

Think
Visegrad
V4 Think-Tank Platform

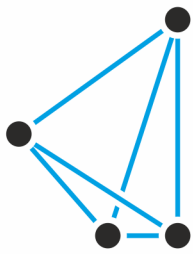
POLICY BRIEF

2018/June

Think Visegrad in Brussels

Is Germany too much for us?

Edit Inotai
CEID, Hungary



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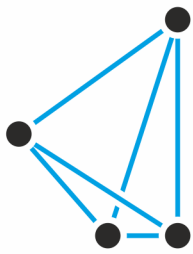
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Summary

“Too big for Europe and too small for the world” – the words attributed to Henry Kissinger about Germany haunt the latest debates about the future of the EU. Following the eurocrisis and the challenges of the refugee influx, allegations about a growing German dominance in Europe strengthened. A resistance to a Berlin-governed Europe grew, especially in Southern and Central Eastern Europe. On one hand, the reasons of such allegations lie mostly in internal politics (finding a scapegoat or an adversary), although undoubtedly there has been an appreciation of bigger member states at the expense of the European institutions in the last five years. On the other hand, the key to a successful transformation of the EU into a real global actor lies in its member states’ ability to unify their voice in global affairs. This level of unity will require further compromise by all sides, and inevitably, a stronger leadership by bigger member states. The current German political crisis hits Europe in the most unfavorable moment. The alternative to unity is more fragmentation and loss of global power for all European countries. This cannot be in the interest of Central European countries, which all depend heavily on exports and free trade and benefit from the protecting shield of the EU and NATO.

The economic and political setting

The multiple crises of the EU have undermined the solidarity among member states and brought historical grievances and serious economic inequalities to the surface. Germany survived the eurocrisis unscathed, but the crisis revealed structural weaknesses in many Southern countries and triggered a political and public debate in many countries about the “overdominance” of Germany in the European Union. The refugee/migration crisis added another dimension to the debate: traditional German allies like Hungary (and the V4) joined the camp of those blaming Berlin for deciding unilaterally, and exerting pressure on smaller countries to bear the consequences. The inconclusive discussions on migration policy, the current negotiations on the Multiannual Financial Framework (MFF) and the controversial political conditionality clause will add further fuel to an already substantial fire, especially in Hungary and Poland. Concern in the V4 is growing - as fuelled by some politicians - that the current voting mechanism of a qualified majority in the EU will leave small and medium-size countries a slimmer chance to lobby for their interests effectively should they not have the backing of the superpower Germany. The feeling that Angela Merkel’s Germany is no longer a self-proclaimed advocate for CEE countries, like in Helmut Kohl’s times, further aggravates the concerns of V4 leaders.



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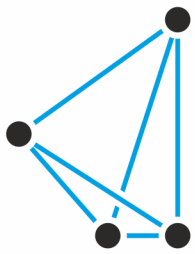
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Germany's influential, sometimes even dominant position, is by no means a new phenomenon in the EU. Economically speaking, Germany is still by far the most prominent economic actor in the EU, accounting for over one-fifth (21%) of the EU's GDP. Germany's economic share will grow further since the UK, the second largest economy (16%), will leave the union in 2019. Germany's position is even stronger in the euro-area, amounting to 29% of the bloc's economic output. Trade statistics reveal its dominant position inside Europe: Germany is the main export destination as well as the leading import source for 17 EU member states. As an import source, all EU member states depend heavily on the German market, except for Ireland and Cyprus (these only countries not counting Germany among their top 3 sources of imports).¹ The relevance of the German economy – benefitting from the German economic and labour reforms under Gerhard Schröder, the low exchange rate of the euro and the two-decade-long wage stagnation – grew further during and after the eurocrisis, especially vis-à-vis Italy and Greece, which saw their economic performances plummet. The heated national debates about the causes and the solutions of the crisis in many countries geared towards finding scapegoats beyond the borders, blaming Germany for the economic malaise.

