Szabo, Stephen F. "Conclusions: Germany the Shaping Power." *Germany, Russia, and the Rise of Geo-Economics*. London: Bloomsbury Academic, 2015. 133–146. *Bloomsbury Collections*. Web. 26 Apr. 2023. <<http://dx.doi.org/10.5040/9781472596352.ch-007>>.

Downloaded from Bloomsbury Collections, www.bloomsburycollections.com, 26 April 2023, 12:29 UTC.

Copyright © Stephen F. Szabo 2015. You may share this work for non-commercial purposes only, provided you give attribution to the copyright holder and the publisher, and provide a link to the Creative Commons licence.

Conclusions: Germany the Shaping Power

Future scenarios for German–Russian relations

The future of German–Russian relations over the next decade to 15 years will depend on a number of key drivers.¹ First is the energy relationship. The recent energy revolution characterized by the shale gas boom and the development of renewal energy sources is still very new and the depths of it are uncertain as is the outcome of the German *Energiewende*. The initial indications from these trends point to a continued medium-term German dependence on Russian energy but a decrease in the long run. This trend poses serious challenges for Gazprom. These in turn have implications for the stability of the Putin system as well. The increasing Europeanization of energy policy will limit Germany's role to serve as an advocate for Russia within Europe and will dilute somewhat the centrality of the German–Russian relationship.

Second is the broader trade and investment relationship. The German economic stake in Russia will almost certainly remain substantial. The German finance and business sector will continue to be the main driver in German policy toward Russia, trumping concerns about the state of democracy and human rights. The key factor determining the future of this relationship will be the investment climate in Russia. German firms have been extraordinarily successful in the Russian market but the continued corruption and lack of a real rule of law in Russia will be a seriously inhibiting factor for future development of the German stake in Russia. The hope of German firms that they would modernize Russian and bring in a *Rechtsstaat* have so far been illusory. The Putin government continues to believe that technological and economic modernization can be had without social and political modernization, a belief and practice that may finally undermine what remains of business confidence in Germany. Already the core of the German economy, the *Mittelstand*, is beginning to get out of the Russian

market. Yet the Russian middle class has grown substantially and prospects for long-term growth in the consumer market are good. The spiral set off by German and western sanctions over Russia's actions in Ukraine and Crimea could deepen these trends toward disengagement.

The third driver will be political developments in Russia. As long as the Putin system continues as it has, there will be real limits to how close German relations with Russia will be. Not only are there the concerns of business, but the German public, the media, the NGO community, and part of the political leadership have a very negative view of Putin and the state of democracy and the rule of law in Russia. In addition, as Ukraine has demonstrated, there seems to be a direct link between the nature of the domestic political system and its foreign policies. The more Putin relies on appeals to nationalism and on a rural base of political support, the more he will stress an anti-Western and zero-sum approach to foreign policy. This system also is based on corruption and the maintenance of corrupt and interlocking networks of the state with oligarchs and organized crime. Any opening of this system would risk its demise. However after Putin real chances for change may emerge. If the new middle classes of Moscow and St Petersburg become more dominant, then an open and westward-oriented Russia may emerge and this would open up possibilities for an even closer German–Russian relationship. Modernization with the West is still Russia's best long-term strategic option and there is still a chance that Russia will return to this path after Putin.

Political developments in Germany will be a fourth driver, but not likely as significant as the first three. Given the stability and consensus-oriented nature of German politics, a major shift in Russia policy is highly unlikely. Any German government will be faced with the need to work with Russia, given the imperatives of geography and economics. Germany will continue to pursue a geo-economic strategy and will place exports and natural resources first and will limit the role of human rights and democracy concerns in its overall policies.

