THE INFLUENCE OF HEGEMONIC POWER ON REGIONAL INTEGRATION

CASE STUDY OF GERMANY IN EUROPEAN UNION

BY

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A Thesis Submitted to the School of Arts & Sciences in Partial Fulfillment of the Requirement for the Degree of Master of Arts in International Relations

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER 2017
DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________       Date: ___________________________

Noor Abdikadir Nur (ID. No: 636915)

This thesis has been presented for examination with my approval as the appointed supervisor.

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Joseph Kimani Njuguna

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Signed: ___________________________       Date: ___________________________

Ambassador Ruthie C. Rono

Deputy Vice Chancellor, Academic Affairs.
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ABSTRACT

This study aims to disclose the influence of hegemonic states on regional integration, using Germany’s role in the European Union as its main case study. Over the past decade, the European Union security and foreign policy was leaderless to a great extent. The Brussels-led foreign policy continued to be more vision than reality. The traditional Franco-German engine stuttered, and the United Kingdom looked inwards. Several crises erupted at the same time in Europe putting the European Union under pressure to provide solutions and stay united. These parallel developments in the European Union and International level propelled Germany to unofficially lead the European Union foreign and security policies and to become Europe’s political engine.

Germany’s role as a foreign policy leader and the implications that its leadership has for the EU’s foreign and security policies are thoroughly analyzed in this research. The study finds that Germany meets the standard of being a regional hegemon due to its heavy influence in the European Union’s policies such as monetary, immigration and defense.

The study further goes on to give recommendations on how Germany can redefine its engagements with the European Union while ensuring its interests are complimentary to the well-being of the European Union.
ACKNOWLEDGMENTS

I would like to express my sincere gratitude to my advisor Joseph Kimani Njuguna for the continuous support throughout my research, for his patience, motivation, enthusiasm, and immense knowledge. I could not have imagined having a better advisor and mentor for my study.

Besides my advisor, I would like to thank the rest of my thesis committee: Moses Onyango, Nicholas Ondoro and Weldon Ngeno for their encouragement, insightful comments, and hard questions.

Lastly, I must express my very profound gratitude to my parents and my colleagues for providing me with consistent support and endless encouragement throughout my years of study. This accomplishment would not have been possible without them. Thank you.
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<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>CFSP</td>
<td>Common Foreign and Security Policy</td>
</tr>
<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<tr>
<td>CSDP</td>
<td>Common Security and Defense Policy</td>
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<td>EAC</td>
<td>East African Community</td>
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<tr>
<td>EC</td>
<td>European Communities</td>
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<td>ECB</td>
<td>European Central Bank</td>
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<td>ECJ</td>
<td>European Court of Justice</td>
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<td>EEC</td>
<td>European Economic Community</td>
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<td>ECFR</td>
<td>European Council on Foreign Relations</td>
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<td>ECHR</td>
<td>European Convention on Human Rights</td>
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<td>ECSC</td>
<td>European Coal and Steel Community</td>
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<td>EMS</td>
<td>European Monetary System</td>
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<td>EMU</td>
<td>European Monetary Union</td>
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<td>ESM</td>
<td>European Stability Mechanism</td>
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<td>EP</td>
<td>European Parliament</td>
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<td>EPU</td>
<td>European Political Union</td>
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<td>EU</td>
<td>European Union</td>
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<tr>
<td>EURATOM</td>
<td>European Atomic Energy Community</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investments</td>
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<td>FTA</td>
<td>Free Trade Area</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>HST</td>
<td>Hegemonic Stability Theory</td>
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CHAPTER ONE: GENERAL INTRODUCTION

Regional integration is relevant as a factor for development through cooperation as well as collaboration with the states involved. Just like any other relational mechanism, regional integration has a share in itself of various issues and power balance regarding the process, activities, and events comprising it. This study examines hegemony in the instances of the regional integration scheme within the European Union.

The end of the cold war and Germany unification created the visibility for a new political scene in Central Europe. In the opinion of many observers (Keohane, 2002), this new order would be characterized by the re-establishment of Germany dominance, albeit within the supranational structures of an enlarged European Union (EU). This new German ‘hegemony’ would rest on three pillars: cultural, political, and economic. While Germany’s Central European neighbors might be wary of German power and influence, it was believed that other countries in the region would accept this hegemony because of the need for Germany economic support, the attractiveness of Germany’s economic and democratic achievements, and the absence of any realistic alternatives.

The aim of this research is to contribute to the discussion of Germany's regional hegemony in Europe, including military power, language, ideological and cultural factors. This study reflects on the economic aspect of hegemony in isolation and, by employing different definitions of hegemony, examine whether Germany's economic dominance in Europe yields hegemonic power.

Hegemony as a form of interstate relations has been most prominently featured in the work of Robert Keohane. While insightful in its explanatory scheme of such relations in general, Keohane's (2002) analytic acuity for the particular case of Germany's current position in Europe is in need of a supplementary argument.
1.1 BACKGROUND

1.1.1 Roots of Hegemony

The term hegemony is originating from ancient Greek word ‘hegemonia’ literally expresses the oppressive and dominant status of one aspect in the system over others. The concept of hegemony significantly contributes to a better understanding of current international relations and power relations. Gramsci (1971) has considerably contributed to the articulation of this concept suggesting that power is not only dependent on force but also on ‘consent.’ According to Gramsci (1971), hegemony represents the position of a dominant state in a particular region or status of the most influential country in international structure. Hegemony entails cooperation ensured by force, combining social and political supervision, force and consent.

Theories like Neo-realism and Realism were coined to preserve the status quo serving the interests of wealthy dominant Western states and their elite (Cox, 1981). Those ideas aimed to make the international order seem unchangeable and natural. Hegemony enables the dominant state to spread its cultural, moral, and political, values around the society and sub-communities. Civilian society consists of the net of institutions and practices that are partly autonomous from the state.

Hegemony is to produce social and political systems that are to be applied to the countries targeted. There are many ideas about the relation between imperialism and hegemony. Imperialism can be defined as enlarging the dominance of one nation over the other by way of open political and economic instruments (Heywood, 2007).

To explain the fundamental difference between the imperialism and hegemony Keohane (2002) states, imperial powers set their superiority with a leading political body, and hegemony manipulates the relations with no superior body. Nonetheless, imperialists
have an approach for enlargement by conquering new territory. One of the scholars, Snidal (1986), separates hegemony into three; kind but forceful hegemony, colonialist hegemony based on force, and hegemony implied by conviction.

Discrimination between hegemony and dominance is another study subject argued by many scholars including Machiavelli (1993), Gramsci (1971), and Nye (2002). According to those three intellectuals, a significant power should not just rely on force, hard power, and dominance. Machiavelli advocates ‘respect’ as a cause of obedience to a major power (Wright, 2004). Gramsci (1971) says that a significant power itself evokes willingness and cooperation instinctively. Nye (2002) admits that a superior power becomes a hegemonic power when it can coax others to cooperate. Persuasion would be established by the utilization of soft power that makes other countries believe in shared interests. Nonetheless, according to hegemonic stability theory, major powers accomplish their position unilaterally with the deployment of hard power but retaining conviction and consent (Keohane, 1984).

1.1.2 Sources of Hegemony

Traditionally, one used to evaluate the war capacity of a nation to understand its power status. But sources of authority have changed drastically in parallel with technological innovations over the centuries. The population was a significant source of power in Europe’s agricultural economies in 17th and 18th centuries because people were needed as soldiers for land armies that comprised mainly mercenary soldiers and taxpayers. For this logic, France was in a dominant position in that period. Nonetheless, with the increasing relevance of industrialization in the 19th century, England became powerful in the seas with a unique fleet, and then finally Germany became superior thanks to the help of railroads (Nye, 2003). In the middle of 20th century, the Soviet Union and the United
States gained superior power status, with encounterable military capability (especially their nuclear armory), ideological framework and industrial superiority.

As proposed in Critical Theory presented by the Frankfurt School, there are three dimensions of power (Gill& Law, 1988); one of them is open power; active power, openly applied to affect the attitude of another state in the desired way. The second dimension is covert power; more passive but organized, utilized in a vaguely way to make agenda of the dominant side (Gill& Law, 1988). Covert power is practiced by limiting political lines and leaving some issues out of a program. The third dimension is ‘Structural power’; definite attraction and limitation systems with the physical and normative aspects to shape the relations of parties (Gill& Law, 1988).

Brzezinski (2004) asserts that the troika of a hegemon is money, production capacity, and military power. Strange (1987) stresses that America ensures its hegemonic position through its structural power enabled by production, finance, knowledge, and security capacity in international economy politics exceeding regional dimensions. Furthermore Strange (1987) claims that structural power is dependent on four elements. In international political economy, the state which has this elements more than the others is more powerful; (1) maintaining the capability to clout the other states through the defense, threats or escalation of violence. (2) Keeping in hand the control of service production systems and goods. (3) Holding the authority of determination and management possibilities in finance and credit institutions. (4) Retaining the most efficient instruments to influence the knowledge and informatics either technically or religiously through acquiring, production, and communication.

The end of the cold war and Germany unification created the possibility for a new political order in Central Europe. In the opinion of many observers like (Wallace, 1991),
this new order would be characterized by the re-establishment of German dominance, albeit within the supranational structures of an enlarged European Union (EU) (Wallace, 1991).

This new Germany hegemony would rest on three pillars: cultural, economic, and political. While Germany’s Central European neighbors (independent post-communist states) might be wary of Germany influence and power. It was believed that they would accept this hegemony because of the need for German economic assistance, the attractiveness of Germany’s democratic and economic achievements, and the absence of any realistic alternatives (Wallace, 1991).

Germany is Europe’s strongest and largest economy (Bulmer & Paterson, 2013). On a world scale, it ranks as the fourth largest economy regarding nominal GDP. Germany’s economy is known for its vehicles, exports of machinery, chemicals and household equipment. Germany has a well-skilled labor force, but the economy is facing countless challenges (Brexit, the Greek debt crisis to the refugee crisis). The size of its nominal GDP is $3.49 trillion, while its GDP regarding purchasing power parity is $3.97 trillion. Germany’s GDP Purchasing Power Parity per capita is $48,189, and the economy has moved at a reasonable pace of 1-2% in recent years and is forecasted to stay that way (Wijk, 2015).

1.2 STATEMENT OF THE PROBLEM

The baseline of this research is that, amid the member states of regional engagements, like the European Union, there are always power disparities and chances of one state being undermined by another which ends up dominating most of the integration decisions. Due to the different level of economic power between the European Union states, there has been a division on the power sharing among the members that tends the emergence of the hegemonic states. In this study, the focus will be on Germany’s influence
within the European Union politically, economically and culturally. For many years, scholars have diverted the attention of power towards global politics and effects that come with globalization and capitalist market economy. States have taken the initiative to join hands and work together to solve common concerns and development challenges leading to integration and cooperation amongst states in various regions.

Due to this cooperation, states with varying levels of development integrate and in unity draft strategic policies to be pursued for a better future. This difference in status of various areas of national development including economic wealth, political and military strength, social and cultural heritage and other aspects of technology and communication systems is what involves the turning point of this research.

1.3 OBJECTIVES OF THE STUDY

The overall purpose of this study is to understand the influence of Hegemonic Power on Regional Integration using Germany in the European Union as the case study. The specific objectives of the study are:-

1. To explore the history of regional hegemonic power in the integration process.

2. To examine the role of dominant power in regional integration.

3. To determine the role of Germany’s hegemonic power in the integration process of European Union.
1.4 RESEARCH QUESTIONS

1. What is the history of regional hegemonic power in the integration process?

2. What is the role of dominant power in regional integration?

3. What is the role of Germany’s hegemonic power in the integration process in European Union?

1.5 JUSTIFICATION OF THE STUDY

The study aims to provide an argument on the issue of hegemonic power and power disparities among the European Union member states which tend to hinder the prosperity of the European Union integration process. The study focuses the role of Germany in the European Union as a regional hegemony and its impacts in the integration process.

This study is useful for scholarly research and findings hence adding to existing literature by focusing on power disparities and hegemonic influence that Germany has over the member’s states within and outside the European Union. The study aims to provide a crucial insight on the hegemonic dominance of Germany in all sectors of integration process within European Union. The study targets to provide a practical solution on the future policies of European Union power-sharing process to avoid the disparities and hegemonic dominance that affect the integration process.
1.6 ORGANISATION OF THE STUDY

The remaining chapters of the study will be divided as follows:-

This chapter provides the foundation for the entire study by venturing into the background of the study, problem statement, research questions, research objectives and justification of the study. The second chapter will be an in-depth review of previous literature on the topic. Chapter three is the methodology that has been used throughout the study. These involve a description of the study, methods of data collection, data analysis and the limitations of the study. Chapter four will be a critical analysis of Germany’s hegemonic influence in the European Union. This will implore extensive theorization and conceptualization of the research topic. Chapter five will be a summary of the findings, conclusion as well as a recommendation from the study.
CHAPTER TWO: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.1 INTRODUCTION

This chapter explores literature relating to the concepts in the study. It examines in a systematic manner the understanding of concepts including the state, power (both in international and regional realms), Balance of Power, regional integration and hegemony.

The gap in literature under this research acknowledges that large scale of literature on regional integration including among others; ‘Regional Integration and Development,’ by Schiff and Winters (2002), ‘The Logic of Regional Integration’, by Walter (1998); Dynamics and Politics in Regional Integration Arrangement’ by Schiff and Winters, (World Bank, 1998) and ‘The New Regionalism in Africa’, by Grant Andrew and Fredrick (Ashagate, 2003) have been substantially conducted. However, studies on hegemony though undoubtedly carried out at a reasonable length has limited focus on ‘regional hegemony’ especially on sub-regional integrating units, yet power is playing a great role in international relations.

Realist spearheaded by Morgenthau (1948) specifically single out that the vital reason why states form relations is due to the pursuit of national interest which is defined in terms of power. The scanty literature like that of Samir Amin’s, ‘Beyond US Hegemony: Assessing the Prospects for a Multipolar World’, among others talk of hegemony from a global level and mostly refer more especially to the US in the post-communist (cold war) era and hence fail to come up with arguments to discuss the hegemonic states within a regional context and more especially in the contemporary 21st century international relations and globalization era. The working paper on ‘Developing a Contextually Relevant Concept of Regional Hegemony: the case of South Africa, Zimbabwe and “Quiet
Diplomacy” drafted by Pry’s (2008) and the article by Shaw (1977), have slightly dealt with the issue of regional hegemony of South Africa but they tend to synonymies hegemony to imperialism, a perception that this study excludes itself from. The study deliberately builds on the literature on regional hegemony leadership on regional groupings like the European Union which scholars of international relations have developed (Shaw, 1977).

In the first instance, the literature review will try to bring to light the maximum reality that most scholars have neglected the importance of power within integrating units. As such existing literature shall be used to explain; what hegemony is, who says what, and demonstrates what/how different authors have expressed different ideas and viewpoints concerning hegemony. Farrell (2005) notes that others in the global regionalism have seen the balance of power as the essential pre-condition for effective regionalism and have asserted the continued role of US power. In cases like North America Free Trade Area (NAFTA) and MERCOUSER, unequal power matter more. Hegemony is a central defining feature (Farrell, 2005). None of these authors, however, have given their supporting reasons on their views on hegemony.

In the second instance, literature lies on basically understanding regional integration. It shall provide literature on the global integration and narrow it down to the European Union. The third part of literature will provide historical, structure and its rationale for integration.

