

## GERMANY: THE RISE OF GEOECONOMIC POWER AND ITS LIMITS

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Since the unification of Germany on 3 October 1990, German governments have been looking for the right foreign policy. The issue of continuity and change has been permanently discussed<sup>1</sup>.

Although in the 1990s a substantial part of the literature focused on Germany as a civilian power<sup>2</sup>, in the 21<sup>st</sup> century this concept started to be repeatedly put into question<sup>3</sup> as growing economization of the German foreign policy was taking place. Germany, which entered the 21<sup>st</sup> century as the “sick man of Europe”<sup>4</sup>, focused on economic reforms and on the promotion of its economic interest. After a short period of increasing its international military activity in the 1990s, Germany has again dramatically reduced its international involvement since the early 21<sup>st</sup> century. It adopted a geoeconomic strategy that brought it to the position of the European hegemon<sup>5</sup>.

The goal of this paper is to evaluate the rise and limits of the German geoeconomic strategy in the 21<sup>st</sup> century. How effectively did Germany use international cooperation to increase national prosperity and to transform its economic strength into political power? I argue that geoeconomic strategy is an important support for the German economy and helps increase economic well-being in Germany but did not increase its influence on the politics of great powers.

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<sup>1</sup> For further discussion of this topic see: Klaus Brummer and Kai Oppermann, *Germany's foreign policy after the End of the Cold War: 'becoming normal?', in Oxford Handbooks Online: Political Science*, pp. 1–30; Gunther Hellmann, Daniel Jacobi, Ursula Stark Urrestarazu, *Einleitung: “Neue” deutsche Außenpolitik?*, in “Zeitschrift für Außen- und Sicherheitspolitik”, 2015, vol. 8, no. 1 Supplement, pp. 5–13.

<sup>2</sup> Knut Kirste, Hanns W. Maull, *Zivilmacht und Rollentheorie*, in “Zeitschrift für Internationale Beziehungen”, vol. 3, no. 2, 1996, pp. 283–312.

<sup>3</sup> Gunther Hellmann, Christian Weber, Frank Sauer, Sonja Schirmbeck, ‘*Selbstbewusst*’ und ‘*stolz*’: *Das außenpolitische Vokabular der Berliner Republik als Fährte einer Neuorientierung*, in “Politische Vierteljahresschrift”, vol. 48, no. 4, 2007, pp. 650–679.

<sup>4</sup> *The sick man of the euro*, in “The Economist”, 3.6.1999, see: [http:// www.economist.com/node/209559](http://www.economist.com/node/209559) (accessed on: 9.3.2018).

<sup>5</sup> Hans Kundnani, *Germany as a Geo-economic Power*, in “The Washington Quarterly”, vol. 34, no. 3, 2011, pp. 31–45; Stephen F. Szabo, *Germany, Russia, and the Rise of Geo-Economics*, London New York, Bloomsbury Academic, 2014.

In the first part I will reconstruct the discussion on the emergence of a new type of power in international relations, a geoeconomic one. In the second part I will evaluate the transformation of Germany into a geoeconomic power. In the third part I will look into the new elements in German foreign policy since the 50<sup>th</sup> Munich Security Conference in early 2014. In the fourth part I will look at the implementation of geoeconomic strategy in relations with two superpowers – Russia and China. This will allow me to assess the consequences of the German geoeconomic strategy for the country's position on the global stage.

### **The emergence of geoeconomics**

The end of the Cold War has had a profound effect on the behaviour of states in international relations. The role of ideological, political and military competition was dramatically reduced in favour of economic competition. To some degree, this process had already been observed during the Cold War<sup>6</sup>, but it accelerated with the collapse of the Soviet Union and the end of the East-West confrontation. The tectonic changes in international relations provoked scholars to look for a new explanation of the behaviour of states in international relations. Edward Luttwak's concept of geoeconomics met with interest among IR scholars. Luttwak clearly points out that the end of the Cold War does not mean the end of competition between states. Only the methods have changed, with economic methods becoming more important than the military ones, which he described as the “grammar of commerce but the logic of war”<sup>7</sup>. Luttwak's ideas have inspired further research on the source of power in the contemporary world, which resulted in a multitude of diverse definitions and understandings of geoeconomics. There is still no commonly accepted definition of geoeconomics, and the issue is still undertheorized. Even its relation to geopolitics remains unclear. While one group of scholars sees them as alternative to each other,<sup>8</sup> another group perceives geoeconomics and geopolitics as two expressions of the same process<sup>9</sup>.

As Mikael Mattlin and Mikael Wigellsuggest, the current discussion on geoeconomics falls into three theoretical approaches. The first group of scholars views geoeconomics as a form of statecraft, which may be associated with economic power, financial power or with the wealth of natural resources. For this group,

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<sup>6</sup> Henry Kissinger, Cyrus Vance, *Bipartisan objectives for American foreign policy*, in “Foreign Affairs”, vol. 66, no. 5, 1988, pp. 899–921.

<sup>7</sup> Edward N. Luttwak, *From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce*, in “The National Interest”, no. 20, 1990, pp. 17–23.

<sup>8</sup> Matthew Sparke, *From geopolitics to geoeconomics: transnational state effects in the borderlands*, in “Geopolitics”, vol. 3, no. 2, 1998, pp. 62–98; Sami Moisio, Anssi Paasi, *From geopolitical to geoeconomic? The changing political rationalities of state space*, in “Geopolitics”, vol. 18, no. 2, 2013, pp. 267–283.

<sup>9</sup> Tomasz Grzegorz Grosse, *Geoeconomic relations between the EU and China: the lessons from the EU weapon embargo and from Galileo*, in “Geopolitics”, vol. 19, no. 1, 2014, pp. 40–65.

statecraft is used for economic and political ends. They see state actions as a wish to enhance economic gains, strengthen local enterprises and gain control over the market and natural resources. This view is state-centric. It is rooted in mercantilist strategy and treats the state an agent of economic power. The second group of scholars deals with economic aspects of geographical space. "(...), this approach is closely related to the more traditional academic disciplines of political and economic geography that study the effects of geographic features on the organisation of politics or the economy". The third group is referred to as "the critical geography camp". It "regards geography as discursive practices that offer possibilities for imagining and re-imagining geographical space". The scholars who belong to this group "look at how geoeconomics operates as discourse, shaping and reproducing the world views of security strategists and foreign policy-makers, and how it thus becomes entrenched in state practice. For most of these critical geographers, the geoeconomic discourse masks neoliberal restructuring and securitization projects, a way to re-stabilise and reproduce the US-led global hegemonic system in a globalised age"<sup>10</sup>. The first understanding of geoeconomics requires some further explanation. As noticed by Kundnani, there are two ways to understand geoeconomics: the "soft" one and the "hard" one. "A 'soft' version that is meant to capture the way states increasingly seem to pursue economic *ends* and a 'hard' version that is meant to capture the way that states increasingly seem to use economic *means* to achieve strategic objectives"<sup>11</sup>. The distinction between geoeconomics understood as the use of economic means for economic ends and as the use of economic means for political ends was adopted also by Wigell in his later work. He views the first case as geoeconomics in the liberal sense and the second case as geoeconomics in the realist sense. Wigell argues that regional powers, like Germany, may develop four ideal-typical strategies: neo-imperialism, neo-mercantilism, hegemony, and liberal institutionalism. They are based on the state's strategic frameworks (cooperative or competitive) and the treatment of economic power as a means or goal of state activity<sup>12</sup>. An important element of geoeconomic strategy is the way we perceive states. This perspective is far from the idea of a billiard ball in political realism. As Mikael Wigell and Antto Vihma argue, geoeconomics accepts that there are different interest groups within a state. States using geoeconomic strategy may use this fact to its favour. In the case of geoeconomic confrontation, the idea is to weaken the internal cohesion of the opponent's and to find allies for one's own purposes<sup>13</sup>.

