

Simon Bulmer / William Paterson: Germany's role in the handling of the European monetary and refugee crisis, in: Jahrbuch der Europäischen Integration 2016 (November 2016).



Dieser Artikel wurde heruntergeladen von:

<http://iep-berlin.de/blog/publications>

Redaktion

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Das „Jahrbuch der Europäischen Integration 2016“ erscheint im November 2016 und in Zeiten multipler Krisen sowie wachsendem Europaskeptizismus und Populismus in Europa. Ein besonderer Fokus liegt im diesjährigen Jahrbuch daher auf dem EU-Austritt Großbritanniens, Re-Nationalisierungstendenzen sowie auf den präzedenzlosen Herausforderungen der Migrationskrise für die Europäische Union und ihre Mitgliedstaaten.

Im diesjährigen Gastbeitrag analysieren Simon Bulmer und William Paterson, Mitglieder des Wissenschaftlichen Direktoriums des IEP, „Deutschlands Rolle bei der Bewältigung der europäischen Währungs- und Flüchtlingskrise“.

Das „Jahrbuch der Europäischen Integration“ des Instituts für Europäische Politik (Berlin) dokumentiert und bilanziert seit 1980 zeitnah und detailliert den europäischen Integrationsprozess. Entstanden ist in 36 Jahren eine einzigartige Dokumentation der europäischen Zeitgeschichte

Germany's role in the handling of the European monetary and refugee crisis*

Simon Bulmer / William Paterson

Germany's new role in the European Union has become one of the key issues in European politics. As Foreign Minister Steinmeier put it, "Germany did not seek its new role on the international stage. Rather, it emerged as a central player by remaining stable as the world around it changed."¹ This pattern has played out in the European Union context as a succession of major challenges has emerged and the German government has been thrust into the centre.

With the benefit of hindsight the pattern began with the 2005 rejection of the Constitutional Treaty by voters in France and the Netherlands. The German presidency of the Council of the European Union in 2007 offered a way forward following a two-year pause for reflection, paving the way for the eventual Lisbon Treaty. The emergence of the ongoing crisis in the Eurozone from late-2009 gave the pattern much stronger connotations of power, as Germany's economic strength heightened expectations for Berlin to play a leading role in offering policy solutions as the crisis unfolded. The pattern took a different turn with the emergence of the Ukraine crisis and especially with Russia's annexation of Crimea in 2014. Germany's own position was conflicted between its strong economic ties with Russia and a foreign policy based on respect for the rule of international law. This dilemma faced the European Union as a whole and the Merkel government's decision to privilege foreign policy principles over trade became the position of the European Union as well. The increasing flow of refugees from Syria and elsewhere in the summer of 2015 presented German centrality in another form, as Chancellor Merkel's "wir schaffen das" was seen in many quarters as exercising moral leadership, although the ramifications were to be divisive within the European Union. Finally, Britain's unravelling relationship with the European Union has also placed heightened expectations on Germany. During his phase of seeking a re-negotiation on key areas of British concern, it was clear that Prime Minister David Cameron regarded Chancellor Merkel as his key interlocutor. With continued membership of the European Union rejected in the June 2016 referendum, Berlin again has a decisive role in managing the consequences, namely Britain's new relationship with the European Union and the ramifications for the future of the European Union itself.

Events over the last decade have contributed significantly to Germany's emergence as the European Union's indispensable power. German agreement has become a pre-requisite for forging solutions to crisis politics in the European Union. In order to explain Germany's indispensability, it is necessary first of all to identify the underlying reasons. What role does indispensability confer on Germany's European policy? We explore

* Dieser Beitrag basiert auf dem in Kürze erscheinenden Buch: Simon Bulmer/William Paterson: Germany and the EU: Europe's Reluctant Hegemon, Basingstoke (im Erscheinen).

