



## **MULTILATERALISM IN ONE COUNTRY: THE ISOLATION OF MERKEL'S GERMANY**

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Cover photo: German Chancellor Angela Merkel at a press conference after a meeting with the Italian prime minister at the Chancellery in January 2017.

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# EXECUTIVE SUMMARY

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A potentially frosty relationship with the leader of the United States would be unnerving for any chancellor of Germany. But the conundrum posed by Donald Trump is all the more troubling for Angela Merkel's government, because it forms part of a pattern of growing German isolation — a development that is profoundly troubling for a country that has made integration with the West and the community of democratic nations the foundation stone of its post-1945 foreign policy.

If Merkel looks out from the chancellor's office in Berlin, there seems to be trouble on every horizon. Collectively, the situation threatens to revive the old German nightmare of being a large, isolated power at the center of Europe. The common thread connecting all these challenges to Germany's global position — Trump's America, Vladimir Putin's Russia, Recep Tayyip Erdoğan's Turkey, Brexit Britain, and populist Poland — is that many of Germany's most important partners are re-embracing nationalism and challenging core elements of the liberal, internationalist consensus to which Germany remains wedded.

Germany cannot entirely avoid the role of moral leader and champion of liberal internationalism that has now been thrust upon the country. This role as guardian of the liberal international order is not merely a burden for Germany — it is also an opportunity. As the country is forced to respond to global events with a more proactive foreign policy, it can nurture its reputation for moral leadership and the soft power that goes with it. If Germany retains its reputation as a good international citizen, it will find others nations much more welcoming of a more dynamic German international role.

# 1 LEADER OF THE FREE WORLD?

It was one of those images that may end up capturing a moment in history. The German chancellor is seated in the Oval Office. With the cameras clicking, she offers a handshake to the U.S. president — but is ignored. Even if Donald Trump simply failed to hear Angela Merkel, the symbolism of that spurned handshake in March 2017 was unmissable. A rift has opened up between the United States and Germany — and this has profound implications for the future of the entire Western alliance.

A frosty relationship with the leader of the United States would be unnerving for any chancellor of Germany. But the Trump conundrum is all the more troubling for the Merkel government, because it forms part of a pattern of growing German isolation — a development that is profoundly troubling for a country that has made integration with the West and the community of democratic nations the foundation stone of its post-1945 foreign policy.

If Merkel looks out from the glass box of the chancellor's office in Berlin, there seems to be trouble on every horizon. To the West is the United States, now led by President Trump. To the East are the increasingly authoritarian and Germanophobic governments of Poland and Hungary. Further east, there is a hostile Russia — whose relationship with the European Union is in tatters, following the annexation of Crimea. To the North-West, is the United Kingdom — which has now formally declared its intention to leave the EU, gravely damaging the European project that Germany has spent decades nurturing. To the South lie Greece and Italy, whose debt crises go on and on — and whose politicians and press routinely blame Germany for their plight. And to the South-

East there is Turkey, whose president Recep Tayyip Erdoğan recently compared the German government to the Nazis.

Collectively, the situation threatens to revive an old German nightmare — the fear of being a large, isolated power at the center of Europe. The situation must feel even more grotesque because — unlike in the 20th century — Germany's current loneliness has got very little to do with the country's own malign behavior. On the contrary, it is the world around Germany that is changing fast, as populism and nationalism surge across Europe and in the United States.

The common thread connecting all these challenges to Germany's global position — Trump's America, Vladimir Putin's Russia, Erdoğan's Turkey, Brexit Britain, and populist Poland — is that many of Germany's most important partners are re-embracing nationalism and challenging core elements of the liberal, internationalist consensus to which Germany remains wedded.

Under the circumstances, many liberal internationalists — in the United States, Europe, and elsewhere — are looking to Germany to champion ideals that, until very recently, seemed to command a consensus across the West. These values include support for globalization, for free trade, for international law and for multilateral organizations such as the EU, the United Nations, NATO, and the World Trade Organization (WTO). More broadly, Merkel is seen as the international champion of a liberal approach to the treatment of refugees — at a time when the U.S. president has attempted to implement a watered-down version of his promised “Muslim ban.” The idea that the German chancellor is now the leading

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champion of liberal political ideals was captured by the headline of an article in *Politico* at the time of the Merkel-Trump summit, headlined “The Leader of the Free World Meets Donald Trump.”

