

# Germany and the New Global Order: The Country's Power Resources Reassessed

Written by Rainer Hillebrand

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The multilateral, rule-based system of global governance is increasingly under pressure. Multilateral trade talks under the auspices of the World Trade Organisation (WTO) have stalled, while discriminatory bilateralism, economic nationalism and protectionism flourish, leading to a more fragmented world economy. The Paris Agreement on climate protection – though a huge multilateral success with 197 signatories – is jeopardised as the USA, the second biggest greenhouse gas emitter worldwide, has decided to withdraw by 2020. Important regional anchors of stability such as NATO and the EU appear more fragile, with leading figures questioning their viability or even resigning from membership. More fundamentally, the ideal and foundations of the liberal world order seem to be challenged, an order in which countries cooperate via multilateral institutions based on shared values such as democracy, open markets and the international rule of law (Maihold 2018).

First and foremost, a global shift in power is undermining this existing liberal order, which was established in the West after World War 2 and expanded to other parts of the world after the end of the Cold War in 1989/90, still under Western leadership. Countries such as China, India, Brazil and Russia, among others, have emerged politically and economically, demanding more votes and/or seats at the table in institutions such as the UN Security Council, International Monetary Fund (IMF) and World Bank. They use their influence to re-calibrate the normative cornerstones of the liberal system by re-interpreting concepts such as human rights, market economy and the right to self-determination (Boyle 2016:49). Some emerging countries have started to establish alternative structures, for instance the BRICS' New Development Bank and the Contingent Reserve Arrangement, institutions that mirror the World Bank and IMF. Moreover, they are operating more pro-actively and unilaterally, as reflected by China's strategic initiatives in Africa and Asia. All these developments result in a polycentric rather than a Western-dominated world as hitherto, not least because the traditional 'rule-takers' and aid receivers in the developing world can now turn to alternative powers and thereby evade US and European dominance (Boyle 2016, Hillebrand 2019).

In addition, political change in many Western countries has weakened the idea of multilateralism. Some political actors blame neoliberal globalisation, and the multilateral institutions that represent it, for undermining democratically legitimised policies, such as fair corporate taxation and high social and environmental standards. Others engage in populist 'identity' politics, pushing for anti-liberal, pro-nationalistic courses. They discredit multilateral compromises and time-consuming negotiations, bemoaning the loss of national sovereignty. Concomitantly, a new type of political leader has assumed power: one that seems to focus on a narrowly defined national self-interest and zero-sum outcomes rather than the shared benefits of global public goods. Accordingly, short-lived flexible power coalitions are favoured over long-term, strategic alliances; and populist power demonstrations, geared toward national audiences, replace restraint and moderation, as demonstrated, for example, by US-President Trump's approach to the trade conflict with China where public threats seem to dominate over functional diplomacy.

Against the background of these developments, I intend to investigate Germany's potential for (future) leadership by taking a fresh look at the country's power resources. My key argument is that Germany, despite some weak spots, for example in military concerns, has certain resources to exert power, primarily in economic affairs and within Europe. However, even these existing strengths cannot be taken for granted in a changing world, so that the country needs to invest in its power resources in order to bolster its leadership potential.

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This paper contributes to a broader political and academic debate about Germany's role in international affairs, as demands have been made on the country to be more actively engaged in protecting and (co-)leading the liberal world order. More specifically, Germany has been expected to take on greater responsibility in international conflicts such as in Libya, Syria and Iran or on issues such as climate change, international terrorism and protectionism (Larres 2018, Szabo 2017, *The Economist* 2017, Giegerich and Terhalle 2016). In Europe, calls for German leadership have emerged in the context of the Ukraine conflict, the refugee and especially the Eurozone crises (Bruno and Finzi 2018). In fact, *Time Magazine* chose German Chancellor Angela Merkel as 'Person of the Year' 2015, presenting her as 'Chancellor of the Free World' (Vick 2015).

