

‘Eastern Europe is learning to play its own game inside the EU’ – interview with Wolfgang Streeck



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EU flag outside the German parliament, Bundestag / AP

If one is to look for a potential source of future conflict in Europe, it is less likely to come from Russia than from a growing disparity between the EU centre, Germany, and its periphery in Southern and Eastern Europe, says German sociologist Wolfgang Streeck.

In an interview with LRT.It, Streeck, emeritus director of the Max Planck Institute for the Study of Societies in Cologne, discusses the position of Eastern European countries within the German-dominated European Union, how Berlin's policies might change or remain the same in the post-Merkel era, and the different visions France and Germany have for European security.

Author of *How Will Capitalism End?* and *Buying Time: The Delayed Crisis of Democratic Capitalism*, Streeck is a fierce critic of the European Monetary Union. The common currency has been a bonanza for Germany, but a source of structural divergence between it and Southern Europe. As long as Berlin is willing and able to keep the EU's peripheral elites happy, the system works, but "there's a limit to this game and an hour of truth may be coming".

With the general elections due in Germany next month, observers are talking about the end of the 'Merkel era'. What has characterised this era and will things change once Angela Merkel is gone?

I think this era was one in which policy became more event-oriented and less strategic than ever before. Her particular skill was to leave aside any long-term ideological and strategic orientations and respond to the challenges of the moment.

If you have a traditional idea of politics, then you call this opportunistic. If you subscribe to a postmodern view of politics, then you call it a particular kind of responsiveness. Namely, to the moods of the voters and the needs for the next coalition that you want to form: moving between the Social Democrats and the Liberals, with an eye to the Greens that you want to co-opt into the government.

Two important things had happened before Merkel became chancellor that she inherited and benefited from. One was the European Monetary Union, the euro, which is an economic bonanza for Germany, because of its export-oriented economy. The other is Agenda 2010, the social policy reforms of the Gerhard Schröder government which made it unnecessary for Merkel to become the German Thatcher, which she had been planning to do, but then discovered that Schröder had done the work for her.



Wolfgang Streeck / MPIfG/Manolo Finish

What does this mean for the future? I think German politics is deeply centrist, there's a built-in centrist in the system that will not end with the departure of Angela Merkel. It will in one way or another continue.

Will it be possible to maintain this centrism much longer? It seems that centrism is cracking across Europe.

There are going to be challenges. But the economic benefits of the Monetary Union will continue. Also, any chancellor will need to find coalition partners. So even if the Green candidate were able to form a government, which is extremely unlikely, she would still have to govern with either the SPD or the Christian Democrats, or even both. And that would be tricky.

Add to that a few extremely important structural conditions. As far as foreign policy is concerned, Germany is squeezed between four nuclear powers: Russia, France, the United Kingdom, and, present on the German soil, the United States, which keeps 40,000 soldiers and an unknown number of nuclear warheads.

After Brexit, France is now the only member of the EU with a permanent seat on the UN Security Council and nuclear arms. That was different before Brexit, but now the French believe that if they can get the German economic strength behind them, they can, acting as "Europe", have a global role equal to that of the US and China.

This is something that the German public will certainly not appreciate. In particular because the French nuclear force is for French use only – they have made this particularly clear that

they will not share either the seat on the Security Council or their nuclear umbrella with anyone.



Angela Merkel assumes chancellorship in Bundestag, 2005 / AP

The majority of the German foreign policy establishment think that if one needs a nuclear umbrella, they can't rely on France. The only reliance is maybe on the US. And the US has very different ideas from the French about what Europe is supposed to do. So German foreign policy has been torn between these two positions and will continue to be torn between them. These situations do not change as a result of the election.

You have previously suggested that there are two different approaches to European security: the French would prefer more autonomy and be a separate power block between the US, Russia and China, whereas the Germans are more inclined to stay closer to the US. What would be the implications of these two visions for Eastern Europe?

First of all, I would say that Russia is a pretty small player in this. Its economy is smaller than Germany's. If Germany, as the Americans and the French want, increased their military spending from 1.3 percent to 2 percent of GDP, they will alone spend more on the military than Russia.

The reason why the Americans publicly continue to overrate the power of Russia, in my view, is that they want to keep the Europeans under American control. And they are very interested in preventing what the French want, a rapprochement with Russia. In this they find allies in Eastern Europe, for historical reasons, as these countries also prefer not to see any relaxation of tensions between Western Europe and Russia.

