that Franco-German domination of EU policy-making outside the community framework does not please Finnish decision-makers, who are often given take-it-or-leave-it choices. Such choices silence smaller

⁹ Ilkka Haavisto (2012), *EU vai ei? EVAn arvo- ja asennetutkimus 2012*, EVA raportti, p. 55.

¹⁰ Ibid., pp. 60-63.

¹¹ Tuomas Forsberg (2000), *A friend in need or a friend indeed? Finnish perceptions of Germany's role in the EU and Europe*, UPI Working Papers 24, p.14.

¹² For such a proposal, see e.g. the Resolution of the 24th Party Conference of the CDU of Germany, *A Strong Europe – A Bright Future for Germany*, Leipzig, 13-15 November 2011.

¹³ Forsberg, op. cit., p. 12, 17.

states and de-legitimise the usual methods of decision-making. This intergovernmental trend also challenges the legitimacy of national EU policy-making because of its emphasis on the strategic role of governments. Parliaments, or rather their EU committees, mainly approve pre-negotiated decisions that are utterly difficult to change if they are based on a Franco-German compromise.

As a result, Finland tends to demand respect for the established rules instead of promoting far-reaching changes in either the EU's economic or institutional set-up. To quote Minister for European Affairs and Foreign Trade Alexander Stubb: "We need strong rules, strong enforcement of rules, and a culture of rules."¹⁴

¹⁴ Stubb, *op. cit.*, p. 4.

Conclusions: The Narcissism of Small Differences

Almut Möller and Roderick Parkes*

As little as two years ago, this collection of essays would have seemed an act of extreme parochialism. Back then, the Lisbon Treaty had just come into force, and the talk was all about the European Union's emergence as a global player. Examining member states' relations to Germany would have been pure introspective indulgence.

Since then, the European Union has indeed begun creating waves worldwide, but for the wrong reasons. Observers overseas ask how the EU-27 could embark on an ambitious project such as the Economic and Monetary Union without being ready to acknowledge the scale and the consequences of their undertaking, and without sufficiently knowing one another. What once would have counted as introspection has now – absurdly – become a matter of global importance.

Against that background, the present collection offers a glimpse into the motivations and workings, not just of Germany, but of a whole range of member states. Within the space of an hour or two the general reader can gain quite a comprehensive overview of the internal dynamics that currently drive European relations. But many readers will come at the collection with a rather narrow motivation. Rather than seeking to understand a full range of EU member countries, many who download this paper will probably be most interested in reading only about their own.

The rise of Euro-narcissism

One of the most notable features of the debate about German European policy has been the prevalence of what might be termed national narcissism. Governments, politicians and commentators across the EU have delighted in raking up their domestic histories and examining what the current crisis says about them as a people.

Narcissistic individualism has of course become a theme of modern living,¹ but there is nothing reassuring in the idea that Europolitics has now joined the mainstream. Whenever other walks of life have gone from being a cosy community of nobodies to the preserve of self-obsessed status-seekers, disaster has followed. A spirit of selflessness formerly gave groups, and indeed the European Union, sufficient cohesion to absorb unexpected challenges and enough modesty to turn back if their goals became dangerously unrealistic. No longer.²

The world's narcissistic newcomers have proven notably crisis-prone. They are bad at risk-planning, preferring grandiose goals that show little respect for those to whom they bear responsibility. They are bad at crisis management, delivering solutions where they excel rather than those that the community needs. And they are bad at post-crisis analysis, going to great

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¹ For example: Soraya Mehdizadeh, "Self-Presentation 2.0: Narcissism and Self-Esteem on Facebook" in *Cyberpsychology, Behaviour and Social Networking*, Vol. 13, No. 4, 2010.

² Michael Elmes and David Barry, "Deliverance, Denial, and the Death Zone: A Study of Narcissism and Regression in the May 1996 Everest Climbing Disaster", *Journal of Applied Behavioral Science*, Vol. 35, No. 2, 1999.

lengths to avoid criticism.³ This seems as good a characterisation as any of the current state of European integration.

With the benefit of hindsight, it is clear that European integration was always bound to foster this kind of unhealthy narcissism. Whilst ‘the commonalities’ amongst the EU-27 have been emphasised in communicating integration, the instinct of EU members is still to forge an identity by demarcating themselves from one another. European integration may even have reinforced the “narcissism of small differences” of which Freud warned.