<sup>10</sup> Mikael Mattlin, Mikael Wigell, *Geoeconomics in the context of restive regional powers*, in "Asia Europe Journal", vol. 14, no. 2, 2016, pp. 125–134.

<sup>11</sup> Hans Kundnani, *Germany and geo-economics*, 3.6.2013, see: <http://hanskundnani.com/2013/06/03/germany-and-geo-economics/> (accessed on: 9.3.2018).

<sup>12</sup> Mikael Wigell, *Conceptualizing regional powers' geoeconomic strategies: neo-imperialism, neo-mercantilism, hegemony, and liberal institutionalism*, in "Asia Europe Journal", vol. 14, no. 2, 2016, pp. 135–151.

<sup>13</sup> Mikael Wigell, Antto Vihma, *Geopolitics versus geoeconomics: the case of Russia's geostrategy and its effects on the EU*, in "International Affairs", vol. 92, no. 3, 2016, pp. 605–627.

An important element in the discussion about geoeconomics was introduced by Robert Blackwill and Jennifer Harris<sup>14</sup>. By including the term ‘national interest’ in their definition of geoeconomic goals, they grasped the main characteristic of state behaviour. States using economic means struggle to realise their national interests, which may be political as well as economic.

Table 1

Regional powers’ geoeconomic strategies

		Strategic frame	
		competitive	cooperative
Economic power	goal	neo-mercantilism	liberal-institutionalism
	means	neo-imperialism	hegemony

Source: Mikael Wigell, *Conceptualizing regional powers’ geoeconomic strategies: neo-imperialism, neo-mercantilism, hegemony, and liberal institutionalism*, in “Asia Europe Journal”, vol. 14, no. 2, 2016, p. 141.

### Germany’s transformation into a geoeconomic power

In Germany, the idea of using economic means for political ends goes back to the 1920s, when the German foreign minister Gustav Stresemann argued that Germany should use its economic power and its position within the global economy to “make” its foreign policy<sup>15</sup>. Already during the Cold War, economic power was broadly used by the Federal Republic of Germany (FRG) toward its Western allies, while military security considerations dominated in relation to the countries of the Eastern Bloc<sup>16</sup>. This policy stood in opposition to the foreign policy strategies of the major Western powers (the United States, the United Kingdom and France). The FRG’s foreign policy, characterised by the domination of economic diplomacy and modest military spending proved to serve its interest well. First, it helped to integrate the FRG into Western European institutions and then to reduce tensions with the countries of the Eastern Bloc in the 1970s. It also eased the process of German unification in 1989–1990.

But it was only the end of the Cold War and the unification that made it possible for Germany to fully develop its geoeconomic foreign policy strategy. On the one hand, the main geopolitical goal (unification) was achieved, and on the other hand, the main geopolitical threat (the USSR) disappeared. The most comprehensive description of the new security situation can be found in the White

<sup>14</sup> Robert D. Blackwill, Jennifer M. Harris, *War by other means: geoeconomics and statecraft*, Cambridge, MA, Belknap Press of Harvard University Press, 2016.

<sup>15</sup> Henry Ashby Turner, jr., *Eine Rede Stresemanns über seine Locarnopolitik*, in “Vierteljahreshefte für Zeitgeschichte”, vol. 15, no. 4, 1967, p. 434.

<sup>16</sup> Michael Kreile, *West Germany: The dynamics of expansion*, in “International Organization”, vol. 31, no. 4, 1977, pp. 775–808.

Paper of 1994, where the security situation in Germany was described as follows: “The danger of large-scale aggression threatening our existence has been banished. Germany’s territorial integrity and that of its allies will not face an existential threat for the foreseeable future”<sup>17</sup>.

In the early 1990s, the “German question” was asked once more. The end of the Cold War had profound consequences for Germany. In 1990, Germany was unified and regained its national sovereignty. The question therefore was: will Germany seek assertive, self-centred foreign policy, loosening its ties with the European institutions and the United States and maybe even becoming a nuclear power<sup>18</sup> or will it be a predictable member of the European-Atlantic community devoted to the European integration and close Atlantic ties only accommodating its foreign policy to the new reality?<sup>19</sup>

The end of the Cold War was the beginning of a major reconfiguration of German foreign policy. Germany was no longer “a semi-sovereign State”<sup>20</sup> and “the state’s external dependencies have been decisively reduced”<sup>21</sup>. In the 1990s Germany slowly changed its foreign policy. It became “a gentle giant” in the centre of Europe, committed to maintaining a reputation of reliability and credibility<sup>22</sup>. Germany carefully “normalized” its foreign policy, moving back from check book diplomacy toward active participation in combat missions, mainly in the Balkans. It even participated in the NATO campaign conducted without UN authorization in Kosovo in 1999. The military interventions outside the NATO area were possible owing to a ruling of the Federal Constitutional Court from July 1994. But despite the fact that Germany became an active participant in international military missions, it struggled throughout the 1990s with the outdated structure and equipment of the Bundeswehr, ill-prepared for the new tasks. The intense discussion on Germany’s larger global responsibility and on its growing military engagement was not followed, however, by sufficient investments in the military. Despite these limitations, it is strongly believed that German foreign policy was normalized in the 1990s<sup>23</sup>. The peak of this atmosphere was the operation in

<sup>17</sup> Beverly Crawford, *Power and German Foreign Policy: Embedded Hegemony in Europe*, New York, Palgrave Macmillan, 2007, p. 90.

<sup>18</sup> John J. Mearsheimer, *Back to the Future: Instability in Europe after the Cold War*, in “International Security”, vol. 51, no. 1, 1990, pp. 5–56.

<sup>19</sup> Timothy Garton Ash, *Germany’s Choice*, in “Foreign Affairs”, vol. 73, no. 4, 1994, pp. 67–68.