1 Frank-Walter Steinmeier: Germany's New Global Role. Berlin Steps Up, in: Foreign Affairs, July/August 2016, abrufbar unter: <https://www.foreignaffairs.com/articles/europe/2016-06-13/germany-s-new-global-role> (letzter Zugriff: 20.10.2016).

whether the term ‘reluctant hegemon’ best encapsulates Germany’s resultant role in the European Union. We explore indispensability and the reluctant hegemon argument in the next section before applying them successively to the crises and then concluding.

Identifying Germany’s role: indispensable and reluctant?

How did Germany become the indispensable power in the European Union? Four explanations are particularly persuasive.

First of these is the declining importance of the Franco-German relationship. Its leverage had already declined following the big enlargement of 2004.² However, specific events over the past decade have eroded its previous centrality despite the celebration of the 50th anniversary of the Elysée Treaty in 2013.³ The rejection of the Constitutional Treaty in 2005 reflected a splintering of the French political space and distrust of neoliberalism.⁴ The new divisions in French domestic politics have qualified its governments’ support for integration and their approach to European Union crisis management. Economically, the ratings agencies’ downgrade of French government bonds in 2012 gave profile to the contrasting fortunes of the German and French economies. Whereas Chancellor Merkel and President Sarkozy could find some common ground in addressing the Eurozone crisis, this became less feasible with the election of François Hollande. However, Merkel and Hollande did play a key role in developing a European Union approach to the Ukraine crisis.

The decline in the Franco-German relationship’s importance has been compounded by the lack of alternative partners for Germany or partnerships in the European Union. Italy is beset with its own sluggish economy. UK governments were becoming increasingly detached from the European Union but in any event exploited non-membership of the Eurozone and opt-out provisions in relation to the refugee crisis, leaving things to German leadership. Germany’s relations with Poland have lacked stability, with the two states’ different attitudes towards Russia during the Ukraine crisis a case in point.⁵ In other words, inter-state politics in the European Union have been a major factor behind German indispensability.

A further explanation lies in the character of European Union ‘crisis politics’ over the last decade. The rejection of the Constitutional Treaty along with the Eurozone and the refugee crises presented unprecedented challenges for the European Union. The supranational institutions lacked the authority or toolkit to respond and the direction of policy needed to be set by the European Council. The Ukraine crisis also required intergovernmental solutions according to the provisions of the Common Foreign and Security Policy. The resultant policy-making has been highly intergovernmental, even if it has resulted in deeper integration, for instance in relation to fiscal surveillance. Under these circumstances Chancellor Merkel has played a leading role in brokering solutions, drawing on

2 Vgl. Joachim Schild: Mission Impossible? The Potential for Franco-German Leadership in the Enlarged EU, in: *Journal of Common Market Studies* 5/2010, S. 1367-1390.

3 Vgl. Ulrich Krotz/Joachim Schild: *Shaping Europe: France, Germany and Embedded Bilateralism from the Elysée Treaty to Twenty-First Century Politics*, Oxford 2013.

4 Gérard Grunberg: Le référendum français de ratification du Traité constitutionnel européen du 29 mai 2005, *French Politics and Society* 3/2005, S. 128-144; Gérard Grunberg/Etienne Schweisguth: French Political Space: Two, Three or Four Blocs? in: *French Politics* 3/2003, S. 331-347.

5 Piotr Buras: The Polish-German split: A storm in a teacup? in: *New Eastern Europe* 2/2015, S. 61-67.

her longevity and prestige as government head, her experience in coalition-management in Berlin and building on Germany's wider track-record as an international coalition-builder.⁶

Germany's economic strength following the reforms during the Red-Green coalitions is another big asset. By the 2010s, economic indicators on the trade surplus, labour competitiveness, and public debt placed Germany in the strongest position of the larger EU states. Germany's economic buoyancy and its status as the leading trade partner of many member states enhance perceptions of its indispensability.