So far, Germany's commitment has been mixed (Giegerich and Terhalle 2016, Matthijs 2015, Schoeller 2017): in the Syrian war, the country has largely stayed on the sidelines. It acted, however, in concert with the permanent members of the UN Security Council to strike a nuclear deal with Iran, although it refused to get involved in military observation missions in the Strait of Hormuz, a major international waterway, which is one of the hotspots in the growing tensions between Iran and the West. In the Ukraine crisis, Germany took the diplomatic lead in tandem with France and brokered a deal between Russia and the Ukraine, which contained but did not solve the conflict (Fix 2018). The country pressed ahead in the 2015 refugee crisis, abrogating the EU's already infringed Dublin regulation, and accepting hundreds of thousands of refugees, although it had to backpedal as many other EU members refused to follow. In the Eurozone crisis, Germany made use of its economic and financial power to save the Euro but was criticised for acting 'too late' and 'too little', leaving the burden of make-or-break rescue measures to the European Central Bank (ECB), which took on the role of the lender of last resort (Schoeller 2017, Hillebrand 2015). Consequently, Germany has been labelled a 'regional hegemon' (Crawford 2010), but also a somewhat 'reluctant hegemon' (Paterson 2011). Others have called Germany a 'geo-economic power' (Szabo 2017, Kundnani 2011), a country that pursues its economic interests with economic means but does not pull its weight in security and defence matters.

In what follows, I elaborate on the conceptual framework of power resources first, before applying the concept to the case of Germany.

## Conceptual Framework

Power is a prerequisite for influence and leadership (Krotz and Schild 2013:22). Without power, or at least the perception of power, a country cannot convince, nudge or compel others to change their behaviour in the desired way. Power, in turn, depends on various resources, which, at a theoretical level, can be distilled from different International Relations schools (see diagram; Tallberg 2008, Krotz and Schild 2013, Schoeller 2017, Barnett and Duvall 2005):

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- Firstly, from a *realist* perspective, powerful countries dispose of 'hard', material resources, which at the aggregate level include territory, population, economic strength, energy, capabilities, technological development, political stability and administrative capacity' (Tallberg 2008:689). States with great aggregate power can 'coax and cajole weaker parties into submission through threats and promises' (Tallberg 2008:689), using economic and/or military means to incentivise or coerce. They usually have a broader range of options and can commit more resources to a policy course. While a high overall power score can be attributed to traditional superpowers, some countries possess material power just for specific policy issues such as the economy or the military, or they are powerful only within their specific region. For instance, an economically strong country with little or no military capabilities will have influence in international economic affairs but less so in questions of war and peace.
- Secondly, countries gain power through *institutional* positions and rules in international organisations, for instance via (permanent) membership in the UN Security Council (with veto power), whenever unanimity is required or in the rotating presidency of the EU Council of Ministers. Thus, despite being far less populous than India, the UK has a permanent seat in the Security Council and, consequently, more power when it comes to passing UN resolutions. Similarly, small EU member states increase their influence when unanimity is required or when they gain informational advantages from being the EU Council chair, setting the agenda or controlling legislative procedures. Furthermore, filling posts in international organisations with one's own citizens helps gain influence and access to information.

Institutional power does not only work inwardly, i.e. through positions or mechanisms inside the organisation, but also as a tool to project state power at global scale (Barrett and Duval 2005). By shaping the rules and policies of an international organisation a country can indirectly boost its power. Larres for example sees global US influence as rooted in US-dominated international institutions such as those of Bretton Woods, the UN and NATO, which promote US values such as 'democracy, capitalism and a liberal social order' (2015:24). Thus, the USA managed to create an informal Western empire, in which it has taken the lead and exercised control, without territorial annexations of, or formal authority over, its allies (Destradi 2010:910).