A fifth driver will be the geopolitical environment within which Germany will operate. A key uncertainty will be the role of more traditional strategic concerns. To what extent will economic interests override or define the German strategic approach to Russia-related policies as in the eastern neighborhood in particular? What will be the outcome of the conflict between an EU oriented region versus one dominated by the Russian-led Eurasian Economic Union? The shift of German policy from opposition to Ukrainian NATO membership to support for Ukrainian entry into the Trade Agreement with the EU and against Putin's Eurasian Union may prefigure a longer term shift in German priorities. How will the European Union and the eurozone develop and what role will

the EU play in German policies in five to ten years? What will the United States–German relationship be like? Germany has begun to develop a serious debate over its strategic options, which the shift of the United States away from European security missions will only accelerate. Germany will not be able to outsource security policies as it did for most of the past six decades.

The following box outlines four possible future scenarios for German–Russian relations developed by a German–Russian team brought together in 2013 by the Friedrich Ebert Foundation, the Ural Federal University of Yekaterinburg and the University Viadrina in Frankfurt (Oder).

Four scenarios for the German Russian relations 2030

Scenario I: Cruise liner—A value-based alliance

In 2030, German–Russian relations are at their best in decades. Cooperation between the two countries is very close. Germany supports the Russian government in its political and economic modernization efforts. Both countries also work well together on security matters, particularly insofar as these are related to their common neighborhood.

Scenario II: Cargo vessel—A pragmatic partnership

Relations in 2030 are characterized by pragmatism: common interests dominate, whereas value-based policies have lost their importance. Germany is at the helm of a bloc of European states that survived the disintegration of the Eurozone. Russia succeeded in building a Eurasian Union. Because NATO has lost importance since the United States is more focused on the Asia-Pacific region, Moscow and Berlin maintain close economic relations and share common security interests centered on the Balkans and the Middle East.

Scenario III: Coast guard—A new ice age

Germany and Russia have turned their backs on each other by 2030. Russia is set on pursuing a decidedly anti-democratic track, having established a hardline foreign policy and have cut off strategic ties with the West. The EU—and Germany in particular—have become harsher and more outspoken in their criticism of the Kremlin. But, given the new geopolitical landscape, this has had little effect on Russia, which has shifted economically and politically toward Asia.

Scenario IV: Sailing boat—Business as usual

The character of relations and the set of issues at their center have remained essentially unchanged. A solid economic basis and fairly intensive societal contacts are still accompanied by a value divide between Russia and Germany. Relations are characterized by the usual ups and downs: minor crises bring

value-related issues to the forefront and usually cause a downswing in relations, whereas interest-based realpolitik, although not uncontested, helps to overcome periods of more strained relations.

Source: *Germany and Russia in 2030: Scenarios for a Bilateral Relationship* (Berlin: The Friedrich Ebert Foundation, 2013)

The most likely scenarios are II and IV. The Sailing Boat scenario characterized state of relations up to the onset of the Ukraine crisis in 2014 and has shifted the relationship in the direction of the coast guard scenario but long term change can go in the direction of the pragmatic partnership given the changes it posits in the strategic environment, especially regarding the United States, or toward the Coast Guard scenario. The likelihood of the Eurasian Union taking off is minimal. The value-based alternative may have a chance in the post Putin era if the new Russian middle class emerges in a democratic direction.² There is very little prospect of the New Ice Age scenario, but its chances have increased after the crisis in Ukraine.

This new German strategic debate, which has already begun,³ will include how to deal with Russia and the extent that the German approach to modernizing Russia through interdependence and engagement is still relevant. The strategy of modernization through interdependence was a version of the now traditional *Ostpolitik* approach, which has come to characterize German foreign policy. While the relevance of this approach in a radically different strategic environment from that of the Cold War has been questioned,⁴ the Tutzing speech by Guido Westerwelle and his reference to *Wandel durch Handel* indicates that it is still alive in a morphed form. As Kundnani rightly points out, this is a realist approach that assumes that interests are more important than ideology. While the original *Ostpolitik* had as its goal the transformation of the division of Germany and in this sense was deeply revisionist, the new approach is not really aimed at changing Russia and other authoritarian powers or in using trade as leverage to secure concessions on human rights, but rather as trade for Germany's economic interests. In Hans Kundnani's words, "a perfect symbiosis between doing business and doing good."⁵ Some discussion in Germany has already begun on decoupling from Russia and the Europeanization of Germany's *Ostpolitik*.⁶

