



Look Who's Talking: Why Germany Plays the Strong, Silent Type in the Field of Economic Security

Roderick Parkes | 31 March 2023

Key Issues

- Germany is a more natural geo-economic than military player. Amidst international criticism of its past naivety about the state of the world, some Germans evidently see trade and commerce as a field to re-establish their nation's credibility.
- Germany does not seem to appreciate how its geo-economic posturing creates uncertainty in Europe, not least its propensity to talk with Washington over the heads of its European peers. This Brief points to four semantic power plays that need fixing.
- Questions of signalling and reassurance are as important for economic security as for the military, yet they receive little attention in academic or policy discussions. In this Brief, this gap is addressed by drawing on discussions with German experts and policymakers.

"Football," the saying goes, "is a simple game: Twenty-two men chase a ball for 90 minutes and, at the end, the Germans win". European integration is beginning to feel the same.

The field on which the future of European order will be decided is economic security, and the ball that European Union (EU) governments [are currently chasing](#) is the French notion of "EU autonomy". Or that is how it seems. But whilst 26 governments are kicking around the idea of EU autonomy – the notion that Europe should address its economic vulnerabilities through the reshoring of production and supply chains and the creation of industrial champions –, the Germans have been dribbling their own ball, and on a different pitch to everyone else.

When the whistle blows and the

current European legislative period ends, the Germans will prevail – and with a model of economic security that has been neither explained nor debated in Europe. The lack of explanation will be problematic during the 2024 European elections, where we can expect a proper political set-to with the war in Ukraine and the cost-of-living crisis. Expect Berlin to waggle its finger about the importance of the procedural elements of European democracy whilst failing to engage on the substance.

That the German government [simply presents](#) other European states with a *fait accompli* when its mind is made up is not a new accusation. Over the years its partners have attributed this, charitably, to the complexity of the Federal Republic's domestic decision-making on EU policy – the excuse that it is hard for Germany to compromise with

other EU states when its own internal negotiations [are so demanding](#). But when it comes to economic security a bigger dynamic is at work. This is about German pride, posturing and precariousness.

Spurred by a project between the German Council on Foreign Relations' (DGAP) [European Centre](#) and the United States (US)-based [Center for International Private Enterprise](#) (CIPE), we have begun discussions on Germany's signalling in this sphere – its policy of economic reassurance towards those countries that depend most heavily upon it. Although still at an early stage, our initial finding is that Germany feels little obligation to communicate with European states. It sees its role, rather, as to signal European intentions to “its peers” – the US and China.

German economic thinking on trade and supply chains is in fact easily explained and holds considerable benefits for the EU and Wider Europe. That Germany fails to explain its model to its *true* peers says something about the way it feels entitled to power in Europe.

Based on an initial workshop, discussion formats and interviews, this Policy Brief argues that Germany's failure to lay out its thinking *for* Europe, and *to* Europe, will have considerable negative effects *upon* Europe. It points to four unfortunate power plays in the German style of signalling and reassurance, as well as speculating about the motives behind them.

German economic signalling - four semantic power plays

1. The United States is Germany's primary audience

When asked about how Germany will contribute to Europe's economic security, our German interlocutors generally framed the issue in terms of accepting responsibility for strategic errors over the past 30 years. They [embraced the fashionable US narrative](#) that the German state created economic dependencies that have put Europe at risk, by placing its commercial interests with China and Russia ahead of its geopolitical responsibilities, and by clinging naively to a doctrine of “*Wandel durch Handel*” (the supposed doctrine that Germany can set a country on a progressive path simply by trading with it).

In point of historical fact the Germans' narrative about their naivety and responsibility is [hugely reductive](#). Undeniably, big mistakes were made. But the German state long ago handed to the EU exclusive competence over trade. So if Germany ever was naive about trade, this was in large part immaterial given that the European Commission was in charge.

The narrative of national guilt does, however, play up Germany's right to correct things: the effect of taking responsibility is to subtly assert Germany's right to decide upon not just Germany's but Europe's future commercial dependencies. One of our interlocutors came close to acknowledging this, and speculated that Germany was empowering itself in the EU by accepting blame in the US for Europe's predicament. But the same person also complained that the US misunderstands how Europe functions, that Germany is subject to unfair expectations in Washington, and that the Americans fully expected that Germany would be ready to force the EU to decouple from China.

This person did not see how the German readiness to play up its strategic errors creates precisely these expectations, and was therefore supportive of the fact that Chancellor Scholz clarified German thinking to President Biden privately and away from “unfair” media scrutiny. In short, this person did not see how this amounts to a semantic power play. Yet these high-level back-room *tête-à-têtes*, and the way Biden [has subsequently felt obliged to communicate](#) on behalf of Scholz, cement the impression that under German leadership the EU enjoys peer status with the US. The effect is to reinforce German importance, not least by keeping the rest of Europe in the dark.

2. Germany refuses to make itself accountable to its European partners

One Polish expert asked: ‘who made Scholz the head of Europe and what is he deciding on our behalf?’. This expert was not interested in the EU achieving peer status with the US, and was certainly not reassured by the sight of Scholz enjoying intimate facetime with Biden. This person wanted the Germans openly to spell out their agenda for the European economy. Contrast this with our German interlocutors. They tended to claim that their country does not have

a model, and made a virtue of this – proof of the pragmatic German approach to economic problem-solving. They expressed frustration that EU partners did not find clarity in [long technical government documents](#) about China.