Finally, the German government itself has shown a willingness to play a larger role in European Union and global politics. This position was revealed in a series of speeches – by President Gauck, Defence Minister von der Leyen and Foreign Minister Steinmeier – at the Munich Security Conference in early-2014. 'Review 2014', the policy review initiated by Steinmeier in the Foreign Office, along with commitments to increase defence spending towards the NATO norm of 2 per cent of GDP are further illustrations of this willingness to respond to heightened expectations of Berlin. So whilst Germany's emergence as the European Union's indispensable power relied at first more on the absence of alternatives than on conscious political choice by the Berlin government, a greater acceptance of this role has ensued.

The term 'reluctant hegemon' captures key aspects of Germany's new role. First, it highlights that neither leadership nor dominance has been sought. Yet some partners have encouraged Berlin to play a larger role, as expressed most clearly by former Polish foreign minister Sikorski's statement: "I fear Germany's power less than I do its inactivity."⁷ The reluctance also captures the way in which institutional, political and normative factors can create a capabilities-expectations gap around German European policy.

The government's European policy coordination has improved over the years. Nevertheless, different tones may be set across government, such as Finance Minister Schäuble's July 2015 proposal of a Greek time-out from the Euro, albeit not endorsed by Chancellor Merkel. In the aftermath of the British referendum vote, Foreign Minister Steinmeier argued that the UK should move swiftly to exit negotiations through Article 50 TEU, whereas Merkel was more relaxed about the timetable. Perhaps the biggest policy clash in the coalition has come from the Christian Social Union (CSU), which has been highly critical of the government's policy on the refugee crisis. These differences persist, yet the focus of so many issues on the European Council over the last decade has tended to privilege the chancellor's European policy.

Beyond the federal government other institutional actors have reinforced powers. The *Länder* have an important voice where their powers are affected by European Union policy. Yet it is the Federal Constitutional Court, to which there have been many appeals during the Eurozone crisis, that has become a significant consideration in European policy, as anticipated at the time of the Lisbon Treaty judgement.⁸ The Bundesbank has been a further important voice in German European policy during the Eurozone crisis, able to influence wider opinion. Further, the strengthening of parliamentary scrutiny has added procedural checks on policy.

6 On the last of these, vgl. Hanns Maull: Germany and the Art of Coalition Building, in: Journal of European Integration 1/2008, 131-52.

7 Erich Follath/Jan Puhl: "We Want To See the Euro Zone Flourish". Spiegel Interview with Polish Foreign Minister, in: Spiegel online, 16.5.2016.

8 Peter Becker/Andreas Maurer: Deutsche Integrationsbremsen: Folgen und Gefahren des Karlsruher Urteils für Deutschland und die EU, SWP-Aktuell 41/2009.

Politically, a grand coalition of party support remains in place for European policy, bringing together the Social Democrats, Greens/Bündnis 90 and the CDU/CSU. Outside the consensus are die Linke and the Alternative für Deutschland (AfD). The AfD has become a more significant electoral consideration due to gaining representation in eight state parliaments, including its March 2016 successes in Baden-Württemberg (15.1 per cent of votes), Rhineland-Palatinate (12.6 per cent) and Saxony-Anhalt (24.2 per cent). When combined with elements of dissent in the mainstream parties, it is clear that Germany too is undergoing some “politicisation” of European policy.⁹

The normative constraint stems from the role of historical memory in European policy.¹⁰ Pro-European sentiment has characteristically been seen as normatively embedded in the German policy elite. This set of values is also consistent with Germany’s “civilian power” orientation in foreign policy.¹¹ Reluctance to play a leadership role in the European Union is one consequence.

Institutional, political and normative considerations explain Germany’s reluctance but indispensability raises the question of German hegemony. That is not to say Germany *is* a hegemon, since the purposes of European integration were to prevent that situation occurring. The European Union’s supranational character should limit one state’s ability to influence the whole organisation. Yet the supranational institutions have repeatedly displayed weakness in responding to crises.