Germany and the geo-economic world

The case of Russia is just part of a larger evolution of both Germany's role and that of the changing international environment in an era of globalization. As

Edward Luttwak observed, geo-economics is replacing geopolitics. Returning to Kundnani's typology of a geo-economic power, a geo-economic power has the following characteristics:⁷

- *A definition of national interest in economic terms:* As we have seen, while other interests are part of the German policy discussion on Russia, which has been characterized as a values versus interests or gas versus silence debate, the economic relationship has remained the dominant interest and has subordinated other interests in German policy. Only if this economic interest changes or the strategic environment in Europe is fundamentally altered will German policy change.
- *A shift from multilateralism to selective multilateralism:* Here the record is more mixed. Germany has moved from a more bilateral approach toward Russia to a more multilateral one in the Merkel years. Improvements in the German–Polish and German–American relationships have allowed Germany to coordinate its policies more with its allies and it seems to be more willing to allow a Europeanization of energy policy as well. Of course both the Polish and American resets of their Russia policies brought them closer to the German approach, but there has also been adjustments on the German side, which has also brought Berlin closer to its partners in Europe and Washington. The increasing authoritarianism and nationalism of Putin has pushed Germany and the other players closer to each other as well. The German role in coordinating European sanctions against Russia in the summer of 2014 are an important development in this regard. Yet elements of unilateralism or bilateralism remain, especially in the construction of the Nord Stream pipeline.
- *A predominant role of business and especially export oriented business in the shaping of German foreign policy:* This has clearly been the case with ample evidence of the leading role of German businesses and its major lobbies in driving Russia policy. The role of the Ost-Ausschuss may have diminished in recent years but German policy remains very business friendly in its approach toward Russia. The Petersburg Dialogue is one example of the clout of German business in the relationship and the deep and extensive network of business relationships with Russia far exceeds those of the government and with over six thousand German firms active in Russia this is likely to continue. The CEO of engineering giant Siemens, Joe Kaeser, met with Putin in March 2014 to make a long-term commitment to continuing investments in Russia as Obama was in Europe meeting with Chancellor

Merkel and calling for sanctions. German business, included the Ost-Ausschuss has lined up to support Merkel's tougher sanctions policies after the shoot down of the Malaysian airliner, but longer term policy remains open and Russia is a special case in this context.

- *The elevation of economic interests over human rights, democracy promotion and other non economic interests:* The discourse on human rights and the lack of democracy in Russia has clearly increased since the rigged Russian parliamentary elections of December 2011 and the return of Putin to the Presidency in 2012. The Schockenhoff resolution in the Bundestag and the tougher line taken by Merkel have raised the level of concerns about human rights clearly above where they were during the Grand Coalition years. Yet the arguments about *Wandel durch Handel* and the need to continue to engage Russia continue to prevail and these arguments tend to support the overriding German economic stake in Russia. The balance may have shifted but still favors economics interests.
- *The use of economic power to impose national preferences on others:* This had not been visible in the Russia case before the Ukraine crisis. German companies have pushed with some success for improvements in the rule of law regarding contract enforcement and other business-related areas, but neither German business nor the German government has used its large economic clout to push Russia to do what it says it wants it to do until the summer of 2014. The use of such economic instruments of power as tariffs, quotas, and rules that control access to markets, sanctions, the use of checkbook diplomacy and other means to make the other partner more dependent on you than you are upon them had not been employed.⁸ This may be due to the fact that German companies are still making a lot of money despite the difficulties of working in Russia, but Germany has used its economic power closer to home in the eurozone and is likely to do so in the future. Germany has also allowed the EU Commission to take more coercive actions against Gazprom and may be hiding behind the EU and other national actors. Chancellor Merkel has imposed tough sanctions on Russia over Ukraine and but it is still to be seen if this becomes a long term German policy.

Over all the German approach to Russia has fit this geo-economic model, with the exception that it had not used its economic power to impose its preferences on Russia until very recently. While the case of Russia is close to an ideal type geo-economic relationship, it illustrates the general approach Germany takes to the outside world.