<sup>20</sup> Peter J. Katzenstein, *Policy and Politics in West Germany. The Growth of a Semi-sovereign State*, Philadelphia, Temple University Press 1987.

<sup>21</sup> Timothy Garton Ash, *op. cit.*, pp. 72–73.

<sup>22</sup> Simon Bulmer, William E. Paterson, *Germany in the European Union: Gentle Giant or Emergent Leader?*, in “International Affairs”, vol. 72, no. 1, 1996, pp. 9–32.

<sup>23</sup> Rainer Baumann, Gunther Hellmann, *Germany and the use of military force: ‘total war’, the ‘culture of restraint’ and the quest for normality*, in “German Politics”, vol. 10, no. 1, 2001, pp. 61–82; Beverly Crawford, Kim B. Olsen, *The Puzzle of Persistence and Power: Explaining Germany’s Normative Foreign Policy*, in “German Politics”, vol. 26, no. 4, 2017, pp. 591–608.

Afghanistan<sup>24</sup>. In 2003 the then Defence Minister Peter Struck famously declared: “the security of the Federal Republic of Germany will also be defended on the Hindu Kush”<sup>25</sup>.

The growing international engagement came to an end when the German government openly refused to support the United States in the war against Iraq in August 2002. Although the war was very unpopular in Germany, Chancellor Schröder’s decision was a shock for international community. It was a sign that Germany had redefined its national interest in new, more nationalistic terms, with relations with the United States and the other European Union members being a useful but not necessary element of German foreign policy. As Regina Karp suggests, “Germany no longer tends to be automatically multilateralist or atlanticist”<sup>26</sup>. Already in the 1990s, Bulmer and Paterson noticed that the German understanding of multilateralism was changing. As they pointed out: “integration is no longer a means whereby Germany seeks to compensate for its semi-sovereignty. Now... integration has a much greater potential to be used to enhance German international power”<sup>27</sup>. While during the Cold War the FRG supported a strong Commission of the European Communities, the situation changed in the aftermath. Especially chancellor Angela Merkel has never hidden her preference for intergovernmental arrangements<sup>28</sup>.

The decision about non-participation in the Iraq War opened the discussion about the departure of Germany from its “policy of continuity”, which it still practiced in the 1990s<sup>29</sup>. As the reference to the “German way” from August 2002 suggests, Chancellor Gerhard Schröder was ready to consider German political and economic interest without taking into account the interest of the other countries<sup>30</sup>. The German policy toward Iraq was a symbolic turning point in the German history, marking the end of the post-war period. It produced change in political style and methods. Although all chancellors and governments after 1949 were determined to realise the German national interest, and they did so very successfully,

<sup>24</sup> Franz-Josef Meiers, *A Change of Course? German Foreign and Security Policy After Unification*, in “German Politics”, vol. 11, no. 3, 2002, pp. 195–216.

<sup>25</sup> Franz-Josef Meiers, *Von der Scheckbuchdiplomatie zur Verteidigung am Hindukusch: Die Rolle der Bundeswehr bei multinationalen Auslandseinsätzen 1990–2009*, in “Zeitschrift für Außen- und Sicherheitspolitik”, vol. 3, no. 2, 2010, pp. 201–222.

<sup>26</sup> Regina Karp, *The New German foreign policy consensus*, in “The Washington Quarterly”, vol. 29, no. 1, 2005, p. 66.

<sup>27</sup> Simon Bulmer, William E. Paterson, *Germany in the European Union: Gentle Giant or Emergent Leader?*, in “International Affairs”, vol. 72, no. 1, 1996, p. 17.

<sup>28</sup> Angela Merkel, *Rede von Bundeskanzlerin Merkel anlässlich der Eröffnung des 61. akademischen Jahres des Europakollegs Brügge*, 2.11.2010, see: <https://www.bundesregierung.de/Content/Archiv/DE/Archiv17/Reden/2010/11/2010-11-02-merkel-bruegge.html> (accessed on: 9.3.2018).

<sup>29</sup> Thomas Risse, *Kontinuität durch Wandel: Eine neue Deutsche Aussenpolitik*, in “Aus Politik und Zeitgeschichte”, no. B11, 2004, p. 30.

<sup>30</sup> *Why Gerhard Schröder has gone out on a limb*, in “The Economist”, 12.9.2002, see: <http://www.economist.com/node/1325453> (accessed on: 9.3.2018).

this term was almost excluded from the politicians' vocabulary<sup>31</sup>. Gerhard Schröder, however, openly advocated "enlightened self-interest"<sup>32</sup>.

Just as it was the case in 2003, Germany again opposed a military intervention in Libya in 2011. This time the German opposition was directed not only against the United States but also against France and the United Kingdom. For the first time Germany opposed its major Western allies. As showed by Miskimmon, this decision was well calculated. Germany, which was a non-permanent member of the UN Security Council at that time, abstained on the UN Security Resolution 1973 together with Brazil, Russia, India and China. Germany calculated the costs and gains. From the German point of view, the risks of a humanitarian military intervention were too high, and the German foreign minister Westerwelle also questioned the emerging rule of the "responsibility to protect (R2P)". He argued that it was wrong to have "a discussion about military intervention every time there is injustice in North Africa or in Arabia"<sup>33</sup>.

As showed by Adrian G.V. Hyde-Price, the German opposition toward its Western allies and partners was only an element of its more general refusal to agree with their policy. It "came on top of its half-hearted and lacklustre commitment to the ISAF mission in Afghanistan (...), and was followed by its unwillingness to help eliminate Syria's stock of chemical weapons. (...). Germany also declined to participate in NATO's 2013 exercise 'Steadfast Jazz' in the Baltic region, raising questions about its commitment to the security of its eastern neighbours"<sup>34</sup>.

The cases of Iraq and Libya show how far Germany has changed since unification. Multilateralism proved to be a useful foreign policy instrument for German governments. But it is an "instrument" – no more, no less. Germany is committed to multilateralism as long as international institutions legitimize the German foreign policy. Multilateralism is a means, not the end in itself, for the German foreign policy<sup>35</sup>. Germany has become a "self-confident" country, ready to

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<sup>31</sup> Wolfgang Wessels, Udo Diedrichs, *Deutschland in der Europäischen Union: Vitale Interessen in einer Europäischen Union der 25 – Überblick über das Ergebnis einer Studie*, in Wolfgang Wessels, Udo Diedrichs (eds.), *Deutschlands Rolle in der Europäischen Union*, Baden-Baden, Nomos, 2009, p. 141; see: Jacques Schuster, *Germany first – ja, warum denn nicht?*, "die Welt", 29.1.2017, <https://www.welt.de/debatte/kommentare/article161610047/Germany-first-ja-warum-denn-nicht.html> (accessed on: 9.3.2018).

