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Germany and the European Union: Post-Brexit Hegemon?

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ABSTRACT *In late-March 2019 the United Kingdom is scheduled to leave the European Union. Will Brexit lead to Germany becoming the EU's hegemon? The commentary explores the likely impact of Brexit on policy areas and intergovernmental politics in the EU. It focuses on the sources of German hegemony: structural, ideational and diplomatic power as well as the need for Germany's role to be legitimate amongst partner states and to have domestic support. Two scenarios are suggested: the Franco-German partnership's revival or a form of German hegemony.*

Introduction

The vote of the British people in June 2016 to exit the European Union (EU), initiating a process popularly known as Brexit, has opened up a wide range of questions about future political trajectories not only for Britain but also for the EU itself. The United Kingdom (UK) is scheduled to leave the EU on March 29, 2019, two years after triggering the Article 50 exit process.¹ One of the key questions in relation to the impact of Brexit on the EU is how will it impact intergovernmental politics and the balance between the remaining large member states? Who will provide the necessary leader-

ship within the EU? Specifically, will Brexit lead to Germany assuming a more prominent role such that it becomes the EU's hegemon?

In exploring the possibility of Germany taking on a greater role in the EU, I consider first of all the likely consequences of Brexit on policy dynamics within the EU. I then turn to the issue of leadership in the EU. During the EU's 'crisis years' (the 2010s) Germany displayed the attributes of a dominant force in the EU, specifically in its economic strength. Historically, however, German governments had avoided leadership in the EU except in conjunction with France.

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In exploring Germany's potential to play the role of hegemon it is important not to overlook the constraints that exist. For instance, owing to the burden of history Germany has eschewed playing a leading military role in post-Cold War Europe. Moreover, the September 2017 German federal election brought a Eurosceptic party –Alternative for Germany (*Alternative für Deutschland*, AfD)– into the Bundestag, the lower house of the German Parliament. This development is part of an increased politicization of German European policy that has become evident over the last decade; the AfD's entry into the Bundestag is likely to trigger greater circumspection in Berlin's European policy and new electoral dynamics.

Drawing from these steps in the analysis I will argue that German power will undoubtedly be important to the EU's future. The question is: how? In one scenario, Merkel's fourth government may be able to re-establish the Franco-German relationship, harnessing Berlin to the pro-integrationist agenda of French president Macron. In another scenario, Germany could play the role of

hegemon. However, as will be seen, assuming the role of hegemon does not automatically translate into political leadership. A German government unable to take decisions despite its structural power could be a major problem for the EU.

What is clear in considering the scenarios is that Brexit is just one development shaping events. It cannot be analyzed in isolation here. Within the EU, 'rule of law' tensions with Hungary and Poland and the impact of rising domestic Euroskepticism, for instance, with the Italian populist coalition government installed under Giuseppe Conte, mean that the departure of the British 'awkward partner'² does not open a clear path forward for the EU. Similarly, the turbulence of international politics in the Putin-Trump era, and regionally within the Middle East creates an increasingly congested political agenda for the EU to confront. Germany cannot provide all the solutions to such a diverse set of challenges.

Impact of Brexit on EU Policies and Politics

The impact of Brexit on the political direction of the EU has received only sketchy attention.³ What does Brexit mean for the policy balance within the EU? A first step is to explore what will be lost with the departure of Britain as a member state.

There has been considerable consistency in British European policy objectives regardless of the party in

office. UK governments have consistently supported pragmatic approaches to integration rather than federalist visions. In economic terms, UK governments have consistently advocated for a liberal EU internal market, particularly in financial services, and for liberal trade internationally. Politically, they have privileged a form of integration in which member governments control the levers of power unless there are some concrete policy benefits: a utilitarian approach. They have consistently supported EU enlargement (including Turkey's application), although this posture has been interpreted as part of a strategy to support widening the EU at the expense of its deepening. Internationally, the UK has been a global foreign policy player, often seeking to act as a bridge between the United States and the EU, but not always succeeding (e.g. the invasion of Iraq in 2003). In defense terms, as a nuclear power the UK continues to be a major player alongside France and is a prominent supporter of NATO.

At the same time, the UK has consistently blocked a number of policy developments. The main policies affected have been social policy and taxation. The UK's reversion to insistence on NATO primacy since the defeat of the Labour government in 2010 has constrained developments in EU security and defense policy. In other policy areas, notably monetary integration and migration control, the UK's opposition to a common EU policy mutated into opt-outs from the single currency and from the Schengen passport-free zone.

In policy areas where the UK has been obstructive, Brexit may open up new opportunities for the EU-27. In those policies where it has secured opt-outs, the impact of Brexit may be more neutral (but more on that below). Whilst Britain has often been termed an 'awkward partner' in the EU, Brexit comes at a time when Hungary is another contender for this description.

