The Three Faces of German Leadership

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For Angela Merkel, 2015 was a year full of anniversaries. Europe's longest serving incumbent head of government celebrated a decade long in power as Germany's Chancellor, and fifteen years at the helm of her party, the Christian Democratic Union (CDU). Together with her fellow Germans, she also celebrated the quarter century commemoration of her country's peaceful reunification between East and West. And finally, as Europe's most influential leader, she observed how the Old Continent as a whole marked the seventieth anniversary of Germany's defeat on VE Day, 8 May 1945, and remembered the end of World War II.

On the one hand, the festivities were a welcome reminder of how far both Germany and Europe as a whole have come. They underscored the truly transformative effects of the process of European integration. From that point of view, Merkel was the justly revered leader of a newly confident Germany, at the heart of a Europe reborn – whole, free, and at peace. Through her emblematic 'politics of small steps,' Merkel had deftly managed to steer the continent through stormy waters.

On the other hand, the celebrations masked a darker reality: of a Europe adrift and unable to come to grips with a deep triple crisis involving shaky Eurozone debt, renewed Russian aggression in the East, and a sudden surge in migrants and refugees. Seen from this angle, Merkel's reputation for caution, and her preference to delay and obfuscate as to avoid big decisions, epitomized Germany as a reluctant leader, and thus a central part of Europe's problem rather than its solution.

How the European Union eventually makes it through its three-fold crisis, and whether it is able to emerge stronger and more united out of its current doldrums, will largely depend on how Berlin uses its newfound power and realizes its own leadership potential. As we shall see in this article, Europe's future ultimately depends on whether Germany's destiny to lead will be met by its desire to do so.

Cool Germania: Europe's Indispensable Nation

Since 2010 the calls for German leadership in Europe have been deafening. The most striking appeal came from Radoslaw Sikorski in November 2011. In a speech in Berlin, he stated the following to a baffled audience: "I will probably be the first Polish foreign minister in history to say this, but here it is. I fear German power less than I am beginning to fear its inactivity. You have become Europe's indispensable nation. You may not fail to lead."[i] Especially during the most frightful moments of the euro crisis – in the spring of 2010, the autumn of 2011, the spring of 2012, and the summer of 2015 – there was no shortage of prominent policymakers calling on Germany to 'do something.' These included the President of the United States (US), the President of the European Central Bank (ECB), the Italian Prime Minister, the US Treasury Secretary, the Greek Finance Minister, and the European Commissioner for Financial Affairs.[ii] Even rock band *U2*'s lead singer, Bono, in November 2014 wanted “the German people to lead us in demolishing […] the scourge of extreme poverty and preventable disease.”[iii]

Why this sudden gusto for German leadership? After all, it was not too long ago that many observers of the European Union dismissed Germany as the sick man of Europe.[iv] In the early 2000s, more than just a few graduate students in European studies and comparative political economy were writing thoughtful doctoral dissertations trying to answer the question of what it was about Germany that it was patently incapable of reforming its economy. What were the institutional constraints that prevented it from growing faster, and why was its rate of unemployment chronically stuck at a level of more than 10 percent?

By 2005, after Merkel had taken over at the Chancellery from social democrat Gerhard Schröder, Germany’s economy started to outperform both that of the United States and the Eurozone in terms of industrial production. Merkel had arrived just in time to pick the economic fruits of the long adjustment process of German reunification as well as of the structural *Hartz* reforms, which deep unpopularity had cost Schröder his re-election. Germany’s export-driven economy thrived during the international economic boom of 2003-07. Its gross domestic product also saw a robust recovery in 2010 and 2011 after the Great Recession of 2008-09, largely fueled by exports to emerging markets. In less than a decade, Germany had transformed itself from ‘Sick Man of Europe’ to economic miracle and export *Weltmeister* (or world champion).

By the autumn of 2009, Merkel’s CDU received a ringing endorsement from the German electorate. The Chancellor was able to ditch her center-left coalition partners from the Social Democratic Party (SPD) and switch to her preferred center-right free democratic liberals (FDP). This made Merkel the first Western leader to be re-elected after the global financial crisis. It was therefore no surprise that everyone looked to Germany when it became apparent, in the spring of 2010, that a Greek fiscal calamity threatened the overall integrity of the Eurozone. Not only was Germany the Eurozone’s largest economy with close to 28 percent of its overall GDP, it was also Europe’s main creditor nation, and had often played the role of Europe’s paymaster when the EU had been in crisis in the past.

