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Transcript

UNFINISHED BUSINESS: MERKEL'S GERMANY AND EUROPE'S FUTURE

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Unfinished Business: Merkel's Germany and Europe's Future

JAN TECHAU: Welcome, all, to Carnegie Europe. This is the rentrée, I guess; it's out there like a hairy beast and it gets us all back into the conference rooms and offices, thankfully, also to Carnegie Europe. I'm very glad that all of you are here to talk about something that's on everybody's minds. It's not the big, invisible elephant in the room; it's the very visible elephant in the room, and that is Germany, of course. I think that's good.

We have elections ahead of us, and these elections have paralysed the continent for a couple of months in various fields. So many times and so often have we heard the sentence, nothing will ever happen until the German elections are over. We will talk about this partly, I guess.

Germany has been called by Gideon Rachman, who's here right next to me, the vegetarian in a world full of carnivores. Roger Cohen of the IHT called Germany the Ghost of Europe, a ghost of international affairs. At the centre of the ghost is the chancellor, a woman that a lot of people find very difficult to read, almost a ghost-like creature herself, somebody whose ways we can't predict.

Judy Dempsey, who's sitting here right next to me, who's with Carnegie, as all of you know, I guess, just recently published a book in Germany on Angela Merkel, a portrait. We decided that we wanted a condensed version of this out in English, which is the one that you hopefully found. It's this one here, and you'll find it over there; there is a copy for everybody. It is about the question of unfinished business, the question of Merkel's agenda, the Ghost's agenda, if you will, and to what extent she's been able to complete the agenda.

Judy is of the opinion that it hasn't been finished, that there is unfinished business. That's one way of saying that Germany is not living up to expectations, which is another big red thread, a common current in the debate about Germany, that Germany, the biggest country in Europe, huge economy, is not living up to its role, neither in Europe nor also as a geopolitical player in the wider world. We are going to talk about all of these questions. We'll try to do a little bit of Merkel astrology, as I've called it, try to also look beyond the elections and do a little bit of a glimpse into the crystal ball and see what's next for us.

Judy is with us, as you know. She's been with Carnegie for the last one-and-a-half years as our chief blogger for the Strategic Europe blog, and is, of course, a resident of Berlin, which makes her the perfect source for the kind of stuff we want to talk about. Then there's Gideon Rachman, who probably has a journalist's dream job - I don't know how many times you've heard this before, I think it's very much how I look at it - going to all of the hotspots of the planet, being invited to all of [overtalking].

GIDEON RACHMAN: I try to avoid the really hotspots!

JAN TECHAU: He's close enough to the hotspots and has access to the real kinds of people, and writing the column every week on international affairs, and also a blog, obviously. He's one of the big explainers of what's going on that people actually rely on; that's one of the things that people in this town read religiously. It's great to have you here on board.

Judy will present the findings of her study on Merkel, the main kinds of points she wants to make. Gideon will give his comments, and then we'll open it up to you, as we always do. We hope you have a great debate.

One final thing before we start, Carnegie Europe is starting a German Election series tomorrow on the web. We'll be publishing a number of articles; we'll start with two articles tomorrow, plus Judy's piece, and then on subsequent days, way into next week, we'll publish a number of pieces on various aspects of the election campaign and German policy. With that [inaudible], I'll now hand it over to Judy.

JUDY DEMPSEY: First of all, thank you very much for coming, and thank you, Jan, for telling me to write this paper; it was great encouragement, because you just need to be motivated. I realised this paper had to be written because there's very little known, in some ways, barring what Gideon and Jan write, and a few others, about Germany, about what is Merkel's agenda.

It's clear what her agenda was in the first term - essentially mend the relations with US, pick up all the broken pieces that her Social Democrat predecessor, Schröder, had left; mend relations with Eastern Europe, which she did; put climate change back in the agenda. She thrived on this in the first two or three years, and, above all, she put values very much at the top of her agenda, human rights and being tough with Putin, tough with China, visiting the NGOs. The Germans really liked this because they felt: oh, we're liked again. There's something... when you're living in Berlin and you talk to Germans, they want to be liked. Just, in brackets, that's why they like Merkel, because she doesn't insult them and she doesn't make mistakes.

However, I'd just like to close the brackets on this. Now, her second term, very briefly, has been totally dominated by the Euro crisis. She got a sense of real global economics with the financial crisis, which she was very, very slow to react to, and the Euro crisis has been an enormous shock to her.

Now, we have a problem with Angela Merkel today, because while she's in this strange position of being The Leader in Europe, The Leader who sets the policies for dealing with the Euro crisis, The Leader who tells the other countries what to do, actually, it's very difficult to know what Merkel stands for when it comes to Europe.

I do see a trend where she has moved increasingly away - it was begun under Schröder - from the communautaire policies to intergovernmental. I see this particular trend becoming much more pronounced under Merkel. It's not only national interest; it's about how she perceives Europe - as states rather than the whole idea of integration. It's going to be very, very important if she's going to actually deal with this unfinished business.

This is one aspect of the unfinished business of Angela Merkel: where does she stand with regard to Europe? Is she going to be intergovernmental? What sort of role will Germany play in selecting the new heads of the institutions next year? Will she actually go down the road of political integration? I think this is a great debate, and I would love to hear your views on this.

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I'm sceptical at the moment, for reasons I will explain later. This is the first big unfinished business: where does Angela Merkel stand with Europe, what does she want from Europe? This doesn't only mean Europe; it actually spins into the most important issues of Europe today, its foreign and security policy.

It's a long time since I have known of a chancellor who has shown so little interest in security affairs, defence issues and strategic thinking. The idea of security and defence seems completely alien to Merkel. She took a long time to understand, to even discuss why so many German troops were sent to Afghanistan. She didn't want to be asked about Afghanistan. Afghanistan's nearly taboo, using the war was taboo. She was never fully engaged.

Interestingly, over the last two years, because of the phasing out of the conscription, which, actually, was in the Coalition Treaty, Merkel stood absolutely away from this debate because she wanted to sense the public mood. She hardly supported her Defence Minister on this. This was a big thing, getting rid of conscription, because it was the kind of binding element of German society after 1945.

She never understood or contributed to the role of the new German Bundestag: why do you have an army? What do you want to do with it? Above all, what do you want to do with it in a European context and NATO context? This has never been discussed. I think this is a crucial aspect and is another very crucial dimension of Merkel's unfinished business. European defence and security policy will go nowhere until the next German chancellor actually has an open debate and decides, actually, what is the role of the German armed forces within Europe and purpose outside Europe?

The third issue is two aspects of the foreign policy. I know Obama has come in for a lot of criticism lately, but there is so little chemistry between these two leaders. Obama has gone out of his way to talk to Merkel; it's she who he phones most of the time for crisis. No matter what he's done, peace medals, invitations to the White House, she never reciprocates on a level of even strategic thinking.

Obama is clever enough to know that he can't ask Merkel for money or he can't ask Germans to go to war, but he wants to know where Merkel stands on crucial issues, particularly NATO and the transatlantic relationship, and, above all, European security policy. America wants a strong Europe from the security and defence point of view. Without Germany involved in this, America's not going to get it, but America isn't going to wait for Europe either. I think the strategic interests of America are drifting away from Europe.

The final point I would like to make, just to sum up this unfinished business, and I don't put this into my recommendations, Merkel... the title of my German book was *The Phenomenon of Merkel*. I called it this because Merkel very much personalises politics. I'm not convinced she likes Obama, but a lot of leaders don't like other leaders but they get on with them. Somehow she has made that step with the United States.

