

GERMANY WILL END OR REVAMP THE "EURO GAME"?

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Almost five years after the debt crisis had stricken Europe and still counting, the European policy makers until today struggle to tackle it. The crisis revealed the weakness of the ECB, the interconnection of banks and national states and most of all, the lack of solidarity among EU partners. Moreover, the crisis put Germany in the leading seat as the single more powerful state of the EU. The upcoming months will define the viability of the common currency and of the EU project.

Thus, German elections are rightly considered as a benchmark for clarifying the EU's future. The results on 22 September 2013 confirm the omnipotence of Christian Democratic Union in Germany with 41.5 %, the best in 23 years. The Germans applauded the positions and policies of Merkel's in European issues over the past few years and rewarded her for leading the country largely untouched through the crisis. The whole European system was at the pit stops in the months before the German elections, verifying the dominant role of Germany in the EU. Now is the time for major changes at EU level.

The power position of Germany must be better grasped. First of all, Germany has the biggest economic size of the EU's since it possesses over 20% of the EU's overall GDP. It performs better in terms of growth (almost 1.5% in 2013) from most EU countries and has low unemployment rates (approximately 5%). Moreover, German hegemonic position emerges from its ability to lend countries in trouble. But most of all, it rises from the economic, political and social weakness of other traditionally powerful member states such as Italy and France, as well as those binding by Memoranda of Understanding, to take initiatives and guide the EU. Consequently, the balance of power tilted to Germany, which is currently faced with serious challenges.

The first and probably the most painful issue for Germany is the Greek case. The understanding that Greece would never be able to fully repay the gigantic amounts of debt along with emerged calls for another debt relief to Athens in combination with a third bailout is a thorny issue for Berlin. The different views of the consisting parties of the troika (EC, ECB, and IMF) if they should take losses on their existing bailout loans create clashes among partners. Greece Prime Minister Mr. Samaras insists that the new aid package has to be given without any further requests from the troika. A promise that he will probably will not be able to keep, with a political upheaval lingering.

Another issue is the forthcoming leave of Ireland from the bailout program in December and the need for an exit strategy. This will help easing the risks for bouncing in since its public debt is expected to reach 123% of GDP this year and its deficit is projected to be 7.5 %, Europe's highest. A second bailout will probably need to be agreed with Lisbon as well, since both Portuguese borrowing costs and needs remain high.

An additional challenge that hopefully would help stopping the crisis is the creation of an EU banking union. EU has to push the procedures to complete the banking union. Now is more evident than ever that ailing banks could take down sovereign states. Policy makers finally realized the need to create an EU banking union. The peculiar form (especially the inability to take over national debt reducing the sovereign risk) marginalizes the ECB. The creation of a powerful authority/institution to help with the resolution and restructuring of insolvent bank is imperative. However, Germany opposed to a strong centralization of power without changes to EU treaties.

All the above and other mushrooming risks and problems started to defreeze after the verdict of the general elections in Germany. Some countries, especially in the periphery, complain that Berlin is dictating the European agenda. On the other side, other countries point out that Germany should act more decisively in order to pull Europe out of the crisis. The reality is that the tough austerity measures imposed in trouble countries has failed. Germany

should rethink and rebalance growth over austerity in order to boost the economies of the periphery.

At this juncture where there is growing skepticism on whether the "euro game" is coming to an end, the new coalition in Berlin has to take ambitious initiatives and create the righteous conditions to take the European integration to the next level. In a snapshot, Germany as the leading power of the EU should take a more constructive stand especially to trouble countries and to start an in-depth debate in order to put the euro project on tracks.