The UK has been a major net contributor to the EU budget over the course of its membership. The full financial consequences of Brexit will become clear with the negotiation of the EU's Multiannual Financial Framework (MFF) 2021-2027. Other member states, particularly Germany, are going to have to take on more of the budgetary burden.

As Krotz and Schild have noted, a number of changes are likely to result from the above circumstances.⁴ The EU is likely to become somewhat more protectionist in its trade policies. Germany may experience changed terms of trade with the UK, its third largest trading partner.⁵ Nevertheless, Germany's exporting strength is likely to make Berlin a more outspoken liberal protagonist on trade issues in the UK's absence, changing its previous brokerage role. There will be a tilt away from the northern member states that support liberal trade policies both within the single market and in external trade policy towards more interventionist southern European positions. In a number of further policy areas, Germany has been able to play the role



Brexit supporters during the UK Unity and Freedom March celebrating the vote to leave the European Union.
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of honest broker. For example, in the negotiation of the MFF 2007-2013 at a time when the UK held the EU presidency during the Blair government (December 2005), Germany stepped in to act as a broker because the UK was unable to combine this role with its efforts to hold back the expansion of the EU budget.⁶ Germany could find itself as the leading state favoring budgetary constraint in the negotiations on the next MFF, again departing from this role as a broker.

A further likely change arising from Brexit is the impact on states not in the Eurozone. With proposals on the table from both the Commission and French President Macron regarding the strengthening of Eurozone governance, non-members of the Eurozone may be less able to resist reforms that may lead to an inner core emerging in the EU. The Eurozone members

could become the core states in the EU to a greater degree than pre-Brexit. Germany's economic strength would become even starker in this situation than in the EU. Moreover, any moves to a core Europe could prove controversial in the EU, exacerbating the divisions that already exist with central and eastern European states over the handling of the refugee crisis and, with Hungary and Poland, about constitutional and political changes that have called into question those states' commitment to the EU's democratic order.

The impact of Brexit on European foreign policy is particularly interesting. The EU loses a truly global player, potentially weakening the EU's international status. France becomes the pre-eminent foreign policy power in the EU. On the other hand, the UK has contributed just 2.3 percent of

the personnel engaged in missions under the Common Security and Defense Policy (CSDP), meaning it has played more of a strategic guidance role in the EU context.⁷ This low level of personnel commitment is due in part to the UK's other international commitments. Nevertheless, the UK may maintain some engagement with CSDP, as suggested in a May 2018 House of Lords report considering different options.⁸

There are signs that the EU is seeking to mitigate some of the damage of Brexit upon security and defense policy by moving ahead through permanent structured cooperation (PESCO), bringing together 25 member states on the basis of Articles 42 and 46 of the Treaty on European Union, (Denmark and Malta being the non-participants at this stage). At the same time, France and Germany have embarked on a number of joint armament and procurement projects in order to reinforce their capabilities through bilateral cooperation. Yet it is clear that Germany is more comfortable with a PESCO framework comprising as many member states as possible, whereas Macron's European Intervention Initiative concerns defense cooperation. Germany's reluctance as a military force is somewhat at odds with Macron's priorities, and his initiative may enable British participation.⁹

Developments with PESCO and the more marginal role held by non-members of the Eurozone after Brexit could conceivably have a paradoxical effect. Differentiated integra-

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tion –i.e. allowing integration in policies where not all member states wish to participate– would most likely not have developed without the objections of the UK, notably during the negotiation of the Maastricht Treaty. Yet, its use could become even more politically salient in the EU after Brexit.

Intergovernmental Politics in the EU

These developing and potential changes to the pattern of policy positions take place within an EU that has changed quite significantly in the 2010s. The implementation of the Lisbon Treaty at the end of 2009 suggested a move to a more supranational EU, with more qualified majority voting and more powers for the European Parliament. In reality, the 2010s have been characterized by 'crisis politics.'¹⁰ The crises include the protracted problems of the Eurozone, the foreign policy crisis that devel-

German power within the EU is intrinsically linked to domestic politics and economics. Germany has a distinctive economic model that has aligned well with the EU's policy profile. Similarly, German domestic politics have provided a long-standing consensus of support for the EU

oped in Ukraine (2013/2014), the migration crisis from 2015, the chronic democratic legitimacy crisis that has been linked to the rise of Euroskepticism across the continent and, more recently, the 'rule of law' crisis in Hungary and Poland. Whilst day-to-day policymaking takes place in the EU following the logic of the Lisbon Treaty, crisis politics has tended to focus on the European Council. This was especially the case with the Eurozone crisis.

A further feature of the 2010s was the weakening of the long-standing Franco-German relationship at the core of the EU: the result of greater diversity of interests after the enlargements of 2004/2007; and a weakening of shared interests, especially in relation to economic performance in the Eurozone. Finally, the rise of Euroskepticism has heightened the salience of domestic politics in the EU.