From a theoretical perspective, this article contributes to filling a striking gap in the literature, where research on political leadership is disparate, under-theorized and under-researched (Hartley & Benington, 2011). This is particularly the case concerning the rationalist research paradigm (Brennan & Brooks, 2014). A rational institutionalist model of leadership thus contributes to one of the most urgent challenges on the
leadership research agenda, which is to integrate the leadership factor into both rational choice analysis and the “new” institutionalism’ (Elgie, 2001).

About the empirical value added, the article helps to explain Germany’s behavior in the crisis and contributes to understanding if and how leadership can be a way of overcoming the crisis. So far, Germany has been analyzed as a potential hegemon in the EU (Bulmer & Paterson, 2013). By using a different conceptual perspective, namely leadership, this study examines empirical aspects which previously have not been at the center of the analysis (Bulmer & Paterson, 2013).

2.2 STATES IN INTERNATIONAL RELATIONS

The state is one of the actors in international relations (IR). Others include International Organizations (I0s), the individual and the international system itself. States are considered the primary actors in IR. They relate to other states and non-state actors at various junctures in the international political arena. Among many ways to which they relate for extensively wide national interest is through alliances like regional integration schemes. They look for various advantageous platforms to pursue their national interests at all costs. For this research, it is relevant to examine the nature of states in global relations. Such relations lay down the dictums of power politics in every aspect of their relations (Harvey 2003; Mann 2003; Johnson 2004).

International relations is the study of how states interact/relate with one another within the international realm. It happens in the aspect that the states make up the international system. International Society (IS) is a community of states existing within the international system that characterizes how states behave and relate with each other. According to structural realists like Waltz (1979) states within the international system relate with each other by constantly checking the powers of the other. He asserts that
international politics operates in an anarchical system where there is no overarching government and where power is the ultimate arbiter. Each country exists in a Hobbesian 'state of nature' and faces tremendous pressure in the competition to survive (Waltz, 1979).

Radical structuralists see the world as a component of three different kinds of states; peripheries /satellites, semi-peripheries and the core/developed and industrialized nations. However, as Grotius (1999) once noted, there is no state so powerful that it may not sometimes need the help of others outside itself either for purposes of trade or even to ward off the forces of many foreign relations against it. Efforts at theorizing about the domestic relations are quite old. Seminal ideas can be found in ancient China in the writings of Mo Ti, Mencius, Confucius and Lord Stang and India. Other cases involve the code of many dealings with honorable conduct in warfare and the inviolability of diplomats, and also in the works of Kauhiya (2011) who had a complex theory of the balance of power among princely states' (Dougherty & Pfaltzgraff, 1996).

In recent centuries the world was divided into imperialist powers and colonial territories or protectorates. The number of states claiming legal sovereignty and political independence has increased steadily in the 21st Century (Dougherty & Pfaltzgraff, 1996). Non-state actors derive their significance from states or from the degree to which they can influence the policies and, behavior of states or can be used by states as policy instruments (Dougherty & Pfaltzgraff, 1996).

Realist school of thought better explain the nature of states in international relations. According to Dougherty and Pfaltzgraff (1996), the major assumptions of the realist thought are that: i) the international system is based in nation-states as the key actors; ii) that international politics is conflictual, struggle for power in an anarchic setting in which nation states inevitably rely on their capabilities to ensure their survival, iii) States exist in
a situation of legal sovereignty in which nevertheless more are graduating of capabilities, with greater and lesser states as actors, iv) that states are unitary actors, and domestic politics can be separated from foreign policy, v) that states are rational actors characterized by a decision-making process leading to choices based on maximizing the national interest and vi) power is an essential concept in explaining as well as projecting state behavior (Dougherty & Pfaltzgraff, 1996).

However, the priority issues of international security in the period of globalization (1990 onwards) have predominantly been terrorism and organized crime executed by non-state groups but supported by some states in pursuit of their national interests (Akademisi, 2004). The gradual assertion of national power policies is clear, hence a compelling proof that one of the basic aspects for the regression of the nation-state is the rise of new actors replacing or limiting its sovereignty (De Rivero, 2003). In that case, nation-states should regulate how they manage the process of reshaping power, and how they utilize the rest of their capacity about international and regional missions.

2.3 POWER IN INTERNATIONAL RELATIONS

Power is an essential notion in international relations in the realist school of thought where the world system involves an even distribution of power. The study of international relations inevitably involves the study of power relations among major states. What then is power?
2.3.1 POWER

Power, like the majority of the IR concepts, is a contested concept. It contains different aspects and has different meanings to different theorists. According to Robert Gilpin, the number and variety of definitions of power should be an embarrassment to political scientists, (Dougherty & Pfaltzgraff, 1996).

In a definition that Worlfers (1962) echoes, power connotes the ability of one actor to impact another actor to do or not to do something desired by the actor. The actor exerting such influence does so employ the capabilities that it has available, (Dougherty & Pfaltzgraff, 1996).

David Baldwin, however, explicates that the most common conception of power in social sciences treats power as a type of causal relationship which power wielder affects the behavior attitudes, beliefs or propensity to act of another actor (Baldwin, 1980). Waltz (1979) maintains that it is possible to rank the capabilities of states by reference to how they score on all of the following items: Size of territory and population, resource endowment, economic capability, political stability, military strength, and competence. Waltz (1979) theory of international politics notes, that all civilized life rests in the last instance of power. Power is the ability to move the individual or the human collectively in some desired fashion through persuasion, purchase, barter and coercion (Spykman, 1942).

However, Gilpin (1981) emphasizes that power encompasses military, economic, technological capabilities of states. He adds that while prestige consists of the perceptions of other states concerning a state's, respect is a state's capacity and its ability and willingness to express its power. Kindleberger (1970) on the other hand argues that prestige is the respected word to power. That power depicts among others, economic strength like; the
level of industrialization and productively Gross National Product (GNP), national income, and income on per capita basis.

Hence, Power in international relations is the influence a nation exerts on another to force that government to do something that it does not do or is not willing to do under normal conditions (Tezkan, 2005). This power is the unique instrument of a state to implement a policy in international relations, and as Bayat (1982) notes, national power is the fundamental source of national security policies and application.

However, although power has been defined as the aggregate of the capabilities available to the state the power of one state also is said to be about the aggregate capabilities of the state with which it has a conflict/cooperative relationship (Dougherty, 1996). Morgenthau (1970) posited that political leaders 'think and act regarding interest defined in terms of power' and historical processes evidence this assumption.

### 2.3.2 TYPES OF POWER

There are two major types of power: Soft power and Hard power. States exercise them at various times in their relations. The originator of term 'soft power' Joseph S. Nye lists the sources of hegemonic power as; firstly, technological leadership secondly, Supremacy in military and economy thirdly, Soft power itself and lastly, an authority of the connection points of the international communication lines (Nye, 1990). According to Nye (1990), nations should develop these capacities to have a soft power in the information age. He refers soft power as the capacity of attraction to ensure your will instead of coercion and money and explains that Soft power derives from the attractiveness of a national culture and political ideas.

In the wake of globalization, Nye's (2006) classification of hard, soft, and economic power has been popular as a new approach in the current arguments. Nye (2006) states that
'hard power' is the ability of coercion stemming from the national military and economic power. The skill to unite soft and hard power is smart power.

2.3.3 POWER AND CATEGORIES OF STATES

Levent (2006) posits that there are various ways of categorizing power centers. Geopolitical power centers are defined as; States or group of states that can develop sources of power inside and outside their geography, and influence those sources in their favor in comparison to other countries. The USA is an example of a global power. Secondly, China and Russian Federation form the Continental powers. Thirdly, India, Brazil, Iran, and Japan fit as Regional powers. Fourthly, NATO, Shanghai Cooperation Organization (SCO) are part of Unified powers. While Canada, Mexico, Turkey, Israel, and South Korea form part of Limited power centers. EU, NAFTA, EAC, COMESA and APEC are listed within the economic power centers (Levent, 2006). However, throughout centuries of international relations, state powers have been categorized into four categories: Minor powers, great powers, regional powers and global hegemonic powers (Levent, 2006).

2.3.4 MINOR POWERS

A vast majority of states are not great powers (Bull, 1995). Great powers are not of uniform strength and their range of minor power is far wider stretching from powers on their fringes of the great to status so small and lacking in military strength like Luxemburg or Cost Rica that they scarcely deserve to be one of the powers (Bull, 1995). They are small powers in the international society.

The minor powers try the non-permanent seats of the UN through elections. Many other powers (semi-greater) perceived themselves to be great and always fought for the great power status. The example of Poland which had a large population of over 30M
regarded herself as being closer to Britain, France, and Italy with their 40-odd Millions than to a Lithuania with its two million (Hedley, 2000).

2.3.5 GREAT POWERS

Great powers have wider interests and greater resource than small powers. They, therefore, make important international affairs decisions on behalf of others. Historically it is easier to answer the above question by enumerating the great power at any date than giving a definition for there is always broad agreement about the existing great powers since World War Two (WW II). Since 1938, these include USA, Russia, Britain, France, and China. Since 1815: USA, Britain, France, Germany, Austria-Hungary, Russia, Italy and Japan (Wight, 1977). The states of great power first obtained legal recognition with the possession of a permanent seat on the Council of the League of Nations (now the United Nations (UN)) (Wight, 1977). Wight (1977) notes that with more precision we might define world powers as a great power which can exert effectively inside Europe a strength that is derived from a resource outside.

Wight (1977) in classifying different kinds of states system has distinguished what he calls an international states system from a suzerain state system. The former is a system composed of states that are sovereign while latter is a system in which one state asserts and maintains supremacy over the rest (Bull, 1995). In some of what Wight (1977) would call international states system, it is assumed that at any given time there is assured to be a hegemonic or dominant power (Harvey, 2003; Mann, 2003; Johnson, 2004).

The classical Greek city-state system for example and the later system of Hellenistic kingdoms witnessed a perpetual contest as to which country was to be the hegemon. What distinguishes a suzerain state system from international states system in which one or other states at any one time exerts hegemonic power is that in the former one power exerts a
hegemony that is everlasting and for practical purposes unchallengeable, whereas, in the latter hegemony passes from one power to another and is continually subject to dispute (Bull, 1995).

Looking at historical examples, we may foresee the strategies great powers may adopt in the international system as follows: (1) Isolationism (Intervention when events threaten own territory). (2) Balancing (Making efforts to change the power balance) (3) Selected conflict (Proactive response in case of a risk to change power balance) (4) Maintaining supremacy (Keeping the hegemonic dominance in a unipolar order) and; (5) imperialism (Retaining dominance through territory acquisition and control of the other nations in a unipolar order) (Posen & Ross, 1997).

All said, Bull (1995) argues that, even so, there is also a good day of fiction in speaking of great powers today in horns of permanent members of the UN Security Council (UNSC). He emphasizes that it be evident that the great powers are not great power because they have a veto in the Security Council but that they were able to give themselves the veto because they were great powers. Hedley (2000) notes that the man in the street makes the practical judgment that there are only two great powers in the world the USA and Russia, and gets round the formal classification by investing new phrases such as super-power to describe the powers which seem to him undoubtedly great.

That said, it is obvious that there is a striking distinction between great powers themselves. That is; within their cycle, there are greater world powers than the others. Bull (1995) articulates that world power is often used to mean a power with great interests in the world at large.
2.4 HEGEMONIC POWER

The literature on hegemony has been introduced by authors like Lester (2000) and Gramsci (1999). There is certainly no denying that in many of its earlier pre-Gramscian incarnation’s hegemony was very much closely intertwined with connotations of dictatorship and imperialism. But the notion of hegemony under review was entirely based on Gramscian understanding, one which clearly differentiated if from outright dictatorship (Lester, 2000).

2.4.1 WHAT THEN IS HEGEMONY?

Different definitions have been provided for hegemony. According to a realist principle hegemony is a preponderant power that leads other states within its sphere of influence. In an article written by Krauthammer (1990) in New York Times titled the unipolar moment, he argued unabashedly that in shaping the new world politics, the center of world power is the unchallenged superpower; the US. American preeminence is established on the fact that it is the ‘only’ country with the diplomatic, military, economic, and political assets to be a decisive player in any conflict in whatever part of the globe it chooses in involving itself (Krauthammer, 1990).

Hegemon stated briefly is a world leader: it is a state which to some large degree controls world political processes (Lester, 2000). Hegemony is leadership (Lester, 2000). Keohane (1991) defines it as a simply single dominant world power. In economic context ‘hegemony is defined as a preponderance of material resources. Nye (2004) refers hegemonism as a situation in which one state is powerful to maintain the essential rules governing interstate relations. Wallenstein (2001) in the regional system applies it to the situation in which one ongoing rivalry between the so-called great powers is so unbalanced that one power is truly prima inter pares.
Hegemony has been used to mean more of the power states have over one another rather than the power they jointly have over something like combating terrorism or drug abuse. Regional hegemony exists in both multipolar and bipolar world. Economic theory predicts that the largest participant may have sufficient incentive to produce the food even without a guarantee that others will be the largest beneficiary of the goods production. ‘Hegemony’s continued existence is necessary for the continuation of world order. Hegemony plays a leading role in establishing an institutional environment which is favorable to its interest. However, also accepts costs in being the mainstay of the system providing financial services, the source of capital and a pattern of military support (Organski, 2000).

2.4.2 GLOBAL HEGEMONY

We live in a world of utmost unimaginable immense inequalities. Even with a single nation, there are tremendous disparities in people’s access to food, commercial goods and services, political influence, education and other ingredients of a good life. These inequalities are far greater once we push back to our horizons to complete transnational comparisons (Bilbilik, 2003).

The life prospects of middle-class residents of developed nations bear little resemblance to that of the third world. One of the great disparities witnessed across borders is power between the great powers of the world and the minor. Political and military powers are far from equally distributed. If anything it is increasing. Small cleave of states are extremely influential for instance the USA, Japan, and Germany (Bilbilik, 2003). Others possess formal equality in international law, but no one mistakes it for equality in fact. Such power disparities are great consequences to the less powerful of the globe who complain of Western imperialism and colonization/neocolonialism. Similarly, it is unnecessary to note that
even between the great powers, their one which is stronger than the other. The commonly cited state is the USA which has been known as the world super power (De Rivero, 2003).

Political inequalities have been treated rather differently from economic inequalities. Power disparities may better explain third world dissatisfaction than income disparities (Keohane, 1984). World War II changed the international power structure from a multi-polar to a bi-polar system introducing a struggle of ideological, geopolitical and nuclear military dimensions between the two superpowers and their respective camps. The demise of Soviet Union and Marxist-socialist oriented regimes, and an opening of markets commenced another transition period in world politics (Keohane, 1984). Such changes have had a direct impact not just on relations among major actors but also to smaller and weaker actors in every region of the globe. Emerging new interests like regional integration are, but one of the effects of a turbulent globalization in as much as certainties and uncertainties about the consequences for individuals and larger political units is concerned (Keohane, 1984).

Many scholars have traced the emergence of a liberal international economic order to the presence of a single dominant power in the international economic system. The hegemonic stability holds that such a nation can construct an open and stable international economic system. Because this hegemonic state possesses a preponderance of military and economic power, it is in a position to convince other nations to enter into the system (Lairson & Skidmore 2003). Hegemon has the capacity and the motivation to make and enforce the rules for the world political economy (Keohane, 1984).

Many ask the question why a global hegemon like the USA would be a great supporter of regional international institutions or organizations/groupings; Rosemary (2003), says that such institutions create favorable environments in which the leading state
pursues its interests. Riesman (2003) asserts a leading state that has created an institutionalized order that works to its long-term benefit is better off than a leading state operating in a free floating order requiring the constant and costly exercise of power to get its way.