Furthermore, the other big countries in the European Union were relatively weak. France, Germany’s traditional ally and reliable co-engine of European integration, suffered from persistently high unemployment and chronically low growth – both under Nicolas Sarkozy and François Hollande – and Paris therefore found its diplomatic clout much reduced. Great Britain under David Cameron was in thrall of ‘Brexit’ – a potential exit from the EU – as a result of a foolish promise to his Conservative Party’s euro skeptic wing to renegotiate the basic terms of British membership in the club. Italy and Spain would soon find themselves swept up in the contagion that ensued from the fears of a potential Greek default, and were quickly relegated to the ‘peripheral debtor’ camp by the international bond markets. Both Rome and Madrid would come to rely heavily on Berlin for financial support to prop up the ailing Eurozone. And Poland, though one of the fastest growing EU economies, could not play a leading role as long as it remained out of the Eurozone.

A combination of German strength and the weakness of others put Germany almost by default into Europe's driver's seat by 2010, and bestowed it with a leading role in dealing with future economic and political crises. By late 2014, the rest of the world looked to Germany as an example to follow, and aspired towards its own version of a German success story. Moreover, *Cool Germania*'s tantalizing multi-ethnic football team had just won the World Cup in Brazil in style, and would also top the Anholt-GfK *Nation Brand Index* for the first time. That index annually tries to gauge the "Best Country in the World," and showed Germany beating the United States, the United Kingdom, and France.[v] Berlin had become a favorite destination for Europe's young, either in search of work or attracted by its techno music scene. Henry Kissinger's rhetorical question – *Who do I call when I want to call Europe?* – finally had an answer: Angela Merkel in Berlin. Of course, the United States' National Security Agency (NSA) had long since understood this. They had been keen to listen in on Merkel's cell phone for years, along with tapping the phones of her senior ministers.[vi]

Given the steady beat of success in all things economic, political, and even cultural, Germany's sudden rise happened before most observers had even realized it, and thereby held the tint of inevitability. However, Germany's peculiar and twisted history pointed in a very different direction.

The German Question: Historical Context and Evolution

For anyone who has studied 19th and 20th century German history, the loud calls from the rest of Europe and the world for *more* German leadership must have seemed rather outlandish. After all, it was not that long ago when German historians debated the question about whether Germany could ever be considered a 'normal' country, and thereby ever taken on a mantle of regional or global leadership.[vii] The *Historikerstreit* of the late 1980s pitted left-wing intellectuals against right-wing intellectuals in a fierce debate about Germany's past. The former argued that Germany had followed a *Sonderweg* (or 'unique path') in Western Europe as the country had singularly failed to embrace a liberal democratic system, which they held to be the natural complement of capitalist industrial development in the late 19th century. The latter argued that Germany's human atrocities, as wicked as they were, were not as exceptional as their opponents made them out to be.[viii]

For left-wing intellectuals like Jürgen Habermas, the Nazi crimes of the 1930s and 1940s were uniquely evil, and comparing the holocaust to other crimes against humanity equated to a malicious attempt to whitewash Germany's past. On the right, the historian Ernst Nolte, who had triggered the great historians' dispute, had put forth the thesis that the German people had turned to fascism and race murder in response to the existential threat and class murder of Soviet Communism. He had no qualms comparing Hitler's Germany's atrocities with those of Stalin's Soviet Union or Mao's China. Also on the right, prominent historian Michael Stürmer openly lamented the gaping void of an alternative 'positive' history, in which the German people could rightfully take pride.[ix]

A solution to the 'German problem' – a large country at the very heart of Europe that was simply too strong and too dynamic for its neighbors to accommodate and contain – had after all been a central tenet of Europe's postwar political system. A Germany that was split in two during the Cold War between a capitalist West and a communist East to a large extent expelled its neighbors' fears of renewed dominance. France's Charles de Gaulle is erroneously said to have jested once that he loved Germany so much, he was glad there were two of them."[x] Lord Ismay, NATO's first Secretary General, has been credited with the quip that the purpose of the transatlantic security alliance was "to keep the Russians out, the Americans in, and the Germans down."[xi] For most of the Cold War period, it hence seemed unlikely for Germany to ever be considered a 'normal' state, let alone one with a leadership role in Europe.

