On the dominant role of Germany

This is the third of the three announced posts; it is on the dominant role of Germany in the European Union. The reason for this is easy: In the discussion on austerity policy and the “anti-crisis-policy” within the EU the extraordinarily destructive role played by Germany is, in fact, referred to and focused upon. This is certainly very understandable, but it is not sufficient. It is still much more important to understand that Germany plays this role as the EU member state with the largest population, the highest exports and the biggest share in the Euro rescue mechanisms and measures, while at the same time Germany has turned out to be the biggest winner of the crisis so far. We do see that there are rather different possibilities to act on part of the ruling forces in Germany, but we should like to defend the idea that present German policy has to be analyzed as a strong effect of neo-liberal predominance. Accordingly, we do see this destructive German policy mainly as a powerfully neo-liberal one: The official total risk taken by the German state for the Euro rescue is about 310 billion Euro; its share of the extended EFSF (European Financial Stability Facility[1]) amounts to 211 billion (milliard) Euro; its share of the ESM (European Stability Mechanism[2] is 27,07% of the paid and retrievable means, I.e. 21,7 billion Euro effectively paid and 168,3 billion Euro retrievable money.

Germany has 80,5 million inhabitants – it is the EU member state with the biggest population. In 2013, the GNP per inhabitant was 30 200 Euro, the EU28 average came to 23 100 Euro. The share of the productive sector (without construction) of the GNP in Germany is higher than in the other big EU member states. It is around 26% – in Italy 18 %, in Spain 17 %, in the United Kingdom 15 % and in France 13 %.
In 2013, about 50 of the 500 largest corporations (according to the market values and prices at 28.3.2013) of Europe (Turkey included) were located in Germany. More specifically: 4 German corporations were among the 20 largest in Europe, 8 among the 50 largest, 15 among the 100 largest, 20 among the 150 largest, 23 among the 200 largest, 27 among the 250 largest, 38 among the 300 largest, 41 among the 400 largest, 49 among the 450 largest. Among the 500 largest, two German corporations belonged to the energy/mining/electricity sphere, six to the car industry/transportation/tourism, two to food/beverage/drugs, one to the defense field, eight to ITC/Telecommunication/ITC service/media, six were banks and two were connected with the pharmaceutical industry /biotechnology and health industries. Germany produces ca. 30% of the total GNP of the EU28 manufacturing industry – Italy 12%, France 11%, UK 10% and Spain 7%. Germany’s manufacturing industry exports 48% of its total production. From 1995 to 2013 the share of the exports of the total GNP in mechanical engineering has risen from 42,7% to 62% and from the 47,7% to 65% in the automobile manufacturing. 57% of the German exports go to the

[1]http://en.wikipedia.org/wiki/European_Financial_Stability_Facility

[2]http://en.wikipedia.org/wiki/European_Stability_Mechanism

single market. 56% of German imports come from other EU member states. The largest corporations are more deeply integrated into the regional economy than in other EU member states. More medium-sized enterprises are important exporters than in other EU member states.

The largest exporting nations worldwide in 2012 (share of global exports)

China - 12,6%
USA - 9,5%
Germany - 8,7%
Japan - 4,9%
the Netherlands - 4,0%
France - 3,5%
South Korea 3,4
Russia 3,3
Italy 3,1
UK 2,9
(Source: WTO)

These facts effectively explain that there are objective grounds for a special role of Germany within the European Union. But with the Euro crisis the role of Germany, an of the ruling forces in Germany in the development of the EU has been strongly reinforced. The reason for this is the dominant neo-liberal policy and the real developments on its basis, as they are reflected in the legal realities of the EU. The Amsterdam Treaty has introduced the notion of “differentiated integration” into the framework of the mechanism of enhanced cooperation. This sounds acceptably neutral and could, eventually, become really productive, when only the political power balance could be shifted in favour of the solidarity-emancipatory and ecological forces within the EU and its member states. Yet a special kind of differentiated integration (DI) which has developed within framework of the Common Security and Defense Policy now really existing is the Permanent Structured Cooperation which aims at establishing military abilities. DI can also have the form of opt outs[3]. Since the beginning of the Euro crisis the DI has been used increasingly. The result is a rising social and political inequality within the EU. In this respect, a kind of breakdown is currently going on. There are different groups of states now:

- the EMU member states with the Euro currency which participate in all “rescue and reform measures”
- the member states willing to join the EMU, but which are interested in participating in the “rescue and reform measures” in different degrees,
- the opt out holders openly acting in nationalist ways.