Chancellor Merkel herself has described the idea that she is now the de facto leader of the Western world as “grotesque” and “absurd.” The chancellor’s angst is understandable. Modern Germany has no desire to lead the West and is not powerful enough to bear that burden.

Yet Germany cannot entirely avoid the role of moral leader and champion of liberal internationalism that has now been thrust upon the country. The size of Germany’s economy, its undoubted leadership role in the EU, and Merkel’s successful decade in office make it inevitable that people across the world will look to Germany as a counter-example to the very different style of leadership on offer in Washington, Moscow, Ankara, and Beijing. One American delegate, returning from the recent Munich Security Conference, remarked to me that “it felt good to be in a normal country again.” But German normalcy risks becoming abnormal — and that risk will only grow if the Berlin government is too reticent about standing up for its values. With the Trump administration openly weighing the case for ignoring the WTO and bypassing the UN, Britain pre-occupied by Brexit, and a weakened France in the throes of a presidential election, it may fall to Germany to make the case — by word and deed — for the “rules-based” international system.

This role as guardian of the liberal international order is not merely a burden for Germany — it is also an opportunity. As the country is forced to respond to global events with a more

proactive foreign policy, it can nurture its reputation for moral leadership and the soft power that goes with it. If Germany retains its reputation as a good international citizen, it will find others nations much more welcoming of a more dynamic German international role.

Of course, it would be a mistake to cast Merkel in the role of secular saint and to ignore the fact that her administration can also make serious mistakes. The chancellor’s handling of international affairs — in particular the euro and refugee crises — is certainly open to criticism. The long-term survival of the eurozone may ultimately require deeper fiscal integration and greater debt write-downs than Germany has been prepared to contemplate. As for the refugees — while Merkel acted with undoubted compassion, she also appeared to be presenting reluctant European neighbors with a *fait accompli*. Some British politicians argue that the refugee crisis in Germany provided a disastrous backdrop to Britain’s EU referendum and — given the narrowness of the vote — may even have precipitated Brexit. More broadly, there is some justice to the argument that Germany’s role as the “good guy” in the international system depends to a degree on free-riding — with German prosperity dependent on massive current-account surpluses and German security dependent on the military spending of the United States and other NATO allies.

These criticisms are made with great ferocity in Warsaw, Athens, and other EU capitals. But nobody seriously doubts modern Germany’s commitment to liberal values at home, and internationalism abroad.

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Even after the refugee crisis that saw a million refugees arrive in the country in 2015 alone, modern Germany still feels like a prosperous country that is at ease with itself. There has been a small boost in support for the far-right Alternative for Germany (AfD), in response to the refugee crisis — and the Merkel government has also toughened its rhetoric and cracked down on bogus asylum-seekers, in response to the public anxiety. Nonetheless, the widespread predictions (particularly outside Germany) that Merkel’s refugee policies would lead to political and social disaster have not been borne out. Indeed the feeling of calm in modern Germany can disguise the extent of the challenges that are crowding in on the country.



## 2 LITTLE QUIET ON ANY FRONT

*The erosion of democracy in both Poland and Hungary — amidst a resurgent nationalism — is profoundly worrying for the Merkel government because there is no clear remedy. The EU was meant to be the insurance policy against this sort of thing, but it has failed to deliver.*

The danger and peculiarity of Germany's current position is underlined when it is contrasted with the international situation that faced the country in mid-2008 — just before the outbreak of the financial crisis. That summer, a charismatic and idealistic U.S. presidential candidate named Barack Obama came to Berlin, and spoke before a huge and enthusiastic crowd. In Moscow, a new and more pro-Western president, Dmitry Medvedev took over from Vladimir Putin. With the eastward enlargement of the EU recently completed, Germany was now surrounded by friendly democracies that were fellow members of the EU. The euro seemed to be operating well, and the countries of Southern Europe were prosperous and shared Germany's enthusiasm for deeper EU integration. Both Britain and France were governed by pro-EU centrist governments.