They generally felt that this “German pragmatism” was a sign of seriousness when compared to “ideological” notions such as EU autonomy or its new counterpart, European [Corporate Geopolitical Responsibility](#) (in which it is industry not government that manages commercial risk, and businesses try to get European consumers to reward them for foregoing a risky investment in China or making a risky investment in Ukraine). Furthermore, Germans tended to denigrate these two models for so nakedly responding to their advocates’ peculiar economic insecurities – France evidently using the drive for “EU

continue to adhere to a long-standing approach for dealing with commercial dependencies. This model is a neat compromise between state-led dirigisme and hands-off market solutions, a *mediated* approach to German industry at home and abroad. The German state supports industry indirectly through multilateral bodies like the EU or World Trade Organisation (WTO), and through international networks of German chambers of commerce. These intermediary structures shape regulatory environments so that German business investments can continue to have a positive effect.

This model ought to be a linchpin of Germany’s reassurance policy, particularly in countries that want to align with a predictable and rules-based partner. Of course it needs updating, but in our discussions we found that there remains a high appreciation for

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autonomy” as a vehicle for its dislike of the US; Britain, the reverse – creating corporate responsibility as a way to dissuade the EU from protectionist regulation and to maintain transatlantic ties.

And yet, Germany’s refusal to spell out its thinking amounts to another semantic power play. Berlin is, in effect, asserting its right to adjudicate between competing European models without making its own assumptions accountable. And this a problem because it seems to have misread European insecurities. Berlin views things through a grand global lens – the relationship between the EU, US and China. But France appears spooked by much more local concerns – the emergence of a needy fringe of states around the EU which want market access without strings attached demands the EU focus on itself; and the UK by finding itself in that fringe.

3. Germany’s mixed messaging has spooked Wider Europe

Germans, despite claiming to have no model, in fact

its basic premise in the EU neighbourhood and in emerging markets where there is deep mistrust of businesses that are deemed the long arm of colonial power.

Yet in our conversations with Balkan business representatives, we found confusion about whether to expect change or continuity. Germany, by embracing the narrative about its past naivety, is playing up its readiness to change and become more geo-economic. On the one hand, this buoyed our Balkan interlocutors: a geo-economic Germany would presumably be interested in near- and friend-shoring. Western Balkan economies could therefore expect to enjoy deeper integration into the Single Market, as Germany drops its hands-off old approach and tries to move production to the region. On the other hand, there was deep pessimism. If Germany is primarily interested in playing hardball with China and the US, Germany may expect them to forego investment from China at the same time as it restricts access to the Single Market in a bid to use its market power as leverage *vis-à-vis* global

players. In their eyes, Germany was forfeiting its reputation for predictability and reliability.

4. Anxious EU members risk triggering a doom loop

One consequence of this mixed messaging is to trigger mutual loyalty tests between Germany and smaller, peripheral European states. In November 2021, Lithuania found itself testing German solidarity. Vilnius [had agreed to host](#) a Taiwan Trade Representation Office, and was met with trade restrictions by China. Beijing extended these through secondary sanctions, hitting big German firms like Continental that produce in Lithuania. The episode in effect became a test of Germany's solidarity to its small partner. The Lithuanians we spoke to say that they appreciate the German response – 'by the book', according to one. German ministers visited, German investment increased, Berlin supported the Commission taking a case to the WTO, and, after the start of the Russian war of aggression, German troops deployed to Lithuania.

But press the Lithuanians further and some say they are spooked. German actions are meant to reassure them, but they only highlight their dependence on Germany for their economic and military security, and the Lithuanians say they simply do not know Germany's motivations or limits. This makes them more anxious not less – how readily will Germany back off when under real pressure from China? Lithuanians are now looking for signs of German policy in the absence of clarity. This dynamic could escalate into a spiral of insecurity as smaller anxious European states seek reassurance from Germany by making outlandish claims for its loyalty. Encouraged to believe from their own experience that decoupling from China is an option, Lithuanians suggest that Germany should follow suit.

Already some of our German interlocutors spoke of 'moral hazard' – the suspicion that small hawkish countries like Lithuania are being encouraged to pick fights with China the more that Germany commits to unconditional solidarity with them through tools like the [EU anti-coercion instrument](#). The effect, and this is the fourth semantic power play, is that Germany is somehow reducing its partners to shrill supplicants that make outlandish claims upon its

solidarity and which require grown-up supervision.

What does this signalling say about Germany and Europe?

Most German experts were acutely aware of the need for sensitive reassurance towards their European partners, particularly those worried about the neighbourhood, EU protectionism and transatlantic cohesion. They also had sensible ideas about doing this. They generally spoke of the need to "compartmentalise" the new defensive and coercive geo-economic agenda, preventing it from "infecting" the development of the EU. For many, the G7 and not the EU would be the main vehicle for this, whilst the EU retained its old strengths of strong, open and fair economic institutions and Germany bolstered it as the basis for its rules-based "mediated" model.

A more assertive group, however, spoke in very different terms – of an irreparable breakdown in the global trading order, a bipolar battle between the US and China, and the need for the EU to step up and leverage access to the Single Market in order to regulate globalisation on equal terms with Washington and Beijing. Far from being interested in reassuring others, Germany's own economic insecurities were pushing them to posture. They express anxiety that Germany is set to lose the power to which it is entitled even before it has learnt to exercise it, due to a lost lead in automotives, electrification and manufacturing.

These more hawkish voices embody a distinctive mix of superiority and inferiority complexes. Germany respects the US with its large advanced geo-economic capabilities and aspires to peer status. But they sometimes speak dismissively of other EU states, particularly those to the East – states like Poland may be more at ease with coercive force than Germany, but because, in the words of one, they are 'not so modern'. States like Poland, remember, have spent years making Germany feel geopolitically naive, hoping for advantage in Europe: Warsaw in particular seems to have hoped that a "geopolitical EU" would give it a prominent place. But the Polish effort to exploit the German inferiority complex has backfired. Evidently Europe gets the Germany it deserves.