Peter Katzenstein captured this idea of West Germany as a "semi-sovereign state" in 1987.[xii] In his book, Katzenstein went beyond Germany's international security situation to examine the domestic forces that had tamed power from within the German Federal Republic. He exposed multiple domestic political structures as a plausible check against too strong a central government. These institutional constraints were the quasi necessity of coalition governments given West Germany's proportional representation electoral system, powerful independent 'para-public' institutions like the Bundesbank in Frankfurt and the Federal Constitutional Court in Karlsruhe, a federal division of labor between a weak central government and powerful *Länder*, and a strong state bureaucracy. This led Simon Bulmer and William Paterson to describe West Germany as a 'semi-Gulliver' or a 'shackled, gentle giant.'[xiii]

In 1990, after the 'two plus four' talks that eventually concluded in German reunification, the United States was ready to offer Germany a "partnership in leadership."[xiv] But Helmut Kohl politely declined, and instead chose to forge a closer alliance with François Mitterrand's France, culminating into the signing of the Maastricht Treaty in 1992. While Germany during the 1990s was preoccupied with the economic consequences of reunification, and the painful Hartz reforms to its economy in the early 2000s, it was more than happy to leave Europe's leadership in the hands of the French. The British enjoyed the heyday of their 'special relationship' with the Americans, especially during the run-up of the Bush-Blair Iraq War of 2003, which was bitterly opposed by both Chirac's France and Schröder's Germany. This caused a significant transatlantic spat, even a 'parting of ways' between Washington and Berlin, as Stephen Szabo put it at the time.[xv]

But by 2010, it was clear that Germany had emerged as the leader of Europe. Suddenly and distressingly, Angela Merkel found herself compared with either Otto von Bismarck, or even Hitler, in the European media. Scholars were no longer describing Germany in 'semi-sovereign' terms, or asking the question of whether it could ever be considered a normal state. Instead, they started referring to Germany as a 'geo-economic' power or a 'reluctant hegemon.'[xvi] Did this rejuvenation of German power imply the return of the German problem? Never afraid of inviting controversy, *The Economist* in October 2010 responded: "The German question never dies. Instead, like a flu virus, it mutates."[xvii]

Three Dimensions of German Power

How can we better understand the dynamics of German power in today's European Union? Conceptually, power is usually defined in terms of the ability to get someone to do what he or she would otherwise not do. Writing in the pluralist tradition of American democratic theory, Robert Dahl defined power from an interactive point of view, where one individual can modify the behavior of another individual within a given decision making process.[xviii] Power belongs to the person who prevails within that process. Dahl therefore saw power largely in structural terms, broadly along the lines of the 'realist' tradition in international relations. Realists see states as the central actors in the international system, and take a state's national interest as materially given. They will take into account factors like the size of a state's economy, trade relations, total land mass, natural resources, population, and military prowess in determining a country's power vis-à-vis other states.[xix]

Translated to the context of the member states of the European Union, Germany's structural power is substantial. But while it has grown considerably since 1990, it remains uneven. Germany's structural power is largely limited to the realm of trade and economics, where it enjoys the financial firepower and prestige of being Europe's largest economy, main export dynamo, and chief creditor nation. It has enjoyed the credibility of financial markets, and can borrow at permanently lower rates than its neighbors, giving it its own unique kind of 'exorbitant privilege.'[xx] Ever since the creation of the European Economic Community in the 1950s, Germany has served as Europe's paymaster, giving Berlin considerable influence in European affairs.

However, in the key fields of international security and diplomacy, Germany remains a second-rank power at best. It lacks a strong navy, army, and air force of its own, and possesses few natural resources apart from coal and steel. When it comes to foreign policy, it more often than not will need to yield to nations with much stronger militaries, such as France and Great Britain.