<sup>32</sup> Gerhard Schröder, *Außenpolitische Verantwortung Deutschlands in der Welt. Address to the members of the German Society for Foreign Affairs in Berlin*, in "Internationale Politik", vol. 54, no. 10, 1999, p. 70.

<sup>33</sup> Alister Miskimmon, *German Foreign Policy and the Libya Crisis*, in "German Politics", vol. 21, no. 4, 2012, p. 397.

<sup>34</sup> Adrian G.V. Hyde, *The "sleep-walking giant" awakes: resetting German foreign and security policy*, in "European Security", vol. 24, no. 4, 2015, p. 602.

<sup>35</sup> Regina Karp, *op. cit.*, p. 69; Gunther Hellmann, Rainer Baumann, Monika Bösche, Benjamin Herborth, Wolfgang Wagner, *De-Europeanization by Default? Germany's EU Policy in Defense and Asylum*, in "Foreign Policy Analysis", no. 1, 2005, pp. 143–164.

say “no” to its main allies from NATO and from the EU<sup>36</sup>. The examples of the interventions in Iraq and Libya show that the rise in German military engagement ended in the early 21<sup>st</sup> century. Thereafter, Germany returned to a policy of military self-restraint. That is why many consider Germany “a greater Switzerland”<sup>37</sup> or simply a free-rider in security issues, who concentrates on its own economic interests<sup>38</sup>. When President Horst Köhler stated in an interview: “A country of our size, with its focus on exports and thus reliance on foreign trade, must be aware that... military deployments are necessary in an emergency to protect our interests – for example when it comes to trade routes, for example when it comes to preventing regional instabilities that could negatively influence our trade, jobs and incomes”, he met with harsh criticism that pushed him to resign<sup>39</sup>.

The German behaviour in the cases of Iraq and Libya led some scholars to harshly criticise German foreign policy decision-makers. It was broadly argued that Germany had lost its way, that it lacked strategic coherence and lost reliability and responsibility<sup>40</sup>. J. Schuster argued that German politicians had failed to recognize that they operated in a world of power politics<sup>41</sup>. Matthias Matthijs perceives Germany even as “a central part of Europe’s problems, rather than their solution.”<sup>42</sup> Gunther Hellmann, in turn, argues that Germany has become more “self-assertive”<sup>43</sup> and that German foreign policy is less incoherent than some, especially the proponents of the “civilian power”, see it.

Germany is one of the countries with the lowest military spending in NATO in relation to its GDP. It was reduced from 2.8% of GDP in 1988 to 1.5% of GDP in 1999 and then even further to 1.2% in 2007, and it has remained at this low level ever since<sup>44</sup>.

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<sup>36</sup> Gunther Hellmann, *Normatively Disarmed, But Self-Confident German foreign policy 20 years after reunification*, in “InternationalePolitik”, no. 3, 2011, pp. 45–51.

<sup>37</sup> Timothy Garton Ash, *France Plays Hawk, Germany Demurs: Libya Has Exposed Europe’s Fault Lines*, in “Guardian”, 24.3.2014, see: <http://www.guardian.co.uk/commentisfree/2011/mar/24/france-hawk-germany-demurs-libya-europe> (accessed on: 9.3.2018).

<sup>38</sup> Thomas Paulsen, *Kissingers bester Schüler*, in “Neue Zürcher Zeitung”, 9.3.2014, see: <https://www.nzz.ch/kissingers-bester-schueler-1.18258440> (accessed on: 9.3.2018); Hans Kundnani, *The New Parameters of German Foreign Policy*, Transatlantic Academy Paper Series, 2017.

<sup>39</sup> *German President Horst Köhler Resigns*, in “Spiegel Online”, 31.5.2010, see: <http://www.spiegel.de/international/germany/controversy-over-afghanistan-remarks-german-president-horst-koehler-resigns-a-697785.html> (accessed on: 9.3.2018).

<sup>40</sup> Hanns W. Maull, *Deutsche Außenpolitik: Orientierungslos*, “Zeitschrift für Politikwissenschaft”, vol. 21, no. 1, 2011, pp. 91–106.

<sup>41</sup> Jacques Schuster, *Die deutsche Illusion*, “Die Welt”, 5.11.2014, see: [https://www.welt.de/print/welt\\_kompakt/debatte/article133999669/Die-deutsche-Illusion.html](https://www.welt.de/print/welt_kompakt/debatte/article133999669/Die-deutsche-Illusion.html) (accessed on: 9.3.2018).

<sup>42</sup> Matthias Matthijs, *The Three Faces of German Leadership*, in “Survival”, vol. 58, no. 2, 2016, p. 136.

<sup>43</sup> Gunther Hellmann, *Das neue Selbstbewusstsein deutscher Außenpolitik und die veränderten Standards der Angemessenheit*, in Thomas Jäger, Alexander Hose, Kai Oppermann (eds.), *Deutsche Außenpolitik*, Wiesbaden, VS Verlag für Sozialwissenschaft, 2011, pp. 735–758.

<sup>44</sup> SIPRI



Although Chancellor Merkel and Defence Minister Ursula von der Leyen would want to raise the expenses up to 2% of GDP in 2024 as agreed within NATO, there is strong opposition among German political elites. Ursula von der Leyen argues that Germany has to keep its commitments. But the SPD is against, and its chancellor candidate in the 2017 parliamentary elections and former president of the European Parliament Martin Schulz argues that such a rise would transform Germany into the biggest military power in Europe<sup>45</sup>. The future remains unclear.

But despite its very restricted military spending, Germany still has a well-developed military industry and is one of the biggest arms exporter in the world. All governments since the 1970s agreed to arms export<sup>46</sup>. From 2007 to 2011, Germany was the third biggest arms exporter in the world, with a 9.4% share in global exports, but from 2012 to 2016 it fell to the fifth place with a share of 5.6%<sup>47</sup>.

An effective foreign policy requires material resources. Germany, whose economic miracle (*Wirtschaftswunder*) impressed the world in the 1950s and in the 1960s, fell into a long period of economic slowdown in the 1990s. The economic system proved ineffective in the fast globalizing world, the public debt and unemployment were rising, and the German economy proved less innovative than the economies of the United States, Japan and some other fast growing emerging markets. In the 1990s, German politicians were preoccupied with the economic consequences of the unification, the high cost of which additionally weakened the German economy<sup>48</sup>.

The deteriorating economic situation convinced Chancellor Schröder that reforms were necessary. They were initiated by the 2002 Hartz Commission. Schröder's government introduced a program of economic reforms known as "Agenda 2010" with the goal of a deep reconstruction of the German social system and liberalization of the labour market<sup>49</sup>.

The reforms resulted in improved competitiveness of the German economy. "Agenda 2010" reduced the labour costs. The German economy producing high value consumer and investment goods was well placed to enjoy profits of the global boom of 2003–2007. It also recovered well after the depression of 2008–2009.