- Thirdly, from a *constructivist* perspective, non-material, soft power adds to a country's power resources. Leadership legitimacy and a good reputation create trust and thus make others follow more willingly. The same holds for convincing ideas and visions about future developments. Soft power also depends on the individuals that represent states in the international arena. Personal authority and expert knowledge help politicians augment their country's capabilities by earning co-negotiators' trust and respect, which, in turn, might make it easier to convince others and form coalitions. The domestic political situation can also play an important role. On the one hand, it might be helpful for governments to have broad domestic support, as it gives them leeway in negotiations. On the other hand, a critical audience at home might be used as a threat in international talks. For instance, a Eurosceptic electorate helped UK governments in the past to receive concessions in EU negotiations, such as the UK budget rebate and the opt-out from having to introduce the Euro (Fioretos 2001).

While aggregate and issue-specific hard power resources seem most significant in explaining a country's influence, institutional and soft power are not alternative, but complementary resources. For instance, 'material' middle powers might win influence relative to their size when the international institutional set-up benefits them, or their political leaders gain respect owing to their diplomatic skills.

Yet, power resources alone do not guarantee leadership and influence. Whether a country actually exerts power, how and for what purpose, depends on the specific situation (Maull 2018:474). The nature and occurrence of crises; the government strategy; the willingness to apply power resources; and the existence and behaviour of other leadership contenders and potential followers are all critical variables for the exercise of power. What is more, power resources vary over time and with the issue at hand. To assess a country's leadership capabilities, however, it makes sense to analyse basic power resources as a necessary qualification for leadership.

## Germany's Material Power Resources – the Realist Perspective

An assessment of Germany's hard power resources reveals a mixed picture (see table below). In terms of population, the country ranks first in the EU and 17<sup>th</sup> worldwide, naturally endowing it with influence, at least in Europe. Its location and territory in the heart of Europe also give it importance. Most significantly, Germany's power rests on its economy. Among its high-income peers, Germany ranks among the top in terms of GDP and GDP per capita. While the country was called the 'sick man of Europe' less than 20 years ago, labour market and tax reforms, wage restraint and outsourcing to low-wage countries helped the German economy get back on track and weather

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the Great Recession well, with unemployment rates at a record low of 3.4 percent in 2018 (Eurostat 2019a). The country's important 'Mittelstand' (SMEs) generated many so-called 'hidden champions', i.e. mostly family-owned companies with brands generally unknown to the public, but with technological leadership and high visibility in their global market niche. One of the most important indicators for Germany's economic success is its huge current account surplus, although it is also a key point of international criticism. Still, from a German perspective, it signifies businesses' competitiveness, the potential for saving and size of assets held abroad. Hence, public finances are in a good shape in terms of budget surpluses, relatively low gross public debt levels and capital market ratings, so that the government could easily mobilise financial resources, for instance in the event of a major economic downturn.

Germany also benefits from political stability. Its eight heads of government since 1949 have held office for an average term of 8.5 years. In this period, most other Western countries have experienced a higher turnover in their political leaders: 13 US presidents, 16 UK prime ministers, 10 French presidents and even 29 Italian prime ministers. China has seen six paramount leaders, and the Soviet Union/Russia six secretaries-general/three presidents. Although political fringes have grown recently, with the right-wing *Alternative for Germany (AfD)* on the rise, the still dominant political parties – conservative *CDU/CSU*, social democrat *SPD*, the *Greens* and liberal *FDP* – agree on the principles of many foreign and European policy issues, including Germany's EU and NATO memberships as well as open borders (*The Economist* 2017). Despite important differences, there is a basic consensus regarding the specific German variant of capitalism, so-called *Ordoliberalism*, an economic school that stresses rules over discretionary economic policies and the supply side over demand management (Hillebrand 2015). This stability has given German chancellors a solid ground – within the boundaries – from which to argue and act in international affairs.