But power is complex and multidimensional. Going beyond Dahl's first dimension of power, Peter Bachrach and Morton Baratz added the second dimension of power by focusing on the ability to shape the agenda or set the boundaries of the actual decision making process. Bachrach and Baratz argued that "to the extent that a person or a group – consciously or unconsciously – creates or reinforces barriers to the public airing of policy conflicts, that person or group has power."[xxi] Put differently, power can be institutional, giving one state significant decision making powers within a regional group of states, either in the field of economic matters or foreign affairs. This dimension of power corresponds to the 'liberal institutionalist' tradition in international relations, in which international treaties are the outcome of the grand bargains struck by powerful states based on their material preferences and interests.[xxii]

Given its size, Germany's institutional and agenda setting power within the European Union comes from its significant voting powers within the European Parliament and European Council. Germany is by far the largest net contributor to the EU budget. It was pivotal in agreeing to the creation of an Economic and Monetary Union in the early 1990s, and therefore managed to set the terms of the euro's governance. The European Central Bank was set up as the mirror image of the German Bundesbank, and has its seat in Frankfurt, while a 'no bailout' clause and a Stability and Growth Pact largely reflected German preferences. Even in foreign and security policy, where decisions are taken unanimously, Germany's voice carries significant weight, given that it holds the purse strings. Also, the size of its domestic economy gives Germany significant leverage, especially when the EU wants to implement economic sanctions against third parties.

Beyond structural and institutional power, Stephen Lukes defined the 'third dimension of power' as the ideational capacity of any dominant actor to shape the preferences of other actors in such a way that they end up reinforcing its position of dominance.[xxiii] As Lukes put it: "A may exercise power over B by getting him to do what he does not want to do, but he also exercises power over him by influencing, shaping or determining his very wants."[xxiv] Lukes hence saw significant power in ideas and ideology. This dimension of power matches the constructivist tradition in international relations, which gives causal explanatory power to ideas, and explains certain puzzling outcomes – like the design of international institutions – by looking into the ideas rather than the pure material interests of the most powerful actors.[xxv]

German ideas, both in the areas of economics and foreign policy, have been very influential in the process of European integration, as they have shaped the nature and design of European institutions. Germany's strict adherence to *ordoliberalism* – the emphasis on competition, price stability, fiscal restraint, and the importance of rules over discretion – has been central in mapping out a blueprint for Economic and Monetary Union.[xxvi] Given its economic dynamism, its ideas carry considerable weight with other EMU members, manifested by the importance of fiscal austerity and structural reform. Also, the legacy of World War II and the holocaust have turned Germany into a 'civilian' power,[xxvii] a concept largely taken over by the EU's vision of soft power projection in the world, emphasizing universal values of peace, democracy, human rights, and the rule of law. Ian Manners argued that the European Union today could best be conceived as a 'normative power.'[xxviii]

As hinted at previously, however, Germany's power to act faces significant constraints on all three dimensions. Germany's membership of NATO and of the European Union enables as well as limits its room for maneuver. To paraphrase 19th century British Prime Minister Lord Palmerston, it means that Germany has permanent friends (and values), and not just permanent interests. Its military remains weak for largely self-imposed reasons due to the carnage the *Wehrmacht* wrought during much of the 20th century, and Germany remains dangerously dependent on oil and natural gas from Russia. Germany's reliance on exports also makes it vulnerable to growth slowdowns abroad.

Furthermore, all of the West German domestic institutional checks and balances Peter Katzenstein pointed out in the 1980s have largely endured in today's reunified Germany. Federalism, coalition governments, strong *Länder*, a weak chancellery, as well as a powerful Bundesbank and constitutional court all limit the potential for German leadership and discretionary decision making within Europe. And finally, ordoliberalism as an economic philosophy can also serve to act as a significant limit on Germany's imagination when it comes to finding comprehensive solutions to fix the design flaws of the Eurozone.

Whether Germany will be able to shrug off or loosen some of these constraints will define its leadership potential in the future. Three contemporary crises highlight the dynamics of German's leadership conundrum.

German Leadership during Europe's "Triple Crisis"

How has German leadership fared over the past five years, as the European Union has been confronted with three serious crises? The survival of the euro, the security threat of a revanchist Russia, and a dramatic surge in migration from the Middle East and North Africa have dominated the political agenda in Brussels since 2010. All three challenges required some form of collective action by the Union's now 28 member states. And in all three crises, Germany has used its newfound power and influence to take the lead and shape Europe's collective response. However, all three crises underscored a different face of German leadership, as the three dimensions of its power – structural, institutional, and ideational – played out in different ways depending on whether the issue area was mainly concerned with economic and financial affairs, foreign policy, or domestic politics.