As these essays show, long-standing member states such as France, Italy and the UK have based their fragile sense of worth on the fact that they are not Germany. In this way, European integration was founded less on the goal of overcoming difference than on cementing them. Germany’s subsequent successes have been deeply troubling to its old partners, and the envy that drives their relations to the Federal Republic has stunted and distorted cooperation.

Moreover, they have passed this inferiority complex on to newer member states: although these newer members have still not been admitted to all the EU’s clubs, they are nevertheless encouraged to view the rules and structures emanating from the EU as conducive to a sense of discipline which they themselves cannot hope to achieve on their own – a sentiment explored in the contributions on Poland, Romania and Bulgaria.

It is no wonder that the Berlin speech delivered in November 2011 by the Polish Foreign Minister, and analysed in depth in the Polish contribution to this series, received such a positive reception. The Sikorski speech showed that, despite its dull and technical appearance, the EU is indeed a very human community. And the simple truth is that people respond well to encouragement and signs of mutual respect.

Yet, moments such as the Sikorski speech are rare, and a recurrent theme in these essays is how difficult it has become to achieve mutual respect between governments, even – as in the Finnish case – amongst those that agree on the substance of policy. In the early years of European integration, when cooperation was indeed dull and technical and the stakes were relatively low, members could revel in grand shows of magnanimity and diplomacy. Today, with cooperation so much more advanced, the style and tone are altogether sharper.

Lessons for narcissists

How, then, to create a modern community based on mutual respect under such conditions? These essays provide a number of lessons:

First, there is no point in being nostalgic for the old days of consensus-based Brussels decision-making. Back then, mutual respect for national sensibilities was used primarily as a means to block action. This was the product of a very German conception of European integration, in which national sovereignty was shared in order to prevent hasty action. In the current political context, however, inaction is not an option. The euro and Schengen projects have created deep common goods, but without the flanking measures necessary to sustain them. Further cooperation will impinge upon core areas of national sovereignty, but it has become unavoidable. The member states must therefore find an imaginative form of mutual respect that promotes action rather than prevents it.

Second, the emerging decision-making setup in Brussels – “the Union method” ascribed to the German Chancellor – lends itself unnecessarily to a regressive form of international relations. The assumption amongst its proponents is presumably that this re-weighting in favour of

³ Granville King, “Narcissistic Leaders and Effective Crisis Management: A Review of Potential Problems and Pitfalls”, *Journal of Contingencies and Crisis Management*, Vol. 15, No. 4, pp. 183-193, December 2007.

intergovernmentalism implies a respect between governments. In reality, the pattern of intergovernmental negotiation, especially at the level of heads of state and government, is one of national point-scoring and power-plays. This is something brought out particularly strongly in the paper on the Czech Republic. If the larger member states are going to eschew the Commission and Parliament, they must be aware that this can lead to situations of dominance. The contribution on France suggests that the healthiest relations between France and Germany have often been based on disagreement rather than agreement, and thus on this powerful pair's respect for diversity.

Third, governments must be more open with one another about their own weaknesses. This is particularly clear in the case of Germany. There, the outward impression of a country with a strong model for solving the euro crisis belies Berlin's acute awareness of the weaknesses of its plans. Germany knows full well that the rules of its *Ordoliberalism* cannot always be respected, but has failed to communicate their limitations. As the Romanian and Hungarian contributions to this volume highlight, the result is a suspicion that Germany is practising double standards; not so much in the sense that it contravenes the European rules that it promotes itself, but that it is selective in the member states it allows to break these rules. Germany, though, could justly retort that these countries have not been open about their own administrative and political weaknesses.

Fourth, governments must be more open with the electorate about the true extent of their powers and free choices. The slogan of the current crisis, advocated strongly by the German Chancellor in both the domestic and European contexts, has been that "there is no choice". This is a false proposition, since politics is the art of choice, and to deny that fact is to deny democracy. Indeed, if there has been a rise in populism throughout the EU, it is precisely because electorates feel that they can still change governments but that this will not change policy. An irresponsible domestic debate about EU politics is reported in Portugal, Spain, Greece and Germany itself. These unhealthy domestic characteristics in turn impinge upon governments' international personalities, leaving governments inward-looking, aggressively assertive and with an inflated sense of entitlement – a style that does indeed reduce the available options. By contrast, and in an appeal to a more enlightened style of politics, the Romanian contribution highlights the inspiration once drawn from post-war Germany as regards political tolerance and democratic exchange.