If we apply this typology beyond Russia we can expect that Germany will be driven by its economic interests and these will determine its definition of national interest. Security policy, which had been the anchor of German policy for most of the period since the end of World War II, will be defined more by German dependence on exports and raw materials. Multilateralism will be increasingly replaced by minilateralism, bilateral relations, or shifting networks rather than by alliances. Germany will be less likely to follow *Moralpolitik* and more likely to pursue commercial realism. Geo-economics should be regarded as the new form of realism with security now defined in economic terms.

The private sector will play an increasing role in setting the course that Germany takes in the world. Most studies of the evolving international system, including both those by the US National Intelligence Council and the EU Security Institute, conclude that private corporations will play a larger role in a post Westphalian world. As the EU Institute put it, "Non-state actors, in particular national and transnational civil society networks and private corporations, will play a critical role in the coming decades. Their power and influence will be greater than that of many states, and may lead to new forms of governance and civic action."⁹ The *New York Times* columnist, Thomas Friedman has put this trend in vivid terms:

There is an enormous gap between the way many C.E.O.s in America . . . look at the world and how the average congressman, senator or president looks at the world. . . . Politicians see the world as blocs of voters living in specific geographies—and they see their job as maximizing the economic benefits for the voters in their geography. Many C.E.O.'s, though, increasingly see the world as a place where their products can be made anywhere through global supply chains (often assembled with nonunion-protected labor) and sold everywhere. These C.E.O.'s rarely talk about "outsourcing" these days. Their world is now so integrated that there is no "out" and no "in" anymore. In their businesses, every product and many services now are imagined, designed, marketed and built through global supply chains that seek to access the best quality talent at the lowest cost, wherever it exists. They see more and more of their products today as "Made in the World" not "Made in America." Therein lies the tension. So many of "our" companies actually see themselves now as citizens of the world. But Obama is president of the United States.¹⁰

The former director of Policy Planning in the State Department under Hillary Clinton, Anne Marie Slaughter, has also made this point, "If you look at the role that companies are playing in the world . . . these are corporations that

have to be part of the solutions of most of the top problems that are on the [US] secretary of state and president's list . . . Whether that is combating violent extremism, or climate change, or development of the global economy broadly, or global pandemics, those are not issues that can be solved only by governments . . . because they involve changing the individual behaviour on the ground. And who is on the ground? Well, foundations, [aid and advocacy groups] and corporations.”¹¹

In today's world the flag follows trade and investment. Politicians, both in democracies and autocracies, are rated by the performance of their economies more than by the performance of their armies. Influence no longer flows out of the barrel of a gun but rather from the power of money. This is even more apparent in the German case given the national aversion to the use of force. Economic power, however, is just as hard a power as military power. In World War II Germany conquered Greece militarily while today it influences key Greek economic, social, and political decisions through its economic clout. There is certainly a qualitative and moral difference but the impact on influence is not different. Talk of a post-American world is taking place in a time of unquestioned American military predominance, indicating this edge has limited usefulness in an era of globalization.

Joseph Nye has noted that economic power is difficult to wield on a global scale because the locus of decision making is diffuse, at the level of firms and households.¹² States are not powerless in the face of corporations. When Angela Merkel visited India just after announcing the *Energiewende*, with a large German corporate delegation, her Indian interlocutors requested help in developing their nuclear power industry. She responded that this was up to the businessmen not to the government and the energy CEOs had to demur given that their industries were being shut down at home. In addition the German government has gone along with the sanctions regime against Iran, despite a large German business stake in that country, although only after a long and sustained pressure from the U.S. and some of its European partners. Merkel also met with the Dalai Lama despite the protests of German business leaders. The sanctions on Russia over Ukraine and the way that German businesses have come to support them is another example.