Euro Crisis: Germany as "Enforcer-in-Chief"

While the euro crisis started as a Greek budgetary debacle in the autumn of 2009, it swiftly escalated into a full-scale 'sovereign debt' crisis in the spring of 2010, not least because of Germany's initial procrastination and inaction.[xxix] By insisting that the onus of the Greek crisis lay with a bankrupt political elite in Athens, whose profligacy had violated the EU's Stability and Growth Pact in the most egregious way, Germany's policy statements not only frightened the bond markets but also quickly reframed the euro crisis into a morality tale of Southern fiscal sinners and Northern budgetary saints. This made the crisis worse and meant that large bailouts of the countries in trouble would become inevitable, and would come hand in hand with strict conditionality of budgetary austerity, wage cuts, and labor market reforms to regain competitiveness.[xxx]

Rather than focusing on the systemic flaws of the euro's design, Berlin's crisis narrative was one of national redemption on the part of the Eurozone's periphery that could solve the crisis only through budgetary austerity and structural reform. Systemic solutions like a Eurobond, common deposit insurance, or an economic government to correct for the ECB's 'one size fits none' monetary policy were largely dismissed due to fears of moral hazard.[xxxi] Both Chancellor Merkel and her Finance Minister Wolfgang Schäuble saw Germany's leadership role as the main underwriter of the fiscal rules that were agreed at Maastricht, and to make sure those rules would be strictly enforced going forward. That, it was argued, would guarantee the viability and the strength of the euro in the long term.

Interestingly, in a speech in Paris in November 2010, Schäuble invoked the teachings of Charles Kindleberger and the importance of leadership in times of crisis on the part of both Germany and France.[xxxii] However, he interpreted Kindleberger's theory of public goods provision during crises in exactly the opposite way as the MIT economist had originally intended. For Kindleberger, the Great Depression had been so severe because of the failure of Britain and the reluctance of the US to play the role of 'hegemon,' by declining to serve as a market for 'distress goods,' act as a lender of last resort, or provide counter-cyclical lending.[xxxiii] The United States seemed to have learnt from its past mistakes eight decades later, during the 2008 financial crisis, when it did exactly that, i.e. provide global public goods by acting as consumer, investor, and lender of last resort.

Germany during the euro crisis, however, rejected calls to play the role of regional hegemon. Instead, Berlin continued to act like Germany was a small open economy with an export-led growth model. It refused to inflate its own economy while it insisted that the countries of the periphery deflate theirs. It dramatically reversed its private lending during the downturn, and refused for the longest time to let the ECB operate as a real lender of last resort.[xxxiv] It was only when the more pragmatic and 'less German' Mario Draghi took over from the 'very German' Jean-Claude Trichet in November 2011 that market panic gradually started to wane, and the crisis slowly started to fade. Draghi chose to interpret the ECB's institutional mandate in a much more flexible manner, away from the German view, and managed to restore confidence in the markets by promising to do 'whatever it takes' within the ECB's mandate to safeguard the euro.[xxxv]

Germany's leadership actions in the euro crisis made it act like the *enforcer-in-chief* of European rules. Berlin combined its significant structural power as major creditor nation and biggest economy, as well as its institutional power in the European Council, to all but guarantee that the main burden of adjustment was pushed onto the periphery. They did this by insisting on draconian austerity and reform measures in the countries receiving a bailout, while at the same time giving its own vulnerable banks enough time to rebuild their balance sheets. A much weaker euro further benefited Germany's export industry and lower sovereign bond yields have been a boon for its own budgetary situation during the crisis. Finally, its close obedience to ordoliberalism ruled out any systemic solutions, like a Eurobond or common deposit insurance.