A German problem?

Germany has played a central role in fostering the unfortunate style of European integration today. Many of the present papers report concerns about the Federal Republic's unwillingness to communicate its position for fear of encountering criticism, about its failures of empathy, about its desire to cooperate only with those states which agree with it, about its sudden liking for power without recognising the concomitant responsibilities (not just in economic policy but also as regards relations with Russia), and about its overwhelming focus on itself.

Such traits are typical of a true narcissist. But, if this is so, the other members must take their share of the blame for the situation. Narcissism arises when individuals are denied recognition or encouragement, leaving them unhealthily sensitive to the opinions of others and with a strong need to prove their worth. As numerous papers here suggest, other member states have found greater political advantage in persuading Germany of the dangers of self-assertion and 'normalisation' than in encouraging it to become a responsible player in Europe – let alone pulling their own weight.

This collection has, for example, outed Austria as something of a free-rider, with Vienna pretending that Berlin is playing just the kind of role it has always wanted, just so that it does not have to engage or help. That country, with perhaps the deepest relations to Germany, seems to base its comfortable position on a certain sense of contempt for its neighbour. Moreover, as

the chapter on Bulgaria suggests, even those states which have offered encouragement to the Federal Republic probably do so for rather selfish reasons – hence Sofia’s praise for Germany’s ‘unconditional solidarity’.

Such emotional manipulation runs counter to the creation of a positive German presence in Europe. The opening contribution drawing on Gallup polling data suggests that Germany can be appreciated and respected for its leadership skills without necessarily being popular –indeed a certain degree of unpopularity may be a necessary condition of leadership. Yet, it will be a cruel process for Germany to liberate itself from the need to be liked, and other governments will be tempted to exploit Berlin’s continued neediness even if this in turn feeds the unhealthy state of European relations.

With that danger in mind, all the member states, including Germany, should take note of a recurrent theme in these papers: this is Berlin’s moment, certainly, but it will be a fleeting one. Numerous essays refer to their country’s dependence upon the German economy, but at the same time recall that the Federal Republic was until recently the sick man of Europe. It all goes to show that Germany has no natural leadership position or authority in the EU; that its current weight reflects only the conjuncture of extraordinary domestic and international economic factors.

In short, the way that Germany and the other member states treat one another now will have implications for their own treatment long after this moment has passed. This gives each a stake in fostering a generalised sense of mutual respect.

About EPIN

EPIN is a network of European think tanks and policy institutes with members in almost every member state and candidate country of the European Union. It was established in 2002 during the constitutional Convention on the Future of Europe. Then, its principal role was to follow the works of the Convention. More than 30 conferences in member states and candidate countries were organised in the following year.

With the conclusion of the Convention, CEPS and other participating institutes decided to keep the network in operation. EPIN has continued to follow the constitutional process in all its phases: (1) the intergovernmental conference of 2003-2004; (2) the ratification process of the Constitutional Treaty; (3) the period of reflection; and (4) the intergovernmental conference of 2007. Currently, EPIN follows (5) the ratification process of the Lisbon Treaty and – should the treaty enter into force – (6) the implementation of the Treaty.

Since 2005, an EPIN Steering Committee takes the most important decisions. Currently there are seven member institutes: CEPS, Clingendael (the Netherlands), EIR (Romania), ELCANO (Spain), HIIA (Hungary), Notre Europe (France) and SIEPS (Sweden).

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EPIN organises at least three events across Europe per year. The network publishes Working Paper Series and other papers, which primarily focus on institutional reform of the Union. The network follows preparations for the European elections, the EU's communication policy, and the political dynamics after enlargement, as well as EU foreign policy and justice and home affairs.

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EPIN is a network that offers its member institutes the opportunity to contribute to the 'European added-value' for researchers, decision-makers and citizens. The network provides a unique platform for researchers and policy analysts to establish personal links, exchange knowledge and collaborate on EU-related issues. Members bring their national perspectives to bear on the issues tackled and through collaboration they contribute to establish a 'European added-value' (e.g. on EU communication, flexible integration). By doing so they strengthen a common European dimension in the national debates on Europe.



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