These developments are important in terms of understanding the potential for German hegemony in the EU. One of the founding purposes of European integration dating back to the 1950 Schuman Plan was to tame German power. Supranational politics in line with the Lisbon Treaty's Ordinary Legislative Procedure continue to be a decision making method that limits the impact of German power or that of any member state. By contrast, there is greater scope for German power in a more intergovernmental form of EU politics.¹¹ That form encountered widespread consent when it consisted of Franco-German initiatives on further integration or in brokering policy deals. During the rather different pattern of crisis politics, German power became sharper-edged and more contested, with the conditionality of its support for Eurozone rescues, its veto power over Eurobonds and so on.

The German Hegemony Debate¹²

All these developments –whether arising from Brexit or not– feed into the analysis of German hegemony. This debate was joined in the 2010s, prompted in particular by the Eurozone crisis. Prior to reunification in 1990 hegemony was precluded, since West Germany was semi-sovereign owing to German division and the exposed position of West Berlin.¹³ Moreover, the early years following unification were characterized, on the one hand, by a strong commitment to deeper European integration during the era of Helmut Kohl's

chancellorship and, on the other, by a domestic pre-occupation with the major task of absorbing the former German Democratic Republic into the existing Federal Republic.

Turning to the terminology of hegemony, it is important to note that it has a dual meaning of either leadership or domination.¹⁴ This distinction is worth discussing briefly in the German context. ‘Domination’ obviously is a somewhat emotive term, given German history. On the other hand, ‘leadership’ is also not entirely satisfactory for the task at hand. Here the difficulty stems from the fact that leadership implies deliberate action by the government. Thus, leadership omits structural power, which is an important part of any discussion.

As a consequence, hegemony is used here in a synthetic manner to combine structural and diplomatic aspects. Consideration will be given to the role of ideas, since they can also be a source of power alongside material factors. I shall also attend to issues of legitimacy in relation to German power. Put differently: leaders need willing followers otherwise they lack legitimacy. Finally, German power within the EU is intrinsically linked to domestic politics and economics. Germany has a distinctive economic model that has aligned well with the EU’s policy profile. Similarly, German domestic politics have provided a long-standing consensus of support for the EU. The consensus has been shifting gradually during the 2010s. The entry of the AfD into the Bundestag represents a symbolic

and potentially significant step in this evolution. Thus consideration of the hegemony debate requires analysis of German power within the EU and of its underpinning in domestic politics.

Structural Power

Structural power is an important precondition for playing a hegemonic role in the EU. Germany needs to have the power resources to play the role. With a population of nearly 82 million, Germany is the largest member state, representing 16 percent of the total EU-28’s population. As the comparative data on large member states reveal, Germany’s Gross Domestic Product (GDP) is well ahead of the other large states in the EU. It represents almost a third of the Eurozone area GDP. GDP per capita is also significantly ahead of the other large member states. Germany’s economic strength is underpinned by an unemployment rate that is low and has reflected economic strength during the turbulence of the 2010s.

Probably the most striking statistic is Germany’s current account surplus of nearly 9.0 percent of GDP. It demonstrates the prodigious trading performance of the German economy. The other side of the coin is that many of the exports are being consumed elsewhere in the EU. In fact, according to 2017 data of the Observatory of Economic Complexity, Germany is the biggest source of imports for 18 of the 28 member states.¹⁵ Also to be noticed is that Germany has a higher propensity to save than its peers, emphasizing that its economy is export-led in character. The resultant

German economic thinking is strongly influenced by the philosophy of ordoliberalism, resulting in a strong economic orthodoxy around 'new classical economics'

export surplus represents a rather significant imbalance in the EU.¹⁶

The final part of the economic picture is Germany's comparatively good performance on public finances at the federal level. Public debt avoided the steep rises seen elsewhere amongst large states following the financial/Eurozone crises. Germany even brought the level down. The level of debt is high for the Federal Republic in historical terms –the high point was in 2012– so domestically the situation remains a concern.¹⁷ On borrowing it was in 2003-2004 that Germany exceeded the 3 percent mandated under the Eurozone's Stability and Growth Pact. From 2014 it has been running small budget surpluses. Thus from the standpoint of fellow large EU states, Germany is in an enviable position.

Ideational Power

These material data constitute a picture of relative German strength and structural power in the EU/Eurozone. They suggest that Germany could have played the role of hegemonic stabilizer during the Eurozone crisis. In fact, it at first offered only

hesitant leadership.¹⁸ It is at this point that economic ideas must be introduced to understand German power.

German economic thinking is strongly influenced by the philosophy of ordoliberalism, resulting in a strong economic orthodoxy around 'new classical economics'.¹⁹ Ordoliberalism is a rules-based philosophy that advocates the presence of a strong legal framework to provide 'order' in the economy. It is distinct from the greater belief in markets of neoliberalism, while also preferring a rules-based approach to Keynesian demand management in achieving macroeconomic balance.