Politically speaking, Germany, as the most populous country in the EU, and one of its founding members, has always been one of the political leaders of the community. The dilemma has always been how to exercise this political leadership without being accused of overt domination. In the last five years, the perception of Germany as a somewhat unwilling leader was mainly due to two factors: one being the unprecedented weakness of its traditional ally, France, under the presidency of Francois Hollande². The second lies in the labyrinth of the domestic politics of Germany: when voting on the bailout packages, the German government needed the approval of the Bundestag and had to keep an eye on the influential German Constitutional Court guarding national sovereignty in financial matters. Hence, it was the German parliament which had the last word on the destiny of the crisis-hit countries, pushing European institutions to the background.

¹ <http://ec.europa.eu/eurostat/documents/2995521/8765917/6-26032018-AP-EN.pdf/0a4e2aea-1654-4c0d-92b1-c44ac844726f>

² This may change in the light of the current German government crisis and as a consequence of Emmanuel Macron's growing ambitions.



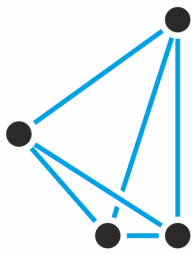
The Brussels Bubble

Germany remains undoubtedly well embedded in EU institutions which are preparing and drafting key strategies and directives. Even if not always the highest, Germans hold some of the most influential positions in many institutions: although Martin Schulz is no longer the President of the European Parliament, Klaus Welle remains the Secretary General of the EP. Helga Schmid is the number two behind Frederica Mogherini at the European External Action Service, running practically all operations. And most recently – after a controversial appointment – Commission President Jean-Claude Juncker’s former chief of staff, Martin Selmayr has become the Secretary General of the Commission³. Selmayr relies on a main German advisor, Matthias Ruete, on strategic questions like energy and security. Former FDP politician Werner Hoyer presides over the European Investment Bank. It is still an open question who will succeed Mario Draghi as President of the European Central Bank in 2019, but the overrepresentation of Germans in top positions has already been criticized by many in the parliament and the Commission. However, it would be hard to prove that they would be all answering to Berlin and represent a German policy line.

The sheer ratio of Germans working for the Commission seems low (7,2%) compared to the population (16%), but the positions they occupy depicts the importance many attach to the “German connection.” They are especially numerous in the cabinets: among the 28 commissioners, five have a German Head of Cabinet, and another five have a Deputy Head of Cabinet. No other country comes even close to these numbers. Almost all Commissioners choose to have at least one German member in the cabinet, according to background interviews conducted in Brussels, many of them have a political connection to the most prominent German political parties. Interestingly, however, at the level of the Directors, according to the currently available information on the Commission website, Germans are rather underrepresented, boasting only with two Director Generals and one Deputy Director General. Meanwhile, there remains a high proportion of Greeks and French at this level. High-level officers from the Central European countries are still rare to find – this might be still the consequence of the relatively short time passed since the accession, and perhaps the lack of national strategies to allocate as many talented exports as possible in Brussels.

Finally, the influence of soft power should not be underestimated: Germany has learnt during the years how important it is to be present in the Brussels hub. Trade unions, employers’ organizations, think tanks, lobbyists, media correspondents, and the German regions (Länder) have their offices there. Informal and formal gatherings,

³ <https://www.politico.eu/article/brussels-selmayr-problem-too-many-germans-in-top-jobs/>



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information exchange, conferences and classic lobbying all help in presenting and selling the German points of view. It also works in the opposite direction: the diversity of opinions and interests presented in Brussels are channeled to Berlin and the different regions, contributing to factual knowledge, realistic expectations and a better understanding of the mechanism and decision making in the EU level. Less affluent CEE countries cannot copy the extensive German presence in Brussels since it is partly a question of resources, but they should be striving for a more versatile presence, beyond solely government representations.