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<sup>45</sup> *Von der Leyen rechtfertigt Zwei-Prozent-Ziel*, in "Frankfurter Allgemeine Zeitung", 7.8.2017, see: <http://www.faz.net/aktuell/politik/inland/ruestungsausgaben-von-der-leyen-rechtfertigt-zwei-prozent-ziel-15140024.html> (accessed on: 9.3.2018).

<sup>46</sup> Joachim Krause, *Gibt es eine Merkel-Doktrin? Nein. Nur eine etwas überhitzte Rüstungsdiskussion in Deutschland*, "Internationale Politik", No. 1, 2013, pp. 100–105.

<sup>47</sup> Aude Fleurant, Pieter D. Wezeman, Siemon T. Wezeman, Nan Tian, *Trends in international arms transfers, 2016*, SIPRI Fact Sheet, February 2017.

<sup>48</sup> Georg Koopmann, *German foreign economic policy in the age of globalisation*, in "The International Spectator", vol. 33, no. 1, 1998, pp. 79–99.

<sup>49</sup> Gerhard Schröder, *Abgabe einer Regierungserklärung durch den Bundeskanzler: Mut zum Frieden und zur Veränderung*, in *Deutscher Bundestag. Stenografischer Bericht*, 14 March 2003, pp. 2479–2493.

In less than a decade, the reforms transformed the German economy from the “sick man” to the “economic superstar” of European economy<sup>50</sup>. But at that time Germany also intensified its economic diplomacy. A characteristic element of state visits, especially in countries such as Russia or China, were big delegations of CEOs of the biggest German corporations<sup>51</sup>.

Schröder’s reforms made the German economy even more export-oriented than before. Exports were responsible for 24.8% of German GDP in 1990, but in 2008 they reached 47.5%. Germany also successfully improved its current account balance. In 2002 it had a surplus of 2% of GDP, and in 2008 it reached 5.3% of GDP<sup>52</sup>. In 2016 Germany achieved its highest trade surplus of almost USD 300 billion. The German trade surplus was the biggest in the world, well ahead of the Chinese surplus of around USD 200 billion. The magnitude of the German success, being responsible for a substantial part of global imbalances, became a problem for the global economy<sup>53</sup>.

The recent White Paper on German Security Policy, published in 2016, defines 6 national interests. Half of them are economic in nature:

1. Maintaining the rules-based international order on the basis of international law;
2. Ensuring prosperity for German citizens through a strong German economy as well as free and unimpeded world trade;
3. Promoting the responsible use of limited goods and scarce resources throughout the world<sup>54</sup>.

As the head of the Policy Planning Staff at the German Federal Foreign Office, Thomas Bagger argues: “the German commitment to European integration [...] is still very firmly established, in a sense almost canonical [...]. Preserving and advancing European integration is therefore [...] the expression of hard-learned lessons about Germany’s hard-nosed national interest”<sup>55</sup>. But Germany

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<sup>50</sup> Christian Dustmann, Bernd Fitzenberger, Uta Schönberg, Alexandra Spitz-Oener, *From sick man of Europe to economic superstar: Germany’s resurgent economy*, “Journal of Economic Perspectives”, vol. 28, no. 1, 2014, pp. 167–188.

<sup>51</sup> Michael Staack, *Deutschland als Wirtschaftsmacht*, in Siegmund Schmidt, Gunther Hellmann, Reinhard Wolf (eds.), *Handbuch zur deutschen Außenpolitik*, Wiesbaden, VS Verlag für Sozialwissenschaften, pp. 85–97.

<sup>52</sup> *Export generation: Germany*, “World Bank”, see: [http://siteresources.worldbank.org/ECAEXT/Resources/258598-1284061150155/7383639-1323888814015/8319788-1324485944855/06\\_germany.pdf](http://siteresources.worldbank.org/ECAEXT/Resources/258598-1284061150155/7383639-1323888814015/8319788-1324485944855/06_germany.pdf) (accessed on: 9.3.2018).

<sup>53</sup> *The German problem. Why Germany’s current-account surplus is bad for the world economy*, “The Economist”, 8.7.2017, see: <https://www.economist.com/news/leaders/21724810-country-saves-too-much-and-spends-too-little-why-germanys-current-account-surplus-bad> (accessed on: 9.3.2018).

<sup>54</sup> Die Bundesregierung, *Weissbuch 2016 zur Sicherheitspolitik und zur Zukunft der Bundeswehr*, Berlin, 2016.

<sup>55</sup> Thomas Bagger, *The “German Question” and the Nature of Leadership in Europe*, “Central European Digest”, 5.6.2013, see: [http://www.ditchley.co.uk/assets/media/Central%20Europe%20Digest%20June%205%202013\\_Bagger.pdf](http://www.ditchley.co.uk/assets/media/Central%20Europe%20Digest%20June%205%202013_Bagger.pdf) (accessed on: 9.3.2018).

does not focus exclusively on the Euro-Atlantic area anymore. German foreign policy has a global dimension. Germany wants and needs good relations with all countries in the world to support its economic interests<sup>56</sup>. The policy paper titled “Shaping Globalisation – Expanding Partnerships – Sharing Responsibility”, published in 2012, was a symbolic expression of the growing orientation toward new partners. In this document the German government expressed its approach to global politics and its interest in developing new partnerships with emerging powers. It acknowledged the need for better accommodation to the changing conditions of global politics and to the changing balance of power. The paper defined new players as countries that “in regional or international comparison, have significant economic clout or are experiencing strong economic growth, have demonstrated a clear determination to shape various policy fields, and furthermore, due to their influential role or their domestic circumstances, will in the medium or long term assume a key role in steering regional processes and shaping international and/or global governance”. The German offer was directed toward countries that “would like to enter into dialogue and cooperate in a spirit of partnership and equality to ensure that globalisation proceeds fairly and to find solutions to global challenges”<sup>57</sup>. Six areas for cooperation were indicated: human rights and the rule of law; economic and financial policy; resources, food and energy; employment, social affairs and health; and development and sustainability. Despite some accusations that the “New Players Concept” was a sign of a German *Sonderweg*, Robert Kappel argues that these accusations “lacked substance”. Germany is deeply embedded in the “West”, but “in a multipolar world, cooperation with new key players is of major importance for Germany’s geoeconomic strategy and foreign policy agenda”<sup>58</sup>.

### The “new German foreign policy”

The criticism of the German policy toward Libya opened a new age in the German foreign policy debate. The first signs of change could be observed since 2013. During the German Security Forum, the German Defence Minister Thomas de Maizière expressed the opinion that the German foreign and security policy needed to be much more active. He argued that Germany could not and did not

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<sup>56</sup> Ulrich Speck, *Berlin geht Konflikten nicht mehr aus dem Weg*, “Neue Zürcher Zeitung“, 8.8.2017, see: <https://www.nzz.ch/meinung/kolumnen/deutschlands-rolle-in-der-welt-berlin-geht-konflikten-nicht-mehr-aus-dem-weg-ld.1309737> (accessed on: 9.3.2018).