Today, the crisis lingers on with the Eurozone stuck in a catastrophic equilibrium of low growth and high unemployment, with its economy teetering on the brink of outright deflation. Politicians so far have relied on ever more Super Mario Draghi 'magic' at the ECB to keep the show on the road. As Mark Blyth and I have argued, however, for the euro to become a stable global reserve currency in the longer term, it will need to be much more firmly embedded into supra-national social and political institutions, which include a common debt instrument, a genuine financial union, and some sort of solidarity mechanism of intra-EMU fiscal transfers.[xxxvi] Germany's policy elite has so far rejected any of those mechanisms out of fear of domestic political opposition and for going against prevailing economic wisdom. As long as Berlin interprets its leadership role as following rules, and continues to pander to its electorate's fears of a 'transfer union,' the euro's future will therefore remain fragile at best.[xxxvii]

Ukraine Crisis: Germany as "Facilitator-in-Chief"

In foreign policy, Germany has started to play a much more active role in the past few years. Berlin has played a key part in the nuclear deal with Iran, alongside Britain and France, and has actually taken the lead in negotiating a ceasefire between Russia and Ukraine. It has also initiated and implemented a multilateral sanctions regime to punish Russia for its unilateral annexation of Crimea and its continued support for pro-Russian rebels in Ukraine's breakaway Eastern provinces. This foreign policy activism is a far cry from Germany's decision to abstain from UN Resolution 1973 in 2011, which authorized NATO's military intervention in Libya. As France and Britain led the military operation that would eventually result in the overthrow of Muammar Gadhafi, Germany largely stood on the sidelines.

In the past fifteen years, Germany has slowly morphed from a 'civilian power' into a 'geo-economic power.'[xxxviii] In the 1990s, Germany used to define its interests broadly in civilian or normative terms, within a liberal internationalist framework of multilateral cooperation. Human rights, international peace, democracy promotion, and a willingness to take on an uneven share of the burden in order to develop supranational institutions used to be the hallmarks of German policy. But since the early 2000s, Berlin has increasingly acted in a geo-economic fashion, by elevating its narrow economic interests over other political interests.[xxxix] It has been less shy to impose its national preferences onto others, and has shifted to a more selective multilateralism with a much more realist approach to international affairs. Since the end of the Cold War, Germany has gradually transformed itself into a more normal 'middle range' power, and leveraged its ample economic strength to increase its diplomatic clout and international prestige.

In dealing with Russia over the conflict in Crimea and Eastern Ukraine, Germany has led Europe's response but wrestled to reconcile its values with its interests, acting as *facilitator-in-chief*. On the one hand, Berlin strongly opposes Russia's annexation of part of another sovereign country's territory as it clearly violates international law. Just like in economic policy, Berlin believes rules are there to be respected. On the other hand, Berlin quickly ruled out any military response, given its structural weakness, and was well aware that any economic and financial sanctions regime against Russia would hurt Germany's economy and business interests more than most other EU members.

Germany's desire to "lead from the middle," in the words of its defense minister Ursula von der Leyen, summed up that dilemma, as it wants to play what foreign minister Frank-Walter Steinmeier has called the role of Europe's "chief facilitating officer."[xl] But unlike its clout in matters that deal with the euro, where Germany is an economic giant and can influence another country into radically changing its behavior, Berlin suffers from a large military deficit and remains a dwarf in foreign and security policy. It has largely relied on NATO to provide its security since the end of the Second World War. In 2014, it still spent only 1.1 percent of its GDP ($43 billion) on defense, a figure well below the NATO target of 2 percent, and a different order of magnitude from Russia's spending, at 3.7 percent of GDP (or $70 billion).[xli] Unlike Britain and France, it also lacks a nuclear deterrent, which would add significant weight and leverage in a confrontation with another nuclear power.

Furthermore, in dealing with Vladimir Putin, that vulnerability is augmented by large German business interests in Russia and a significant domestic dependence on Russian oil and gas.[xlii] This has left Germany in the unattractive position of pushing for NATO sanctions against Russia, of which it bears the main financial brunt, while at the same time brokering a ceasefire between the warring parties at Minsk that it has no way of enforcing militarily. At the same time, Germany's insistence on fiscal austerity at home and in the rest of Europe has created the risk that the EU has bitten off much more than it can chew in the case of Ukraine, a large country mired in deep financial troubles. Stabilizing Ukraine's economy makes Greece's problems look like a walk in the park. After five years of euro crisis, there is substantial bailout fatigue all over Europe, and it remains an undeniable fact that the future of Ukraine remains much more important to Moscow than it will ever be to Brussels or Berlin.