Characteristic of this orthodoxy is adherence to an insular 'sound money' approach that emphasizes economic self-responsibility and alertness to the risks of moral hazard. Appeals to sound money principles have served as a strategic resource for the German government.²⁰ As a consequence of this approach, there is not a feeling of responsibility for the EU/Eurozone economy such as was perceived by the United States for the western global economy in the post-war era. Rather, Germany's approach is captured by the repeated references of Chancellor Merkel that Eurozone debtor states 'should do their homework' and put their own house in order. Similarly, trading surpluses are regarded as the basis for other states to improve their own competitiveness rather than for Germany to increase consumer spending as part of re-balancing its economy. These underlying economic ideas were of central im-



Two main leaders of the EU, French President Macron and German Chancellor Merkel hold a joint press conference at the end of the EU leaders' summit at the European Council on December 15, 2017, in Brussels.

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portance to the management of the Eurozone crisis and the insistence on austerity policies for debtor states.

What this means in practice is that German economic thinking is distinctive. Throughout the history of European integration, sound money has been regarded as an essential prerequisite of monetary integration.²¹ It has been policy practice as well, although weak implementation was evident in 2003-2004, when Germany (and France) breached the Stability and Growth Pact. Within Germany, ordoliberal economists and the Federal Bank have served as outriders for sound money ideas, alert to any sign of wavering on the part of the federal government, whether during the design of monetary union or in the management of the Eurozone crisis.²² Most significantly, this sound money position

has commanded widespread support from public opinion.

Alongside sound money there are a couple of other ideas that have played an important part in Germany's role in the EU. The first is the commitment to European integration itself. This has been axiomatic to German governments over the period since 1949. It has played out in differing ways as political circumstance has changed over the years and in line with different personalities and political constellations.²³ It is noticeable, particularly in the period since Chancellor Helmut Kohl stood down in 1998, that the support for federalist conceptions of the EU has subsided in political discourse. Arguably the last federally-inspired protagonist was Foreign Minister Joschka Fischer, with his Humboldt speech in 2000 advocating a European con-

stitution. Generational change has led to a more pragmatic approach to European policy, reinforced by the changed circumstances following German reunification. Nevertheless, going it alone is still unusual for German diplomacy, given the state's long-standing preference for multilateral policy solutions (in the EU and NATO).

The second idea worth mentioning is related. It concerns Germany's largely civilian approach to foreign policy. Hanns Maull has best encapsulated it in the following terms: 'never again,' 'never alone' and 'politics before force.'²⁴ Specifically, the post-war Federal Republic made a break from the path of totalitarianism and expansionism; it embraced multilateralism; and it distanced itself from military force, which is the last resort. These values have been prominent in German foreign policy as well as in German approaches to European foreign and security policy. They explain why German leadership in this policy area is most likely to revolve around insistence on the international rule of law rather than military intervention.

Diplomatic Power

In examining the practice of German European diplomacy we need to look at two levels of action within the EU: the major order policies agreed upon in the European Council and the more routine legislative decision making within the EU's institutions. In terms of headline politics, successive German governments have been adept at using shaping power to set the EU's agenda, typically through

initiatives of the Franco-German tandem launched in the European Council.²⁵ These démarches predate reunification in fact and can be seen in initiatives such as the European Monetary System, the negotiation of the Maastricht Treaty, or –more recently– in the origins of the initiative that led to PESCO. As Krotz and Schild document, the then French and German foreign ministers (Ayrault and Steinmeier respectively) advocated the use of differentiated integration to strengthen security and defense cooperation just four days after the UK referendum led to a vote to leave the EU.²⁶

By the 2010s and the emergence of the crises, Chancellor Merkel, who had assumed office in 2005, had become the most influential EU political leader. With the French debt ratings downgrade in January 2012 and German economic ideas driving the Eurozone solutions during the so-called Merkozy period (2010–2012), Germany's influence was in the ascendant. The divergence in Franco-German economic policy priorities following the election of President Hollande in May 2012 reinforced the new power balance. German power was not just about shaping the re-engineered Eurozone. Germany used veto power in blocking the option of Eurobonds to collectivize the burden of debt in resolving the Eurozone crisis. Finance Minister Schäuble's proposed 'time-out' for Greek membership of the Eurozone in 2015 suggested a self-confident –even hardline– approach, although the proposal was never translated into reality.