Do you think Eastern European suspicions of Russia and fears of aggression are well-founded?

How do I know? There are madmen in history, maybe Putin is one. But I see Russia's foreign and European policy basically in terms not of aggression, but of securing for themselves something like a cordon sanitaire against the absolutely overwhelming power of the US, so that it is impossible for the Americans to station their military directly at the Russian border.



Vladimir Putin and Joe Biden / AP

Remember 1991, the end of the Soviet Union, when the understanding between the Americans and the Russians, still under Yeltsin, was that the US would never move NATO forces into the former Eastern Bloc. The Americans, obviously, had the idea to even integrate Russia into NATO at some point, because they thought that after Communism it could be tempted to drift into Western integration. This was ended by the absolute economic disaster that the period of liberal capitalism of the 1990s was in Russia, when Yeltsin had to give up and turn the place over to Putin. From then on Russia has become a nationalist rather than integrationist power.

But still very much a liberal capitalist state, economically if not politically.

Sure, but my impression is that the government there can do very little, even if they wanted, against oligarchs sucking capital out of Russia and taking it into British football clubs and the like. And do not forget that Russia is an oil state, with all the pathologies of oil states: an elite that can get very rich without doing anything for the broad mass of the population; oil states don't need people, basically, because they have oil.

The recent deal between Germany and the US on completing the Nord Stream 2 pipeline has been met very negatively in Eastern Europe, as a betrayal of sorts, putting business interests above geopolitics. What is at stake for Germany when it comes to this project?

I'm not sitting in on government meetings either on this side or the other. But it's typical of Merkel in the following way. When the Fukushima disaster happened, the Germans were absolutely hysterical about nuclear power. People don't remember, but Schröder's Red-Green government had legislated an end of nuclear power. Then Merkel, the 'nuclear chancellor', changed that legislation, nuclear power forever. Until Fukushima – and only three weeks later, she had a law passed ending nuclear power again, this time in 2022.

That was not a big problem for a while, but then in the last four or five years the Greens became powerful with the demand to now also end coal. And Merkel is not a person who would tell them: look, we have a choice here, either we give up nuclear or coal, but not both at the same time. So she also agreed to end coal. And in order to be able to do that, Germany needs gas, at least for a while.



Nord Stream 2 / AP

For this it is being dependent not just on Russia – they need to urgently sell their gas in order to have some hard cash – but on Ukraine. Because what happens if the Ukrainians stop the delivery of gas to Western Europe, as they did once? For Merkel the answer is: let's have a second pipeline, so they can't do it. Eastern Europe became excited about this, especially Ukraine, which one can understand.

As for betrayal, I don't see it like that. I see the deal as a capitulation of Germany, from which Merkel's successors will suffer. As far as I understand, there is a tacit agreement with the Americans that if the US judges that Russia is using energy as a tool of political power, in that

case Germany will have to shut down Nord Stream 2 in retaliation. I think this agreement turns Nord Stream 2 into a strategic instrument of the US rather than energy autonomy for Germany.

An instrument to blackmail Germany?

An instrument to blackmail, if you want to use the word, Russia. If Russia behaves badly in the eyes of the United States, then the German government agreed to follow up and shut down Nord Stream 2, cutting Russia's access to cash for gas.

Would Germany really live up to this agreement?

What can they do? As you know, on the German conservative side and the Green side there's a lot of discontent with Nord Stream 2. Among the Greens for idealistic reasons, and among the established Christian Democratic politicians because they are afraid of damage to their connection with the US. So will the future German government be able to resist an American request to shut down the pipeline? I don't know. But I read this agreement as an inclusion of this pipeline into the American strategic toolkit.

As you've mentioned, the European Monetary Union has been a bonanza for Germany, largely at the expense of Southern Europe. Where does Eastern Europe stand on the winner-loser scale?

Those Eastern European countries that have adopted the euro are small and not heavily industrialised, as far as I know. The euro is an under-valued currency from the perspective of a competitive industrial economy like the German one. And it is undervalued because it includes countries in the south whose competitiveness is low, for historical reasons. So Germany benefits from an exchange rate that is too low for Germany and too high for Italy and Spain.