While Germany's foreign policy balancing act has managed to bring about a brittle ceasefire in Ukraine, and the Western sanctions against Russia have held up remarkably well so far, Crimea seems irrevocably lost. This has set a dangerous precedent in Europe's 'near abroad,' where a stronger country that is willing to use force has permanently violated a weaker country's right to its own sovereignty, without any real possibility of it being reversed. Putin plays by different rules and follows a realist playbook compared to the European Union, which holds up its liberal principles of peace and democracy, but has been unwilling to enforce them by using or building up its own military might. A common European army, navy and air force would go a long way here.

Moreover, Europe and the US need Russia's support in ending the civil war in Syria, and in the fight against ISIS or *Daesh*, which has been the main reason for the massive outflows of refugees into Europe via the Mediterranean. Hence, while Germany's foreign policy leadership has been largely successful in keeping the West united and the sanctions in place, it has not been able to rein in Russia's territorial ambitions. Europe's borders are more vulnerable today than they have been since the end of the Cold War.

Refugee Crisis: Germany as "Benefactor-in-Chief"

The most recent crisis facing the European Union is one of large migration flows from the Middle East and North Africa, and has played out largely in the realm of domestic politics. The crisis is the direct consequence of the ongoing conflicts in Europe's 'near abroad' and the chronic inability or unwillingness of both the EU and US to do anything about them. Large flows of people across Europe's borders have proven to be just as much a source of political tension as were large and sudden flows of capital during the euro crisis. With more than 500,000 people reported to have crossed the Mediterranean since the start of this year, according to the UN High Commissioner for refugees, the migratory flow into Europe is roughly twice that in 2014 and eight times that of 2013. A lot more people are also crossing the EU's borders by land, mainly through the Balkans, though there are no reliable statistics on those flows. Most of these migrants – asylum seekers and economic immigrants, the distinction is hard to make – are headed towards Germany in the hope of a better future.[xliii]

In dealing with this sudden upsurge in migrants, Germany has unambiguously taken the lead by taking in a hugely disproportionate share of all asylum seekers. It is expected to receive around 1 million in 2015 alone. Rather than insisting on EU rules to be followed to the letter, as it did during the euro crisis, Germany proved much more pragmatic in dealing with refugees. The EU's Dublin Regulations stipulate that the first point of entry into the EU determines which member state is responsible for processing the application of asylum seekers, before transferring them onto other countries. Merkel realized soon enough that it would be impossible for Italy, Greece and Hungary – the main EU points of entry for new refugees – to process all of them on their own before sending them onwards. Merkel's promotion of a German *Willkommenskultur* and open door policy gained her admiration all over the world. Her bold decision to deal with the refugee problem stood in stark contrast with her caution and dithering in dealing with the euro crisis and Russia.

Merkel herself promised refugees a warm welcome in Germany, and committed an extra €6 billion to state and local governments to accommodate arrivals and help pay for additional expenses like benefits. German generosity and willingness to be pragmatic over migration therefore made it act like Europe's *benefactor-in-chief*, and the images of refugees holding up posters of Merkel as their savior have been a welcome break from the ones in Athens that portrayed her as a Nazi occupier. Merkel's decision to lead by example on refugees was made possible by German economic strength, with more budgetary room than any other European country, but also largely out of humanitarian concerns. Merkel was also conscious of Germany's historic duty towards vulnerable and displaced people, keeping in mind the many Germans wandering around Central Europe in the mid-to-late 1940s. She acted decisively despite facing a real potential backlash at home.

However, Berlin's policy establishment would quickly realize that Merkel's promise did not match Germany's absorptive capacity. Merkel's critics soon called her decision naïve and foolish rather than bold and brave, as thousands more refugees crossed the Austrian border into Bavaria every day. The migration problem would need a collective response at the European level, rather than unilateral action, no matter how well intentioned. But while the euro crisis revealed a schism between North and South, the refugee crisis laid bare a fault line between West and East. The EU commission led by Jean-Claude Juncker, and supported by Germany and France, tried to impose a mandatory quota system to resettle 160,000 refugees across the EU. However, Eastern member states led by Hungary, and supported by Slovakia, Romania, and the Czech Republic, openly opposed and voted against such a system. Their leaders saw migration as a threat to their culture and a huge burden to their public services. The crisis hence continued unabated, and a comprehensive EU solution looked elusive.