If we specifically explore the crises during the 2010s we find a rather mixed picture about the pattern of German diplomacy. It was consistently important, to be sure, but its practice differed from case to case. At the start of the Eurozone crisis, Germany was reluctant to exert leadership in mobilizing a rescue because it wanted to make sure that Greece understood the need to tackle its debt and borrowing problem (conditionality as power). Merkel was also attentive to public opinion and media views, not wanting to get too far ahead of critical voices. It was rather during the phase of designing the reforms to fiscal surveillance that sound money principles were exported to the EU. As the biggest creditor, Germany had considerable leverage regarding the tightening of fiscal surveillance, proposing mechanisms like the debt brake it had introduced domestically through a constitutional change (Article 109, Basic Law). By contrast, in the design of the Banking Union, German influence was reduced because the details of policy were mainly agreed upon within the regular policymaking process rather than in the European Council.

In the 2015 migration crisis, Germany played a rather overt leadership role that was reflected in the liberal values espoused by Chancellor Merkel in adopting a welcoming approach to refugees from the Syrian civil war. Yet, this policy came under considerable strain for a number of reasons. Public opinion, whilst initially welcoming, became more hostile particularly from the start of 2016. A num-

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ber of security incidents, including one on New Year's Eve at the Cologne station contributed to a change in public attitudes. Internationally, the welcoming policy found little support in some central and eastern European states. Within her coalition, ministers from the more conservative Bavarian Christian Social Union (CSU) also criticized Merkel. The rise of the AfD in state elections and then in the Bundestag was a further factor. During, 2016 the coalition government tightened eligibility for refugee status and promoted the EU's agreement with Turkey on stopping the flow of migrants. Moreover, the internal disagreements that culminated in a public disagreement in June 2018 between CSU Interior Minister Seehofer and Chancellor Merkel displayed how electoral concerns about the AfD (in the context of October 2018 Bavarian state elections) can have ramifications all the way up to the European Council, weakening Merkel's negotiating position.

The Ukraine crisis witnessed Merkel playing a leading role in brokering an EU agreement on sanctions against Russia to uphold principles of international law, notably on the Russian annexation of Crimea. Domestically,

On the 2nd anniversary of Brexit, around 100,000 people marched in Central London demanding a People's Vote on the final Brexit deal.

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this policy translated into a loss of important export markets for Germany. Contrary to some analyses of German foreign policy that had been emphasizing its focus on capturing export markets (geo-economic power),²⁷ the Berlin government clearly went against the interests of its export industry in placing emphasis on international legal principles. Germany took the lead with France in working toward the Minsk agreements that brought an uneasy cessation of hostilities.

These three crises reveal different manifestations of German power. Hesitancy, conditionality and economic ideas were arguably the most evident forms of German power in the Eurozone crisis. German policy prescriptions met opposition in southern Europe. Germany's liberal humanitarian posture at the height

of the migration crisis in September 2015 revealed Germany (and the more typically hesitant Merkel) in a clear leadership role. However, domestic blowback and opposition in central Europe led to a more withdrawn role after the diplomatic deal with Turkey. Finally, Germany played more of a brokerage role on the Ukraine crisis and, despite some states' reluctance to introduce sanctions, the picture was much less divisive amongst member states. Notably it was in relation to the Eurozone crisis where concerns about German hegemony came to the fore.

It is probably the prominent role that Germany played earlier in the 2010s that led British Prime Minister David Cameron to overestimate the potential for Germany to be receptive to making the policy changes that he wanted to secure ahead of the June

2016 referendum. In fact, the Berlin government was more concerned about the existential threat that the crises presented to European integration, which had been the cornerstone of the Federal Republic's foreign policy and its strong economic performance. Whilst policymakers in Berlin regret the UK vote to leave the EU, the German government disappointed those in Britain who had expected Merkel to be willing to cut a favorable post-Brexit trade deal because of the importance of the UK as an export market. Germany has allowed the European Commission to conduct the negotiations on the EU's behalf, preferring the 'community method' on this dossier.

The preference for use of the community method is an important reminder that much of EU business is conducted on the second level, namely following more supranational methods set out in the treaties. The scope for German leadership in this process is limited. Berlin may be able to push or block policy development during agenda-setting in the European Council, but once the routine decision making process is entered its power resources are reduced. The exception to this pattern is on foreign and security policy, where an intergovernmental pattern also characterizes policymaking on this second level.

Hegemonic Legitimacy

The Eurozone and migration crises both revealed instances where (different forms of) German leadership caused division within the EU. It is important to note this, for leadership

Another characteristic of crisis politics during the 2010s has been the increasing politicization of European policy within Germany

requires consensus if it is to carry all member states along. There is a natural limit to the power of any large member state in the EU. The differences between the Eurozone and the refugee crises are telling in this regard.

