



A Crisis in the European Order?

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Review by Ian Johnson

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IN REVIEW

Hans Kundnani *The Paradox of German Power*, Oxford University Press, 2015.

Stephen F. Szabo, *Germany, Russia and the Rise of Geo-Economics*, Bloomsbury Press, 2015.

Whither Europe? In the aftermath of Brexit and the rise of the populist, anti-European Union (EU) right, the European order seems to be in crisis. Alone among Europe's major states, Germany has been immune to the political turmoil. Chancellor Angela Merkel's coalition seems ensconced firmly in power ahead of the 2017 elections. Germany's stock has never been higher: successful social welfare reforms, a healthy trade surplus, and an export-driven economy have made Germany the locus of power within the EU. Two recent books offer fresh insights on this new, confident Germany: Hans Kundnani's *The Paradox of German Power* and Stephen F. Szabo's *Germany, Russia and the Rise of Geo-Economics*.

Szabo's work approaches the question of German foreign policy in the context of the present, drawing on the author's knowledge of institutions and individuals shaping German foreign affairs today. His background and expertise in the field is very deep. Szabo is the executive director of the Transatlantic Academy in Washington D.C., a former professor of European Studies at Johns Hopkins SAIS, and an astute observer of German politics for decades. He is perhaps best known for his 2004 work, *Parting Ways: The Crisis in German-American Relations*, which explored how the Iraq War affected the German-U.S. relationship.

His new book seeks to understand the strategic principles governing German foreign policy as it finds itself in a dominant position within the European Union. The title is slightly misleading: his interest in Russia is peripheral to his analysis of Germany. He uses it as a case study to frame his view of Germany as a "geo-economic power." Conceived by Edward Luttwak in a 1990 article, "geo-

economics” is the concept that, in the post-modern world, economic competition would increasingly follow the geopolitical lines of the Cold War: “adversarial, zero-sum and paradoxical.”¹ While the 1990s did not seem to follow Luttwak’s prediction, events in Europe since 2001 have vindicated some of his argument. Szabo maintains that less nimble states, such as the United States, have failed to understand this shift away from geopolitics and are being left behind by “successful contemporary geo-economic states,” of which Germany is the most pronounced example in the West.

Germany, Russia, and the Rise of Geo-Economics begins by arguing that Germany now is a “civilian state”—one that eschews the use of force or hard power—and an export power. Szabo explores German perceptions of Russia through polling data and public opinion surveys. These sources suggest that while German business leaders like the stability provided by the current regime in Russia, the general German public is deeply distrustful of Vladimir Putin. Yet, despite this public hostility, German business continues to invest and succeed in Russia, supported by the German state. This situation, Szabo makes clear, highlights the dominance of business interests in the crafting of Germany’s foreign policy.

Drawing from interviews and his long experience in Germany, Szabo proceeds to break down the foreign policymaking process in Berlin. The lack of area experts and disinclination of the major parties to emphasize foreign affairs has left the Foreign Ministry with export promotion as its most important mission. Szabo suggests that this is already having a deep impact on German relations with the U.S. and its European neighbors. As he sums it up, “German business thinks globally, and it is the German private sector that is pushing German foreign policy in many areas. The business of Germany is leading, and politics is now following behind.”

There is one great problem with the image of a Germany whose foreign ministry is directed from boardrooms and whose leaders think largely in terms of exports. Since the book came out, Germany has taken the lead on sanctions with Russia, to the great detriment of its export industries. While the United States may have been the initial architect of the NATO sanction regime against Russia, it is Germany, above all others, that is paying the price. According to a recent analysis published by the Austrian Institute for Economic Research, persistent sanctions could cost Germany half a million jobs and “some 27 billion euros of value added” over the medium term.² Germany is the largest exporter to Russia, closely followed by China. The sanctions regime not only threatens Germany’s preeminent position in the Russian market, but also hurts firms at home. Merkel’s strong leadership on the Crimean and Ukrainian predicaments has demonstrated clearly that even in Germany, traditional geo-political interests remain predominant in crisis situations.

¹ Edward N. Luttwak, “From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce,” *The National Interest*, Summer 1990, pp. 17-23.

² Jörg Eigendorf, Andreas Maisch, Eduard Steiner and Andre Tauber, “Russland-Krise kostet Europa bis zu 100 milliarden Euro” [The Russia Crisis Will Cost Europe Up to 100 billion Euros,” June 19, 2015, *Die Welt*, <https://www.welt.de/wirtschaft/article142742046/Russland-Krise-kostet-Europa-bis-zu-100-Milliarden-Euro.html>.

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