Less than a decade on — and all of that has changed utterly. For Germany, the most troubling developments are probably those closest to home. The EU is central to Germany's conception of itself, and its international role. The German political class believes it to be the ultimate guarantee against the return of war to the European continent — and the best means of protecting European and German interests on the global stage. But Britain's vote to leave is a grievous blow to the European project. Brexit means that the EU is losing a country that is a major contributor to the EU budget and one of Germany's largest export markets. Given Britain's central role in two world wars, Brexit also clearly has implications for the EU's claims to have created a new form of international relations that transcends the old balance-of-

power politics in Europe. It also sets a precedent for possible future defections. It is now clear that the EU can indeed break up.

Almost as alarming for Germany is the prospect that countries will stay within the EU — but then fail to respect its fundamental values and economic rules. The erosion of democracy in both Poland and Hungary — amidst a resurgent nationalism — is profoundly worrying for the Merkel government because there is no clear remedy. The EU was meant to be the insurance policy against this sort of thing, but it has failed to deliver. The Czech Republic may also succumb to the populist wave later this year with the likely electoral victory of a party led by Andrej Babiš, a billionaire oligarch.

Even Germany's closest partners in the EU project are on trajectories that are causing deep anxiety in Berlin. There are powerful populist and Euroskeptic parties on the political scene in Austria, the Netherlands, France, and Italy. The failure of Geert Wilders and the far right to make a breakthrough in the Dutch elections in March provoked real relief in Berlin. But the economic situations of both France and Italy continue to be a serious concern in Germany. France has not balanced a government budget since the 1970s — and its steadily rising debt, combined with the difficulty of forcing through economic reform, have fed anxieties about the stability of the eurozone. The situation is even more dire in Italy — where youth unemployment is 37 percent and the country is plagued by low growth and high debt. If Marine Le Pen actually wins the French presidency next month, many in Berlin fear that the EU could even collapse. Meanwhile in Italy, the pro-EU center is also shrinking away, under the impact of the euro crisis. The populist and Euroskeptic



Five Star Movement is now the country's main opposition and could come to national power in the coming year. Even if the populists are beaten back at the ballot box, the conditions which created them will remain as governing parties adopt some of their anti-EU policies. There is no sign that the new leaders will be any more able to respond to these trends than the ones currently in power.

Developments in Moscow and Washington also threaten German security. Germany led the European response to Russia's illegal annexation of Crimea. But the price of that has been a sharp rise in hostility between Merkel's Germany and Putin's Russia. Given the gruesome history of the 20th century, a hostile relationship with Moscow puts a special psychological pressure on Berlin. Merkel has paid a domestic and international price for leading the EU effort on Russian sanctions. The far left, the far right, and much of the German business sector has been highly critical of the sanctions policy. Southern European nations — already angry with Germany over the euro — have also consistently pushed for a softer line on Russia. Vladimir Putin's continued military posturing is clearly intended to unnerve the EU. Meanwhile there are fears that the Kremlin is intent on interfering in the German elections in September.

Throughout the Cold War, West Germany could at least look to the United States for steadfast support. But in the Trump era Washington can no longer be relied upon. Trump's habit of questioning the NATO alliance undermines the transatlantic link on which German security has been based since World War II. The president's recent suggestion that Germany owes the United States billions in back-payments for

its defense makes NATO sound more like a protection racket than a solemn alliance between democracies.

Trump has also been openly contemptuous of Merkel's "catastrophic" refugee policies. His chief strategist Steve Bannon is close to the European far right and can be assumed to be sympathetic to the AfD, which the Merkel government regards as a threat to German democracy.

Finally, there is the challenge posed by Erdoğan's Turkey. Merkel is uncomfortably dependent on the increasingly erratic and dictatorial Turkish president to control the flow of refugees into the EU. The large number of Germans of Turkish origin, also makes relations with Turkey a highly sensitive domestic issue. And yet Merkel cannot ignore the erosion of human rights and press freedom in Turkey — or the flow of offensive insults the Turkish government has directed towards Berlin.

With so much going wrong for Germany in the outside world, a huge amount hangs on the French presidential election. If the pro-EU, pro-German Emmanuel Macron wins the French presidency, there will be delight in Berlin. Even if the hopes placed in Macron prove exaggerated — as they almost certainly will — his election would break Germany's growing sense of isolation, and offer renewed hope that a Franco-German partnership can revive the EU. By contrast, if Le Pen wins the Élysée, the German nightmare will be complete.