In the Eurozone case, debtor states were faced with unforeseeable consequences in the event of no rescue being agreed. This situation, along with its economic strength, gave Germany the opportunity to use conditionality to ensure that the rescues were agreed along lines it approved of. In the refugee case, by contrast, the Visegrad states simply blocked wider agreement on the distribution of refugees across the EU. In the one decision that was reached, through their being outvoted in the Council of Ministers, they failed to implement agreements and were prepared to be taken all the way to the Court of Justice in defending their position. Germany's leadership ran into a blocking minority. German hegemony therefore has limits depending on the circumstances of the case.

Domestic Politics

Another characteristic of crisis politics during the 2010s has been the

One scenario is a revival of the Franco-German partnership. Such a development would represent 'back to the future'

increasing politicization of European policy within Germany. For most of the post-war period, there has been an overwhelming agreement between the major parties in Germany in supporting European integration. Where dips in support have occurred, it has tended to be when costs to Germany have been a worry in public opinion: the costs of eastern enlargement (after those of reunification); or concerns about the stability of the Euro compared to the German Mark.

Politicization has taken several forms. A gap has emerged between elite and mass opinion on European policy. The consensus among parties became more brittle during the Eurozone crisis, with individual parliamentarians opposing aspects of the rescues. The rise of the AfD following the 2015 migration crisis introduced a larger threat to the existing political consensus on integration within Germany. Since the formation of the new Grand Coalition under Merkel in 2018, the AfD is now the strongest opposition party and chairs the Budget Committee in the Bundestag. The financial challenges posed by Brexit for German budgetary contributions will doubtless be one of focal points of its attacks on the coalition's European policy. Moreover, it is not just the

AfD in its own right. It is the electoral effects within the party system that lead other parties to seek to emulate populist tendencies. This was clear in the UK when the United Kingdom Independence Party began to attract voters away from the Conservative Party. It was eventually a complex set of factors that led Prime Minister Cameron to commit to a UK referendum on EU membership to 'settle' the issue. In Germany, the conservative CSU is arguably the mainstream party most susceptible to concerns about the rise of the AfD in its Bavarian stronghold, and this came to the fore with the clash between Seehofer and Merkel in June 2018.

The other aspect of politicization arises from new institutional opportunity structures. These have built up gradually over time: more powers for the federal states at the time of the Maastricht Treaty; more powers for the Bundestag at different stages of integration, including monitoring Eurozone rescues. Other opportunities have arisen through appeals to the Federal Constitutional Court, which had to make crucial rulings during the Eurozone crisis. The test at present is presented by the combination of increasing institutional opportunity structures and the arrival of the AfD as a force that can exploit them.

Domestic politics has tended to operate in three ways in the 2010s. In the case of the Eurozone crisis, politicization forced Berlin to be insistent on strict conditions for rescuing debtor states. In the refugee crisis, by con-

trast, politicization gradually led to Merkel's government moving away from its humanitarian leadership. In many other policy areas, for example the environment, politicization is much less a factor. Domestic politics thus has significant bearing on Germany's ability to play a leadership role in the EU, strengthening it in the Eurozone crisis but weakening it in the refugee case.

Conclusion: Germany and the EU Post-Brexit

How then does this consideration of German hegemony inform likely scenarios after Brexit? In fact, and as argued, Brexit is less of an issue in the outlook for German power in the EU than other considerations. For instance, the threat of Brexit to Germany's export industry is dwarfed by President Trump's offensive trade policy.

One scenario is a revival of the Franco-German partnership. Such a development would represent 'back to the future.'²⁸ It would build on the embedded nature of bilateral relations between Berlin and Paris. It would enable Germany to re-discover its European vocation, building on the ideas put forward by President Macron in September 2017. Indeed, the German coalition agreement gives prominence to European policy and underlines the importance of relations with Paris.²⁹ In some ways, this scenario would be a return to conditions before the UK's entry in 1973. This renewed commitment from

Berlin to integration could enable another in a long line of Franco-German compromises to find a new balance in Eurozone governance.

However, there are a number of reasons for questioning this outcome. First, there is the new political situation in German politics. It is not just the AfD's rise but also the fact that the Christian Democratic and Social Democratic (SPD) parties all lost votes in the September 2017 election. The party system is fragmented on the left and right. Neither party really wanted another grand coalition but the parliamentary arithmetic along with policy differences prevented any alternative. This situation may make new arrangements on Eurozone governance highly complex due to contestation in German internal politics. SPD Finance Minister Scholz has replaced Wolfgang Schäuble, but a shift away from sound money policies should not be expected. The modest nature of the agreement on reform on Eurozone governance that was reached between Macron and Merkel at the bilateral summit in Meseberg in June 2018 was not persuasive in relation to a revival of the Franco-German partnership. A second factor is that the EU will still comprise 27 diverse member states. The divisions with central Europe and the interventions of the populist Italian coalition are amongst the complexities facing a Franco-German way forward.³⁰ Central European states such as Hungary and Poland are wary of strengthening Eurozone economic governance for fear that they will be marginalized.