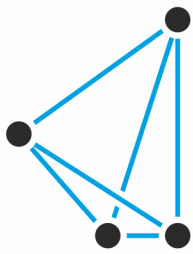
Germany and the V4

Germany has been a somewhat unwilling leader in the last five years. With the victory of Emmanuel Macron the Franco-German tandem can be re-established, the burden and responsibility of leadership shared – at least theoretically. The ambitious Macron plan first received a lukewarm welcome from Berlin. Chancellor Merkel having declared in her interview to the F. A.Z⁴. that Germany would not take on more financial responsibility for the ailing southern economies. However, she would welcome more “Europe” in foreign and security policy (CFSP). Geopolitical developments such as the implosion of relations with the U.S., highlighted by the contentious G7 summit, further boost the need for a “European voice” on the international stage. From a German point of view, the shift in transatlantic relations is particularly alarming. The rift with Donald Trump will require more investment in the military, a rethinking of European defense alliances and the reassessment of the role of NATO in Europe. The imminent trade war with the U.S. may threaten core industries in Germany - and in Central Europe -, and call for a coordinated answer by the EU. The unsolved migration debate is hanging over Merkel’s head, escalating into an unprecedented domestic crisis, the relations with the key “gatekeeper” of Europe, Turkey have worsened, and the sanctions against Russia are hugely unpopular.

Nevertheless, as the German domestic crisis heats up, the formerly strong resistance to Macron’s Eurozone plans has also softened: the joint French-German Meseberg Declaration⁵ shows more openness to the controversial plan of a separate eurozone budget, boosting competitiveness and convergence in the Eurozone, however stopping short of transfers. This is the classic French-German political barter: Merkel gets Macron’s support in the migration debate, whereas Macron partially

⁴ <http://www.faz.net/aktuell/politik/inland/kanzlerin-angela-merkel-f-a-s-interview-europa-muss-handlungsfahig-sein-15619721.html>

⁵ <https://www.bundesregierung.de/Content/EN/Pressemitteilungen/BPA/2018/2018-06-19-meseberg-declaration.html>



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receives German backing for the deepening of the Eurozone. Evidently, the setting up of a eurozone budget from 2021 would cause a serious headache for non euro-member V4 countries opposing any attempt to a core/periphery divide.

In the new European setting – re-emergence of the Franco-German tandem, Brexit, growing Euroscepticism, and changing global alliances – it is vital for the V4 to assess its possibilities correctly. The newly coined marketing slogan about the V4 as the “growth engine of Europe” may be factually true, but it should not be forgotten that the gross economic weight of our region of 65 million inhabitants amounts only to less than 6 percent of the EU (a bit more than the Netherlands and considerably less than Spain). Fiscal discipline and economic orthodoxy could make these countries natural allies to Germany, but three of them do not belong to the eurozone, decreasing their influence.

Based on pure trade statistics, to position the V4 as a rival of France in German politics is unrealistic. None of the Visegrad states could challenge the deeply rooted bilateral political, social and cultural relations between the two countries. Besides, the current German preference towards intergovernmental formats - instead of institutionalism- usually benefits the bigger countries. If the smaller states do not want to be faced with the quasi-ultimatum of the bigger ones, their immediate interest should be to push for stronger institutions which are able to counterbalance powerful states. This should include tuning down the anti-Brussels propaganda, tailored for domestic purposes. Effective advocacy of national interests is no longer possible without having a stronger presence in Brussels, a network in the European institutions, and last but not least, building alliances with a variety of countries. It is advisable to bring countries beyond the V4 on board, to reduce the currently somewhat toxic image of the region and to show gestures of good faith. Voting in the EU is always a give and take. Teaming up with Germany in areas like foreign policy, defense, border control or even fiscal discipline would be a win-win situation and present the region as a constructive rather than blocking (destructive) partner. If the EU wants to speak with one voice and become a more decisive global actor, it is indispensable to speed up decisions, taking advantage of the possibility of a qualified majority, which will inevitably lead to certain breaches of national sovereignty. The dilemma is not a national, but a global one: do we want to live in a world where China, the U.S. or Russia set the rules, or maintain our European way of life, based on our values and principles? If yes, we need to make concessions and work together, even if it means grudgingly accepting the leadership – but not a dictate – of Germany or the Franco-German tandem. Without any leadership, Europe is destined to fail.



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