While Merkel has been justly criticized for lacking strategic vision (in this she is characteristic of most of the German political class) and although German finance and business leaders live in a global environment every day, they also do not have a coherent and comprehensive view of the world. While they know what it takes to compete in a brutal global marketplace, their concerns

are sectoral and limited. Many of the larger firms have to adopt a long-term planning perspective. Daimler, EADS, Siemens, and E.ON for example, are thinking at least 10 years out and in the case of aircraft up to 30 years. Energy and infrastructure projects require huge investments with long-term returns. This is especially important for an advanced industrial economy like Germany's rather than service and information technology based economies that tend to have much shorter time horizons. This is a double challenge for an economy like Germany's which integrates high tech into industrial production.¹³ The exposure of firms to the world, both in terms of production and distribution chains, including the need to import almost all of its raw materials, makes them favor a careful approach to the world in which they create as few enemies as possible and maintain a reputation as a reliable business partner. In contrast, German politicians have a four-year-time perspective to match the length of a normal Bundestag term. But they have to give business interests top priority, given their centrality to German political and economic stability and to both Germany's influence and the outcome of elections.

This tension has created continual trade offs between values and interests and has resulted in priority being given to economic interests over all others. This opens firms up to the problems of corruption discussed earlier in this study. The approach to engage all comers, democratic or not, may change the engager as much as the engaged and can result in "reversed socialization" in which German firms are socialized by their Russian partners and result being corrupted.¹⁴

This is hardly a problem limited to Germany. One of the greatest global problems in this era of globalization is that of corruption.

Too much friendliness with autocracies can also corrupt a democracy from within. The Thai military and police, for example, allegedly long have used their connections in Myanmar to exploit natural resources and profit from the cross-border drug trade. Brazilian construction companies with a large presence in Venezuela court Chavez's government with an enthusiasm that skirts outright bribery. Such interests exist in Western democracies, too, but longer-established democracies tend to have stronger human rights groups and independent media as a counterweight. In younger or weaker democracies, criticism of government policies—even anti-democratic ones—can be an excuse for a crackdown.¹⁵

Yet even a mature democracy, like Germany, has to worry about the corrosive effects of corruption. German closeness to Russia comes at a risk. It is not Bulgaria or some other weak central European state and it has either the upper hand in the balance with Russia or is at least an equal partner.¹⁶ Yet as we have

seen, Germany is importing more than just gas and oil from Russia. A number of German companies have been fined for bribery and other corrupt acts in the past. Russian mafia as well as the dubious practices of Gazprom have also exported corruption into Germany. As Transparency International has pointed out, the costs of corruption to both the country being bribed as well as the company doing the bribing can be high. A country like Russia pays a high cost in lost productivity and the Russian population pays a cost in terms of overpriced and bad quality products and services and market distortion.¹⁷ There is evidence that Germany and German firms have learned that they need to do something about these risks in part due to heavy fines by the World Bank and the US Securities and Exchange Commission. A Transparency International Report on exporting corruption listed Germany along with the United States, United Kingdom, and Switzerland as “active enforcers of the OECD anti bribery convention, while such Scandinavian countries as Sweden, Norway, and Denmark are ranked in the lower category of limited enforcers. However, only about 32 percent of world exports were from countries that have been enforcing this convention.”¹⁸

There remains the larger problem of Russian penetration of Germany. The use by Putin of former Stasi agents in Gazprom, the broader role of Gazprom in Europe and the impact of Russian organized crime should not be underestimated. To go back to Anne Applebaum’s warning:

... the members of the Russian elite may no longer aspire to launch international Communist revolution, as they did in the 1930s. But they do aspire to change the Western norms and behavior that they see as standing in their way: they want to make Americans and Europeans less interested in human rights, more accepting of corruption, and perhaps more amenable to Russian investment and Russian oligarchs. To some degree they can do so openly. Their money buys them the services retired Western officials, including a former German Chancellor, as well as access to public relations firms, advertising agencies, and lawyers.¹⁹