The political science literature has identified four forms of hegemony that are relevant to examining Germany’s role.¹² First, does Germany possess sufficient material power resources to provide international public goods to the European Union, and does it provide these public goods? Secondly, does it provide ideas and beliefs that are influential within the European Union? Thirdly, does German leadership command support from other EU member states, thereby conferring legitimacy? Finally, do German internal politics (institutions, politics and norms – see above) allow this leading role to be played?

The Eurozone crisis

The Eurozone crisis broke in late-2009 when the European Union realized the full extent of the Greek budget deficit. It has passed through several phases in the following years.¹³ The individual rescues of debtor states; the strengthening of fiscal surveillance; the creation of a banking union; the continuing problems facing Greece; and planning for the future (the Five Presidents’ Report): all these developments have placed Germany in an indispensable position. Yet, this is not an entirely new situation, since Germany played a central role in the original design of monetary union.¹⁴ Germany had provided such axiomatic features of the European Monetary Union (EMU) as independent central banking,

9 On politicization, vgl. Peter de Wilde/Anna Leupold/HenningSchmidtke: Introduction: the differentiated politicisation of European governance, *West European Politics* 1/2016, S. 3-22.

10 Vgl. Andrei Markovits/Simon Reich: *The German Predicament: Memory and Power in the New Europe*, New York 1997.

11 Hanns Maull: “Zivilmacht”: Ursprünge und Entwicklungspfade eines umstrittenen Konzeptes, in: Sebastian Harnisch/Joachim Schild (Hrsg.): *Deutsche Außenpolitik und Internationale Führung*, Baden-Baden 2014, S. 121-147.

12 Simon Bulmer/William Paterson: Germany as the EU’s reluctant hegemon? Of economic strength and political constraints, in: *Journal of European Public Policy* 10/2013, S. 1387-1405.

13 For a detailed account, vgl. Franz-Josef Meiers: *Germany’s Role in the Euro Crisis*, 2015.

14 Kenneth Dyson/Kevin Featherstone: EMU and Economic Governance in Germany, in: *German Politics* 3/1996, S. 325-55.

the European Central Bank's (ECB) headline objective of combating inflation along with treaty provisions designed to avoid moral hazard, specifically the "no bail-out clause" (Article 125, TFEU) and the prohibition of the ECB from monetary financing of a Eurozone state's sovereign debt (Article 123 TFEU). The ineffectiveness of the Stability and Growth Pact, another measure inspired by Germany, contributed to the crisis.

Throughout the Eurozone crisis German indispensability has been based around a number of assets. Politically, the Franco-German partnership was important at the outset of the crisis. As the crisis evolved Chancellor Merkel gradually became the pre-eminent political leader, as others lost office. Germany's long-standing commitment to integration translated into Merkel's view that if the Euro failed, Europe would also fail. In political economy terms, Germany was able to develop a set of proposals for strengthening the design of the Eurozone, strengthening the rules-based approach that informed the original Maastricht design. With regard to the individual rescues, Germany played a key role as the leading creditor, although there was also vulnerability at the early stages because of the scale of exposure of German bank lending to the debtor states.¹⁵ Germany's economic situation was relatively strong compared to Eurozone partners. Taking illustrative data from 2011 it had relatively low unemployment (5.9 per cent), a large current account surplus (6.3 per cent of GDP), a budget deficit of only 0.8 per cent of GDP, while its debt, though high by its own post-war standards at 80.5 per cent of GDP, was under better control than that of France or Italy.¹⁶

Germany has been an indispensable state but what role has been played? In seeking an answer from this protracted crisis it is necessary to be selective. We look at the first Greek rescue, the efforts to reinforce fiscal surveillance, the integration of banking regulation and the third Greek rescue in 2015.