2.4.2.1 AMERICAN HEGEMONY

The USA has a unique potential to shape both the regulations and rules that govern the increasingly interconnected international system and behavior of other states and non-state actors that effectively constitute it. Consequently, in an era of unipolarity, America’s foreign and domestic policies have assumed unprecedented prominence in the affairs of other regions and nations as they seek to accommodate, and where possible benefit from, the evolution of American hegemony (Wolfson, 2004).

That America was ‘hegemonic’ became crystal clear in the aftermath of World War II, when, the formidable presence of the Soviet Union notwithstanding, the US was revealed to be the most powerful country in the globe. However, that power was measured military, political, economic or even cultural the US outstripped its rivals and dominated international affairs (Sardar & Davies, 2002).

To assess whether the United States global hegemony, one only needs to correlate its capabilities with those of second power in the order, one that has the potential to overcome it as the new hegemony. In this case, China is such a power: not only has China recently become the second largest economy on the planet, but its military spending in the year 2012 was also second behind the USA, suggesting that China is currently No.2 established on material capacity. The rise of China in the last four decades, with a rapid average annual economic growth of 9.9% from 1980 to 2012, this makes the probability of catching up to the hegemon more likely. The only other serious contender for global
hegemon would be the EU, and in social terms, the European Union is at the international level better placed than either the US or China. However, it is fragmented internal politics and little support at the degree of the citizenry for the European Union to have a larger and wider international engagement arguably limits the hegemony prospect of the bloc (Nau, 2012).

The US arguably has significant material advantages. Militarily, the USA spent $682 billion on its armed forces, quadruple the estimated amount spent by the second biggest spender, China which is $166 billion, and more than the military budget of all the next 13 countries combined (Nau, 2012). Not only does the US possess the formidable military capability, but it is also capable of projecting it globally: it owns ten active aircraft carriers, comparing to China's only one, and has military installations in all the key continents. Economically, the United States GDP is $15.68 trillion in 2012 nearly twice that of China ($8.23 trillion); only the EU, which is not a nation-state, has a higher GDP than the USA. The US enjoys an advantage from universal dollar composing of 61.94% of total allocated foreign reserves in the world, which gives the USA much more flexibility in maintaining trade deficits than other countries. In addition, economic strength is translated into strong influence in international economic organizations, giving the USA even more leverage: voting powers of the USA in the World Bank (WB) and the International Monetary Fund (IMF) are respectively 12.87% and 16.75%, the highest of all participant countries, compared to the second which is 3.81% and 3.74% (Nau, 2012).
2.4.3 REGIONAL HEGEMONY

While, for example, the idea of "regional hegemony" is often used to analyze or describe the roles and behavior of states such as South Africa or Brazil, the literature has largely failed to properly incorporate the region into the concept of hegemony. Across the literature, the study finds that regional powers are a bit of a let-down and that the notion of regional hegemony, in particular, is often rejected (Adekeye & Landsberg, 2002).

Scholars like Elman (2004) and Mearsheimer (2001) understand regional hegemony as a second best to impossible global hegemony and describe it as dominance of the area in which the great power is located. According to their offensive realist view, there can only be one regional hegemon in the world at any time. However, what then is the description given to countries which are perceived to be leaders within sub-regional groupings?

Roland and Dannreuther (2004) however note that, as much as the power of USA is more conflictual, the regional integration hegemony within a region concerns itself with cooperative power. Warsaw Pact illustrates regional hegemony as an example of minor hegemony because power is geographically restricted that is, the Soviet Union in East Europe. In contrast to the US hegemony (Global), a concert of Europe is of oligopolistic hegemony since they depart from the simple model of hegemony illustrated by Great Britain and the USA. For Soviet's regional leadership, it is considered influence in both military and economic parameters. The Soviet Union supplied important goods such as oil while Eastern Europe supplied manufactured goods in return. Not to mention, everything was directed from Moscow. This automatically means a centralized planning within its area of influence. Soviet Union also had militarily leadership role in collective security arrangements and claimed right to intervene in other's domestic affairs. Roland and
Dannreuther (2004) view, however, suggests that regional hegemony involves powerful group rather than a single state (Roland & Dannreuther 2004).

A concert of EU Policy towards the periphery is an essential feature and requirement of any regional power, and the EU claims to be or wishes to become a fully-fledged one. The range of EU interests and partnerships is selective and corresponds to that of a regional power especially in non-proliferation energy supply and military intervention. It has a geographical periphery (the immediate neighborhood) as well as historical/economic periphery which coincides with the post-colonial links and the perennial partnerships of its member states (Roland & Dannreuther, 2004).

These, therefore, demonstrate that there has been a large neglect of power and power political factors within sub-regions, especially on the African continent. Power has of course not been wholly absent from European theories of integration, but it has been secondary to questions of interest and more records of identity (Farrell, 2005). The realist school of thought states then have to rethink their position and strategize the way forward to protect their national interests to which Morgenthau (1965) defines in terms of power. It does not matter whether their strategies are regional or international, long term or short term.

The idea that the US now commands hegemony in the world politics be mitigated by the perception that the world is tending toward the formation of stronger sub-regional economic blocs many of which are likely to contribute to the shaping of a new global region.
2.4.3.1 SOUTH AFRICAN DEVELOPMENT COMMUNITY (SADC)

South Africa’s status as the regional power can, at least in material terms, simply not be denied and its neighboring states have to position themselves in a particular way towards this hub in their middle. What differentiates hegemony from force and domination is some degree of acceptance of the power hood. This can, on the one hand, take the form of attraction to some of the hegemon’s attributes, such as its political system or other societal features. This is more often than not the case in Southern Africa in general, but in particular for many Zimbabweans. Millions are currently seeking refuge in South Africa, more than in any other Southern African country. South Africa might, arguably, simply be the best of many bad options, but hegemony is, above all, an expression of relative power (Burgees, 2009).

On the political level, the study find that neighboring states accept and expect the help of the regional power in times of need rather than looking for outside help, and, for instance, relate to it as the ‘most responsible’ state in terms of solving the region’s problems. According to the evidence, South Africa’s leading status in the case of Zimbabwe, both in terms of its arrangements with President Mugabe and the MDC to solve Zimbabwe’s domestic struggles but also in terms of representing SADC on the global level, is widely acknowledged and appreciated among the governments of its neighboring states (Burgees, 2009).

Another aspect that stands out on the regional level of acceptance of South African leadership is in the Zimbabwean crisis. Due to its economic decline, Zimbabwe is and will be less and less in the position to reject South Africa’s offers for both financial help, eventually linked to conditions and mediation between the Government and opposition forces. Second, neighboring states seem to recognize that they benefit from South African
involvement both in political negotiations with global level actors but also, regionally, through investments (Burges, 2009).

2.5 HEGEMONIC POWERS

It is paramount to understand the concept of hegemonic powers within the community of nations. The term hegemony is originating from ancient Greek `hegemonia' expresses the dominant and Oppressive position of one component in the system over the others. The notion of hegemony significantly contributes to a better understanding of current international relations and power relations. Gramsci (1999) has considerably contributed to the articulation of this concept suggesting that power not is only dependent on force but also on consent. According to Gramsci (1999), hegemony represents the position of a dominant state in cooperation region or the status of the powerful state in the international system. For Gramsci (1999) hegemony entails cooperation ensured by force, combining social and political supervision, force and consent (Barrett, 1997).

Volgy (2005), argues that hegemony is the position of having the power and capability to change the norms and rules of international systems based on one's motivation and desire. He emphasizes that if you do not have enough power to affect global events in line with your road map that would be a dangerous illusion. Strange (1989), on the other hand, envisages that hegemony requires two kinds of strength; relational and structural based. The relation-based power she says is the strength to influence and force the other actors one by one or in groups. Structural power is the necessary capacity to realize the desired rules, norms, and operations in the international system. A hegemon, therefore, creates or maintains critical regimes to combine forces in the future, and reduces doubt while other states are in pursuit of their interests (Strange, 1989).
2.5.1 HEGEMONY BY COERCION OR DEFAULT

States within a region of influence by an existing hegemony can either accept consent to the leadership of that state in that region (this research terms such conceptualization as hegemony by default) or can be coerced by that hegemony to accept its (hegemony) leadership that is, hegemony by coercion (Nye, 2002).

Due to the hegemony by coercion, there are many ideas about the correlation between hegemony and imperialism. Imperialism is defined as enlarging the authority of one nation over the other by way of open economic and political instruments, (Heywood, 2007). To explain the basic difference between the hegemony and imperialism, Keohane (1991) says that as hegemony manipulates the relations with no superior body whereas imperial powers set their superiority with a senior political body. However, it need be remembered that imperialists have an approach for expansion by conquering new territory. According to Snidal (1986) hegemony is separated into three; kind but forceful hegemony, hegemony implied by conviction and colonialist hegemony based on force.

Many scholars (including Gramsci (1999), Machiavelli (1989), and Nye (2003)) of hegemony explain that a major power should not just depend on dominance, force, and hard power to express their influence/leadership. Machiavelli advocates respect as a source of obedience to a major power (Wright, 2004). Gramsci (1999) says that a major power itself evokes willingness and cooperation instinctively. Nye (2002) on the other hand believes that a superior power becomes a hegemonic power by persuading others to cooperate. He adds that persuasion would be ensured by the utilization of soft power that makes other countries believe in common interests. Keohane (1984) however notes that according to Hegemonic Stability Theory (HST) major powers achieve their position unilaterally with the placement of hard power but retaining consent and conviction (Keohane, 1984).
Gilpin (1981) describes a hegemonic state as a single powerful state that controls or dominates lesser states in the system. However, Hegemonic state does not need to use military force to establish its spot of power, although military superiority is almost at all times a characteristic of a hegemon. For instance, many scholars (Machiavelli, Gilpin, and Nye) agree that the United States of America is a hegemon, even though its impact is not primarily derived from military conquests. While seemingly simple in definition, it is harder to apply the hegemonic tendency test in practice, because of the terms "powerful," "rising," "control," "dominate," and "system" are difficult concepts in themselves (Song, 2005).

2.5.2 FEATURES OF HEGEMONIC POWERS

Nye (2003) explains that traditionally, one used to evaluate the war capacity of a nation to understand its power status. However, sources of power have changed drastically in parallel with technological innovations over the centuries. The population was a significant source of supremacy in Europe's agricultural economies in 17th and 18th Centuries because people were required as soldiers for land armies that comprised mainly mercenary soldiers and as taxpayers. For this reason, France was in a leading position in that period. Nonetheless, with the increasing importance of industrialization in the 19th century, England became leading in the seas with an exclusive fleet, and then Germany became superior thanks to the help of railroads (Nye, 2003).

Uzgel (2003) lays emphasis that, there have been general determinations about the features of hegemonic power. Such as; a great military posture with the alliances and bases in every part of the world, effective currency unit in the international arena, leadership in regional crisis and conflicts, persuasion capacity over other nations, legitimation of status
by spreading own life standard and values culturally around the world, retaining nuclear arms (Uzgel, 2003)

Brzezinski (2004) claims that the troika of a hegemon is money, production capacity, and military power. Another scholar Strange (1987), stresses that America ensures its hegemonic capacity through its structural power enabled by production, security, knowledge, and finance capacity in international economy politics exceeding regional dimensions. Strange (1987) claims that structural power is dependent on four elements: first, maintaining the capability to influence the other states through defense, threats, escalation or denial of violence. Second, keeping in hand the control of goods and service production systems. Thirdly, holding the authority of determination, management possibilities in finance and credit institutions. Lastly, retaining the most efficient instruments to sway the knowledge and informatics either technically or religiously through acquiring, production, and communication, the nation which has those components more than the others is the most powerful (Strange, 1987).

While power before the modern age predominately referred to the military power which lends itself as the primary means to lead other states, the experience of Pax Americana shows this is not completely true today. Instruments of power now also include diplomatic, informational and economic. Others have been benign, supporting a global system emphasizing an open, interdependent world economy based on free trade, equal treatment, and non-discrimination. Most of the time unipolar system brings hegemonic peace (Song, 2005).
2.5.3 MERITS OF HEGEMONIC PRESENCE

Prior to any discussion, it is imperative to note that there are three levels of hegemony; regional hegemony (one power exerting universal influence on others within its geographically defined region for instance Brazil in Latin America); global power (exerts supranational powers on the community of states in international realm, for example the USA in the world) and; group of states. Good examples of a group of states include the concert of Europe and various regional groupings in the world (Gooding, 2005).

In terms of the relevance of hegemons, Gooding (2005) models hegemony in a game theoretic manner but concentrate on the notion of a single hegemony. He explains that while a single hegemon is without doubt possible, on international trade of goods and services, it is far more possible that a regional hegemon is more important for a small country's pattern of trade. Bhagwat (2012), one of the few economists to openly describe a hegemon, has contended that the hegemonic power in a Preferential Trade Agreement (PTA) operates to pursue its selfish interest (Bhagwat, 2012).

Gooding (2005) terms this different characteristic one as selfish hegemons. Besides, Bhagwati (2012) believes that the existence of a selfish hegemon poses a threat to the world trading system as leading countries use FTA’s as a strategy to advance their trade policies resulting in violent unilateralism. These strategies, in turn, hinder multilateralism through the promotion of regional trading blocs (Gooding, 2005).

In order to test for the importance of institutional hegemony’s, Burton (2002) empirically investigated whether institution-specific features are more important in ensuring the durability of Preferential Trade Agreements (PTA) than the impact made by influential institutions, like, the hegemons. In these studies, hegemony is well-defined using a threshold level of the percentage of the country's total world Gross Domestic Product
(GDP) in each year. Using a duration model, there was no statistical importance accorded to the hegemony variable hence implying that stronger hegemons have little impact on the long-term viability of institutions (Burton, 2002). Burton (2002) concluded that systematic variations of hegemons appear to have no bearing on the durability of PTAs.

World Bank, (2004) argue that the existence of "hubs" and "spokes" or hegemons and non-hegemons in a hegemon led regionalism would result in excessive gains for the hegemons or hubs. Despite all these, however, Bull (1995) connotes that the presence of hegemony in the international system helps to balance and as such bring order to the global/regional relations.

2.5.4 CHALLENGES FACED BY HEGEMONIC POWERS

Mearsheimer (2001) notes that hegemony is rare because the costs of expansion usually outrun the benefits before domination is achieved. Potential hegemony only seek to achieve domination when the anticipated costs are low. Polarities; Bipolarities (two powers controlling the region/globe), unipolarity (one power is dominant) and multipolarity (European multipolar order of the 19th century) are a challenge to hegemony. The rise of other powers in the global system as radical structuralists like Frank (2015) puts it; some semi-peripheries are considered emerging powers and therefore pose a significant challenge to hegemonic powers who then faces shifts of power/control over their so-called spheres of influence.

Return to multipolarity in the 21st century (although others still believe that the USA is the only superpower until now) has become not just a strategic aspiration of some major states, but also a normative one. In the contemporary international system two sorts of actors are in quest of a return to a multipolar international order; China, whose dramatic ascendancy poses the most serious challenge to the post-Cold War balance of power and
France which asserted its independence from the US by refusing to endorse the Bush administration's plans to invade Iraq (Frank, 2015).

It is highly conceivable that China changes its economic power into military power through a rise in defense spending and that is already happening. In 2004, China's defense budget grew by 11.6% (Dragonspace, 2004). It is only a matter of time before China's military capability exceeds that of the USA. In the 21st century, managing the rise of China could be one of the most challenging problems for the USA. It would be equally, if not more, interesting for states in Asia that are closer and weaker. China's relations with many of the countries in the region as well as global powers have historically been fraught with tensions and suspicions. Some of this uneasiness continues today (Dragonspace, 2004).