She clearly doesn't like Putin and she has allowed her CDU to be absolutely outspoken against what is taking place in Russia. Above all, she has clearly indicated that the old German *ostpolitik* is over. Fine, but strategically she hasn't replaced it with anything. She's been criticising Russia – I don't mind her criticising Russia, but she's been criticising Putin far

too long without sitting down with her aides and advisors and the broader foreign policy community in Germany: what sort of policy do we want towards Russia?

We see now that this drift in Europe is allowing Russia to pick and choose how it's doing the Eastern Partnership countries. Again, this is a fundamental unfinished business of Merkel, and whoever becomes the next chancellor, whether she or somebody else, they have a lot to pick up on. I'll leave it at that.

JAN TECHAU: May I ask you one more question?

JUDY DEMPSEY: Yes.

JAN TECHAU: You alluded to conscription and to keeping the German military out of these operations, and Russia and so on. The chancellor is credited with having an incredible feeling, a very sensitive antenna for what people think and for what she can get away with politically back home.

Do you think that in all of these decisions, where she actually made decisions, to position Germany, she was 100% in accord with the general population; or could she get away with more political leadership on these things, if only she wanted to?

JUDY DEMPSEY: I think I'd go with the latter. I think her trait is so anti-risk, and her trait is so determined to get the public behind her, the consensus, rather than shaping the consensus. She allows the other parties to do all the running and to see... and if she gets the sense that the public isn't there, even if she believes something is right, she won't push it.

That's the interesting thing about Merkel's second term: what does she believe in? What convictions has she relayed? I'm really not so sure if she's any convictions apart from the whole issue of power. If you have power it's very important to use the possibilities and to use the potential of power and the potential of Germany. I think this is where Merkel has failed Europe, not tapping into the Germany and its leadership.

JAN TECHAU: Now, a final question before we move on to Gideon; you were talking about the first term and then how the second term was markedly different: now what's your outlook for the third term, if there is to be one, which most people expect? Is this going to change? Will she have the desire to create a real legacy and therefore become more proactive, or will we see continuity?

JUDY DEMPSEY: It will be terrible if we see continuity. It needs a big crisis to jolt Germany into a serious leadership role, and despite the huge Euro crisis, it hasn't jolted the chancellor enough to decide: this is what we want to do. My gut feeling is that unless Merkel has a new team of really solid advisors that challenge her, we may have a bit more of the same.

JAN TECHAU: Judy, thanks a lot. Gideon, you've just been to Berlin. You've talked to a number of people there at various levels. You met with Putin after yesterday about what you've brought back from Berlin. How do you look at these things and how do you look at Judy's [inaudible] assessment that there is so much unfinished business for the Germans?

GIDEON RACHMAN: Thanks for inviting me; it's nice to be here. I guess my broad take, and we can discuss this further over the course of the evening, is I'm a bit more sympathetic to Merkel and the way she's handled things, and to her lack of ambition, if you like. I think it's politically realistic and probably desirable at this stage, but I'll explain why towards the end of my remarks.

I thought it might be useful, just briefly, since, as you say, everybody's been hanging on the German election, to set out what I think people's expectations outside Germany, expectations and hopes, are for the German election, what they hope will happen, what I think actually will happen, and then maybe a few remarks on what I think should happen.

I think it's clear that there are perhaps... certainly in recent months there have been strong expectations and hopes built up in Southern Europe, in Paris, slightly differently in London, and in Washington about what might happen after Merkel wins, assuming she does. I think that those hopes are beginning to dissipate as people realise that, actually, maybe Merkel's for real in her caution.

I think in the Southern European/French axis there's a hope that you'll get a Germany that's more committed to European integration after the election, that will back what's a proper banking union, not just regulation but actually also a deep resolution fund and maybe at some point deposit insurance. There's a feeling that the bit that Germany signed up to is only one of three elements and they need to go further. There's a hope that Germany might commit to the famous Eurobonds after the election. There's even a hope that at some point it will develop a pan-European social security system to back up the labour market. Those are the hopes.

London has a slightly different set of hopes, very different set of hopes. They're hoping for what you might call Operation Rescue Cameron, that once Merkel's in she can turn around and say, okay, we can do a deal with the Brits; this is what the deal is; and that that will get Cameron, by extension, the UK, off this plank that they're walking out on which might lead them out of the European Union.

In Washington, I think slightly less expectation but perhaps a bit of hope that, okay, you know, we've got the Syria crisis on, she's in the middle of an election; we all know about Germany's historic reluctance to deploy military force. She can't do much now, but given the Middle Eastern crisis is going to be with us for quite a while, that maybe after she's won her third mandate, she can begin to make the argument for more expansive German foreign policy where Germany isn't just a sort of bystander in these debates about the use of military force. Those are the hopes.

I think the reality, my guess, maybe she'll surprise us, but I think, actually, not much will change. I think that that's because Merkel isn't just making these arguments from political expedience; I think she actually believes in them. On the Eurobonds, Euro social security, as you said... I was just in Berlin; I was talking to some of her advisors. Specifically, one of the more memorable moments, I raised this question of a pan-European social security system to somebody in the chancellery, who just said, no way, forget it, not going to happen. Essentially they see it as a very short route to the transfer union and an effort to get German taxpayers to fund the social systems of Southern Europe, which they're not really up for.

On banking union, the line I was told, and, again, I didn't doubt the sincerity – maybe I was being spun – is that, actually, this regulatory bit of the banking union is a big task in itself. It's not just one little step and then on to the other stuff; it's very important, very difficult to get it right. Of course, the other two steps – the big fund to bail out banks, and the common deposit insurance – are, again, steps towards transfer union, so regarded with deep suspicion, not going to happen.

How about this idea that in the long run, once we've got through the immediate crisis, you're going to have to underpin this monetary and economic union with a real political union. That's a fairly standard sentiment in this town, as I recall. Again, it got very little house-room in Berlin. I was told that that's basically nonsense, that all the ideas that are put forward - the standard steps in political union, like an elected commission president or majority voting on foreign policy, these kinds of aspirations... the question was turned back to me and said, well, how would that solve the Euro crisis? It's not relevant to the Euro crisis, so why is it necessary? A very sceptical attitude to that.

When I said to one of my interlocutors, who was Engel Mussdau [?], you sound very British on this, they laughed and said, well, what's so bad about that? It was not something I'd expected to hear in Berlin, although, of course, delighted, but I was surprised.

This brings us to the UK and what does Cameron's hope that there can be some sort of deal with Germany... is there anything in it? I don't think you should underestimate the extent to which the Brits are building all their hopes and their plans on the Germans. Talking in the British Foreign Ministry to someone reasonably senior, they basically just said, she's got to win; all our chips are on her.

They do believe that - although I think you're probably right that she doesn't have a particular good relationship with Obama, or no natural rapport - for some reason, she does get on with Cameron and they hope that something can be done there. I think that there are grounds for hope on the British part, but I think they probably shouldn't get their hopes up too high.

I think the Germans genuinely do not want to see Britain leave the European Union, are beginning to take the idea seriously that it could happen, but believe there are limits to how far they can go. They are now conscious of just how long the shopping list of demands from the Tory Euro-sceptics could be. Whatever Cameron thinks, he could be forced into making all sorts of demands that the Germans just feel they can't deliver on.

Actually, rather than saying to the British, we want to hear now what you want, they want the British to shut up for quite a long time, because their fear is that as soon as the British shopping list is out there, it will simply be added to, so try and kick it off into the distance. There's a fear in Berlin that there'll be what they call a sort of accidental British exit, where the British don't want to leave, the Germans don't want them to leave, but the whole situation gets out of hand and that's what happens. There's some good will, but I think also a concern that it could get out of hand.