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# 3 BERLIN'S PRIORITY ISSUES

*In the age of Trump and Putin, the question of German military spending can no longer be avoided. The fact that Germany spends less than 1.2 percent of GDP on defense — compared to a NATO target of 2 percent — will have to change.*

Germany cannot simply afford to wait on events in the wider world and to hope for improvement. With so many crises brewing, the government in Berlin needs to take a more proactive approach to foreign policy. Ever since World War II, German leaders have understandably shrunk from the idea that their country can exercise a leadership role on the global stage. The traditional view in Bonn, and then Berlin, was that German power should be exercised through “Europe.”

But while the EU will rightly remain central to German thinking about the world, Berlin can no longer hide behind Brussels. Foreign policy challenges are crowding in on Germany. Issues such as the future of NATO, relations with Brexit Britain, the war in Ukraine, the flow of refugees from a collapsing Middle East, and the nationalist turn in Turkey — all bear directly on German interests, posing important questions about national security, prosperity, and social stability. There is no shame — indeed there is a necessity — in Germany considering its own national interests in dealing with these crises. However, that will mean framing solutions that can work for Germany — but that also command European consensus and respect and bolster the framework of international law.

The broad outlines of the German approach to the world are clear. The Merkel government and any likely successor will continue to support the liberal international order and its constituent bodies — the EU, NATO, the WTO, and the UN. Germany will also have to continue to take the lead — as it has done for the past several years — in shaping a pan-European response to crises in its neighborhood, in particular Ukraine and the euro.

But, within that general framework, it is also now clear that Germany needs to take the initiative on a range of issues from military spending to Brexit to the euro and the stabilization of North Africa.

## **Military Spending**

In the age of Trump and Putin, the question of German military spending can no longer be avoided. The fact that Germany spends less than 1.2 percent of GDP on defense — compared to a NATO target of 2 percent — will have to change and the German government has pledged to meet the 2 percent target by the mid-2020s. But, with the agreement of its allies, it would make sense for Germany to spend some of the extra money on broader security issues — rather than simply pouring it into rearmament. Indeed very rapid German rearmament might actually disturb its neighbors, rather than reassuring them. German largesse could also go into the funding of proper border police for the EU, as well as refugee processing centers and stabilization funds for North African countries such as Libya.

The idea of a “European army” remains popular in Germany and there have been moves to create joint units with the French, the Dutch, the Czechs, and others. But the formation of something like a genuine EU army presupposes a level of agreement on basic security issues that is unrealistic. Germany and France, for example, took different views of the conflict in Libya in 2011. And the Iraq war of 2003 split the EU down the middle. For the moment, it would make more sense to push harder on practical issues — such as common EU procurement policies on weaponry — which would make it much easier for EU armies to work together. The

prospect of creating a genuine military wing to the EU is likely to remain off the table, as long as the NATO alliance is in good repair. And NATO's future still seems reasonably secure, with President Trump moderating his earlier dismissive attitude over his first months in office.

The other great question hanging over German security policy is the country's willingness or otherwise to commit troops to military operations overseas. The German units in Afghanistan were famous for the many "caveats" governing what they could and couldn't do. Germany also stood aside from military action in Libya and has been reluctant to help its French ally in African conflicts, such as in Mali. There are limited numbers of German trainers deployed in Iraq and German reconnaissance aircraft have been used in Syria. And Germany has also deployed a battalion of troops to Lithuania, as part of the strengthened NATO deployment in the Baltic States.

But, in general, Germany is likely to remain a reluctant warrior. That makes it all the more imperative that the German government can demonstrate that its use of "civilian power" to contribute to global security is genuine — and not merely a cover for "free-riding" on the hard power of its allies.

### **Brexit**

When it comes to Brexit, the Merkel government (or its successor) has to balance the desire to maintain EU unity — with the broader interest of maintaining a solid economic and strategic relationship with Britain. There is a danger that the current mantra of "no cherry-picking" (no

special deals for Britain) will lead to a needlessly confrontational Brexit that damages the economic and security interests of Germany.

The desire not to give Britain too good a deal is actually a reflection of the weakness of the EU. The fear is that if Britain makes a success of Brexit, other countries might be tempted to leave. Even if the EU does not actually break up, there is a risk that too good a "bespoke" deal for Britain could encourage other nations to attempt to exempt themselves from parts of the EU "acquis." At that point, the network of intricate compromises on which the EU is based could begin to unravel.