Corruption is not limited to monetary compensation but includes the corruption of language. It is one thing for firms to work in an inhospitable environment, but they do not have to go out of their way to gloss over these realities or to promote Russian interests and interpretations. Do large German firms or lobbying groups have to praise Putin’s role in bringing stability to Russia or laud him as a “flawless democrat and award him prizes for his contributions to the German-Russian relationship?” This too, is hardly limited to Germany or Europe. Putin published an op-ed in *The New York Times* on September 11, 2013 challenging the concept of American exceptionalism, an article which was

placed by an American PR firm Ketchum Washington, while Matthias Warnig, the allegedly former Stasi associated head of Gazprom Germania, has used a Washington law firm to help create a better image for Gazprom.²⁰ As the United States–Russian economic relationship grows, American firms would do well to learn from the German experience. A recent study of the George W. Bush Presidency reports that “Bush said Putin had even tried to lure him by offering a lucrative job in the Russian oil industry to Don Evans, the former commerce secretary and one of his closest friends. Putin asked me. ‘Would it help you if I moved Evans to an important position?’”²¹ Another example of the centrality of corruption to the Putin system as described by Gaddy and Hill and a carbon copy of the offer to Schröder to join Gazprom.

The German relationship with China will be another and perhaps more significant case in geo-economic strategy. The German economic stake in China dwarfs that with Russia. China is the second largest market for German exports outside the EU and will soon overtake the American market for German firms. The German approach to China is similar to its approach to Russia with an emphasis on *Wandel durch Handel, Einbindung* and a “community of responsibility.”²² Human rights have been downplayed. When Merkel received the Dalai Lama in the chancellery in 2007, then Foreign Minister Steinmeier reportedly sent a letter to his Chinese counterpart recognizing Tibet as part of Chinese territory. Despite repeated problems of cyber espionage and the violation of intellectual property rights, German business remains bullish on its prospects in China and German policy has tended to take a bilateral over a European approach to Beijing.

Germany as a shaping power

The head of the Policy Planning Staff of the Foreign Office under both Westerwelle and then Steinmeier, Thomas Bagger, is one of Germany’s brightest minds on strategy. Bagger developed the concept of Germany as a Shaping Power (*Gestaltungsmacht*) during the Westerwelle years and this concept may emerge as the conceptual core of a new German strategy. A *Gestaltungsmacht* is a state that has the power to shape outcomes and events. The term reflects the end of a unipolar era when the US dominated the agenda. This thinking reflects the emergence of a polycentric, highly interdependent, world with rising non-Western powers playing a larger role in global and regional decision-making. As the official German government paper on this puts it, “these countries are

economic locomotives which substantially influence regional cooperation and also have an impact in other global regions and play an increasingly important role in international decision making. . . . We see them as more than developing countries but as new shaping powers.”²³ Germany will be a shaping power through the use of networks, shaping networks with new actors both at home and abroad. Germany has to develop networks alongside its traditional fora of the EU, NATO, and the G-8 to develop the global governance needed to deal with the new challenges of globalization.

Both the Chinese and Russian cases illustrate the dilemmas for Western democracies of dealing with semi-capitalist authoritarian systems. This is a world quite different than the one where Communist China and the Soviet Union were largely one-dimensional military powers with little economic strength. The future foreign policy of Germany Inc. is likely to be one with few allies but many customers. It will try to find a balance between interests and values but is likely to see its interests define its values. This will have major implications for the normative dimension of the new international order, which is emerging from the one shaped by the United States over the past seven decades. Germany will not be an ally in the Cold War sense of the term but an increasingly independent player, which will be both a partner and competitor for the European Union and the world beyond. Stability, predictability, and the reliability of Germany's reputation as a stable economic partner are paramount. In this sense risk aversion, already a deeply embedded trait in the German political culture, is reinforced.²⁴

At the same time the German export economy remains highly vulnerable to forces beyond its control. The sanctions against Russia will cost Germany in terms of GDP growth. The continuing European economic crisis has accelerated a shift in the political economy of the Eurozone countries. In 2010 Eurozone countries, including Germany, exported mostly within the Eurozone. By 2013, 60 percent of eurozone country exports were going out of the eurozone including two-thirds of German exports.²⁵ The new German economic miracle could quickly turn and Germany could become the sick man of Europe, as it was viewed before the Schröder Agenda 2010 reforms. Export dependence has created severe strains within the Eurozone from the resulting trade and financial imbalances and the relatively weak German domestic demand and has resulted in serious strains between the US Treasury and the European Commission. Germany also faces major future risks in its demographic decline. Already many companies of the *Mittelstand* are having difficulties finding qualified workers, and this problem will only increase as Germany ages. Finally the energy revolution in the United

States and the *Energiewende* may undercut German competitiveness due to the high energy costs in Germany and the lowering costs in the United States.