In spring 2010 Germany's role in the run-up to the first Greek rescue was hesitant. Erik Jones has argued that the delays resulted in a significant increase in the cost of the eventual rescue as well as allowing the crisis to gain momentum that later resulted in contagion to other states.¹⁷ Ulrich Beck identified "the art of hesitation as a means of coercion" as part of the chancellor's diplomacy on the crisis: "Merkiavellianism".¹⁸ Yet there were other explanations for the hesitancy. It was characteristic of Merkel's generally unrushed style of brokering agreements. It was also in line with the federal government's unwillingness to act until a systemic crisis was evident because of concerns about moral hazard. Financial assistance could not be offered too easily for fear of setting a bad principle and strict conditions had to be accepted by debtors in return for the assistance. The finely balanced 9 May 2010 state elections in Germany's most populous state, North-Rhine Westphalia, may also have been a factor. Nevertheless, the overall impression resulting was one of Germany acting as reluctant hegemon.

When attention shifted to fixing the fiscal rules Germany was again indispensable. First, it made clear that the mutualisation of debt through 'Eurobonds' was unacceptable. Instead, and with some support from President Sarkozy in 2011, a set of measures was agreed that largely reflected German preferences. Fiscal rules were tightened through the

15 Helen Thompson: Germany and the Euro-Zone Crisis: The European Reformation of the German Banking Crisis and the Future of the Euro, in: *New Political Economy* 6/2015, S. 851-70.

16 Simon Bulmer: Germany and the Eurozone: Between Hegemony and Domestic Politics, in: *West European Politics* 6/2014, S. 1244-1263, hier: S. 1252 f.

17 Erik Jones: Merkel's Folly, in: *Survival* 3/2010, S. 21-38.

18 Ulrich Beck: *German Europe*, Polity, S. 52.

introduction of a balanced-budget rule, a debt-brake for states exceeding the 60 per cent debt-to-GDP threshold, and other compliance mechanisms that were required to have strong legal standing. These measures were achieved through European Union legislation as well as the so-called Fiscal Compact. During this phase Germany displayed veto power (no Eurobonds) and shaping power. Shaping power was expressed through the rules-based ideas of German ordoliberalism. Faced with domestic criticism in public opinion, the hawkish views of the Bundesbank and the threat of appeals to the Bundesverfassungsgericht, the federal government exerted a powerful influence on the fiscal surveillance regime. In this way it was able to utilise the pressures from domestic politics to reinforce its Eurozone diplomacy while retaining domestic support. The outcome had quite strong resemblance to German preferences, although it was secured through complex bargaining. For those opposed to austerity policies Germany stood accused of ideational hegemony.

The moves towards a banking union were rather different. Germany wished to break the vicious circle between sovereigns and banks. It wanted to avoid having to bail out banks in other states. However, unlike in the previous two examples negotiations took place via the regular European Union policy process. In consequence, while Germany was able to secure some of its demands, it was on occasion isolated.¹⁹ The supranational policy process reduced the opportunity for one state to shape policy to the extent possible in the two previous episodes. Accusations of German hegemony were avoided.

The final illustration relates to the third rescue of Greece. Finance Minister Schäuble's proposal of a Greek timeout from the single currency represented arguably the starkest threat of coercion as part of German insistence on strict conditionality for a further rescue.²⁰ In the event, Chancellor Merkel did not follow through on this threat. Yet it received condemnation. Italian Prime Minister Renzi's reported reaction was "enough is enough".²¹ The German sociologist Jürgen Habermas captured the potential reputational damage thus: "The German government thereby made for the first time a manifest claim for German hegemony in Europe – this, at any rate, is how things are perceived in the rest of Europe, and this perception defines the reality that counts."²²

Schäuble's threat, although it came to little, provided material for perceptions of Germany as a hegemon. However, it is Germany's role in shaping the strengthened European Union fiscal rules that in reality was more important in terms of considering German power. Banking union revealed that the 'Community method' reduces concerns about Germany's power. Overall, as the Eurozone crisis shows, Germany's role varied according to the episode. At first a reluctant hegemon, it was then more pro-active in inserting its ideas into Eurozone fiscal governance. Yet the size of its current account surplus – 8.5 per cent of GDP in 2015 – is indicative of serious imbalances within the European Union.²³

19 Vgl. Rachel Epstein/Martin Rhodes: International in Life, national in Death? Banking Nationalism on the Road to Banking Union, Working paper no. 61, Free University of Berlin, KFG The Transformative Power of Europe, 2014.