The prospects for a revitalized Franco-German partnership in a revived EU depend quite a bit on whether these developments create centripetal or centrifugal effects in the EU

Perhaps the decisive factor is the unpredictable international situation: Trump's trade policy sanctions against the EU; his departure from the Iran Agreement; resurgent Russian foreign policy; the ongoing turmoil in Syria, and so on. Furthermore, it is not impossible that crisis politics might return within the EU, for example with the financial market speculation against the plans of an Italian government. These developments change political calculations and swell the EU's already congested agenda. The prospects for a revitalized Franco-German partnership in a revived EU depend quite a bit on whether these developments create centripetal or centrifugal effects in the EU. If the results are centrifugal, a second scenario may be more evident: one where Germany has significant structural power but is constrained by domestic politics from exerting leadership within the EU.

Superficially, Brexit suggests there is scope for German hegemony in the EU. The situation is fluid in European and international politics but this looks unlikely for several reasons.

First, there are other important challenges for the EU beyond Brexit that will shape the power balance in the EU. Secondly, Merkel has been weakened by the outcome of the 2017 federal election and the circumspection of all coalition parties due to the erosion of the political center-ground. A new pattern of German politics appears to be emerging as a result of the outcome of the September 2017 election. The appeal to populism is chipping away at some of the principles that have been cornerstones of German European policy. Hence, Seehofer's wish to turn back at the German border refugees who had made asylum applications elsewhere was a challenge to the border-free Schengen area that can be traced back to Kohl and Mitterrand in the mid-1980s. Yet, if the new coalition is decisive in defending European integration and flexible in its substantive policy responses, the opportunity exists for revival of the Franco-German 'motor' in the EU.

On the other hand, if the coalition is too cautious because of the predominance of electoral politics, German power could become an obstacle in EU politics. Germany would have the necessary structural power to be a hegemon but would be unable to lead in the EU –whether alone or in conjunction with President Macron and his government. Under these circumstances, the German government could find itself unable to resist a rising populist challenge to the EU that may find expression in the 2019 European elections. It would be a novel situation for the EU to be threatened

by a crisis ‘made in Germany,’³¹ and we have not quite reached that point yet. However, it now looks to be a further possible scenario: one of German structural power but diplomatic weakness.

For a British observer, the ability of contested domestic politics to impede the government’s European diplomacy is rather too familiar an experience. Thus this further scenario sees Germany becoming more *reluctant* to play a leadership role within the post-Brexit EU despite the underlying structural power it possesses. ■

Endnotes

1. At the time of writing, Brexit negotiations are mired in the detail of customs relations with the EU post-Brexit arrangements and how to avoid a hard border between Northern Ireland and Ireland. These thorny interlinked issues open up the possibility that the UK ‘crashes’ out of the EU with no agreement or that the government is forced into a rethink on Brexit due to domestic problems in securing agreement. Both these outcomes are less likely scenarios, however, so the assumption here is that agreement will be found both with the EU and domestically so that Brexit does take place at the end of March 2019.
2. The classic study is Stephen George, *An Awkward Partner: Britain in the European Community*, (Oxford: Oxford University Press, 1998).
3. A useful analysis is offered by Ulrich Krotz and Joachim Schild, “Back to the Future? Franco-German Bilateralism in Europe’s Post-Brexit Union,” *Journal of European Public Policy*, Vol. 25, No. 8, pp. 1174–1193.
4. Krotz and Schild, “Back to the Future,” pp. 1180–1185.
5. See also the forceful evaluation by Hans-Werner Sinn, “Für Deutschland Ist der Brexit Verheerend,” *Frankfurter Allgemeine Zeitung*, (March 16, 2017), retrieved from [http://www.faz.net/aktuell/brexit/hans-werner-sinn-zum-brexit-fuer-deutschland-ist-es-verheerend-14926168.html?p](http://www.faz.net/aktuell/brexit/hans-werner-sinn-zum-brexit-fuer-deutschland-ist-es-verheerend-14926168.html?p rintPagedArticle=true#pageIndex_2)
6. Peter Becker, “Zwischen Zuchtmeister und Zahlmeister – Deutsche Europapolitik und die Europäischen Finanzverhandlungen,” in Katrin Böttger and Mathias Jopp (eds.), *Handbuch zur Deutschen Europapolitik*, (Baden-Baden: Nomos, 2016), pp. 226–227.
7. “Brexit: Common Security and Defence Policy Missions and Operations,” *House of Lords European Union Committee*, (May 18, 2018), retrieved from <https://publications.parliament.uk/pa/ld201719/ldselect/lddeucom/132/132.pdf>.
8. “Brexit: Common Security and Defence Policy Missions and Operations.”
9. Nick Whitney, “Macron and the European Intervention Initiative: Erasmus for Soldiers?” *European Council on Foreign Relations*, (May 22, 2018), retrieved from https://www.ecfr.eu/article/commentary_macron_and_the_european_intervention_initiative_erasmus_for_sold.
10. Desmond Dinan, Neill Nugent and William Paterson (eds), *The European Union in Crisis*, (Basingstoke: Palgrave Macmillan, 2017).
11. Christopher Bickerton, Dermot Hodson and Uwe Puetter, “The New Intergovernmentalism: European Integration in the Post-Maastricht Era,” *Journal of Common Market Studies*, Vol. 53, No. 4, pp. 703–722.
12. In what follows I draw on research conducted with William Paterson to be published in Simon Bulmer and William Paterson, *Germany and the European Union: Europe’s Reluctant Hegemon?*, (London: Palgrave 2018 forthcoming). I note my thanks to Willie for many years of discussing Germany’s relationship with the EU.
13. Simon Bulmer and William Paterson, “West Germany’s Role in Europe: ‘Man-Mountain’ or ‘Semi-Gulliver’?” *Journal of Common Market Studies*, Vol. 28, No. 2 (1989), pp. 95–117.
14. See, Howard Lentner, “Hegemony and Autonomy,” *Political Studies*, Vol. 53, No. 4, pp. 735–752.
15. See <http://atlas.media.mit.edu/en/> for the data.
16. See, Wade Jacoby, “Surplus Germany,” *Transatlantic Academy*, (May 25, 2017), retrieved from <http://www.transatlanticacademy.org/publications/surplus-germany>.
17. See, Wolfgang Streeck, “Endgame? The Fiscal Crisis of the German State,” in Alister Miskimmon, William Paterson and James Sloam (eds), *Germany’s Gathering Crisis: The 2005 Federal Election and*