Despite these strengths, Germany's power potential shows limitations. Admittedly, Germany was the fourth biggest arms exporter in the world between 2014 and 2018 (see Table 1). But with respect to its military resources, the country is relatively weak. Unlike other comparable nations, it does not possess any means of nuclear deterrence and its armed forces are relatively small and badly equipped (see table above), not least owing to the low share of military expenditure, a constant point of criticism for NATO partners. In contrast to the USA and most of Asia, Africa and Latin America, Germany – like other European countries, Japan and China – is undergoing considerable demographic change, with an absolute population decrease of 3.6 percent estimated for 2050 relative to 2017. Low birth rates also involve an ageing population: in 2050, the global median age is projected to be 36.2 years, while Germany's will be 49.2 years (population data: UN DESA 2019). A declining, ageing population implies a stark shift away from European influence, and it casts a poorer light on Germany's relatively solid public finances and its economic growth potential, given the expected decrease in aggregate demand, tax revenue and labour force.

As revealed by the sharp decline in industrial production, exports and GDP growth rates since mid-2019 (*The Guardian* 2019), Germany's export-led growth model might also turn into a liability. The economy greatly depends on foreign demand, for instance from the USA and China, respectively the first and third destinations of German exports in 2018 (Destatis 2019). These markets have become less open to German goods, given the rise of protectionism, the cooling-down of China's economy and its strategic turn to become a major provider of high technology itself, and thus a competitor rather than a receiver of German high-tech. In the EU, Single Market legislation guarantees free trade, but ongoing macroeconomic imbalances in the Eurozone eventually require rebalancing, with less exports/more imports for Germany. Yet, domestic demand has only picked up slowly, after having been subdued owing to high unemployment (with an average rate of 8.8 percent between 1995 and 2010; Eurostat 2019a), low wage growth, fiscal retrenchment and sluggish public and private investment. The investment gap is the flipside of the huge export surplus and concomitant capital export, resulting in a deterioration of public infrastructure and the economy's capital stock. Germany also heavily depends on open markets on the import side, caused by the internationalisation of many companies' supply chains and the lack of natural resources, especially energy. Energy imports make up two thirds of the country's energy needs (Eurostat 2019b). Consequently, a more strategic or politically loaded approach by nations exporting natural resources would hit Germany particularly hard, for instance with respect to Russia's oil and gas deliveries, and China's deposits of minerals such as rare earths or, increasingly, its grip on African resources.

Looking ahead, the German economy seems vulnerable at the structural level too. Industries such as automotive, mechanical engineering, chemicals and electrical equipment have thrived until recently, but rest upon basic innovations from the last century or even before. For decades, long-established companies have managed to bring their products to perfection through incremental innovation, a strategy that has been the foundation of the country's comparative advantage. The Diesel scandal, however, where car manufacturers manipulated engines to seemingly conform to environmental standards, shows that producers in one of Germany's key sectors have serious difficulties with satisfying consumers' demands and legal requirements. Moreover, Germany is comparatively weak in industries with cutting-edge technologies of the 21<sup>st</sup> century. There are relatively few, if any German companies in sectors such as genetic engineering, e-transport, data services and information technologies that can shape international markets and set global standards. Hence, it seems as if Germany's industrial base, its economic backbone, is faltering with severe consequences for the whole economy.

To sum up, while Germany's aggregate structural power is constrained by its weak military capabilities, demographic challenges and potential economic vulnerabilities, the country (still) commands significant power resources in two fields: economic affairs and in Europe, especially the EU.

### **Institutional Power**

Germany's most important institutional power resources lie in the same areas as the material ones. While the country has not managed to get a permanent seat in the UN Security Council, which focuses on foreign policy and security issues, it has played a significant role in the key organisations of the post-1945 global economic and monetary order, i.e. the IMF, World Bank and GATT/WTO (Kahler 2016). In the IMF and World Bank, Germany holds the fourth largest voting power with 5.32 and 3.96 percent, respectively, after the USA, China and Japan. In the two main decision-making bodies – the IMF Executive Board and the World Bank's Board of Directors – Germany occupies one of the few permanent director posts, whereas most other countries are pooled in multi-country constituencies. Together with other Western countries, Germany can block quota reviews, i.e. changes in the organisations' financial and decision-making governance. Traditionally, the IMF Managing Director and the World Bank President have respectively been a West European and US-American, with a German at the IMF helm from 2000 to 2004.