The most significant threat to hegemons is the threat of an emerging economy or power with the ability to overturn the balance/ existing structure. Their collapse normally is due to the new establishment of hegemonic order. Thomas (1997) concisely describes the intersection of such moments for the case of a successful Revolution. Concerning the Russian Revolution Thomas (1997) notes that when the Russian proletariat had demolished this pillar of State power by forging hegemony among the popular classes - in effect, subtracting their consent from the constituted power, in order to constitute their own. The time became ripe for the whole edifice to collapse and a new State to be constructed in its place. The establishing of hegemonic world order thus conceived occurs in different steps. Powerful state goes through a social and economic revolution which enables a social class to establish its hegemony within it (Anighi, 2010).

This process following Cox (1983), not only changes the economic and political structure within that particular country. It also unleashes energies which expand beyond the state's boundaries. This occurs as other states "emulate" the latter state by adopting its
economic and social institutions its technology and culture (Cox, 1983). The form of rule prevailing in Lockean states is hegemonic (in the Coxian interpretation of Gramsci) because it is based on consent, backed up only in the last instance by the coercive apparatus of the state (Overbeek, 2004).

2.6 VITALITY TO POWER

There are certain things that a power/hegemony deems essential to its continued independence—its vital interests which it will go to war to defend. Vital interests of a state are what it thinks them to be and not what another power says them to be. Those interests are uncertain and apt to change. Sometimes national interests describe more truly what the motives of powers are. Closely bound up with the idea of honor is the idea of prestige. Honor is the halo around interests; prestige is the halo around powers (Dougherty, 1996). Dougherty (1996) notes that unless the powers are present power, there can be little prestige (the influence derived from power). According to Carr (1934) prestige means recognition by other people of your strength. If your strength is recognized, you can achieve your aims without having to use it.

2.6.1 BALANCE OF POWER (BoP)

The balance of power explains the structure of power in the international system. The balance of power leads to considerations of hegemonic parameters like military potential, diplomatic initiative, and economic strength. The idea of balance arises naturally in considering any relation between competing individual units, groups or institutions (White, 1995). The conception of BoP is the corresponding of the same but in international politics (balance between and by states). The policy of BoP is found as Hume (1995) said, on common sense and obvious reasoning.

In a bipolar system, the ultimate goal of two opposing superpowers and their respective foreign policies is the adoption of a balancing strategy that will prevent from gaining hegemonic strength. Both sides rely not only on their internal strength but also on help from friends and allies in this regard (Waltz, 1979). In a multi-polar system, the strategies of bandwagoning and withdrawing are far more common than that of balancing. Multipolar systems are characterized by a relatively diffuse division of power wherein no one state can single-handedly become the Hegemon. Research explains that 'if one state starts to manifest hegemonic desires, it can be easily overcomeby the others, which makes the expenses of balancing significantly lower (Barry, 1984).

There are two main approaches to the role of power in international relations, and both have difficulties. The first has been described as "defensive realism" and is characterized by the work of Waltz (1979). Waltz (1979) has offered a disarmingly simple insight regularities of international behavior in claiming that nations have a tendency to “balance” the power of other states. If they do not do so, they may suffer the consequences eliminated from the system. The disposition of nations to "balance" against power, however, is only a tendency. It may or may not occur in particular circumstances, and it may represent a delayed response to the aggressive behavior of other states. Defensive realism is like weather forecasting (Waltz, 1979).
A second approach is "offensive realism," largely typified by the work of Mearsheimer (2002). Unlike Waltz (1979); Mearsheimer (2002) seeks to predict what nations will do when faced with opposing power. They will either "balance" or "back pass" in response, but they will not generally bandwagon. Strong powers will seek to dominate their regions and to achieve regional hegemony. Only the United States, however, has succeeded in this task. Nonetheless, countries in Europe, Asia, and the Middle East have sought, so it is argued, to achieve regional hegemony, although none, in fact, has achieved it (Mearsheimer, 2002).

The First World War (WW I) intricacies clearly highlight the major best examples of BoP between the USA, British and the rest of the allies and Germany. Entering of the United States to First World War resulted in a victorious America and fact, the main winner of the war, in 1920, was the United States, because Germany was defeated, Britain was economically weak and also became a debtor to the powerful creditor the United States. These developments were coupled with the disintegration of world order of the British succession and an important period, which was called as ‘hegemonic victory’ in the American hegemonic cycle (Taylor & Flint, 2000).

The tendency of the United States to integrate with USSR was to pursue the one world policy, and it derived from American idealistic thinking (Taylor & Flint, 2000). It is important to mention that in fact gaining the world leadership was the main goal of three competitors during the second World War, those states that had defined their global geopolitical codes based on their global goals so that Great Britain was attempting to evade weakening of its hegemony, Germany simultaneously pursuing to defeat Britain, and finally the US was pursuing the realization of its world leadership (Flint, 2006). East Europe was defined as Soviet Union’s sphere of influence, moreover it was determined as other against the free world (Agnew, 1993).
2.6.2 ROLE AND RESTORATION OF BALANCE OF POWER

As expounded by Broke (2001) balance of power is supposed to: Prevent the establishment of a universal hegemony, Preserve the constituent element of the system and the system itself. Ensure mutual security and stability in the international system; Strengthen and prolong the peace by deterring war that is by confronting an aggressor with likelihood that a policy of expansion would. There are various ways of restoring balance within the international arena. These include but not limited to: policy of divide and rule (working to lessen the weight of the heavier side by aligning if it is necessary on the weaker side); Territorial compensations after war; Creation of buffer countries; The formation of alliances; Spheres of influence; Intervention; Diplomatic bargaining; Legal and Peaceful settlement of disputes and reduction of armaments; Armament competitions and race and; War itself if necessary to maintain or restore balance (Williams, 2005).

Spykman (1942), however, held that theory of the balance of power inadequately explained that, the truth of the matter is states are interested only in balance (imbalance) which is in their favor, not equilibrium. No real security is being just as strong as a potential enemy, there is safety only in being a little tougher. There is no possibly action if one's strength is fully checked. There is a chance for a true foreign policy only if there is a margin of force which can be freely used (Spykman, 1942). Sophisticated realism does not view the rational pursuit of national interest and the operation of the balance of power as naturally occurring phenomena in any simple sense. The conception of the state as a rational actor is the outcome of a process of political construction and realist thought is deeply concerned with the intellectual and sociological resources that might be mobilized to have this form of state action prevail (Williams, 2005).
2.6.3 POWER WITHIN STATES

Since states have been ranked in terms of powers, it goes without saying that different states have different levels of national development. This is because, different powers have been categorized regarding what they possess locally; economic, political, technological, cultural and other parameters. As such, it should be noted that such differences between states also occurs within the state itself where different parties/entities control a certain percentage of influence over others. All countries have disparities in terms of citizen income and growth of private and Public Firm's which controls most of the state's national budget.

From a national perspective, Clark (1977) has defined hegemony as how the ruling classes control the media and education. The term "hegemony" had been in overall use in socialist circles since the early 20th century. Its use proposes that if a group was described as hegemonic, then it occupied a leadership position within a particular political sphere (Boothran, 2008). Hegemony of the Proletariat claims that (a) the urban proletariat retain an ongoing affiance with the rural peasants to retain national leadership and (b) that the expertise of the former capitalists is utilized, by forcing them to succeed state industries effectively. These dual processes of leadership via consent and the Command of force in the development of hegemony plays a great role in understanding hegemony even on a national level (Clark, 1977).

According to Jablonsky (1995), Elements of national power are grouped under two headings, social (economic, military, politic, psycho-social, information) and natural (geography, population, natural resources) powers. Developed countries use the technology, industrial goods, and financial assets as instruments to convince other nations. In the present world, the economy is the most important determinant of national power,
(Ulagay, 2006). Nations can become regional and global power only if they devise a reasonable strategy; develop human resources and a dynamic economy. Morgenthau (1970), the founder of Realism, suggests that nations might choose one of these three common policies in international policy; (1) Status quo policy, (2) Imperialism policy, and (3) Prestige policy.

Also at the national level hegemony has been defined as dialectical unity between leadership and domination, including both, consensus and coercion. According to Gramsci (1999), towards the realization of hegemony, there is need for the conquest of political power, example of the state, and that hegemony then is exercised at different levels involving the economic structure, civil society, and political society, whereby the State in its integral sense acts as educator and intellectuals play a crucial role organizing, amongst others, the apparatuses of consensus and coercion. The term is used to depict the form of rule of the fundamental social group or class over subordinate groups in modern capitalist states. Gramsci (1999) proposes a complex theory of the capitalist state, which in its integral understanding encompasses both political and civil society (Dougherty, 1996).

In such cases, all of these explain the analysis of intersectionality and social categories of inequality within nation’s verses particular state's rapid growth in power and subsequent hegemonic ambitions. The standard elucidation provided by the realist theory is that of other countries increasing their power (internally balancing) or allying with others (externally balancing) to counter the rising power and ensure their security and survival.
2.7 REGIONAL INTEGRATION

2.7.1 EUROPEAN INTEGRATION

The term regional integration and related concepts such as regionalism, regionalization, trading blocs, economic and political cooperation and state-transnational cooperation appear to have received considerable attention from scholars of international relations, political economy, and economics and even diplomacy let alone students of politics.

As cited in the preceding discussion, regional integration which is defined as a process in which states enter into a regional agreement to enhance regional cooperation through regional institutions and rules is a European Laboratory experiment that has since its conception, been embraced by other members of the globe. Regional economic groupings began and continued to be influential in World Politics as far as 1948 when the Benelux (Belgium, Netherlands and Luxembourg) countries formed the first customs union. Subsequently, the European Coal and Steel Community was founded in 1951 and followed by the European Economic Community common market in 1957, with the main goal of preventing war between France and Germany. This later metamorphosed into the now effective EU (Hawkins, 2006).

In 1960, the Latin American Free Trade Area was formed under the Treaty of Montevideo, to encourage industrialization through the expansion of the regional market. This was later succeeded by the Latin American Integration Agreement (LAIA) in 1980 which seeks to expand cooperation through bilateral trade agreements between member states according to the level of their economic development. Its goal of complete removal of barriers to trade over a 12 year period remains largely unattained, due to wide disparities in economic development between member states (Hawkins, 2006).
Other states followed suit in the event to integrate, politically, culturally, economically and even socially depending on the geographical ideologies therein. The Association of South East Asian Nations (ASEAN), in 1967; the North American Free Trade Area (NAFTA), in 1991 and the Common Market for East and Central Africa (COMESA) in 1993. In the case of South America, despite their good intentions, the huge asymmetries between LAFTA members triggered the apparition of sub-regional blocs (Leon, 2011).

There is the Andeans Community (CAN) founded in 1969, and now grouping Colombia, Bolivia, Peru and Ecuador; and the southern common market (MERCOSUR) established in 1991 between Argentina Brazil, Uruguay and Paraguay', (Leon Li, 2011). The Anglo-Caribbean States formed the Caribbean Common market (CARICOM) in 1973 under the revised Treaty of Chaguaramas, to coordinate economic activities within the region while embracing import-substitution (Leon, 2011).

2.8 GERMAN POWER

Hegemony is a contested term analytically. When deploying it in connection with Germany, it is also necessary to be careful because of the emotive connotations arising from German history. Rationally, usages emphasize either domination or leadership (Lentner, 2005). The historical origins of the hegemony literature are twofold: in the literature on ancient Greek city-states; and from Gramscian analysis based on a dominant group or social class that provides leadership based on a cultural and ideological set of beliefs (Joseph, 2008).

Lentner (2005) notes that hegemony ‘involves leadership of an alliance, not domination by coercion.’ He continues, a successful hegemon has to respect the autonomy of its partners: failure to do so engenders hatred from those partners who can then break
the hegemonic alliance. In addition to this inter-allied weakness, a hegemon may undermine itself by internal politics that lead to decay within the state (Lentner, 2005).

The Gramscian approach has developed into analysis from a critical international political economy perspective that can offer significant insights into the power and interests served by the German-led policy of austerity in the Eurozone. Another contemporary strand dealing with the world economy has an international relations background and is associated with hegemonic stability theory (HST). The hegemon’s authority is underpinned by material resources, such as those identified by Keohane (1984): control over raw materials, goods and sources of capital, as well as holding a competitive trade advantage in high-value goods and military power to defend its interests (Lentner, 2005).

Lentner (2005) summarizes the HST position thus: the hegemon provides public goods such as a stable currency, capital investment finance, coordination of macroeconomic policies among the leading powers, lending during crises and more controversially security. Not all observers agree that security is a public good.

A final aspect of hegemony that is worthy of attention is the element of consent needed to sustain it. As Keohane (1984) puts it, hegemon plays a distinctive role, providing its partners with leadership in return for deference. Deference is important because without it there would be no hegemonic stability. Clark (2011) has taken the need for consent forward by emphasizing the importance of legitimacy alongside hegemony in providing for stability. This aspect, which Clark (2011) develops as part of an ‘English School’ interpretation of hegemony, also bears upon our empirical concerns. If Germany is to be a hegemonic player assuring stability in the Eurozone or, more broadly, the EU, this status will need to have legitimacy. Germany’s position as an extraordinary trader focused on a
hyper export performance complicates the pursuit of stability and the legitimacy of the German position greatly (Clark, 2011).

Already, this brief overview of the hegemony literature has highlighted several issues that relate to understanding German power in the EU:

• The material sources of power of the hegemon;

• The presence of a dominant set of beliefs (albeit not necessarily held by a ‘class’) and the associated discourse;

• The hegemon’s role as provider of international public goods;

• The different sites of hegemony within the EU;

• The hegemon’s need to maintain consent and legitimacy from its partners; and

• The potential for ‘internal politics’ to support or undermine the hegemon’s position.

The study now considers what light HST can shed on German power in the EU. Hegemonic stability theory owes its origins to the work of Kindleberger (1981), who departed from the normal assumption of economists, namely that markets would ensure the stability of an open liberal world economy. Instead, he saw stability arising from the leadership exercised by a dominant power. For the global economy to be stabilized, there has to be a stabilizer, one stabilizer (Kindleberger, 1981). Subsequently, International Relations analysts developed this notion into HST (Gilpin 1987; Keohane 1980).

An important observation to make from the outset is that HST has been utilized in a global rather than a European context. Equally, if this suggests that it should not be applied to Germany’s role in the EU, it should be borne in mind that there have been only
two historical episodes in International Relations where HST presents a prima facie explanation of a hegemon offering stability: Britain in the period 1815 until World War One; and the USA from 1945 to 1970 (O’Brien & Clesse [2002]; also Clark [2011] and Keohane [1984]).

While Britain was number one in manufacturing, trade, finance and naval power; it only ranked third in GDP and military expenditure (Nye, 1990). Communist rivalry facilitated the acceptance of US hegemony and the associated economic and security protection. Thus, Nye (1990) argues that, contrary to the myths, ‘British and American hegemonies have been regional and issue-specific rather than general. Hence, application to Germany and the EU is less out of line than at first sight.

Keohane (1980) spells out the principal idea behind HST as holding that hegemonic structures of power, dominated by one country, are most conducive to the development of strong international regimes whose roles are relatively precise and well obeyed. HST’s application has been to regimes providing liberal economic order and requires the commitment of the hegemonic power to the values of such an order. Other major economies must share this commitment, although perhaps needing the hegemonic power’s encouragement to do so. Thus, in Gilpin’s (1987) view, the emergence and expansion of a liberal market system is dependent upon hegemony, liberal ideology and shared interests. Together these result in the delivery of collective goods: notably open trading and currency stability. International security is more controversial as such a collective good. Keohane (1984) emphasizes the hegemon’s economic power; sufficient military power is required only to avoid incursions by hostile powers.