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On the question of, will the Germans be more willing to join the US, a sort of sub-sheriff of the world in this role of global police? Again, I think a fairly strong no way on that. There's no real willingness to challenge German public opinion, which is strongly against the idea of not just Syria but also a Libyan style operations - in fact, if anything, going through a slightly new resurgence of anti-Americanism because of the whole NSA row, rather than willingness to get involved.

You say that the Germans want to be loved, and I think that's probably true. In some respects, they're quite successful, actually. There was a recent BBC poll which showed that Germany is the most popular country in the world, surprisingly. I think there is a danger of German isolationism, to Germany. If you look at their key relationships, the Americans have to discount them on this global policeman aspect; the French relationship's not working very well; there's a lot of resentment towards Germany in Southern Europe. As you say, the relationship with Russia's not great. I think there's only one country at the moment that they're really getting on well with, which is Poland, which is important, but it's probably not enough.

On the other hand, is this dangerous to Germany? No, not yet, because these relations aren't terrible, there's nobody threatening Germany, but there is a sense that Germany's drifted off from a lot of its key relationships.

What should they do? This is where I think I slightly disagree with Judy. I think that Merkel has played it quite well, given the Euro crisis that she was confronted with, which has necessarily defined her most recent term. I think what she's been trying to do is to, A, keep the show on the road, prevent there being a massive economic collapse, which would be a disaster for everybody; but, also, to balance her obligations to Europe with her obligations to the German people.

I think that, in a way that's slightly taken people by surprise in this town, she's adjusted towards her obligations towards the German people and the German taxpayers, but I don't think that that's a bad thing to do, and I think, in some ways, it's a politically responsible thing to do. I think that she has a sense that if she commits to this transfer union, if it all goes terribly wrong, if the German taxpayers are presented with some ginormous bill, if they feel that their economic health has been seriously imperilled by commitments that they made in good faith, that's not good for Europe, it's not good for Germany.

She has to be very cautious about what commitments she makes, because if the cheque comes in and they have to pay it, it would be disastrous, actually, for Germany's long-term relationship with Europe. I think that she's right to realise there's a limit to what the Germans will do for Europe and that exceeding that limit is politically and socially dangerous.

Now, where you draw the line is difficult, but I think if you look, as we were saying earlier, at what's happening in the Netherlands, a country which isn't burdened by the historic guilt of Germany, it's gone much further towards Euro-scepticism - on immigration, on transfer. That's a vision of, I think, where Germany could end up, and it's slightly worrying when it's the Dutch who are a founder member state, etc, but they're a medium-sized country. If this was Germany which was having a Freedom Party, a far left party really surging in the polls, that would be a real cause for anxiety across Europe.

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I think it's to Merkel's credit that the political debate and the election debate that you're having in Germany is really quite a calm one, quite a boring one. You have this alternative for Deutschland Party, but, as far right parties go, it's rather sweet that their far right party is made up of university professors and constitutional lawyers; it's not skinheads, although you'll hear people saying, oh, behind them there are sinister forces. Nonetheless, it's a pretty responsible, intellectual party, making arguments that probably do need to be out there.

The fact that the German political debate is still pretty centred, isn't rushing off despite the fact that they're under enormous stress. I don't think one should underestimate the extent which, beneath this calm exterior of German policy-making, they were really, really concerned a couple of years ago and maybe still are... I was much struck, talking to a senior German diplomat about 18 months ago who described the Euro to me as: a machine from hell that we can't turn off. They were very worried that this whole thing could spiral out of control. I think they're feeling a bit better now that the situation's under control.

I think they also feel that they've got all sorts of not terribly useful advice, from Washington, from London, either saying, ditch austerity, commit to transfer union, and they were right; they held the line against that under a lot of rhetorical pressure, and that they're feeling a bit vindicated about that. Equally, they didn't go off in the other direction, which was to say, well, let's just kick Greece out of the Euro and break the whole thing up, which also would have been dangerous. I think, with some reason, they're feeling vindicated and they're not cocksure, they don't think they're through the end. They know there's a lot to be done.

Last thought: why hasn't Merkel got this big vision that Judy wants? I think...

JUDY DEMPSEY: No, I don't want a vision.

GIDEON RACHMAN: Well, a more strategic... I think that somebody said to me in Berlin that, well, she's got a physicist's approach to politics, by which they meant she's experimental: she'll try something, if it doesn't work she'll try another experiment. That's the way she's been feeling her way through the Euro crisis. I don't think that's such a bad way of approaching it. I'd give her slightly higher marks than Judy.

JAN TECHAU: Gideon, you're basically describing a country that is goalist in its inclinations and instincts, but then again the goalist countries of Europe – France and Britain, to a certain extent, if you want to call it goalist - at least give us the benefit of outward-looking foreign plans. Here we've got a goalist country that doesn't even give us the benefit of [inaudible].

My related question that I have on this point is, Germany likes to believe that it is the multilateralist player in its foreign policy position. The UN is a mantra; NATO, they still believe in; and the UN, they still believe in; and Germany can never do foreign policy all on its own and alone and isolated. That has been the post-war consensus for two generations.

At the same time, this multilateralist country is not investing an awful lot into these multilateralist organisations that are part of the foreign policy field. It is disconnected from the intellectual debate in NATO and about NATO and defence issues and strategic questions behind it, and it is not putting a lot of energy and juice into the development of EU foreign

policy either. We have a multilateralist lip service without an investment into multilateral organisations. Is that a problem, or is that something that Europe can compensate for and deal with?

GIDEON RACHMAN: I'd say a couple things there; firstly, I think it's... I can see what you're getting at when you describe them as goalist, but there's an important element of goalism missing, which is the vision of La Grande Nation, the desire to be stomping around the world and setting the tone in the big global problems. I don't think Germany wants to do that. In fact, that's part of the problem, that they don't actually see themselves as having that role.

I think, actually, one of the reasons that it may be increasingly problematic is because the expectation, until recently, would be that as the burden of history's gradually become slightly less heavy, Germany would become more like the other western powers, more willing to act, duh-duh-duh-duh. I think what we're beginning to see is that the other western powers are becoming more like Germany, in the sense that their public opinions are increasingly saying, well, why the hell should we be doing this? Why should we be intervening in the Middle East, and so on?

You've got at the moment – I think it's really only just beginning to emerge – a really big gap between the foreign policy elite, in the UK and in Washington, who say, well, of course we've got to do this stuff and there'll be all sorts of malign global consequences if we don't, and who are still trying to make the case, but actually failing to make the case: if Cameron loses in parliament, Obama probably would've lost in Congress, although he may have got off the hook now. That's because retail politicians are responding to a public opinion which is two-thirds against intervention.

Now, the Germans, in that sense, are ahead of us, because Merkel doesn't even bother making the argument; she knows what German public opinion is. She's not even going to attempt to try to persuade them. I think the danger is that Germany was okay in this world because they could rely on the... it was a rather comfortable position; you could say, oh, bloody Americans, they're way too muscular, far too interventionist; and yet it was helpful that there was somebody out there with a bit of muscle who was prepared to get involved occasionally.

Although that argument was, I think, bought by the German foreign policy elite, the public never bought it, really. The foreign policy elite doesn't make the argument. Now, if the Brits, the French and the Americans starts backing off, then there's a lack of... then we're in a new world. We discover maybe it isn't dangerous, maybe it will be fine, but maybe it won't be, actually.

It was interesting, talking to the foreign policy-makers in Berlin last week; my impression was that they were quite alarmed by the thought that Congress would vote against this. They said, look, the whole of world security is built on American red lines, the fact that there are these hundreds of American military bases all over the world and that they're not just there for decoration. They may not be used, but they're there. If one suddenly gets the idea that, well, actually, they're going to go home, or they're never going to leave the base, you're in a new world.