<sup>57</sup> *Shaping Globalization – Expanding Partnerships – Sharing Responsibility*, “Federal Foreign Office”, 2012, see: <http://www.auswaertiges-amt.de/cae/servlet/contentblob/616584/publicationFile/167919/Gestaltungsmaechtekonzep%20engl.pdf> (accessed on: 9.3.2018).

<sup>58</sup> Robert Kappel, *Global Power Shifts and Germany’s New Foreign Policy Agenda*, in “Strategic Analysis“, vol. 38, no. 3, 2014, p. 349; See: Jörg Husar, GüntherMaihold, Stefan Mair (eds.), *Neue Führungsmächte: Partner deutscher Außenpolitik?*, Baden-Baden, Nomos, 2009.

want to become a bigger Switzerland<sup>59</sup>. But the Federal President of Germany, Joachim Gauck, became a front man of change. In his speech on 3 October 2013, the “Day of German Unity”, he said: “Our country is not an island”, and he further asked: is Germany “fully living up to its responsibility towards its neighbours in the East, the Middle East and the Southern Mediterranean?”<sup>60</sup>

During the 50<sup>th</sup> Munich Security Conference, which was held from 31<sup>st</sup> January to 2<sup>nd</sup> February 2014, German political elites promised a more proactive foreign policy. The conference was opened by President Gauck, who used this occasion to argue in favour of stronger German military engagement. He declared that Germany’s “historic guilt” may not serve as an excuse to “look away” from global problems. He criticized those who used “Germany’s guilt for its past as a shield for laziness or a desire to disengage from the world”. At the same time, he clearly stated that a military intervention may only be an action of “last resort”<sup>61</sup>. Defence Minister Ursula von der Leyen and Foreign Minister Frank-Walter Steinmeier presented similar arguments as well. Von der Leyen argued that Germany had “the means and abilities”, meaning that it had “the responsibility to engage”. “To sit and wait is not an option”, she argued<sup>62</sup>. Steinmeier believed that Germany needed a new “active foreign policy” because “Germany is really too big to merely sit on the side-lines and comment on world politics”<sup>63</sup>. What is especially important is that the three speeches were well coordinated, indicating that a broader internal discussion between the key posts responsible for German foreign policy was taking place at the conference.

But were these speeches the beginning of a “new foreign policy” or only a correction? As Adrian G.V. Hyde-Price points out, “the three keynote speeches signalled a return to the course that Germany had been pursuing at the time of Kosovo and 9/11”<sup>64</sup>. The more active foreign policy should not be understood as greater readiness to use military force<sup>65</sup>.

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<sup>59</sup> Thomas De Maizière, *Den vernetzten Ansatz stärken*, in *Deutsches Forum Sicherheitspolitik. Konferenzband 2013*, 2013, p. 15.

<sup>60</sup> Joachim Gauck, *Speech by federal president Joachim Gauck to mark the Day of German Unity*, “Bundespräsident”, 3.10.2013, see: <https://www.bundespraesident.de/SharedDocs/Downloads/DE/Reden/2013/10/131003-Tag-Deutsche-Einheit-englischeUebersetzung.pdf?blob=publicationFile> (accessed on: 9.3.2018).

<sup>61</sup> Joachim Gauck, *Deutschlands Rolle in der Welt: Anmerkungen zu Verantwortung, Normen, and Bündnissen*, in “Europäische Sicherheit & Technik”, March 2014, pp. 11–14.

<sup>62</sup> Ursula von der Leyen, *Gleichgültigkeit ist für ein Land wie Deutschland keine Option*, in “Europäische Sicherheit & Technik”, March 2014, pp. 16–18.

<sup>63</sup> Frank-Walter Steinmeier, *Deutschland ist zu groß, um Weltpolitik nur von der Außenlinie zu kommentieren*, in “Europäische Sicherheit & Technik”, March 2014, pp. 21–22.

<sup>64</sup> Adrian G. V. Hyde, *op. cit.*, p. 604.

<sup>65</sup> Jan Techau, *Mehr Ambitionen wagen Was Deutschland wollen darf und können muss*, in “Internationale Politik”, no. 4, 2017, pp. 24–29.

## German geoeconomic strategy in practice

The implementation of geoeconomic strategy may be well observed on the example of Germany – Russia and Germany – China relations. Although the relations with Russia have a centuries-long history, they experienced a significant boost when Gerhard Schröder took power in Germany in 1998 and Vladimir Putin in Russia shortly thereafter. In contrast to previous decades, when the relations were multidimensional, since the beginning of the 21<sup>st</sup> century economic cooperation has become its central area<sup>66</sup>.

Since the 1970s, Germany perceived Russia as a stable and predictable supplier of natural resources, especially oil and gas. As in the early 21<sup>st</sup> century the prices of both resources rose dramatically, Russia proved to be sufficiently strong in financial terms to pay back old debts, including to Germany and German banks, as well as to start a modernization program of the economy, which offered German companies excellent export opportunities. In the first decade of the 21<sup>st</sup> century, German–Russian cooperation was fuelled by the growing Russian income from oil and gas exports and was based on the exchange of Russian natural resources for German industrial goods. The North Stream pipeline became the symbol of this partnership. The change of the chancellor in 2005 led to a change in the German policy toward Russia. Chancellor Merkel was less enthusiastic toward Russia than her predecessor, but the foreign office led by Frank-Walter Steinmeier pushed for the strengthening of bilateral relations. Despite this dual voice from Berlin, the economic relations developed well. The political elites in Berlin were hoping that the development of economic ties between Russia and Germany would not only serve German economic interest but also further the Europeanization of Russia (democratization, development of civic society, independent media, etc.)<sup>67</sup>.

These hopes have failed. The Russian intervention in Ukraine presents a turning point in the German policy toward Russia. Germany not only supports sanctions (mostly economic ones) against Russia but Chancellor Merkel plays an important role in establishing a united front against Russia in the EU. But this cooling down of the bilateral relations is limited in three ways. First, the German political class is divided as to which policy toward Russia is the right one. While the CDU generally supports Chancellor Merkel, her coalition partners from the SPD see sanctions as counterproductive. The foreign ministers Steinmaier (since 2017 Federal President) and Sigmar Gabriel consider sanctions inefficient. The three previous chancellors: Gerhard Schroeder, Helmut Kohl and Helmut Schmidt,

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<sup>66</sup> Angela Stent, *Russland*, in Siegmund Schmidt, Gunther Hellmann, Reinhard Wolf (eds.), *Handbuch zur deutschen Außenpolitik*, Wiesbaden, VS Verlag für Sozialwissenschaften, pp. 436–454.