In the wider context of International Relations theory, HST presents an opportunity for dialogue between realists and neo-liberal institutionalists (Keohane 1984). States acting...
rationally and pursuing their national interest are essential ingredients of a functioning liberal market system. Equally, international institutions and regimes are crucial to the realization of collective goods. Thus, attention needs to be paid both to the material resources at the disposal of the hegemon as well as to its impact on the international institutions that maintain order. Non-hegemonic cooperation is difficult, as Keohane (1984) noted, since it must take place among independent states that are driven more by their conceptions of self-interest than by a devotion to the common good.

However, it is worth recording that the European integration project could be seen precisely as an attempt at non-hegemonic cooperation. For Germany to be deemed the hegemon in line with HST would be to recognize a fundamental change in the EU’s collective governance. Early post-Cold War explorations of German hegemony contrasted Germany’s structural economic power with the collective memory of Germany’s past (Markovits & Reich 1997). Markovits and Reich’s (1997) study is notable for its emphasis on memory but also for its neglect of the institutional, both in respect of Germany and the EU. They concluded that collective memory impeded Germany hegemony but noted that the essence of the Berlin Republic will be how the Germans resolve the proper deployment of power in Europe and the world (Markovits & Reich 1997).

Sperling (2001) also undertook a system-level review of German power in post-Cold War Europe, similarly concluding that the legacies of the Holocaust and post-war occupation precluded such hegemony. Two more recent studies of Germany and the EU also deployed the terminology of hegemony. Crawford (2007) referred to Germany’s status as ‘embedded hegemon,' noting its growing assertiveness in advancing national interests. Her analysis was based on three cases studies, namely Germany’s intervention in the Balkans; it is breaching of the Eurozone Stability Pact in 2003–4, and its role in building a European regime for controlling the export of militarily sensitive technologies. These cases
were quite limited regarding the scope of Germany’s relationship with the EU. More recently still, Schilbach (2011) examined the early phase of the Eurozone crisis and argued that Germany’s former role as ‘benign hegemon’ be put into question by a more unilateral approach to EU policy. This policy focus is narrower still but is arguably central to the future of integration itself.

Finally, it is worth mentioning the work of Pedersen (1998). His ‘ideational realist’ analysis is notable for arguing the case that France and Germany acted as ‘co-operative hegemons’ in the integration process. This analysis is relevant because the Eurozone crisis has revealed Germany as ‘number one’ in the EU, and that reliance on the Franco-German relationship has its limits. Interestingly, the Eurozone crisis has sparked a revived discussion within Germany of Berlin’s possible emergence as a hegemon (Crome, 2012; Kundnani, 2011; Paterson 2011; Schonberger, 2012). Paterson (2011) opened the debate by arguing that Germany has emerged as a ‘reluctant hegemon’ owing to the Eurozone crisis, where its ever-strengthening economy and principal creditor status placed it in the driving seat about crisis management.

This core argument was flanked by an examination of the increasingly asymmetric nature of the Franco-German relationship. Co-operative hegemony had relied on side payments for acceptance, and their use had begun to run into significant domestic resistance, thus contributing to a growing reluctance for Berlin to play the role previously played in conjunction with Paris.

Finally, the objections by other states to a solo German leadership position faded. This argument was taken up in Germany in shorter or non-academic pieces. Some observers shared the argument: for example, a long feature article ‘Euro-crisis: all power to the Germans? Hegemon against its will – Berlin dominates Europe, but too much is expected’
(Die Zeit, 2011). A new consensus was identified by Crome (2012): that hegemony is now seen as normal, that this hegemony is founded on economic strength and that the Eurozone crisis has triggered it. With the passing of time, the debate has also become more precise, illustrated particularly by Schonberger’s (2013).

2.9 THEORETICAL FRAMEWORK

International relation scholars have devised ways of explaining the events of the global political systems and various events. This study will not be complete if it lacks the conceptual analysis of regional integration. There has been the significant growing body of theories explaining regional integration just as there are various examples of regional economic groupings globally. Different approaches conceptually analyze these concepts from varying angles to suit the case in point of their message. Regionalism remains firmly constrained by the exigencies of the state security and power (Farrell 2005). This research shall extensively rely on the assumptions laid down by realist and neorealist scholars of international relations with triangulation Hegemonic Stability Theory in the event to explain both the aspects of power on regional influence and regional integration.

2.9.1 REALISM

Theories of International Relations encompass an exclusive source to expand our understanding of security policies and power relations. These theories, try to explain international relations with three fundamental concepts; hegemony, structure and power. Until today, the dominant approach in the field of international relations has been realism, a paradigm rooted in positivism, despite other theories (like Liberalism, Marxism, Constructionism, and other post-isms) competing with it (Baylis & Smith, 2005). Realists, the basis of international relations is the power struggle among states which try to maximize their interests.
For the realist, the main unit of analysis is the state. The state is considered the primary actor in the interstate relations, and the main reason why states relate with one another is for the pursuit of national interest which is defined in terms of power (Nicholson, 2002: Morgenthau, 1948). The power concept in this theory majorly lies in the military and political strength that a state wields in comparison to other states. Realists are on the defensive regarding the understanding of international institutions; their explanatory power is considerable when it comes to explaining the correlation between politics and economics. Hirschman has shown how during the inter-war period, Germany used favorable trade deals to obtain political goals. Kirshner (1999) argues that European integration can be taken as evidence of the primacy of politics, witness the choice of a Customs Union instead of an FTA in the early years. The rise of a sphere of monetary influence through EMU with relative gains considerations driving the project (Kirshner, 1999).

2.9.2 Hegemonic stability theory (HST)

Hegemonic Stability Theory refers to several different bodies of theory, each concerned with the role of a hegemonic or superior power in global politics. The basic claim, in each case, is that the international political and economic system is at its most stable when it is under the control of a single state, the hegemon. A hegemonic power is one which is powerful enough to effectively control all important international rules, agreements, and institutions, through a mixture of diplomacy, persuasion, and military and economic coercion. By the same token, a country powerful enough to impose its will upon the rest of the world will establish a system of rules and norms that contribute to global stability. Kindleberger (1990) has argued that the economic difficulties of the 1920s and
1930s were the result of the collapse of world leadership: Britain had not recovered from the First World War, and the United States would not assert itself until after the Second.

Several key variables determine the potential of nation-states to rise to hegemonic status. Historically, they are islands or peninsulas, which lend them a degree of security from a ground invasion. The British Empire rested upon the security of the British Isles, for instance, and the United States, though not an island, is surrounded by oceans on two sides and by relatively weak allies (Canada and Mexico) to the north and south (Kindleberger, 1990).

Secondly, potential hegemons must have exceptional political and economic strength. A large economy, with a particular preponderance in important technological sectors, is characteristic of effective hegemons. The extent to which China possesses this feature, and might, therefore, replace the declining United States as the leading world power, is currently the subject of much debate among international relations analysts. However, according to hegemonic theory, this must be backed by the military power necessary to enforce international laws.

Thirdly, a country must wish to play a hegemonic role. During the interwar period, for example, the United States might have attempted to assert the hegemonic status it later did during the 1940s. However, it chose instead to pursue an isolationist foreign, driven by strong domestic political pressures to avoid further foreign entanglements like the devastating Great War.

Fourth and finally, hegemonic stability theories expect that hegemonic powers, to protect their status, will commit to defending an image of an international system, rather than simply serving their self-interest. The extent to which this ideological element is an irrelevant byproduct of power, an instance of necessary benevolence, or a cynical
calculation by elites to co-opt the lower classes and poorer states depends upon which variant of the theory is being applied.

**2.9.3 NEOREALISM**

Neorealism studies regionalism from the outside in. Regional groupings emerge in response to challenges from outside (Hurrel, 2006). In an important study of European regionalism, Wallace (1989) stressed the importance of the American military presence for the emergence of European Communities in 1950’s. Differences in the pattern of global hegemonic penetration have also been shown to be able to describe a considerable part of the differences between Germany and Japanese approaches to regionalism. A key weakness of neorealism is its inability to account for the basic continuity in German foreign policy after the collapse of bipolarity (Hurrel, 2006).

Some systematic, power-oriented interpretations of regionalism may be deduced from realism more broadly defined. Hurrel (2006) lists four such interpretations: first, sub-regional groupings often develop as a response to the existence of an actual or potential hegemonic power. A second theoretical possibility is that regionalism reflects a strategy of bandwagoning on the part of the weaker states in a region. Historically, bandwagoning has been shown to be more common than balancing. However, does bandwagoning happen spontaneously as a response to power concentration? Surely, perceptions and strategies must play a role (Hurrel, 2006).

Thus third, and most plausibly, hegemony themselves may promote regional institutionalization in part by fostering bandwagoning behavior by economic and political means. Duchacek (2003) shows how intergovernmental relations in federations deserve closer scrutiny and how asymmetries may characterize them. Co-operative hegemony as an approach seeks to elaborate upon this 'soft realist' perspective on institutions.
3.0 CHAPTER THREE: METHODOLOGY

The methodology used in this study explains the approaches of understanding Germany’s influence in the European Union.

3.1 RESEARCH DESIGN

The research used is a case study research. Case study research method as an empirical inquiry that examines a contemporary phenomenon within its real-life context; when the boundaries between a context and phenomenon are not clearly evident; and in which multiple sources of data are used. It will take account of acquiring information regarding hegemonic power and regional integration with a narrowed down to focus on Germany in an integrating unit of analysis within the European Union.

3.2 TYPE OF DATA

The research primarily relies on secondary data emanating from key concepts under study which include; hegemony, regional integration, Germany and the European Union. Much literature on this topic has been collected for further analysis.

Secondary sources of data include existing studies ranging from journals, published books of government, policy documents, reports from ministries of foreign affairs and official government websites. All these has helped attain proper understanding of the key terms under study and also acquire statistics and facts for final analysis.

3.3 DATA ANALYSIS

The research used in this case is a deductive approach, in that deductive research approach explores a known phenomenon or theory and tests if that theory is valid in a given circumstances. In this section, the conceptual method of analysis has been comprehensively utilized in the attempt to operationalize the key concepts of hegemony and regional
integration to suit the objectives under study towards a more inclusive and conclusive study.

3.4 LIMITATIONS OF THE STUDY

The main limitation of this study has been the geographical obstacle of traveling to the study area to collect primary data. The researcher had planned to make a trip to Europe however the cost of the journey was not available. Due to this reason, this study has relied on secondary sources of data such as books, articles, journals, newspapers, internet sources and magazines, government and Non-governmental reports. The study shall also cover on incidents before BREXIT since the process is not complete and it is not relevant in this research.

3.5 STUDY AREA

3.5.1 GERMANY

Germany is one of Europe's largest states, with the largest populations. Although it has played an important part in European and world history, the country has been a single, unified nation for less than a hundred years. The area that now makes up Germany originally was a cluster of independent cities and states. The Prussian Chancellor Otto von Bismarck in 1871 created a unified Germany. In this century, Germany fought in two wars (World War I and World War II) and lost both wars.

Following the loss of Nazi Germany in World War II, the country was divided by the states that had defeated it: the United States, Great Britain, Soviet Union and France. The American, British, and French zones were combined to create the Federal Republic of Germany (West Germany) in 1949. The Soviet zone became the German Democratic Republic (East Germany) in the same year. The country was separated for four decades.
Both East and West Germanys recovered from the damage of the war with impressive speed. Nonetheless, progress was faster and more dramatic and in the West than in the East. For the reason that, nearly three million East Germans in the long run fled to West Germany, seeking better lives. Finally, in 1961, the East Germans put up the Berlin Wall and sealed off the nation's borders.

In the late 1980’s, on the other hand, Germany became held up in the changes sweeping communist Eastern Europe (Hawkins, 2006). The destruction of the Berlin Wall in November 1989 became one of the most significant symbols of the communist system's collapse. In March 1990, the East Germans held their first free elections. The two German nations were reunited on October 3, 1990 (Bulmer & Paterson, 2015).

Germany's key regions are the Bavarian Alps (which form the borders with Switzerland and Austria), the South German Hill Region, the Central Uplands, and the North German Plain. Major rivers include the Danube which flows from west to east and Rhine in the West. Germany has the second largest population of any European country over eighty million. More than 90 percent of the people are ethnic Germans, descended from Germanic tribes. Since the 1950s, significant numbers of foreign workers have come to Germany from countries including Turkey, Italy, Greece, and the former Yugoslavia. By the end of 1991, Germany had a foreign population of close to six million (Hawkins, 2006).

The German economy is the fifth largest economy in the world in Purchasing Power Parity terms and Europe's largest - is a leading exporter of machinery, vehicles, chemicals, and household equipment and benefits from a highly skilled labor force (Bulmer & Paterson, 2015). Like its Western European neighbors, Germany faces significant demographic challenges to sustained long-term growth.
CHAPTER FOUR: DATA ANALYSIS

4.1 INTRODUCTION

The chapter is devoted to showing how Germany is a hegemony from its history in the involvement of great wars to current situations in European Union crisis. As the study shows, Germany has emerged as a hegemony under many circumstances. Its behavior has varied according to the issues at stake. By analyzing the trade flows, financial assistance to Greece, Germany’s role in shaping the Fiscal Compact, and finally Germany’s role in the Ukraine conflict and the Refugee Crisis. The study test the expectations put forward and provide an explanation for Germany’s role in the European Union crisis.

4.2 THE GREAT WAR

The twentieth century was an era of extreme violence, as perceived in the years 1914 and 1939 with the eruption of the First World War and the Second World War. During the same century, however, there were also turning points of remarkable non violence, as witnessed by the peaceful revolution of 1989, which was realized largely without bloodshed even though the expectations of brutality usually related with the over throw of a political rule. The two world wars and the fall of the Soviet empire were not German, but rather of European events.

Germans certainly played a significant role in all three occasions, and to that degree, it is rather appropriate that these three periods are primarily German years of remembrance. This also applies in particular to 1989, when the motivation for the disintegration of the Warsaw Pact may have come from Hungary and Poland, but the “fall of the Wall” in the German Democratic Republic as the “front-line state” brought about the collapse of the alliance (Munkler, 2013).
In 1914 the Germans also played a significant role in the outbreak of the First World War: not because German policy wanted this war, as appealed by some researchers, but because some of its decisions and conclusions contributed to transforming the conflict into a war that consumed the whole of Europe. Germans bore special responsibility for altering a regional conflict into the Great War as a result of their geopolitical position at the center of the continent. They were the power whose policies could have concentrated or separated the many active and dormant conflicts in Europe (Georgios, 2014).

Even more than political verdicts, it was the military planning of the German Empire in summer 1914 that led to partial clashes in the Balkans becoming a war that engulfed the whole continent. There may have been no need to voice of Germany’s war guilt, as became the case conferring to Article 231 of the Treaty of Versailles, but the Germans indeed bore a large degree of responsibility for breaking the spatial confines of this war (Munkler, 2013).

On closer study, the First World War was primarily about political hegemony over Central and Western Europe. The conflict was fought out between France and Germany. After the unification of Germany in 1871, German Empire attained a semi-hegemonical position reinforced by its vibrant economic development from the end of the nineteenth century. France, on the other hand, hesitated between expanding its colonial empire and the memory of its past predominant role in Europe. In summer 1914, this conflict was latent. It alone would not have steered to the war (Georgios, 2014).