These are real fears that cannot simply be dismissed. But there are broader dangers that Germany also needs to consider. The ultimate goal of the EU is peace and reconciliation in Europe. But, if the British are presented with what they regard as a punitive settlement for exercising their right to leave the EU, then there is a clear danger that the relationship between the EU and the U.K. will become highly antagonistic. This is risky for Britain. But it also carries risks for the EU and NATO. The British willingness to defend the EU's eastern frontier might well come into question in the context of a trade war with the EU. And those voices in Britain that want to actively work to undermine and destroy the EU would begin to seek alliances in Washington — and perhaps even Moscow.

It is worth noting that Nigel Farage, the leader of the U.K. Independence Party, is a friend and confidant of Donald Trump and even campaigned for him in Mississippi last August. Indeed when President Trump opined that Britain was right to leave the EU because it is

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basically run in the interests of Germany, he was probably channeling Farage (whose one-time chief of staff, Raheem Kassam, served as editor-in-chief in Europe for Breitbart, the news organization formerly run by Steve Bannon). At the moment, Faragist hostility to the EU is not the party line in the UK government. On the contrary, Prime Minister Theresa May continues to insist that post-Brexit Britain wants to work with a strong EU. But, if the Brexit negotiations tumble into mutual antagonism, then Britain’s latent Germanophobia could easily come to the surface — leading the UK to encourage the Trump administration in its own latent hostility to both German and the EU.

There are also sound commercial reasons for Germany to seek to avoid too brutal a divorce with Britain. The U.K. is Germany’s third largest export market and German car manufacturers both produce and sell a great many vehicles there.

Germany’s role in managing Brexit will be crucial. Above all, it may fall to Berlin to rein in the harder-line elements in the Brussels system — including the Commission and the European Parliament — so as to avoid the breakdown of negotiations. In its own economic interests, and those of the wider EU, Germany should also argue that the “divorce” must be accompanied by a new trade deal.

### **Russia**

When it comes to Russia, Germany has done a good and courageous job of leading the EU sanctions effort over Ukraine. There is however a danger that a shift in policy from the Trump administration could cut the ground from underneath Merkel. The German

chancellor should continue to make the case in Washington for holding the line on Russian sanctions — until such time as Russia stops meddling in Ukraine and fully implements the Minsk accords. With the American debate in Russia in chaos and flux — particularly after the Trump administration’s intervention in Syria — Merkel’s voice could count for a lot.

The Germans might be able to bridge the gap between those in Washington pushing for a straightforwardly adversarial relationship with Russia (the McCain wing) — and those around President Trump who may still want a “no-strings attached” rapprochement. With long experience of dealing with President Putin, Merkel could argue for a policy of selective engagement on issues where there are shared security interests — such as Iran, North Korea and, possibly, the battle against Islamic State.

Persuading Southern Europeans to stick with a tough line on Russian sanctions could also be hard. But it will be easier for Berlin to make the case on Ukraine, if the German government is seen to make more of an effort to address the concerns of southern Europeans over refugees and debt.

### **Refugees, Migrants, and Southern Stabilization**

Joint efforts by Italy and Germany to help secure the Libyan coastline are a promising idea. And while talk of a “Marshall Plan” is usually a sure sign that politicians are running out of ideas, the German emphasis on long-term economic development in North Africa is clearly a step in the right direction, given the long-term challenges posed by Africa’s booming population. In the long run, Germany

may need to join the effort to re-think refugee conventions that were written for the very different context of postwar Europe. This will be a difficult task for any Berlin government, given Germany's own traumatic history with refugee movements and the country's ingrained respect for international law and treaties. But clearly there must not be a repeat of the uncontrolled refugee flows of 2015. In the long run, the German government may need to lead the effort to make a clearer distinction between the right of refuge and the right to emigrate. The current crisis may also provide an opportunity to advance the argument that securing the EU's frontier is a genuine pan-European responsibility, which cannot be left solely to national authorities.