20 Spiegel Online: Comments on the latest Greek Proposal, 10.7.2015.

21 Spiegel Online: „Genug ist genug“. Italiens Premier Renzi gegen Schäuble, 12.7.2015.

22 The Guardian: Jürgen Habermas's verdict on the EU/Greece debt deal – full transcript, abrufbar unter: <http://www.theguardian.com/commentisfree/2015/jul/16/jurgen-habermas-eu-greece-debt-deal>, 16.7.2015, (letzter Zugriff: 3.8.2016).

23 Gavyn Davies: The German balance of payments quandary, in: Financial Times, 10.7.2016.

The refugee crisis²⁴

The initial slow-burning refugee crisis centred on a steady flow of refugees from sub-Saharan Africa, mainly impacting on Italy. Syria's implosion resulted in an influx of refugees from its civil war arriving in Greece. By August 2015 the crisis had reached Budapest, with refugees then setting off for the Austrian frontier. Neither the European Union authorities nor the Hungarian government were in a position to resolve the crisis. As the situation deteriorated, both in terms of people flows and humanitarian conditions, Chancellor Merkel intervened. Her authority in the European Union and at home was arguably at its height. Unchallenged within her party or by the Social Democrats, her position was buttressed by the strength of the German economy.

When Chancellor Merkel proclaimed "wir schaffen das" in late-August 2015 she displayed moral leadership. The domestic context appeared to be a beneficent one and the initial flow of refugees was greeted warmly. In the background Germany's growing demographic crisis was a consideration, since immigration is vital for its welfare and industrial base. Merkel had confidence in the battle-hardened Chancellery machine to handle the crisis. For the following six months it was to become a sort of personal presidency prevailing over the Interior Ministry.²⁵

Germany's indispensability in the refugee crisis was clear. In intervening in the refugee crisis, Chancellor Merkel showed none of the reluctance that has characterised her position in other crises. Nor did she indulge in the exhaustive consultation, which has been such a major feature of German policy. International consultation was restricted to the then Austrian Chancellor Faymann. Merkel saw that the European Union was confronting a crisis for which no supranational solution was immediately available. Consequently, Germany took on the role of Europe's default liberal political hegemon in acting as refuge of last resort until the European Union was able to come up with a multilateral solution to the crisis.²⁶

As the crisis continued, so the ramifications of Merkel's leadership began to present problems. Followership is central to the exercise of hegemony. Although fellow member states had usually been content to follow the German lead in the Ukraine and Eurozone crises, that proved problematic in the refugee crisis. The federal government assumed that other member states would accept a German fait accompli and their fair share of refugees according to a distribution formula. The European Union's distributional policies have always been contested and this proved to be the case here. Other member states refused to accept the distributional results of a policy that they had not been consulted on. Attempts by the European Commission with French and German support to impose a mandatory resettlement of 160,000 refugees across the European Union were flatly rejected by Eastern European states and other member states were scarcely more enthusiastic. Their decision was also fuelled by an increasing nationalism in the Visegrad states and lingering resentment about the Eurozone crisis in the southern debtor states. Moreover, no incentives or public goods had been offered to these states to depart from their established prac-

24 For an account of the crisis, see chapter by Peter-Christian Müller-Graff/ René Repasi: Asyl-, Einwanderungs- und Visapolitik, in this book.

25 Vgl. Maurizio Ferrera: The Germanization of Europe, 7.7.2016 abrufbar unter: <http://www.euvisions.eu/the-germanization-of-europe/> (letzter Zugriff: 5.8.2016).

26 Thorsten Benner: Europe's Lonely Liberal Hegemon, 2.3.2016, abrufbar unter: <http://www.politico.eu/article/merkel-shock-refugee-crisis-germany-policy-europe/> (letzter Zugriff: 5.8.2016).

tices. The distribution system for refugees may work well in Germany but levels of solidarity are stronger than those in the European Union.