All over Europe, internal borders were being re-erected. While Hungary and Bulgaria were building walls and wired fences on their external EU borders, many other members reinstated internal EU border controls to deal with the refugee flows. This temporary violation of Europe's Schengen agreement, which guarantees the free flow of people across the borders of 26 European countries, was made more permanent after the terrorist attacks in Paris of 13 November 2015 were linked to *Daesh* and the Syrian civil war. The sheer size of the refugee flows from the Middle East combined with renewed threats of fundamentalist Islamic terrorism on Europe's home soil to push European countries to rely on nationalist responses when a European-level response would be more effective.

Unlike in the euro crisis, Germany decided to lead the rest of Europe on the refugee crisis by taking on the main humanitarian burden and by breaking the EU rules set out in the Dublin Convention. But despite its economic size and moral leadership on refugees, Berlin was not able to get the rest of Europe to follow its lead. Leadership in the end requires others willing to follow, and the rest of Europe seemed all too happy for Berlin to take on the brunt of asylum seekers. While Berlin could force the Greeks to radically reform its economy during the euro crisis, it was not able to get the Slovaks or the Czechs to accept even a handful of refugees. This last crisis thus only underlines the fact that the European Union, and German leadership within Europe, have a long way to go.

Conclusion: When Destiny Meets Desire

Since 2010, Germany has proven to be the only EU member state capable of taking on Europe's leadership mantle, but has been hugely frustrated in this role. In all three crises – over the euro, over Ukraine, and over migration – Germany has led the response, but has not been as effective as it could have been, and was never able to get a real handle on the problem. Either a stubborn devotion to its own ordoliberal ideas in economics, fear of a restless domestic electorate, the pressure of powerful commercial interests, or the burden of history in military affairs, have stood in the way of a more effective leadership response. The euro remains an unfinished and fragile currency, the conflict between Ukraine and Russia is frozen at best, Europe's near abroad is more volatile than before, and the refugee crisis is unlikely to go away any time soon.

All three crises have served to underscore both the promise and the pitfalls of German leadership while at the same time reopening old wounds and revealing fault lines within Europe, both between North and South, and between East and West. This has left policy makers and electorates in both Germany and the rest of the EU deeply frustrated with the status quo. In order to make German leadership in Europe more effective, and more palatable to the rest of Europe, two things will need to happen.

First, in economic policy, Germany needs to allow for more discretion in economic policy, and let go off its slavish support for all kinds of rules. Rules are fine in good times, but are an ineffective guide in hard times. At the same time, Berlin needs to start preparing its electorate for the next steps that are needed in building a 'genuine' Economic and Monetary Union that include permanent mechanisms of social solidarity and financial stability. Second, in foreign policy, Germany needs to lead the EU effort in building a common European army by stepping up its own military spending, as well as a European energy union so as to decrease the EU's dependence on Russian oil and gas.[xliv]

That is the only way to coerce Putin's Russia to start playing by the rules of the postwar international system, rather than having the Russians run circles around the West.

In a speech in Hamburg in 1953, German novelist Thomas Mann told an audience of German students: "It is the task of the new German generation, of the German youth, to disperse [Europe's] doubts [and] fears by denying the politics of the past and by clearly proclaiming their own vote: not for a German Europe, but rather for a European Germany."[xlv] For that to become reality, Germany needs to become a 'normal' Western power, and other EU members need to shed their historic fears of a Germany that dominates the rest of Europe. We are a long way away from 1945, and Germany has behaved as a model citizen in the world system ever since.

The only way for Europe to remain prosperous and influential in world affairs is for it to complete its economic and monetary union and to act in unity abroad. Europe will not get there through the dreams of EU technocrats in Brussels. It needs a political push, and one country strong enough to lead that effort, though that itself is obviously a necessary and not a sufficient condition. For that first and necessary step to be taken, German desire for leadership needs to match its destiny to lead. Europe and the world will be better for it.

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Endnotes

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