That's, I think, the danger. It's not so much that Germany's changed fundamentally, I don't think; it's just that the others are becoming a bit German.

JAN TECHAU: You both alluded to public opinion. This is my final question before we open it to the audience. When I asked you, you said that Merkel could probably get away with a lot more leadership, if only she was strong enough and made the case, and then the public would come around. You basically said that she knows exactly where the Germans stand, and she basically gives them the foreign policy posture that the Germans secretly desire to have.

Now, this is... I've been using [overtalking].

GIDEON RACHMAN: Not so secretly.

JAN TECHAU: Well, not so secretly. Here's my question: I wonder to what extent that is true, because there is... this is the kind of example I've been using now for a couple of years; after the last election four years ago, Germans were asked: do you think Germany should be in Afghanistan? Predictably, about 75% of the people said no, they didn't like the idea that German troops were there. Some of them even said, get out.

At the same time, when you asked them how important it was to them, only 2% or 3% said that this was important enough for them to actually make their decision who to vote for, based on the Afghanistan issue. That's within the margin of error; that's almost negligible, 2% to 3%. The message was, we don't like it, but, also, we don't care much. In that gap between we don't like it, but we also don't think it's really awfully important, there is the room for leadership. That would be the kind of space that an assertive chancellor, if she wanted to, could occupy.

Is this just too theoretical a construct, or is it a possibility?

JUDY DEMPSEY: The Afghanistan thing is very interesting because never once did the parliament fail to extend the mandate; they always voted for the extension of the mandate in Afghanistan despite the public antipathy towards Afghanistan. This is such a disconnect between the public sentiments and the parliamentary sense of solidarity still, actually, with NATO, the obligation: the troops are there and we should continue with this.

I think, as Gideon alluded to, and we discussed it earlier, there's a growing antipathy toward war and intervention, not just by Germany but by the other countries. I think this is very, very dangerous. We're not talking about intervention, military or war; it's dangerous for the whole idea of security architecture for Europe. Germany, being the biggest, isn't injecting any kind of discussion into this.

Much more serious is this gap, increasing gap, and Merkel knows, Merkel is very clever, there's no gap between the public and the leadership in Germany, because Merkel has this terrific sense, a wonderful sense of it, there's such a gap between Hollande's public and Britain's public. The political elite is so out of synch now with the public in Great Britain and France, and, as Gideon and I both agree, it's becoming very much like Germany. I think this is highly dangerous.

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I think if Merkel knows the public so well, she must also know that she can persuade the public. She's already had them twice now to give her this mandate. We remember how Fischer, against all the odds, persuaded the public to back the NATO bombing against the Serbs in Kosovo. It is doable if you deploy the kind of... well, he had to deploy the moral arguments. Merkel doesn't even explain where she stands on Syria, and she never explained fully why Germany abstained in Libya.

What I find interesting about Merkel is the lack of transparency in explaining the lack of foreign policy decisions.

JAN TECHAU: This is almost like the perfect storm; we have the western countries, so the traditional leaders, Britain and the United States, becoming more Germanic in their ways on foreign policy; we have Germany that is becoming ever more important, but which has a leadership and a population that doesn't want to become more important. We're going from German electoral politics to the decline in the west.

GIDEON RACHMAN: Yes, but one also has to be conscious that Syria's a very specific challenge, because it's almost too easy for us in this kind of foreign policy world to say, well, the public are obviously wrong. They're not obviously wrong. Maybe it's the right decision to not get involved, actually.

I would narrowly say that you should, but that's maybe because I'm brainwashed by the people I mix with. There are lots of very, very difficult questions about this which are not... you can't just brush aside and say, well, clearly the leadership thing to do would be to make the strikes.

JUDY DEMPSEY: Gideon, may I interrupt? Merkel could easily get around this idea. Merkel knows she can't mention the word intervention. Nobody's asking her to intervene, but she could at least give a much more clear direction in terms of helping Jordan and helping the neighbours over the refugees, and giving that kind of humanitarian response. She hasn't given this direction. This would have... she could use soft power much more effectively.

GIDEON RACHMAN: Also, to be honest, I was a bit struck by the lack of outrage in Germany on the use of chemical weapons. You often hear from Germans about the burden of history, and they've been actually remarkable about continuing to keep that at the forefront of their foreign policy. The week I was there, the president was in France, at Oradour-sur-Glane, and all that's still going on. You hear on the NSA, well, we're very sensitive about it because of our own history and the Gestapo and the Stasi – well, the use of chemical weapons should also have a certain resonance in Germany, but that historical echo was not..

JUDY DEMPSEY: One point - this is my blog for tomorrow – it's very interesting you say this. Germany is The Supporter of disarmament and upholding international weapons conventions. There has been none of this debate taking place after the Syrian use of the weapons. I completely agree, this blindness, because if they spoke about it, they would feel obliged to do something about it, it's very interesting, this selective...

JAN TECHAU: To be honest, there was not really anywhere a huge outrage about this in the west.

JUDY DEMPSEY: No, it's astonishing.

JAN TECHAU: It's not only a German phenomenon.

JUDY DEMPSEY: Yes.

GIDEON RACHMAN: I think there's a horrible legacy of cynicism about... people are so unwilling... it's a mixture of, A, they're very, very unwilling to believe intelligence on anything now. Also, because they're so desperate not to get involved, they're leaning over backwards to say, oh, well, maybe it was the opposition. Why would one trust the CIA, or whatever? They really don't want to believe it's true, even if there's quite a lot of evidence of it.

JAN TECHAU: We ended up with Syria here on the panel, which is something that happens these days. I'd like to open it now to the audience. I hope that you've got your questions ready.

NICHOLAS TWIST: Thank you. Nick Twist; I'm from the Irish Permanent Representation, but speak in a personal capacity, I hasten to say. You mentioned the military dimension as well. Just, first, that remark - I think one of Helmut Kohl's election slogans was Weiter so, Deutschland. I think possibly Angela Merkel is taking the same approach as her mentor.

My question is, given that you had this grave continuity between Schröder and Merkel, in terms of non-engagement, whereas France and now the UK, to an extent... you can see flip-flop despite Cameron's desires. Obviously, the UK hasn't had a continuity of policy since Blair and Iraq. I wonder, with a view to the European Council in December, which is meant to concentrate on defence and security, do you think given the different positions and the lack of enthusiasm in the central player, that the tempers will settle, full-stop, rather than new impulse to European Union on the foreign policy side.

DUŠAN RELJIĆ: Thank you. I am Dušan Reljić from the German Institute for International Affairs and Security. One comment and one question; the comment is about the Germans loving to be loved. I find it difficult to imagine a person or a nation that doesn't want to be loved. There is a competition for love going out, I suppose - soft power and so on, whatever you want to call it.

On a more serious issue, a question: Judy, did you try to predict in your analysis how the other European states and how the other major international actors would react to a more assertive German role, especially, for instance, in 2014, 100 years since the beginning of the First World War, it's being commemorated, and 75 since the beginning of the Second World War? Would it be even counterproductive if Germany would try to position itself in the heart of the decision-making? Thank you.

JAN TECHAU: Two great questions; one on the Defence and Security Summit and the other one on how much tolerance is there for an assertive Germany?

JUDY DEMPSEY: I'll take the second one. First, nice to see you, Tochan. If Merkel is re-elected, I'm pretty convinced that she will not feed into the Defence Summit. I'm convinced

that she will not take on this leadership role. She's a very persuasive person, and any time at the councils, she has a great reputation for finding compromises and being polite but firm.