European Central Bank / AP

I think Eastern European countries are learning to play a game on their own inside the European Union. They don't want to be told by the EU how to organise their judiciary, their education system, their mass media and so on.

At the same time, they know that the EU is eager to keep them out of the Russian sphere. And therefore the EU and Germany will probably be willing to subsidise countries like Poland, Hungary, later Serbia, Romania, Bulgaria, all the Balkans including Albania simply for geo-strategic reasons. The Americans are eager for the EU to take in almost everyone who is geographically close to Russia and might come under Russian influence. They once even suggested to admit Georgia to EU membership.

Putting it in a politically incorrect way, these countries are economically dependent on the centre of Western Europe, which is essentially Germany. When they get the same currency, this might result in an informal or even formal obligation on the part of Germany to help them live with this currency. It's a hard currency which is essentially not what a developing country needs. So they could go to Brussels, hand over their monetary sovereignty and expect in exchange to get something in return, enough for the elites to show their voters that they were able to get some cash from Berlin or Brussels.

I describe this as inter-elite management. The centre has to make sure that the periphery is governed by politicians and parties that are friendly to the centre. And for this you have to help them a little bit. And the expectation on the periphery is that the Germans are rich enough to pay.



Hungarian Prime Minister Viktor Orban and German Chancellor Angela Merkel / AP

My impression is, however, they are not even rich enough to help the Italians. If you are looking for potential sources of future conflict in Europe, then a future German government will at some point have to explain to the rest of Europe that they cannot pay enough into the system to help alleviate the growing disparities between the centre and the periphery. And that will also have domestic policy implications in Germany. I am sure that German industry is willing to pay just about anything to keep the Monetary Union alive. But will the German voters want to do it – it's a different question. Also, not all German voters are necessarily benefiting from German exports.

The EU's fiscal compact and the requirement to keep deficits low have also been devastating for Southern Europe, but the recent agreement on collective borrowing to fund a post-pandemic stimulus package has been hailed as a break with this orthodoxy. Is it indeed and will it change the European Monetary Union?

I believe in continuities. There are fundamental structures that are not easy to outfox. One of these fundamentals is that if you are a dominant country in such an economic bloc, like Germany, you have to watch out that your liabilities do not become bigger than what you get out of it – and that you can sell it to your voters.

German voters are now very concerned about public debt. After the pandemic, it is at the level of 80 percent of GDP. The Italian debt is at 160 percent. This raises the question, what happens if there is another financial or fiscal crisis, who is paying for what? The European Central Bank is a good vehicle for hiding economic support below the table, so the voters don't see it and it doesn't appear in state budgets. Merkel was a genius in these sorts of things. But there's a limit to this game and an hour of truth may be coming.



Berlin / AP

In this Covid period, Brussels invented this 750-billion fund, raised as credit. Basically the EU is not allowed by the Treaties to borrow. So the Commission had to find a way around this. The answer was to secure a unanimous vote, by giving something to all member countries, including Hungary and Poland, who might otherwise have voted against the fund. The solution was, in other words, to be nice to Kaczyński and Orbán.

If you read 750 billion, you may think: my God, this is a lot of money. But at about the same time, Germany and France are ready to sign a treaty on the joint production of a new fighter bomber (the Future Combat Air System, FCAS) which is by now estimated to cost 300 billion. A little less than half of this whole supposedly gigantic package.

It's not that much money, in other words, and it's distributed to 27 countries over 6-7 years. It is supposed to be used for making these countries more "resilient" to future crises, but what does this mean? The Italians – at least the last government – have planned to build fast train tracks so that every Italian can be in Rome in a matter of four and a half hours. Everybody wants to be in Rome in four and a half hours, me too. But does this solve Italy's problems? They are in the university system, in the judiciary, in the education system, in the healthcare system, all of them ruined by 20–30 years of austerity imposed by the EMU. Italy was falling into pieces, but the government, in order to be a good disciple of Germany, produced a primary surplus in the budget year after year, cutting for this purpose all sorts of domestic spending.

Also, the Italian share of the 750 billion cannot really be used to rebuild the education system, because the education system doesn't exist only for the next five financial years, it has to be rebuilt for the duration. Italy needs to be able to finance itself, there is no way they can have their education system financed by EU grants forever. That's why I say this fund doesn't

solve any of the underlying problems. It only buys time, three or four years, but then the problems will hit back, and with a vengeance.

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