<sup>67</sup> Kirsten Westphal, Aurélie Bros, Tatiana Mitrova, *German-Russian Gas Relations. A Special Relationship in Troubled Waters*, SWP Research Paper, 2017.

also expressed discontent with Merkel's Russia policy. Second, Russia is still an important economic partner for Germany. The current good economic situation makes it possible for the German government to accept the costs of sanctions for the German economy, but an economic recession or a substantial fall of market share in Russia might change this policy. Third, Germany has a strong pro-Russia lobby, commonly known as *Rußlandversteher*. That is why the hypothesis of a substantial and long-term change in Germany's Russia policy seems to be overestimated<sup>68</sup>. In the long run, the German government will try to reduce the costs for the German economy. The participation in sanctions against Russia does not mean that the German government has abandoned its faith in the possibility of long-term positive development of the relations with Russia<sup>69</sup>. The engagement of German companies in the Nord Stream II project, which should double the capacity of the Nord Stream gas pipeline, has symbolic value. The German government supports this project, prioritizing energy partnership with Russia over relations with the Central and Eastern European EU members<sup>70</sup>. It also negatively reacts to additional sanctions of the United States that could target the companies working on this project<sup>71</sup>.

The second example of the use of geoeconomic strategy by Germany is its relations with China. The common tradition of the governments of Kohl, Schroeder and Merkel has been to avoid any controversial topics (human rights, Tibet, democracy) in contacts with Chinese leaders. German policy toward China proved remarkably stable and focused on economic issues<sup>72</sup>. The Tibet resolution of the Bundestag in 1996 or the meeting between the Dalai Lama and Merkel in 2007 present a rare exception from this rule. In the aftermath of the suppression of the protests in Tiananmen Square in June 1989, Western countries introduced sanctions against China, but they immediately noticed that this strategy was impracticable, and most sanctions were lifted in 1991–1992. At the same time, the quickly growing Chinese economy offered excellent investment and trade opportunities. A network of institutions supporting Chinese–German economic relations was built and

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<sup>68</sup> Tuomas Forsberg, *From Ostpolitik to "Frostpolitik"? Merkel, Putin and German Foreign Policy towards Russia*, in "International Affairs", Vol. 92, No. 1, 2016, pp. 21–42; Marco Siddi, *German Foreign Policy towards Russia in the Aftermath of the Ukraine Crisis: A New Ostpolitik?*, in "Europe-Asia Studies", vol. 68, no. 4, 2016, pp. 665–677.

<sup>69</sup> Stephen F. Szabo, *Germany's Commercial Realism and the Russia Problem*, in "Survival", vol. 56, no. 5, 2014, pp. 117–128.

<sup>70</sup> Toivo Martikainen, Antto Vihma, *Dividing the EU with energy? Unpacking Russia's energy geoeconomics*, The Finnish Institute of International Affairs Briefing Paper, 2016.

<sup>71</sup> Florian Gathmann, Severin Weiland, *Deutschland und die Russlandsanktionen Operation Samtpfote*, "Spiegel Online", 26.7.2017, see: <http://www.spiegel.de/politik/deutschland/bundesregierung-zu-russland-sanktionen-der-usa-operation-samtpfote-a-1159829.html> (accessed on: 9.3.2018).

<sup>72</sup> Felix Heiduk, *Conflicting Images? Germany and the Rise of China*, in "German Politics", vol. 23, no. 1–2, 2014, pp. 118–133.

chancellors Schröder and Merkel have always taken a strong representation of the German industry on their state visits to China. Similarly, like in the case of German – Russian relations, the goal of the German policy was not only to support the German industry but also to influence the evolution of the Chinese political life and landscape through economic ties. Germany, however, has never tried to press China on any controversial issues. It preferred to transform China through good example<sup>73</sup>.

In the first decade of the 21<sup>st</sup> century, the economic exchange between Germany and China grew dramatically. Germany exported high value added consumption goods and machinery needed for the development of Chinese industry, while China supplied Germany with cheap consumption goods. The two economies were complementary. Both sides seemed to enjoy this cooperation, and Hans Kundnani and Jonas Parello-Plesner stated that this cooperation had a growing political dimension evolving toward strategic partnership<sup>74</sup>. In the last decade, the China – Germany cooperation was institutionalized. Since 2011, both governments have been holding consultations, and there is also an intensive dialogue between them in almost 60 dialogue formats, most of which are high-level meetings. In 2004 Germany and China signed an agreement on ‘strategic partnership in global responsibility’, and in 2014 the cooperation was raised to the level of a ‘comprehensive strategic partnership’.

However, the growing trade and investments in China began to show a negative side as well<sup>75</sup>. The German economy, especially its crucial sectors, became highly dependent on the Chinese market, and a discussion about overdependence on China started<sup>76</sup>. Still in 2012, Christoph Heusgen, the head of foreign and security policy department in the office of Chancellor Merkel, argued that the Germany–China partnership was based on economic similarities. He identified three of them: the structure of the two economies (both are export-oriented); the fact that the social stability of both countries is based on economic well-being; and the close economic ties or even interdependencies developed between the two countries<sup>77</sup>.

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<sup>73</sup> Christoph Schnellbach, Joyce Man, *Germany and China: Embracing a Different Kind of Partnership?*, CAP Working Paper, 2015, pp. 2–8.

<sup>74</sup> Hans Kundnani, Jonas Parello-Plesner, *China and Germany: Why the emerging special relationship matters for Europe*, ECFR Policy Brief, 2012.

<sup>75</sup> Paul Joscha Kohlenberg, Nadine Godehardt, *Chinas globale Konnektivitäts politik. Zum selbstbewussten Umgang mit chinesischen Initiativen*, SWP-Aktuell, 2018.

<sup>76</sup> *The Dangers of Germany's Dependence on China*, “Spiegel Online” 27.8.2010, see: <http://www.spiegel.de/international/world/beijing-s-high-tech-ambitions-the-dangers-of-germany-s-dependence-on-china-a-713478.html> (accessed on: 9.3.2018); Paul Carrel, *Once a source of envy. Germany's China exports turn into a risk*, “Reuters”, 26.8.2015, see: [www.reuters.com/article/us-china-economy-germany-analysis-idUSKCN0QV1MP20150826](http://www.reuters.com/article/us-china-economy-germany-analysis-idUSKCN0QV1MP20150826) (accessed on: 9.3.2018).

<sup>77</sup> Thomas Gutschker, *Zwei Streber*, in “Frankfurter Allgemeine Sonntagszeitung”, 2.9.2012, p. 10.

But since 2016, the Germany–China relations have deteriorated due to conflicting economic interests. There are three challenges. The first one is the still restricted access of German companies to the Chinese market. This topic has been intensively discussed for the last two decades, but very little progress has been made. German decision-makers increasingly perceive China as seeking to overtake Germany in terms of technology but not interested in a real partnership. In December 2016, German Ambassador in Beijing Michael Clauss expressed the view that German officials had a problem with encouraging German enterprises to invest in China because they feared that they were only treated as ‘useful instruments’<sup>78</sup> of the Chinese industry policy. Chinese investments in Germany, which were encouraged just a few years back, are currently seen as a threat for the German economy<sup>79</sup>.