I think the reason is, it's not her past; I think she's been very much scarred by this Euro crisis. The Euro crisis has exposed a fragility of the post-war architecture in Europe. The fact that the Greeks and some other Southern European nations can put a Nazi uniform on Merkel and depict, oh, this is the new, great hegemon in Europe, it is really... I remember Gideon's piece several months ago on this, and my talks in the Foreign Ministry – they feel disgusted, saddened and shocked. It's made them very reluctant to go down the road of this leadership.

You've got the reluctance on the Germans' side, and on the other side of the Europeans, frankly, they would like Germany to pay up; that's their role of leadership. They know Germany won't do the security, but Germany's damned if they do and damned if they don't in this term of leadership, and that's the greatest drawback.

I must say one thing in a big defence of Germany, and, of course, no member state wanted to discuss the Kosovo-Serb negotiations – Germany gave full, unqualified support to Ashton: get on with it and do it. It was the first time that Ashton could really pull off something, because the member states didn't intervene. Sometimes a lack of leadership by a member state is a very good thing.

GIDEON RACHMAN: I was just thinking, actually, as you were talking, that there's some analogy between the kinds of leadership that other Europeans demand from Germany in the monetary area and what they might accept in the foreign policy area. In other words, when it comes to Euro, there's a sort of, to put it crudely, a hope that the Germans will just pay up but not be too assertive, and just write a cheque but don't actually tell us what to do.

Similarly, I think that people perhaps who ask for a more assertive Germany, behind that is an assumption that the Germans will fall into line with the kind of foreign policy that's either consensual, in which they have a relatively small say, or that is dreamt up in Washington, London, Paris, etc. German muscle- thanks very much, but we're not actually that interested in your opinion.

JUDY DEMPSEY: Yes.

GIDEON RACHMAN: I think that that, clearly, is unrealistic, so that if a more, quotes, assertive Germany or a more interventionist Germany was also a Germany that along with that began to have a more clearly-defined view of its own national interest, as France does, as Britain does, that is not a purely European interest, not just the sum of the European parts, I think people would get nervous about that, even as you say, essentially after 1914.

People haven't really thought it through, perhaps because they haven't yet had to, because there doesn't seem to be much evidence that Germany's going to... other than Kosovo and Afghanistan. Even over Afghanistan, although, as you say, it was very controversial – you'd go there, the Germans were famous for never leaving their base, not because of all the caveats, nothing to do with the kind of bravery or otherwise of the troops, but they were kind of stuck up in this little zone and they weren't allowed to drive around at night.

JAN TECHAU: Before, if we take some more questions, there's Jamie up, behind there. I just wanted to make the quick announcement that Jamie has just entered the room; not only is he a Brussels legend, but it's also his 60th birthday today, and he's here at Carnegie. You shouldn't be here today, Jamie. What the hell are you doing here?

JAMIE SHEA: Judy invited me, and if Judy invited me I always turn up. Thank you very much. I'm wearing my dinosaur-in-residence tie as well, Jan, to mark the occasion. Thank you very much, indeed, for that. My question is twofold, if you don't mind; if a Große Koalition emerges after the elections and Mrs Merkel was seen to smile on that, would it change anything in terms of giving the chancellor a more solid political place at home on which to have perhaps some more, I wouldn't say adventurous or assertive, I don't like those words, but maybe a more forward-leaning policy?

The other thing is, when you look at the German community today - and we've been talking all the time about the chancellor as if only one, admittedly, very dominant political personality counts - do you see within the parties a new Volker Rühle, a new zu Guttenberg, somebody emerging at least out of the security policy community to try to open the debate and drive the forward, or are we seeing the chancellor reflecting a total consensus of the German political class, an idea below the level of the chancellor, at the party level, if there is some kind of debate?

The second thing, if I may, abusing my very advanced age now, is to just make a point. In the past, my experience, from the NATO perspective of Germany, is that when they didn't want to engage in one particular operation, they always managed to satisfy the alliance somewhat by compensating by engaging somewhere else. Obviously, they didn't want to go to Iraq, but then they were one of the first to go into Afghanistan, even before the NATO-ISAF mission. They didn't want to engage in Libya, but then they increased the number of their forces in Afghanistan to show that nonetheless Germany was a good ally and a good citizen.

Do you see the same sort of compensation mechanism at play in terms of other CFSB missions, like Mali or piracy operations, or will the Germans continue to try at least to be somewhere, to show that they're ticking the box? This sort of mood of introspection that you're describing - does that mean that Germany is unlikely to be anywhere in a CFSB or a NATO-related mission in future? Thank you very much, indeed, for listening to my two questions.

JAN TECHAU: Thank you, Jamie. We'll take probably one more.

REM KORTEWEG: Thank you very much. My name is Rem Korteweg at the Centre for European Reform in London. I don't ask my banker about advice on security policy, so my question is: to what extent is this a German problem, and to what extent is this a European problem?

I have the feeling that German isolationism or German free-riding is being used as an excuse for the other European nations not to either pick up the ball or show leadership. It seems to be a bit of an argument of convenience to point at the Germans and say, well, the Germans aren't playing ball on Syria, so the Dutch shouldn't participate either, or the Poles should stay on the side as well.

Isn't this simply a problem of listening too much to America and Germany on security policy affairs whereas we know that, given the burden of history, they're not very soon going to change their attitude? In other words, shouldn't we be looking at Cameron, or Hollande, or perhaps Sikorski, or whoever, but not at Germany for security policy efforts?

JAN TECHAU: A few great questions again. Judy, do you want to start?

JUDY DEMPSEY: Jamie, may I ask this one first, because you've got other ones? Thank you for this. I think it's really interesting, the question raised about the German free-riding. When there's a problem, one tends to look at the biggest country in Europe: oh, they're not pulling their weight. Actually, what has happened over the past four or five years, and we saw this around 2004, 2005, this enormous change taking place, for instance in the Netherlands, over troops. They sought troop reductions, they had the whole defence restructuring, reducing... just the whole attitude of defence and security... and the transatlanticism as well is being watered down. On the other hand, a commitment towards Europe is being changed. This is very, very important, what's happening in Holland.

I completely agree with you, with Poland, as well: big country, ambitious, very careful about Libya, it didn't go into the Libya thing; Mali, forget it. There are other countries... so few countries participated in the Libyan mission. Germany's easy bait, but it means that when you criticise Germany it's disingenuous because you take your eye off the ball, on what's not happening in the other countries, which I think is very lazy, and I take your point on this.

A bit of free-riding – we've heard that for so many years. I actually don't agree with that, because when the Germans did make up their minds to go to Kosovo, which was a huge issue, it was major, and it was the SPD that pushed the Germans into Afghanistan. Germany can change with persuasion, but, frankly, it needs the other allies as well.

Jamie, I think I'll leave some of your answers to Gideon...

GIDEON RACHMAN: No, I can't answer that one, so you'd better answer that.

JUDY DEMPSEY: The Grand Coalition is... this coalition was bad enough with the Free Democrats. The Grand Coalition - first of all, taxes would go up on defence, and security and foreign policy. I think the SPD might be a bit more pushed towards European integration. I think they would start this debate, finally, on European integration.

I'm not convinced about NATO at all, about this. In fact, if there's any consensus going around all of the political parties now, it's this indifference towards NATO – I don't know if this is the sense you get – indifference towards NATO, but at the same time, there's quite an indifference towards CFSP. I really, really feel this. I completely take your point on why we can't do Mali, but, yes, we'd send a few more troops to the Gulf, to the Atalanta Mission. It's one of obligation rather than: this is something that's worthwhile building for the European security and defence. Yes, there's a bit of compensating to look good.