On the one hand, the German government has used a nationalist language, too; on the other hand, it has been pro-active in taking the initiative for the agreements on

[3]http://en.wikipedia.org/wiki/Opt-outs_in_the_European_Union

the “rescue and reform measures”. This is not at all surprising: Germany has been the main economic and political winner of the EMU and of the EU enlargement. Until now its ruling forces have been unable to find a consensus with the French, as it had been central for the development of the EU so far, especially in regard to the details of the constitutional process within the EU. The following factors have been very significant in this respect:

1. The purely arithmetic change in the voting weight within the Council: If the Council takes decisions on monetary union such as the budgetary surveillance, only the Euro states have the right to vote. 56 votes are enough for a blocking minority. Germany and France have 58 votes together, Spain and Italy reach together exactly 56 votes. But Ireland, Greece, Portugal and Cyprus come up with 35 votes. They cannot block any decisions, but they are the "crisis countries" which simply have to respond to the conditions for “being helped” imposed upon them.

2. The roles of the member states are distributed differently: In fact, within the Euro zone more and more decisions on economic and financial policy are agreed in the framework of DI. Here Germany and France are the decisive players, while other member states have been reduced to lesser and more passive roles.

3. For Member States which do not participate in DI, it is important whether they have access to a DI project or do not have it. Normally, they are allowed to participate in the negotiations as observers, but that is not necessarily so, as e.g. the Anglo-French agreements on co-operation in the defense and security policy show.

In dealing with the euro crisis, three major innovations have been introduced, which all have reinforced the divisionary forces and tendencies within the European Union:

a) Now, the “Euro summits” take place semi-annually;

b) the function of a President of the Euro summit has been introduced. She/he acts analogously to the President of the European Council. With the personal union of both functions in the person of van Rompuy it has been made clear that the future Presidents of the European Council should always come from a Euro country;

c) by creating an administrative substructure, which prepares the meetings and summits of the Euro group, a consistent separation between the Euro group and the Council bodies has been introduced. Although the Euro committees have no any formal decision-making competences for the EU as a whole, they do in fact create political presuppositions.

With the Fiscal Compact not having been transferred to the Acquis Communautaire of the European Union, double structures have emerged in actual fact. The European Commission has been awarded a leading role in the implementation of the Fiscal Compact.

Taking everything together, a new hybrid structure has emerged within the EU. With the imperatives of the “debt brakes”, which have to be introduced into national law, with the Fiscal compact and the EU legal requirements of the reinforced Growth and Stability Pact, a highly contradictory neo-liberal “mixture” has been created. This is the result of German demands and constitutes a kind of a German “law export”. This dangerous “mixture” can only be enforced and controlled by drastic strategies of repression.

In the negotiation on the Fiscal Compact the European Parliament has only been involved symbolically. Theoretically, it is supposed to represent all citizens of the European Union. In the actual work of its committees the country of origin of the members of parliament involved is not so important. Therefore, it is not relevant whether the country of origin of a member of parliament participates in one or more DI or whether it does not. Within the European Commission, however, this issue plays a more decisive role. In the Councils and in the European Council - except in the case of rotation – it is automatically effective. An EU of “two different classes” is currently and commonly being referred to: there is a class of important member states and another of the ones which are not so important. The important member states are simply the big countries active within DI plus the UK as an (almost certain) exception.

These facts and tendencies, especially the rise of DI, and the increase of opt outs, have made the development and the maintenance of cohesion within the EU increasingly complicated and difficult to sustain.

The ruling forces of Germany have been able to reap considerable gains from the Euro crisis, more specifically due to

- reduced interest rates for government bonds – 40,9 billion Euro for 2010-2014;

- its new-found ability to avoid 73 billion Euro in new credits from 2010-2012 (On the other hand the German ministry of finance has needed 599 million Euro for dealing with the Euro crisis);

- the conditions imposed upon the debtor states for getting help from the ESFM and ESM – especially initiating new privatization waves;

- the innovations and the changes in the EU law which have been pushed through, allowing for more repression and for specific regulations in the interest of the strongest players, i.e. of the capital oligarchies;

- economic conditions being changed in favour of the German corporations;

- further steps of neo-liberal development to the general benefit of the strongest agents and agencies.