A second conflict revolved around the question of future world order. The British had protected this position in two wars against the French and strengthened it in the course of the Industrial Revolution. Nonetheless, new opponents had meanwhile risen in the shape of the USA, Japan, and Germany. It was, therefore, foreseeable that Britain would not be
able to maintain this position forever. Because the Germans were more active at modernizing and expanding their navy, they became the main enemy, although the United States was the real competitor in terms of potential. It was not clear before 1914 where the alliances and dividing lines would crystallize in the conflict over the future world order. It was clear that at least two of the five great powers that controlled Europe would no longer have a role to play at a global level (Georgios, 2014).

The struggle for hegemony in Central and Western Europe was fought out between France and Germany. This was a battle for the political order of this region, for a share of riches and power. The change in power political structures that occurred with the foundation of the German Reich in January 1871 was the result of war in which an alliance of German states affirmed itself against France. 1989 is also a revision of 1871 to the extent that this time the reunification of Germany was accepted out peacefully and with the consent of its European neighbors. If the two periods are compared as political symbols, then 1989 stands for a new political self-image of Germany in which not military power, but economic strength forms the basis for its political role in Europe (Hurrel, 2006).

The process of German unification was comparatively successful economically, and the new states did not become a power horse, as some predicted. This provided evidence of the Federal Republic’s power and also made a major impact to Germany’s new self-image in Europe but also to an acknowledgment of its role within it (Georgios, 2014).

4.3 GERMANY TRADE FLOWS

4.3.1 EXPORT

Hegemons that derive their hegemonic power from their relative economic strength compared to other countries seek to create an interdependent global economy, predicated on a free trade arrangement. This enables them to exploit this economic strength and
generate profits by exporting high value added products. A high level of exports can thus be seen as one measure of hegemony. In application, focus of the study is on Germany's pattern of foreign trade and what broader trends this reveals concerning Germany's position in Europe (Hurrel, 2006).

It is common knowledge that the German economy thrives by its foreign exports (Grauwe, 2015). However, by simply noting how relatively important exports are to Germany, compared to other EU member states. For the purpose of examining market penetration, we look at the percentage relationship between exports and GDP among EU member states from 2000 to the mid-2010. Clearly, Germany's export penetration of global markets far outstripped that of its major European rivals France, Italy and the United Kingdom over the last twenty-five years. German exports as a percentage of GDP grew from a fifth in the 1990s to more than 36 percent of its economy in 2014, while the French and Italian percentage of exports started from a much smaller base and expanded at a slower rate than the Germans. Britain started from a higher percentage than Germany but grew at a significantly slower rate. Although not in itself a sufficient indicator of German hegemony, this pattern is consistent with the expectations of a growing hegemony, because it implies economic power through increased economic leverage in an interdependent world (Grauwe, 2015).

4.3.2 MARKET SHARE

To say that Germany's export base is growing faster than that of its major trading partners is therefore not significant in developing an understanding of Germany's influence in the EU unless it can supplement with a relevant cross-national comparison as to how much of the total EU market is dominated by German exports (Schimmelfennig, 2015).
The validity of this study is that German economic predominance in the European Union serves as a basis from which Germany can enforce and extend its hegemonic power in Europe. Despite the fact that export data are a commonly accepted indicator of hegemony, the study does not want to leave unquestioned the fact that precisely such export prowess might indeed render Germany dependent on and vulnerable to its partners in the European Union (Cameron, 2000). Specifically, whom would it hurt more if Germany stopped exporting, the EU countries or Germany?

*Table 1 National market shares of the EU member states as a percentage of total intra-EU exports*

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>25.6</td>
<td>27.8</td>
<td>26.2</td>
</tr>
<tr>
<td>France</td>
<td>16</td>
<td>15.6</td>
<td>16.3</td>
</tr>
<tr>
<td>Italy</td>
<td>10.4</td>
<td>11.7</td>
<td>11.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>14.1</td>
<td>11.9</td>
<td>11.8</td>
</tr>
<tr>
<td>Belgium/Luxemburg</td>
<td>13.2</td>
<td>10.8</td>
<td>10.3</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>13.3</td>
<td>11.4</td>
<td>11.9</td>
</tr>
<tr>
<td>Ireland</td>
<td>1.7</td>
<td>2.3</td>
<td>2.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.3</td>
<td>2.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Greece</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Spain</td>
<td>2.8</td>
<td>4.4</td>
<td>5.1</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.7</td>
<td>1.3</td>
<td>1.5</td>
</tr>
</tbody>
</table>


### 4.4 Germany Hegemony in the Euro-Zone

In broad terms, hegemony is understood in a twofold sense: as domination and leadership (Lentner, 2005). The former meaning tends to be used more critically, and there is plenty of scope for this in light of German history. Analytically the term hegemony tends to be deployed in either the international relations (IR) or international political economy
(IPE) sub-disciplines. The former literature has tended to emphasize the predominance of one state in providing systemic order by its material capabilities.

The classic example is the role of the United States in the post-1945 western world and its strategy of hegemonic leadership in the 1950s (Nye, 2003; O’Brien & Clesse, 2002). Building on Kindleberger’s (1973) assumption that global stability was dependent on the pre-eminence of a single power, IR analysts developed hegemonic stability theory (HST).

In HST the hegemon provides for a liberal market system, with three specific prerequisites in Gilpin’s (1987) understanding: hegemony, liberal ideology and shared interests. Typically articulated in a neo-liberal institutionalist framework of IR, HST sees the hegemon offering enlightened self-interest, providing institutionally embedded public goods and includes reliance on soft power. Soft power includes the less tangible forms of power: the cultural, ideational and institutional (Nye, 2004). Owing to its lack of nuclear capacity and a strong streak of anti-militarism. Germany has typically been portrayed as a civilian power (Maull, 1992). The transfer of its fiscal principles or the Bundesbank’s institutional model to EU level serves as an illustration of soft power.

As Keohane (1984) made clear, the hegemon seeks to persuade others to conform to its vision of world order and defer to its leadership. In Gramscian terms, ideological hegemony requires the support of partner states. Without it, hegemony is either unstable or becomes domination rather than leadership. What tends to be neglected in HST is another dimension of consent: that of domestic support for the hegemon. Although explorations of the politics of ancient Greek city-states noted that internal political decay could lead to a hegemon’s decline, the need for domestic consent was neglected in HST (Nye, 2003).

The IPE literature also potentially sheds some light on the issues at hand. In this version of hegemony, a group or social class offers intellectual and moral leadership
Inter-class relations are not the focus here, but this literature does bring other dimensions into focus, notably ideology and belief systems. Joseph (2002) has taken this further by arguing that hegemony is broader than just ideology in that it encompasses not just ideological processes but the material forces that generate these ideologies. Amongst the specific characteristics he mentions are a wide range of social practices, the institutional ensemble of the state, its representative apparatus, education, welfare, economic processes, national institutions and so on (Lerner, 2005).

These insights can shed light on the ‘battle of ideas’ in the process of seeking a euro-zone solution. Within Germany, the study finds a further iteration of the tension between those who see the euro-zone as part of a political project and the ordo-liberals, whose main concern is with underpinning the stability culture (Bulmer & Paterson, 2015).

However, there is a difference with this iteration. The former group has been weakened for some reasons, while the latter is of decisive influence in determining the fiscal conditions, not least because Germany is the largest contributor to the euro-zone bailout mechanisms. It is not just this shift from pro-Europeanism towards ordo liberalism that is striking, but it is the politicization of the euro-zone crisis within Germany that has made this iteration much more remarkable. The policy debate is not conducted behind the scenes but in the tabloid press, with its critical attention to Greek pension arrangements or ECB President Mario Draghi’s plan to purchase the bonds of weaker members in September 2012 blank cheque for debtor states (Bild, 2012).

The different perspectives on hegemony raise questions about the potential of Germany to play a leadership role within the euro-zone. First, does Germany occupy a predominant role in terms of resources and capabilities? Second, is hegemony to be based simply on international capabilities, while neglecting domestic circumstances? Ignoring the
domestic dimension is problematic in the German case, since semi-sovereignty was institutionalized in the Basic Law in order to avoid international resurgence. The legacy of history means that Germany’s will to lead is constrained. Third, the euro-zone is one component of a much denser set of institutionalized interactions between 27 member states in the EU. It is in this framework that Germany has to secure consent for any initiatives on a euro-zone rescue (Hurrel, 2013).

The Union has a set of values set down in the Treaty on the European Union. These include promoting economic, social and territorial cohesion, and solidarity among Member States (Article 3, TEU); the principle of sincere cooperation in assisting each other to carry out treaty commitments (Article 4, TEU); as well as various principles of equality, democracy, not to mention a set of institutions which are designed to strengthen the collective interest as well as providing a strongly institutionalized system of multilateralism. In short, even if the German economy predominates in terms of material resources, there are strong institutional and political provisions both domestically and in the EU that constrain hegemonic leadership (Hurrel, 2013).

Looking at the economic resources and capabilities of Germany first, it is clear that, in comparative terms, it has extremely strong fundamentals. Viewed amongst its peer group of large, economically advanced EU member states, it is the largest state in population terms, in terms of Gross Domestic Product (GDP) and GDP per capita. Its unemployment rate was the lowest of this group, and its real unit labor costs had not risen against a 2005 benchmark, unlike several competitors (Grauwe, 2013).

Germany’s trade performance is very striking, with a large surplus of € 154bn in 2010. The trade balance is very large both in terms of intra- and extra-EU trade. However, while the size of Germany’s trade balance with EU partners demonstrates its economic
strength, it is also symptomatic of a structural imbalance in the relationship amongst euro-zone economies. The World Economic Forum’s competitiveness ranking places Germany highest amongst this peer group (Pedersen, 1998).

Finally, in terms of the Stability and Growth Pact criteria, in 2011 Germany’s budget deficit was modest, although its debt ratio was above the 60 percent reference value. On this set of indicators, the German economy displays considerable strength, albeit increasingly conditioned by the economic and euro-zone crises. Germany’s economic standing is, therefore, a dominant one in the euro-zone because, apart from France, the other states are either small or are recipients of financial support or, in the case of Italy, are in a difficult fiscal situation. While in the EU it used to be possible to see joint leadership on the part of France and Germany (Pedersen, 1998), in the euro-zone the economic fundamentals do not justify such an approach. While the two states are the biggest creditors of euro-zone bail-outs, France has clearly lost comparative standing (Euractiv, 2011).

Consistent with these underlying economic indicators, Germany has played a leading role in advocating solutions to the euro-zone crisis, sometimes with France, sometimes without. For example, the Competitiveness Pact (February 2011) was a Franco-German proposal but heavily influenced by Germany, and designed to bring about political reforms to make the SGP more sustainable. Eventually known as the ‘Euro-Plus Pact’ and agreed in March 2011, the measures include assisting competitiveness, employment, ensuring the sustainability of public finances and reinforcing financial stability, together with efforts to improve tax policy coordination. When originally launched, though, these measures encountered strong criticism. As Euractiv (2011) reported at the time: Merkel made clear that agreement on these events, designed to align economic policies closely with Berlin’s, must be sealed in March before she will agree to strengthen the rescue fund for debt-stricken euro-zone countries (Euractiv, 2011).
This conditionality method has been prominent in the German response to the euro-zone crisis, and evident in, as examples, the insistence on the involvement of the International Monetary Fund in bail-out actions (unlike France’s initial position). The unilateral announcement that bond investors should take a ‘haircut’ in the Greek rescue. The requirement that all euro-zone states should have legally binding debt rules at the domestic level (enshrined in the Fiscal Compact); and the requirement that savings depositors in Cypriot banks also take a haircut (Dullie & Guerot, 2012).

Germany has sought to export its commitment to a stability culture to fellow euro-zone states, and the Fiscal Compact reflects this culture to a considerable degree (Dullie & Guerot, 2012). The Compact’s rules on annual structural deficits and the reduction of debt ratios of states currently over the 60 per cent threshold reinforce the SGP and add new policy instruments. Conditionality has also been complemented by Germany acting as a veto player. This position has been clearest in objections to the creation of euro bonds or a ‘transfer union’ although in September 2012 the ECB under Mario Draghi eventually found a way to side-step a formal scheme of that kind (Muller, 2012).

There is then evidence for Germany having played, through its policy actions, both a dominant role and a leadership role in the euro-zone crisis. However, there is other evidence that qualifies this hegemonic role. Germany’s position has been much the tougher of the two states in terms of stability culture. Second, Germany has been criticized for prevarication in offering solutions, which on occasion has spooked markets, notably increasing the costs of the initial Greek bail-out (Jones, 2010). Here we find Merkel’s difficulty of finding a balance between playing a leadership role in the EU and her more characteristically reactive style of establishing an agreement in government after weighing up the arguments. More broadly, though, it is the emergence of divisions amongst the euro-zone states into what is sometimes seen crudely as a north-south split that highlights the
problem of establishing a set of hegemonic beliefs about how to resolve the crisis (Jones, 2010).

Unlike the situation obtaining during the fair weather conditions of the Maastricht negotiations, the preparedness of all other states to emulate German practice is now much less clear-cut. Quite apart from the anti-German feeling in the Mediterranean debtor states, it can be protracted to secure agreement (Paterson, 2012). It was secured for the Fiscal Compact (formally, the Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union) but the emphasis on austerity and the resultant impact on public services and welfare provision is questioned as a sustainable solution to the crisis. Public resistance in some of the debtor states is also striking, with fears growing over the risk of democratic instability. German hegemony in the euro-zone thus has limits because it lacks full acceptance by all states (Paterson, 2012).

4.5 GERMANY AS HEGEMONIC STABILIZER

To review the evidence for Germany acting within the EU in a manner consistent with HST, the study looks back to the pre- and the immediate post-unification period before moving to an analysis of the present. The evidence in terms of material resources, diplomacy, ideas, as well as the institutionalization of German views within the EU itself (Hueglin, 1992).

During the post-war period and even into the early period following the end of the Cold War, the designation of (West) Germany as a hegemonic power was very rare (Hueglin, 1992). While Germany had already established itself as a major economy with a very strong export performance, it’s political, and security resources were much weaker. The division of Germany, the exposure of West Berlin, the reliance on NATO allies for defense, constitutional constraints on the deployment of its armed forces and the legacy of
the Nazi era meant that the semi-sovereign Bonn Republic lacked the political resources to conduct diplomacy in a manner consistent with HST. The commitment to European integration and Franco-German co-operation was both a matter of choice but also the product of Cold War circumstances. It was also both an issue of material interest as well as of values since support for multilateral integration had entered the German elite’s genetic code (Goetz, 1996).

Dating back to the 1950’s, there had been two strands to the beliefs and values articulated by German elites on integration. One strand had been essentially political and was concerned to commit the Bonn Republic to Franco-German reconciliation and supranational integration as a defining mark of the infant Republic’s identity. This view was typically advocated by the Foreign Office but some less consistently by federal chancellors; with Helmut Kohl (German Chancellor 1982-1998) a clear supporter.

The second strand was to regard European integration from an economic perspective and to seek to export a set of values that would maximize West German exports. The principal architect of this approach was Federal Economics Minister Ludwig Erhard, but it was supported by a set of ‘ordo liberals’, who were typically to be found in the Bundesbank, the federal ministries of economics and finance as well as academia (Bulmer, 2013).

The success of German European diplomacy, especially over the period 1969–92, was that it managed to combine these two strands of beliefs in the way that it shaped the rules of integration (Bulmer, 2013). Germany was prepared to demonstrate its concrete commitment to integration, including taking on the position as the largest net contributor to the European Community budget and place its stamp upon some of the key institutional arrangements. In recent years the support for the first position has declined in Germany for the second position. Prior to the re-balancing of the two positions, which coincides with the post-Lisbon period as well as the Eurozone crisis, an interpretation based on HST had
considerable explanatory value, when applied to Franco-German co-operative hegemony rather than to Germany alone (Bulmer, 2013).