The other question you raised...

JAN TECHAU: The question about personnel, how [inaudible].

JUDY DEMPSEY: If they were waiting... We've got one problem with the CDU, it's that Merkel tolerates very, very little dissent and opposition in the party. There are young people coming up, but they're certainly not into certain foreign policy; foreign policy is a no-winner for any young person coming up through the ranks.

SPD – I haven't seen any. There's a dearth of foreign policy thinkers there. 17 of the so-called foreign policy people are leaving the Bundestag, and there's actually nobody to replace them. We have a serious problem: whoever gets elected in October, what sort of foreign policy people, who on earth is going to be on the Foreign Affairs Committee? I have no idea. It's a very... 80 million people and there's just so little foreign policy input. I can't see them, Jamie. I'm sorry.

JAN TECHAU: Just to make the counterfactual point here; all of those people leaving also represented the old status quo. Is there maybe even a chance that out of those old hands' experience, transatlanticism and so on...? They're all gone, but maybe that's also a good thing.

JUDY DEMPSEY: We haven't seen them delegate anything to a younger generation, or train up a younger generation of the Bundestag deputies, not that they're interested. Yes, it's a good thing some of them have left; it's a bad thing other have left, like Elke Hoeltz [?], for instance, and others, who... and Guttenberg. He really shook up the Defence establishment, in many, many ways. He broke taboos, he changed the language, he changed the whole rhetoric. He asked questions: why do we have an army? He wanted to do the big cooperation issues with Sweden, sharing... He was very, very important, but he was an inconvenience and he was just too ambitious. He was interesting and he did start the debate, but, unfortunately, it wasn't taken up.

JAN TECHAU: Gideon, I have one question to you which is related to the offset operations. How much longer will Germany's allies let Germany get away with refusing to participate, but you're doing some other proxy thing on the side that's a lot less dangerous?

GIDEON RACHMAN: What I suspect, and, definitely, unless... it depends on what's happening in the world. If we are heading towards less interventionist, more isolationist policies, it's hard to start a lecture on the Germans that they've got to do more. As I say, I think we're becoming more German, which is why I wanted to pick up on the thing you said about why don't we just accept the Germans? The Germans are the bankers, and everybody else gets on with it. I think it's a really interesting question, and it made me think about it.

I think the answer is twofold; firstly, that countries aren't like individuals, they aren't just one thing, so you can't just be a banker, you're everything. Of course, Germany is inclined to try to, to some extent – it's the theme of tonight – to leave that aspect of nationhood to one side, for obvious reasons. It's not... even by doing nothing, you send a message. That's the second thing. I think the reason why Germany's actions matter is because it has a demonstration effect for the rest of Europe.

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We were talking about that poll – why is Germany so popular? Why is Germany so admired? It's partly to do with economic success, Berlin's a cool place, etc, and all of that, but I think it's also because other people look around and say, look, we don't like getting involved in all these foreign wars or these foreign interventions. Here's this big, successful country in the middle of Europe which seems to be minding its own business, perfectly prosperous. Why can't we be like that?

It's quite striking, in the recent... there was a debate in Britain where Nigel Farage, well-known to many in this town, the United Kingdom Independence Party, was asked... he was also opposing the Syrian intervention. He, on a radio show, to very loud applause, said, we should be like Switzerland, Britain should be like Switzerland. We don't want to be in the EU, we don't want to be the Americans' lackey. Let's just be isolated, prosperous and get on with it. Germany's like a big Switzerland, and to the extent that the German model works, it's very attractive to the Dutch, the British, the French, etc.

The trouble is, if everybody starts behaving like that, it's difficult. I think there is demonstration effect which is not really the Germans' fault, but it does matter, I think, what Germany does, because, increasingly, people are conscious of Germany as the biggest, most powerful country in Europe.

Just a last thing on the Mali thing; I'm not fully aware of the details of how Germany responded, but I think there's a slightly dangerous vein of contempt for France and Germany at the moment over the Euro and over... a French diplomat in Berlin was saying to me that a lot of people are saying to him: aren't you just wanting to play a role in Syria because you've got colonial delusions of grandeur? They were actually saying that to him. To the extent that France is written off as weak economically and still wanting to strut the international stage, they're even less likely to say, well, maybe we should get in there with the French and play more of a French role.

JAN TECHAU: I'd like to move on there. Marco Incerti has the next one, and then Detlef Pohl, and then I think we're going to take a third one over here.

MARCO INCERTI: Thank you. I'm Marco Incerti from CEPS, another think-tank here in Brussels. I have a question for Gideon, specifically. If I understood correctly, you were saying that perception in Berlin is that the single supervisory mechanism is such a complex arrangement that you really need to take the time to think it through and implement it properly before you move on to the next bits.

My question is just whether you've heard anything about whether new government would insist on the need for treaty change to introduce the single resolution mechanism, given that BGS [?] seems to be off the table, anyway. In this respect, maybe building on Jamie's point also, whether a Große Koalition would make a difference, so if we could have a softer stance?

DETLEF PUHL: Detlef Puhl; I'm working with the 60-year-young [sic] man over there. I have a comment and a question as well. My comment is, in the opening remarks, you seem to be talking about two very different things; you talked about security and defence policy, and you mainly talked about the economic and the Euro crisis. It seems to me that that is one of

the problems that we have with this unfinished business, that these two levels are not connected in any way, not, in a way, appropriate for a country like Germany.

The question is one about your assessment on something that I would call a gap of perception. A few months ago you could read an interview with the German Defence Minister in Die Zeit, and the title was Germany Leads: Everybody Knows That. In dealing with diplomats or leading officers, I have the impression that that is really some of the prevailing feeling in the ministries; people believe we are leading, the Germans are leading, we are giving an example and so forth, which, obviously, I consider to be in disconnect with what people in this country, in this town and in Britain and elsewhere think about the German perception or about the German role.

What is your perception of that? Do you see that gap as well? Of course, there is the question of how to bridge that gap, but that's different, that's a politics question. Do you perceive that as well, or is that just some fantasy of mine?

JAN TECHAU: Thanks, Detlef.

CHRISTOPHER ZIEDLER: Christopher Ziedler; I'm the correspondent for the Stuttgarter Zeitung in Germany, here in Brussels. I'd like to come back to your remarks on the German-French relationship and wanted to ask what your take is, what we can expect after the election on the relationship between Merkel and Hollande. Might Hollande be a bit more open because he now knows he won't get anybody else, or will Merkel soften because she can take a bit of a riskier approach? Thank you.

JAN TECHAU: Three great questions; one on treaty change: is there enough political capital in the room, maybe on the Grand Coalition? The second one: does Germany need a more standard model; and then Franco-German. Judy.

JUDY DEMPSEY: Treaty change is just so important. Let me contradict myself, because it's interesting as an exercise – why does Merkel seem so intergovernmental at the moment and against political and economic integration? Her advisors say she is against integration now because she knows it would demand treaty changes and therefore the public would vote against it, and that would be bye-bye, parts of Europe. She's so afraid of this.

The argument is that Euro-scepticism, in any case, would be against her. Yet the longer Merkel doesn't engage the public and doesn't discuss this idea of political integration and the treaty changes, the greater the opportunity she gives the Euro-sceptics to fill this vacuum. We have seen this. We've cited Hollande enough, and so far so good, with Germany. The new intake of CDU is going to be much higher in terms of the numbers of Euro-sceptics, and this is already known. Merkel will have to be very, very careful on how far she can go. A Grand Coalition, in fact, might actually become much more articulate in persuading the public.