In this manifest crisis of followership, Germany appeared to be lacking in instruments. Merkel's intervention had been intended to deal with the immediate crisis until a long-term multilateral solution could be agreed. Yet it had failed to construct an ideational argument. It showed no signs of accepting the need to offer public goods to European Union partners – in addition of course to the huge internal costs it was incurring – as part of taking on the role of liberal hegemon. Attempts to threaten the East European states by linking further support to acceptance of German refugee policy were quickly abandoned. Germany's abandonment of the reluctant hegemon stance turned out to be a significant overreach.

Furthermore, as the scale of the refugee crisis mounted in Germany, domestic support weakened. The CSU quickly abandoned its initial support as the flood of refugees continued in the latter half of 2015. Its demands for secure external EU borders, stronger German border controls and an annual cap of 200,000 refugees struck a discordant note in the Grand Coalition. Much more significant pressure was exerted by the surge in support for the AfD, which has transformed itself into an anti immigrant party with considerable success at *Land* level. AfD successes in March 2016 coincided with a progressive tightening of German refugee policy. Measures included simplifying the process by which rejected asylum seekers are deported and expanding the safe countries of origin.

In the Eurozone crisis Chancellor Merkel took great care to keep in step with German public opinion. Whilst refugee policy was initially welcomed by public opinion, resistance built up as the flow showed no signs of easing. This mood was greatly magnified by the events around Cologne railway station on 31st December 2015, when gangs of young men, allegedly migrants, harassed and sexually assaulted women.

The mixed reception for Germany's attempt to be a liberal hegemon led to the outsourcing of the solution via the EU-Turkey Joint Action Plan, a 'cash for cooperation' arrangement agreed in March 2016. In striking this agreement with President Erdoğan, Germany was exposed to the most acute moral hazard, that is the risk of increasing Turkish demands, but the arrangement cut down the numbers of refugees reaching the European mainland considerably. Yet the Chancellor's policy still faces major challenges both at home and abroad.

The series of horrific domestic events in July 2016 have led to a groundswell of criticism of Chancellor Merkel and her role in refugee policy. The events included an axe attack by an Afghan refugee on a train near Würzburg, a suicide bombing in Ansbach, the murder of nine victims in Munich by a German-Iranian and the hacking to death of a pregnant woman by a Syrian refugee. Internationally, Turkey demands that the European Union implements the liberalisation of visa regulations set out in the EU-Turkey agreement. A number of German political parties and the European Union authorities oppose this demand, pointing out that Turkey has not carried out any of the reforms that were a precondition for lifting the restrictions. Furthermore, the failed coup in Turkey of 15-17th July 2016 heightened what is at stake in the agreement. The post-coup repression has increased the moral hazard exponentially. If the arrangement proves unsustainable Germany may have little alternative but to offer public goods to her neighbours beginning with massively increased relief to Greece to deal with the humanitarian crisis.

In the face of these unprecedented challenges the government has managed to preserve a sense of control. Support for established parties has held up while support for the AfD dropped to 12 percent (August 2016).²⁷ This resilience will be tested if the attacks continue or the flow of migrants through Turkey resumes.²⁸ So far Chancellor Merkel's confidence in the superior resilience of her domestic political support and of the German administrative machinery has been proved correct.

The peak of the refugee crisis is much more recent than that of the turmoil in the Eurozone, so analysis is based on a shorter time-frame. Nevertheless, and without under-estimating the role of financial markets in the Eurozone crisis, the persistent flow of refugees and the reliance on Turkish support are striking in this case. Similarly striking is Chancellor Merkel's efforts to play the role liberal hegemon in the European Union, pushing for humanitarian solutions. This case certainly departs from the role of reluctant hegemon

Conclusion

Whether desired or not, the Eurozone, Ukraine and refugee crises have made Germany the indispensable actor in the European Union, pushing it to leadership by default.²⁹ The exact role played by Germany has differed both within and between crises. We proposed an understanding of Germany as a reluctant hegemon. In reflecting on this proposition, we return to the four types of hegemony in the political science literature.