the Grand Coalition, (Basingstoke: Palgrave Macmillan, 2009), pp. 38-63.

18. Simon Bulmer, "Germany and the Eurozone: Between Hegemony and Domestic Politics," *West European Politics*, Vol. 37, No. 6 (2014), pp. 1244-1263; William Paterson, "The Reluctant Hege-mon? Germany Moves Centre Stage in the Euro-pean Union," *Journal of Common Market Studies*, Vol. 49, (2011), pp. 57-75.

19. Sebastian Dullien and Ulrike Guérot, "The Long Shadow of Ordoliberalism: Germany's Approach to the Euro Crisis," *European Council on Foreign Relations*, (February 2012), retrieved from http://ecfr.eu/page/-/ECFR49_GERMANY_BRIEF.pdf.

20. See, David Howarth and Charlotte Rommer-skirchen, "A Panacea for All Times? The German Stability Culture as Strategic Political Resource," *Journal of European Public Policy*, Vol. 36, No. 4 (2013), pp. 750-770.

21. Kenneth Dyson and Kevin Featherstone, "EMU and Economic Governance in Germany," *German Politics*, Vol. 5, No. 3 (1996), pp. 325-355.

22. Bulmer and Paterson, *Germany and the Euro-pean Union*, Chapter 6.

23. For an overview, see Bulmer and Paterson, *Germany and the European Union*, Chapter 1.

24. Hanns W. Maull, "From 'Civilian Power' to 'Trad-ing State'?" in Sarah Colvin (ed.), *Routledge Hand-book of German Politics and Culture*, (Abingdon: Routledge, 2014), pp. 410-411.

25. Over the longer term see, Thomas Pedersen, *Germany, France and the Integration of Europe: A Realist Interpretation*, (London: Pinter Publishers, 1998); Ulrich Krotz and Joachim Schild, *Shaping Europe: France, Germany and Embedded Bilateral-ism from the Elysée Treaty to Twenty-First Century Politics*, (Oxford: Oxford University Press, 2013).

26. Krotz and Schild, "Back to the Future," pp. 1184-1185.

27. The main exponents of geo-economic power are Hans Kundnani, *The Paradox of German Power*, (London: Hurst, 2014); Stephen Szabo, *Germany, Russia and the Rise of Geo-Economics*, (London: Bloomsbury, 2015).

28. Krotz and Schild, "Back to the Future."

29. Koalitionsvertrag zwischen CDU, CSU und SPD (2018), Ein neuer Aufbruch für Europa; Eine neue Dynamik für Deutschland; Ein neuer Zusammenhalt für unser Land, (February 7, 2018), retrieved from <https://www.spd.de/koalitionsverhandlung/unserehandschrift/>.

30. See, Judy Dempsey, "Merkel's Challengers," *Carnegie Europe*, (July 3, 2018), retrieved from <http://carnegieeurope.eu/strategieurope/76730?lang=en>.

31. See, Douglas Webber, "How Likely Is It That the European Union Will Disintegrate? A Critical Analysis of Competing Theoretical Perspectives," *European Journal of International Relations*, Vol. 20, No. 2 (2014), pp. 341-365.