Germany will have to also develop a far more effective decision-making process that integrates politics and economics. As noted, firms cannot provide a national strategy, only a sectoral one. They are profit maximizers and are responsible to their shareholders while governments have to think of the public interest and of the preferences of their voters. Germany has to find ways to better link the private with the public sectors and to do so with the speed necessary to deal with a rapidly changing global environment. As the chapter on policymaking pointed out, the traditional foreign policy ministries, the Foreign Office and Defense, are not capable of doing this any longer given the diffusion of power. The geo-economic ministries of Finance, Economics/ Energy and Technology, and Development Assistance, need to be better integrated into an overall strategy. The large gap between universities and other research institutions from government and to some extent business, needs to be narrowed. The weakness of the German university system is beginning to be addressed but is clearly a drag on German competitiveness. This will be especially difficult in Germany given the strong independence of Ministries in the German system and the still small capacity for the Chancellery to coordinate these varying elements.²⁶ Thomas Bagger argues that the Foreign Office should play the role of the coordinator of new networks but Germany could consider other options, including the creation of a National Economic Security Council, which would integrate both governmental and private sector perspectives. The area of cyber security is one area where this should be a priority.

Germany is well placed to play a leading role in this globalized network system. It now is the most popular country in the world according to a recent poll.²⁷ This reflects not only its economic success but its leadership style, which is consensual and geared at creating coalitions. Its political system is decentralized and its private sector is in many dimensions a global leader. It is a medium-sized power that downplays the use of military force and is not a threat to be a hegemon. Finally it is a strange combination of both a status quo power that has benefited from globalization and a revisionist power that sees the global order still overly reflective of the power distribution which existed at the end of World War II and one that still disadvantages Germany. In this respect it may be more open to change than the United States.

The twentieth century could have been the German rather than the American century if Germany had had the leadership and the mature democratic system it now possesses. It has learned from its horrible Nazi past and is poised to be

the kind of power that is suited to the twenty-first century. But geo-economic Germany is an advanced case of a bigger and important political and moral dilemma facing all countries in a globalized world, and that is the problem elaborated by the philosopher, Michael Sandel, of market economies becoming market societies. As Sandel points out, while markets and market thinking have resulted in a prolonged period of economic growth and even prosperity, market economies have become market societies with market values and economics becoming primary. He argues that, market reasoning empties public life of moral argument as markets don't pass judgment on preferences. "This nonjudgmental stance toward values lies at the heart of market reasoning, and explains much of its appeal. But our reluctance to engage in moral and spiritual argument, together with our embrace of markets, has exacted a heavy price: it has drained public discourse of moral and civic energy, and contributed to the technocratic, managerial politics afflicting many societies today."²⁸

This is the great danger of geo-economics and why it has a tendency to undermine a value based approach to politics. Germany is especially vulnerable to being not only a market economy but a market society. It rebuilt its identity after World War II on economics and the Deutsche mark. Since unification it has continued to pursue economic prosperity and measures politics and society by market measures. Politicians and policies are judged on the basis of their economic success. To be sure the German social market economy has tried to balance market forces with social concerns to a far greater degree than have the neo liberal Anglo-Saxon economies, but developments since the adoption of Agenda 2010 have begun to weaken this social element. All of this is heightened by its dependence on the outside world for its prosperity as one of the world's greatest trading states. During the euro-zone crisis it has also fallen into a tendency to judge weaker European economies as somehow morally deficient because they have been economically weak. In its dealings with Russia and other nondemocratic nations it has tended to withhold judgment applying the morality of market values. In this respect it represents the larger spirit of the global age and clarifies the choices other democratic states will have to make as they weigh the conflict between values and economic interests in a materialist era.