One extraordinary gap in the German political discourse, one extraordinary gap in terms of players, is industry. Industry - the big heads of industry, the CEOs - are completely quiet on the necessity of the Euro and of the need for more integration. They, privately, are extremely worried of Merkel's silence and lack of leadership on this issue, and they are actually extremely worried about the future of the Euro. This is something we shouldn't really

underestimate; and perhaps after the election they may well come into play if Merkel continues this policy. I think, in some ways, the Grand Coalition, from the European point of view, might be a better bet.

May I leave the gap for a second? The Franco-German thing – it's going to be payback time for all, big time. Merkel has already let them off the hook with the budget, the stability pact, and is giving one more year to bring the budget deficit under control. She's waiting for payback time, getting the performance, and it's not going to be a free ride for all, though. I think Merkel, unlike the... she's wasn't brought up in the Franco-German axis, and she sees it in technocratic terms: I've asked Greece to deliver, and one day France has to deliver.

One caveat on this, the Germans are scared of the French economy going down. They are really scared; they are so dependent on France as a very powerful economy. While it may be payback time, they're actually extremely worried that if Hollande doesn't do it, who will get out of this French economic crisis?

The gap – I can't answer that because I don't think the Germans think of leadership... was that De Maizière who said it?

JAN TECHAU: Yes.

JUDY DEMPSEY: De Maizière's reputation in the Ministry is highly questionable, frankly, and he's been so slow in introducing the reforms that never took place after getting the conscription. He's the very one that says we must explain all the things. Frankly, the Germans... I recall this interview: the Germans do not think of leadership. They do think of leadership when it comes to all the things that they're liked for, in Britain, the football and everything else; they work hard; blah-blah-blah. In terms of the other, political leadership, actually, it's more or less taboo.

JAN TECHAU: On the leadership [overtalking].

GIDEON RACHMAN: Yes, I think, actually, that there's a very interesting gap, as you say, opened up between... I think the Germans are now de facto economic leaders. It's clear that nothing's going to happen on the Euro without a... the decision will be made in Berlin and then it will happen here.

There is a gap, with a complete lack of aspiration to lead Europe in foreign policy and security terms, let alone to play a global role. You could argue it either way; you could say, well, given the enormity of the task that Germany has on its hands just keeping the European single currency on the road, that's enough for anybody, frankly. That's a huge international responsibility, because that's the fate of the global economy, frankly.

The year before Obama's re-election, the Americans were terrified of a Euro crisis, or the people around Obama, because that would be their economy going up in smoke. They were looking at Germany to fix that. You could say, well, that's going to be the task for the next five or ten years, and if Germany can get that right, we all owe them a big debt.

On the other hand, to the extent that we are now more and more conscious that the person in the room who matters is Merkel, and you hear that from other European leaders... I remember Samaras saying to me, before he became Greek Prime Minister, that when she walks in the room everybody else falls silent, was how he described the council meetings. She was very much the leader.

To the extent that Germany's leadership role on that is so transparent, now much clearer than even when I was living here five years ago, how sustainable is it for Germany not to be the leader in the other sphere? Probably not forever, but these contradictions can exist for a while and maybe sometimes it takes an event to crystallise things; something happens, a crisis, and then Germany has to step forward or not. For the moment, until we have that crystallising event, we'll probably live with that contradiction.

JUDY DEMPSEY: That's the danger, the comfort zone, that we don't feel threatened. The weakness of the German... I'm glad we don't use that, but this creates a terrible sense of false security and complacency.

To get around this disconnect, Germany shouldn't lead on the security and defence; what Germany should do is build alliances, bring in the Poles, who are desperate for a stronger European defence; try to get the Dutch on the road; be much more outgoing in bringing in allies. That's what they should do. Then the trust could be built up like this. Instead, it's, oh, good, Germany's at it again; militarism, blah-blah-blah; and this is the last thing on their mind. They should build up clusters. There have been attempts but they're not seen through, they're not developed.

GIDEON RACHMAN: I didn't answer the treaty change one, and, actually, I don't have a very good answer to that, in the sense that I'm afraid I forgot to ask, which is rather sad because it's a key question.

Just on the banking supervision thing, I think, firstly, my impression was that it was quite genuine; they think it's like a huge task, getting the regulatory bit in place. Secondly, a sense that, as I say, the second and third bits - the fund and the underwriting of people's accounts - is a transfer union, so they're not interested; also, deep satisfaction, which maybe everyone here is aware of, with the Commission's approach to it at the moment. Somebody said to me the Commission proposal for this big resolution fund starts from a fantasy and proceeds from there, which is that the banks can do it themselves, and a sense that the Commission is taking German financial muscle for granted, and that can't be taken for granted.

Also, on this intergovernmental thing, I think you're right, that maybe it's a transient thing to do with exasperation on this particular banking union thing, but a real scepticism towards the Commission, whereas the Germany I knew when I lived here was always absolutely always very pro-Commission.

Somebody said to me, well, the Commission should be aware of what it's doing, because if it wants to become more political, if they want to have an elected Commission president, then how can they say they should be in charge of state aid or competition policy, because those are regulatory things? There's a sort of saying to the Commission, be careful what you wish for.

JAN TECHAU: I would like to ask a question related, and, Judy, please come in afterwards. It has to do with this, and it's another gap question. One of the lessons from the Euro crisis, if you want to look at it this way, is that you can't have an awful lot of economic integration that has progressed very far without also having an appropriate amount of political integration to accompany it.

Now, the German position seems to be more: economic integration is great, and we've put all these integration steps into place to tackle the crisis, but we don't want any more political integration. We've just learnt that we can't have one or the other, and now the Germans are raising this concept big time. Where is that going to lead us?

GIDEON RACHMAN: Again, I did talk about this to the people, and, as I said, they tend to break down the specific proposals of political and say, well, what does political union mean in practice? If you're talking about majority voting and foreign policy, not actually relevant to the Euro crisis; if you're talking about an elected Commission president, not relevant to the Euro crisis.

Again, I'll defer to Judy, because you live there, but my sense is that there's a sort of almost a disjuncture, that on the one level I think the Germans do still sincerely believe in political union as a distant goal and as something that is an aspiration and represents where we will eventually get to, etc. They haven't given up... it's not as in Britain where people say, God, that's a horrible idea; we don't want that. They actually say that's a great idea; it would be lovely if we got that.

I think what's different now is that they're much, much more conscious of what it actually means in terms of demands on German taxpayers, demands on German voters, arguments German politicians have to win, and, also, behaviour in the other European countries. I think that... again, talking about how German discourse has changed, I've been struck by how much more willing they're willing to use what would have been very politically incorrect language about Southern Europeans who say, well, actually, these guys don't play by the rules, and we could have had a political union with them if everybody behaved like Germans, but actually they don't, and that's one of the lessons we've learnt from the financial crisis.

JUDY DEMPSEY: I wonder, do the Germans still believe in the political union? I think they've been - scarred is the wrong word - they see this huge, probably it's huge, enlargement is done to the cost, to the idea, the philosophy of the political union, and they don't like it. It's off the agenda because I think they want to try to internalise and integrate this enlargement which should be the last for a long time. That's my impression.

The other remark which I wanted to... I'll go back to it later because I can't read my writing. It's okay.

JAN TECHAU: It'll come back to you. We have a couple more minutes; I think we can maybe have two more questions, if possible, very brief ones.

SHANE HENEGHAN: My name is Shane Heneghan; I'm a trainee at the European Parliament. I just wanted to expand a bit on Jamie's earlier question; he mentioned a Grand Coalition. I

was just wondering about the result, in general. I think the main thing the Poles are suggesting is that the CDU, CSU is going to be quite larger, those ranks are going to be swollen a bit, but there won't be foreign policy experts perhaps.