### **Turkey**

In the long-run, Germany's relationship with Turkey could be even more fraught than the country's relationship with Russia — not least because there are around 2.9 million Germans of Turkish origin, of whom 1.5 million residents hold Turkish passports. Germany's need for good relations with Turkey was further underlined by the "refugee deal" to control flows of migrants from Syria that Germany struck with the government of President Erdoğan. The implicit (and sometimes explicit) threat made by Ankara to re-open the floodgates to refugees gives the volatile Turkish president a weapon to use in his fraught relations with Germany. As long as Erdoğan is in power (and he seems to be planning at least another decade at the top), there is always the potential for German-Turkish relations to plunge into crisis — as when Erdoğan recently accused the Merkel government of using "Nazi" tactics in preventing

Turkish politicians from campaigning in Germany in support of Erdoğan's proposed constitutional reforms.

These conflicting pressures make it extremely hard for the Merkel government to strike the balance between the national interest and the support of fundamental values. However, public opinion in Germany means that no Berlin government can afford to look like it is being pushed around by Erdoğan. That means that Merkel cannot be seen to make compromises on fundamental values to appease Erdoğan. And, indeed, Merkel has spoken up in defense of freedom-of-speech in Turkey, following the failed coup of last summer. Her relative boldness makes a contrast with the studied indifference of other Western leaders — and once again positions Germany as the (sometimes reluctant) defender of core Western values.

### **Europe and the Euro**

The euro crisis is in abeyance for now. But it will certainly revive — and may present Germany with some acute dilemmas. If Emmanuel Macron wins the French presidential election next May — as currently looks likely — his victory will be greeted with joy in Berlin. But a victory by the pro-EU side in France will also pose some tricky questions for the German government. Macron is likely swiftly to raise the idea of a new "grand bargain" with Germany to relaunch the EU. This bargain is likely to involve the promise of serious economic reform in France — in return for a German commitment to deeper eurozone integration, in particular the issuance of common debt through Eurobonds, and perhaps early moves towards a pan-European welfare system.

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The German government will come under pressure from the global community of Keynesian economists — as well as the Southern Europeans — to accept this deal. A Social Democratic Party (SPD)-led coalition with Martin Schulz, who is steeped in the culture of Brussels, as chancellor might even be tempted to take the plunge.

But Germany would probably be unwise to exercise this form of “leadership.” Those Germans who suspect that Eurobonds and pan-European bank insurance will simply be a route to a transfer union, in which Germany commits to unlimited subsidies to Southern Europe, in perpetuity, are right to be suspicious. Any German government that committed to such an idea would create the potential for a surge in German Euroskepticism that could ultimately see German politics take an anti-EU turn that could end up destroying the European project.

In theory, the logical solution to this dilemma is for Germany to agree to a transfer union — but only in the context of a strengthening of the EU’s ability to enforce controls on national budgets. But there is little evidence that France would be willing to accept such a dramatic erosion of its national sovereignty. For the immediate future, therefore, there may be no real alternative to persisting with the current arrangements.



# 4 A VALUES-DRIVEN FOREIGN POLICY

Germany has two big things going for it as it approaches these challenges: a strong economy and international respect. Global opinion polls have regularly shown that modern Germany is one of the most popular countries in the world.

Germany can retain the respect of international opinion — even as it takes a more energetic leadership role — by sticking to Merkel’s values-based approach to foreign policy. Merkel emphasized shared Western values in her initial, appropriately cautious, response to Trump’s election victory. The German government’s support for democratic principles and international law has also governed its approach to the Ukraine crisis. It is both right and wise that Berlin should resist moves to return Europe to a political order, based around “spheres of influence” and balance-of-power, rather than agreed international legal principles. Germany’s approach to the EU and to the euro crisis — while widely criticized — has also been based on an appropriate determination to respect EU law and treaties. Similarly, in arguing for NATO, the German government has correctly emphasized that the Western alliance is about values as well as collective security. When it comes to dealing with China, which is now Germany’s largest trading partner, Merkel has remained willing to speak out on human rights and to meet activists on trips to Beijing. And even though Germany badly needs the cooperation of Erdoğan’s Turkey on refugees, the German government has resisted the temptation to stay silent on issues of rights and liberal values in Turkey. These positions will undoubtedly carry short-term costs for Berlin. But collectively and in the long-run, they may allow Germany to expand its global role — in ways that are beneficial to the country and the wider world.

A Germany that stands up for liberal values around the world will be better placed to make the difficult transition to a more assertive and creative foreign policy.

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