A first observation to make is that finding common ground between the views of the two states was not always straightforward. The 1963 Elyse Treaty on Franco-German relations only began to take on real meaning in the period of pragmatic integration under Chancellor Helmut Schmidt (1974–82) and President Giscard d’Estaing (1974–81). Even when European integration had momentum, it was possible for the ordo liberal view to be at odds with the more statist French model of political economy, as evidenced in the clashes between the two states in the initial efforts at Economic and the Monetary Union in the early 1970s (Tsoukalis, 1977). Thus emerged the dictum that if a Franco-German deal could be stitched together even on issues difficult for one or both, the other participants in the negotiations would fall into line (Wallace, 1986).

Franco-German leadership was important in intergovernmental and supranational phases of integration alike (Krotz & Schild, 2013). For Pedersen (1998) this was cooperative hegemony, a type of international leadership that is internationally embedded. He continues: by saying that it is a supranational order that would be able to ensure a higher degree of stability and predictability than would an intergovernmental regime. Together the two states were able, through their combined economic and political power resources, to offer the necessary leadership to the integration process. Where they could agree, the two states were able to provide a set of international public goods for the EU as a whole. Divergences in the beliefs of the two states, and indeed between the two strands within Germany, were largely set aside by concerns to create a new post-Cold War order and in a relatively benign period of economic development (Krotz & Schild, 2013).

The Franco-German relationship had been seen as indispensable by successive German governments for three fundamental reasons. It was central to the founding compact
of European integration. The idea of ‘solo’ German leadership was regarded as unacceptable to the other member states, and France was the essential partner if Germany was to fulfill its European vocation. The struggle over the ratification of the Lisbon Treaty placed large question marks against the last two reasons. In the efforts to salvage the Treaty other member states had looked to German leadership (Krotz & Schild, 2013).

After ratification had been achieved the appetite for more integration and joint action appeared sated. It was the onset of the Eurozone crisis that exposed the limitations of the Franco-German relationship. Sovereign debt crises have a brutal logic of pitting the interests of the creditor states very strongly against those of the debtors. This logic implies that Germany’s natural allies are Austria, Finland, and the Netherlands rather than France, with a common interest in restricting, and imposing strict conditionality on, any aid (Krotz 2010).

In their recent volume, Krotz and Schild (2013) have argued that the Franco-German relationship is important precisely when they do not share preferences and have to compromise. This general rule did not operate effectively in the Eurozone crisis for three reasons. First, France has been weakened economically, and the partnership has become increasingly asymmetric. Second, the regularized inter governmentalism (Krotz 2010) of the Franco-German relationship was very difficult to synchronize with the tempo of the financial markets. Third, the huge historical significance attached to the relationship has resulted in summits being regarded as panaceas and with a marked tendency to describing the results in over blown terms (Krotz, 2010).

In normal times this does no great harm, but the convening of the summits and the issuing of ambitious declarations aroused expectations in the markets and with the publics, which led to ‘Merkel’s Law of Permanent Disappointment’ (Marsh, 2012). Where perusal of the fine print revealed a lack of substance to the pronouncements. Particularly
problematic was the difficulty of finding common ground between the sound money approach that is central to ordo-liberalism and the French wish, especially under President Hollande, to facilitate economic growth.

It is because of these changes that Germany has been thrust into the spotlight as the EU’s potential hegemon. Recent economic data most clearly demonstrarates the imbalance between France and Germany. Although a snapshot, they indicate that Germany’s economic position is stronger and more competitive than France’s on every single indicator. It is also performing relatively strongly in comparison with the EU-27 (member states of EU). It is trading surplus is very large. Even Germany’s real unit labor costs have moved favorably against the EU-27 over the period since 2005. It is little surprise, then, that the material resources in the economic realm raise hopes of Germany playing the role of hegemon amidst the Eurozone crisis (Krotz, 2010).

As the state contributing most to the bailout funds, its provision of international public goods has been based on uploading its beliefs, especially on sound money, to the EU level, albeit with some compromises arising from EU diplomacy. The Fiscal Compact represents the clearest example of Germany’s stability culture, enshrined in its own legally binding domestic debt rules being institutionalized at EU level. Another illustration is the 2011 ‘six-pack’ of measures reforming the Stability and Growth Pact and enhancing macroeconomic surveillance. By the same token Germany attempted to obstruct solutions based on Eurobonds or a transfer union, whereby the debtor states’ financial plight would be communitarized (Boucquet, 2012).

The Eurozone crisis has thus presented evidence of Germany being ‘number 1’, having a predominant set of beliefs that owe their origin to ordo-liberalism and being the most influential player in the process of finding solutions. However, Blyth and Matthijs (2011) convincingly argue that Germany failed to provide any of the five public goods
identified by Kindleberger’s (1977) role ascribed to the state acting as stabilizer (Boucquet, 2012).

Indeed, it was, the European Central Bank (ECB) under Mario Draghi that overturned German opposition to the last of these through his 2012 commitment to do whatever was necessary to preserve the euro as a stable currency and the specific interventions of September 2012, termed Outright Monetary Transactions. Hence the evidence on German hegemony in the Eurozone crisis is convincing (Ardagna & Caselli, 2014; Schimmelfennig, 2015).

Table 1: Comparative economic data on France and Germany

<table>
<thead>
<tr>
<th>Indicator year</th>
<th>France</th>
<th>Germany</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (2011)</td>
<td>65.218</td>
<td>81.777</td>
<td>503.055</td>
</tr>
<tr>
<td>GDP bn euro (2011)</td>
<td>1996</td>
<td>2571</td>
<td>12630</td>
</tr>
<tr>
<td>GDP per cap (2011)</td>
<td>105.2</td>
<td>108.1</td>
<td>86.3</td>
</tr>
<tr>
<td>Unemployment rate (2011)</td>
<td>9.7</td>
<td>5.9</td>
<td>10.3</td>
</tr>
<tr>
<td>Real unit labor costs 2005=100 (2011)</td>
<td>102.2</td>
<td>99.7</td>
<td>100.4</td>
</tr>
<tr>
<td>Intra-EU trade balance Em (2010)</td>
<td>–73,633</td>
<td>+67,982</td>
<td>n/a</td>
</tr>
<tr>
<td>Extra-EU trade balance Em (2010)</td>
<td>+8,618</td>
<td>+85,981</td>
<td>n/a</td>
</tr>
<tr>
<td>Global competitiveness index ranking (2012)</td>
<td>21</td>
<td>6</td>
<td>n/a</td>
</tr>
<tr>
<td>Budget deficit (2011)</td>
<td>5.2</td>
<td>1.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Debt to GDP ratio (2011)</td>
<td>85.8</td>
<td>81.2</td>
<td>83.0</td>
</tr>
</tbody>
</table>

Sources: European Commission (2012a); trade statistics from Eurostat (2012); competitiveness ranking from World Economic Forum (2012); fiscal data from European Commission (2012b, Tables 53B and 55B).

4.6 FINANCIAL ASSISTANCE TO GREECE

When in late 2009 it became clear that Greece was entering into a sovereign debt crisis, there was a consensus among the Eurozone member states that bankruptcy or even ‘Grexit’ was not a viable option because of the dire economic and political consequences this would have had for the entire Eurozone at the time (Ardagna & Caselli, 2014; Schimmelfennig, 2015). The question of leadership, therefore, concerns the bailout as such. From a German perspective, there were two ideal-typical options: first, an early and
unambiguous commitment to do whatever it took to keep Greece in the Eurozone; second, no commitment at all and delaying any decision as long as possible (Ardagna & Caselli, 2014; Schimmelfennig, 2015).

As pointed out by Jones (2010), an early commitment would have calmed the financial markets, so that Greece would have had fewer problems in refinancing its debt. For Germany, this would have meant a lower volume of loans if a bailout would take place, a lower risk of contagion within the Eurozone, and less depreciation of Greek and other government bonds in German banks balance sheets. By making such an early commitment, Germany would have used its power resources in such a way as to guide the other member states towards a common goal, namely a cheaper (or even no) bailout and more stability in the Eurozone (Ardagna & Caselli, 2014).

Germany opted for the second option described: In early 2010, Germany was the most reluctant EA country to commit itself to the Greek bailout (Schimmelfennig 2015; Ludlow 2010). The first variable accounting for a leader’s emergence is her surplus. The most frequently mentioned cost of leading is the causation of moral hazard. The German government feared that an early commitment to bail-out Greece would be perceived as a signal that painful fiscal discipline is not rewarding because in the end there would always be a lender of last resort in the Eurozone. Thus, the ‘No bailout clause’ (Article 125 TFEU) would be de facto neutralized and fiscal free-riding would become rewarding in the Eurozone. Especially for Germany, this would become very costly. The only way to avoid such a result was to make sure that an eventual bailout would not be a cheap solution for the respective debtor state (Schimmelfennig, 2015; Ludlow, 2010).

A second aspect concerned the expected electoral costs. Given that public opinion was perceived as skeptical with regard to financial assistance to Greece, the German
government feared that a proactive role in a bailout would imply a significant loss of votes (Schimmelfennig, 2015). Third, taking the lead would have worsened Germany’s bargaining position with regard to a Greek consolidation programme: the earlier Germany committed itself to a bailout, the better the Greek negotiation position would be and the more lenient the resulting consolidation programme. Finally, given that there was a lot of uncertainty regarding the magnitude as well as the legal and technical features of the bailout, the consequences of an early commitment could hardly be estimated. Taking the lead would therefore have been a risky undertaking (Jones, 2010).

In stark contrast to all the costs of leading, a potential benefit, business would profit from economic prosperity in Greece. The underlying rationale is in line with the argumentation of Jones (2010), that an early commitment by Germany would have calmed the financial markets, resulting in more foreign investment, internal demand and growth, and less depreciation of German banks balance sheets. Thus, German leadership would have been in the interest of both German banks and the German export industry (Jones, 2010).

One way of comparing costs against benefits is to use a common currency. In this case, this is given by the material savings of an early commitment (as opposed to the material costs it would bring about). From a German perspective, an early commitment might have helped to avoid the short-term costs of a bailout, but it would not have resolved the persisting structural problems. Thus, there would have been only weak incentives for fiscal discipline in the Eurozone (Ludlow, 2010).

The German government feared that this would have led to much bigger bailouts of Greece and other member states at a later point in time. As long as Germany and other creditor states were willing and able to bear the costs of such bailouts, either bilaterally or
in the context of a transfer union, the feared long-term costs would thus consist in Germany becoming the paymaster of the Eurozone. In sum, the expected benefits of leading, namely a cheaper (or even no) bailout for the time being, are clearly outweighed by the costs of becoming the Eurozone’s lender of last resort. The electoral costs and the uncertainty only add to this calculation. Hence, given that there was leadership surplus for Germany and thus emerge as a leader (Schimmelfennig, 2015; Ludlow, 2010).

4.7 THE FISCAL COMPACT

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union; also referred to as TSCG or more plainly the Fiscal Stability Treaty is an intergovernmental treaty introduced as a new stricter version of the Stability and Growth Pact. Signed on 2 March 2012 by all member states of the European Union (EU), except the Czech Republic, the United Kingdom, and Croatia (subsequently acceding the EU in July 2013) (Beach, 2013).

In the shaping of the Fiscal Compact, Germany clearly assumed a leading role (Beach, 2013; Ludlow, 2012; Schoeller, 2014). Among other purposes, the Fiscal Compact served to anchor market expectations regarding the sustainability of public finances (Drudi et al, 2012). It thereby contributed to the common goal of preserving the common currency. This does not mean that the final treaty was the outcome preferred by all the actors involved, but that the common interest of preserving the euro and the Eurozone was paramount to the different preferences of highly solvent and highly indebted member states (Schimmelfennig, 2014). Thus, Germany emerged and succeeded as a leader in shaping the Fiscal Compact.

According to the first expectation regarding a leader’s emergence, leadership is supplied if the benefits exceed the costs of it. The markets should be reassured that fiscal
discipline would actually be implemented in the highly indebted states and that, thus, there would not be a sovereign default. Furthermore, the treaty signals to German voters that their taxpayer money would not be exposed to moral hazard in the Eurozone (Schimmelfennig, 2014).

Regarding Germany’s costs, there was a consensus that there were no relevant costs of leading involved: the debt brake provided for by the treaty had already been implemented in Germany and the European Stability Mechanism (ESM) had also already been decided upon. Therefore, no significant concessions were needed to realize the Fiscal Compact, which was largely perceived as the legitimate counter price for Germany joining the ESM. Hence, the benefits of leading clearly prevailed. Thus, we expect that Germany would offer leadership and, under the condition that there was also a demand, that it would emerge as a leader (Beach, 2013).

With regard to Germany’s impact on the outcomes, Germany’s power resources are naturally the same in the case of the super-commissioner and the Fiscal Compact. The distribution of preferences changes considerably, however, since apart from the United Kingdom (UK), none of the actors was really against the Fiscal Compact. To be sure, in particular France and Italy were skeptical at the beginning. However, against the background of strong market pressures, there was a collective recognition that such a signal was needed to calm the markets and stabilize the Eurozone (Pond, 2015).

First, Germany translated its resources into strategies, the most notable aspect of which was arena-shifting. By bringing the issue directly to the level of the heads of state and government, the Commission and the European Parliament were circumvented and the signal effect of the legal provisions was strengthened (Ludlow, 2012). Moreover, when it turned out that the UK would veto a Treaty change, Merkel shifted the arena by pushing
for an international treaty outside EU law. Another example concerns the use of agenda-setting and issue-linking: by making assistance from the ESM conditional on the ratification of the Fiscal Compact and including the French demand for formal ‘euro summits’, Germany managed to win over more skeptical actors (Beach, 2013). Furthermore, the German government acted as a provider of common knowledge. In August 2011, Germany and France proposed the incorporation of a ‘debt brake’ into national constitutions (Bundesregierung, 2011).

In the following months, Germany used all its diplomatic weight to promote the idea: German ambassadors approached the respective governments in the member states, bilateral meetings took place at the level of heads of unit and between state secretaries, all possible for a were used to promote the idea of a debt brake, including even the International Monetary Fund (IMF) and the G7, the chancellor herself met her colleagues to promote the Fiscal Compact (Rinke, 2011).

The second way in which Germany’s economic power resource took effect is more subtle. The other actors simply anticipated that if they did not have special regard to this German preference, the reaction of Germany could be harmful to them. If Germany is not on board, the whole thing collapses. This mechanism played an important role in the shaping of the Fiscal Compact which was perceived as a concession to Germany in exchange for its contribution to the ESM (Bundesregierung, 2011).

4.8 UKRAINE CONFLICT: A GERMAN MOMENT

Germany has been widely perceived as calling the shots in the EU’s crisis-management efforts in, and in relation to, Ukraine. Some observers even argued that Germany has established itself as the leader of not only European, but Western efforts in general by facilitating a common approach between the United States and Europe towards
Russia (Pond, 2015). This is a surprising development: Not only did Germany leave the leadership role to France in a similar crisis situation with Russia over the Georgian-Russian war in 2008, when former French President Nicolas Sarkozy led mediation efforts as EU Council Presidency but Germany has also been criticized for cultivating a special relationship with Russia and for prioritizing business interests over human rights and rule of law concerns (Pond, 2015).