Germany has the political and economic resources to play a leadership role. Yet the size and strength of its assets should not be over-estimated; it is not *dominant*. As seen it was only in the case of the refugee crisis and in the threat of a Greek timeout from the Euro that Germany aspired to a hegemonic role. It has scarcely offered public goods to the European Union in a manner comparable to the United States in the postwar western world, as outlined in hegemonic stability theory.³⁰ This only occurred to a relatively limited degree as the main stakeholder in the European Stability Mechanism. More characteristically, it has played the role of shaping the rules: a lower-cost option that has transfers the burden of adjustment elsewhere.

Shaping the rules was effective in introducing tougher fiscal surveillance in line with the original Maastricht design of EMU. Debtor states had incentives to accept these rules, namely access to the rescue facilities. Shaping the rules around ordoliberalism helped mitigate critical domestic voices such as from the Bundesbank as well as minimising risks in the Federal Constitutional Court. It also carried domestic public opinion. However, this approach has been much less successful with the refugee crisis. In a period within the European Union where there has been a 'sovereignty turn', seeking to shape the EU rules along similar lines to the domestic distribution formula for refugees has not been persuasive. No coercive tools are available and the type of public goods needed for partners' endorsement of the policy would be significant financial ones. This role has run into difficulties with partners, especially due to the lack of consultation before Merkel took on the liberal hegemon role in August 2015. Legitimacy and followership have been less forthcoming for Germany than in the Eurozone crisis.

27 Quelle: ARD Deutschlandtrend, 4.8.2016.

28 Daniela Schwarzer: Germany is reacting to the attacks with calm – so far, in: Financial Times, 26.7.2016.

29 Josef Janning: German foreign policy and the EU: leader by default? in: European Council on Foreign Relations, 5.2.2015.

30 Vgl. discussion in Simon Bulmer/William Paterson: Germany as the EU's reluctant hegemon? Of economic strength and political constraints, in: Journal of European Public Policy, 10/2013, S. 1387-1405.

Ideational hegemony also offers contrasting insights. In the Eurozone crisis German policy principles provided a roadmap for fixing the fiscal surveillance regime. The ideas and beliefs were consistent with the design of the Eurozone, which all members wished to preserve. All EU states share humanitarian goals. However, they have different views on how to pursue them. Eastern European states have a different view of multiculturalism. Germany's ideational influence was much reduced. Consequently, states have been able to block the proposed policy on refugees, whereas the lack of alternatives and the weakness of debtor states removed this possibility in the Eurozone crisis, with even SYRIZA-led governments eventually complying.

The two cases offer interesting contrasts with regard to the necessary domestic support for a leadership role. Institutional constraints and public opinion reinforced the direction of German interventions in the Eurozone crisis. In the refugee crisis they have complicated matters. Bavarian objections to the policy have led to coalition tensions. Whilst no party to the left of the CDU has emerged as a critic of policy, the AfD capitalised on concerns after the Sylvester events in Cologne. Nevertheless, Chancellor Merkel committed to the existing policy in the aftermath of domestic attacks in July 2016.

Reluctant hegemony, shaping the rules, offering stability and acting as liberal hegemon represent the predominant roles played by Germany; investing public goods is less evident. Yet the prospects for eventual resolution of the crises remain unclear. German influence has helped defuse the Eurozone crisis. Yet the suitability of prescriptions from a state with an export-led growth model for states with demand-led models remains contested. In the longer term Germany's huge trade surpluses are not compatible with a stable system. In the case of the refugee crisis, the internal politics of both Syria and Turkey remain imponderables even if agreement could be found in the European Union. In both complex crises Germany is key to their Bewältigung. Brexit negotiations place yet further demands on Germany's indispensability, symbolised by Prime Minister Theresa May making Berlin her first foreign destination.

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