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In addition, the country is a member of the G7 and G20 forums of heads of state and government, which bring together the biggest industrial and emerging economies. While these networks do not have formal decision-making power or financial resources to spend, they arguably play a key role as a 'steering committee for the world economy' (Schirm 2013:687). For instance, the G20 shaped the 2010 IMF quota reform and paved the way for the Basel III Accord on financial market regulation, which the formally responsible Basel Committee subsequently approved (Schirm 2013). Membership in these forums grants access to information and deliberation, and it opens the chance to form coalitions with others to prevent or push for international economic policies. In addition, their rotating presidencies allow for influence via agenda-setting. During its G8 presidency in 2007, Germany nudged its peers to accept the scientific results of the International Panel on Climate Change, according to which climate change is very likely to be anthropogenic and, therefore, requires binding CO2 reduction targets (Bundesregierung 2007). At the G20 level, Germany has sided with China, Japan and other net exporters to resist the pressure from trade deficit countries such as the USA, which have demanded political action to cut surpluses.

Apart from economic affairs, Germany can draw on substantial institutional power in the EU. First, Germany managed to 'upload' some of its governance preferences to the EU level (Miskimmon and Paterson 2006). This holds specifically for the Eurozone, where the independent, price-stability oriented ECB, the 'no-bailout' clause and the Stability and Growth Pact mirror Germany's *Ordoliberal* economic paradigm (Matthijs 2016:142). By institutionalising its preferences at a European level, Germany has – at least in principle – been able to set the boundaries for future monetary and fiscal policies; albeit with a mixed outcome so far, given the ECB's very loose monetary policy and several Southern EU countries' high debt levels in recent years. Second, Germany is the most populous EU member state with a population share of 16.13 percent in 2017 (for absolute data see table above), a fact that directly translates into political power. The country possesses the largest number of European Parliament seats, amounting to 96 out of 751. At least formally, it has the biggest influence in the Council, where population size matters: member states representing at least 65 percent of the EU population must back decisions. This, in turn, implies that Germany is the only member in need of just three partners to be able to reach the 35.1 percent threshold to block Council decisions. Third, Germany is the largest contributor to EU finances and thus in a position to make or break financial deals. This showed during the Eurozone crisis, as Germany was the critical country with sufficient means and trust from capital markets to facilitate a bail-out scheme for other Eurozone members.

Between 2008 and 2018, the German government managed to increase the number of Germans in professional or leading positions in international organisations and EU institutions from approximately 5,500 to 8,000 (Deutscher Bundestag 2019). In the IMF, for example, Germans constitute the third biggest national group among managerial staff (IMF Staff Grades B01-B05), following the USA and UK, and the sixth biggest at a professional level (Grades A09-A15) (Deutscher Bundestag 2019:20). In the World Bank Group, the share of German staff has remained unchanged, while the number of Germans in higher levels of management has increased (Deutscher Bundestag 2019). In the WTO, Germans constitute the sixth biggest national contingent of professional and directorial staff (WTO Grade 6 or above) and fill one in four deputy directors-general positions (Deutscher Bundestag 2019:7). Having staff at the managerial and professional level provides Germany with valuable multi-level connections to international organisations, allowing for access to information and the export of German policy perspectives (such as *Ordoliberalism*), which, in turn, are likely to shape future actions.

Despite these successes, recent trends in international politics cast a poorer light on Germany's institutional power resources. Indeed, Germany is well represented, and even partly over-represented, in those multilateral economic and monetary institutions that constitute the Western liberal order. However, these very institutions are losing efficacy and significance. As mentioned above, emerging countries demand a bigger say or bypass these institutions by establishing alternative institutions such as the BRICS' New Development Bank or by acting unilaterally, like China with its 'Belt and Road Initiative'. Similarly, some leaders have reverted to unilateralism at the expense of cooperation and multilateralism. All this undermines German power through multilateral institutions, owing to their diminished importance and fewer partners with similar values and interests in international cooperation (Maihold 2018).