The second issue that divides China and Germany is the market economy status (MES) of China. When China joined the World Trade Organisation in 2001, the other members promised that it would be granted MES within 15 years. The MES has a double meaning to China. On the one hand, it is a question of prestige, and on the other hand, it would limit the potential of the European Commission to introduce antidumping measures against Chinese companies. The question of MES divides the German government. Chancellor Merkel is ready to accept Chinese demands, but the ministry of economy sympathises with the steel industry, aluminium producers, the chemical industry and the machinery industry, which see themselves in danger. It argues that to get this status, China first needs to behave like a market economy. Although the decision about MES will be formally taken by the European Commission, the opinion of the German government will be crucial<sup>80</sup>.

The third issue that constitutes an important part of Germany – China relations is the future of international institutions, especially those that regulate international economic affairs. Although at the World Economic Forum in Davos in 2017, President of China Xi Jinping argued in favour of globalization, free trade, free flow of investments, win-win cooperation and presented himself as a supporter of global governance, the examples presented above show the difference between rhetoric and the reality of the Chinese economic policy. As François Godement argues, “China has been a free-rider on trade liberalisation and globalisation, with low levels of voluntary contributions to multilateral efforts”<sup>81</sup>.

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<sup>78</sup> *Deutschland droht China*, in “Frankfurter Allgemeine Zeitung“, 15.12.2016, p. 19.

<sup>79</sup> Thilo Hanemann, Mikko Huotari, *Eine Neue Ära Chinesischen Kapitals. Chinesische Direktinvestitionen in Deutschland und Europa*, Berlin, Merics & Rhodium Group, 2015; Cora Jungbluth, *Chance und Herausforderung. Chinesische Direktinvestitionen in Deutschland*, Gütersloh, Bertelsmann Stiftung, 2016.

<sup>80</sup> Agatha, Kratz, *China’s Market Economy Status: The all-out push for recognition*, ECFR, 2016.

<sup>81</sup> François Godement, *Expanded Ambitions, Shrinking Achievements: How China Sees the Global Order*, ECFR Policy Brief, 2017.



Table 2

German export to Russia and China 2001–2016, in 1'000'000 euro

Year	Russia	China
2001	10267,587	12118,124
2002	11373,665	14570,732
2003	12119,910	18264,544
2004	14988,042	20991,689
2005	17277,524	21234,784
2006	23362,721	27478,466
2007	28161,685	29901,996
2008	32312,356	34065,263
2009	20620,899	37272,516
2010	26354,293	53790,876
2011	34458,754	64863,142
2012	38103,300	66746,137
2013	35801,599	66911,597
2014	29223,440	74368,812
2015	21647,367	71283,745
2016	21572,076	71283,745

Source: www.destatis.de.

## Conclusions

As described above, German foreign policy follows the principles of geoeconomics. It is dominated by business interests. In the 21<sup>st</sup> century, Germany has strengthened its ties with the quickly growing emerging markets, trying at the same time to stabilize the eurozone, which is still its principal market. Geoeconomic strategy also reduces the importance of any moral aspects in foreign policy, putting into question the utility of the concept of “normative power” for the analysis of the German foreign policy.

Since the early 21<sup>st</sup> century, Germany has consequently built its international position as a geoeconomic power. It has been keen to export weaponry, but it has not been keen on using it. The intense discussion on the role of military instruments in foreign policy reflects facts only to an unexpectedly low degree. First, the readiness to send German troops abroad is very low in the German political class. Supporters of a more active German foreign policy also perceive the military as an instrument of “last resort”. Second, this refusal to use the military as an instrument of foreign policy is reflected in the level of military spending. As a percentage of GDP, German military spending is among the lowest in NATO. Since the early 1990s, the German government has enjoyed a peace dividend.

The demilitarization of the German foreign policy is a consequence of the strategic pivot toward geoeconomic strategy. Foreign policy should support German companies in their global expansion, in the fight for markets, and help keep

employment at home. Foreign policy was employed to serve the German economy. The idea of German politicians is not warfare but welfare. As shown by the cases of the relations with Russia and with China, the development of economic relations should also influence the politics of the partners. But this goal is of secondary importance and is rather vague. A major group of German politicians are ready for a far-reaching compromise in exchange for economical favours.

The effects of this policy are mixed at best. Russia's policy has changed in the last two decades but the change took a different direction than what Germany had expected and hoped for. Russia is ready to pay an economic price to achieve political goals. The sanctions imposed on Russia following its annexation of Crimea have not changed its policy. Due to its dependence on Russian energy supplies, Germany is also not keen to further increase the sanctions. It is not ready to risk long-term prospects for cooperation, especially in the gas sector. Furthermore, the strong pro-Russia lobby in Germany put the future of the current German policy toward Russia in question. A closer look on Germany – Russia relations shows that Germany is playing a geo-economic game and Russia – a geopolitics game. What is more, the economic engagement has brought mixed results. The Russian economy is still dependent on energy exports. The growth rate of the Russian economy follows the oil prices, and the same happens with German exports to Russia.

The geoeconomic strategy of Germany toward China brought mixed results as well. The German influence on the political and economic decisions of the Chinese government has been neglectable. The German expectations in this area were also limited. What is crucial for the German government is the speed and nature of the modernization of the Chinese economy. Many German companies have achieved tremendous success in the Chinese market. But at the same time, in many cases they have helped their own competitors achieve international competitiveness by supplying them with modern technology, capital and managerial skills.

The geoeconomic strategy implemented by the Schröder government in the early 20<sup>th</sup> century and continued by three Merkel governments brought mixed results. Germany is not able to exercise influence on the politics of great powers. The geoeconomic strategy has helped to support local industry, raise export, employment and wealth of the German society. But other countries successfully implement geoeconomic strategy as well, and China is one of them. These relations seem to offer an interesting case study for the evolution of geoeconomic relations.

## **GERMANY: THE RISE OF GEOECONOMIC POWER AND ITS LIMITS**

*(Abstract)*

Since the unification of Germany on 3 October 1990, German governments have been looking for the right foreign policy. The issue of continuity and change has been

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permanently discussed. Since the early 21st century, Germany has adopted a geoeconomic strategy.

The goal of this paper is to evaluate the rise and limits of the German geoeconomic strategy in the 21st century. How effectively did Germany use international cooperation to increase national prosperity and to transform its economic strength into political power? I argue that geoeconomic strategy is an important support for the German economy and helps increase economic well-being in Germany, but that it did not increase Germany's influence on the politics of great powers.

*Keywords:* Germany, geoeconomics, power, economy, Russia, China.