What will that mean, and what could the other potential coalition combinations mean: a continuation with the FDP? How would that go? I think the long shot that people haven't mentioned that much is perhaps CDU and the Greens. That's very unlikely, but perhaps it's worth thinking about.

ANTON LA GUARDIA: Thank you. Anton la Guardia, The Economist. I apologise if the point's been raised. I came in late, so you may have addressed it previously. You mentioned the sceptical intake of the CDU; you mentioned the irritation, for example, to the Commission; the desire for intergovernmentalism. To what extent does that add up to sympathy or, indeed, an alliance with Cameron?

There's a notion going around London that Merkel's on side with us, she will give us repatriation powers. Is this any part of the German debate? Are they completely deluded in making this argument? How far do they want to go in the context of a future negotiation?

JAN TECHAU: To add to this, Merkel just said on the 16th August that it's now time to think about what kind of competencies could be actually moved back to the member states. She said that, for the first time as outspoken as this.

JUDY DEMPSEY: I'll deal with the Commission. Merkel doesn't trust the Commission to actually push through the reforms that she wants from the Southern Europeans. She thinks the Commission will go soft, and so she's going to pursue her agenda on the competitiveness and the other reforms that she's actually imposed on the Southern Europeans, because she actually just doesn't believe the Commission will deal with this. That will be interesting to see, then, what kind of role Germany will play in the new institution leaders.

It's very hard to know, with these competences, would she really go that far? If she loses people like Schäuble after October, and there's very little genuine Europeanness left in the CDU camp, there's a whole... she's kept them quiet and she's ruled that party with an iron hand for the last eight years, to keep it together, because it is quite fragile over the Euro-sceptic ring, which was why the alternative for Deutschland started up. She wouldn't allow any kind of dissent, but she couldn't afford it either, which is why a Grand Coalition might be even better, because it might counterbalance this Euro-sceptic ring in the party which we mustn't underestimate.

I really don't know what sort of competences she would be tackling, but, clearly, the public don't like Schengen any more, there's border controls, there's... but there are other issues as well. The Germans do not like banking competences or more financial competence being transferred to Brussels. She's protected their savings book for the moment, and she wants to continue to protect them. That's one of the reasons why she's going to be voted against.

JAN TECHAU: I think there's something else, if I may. The issue is that I think it's a.... First of all, she's not going to give the Brits as much as the Brits want, even under the best of circumstances. She might be willing to do a little bit, yes. The second thing is that also I

think it's a bit of a trap, because she wants something in return, and probably rather painful things for Britain in return, especially on banking stuff, perhaps on taxes.

The hopes that the Brits have that something serious and substantial could be returned to the member states will come with a price-tag that I think they haven't factored into the high hopes that we have heard about also from you. Their optimism needs a little bit of a foot on the brake, I think.

GIDEON RACHMAN: I defer to you on that, to some extent. I'll partly recap and then add to what I said. I think there is an opening for Britain; it's quite a small one and if it's played with enormous skill and so on, they might get there, but I don't have much faith it will be.

The opening is that the Germans have begun to focus on the idea that Britain might actually leave the European Union, and I don't think they like the idea. Partly because these whole cultural issues, which used to be a taboo, about, well, Southern Europeans have different attitudes to the law, etc; the British at least, regarded as Northern Europeans - they'd like to keep them in.

There's a decent relationship between Cameron and Merkel, that's helpful. There are even some issues where you can see, as you say, immigration, welfare, those kinds of things, to the extent that Merkel responds to public opinion, as you say, you can see across the Netherlands, the UK, France, there is worry... How you deal with it, given that it's one of the four freedoms, to move around Europe, is very, very difficult, but there's a sort of, potentially, a political... a coming-together between politicians who say, look, this is something our populations are upset about, let's see if there's something we can do together. That's on the plus side of the ledger; there's something that could potentially be worked out.

I think that the British are in the role of demandeur, they... we've got probably more to lose than the Germans, and, also, I think the real difference is that we start from very, very different positions, for historical reasons. The Germans are in the Euro, they're all in; they can't let this thing fail. The British actually aren't, we're not, so we could potentially leave.

For the Germans, priorities one, two and three are saving the Euro, and priority four is keeping Britain in. To the extent that we ask things that we want but that appear to be a threat to the overall health of the project, those aren't concessions, I think, that the Germans can make, because their first priority is to keep this thing working, and it's very, very difficult. If the British make... it's like one of those children's games of straws: if the British pull at the straw that threatens to bring everything down, they're going to have to say no.

If it were left, as ever, to diplomats who understand these issues and how far the other can go, you'd probably get a deal. I don't think the British over-confidence extends to the people who deal on a daily basis with Germans. I think they have a fairly realistic appraisal of what they can get. The difficulty is that they'll get driven by the far right in the Tory party. That, again, I think the Germans are well aware of. They said that they fear an accidental British exit because Cameron doesn't want to leave, but what if he gets forced by his own party to come up with a laundry list of demands that they can't meet?

JAN TECHAU: [Inaudible] Judy, I want to give you the final word, and perhaps the young gentleman had questions on future possible coalitions, especially the Black/Green variant which is something that has been discussed a lot in the past. Just maybe a few final words on this domestic thing and then we'll close it.

JUDY DEMPSEY: Briefly, Black/Green at the moment not on the cards. Come back to me in a month's name. The Greens are actually losing because they've got a ridiculous tax programme, and even their own Green members are retreating either to the SPD or the FDP. That's ruled out at the moment. There was a possibility two years ago; it's out at the moment. Also, Merkel has hijacked the whole energy agenda.

CDU/FDP – they're hanging in there, the FDP; they've done a good campaign; they haven't made fools of themselves, it's been very focused. They may scrape back again. It's touch and go between the Grand Coalition and a repeat of this one, and if the FDP do get in again, my God, Merkel may give them some... will actually muscle them, or else the FDP will have to just reach out to the electoral and say, you elected us for tax reform, now let's go and do it.

JAN TECHAU: What about the left party as the majority maker on the left? Steinbrück in the campaign ominously left the possibility open of them at some point down the road being a coalition partner, perhaps not now but perhaps later. That sounds like, of course, he understands about the left, the Greens and Social Democrats are not in the position to really form a [overtalking] majority. Something needs to happen about that.

JUDY DEMPSEY: Yes, I think it's scandalous the way the left is demonised, frankly. It's a democratic party – okay, a former Communist, but, frankly, they stick to the rules and they're democratic. That's been ruled out by Kraft, the SPD premier in North Rhine-Westphalia. It's a matter of time before all these former communists die, frankly. The left is now built on disgruntled West German trade unionists who quit the SPD, and very old communists, and they have a problem with young people. Young people are either going to go to the Greens, the parents [?] won't do very well. This is a demographic issue, and we've already seen the changes in East Germany.

Domestically, we're back to your question, a continuation of the same, but I think the FDP has learnt their mistakes, I hope, or there's the Grand Coalition and then things could change in Europe.

JAN TECHAU: Thank you very much, Judy and Gideon, for this tour de raison from domestic electoral politics to world politics and strategy, back to the party system. I think you've covered a lot of ground. I hope it's made us all a little smarter in this quest for defining the Ghost of Europe and the ghost that runs the Ghost. I'm very thankful for all of your patience. Thanks for coming to Carnegie Europe tonight.

As I said earlier, we'll be continuing to cover Germany very intensively over the next few weeks on the website, so please tune in there, and expect our next invitations on these and other related subjects. Thank you very much.