Similarly, being the biggest EU member state does not necessarily guarantee shaping power within Europe or globally. Within the EU, Germany or a group of countries can only take the lead if the other member states are willing to follow. This requires from every member the willingness to compromise and comply with EU-legislation, even if it

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voted against such legislation in the EU's Simple or Qualified Majority voting. A positive example is Brexit: so far, the EU-27 have been able to find and maintain a common position vis-à-vis the UK, giving them bargaining power, although Brexit itself will weaken the Union. EU member states have also unanimously supported sanctions against Russia in the Ukraine conflict. By embedding sanctions in a European context, Germany was able to increase pressure on Russia (Fix 2018: 506).

In many other policy fields, however, the EU seems to find it difficult to agree and enforce common policies, for instance regarding migration and border control; the institutional future of the Eurozone; the protection of democratic and constitutional values; and dealing with foreign influence from China or Russia on European affairs. While EU history shows that finding common ground among member states has often been difficult, the increasing populism and return to nationalistic politics bode particularly ill for the EU's future ability to compromise. Indeed, even if the EU managed to speak with one voice, Europe's global impact on preserving the liberal world order would diminish, given the decline in Europeans' share of the global population from 9.8 percent in 2018 to 7.3 in 2050, while Africa and Asia will reach shares of 25.6 and 54.3 percent respectively (UN DESA 2019). A similar shift is bound to happen in the economic realm, where instead of the EU and the USA, China and India will clearly get ahead in terms of GDP (PwC 2017).

Overall, Germany has considerable institutional power resources to deploy in international economic affairs and the EU. However, the decline of multilateralism and the diminishing interest of many governments in cooperation undermine these power resources significantly.

## Non-material and Soft Power Resources

A third type of influence results from non-material soft resources, including legitimacy, expertise, ideas and the trust possessed by a country and its representatives. Here, Germany again scores highest in economic and intra-European affairs, while it lacks authority in international security and defence matters, given its hesitant and reluctant approach. The credibility the country commands in economic affairs results primarily from its own solid economic and financial performance, enabled by the budget, labour market and welfare reforms of the 2000s. Top ratings in financial markets, ahead of all other major economies except for Canada and Australia, confirm this. In the Eurozone crisis, Germany managed to put its mark on crisis policies through the paradigm of 'money in exchange for reforms', with a focus on *Ordoliberal* supply-side reforms and fiscal austerity, rather than Keynesian demand management (Hillebrand 2015; Matthijs 2016). Success – and the financial means that come with it – made it easier to convince others to follow German leadership.

In Europe, Germany has accumulated trust through *Vergangenheitsbewältigung*, the country's approach to working through its Nazi past, and a general policy of restraint in military affairs. Owing to historical and cultural ties, it has acted as a bridge between Eastern and Western Europe, having often been perceived as the advocate for smaller EU member states. Since the beginning of European integration, the country has taken a pro-EU stance, as evidenced by its involvement in all major EU integration projects, the electorate's and civil society's generally pro-EU consensus and the government's willingness to accept the paymaster's role (Matthijs 2016:141). In recent years, however, German governments have faced headwinds. Chancellor Merkel had difficulties in getting the Greek rescue packages through parliament, and the rise of the EU-critical *AfD* to become the biggest parliamentary opposition party in the *Bundestag*, since the 2017 elections, weakens the pro-EU consensus. Still, unlike UK governments, Germany has never had the option to use an EU-critical electorate to bargain for rebates or opt-outs of EU integration.

