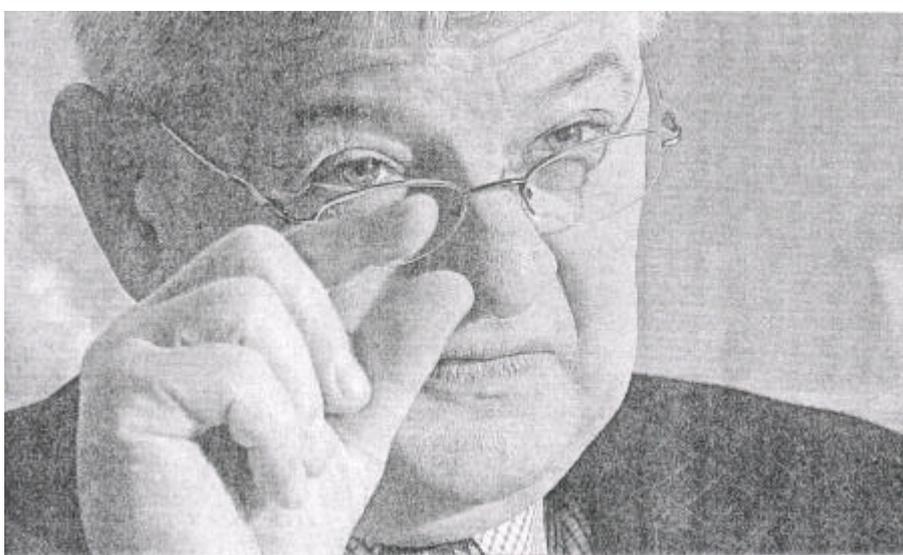


FT Back

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Foreign minister Joschka Fischer says the stability pact argument showed 'the increasing significance of European institutions'

Vision Photos

Germany asserts itself and quits role' as good European

Its postwar place as the linchpin of the continent is thrown aside as domestic interests take priority, writes Bertrand Benoit

Not so long ago, Germany basked in its hard-won reputation of being the free-spending, benign linchpin of Europe, even on occasions when this was at its own apparent expense.

But now, observers say, Germany looks as if it has shed its postwar skin. The "good European", selfless champion of integration and strong institutions in the European Union, the faithful ally of the US and bridge across the Atlantic has converted to power politics.

This conversion to a more assertive approach is in evidence as Germany and other European Union members prepare to thrash out a final agreement on a new constitution at this week's Brussels summit.

The meeting follows last month's suspension of the stability and growth pact - the fiscal rules that underpin the euro. Observers say Germany's role, alongside France, in the suspension could have implications for years to come, in spite of ministers' reassurances.

Hans Eichel, finance minister, has repeatedly insisted the pact is not dead. Last week Joschka Fischer, foreign minister, told the Financial Times the confrontation, if anything, showed "the increasing significance of European institutions".

Others draw different conclusions. "Is Germany ready to accept the European Commission's recommendations

and sacrifice political capital at home? No longer," says Sebastian Harnisch, professor of International Relations at the University of Trier. "The message is that domestic interests supersede European interests."

By rejecting the Commission's demand that it cut €6bn off its 2004 budget, and humiliating it in the process, Germany breached a cardinal taboo of the postwar period, he argues. Worse still, it did not do so in the name of principles, such as the sanctity of sound public finances but to defend a short-term fiscal stimulus.

This followed the crushing of another taboo by Gerhard Schroder, German chancellor, last year when he antagonised the US, Germany's most important ally, by ruling out participation in military intervention in Iraq even under a United Nations mandate. Mr Schroder also last month praised his finance minister's handling of the stability pact battle, saying Germany should not act as if the "Commission were sacrosanct in everything it does".

"It would appear that we are finally facing the more assertive Germany we have been talking about for the past 10 years," says Jeffrey Lantis, associate professor of political science at the College of Wooster in Ohio in the US. "But I am convinced that this is best explained by internal pressures and constraints."

Mr Schroder's stance on Iraq, highly popular with the German electorate, emerged as the chancellor was facing almost certain defeat in a general election in September 2002. In the event, he barely scraped back into office. Similarly, the decision to confront the Commission over the stability pact came from an economically weakened country, crippled by

'We cannot get lashed because we breach the deficit and lashed because we do not give the EU enough money'

poor public finances after three years of stagnation preceded by seven years of below-par growth.

"The stagnation was a huge blow to German self confidence," says Katinka Barysch, chief economist at the Centre for European Reform in London. "The only thing that Germans could be proud of was their economic success. Now they were the sick man of Europe."

Guided by political and economic feebleness at home, Germany's foreign policy has become largely incomprehensible to outsiders. Although Mr Fischer is sticking to his pro-European, integrationist discourse, he is contradicted by events such as last month's stability pact incident.

"There is immense confusion," says William Wallace, professor of international relations at the London School of Economics. "It is very difficult to tell what sort of Europe Mr Schroder wants or why."

The changing nature of the conversation between EU member states is obvious in the acrimonious debate over the future EU constitution, which will culminate this week at the Brussels summit. Observers say Germany can no longer be relied upon to breathe sense into the proceedings.

The darkening of the mood could become more pronounced when EU budget negotiations start next year for the period beyond 2006. Mr Fischer said: "We cannot get lashed because we breach the deficit and lashed because we do not give the EU enough money." In other words, do not count on the EU's biggest net financial contributor to keep bankrolling the enterprise if it cannot even conduct its own fiscal policy.

For Ms Barysch, "Germany was the one link that kept everything together. It was both the glue and grease of Europe, always ready to throw money at problems. They were the bridge between EU and US. It will be none of these from now on."