Further, parts of Germany's institutional set-up function as a source of strength. The critical role of the German parliament in European affairs and the pro-integration constitutional court constrain executive power and thereby 'function as a credible commitment' (Schoeller 2017:11) to Europe. The political stability and long tenure of leading politicians grant seniority in EU and international negotiations, based on authority, expertise and experience regarding legal procedures, past decisions and co-negotiators' preferences (Tallberg 2008:701). Chancellor Merkel, who has been in office for almost 14 years, is a textbook example. Owing to the federalist constitution and the electoral system of proportional representation, federal governments traditionally consist of coalitions of several

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political parties, which must also often find consensus with the first chamber of parliament, the *Bundesrat*. The latter represents the 16 states and is frequently in the hands of the opposition parties. In fact, a top-down governmental approach is nearly impossible and German leaders need 'the skills of coalition building, of leadership by consent, of negotiating patiently and persistently' (Maull 2018:463). All these are characteristics intensely required in international and especially EU diplomacy.

Depending on the specific case, however, these aforementioned strengths can also turn into weaknesses. An ailing economy would impair Germany's success-based legitimacy and reduce the appeal of its economic paradigm of *Ordoliberalism*. Germany is also somewhat unique among great powers in that its electorate is mostly unsupportive of foreign military operations and a pro-active role of Germany in international conflicts more generally (Giegerich and Terhalle 2016, Maull 2018). In contrast to authoritarian governments, a democratically elected government cannot ignore public opinion and the position of a vibrant civil society without cost (Boyle 2016:44). What is more, German governments need parliamentary approval for any military deployment, which guarantees democratic justification, but slows down and complicates the participation in joint military actions. German chancellors are also usually constrained by their coalition agreements and the fact that they must consider more than their own political party, as demonstrated by Germany's abstention in the European Council vote on the new European Commission President in July 2019, despite the candidate being a German national.

## Conclusion

Overall, Germany has benefited from the global and European liberal order. The economy has prospered in a regime of increasingly open borders (Langhammer et al. 2017), and the multilateral provision of security, primarily through NATO and within the EU, has allowed the country to reduce military spending significantly after the end of the Cold War. Therefore, it is in Germany's interest to preserve the multilateral status quo. The crisis of the rule-based order and the absence of strong liberal leadership, however, challenge the country to become more active internationally, beyond the present provision of funds, diplomatic skills and limited military deployment. Whether Germany can supply such leadership depends on the country's power resources, although other variables are critical, too, such as the nature of crises, the country's strategic goals, its political leaders and the availability of other leaders, partners and followers.

Some of Germany's power resources are essentially fixed, or at least difficult to alter. Thus, the country's and Europe's negative demographic outlook and the shift of economic and political power from West to East will be hard to reverse, while the necessary adaptation of multilateral institutions and the concomitant abandoning of privileges will have to be accepted, for example, concerning voting rights and posts. Further, the global wave of populism, the re-emergence of nationalism and the zero-sum mentality of many new leaders are recent developments, of which Germany is neither completely exempt, nor powerful enough to overturn them unilaterally.

Nevertheless, Germany could refine and strengthen other power resources, thereby maintaining or even increasing the basis of its global and European influence. First, as the government has already envisaged, the country would have to invest more in its own security and defence. More specifically, it would have to increase its military spending, as already promised to NATO; strengthen European defence systems; and publicly debate the necessity and degree of support for the military in times of American retreat. Second, Germany will have to modernise its economy. Public and private investment in infrastructure, digitalisation, social balance, education and training are as important as research and innovation to maintain economic and thus financial capabilities. It also requires a more flexible economic policy approach, especially concerning the Eurozone, and a rebalancing of the export-led growth model. Less reliance on foreign demand and – with energy transition toward renewables – less need for energy imports would raise the country's independence and its legitimacy as an economic role model. Third, it is in Germany's vital interest to strengthen the EU as a guarantor of peace and stability in Europe and a means for influence in the concert of global great powers. This comprises the willingness to reform and transfer sovereignty from the national to the European level in certain policy areas such as defence, asylum/migration, energy and, at least partly, the Eurozone. It also entails fostering diplomacy and relationship networks with like-minded smaller and medium-sized countries in Europe and beyond.



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By strengthening its power resources, Germany can lay the foundations for more active leadership and the exercise of power. This would be in the interests of the liberal world order, and thus of its own interests.

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