Against this backdrop, this shows that Germany has emerged as the leader of Europe. The conflict over Ukraine is a particularly useful case for examining the formation of German leadership within the EU since it represents one of the most significant challenges to European security.

In crisis-management efforts over Ukraine, Germany has demonstrated the self-confidence to play a prominent role outside the EU-28 (EU 28 member states) by selectively choosing the partners, institutions and instruments it deemed necessary for the implementation of an essentially German crisis management framework: The EU’s intergovernmental Common Foreign and Security Policy (CFSP) for a common sanctions policy; the Organization for Security and Cooperation in Europe (OSCE) for monitoring on the ground and mediation efforts; informal coalitions with member states for crisis diplomacy and dialogue and negotiation formats; as well as NATO and the Very High Readiness Joint Task Force (VJTF) for the reassurance of Eastern member states and partnering with the US on questions of military engagement in Ukraine (Krotz, 2015).

Germany prioritized the implementation of its crisis-management framework with whatever instruments seemed to be most useful over fostering a strong leadership role for the European Union, anchored in institutions (Ardagna & Caselli, 2014; Schimmelfennig, 2015).
Contrary to what many observers have expected, Germany’s leadership was not based on bilateral (economic) interests, but guided by normative convictions about the inviolability of international law and the principles of the European security order. Leading by example, Germany risked negative economic consequences and its traditionally good relations with Russia to defend these norms and principles, thereby gaining additional legitimacy and credibility for its leadership role in Europe and facilitating European unity towards Russia (Pond, 2015).

This leadership role was closely linked to the notion of responsibility. Responsibility to assume leadership in a situation of lack of leadership alternatives, guided by expectations of responsible leadership from actors both within the European Union and the United States (Ardagna & Caselli, 2014; Schimmelfennig, 2015). The Ukraine conflict has therefore demonstrated that Germany can assume a leadership role within Europe if leadership is legitimized by normative principles and leading by example. Furthermore, it is likely to have strengthened Germany’s readiness to take on a leadership role in foreign and security policy. Despite fatigue as well as critique, Germany’s leadership in a security crisis situation was in principle accepted within the German public, the EU and the transatlantic alliance (Krotz, 2015).

4.8.1 SANCTIONS POLICY: BUILDING CONSENSUS AND LEADING BY EXAMPLE

Regarding the sanctions policy, Germany exercised leadership within the EU by building consensus in a balancing act between different factions within the European Union member states. On the one hand, member states like Slovakia, Bulgaria, the Czech Republic and Hungary, which are to a high degree dependent on Russian gas, and others like Austria,
Italy and Greece, which are concerned about the impact on domestic businesses, took a more reluctant stance towards stronger sanctions (Pond, 2015).

The Baltic countries and Poland favored a stronger stance out of security concerns. Moreover, the traditional foreign and security actors within the EU France and the UK had preferential interests, France in the case of the delivery of two mistral warships to Russia, and the UK with regard to concerns about disadvantages for the City of London in the case of financial sanctions. In building consensus, Germany has not followed the lowest common denominator among EU member states, but has been proactive in seeking a strong common EU stance on sanctions towards Russia (Pond, 2015).

A preliminary set of restrictive measures against Russian and Crimean officials was put in place against the backdrop of Russia’s takeover of the Crimean peninsula in March 2014 (Pond, 2015). At an extraordinary meeting of EU leaders on March 6, only a first and second phase of possible sanctions against Russia was initially contemplated. However, the incoming news that the referendum in Crimea had been brought forward to March 16 led EU leaders to agree on a three tier sanctions regime, which explicitly included economic sanctions as a possible solution (Krotz, 2015).

The importance of legitimacy and credibility for a normative leadership role became particularly evident during the third round of sanctions extension in December 2015. Germany’s strong position on sanctions was perceived as losing credibility, with plans for the construction of a Nord Stream pipeline through the Baltic Sea adding 55bcm to the existing Nord Stream twin pipelines (Schimmelfennig, 2015). Federal Minister for Economic Affairs and Energy Sigmar Gabriel’s visit to Moscow in October 2015, when he proposed to circumvent EU energy legislation (which requires an unbundling of energy suppliers from network operators under the Third Energy Package) for this project, fueled
the debate about the credibility of Germany’s normative stance. Hence, Italy initially resisted extending sanctions until they were discussed further in the European Council, and raised concerns about perceived double standards and German dominance within the European Union (Pond, 2015).

4.8.2 GERMANY’S LEADERSHIP: EUROPEAN AND DOMESTIC OPPOSITION

The use of qualified majority voting in this issue would have a negative impact on European Solidarity which, as the Russian sanctions case had demonstrated, is best achieved through consensus expressed in unanimity. It was clear that the plan could be forced through with the agreement of the large countries; nonetheless, when some members of the Visegrad group balked at mandatory quotas, Merkel’s insistence grew harsher, and she issued an implicit threat. Thomas de Maiziere, Germany’s Minister of the Interior, floated the idea that countries who rejected refugee quotas could receive less EU funding (Caselli, 2015).

As the largest contributor to the EU budget, would Germany use its EU contribution as a stick to punish those who did not cooperate? Merkel stopped short of this coercive step: the final agreement did not include Thomas de Maiziere’s proposal (Pond, 2015). Dissenters were defiant but for the most part compliant. Poland voted for the plan, and Viktor Orban who had built a fence to keep refugees out of Hungary and voted against the plan, said that his government would abide by the majority vote. However, the Czech Republic objected to the proposal on principle and voted against it, using the moral hazard argument. Czech Prime Minister Bohuslav Sobotka declared that he was ready to help but on a voluntary basis. Nonetheless, he agreed to abide by the majority opinion (Rinke, 2013).
Romania voted against and declared that it would refuse its allotment, arguing that it had never been able to integrate Muslim Roma into its society, and it would be unlikely that Syrian Muslims would integrate. However, after the vote, Romania accepted the majority decision with the statement by President Klaus Iohannis. Slovakia, declaring that it too would not respect the quotas at all, began legal proceedings at the ECJ protesting the plan. Threatening to leave the EU if his country was forced to take its quota of refugees (Schoeller, 2015).

4.9 REFUGEE CRISIS

4.9.1 GERMANY’S INITIAL RESPONSE

The EU’s efforts to keep refugees out had worked in the past. However, in the summer of 2015, the number of asylum seekers began to double, then triple, and then quadruple, and the barriers proved to be too weak. Germany’s initial response to this crisis was to welcome refugees in Germany and reshape EU refugee policy (Pond, 2015). That response followed a familiar pattern: First lead by domestic example, then ask for burden sharing within the EU, offering carrots and, if necessary, sticks to bring EU partners on board. Angela Merkel openly acknowledged this strategy of leadership: In a speech to the German parliament on September 9, 2015, she stated:

“If we show courage and lead the way, a common European approach is more likely. If Europe fails on the refugee issue, we would lose one of the key reasons for founding a united Europe, namely universal human rights.”

Angela Merkel addressing the Bundestag 2015.

Germany’s strength and power in cooperation with its partners, she stated, would be the key to solving the crisis. Three unilateral decisions forming Merkel’s domestic policy response were breathtaking. Following the pattern of providing an example to
European partners, Chancellor Merkel unilaterally announced that Germany would take in almost a million refugees and pave the way for refugee integration into the labor force (Pond, 2015). Those who went to Germany as asylum seekers or as war refugees need help so they can integrate quickly, Merkel told the parliament, that it would be necessary to help them learn German quickly and find a job (Schoeller, 2015).

Second, stopped enforcing the Dublin Agreement; that agreement among all EU members stipulated that refugees have to register in the first EU country they entered. However, Hungary, a “frontline state,” had refused to process refugee applications. Merkel’s suspension of that agreement meant that they could now come directly to Germany and register there. She thus lowered the hurdle for refugees from Syria to enter the EU, going even beyond what was required by the Geneva Convention (Beach, 2015).

Both UNHCR and Germany’s European partners saw this suspension as helpful: UNHCR claimed that the regulation abused the rights and welfare of refugees because they were not always to access an asylum procedure in the “frontline” countries. By June, 2015, Hungary was so overburdened with applications that it would not allow applicants back in if they left Hungary (Pond, 2015).

Germany’s unilateral suspension of the agreement eased that burden considerably; the European Commission hailed it as an act of European solidarity. Where Germany had been reviled as a coercive hegemon with its haughty austerity demands of Greece, it was now praised as a moral leader, again seeming to set a strong example for Europe and again, making a domestic sacrifice to demonstrate its resolve (Pond, 2015).
4.9.2 SEEKING BURDEN SHARING AND EXPANDING EU COMPETENCY

As growing numbers of refugees swarmed into Germany, Chancellor Merkel called for burden sharing by widening the EU’s competence in migration policy. A plan for a common EU asylum policy which she had encouraged had been lying dormant for months, and Merkel intended to resurrect it. Her goal was to share the growing refugee burden by spreading refugees among EU member states. National governments, not supranational authorities, normally decide on issues of refugee quotas and resettlement (Schimmelfennig, 2015).

The EU proposal was revolutionary in this regard: it would remove that decision-making power from its members. It would be the first time that the EU has exercised authority over the resettlement of refugees. This would mean nothing less than one more step in the expansion of the EU’s power over the policies of its members (Muller, 2015).

Angela Merkel fully intended for Germany to lead the effort to share the burden and expand EU competence over refugee resettlement while keeping borders open, stating that without clear guidance, Europe will probably fail to find a way through this historic crisis. She stated that the mandatory quota system for all was necessary because it would not be possible to simply set a limit and then leave it up to two, three, or four members to take in all of the refugees (Pond, 2015).

This must be a European responsibility, and only then will all member states care about the causes of migration. While recognizing that any resettlement plan would not resolve the crisis of refugees in Europe, she argued that a distribution of asylum seekers across all member states would galvanize them to find a way to address the conflicts driving people to flee to Europe (Paterson, 2015).
Merkel’s next step was to use persuasion and incentives or “side payments” in order to convince EU partners to share the growing refugee burden by resettling refugees on their territory. Propelled by the discovery of 71 dead migrants in a refrigeration truck in Austria, and a dead baby on a Turkish beach. The EU Council met in early September, 2015, to consider a proposal to redistribute 160,000 refugees throughout member states through a mandatory quota system over two years. In order to sweeten the deal, The European Commission proposed to allocate 780 million euros to fund the redistribution program. Each receiving country would get €6,000 per relocated person. In addition, Italy, Greece and Hungary would get €500 per relocated person, to cover their transport costs. Greece would later receive another 5.9 million euros (Schimmelfennig, 2015).

Turkey and the Western Balkans would be labeled as “safe” countries, to which asylum seekers could be deported if their claims in a European member state were rejected. And finally, the EU commission agreed to reinforce the EU’s external borders to reduce the refugee flow (Schimmelfennig, 2015). With opposition among member state rapidly developing, the EU Commission, knowing that unanimous acceptance of the plan would not be possible, moved the debate from the Council to a meeting of interior ministers, in which qualified majority voting was the rule. There, only a majority approval was needed to implement the plan. To gain that majority, German officials, including Merkel herself had been lobbying the bigger, more populous states behind the scenes (Pond, 2015).

Merkel would need to have, France, Spain, and Italy on board. With Italy already in agreement, she first convinced French President Francois Hollande to resettle some of the refugees there, and to present the mandatory quotas as a joint French-German plan, recalling the days when they were the two pillars holding up the Union.
CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

Ever since its unification in 1871 Germany has possessed the economic power to dominate Europe. Its swift increase in economic and military power was one of the contributing factors in the heightening tensions at the start of the 20th century.

While the two World Wars caused huge economic, political and social damage to Germany, its overall potential remained intact. Despite being split into East and West Germany (divided, most famously, by the Berlin Wall) in 1949, for the latter half of the 20th century the (West) German economy swiftly recovered from the carnage of the Second World War, aided in part by German debts being written off by other western nations.

The Greek crisis revealed the views of several senior German politicians. The European Union is no longer an ideological project to ensure harmony in Europe, but is now a vehicle which Germany is utilizing to further its own national interests. Merkel and Schauble (Germany's Federal Minister of Finance, since 2009) conveniently ignored Germany's own history of debt defaults and the necessity of debt cancellation, something Greece had voted in favor of not to mention the consequences of forcing harsh terms on an already weakened and humiliated nation.

Since reunification and the expansion of the EU, Germany has further increased its economic power. Its manufacturers and exporters have benefited hugely from the major devaluation of the Deutschemark, which occurred when it merged into the euro, as well as from cheap migrant labor from poorer European Union nations. German banks and
investors also benefited from the opportunities available in other member states. Meanwhile, the French economy has effectively stagnated over the last couple of decades, while Germany has increased its economic dominance, resulting in Chancellor Merkel now being recognized as the most influential head of state in Europe.

Germany cemented her political ascendancy in Europe when 25 out of 27 European Union states agreed to a German-inspired pact for stricter budget discipline, even as they struggled to rekindle growth from the ashes of austerity. Only Britain and the Czech Republic refused to sign the Fiscal Compact Treaty in March that would have imposed quasi-automatic sanctions on countries that breached, European Union budget deficit limits which would have enshrined balanced budget rules in national law.

German leadership in the Ukraine crisis has demonstrated both the strengths and the limits of German power. That power is multilateral, diplomatic, and economic, but it largely lacks a military dimension. In the Ukraine crisis, Germany has done what in the past only the United States did: it has unified the West behind a single policy in a major crisis. Berlin has led the diplomatic negotiations with Russia and has pushed through sanctions on Russia against the interest of a number of reluctant European Union member states, which is a major achievement by itself. Germany's humanitarian gesture had two main effects on its reputation with its most important allies: it gained respect as a moral authority and further proved its leading role in the EU.

5.1.1 The future of German leadership in the European Union

There is no doubt that Germany’s capability to lead is strong, and the data from European Council on Foreign Relation’s survey supports the claim that Germany has remarkable ability to influence and lead member countries from all regions of Europe. The
stakes are high, and Berlin will have to fight to keep the European Union together in the face of anti-EU sentiment in several member states. The consensus between the groups of core countries is weak, Germany alternatively needs focus on deepening integration in precise policy areas across more member states.

In her 2015 speech at the Munich Security Conference, Leyen put forward the concept of “leading from the center,” envisioning a Germany whose contributions to European security is firmly embedded in its collaboration with partners. This concept is based on consensus and opposed to the idea of Germany ultimately becoming a US-type hegemony on the European continent, using its strength to go it alone when necessary.

However, where does the EU’s political center lie? The definition of the political center put forward in this study is broad and has a political aspect, but lies beyond the political realm between the left and right wings. In this understanding, a center is a place of constructed consensus where a number of member states come together on an ad hoc basis, or in longer-term coalitions, to build public support for common European solutions across a range of policy areas.

This view of a center made up of flexible coalitions is less static or rigid than the concept of a consensus within “core Europe” example, a set number of countries, most likely the Eurozone members. It will require a strong commitment to the process of building coalitions between member states. This concept of Europe’s political center takes into account the views of domestic audiences within member states, rather than simply focusing building alliances between governments. In this, it differs from the traditional view of EU coalition building, which paid little notice to public opinion and was conducted by diplomats rather than politicians.
Germany is well placed to engage in such leadership by proactively building a “center” for EU policymaking. It has the resources to do so and benefits greatly from embedding its power in the EU. Such coalitions will allow German and European interests to meet more organically than under the intergovernmentalism by default that the EU has been operating with during the crises of recent years, and that has often raised suspicion about German power.

5.2 RECOMMENDATIONS

Germany’s top politicians should more openly address the opportunities and challenges of German power within the EU. Berlin should be proactive in explaining to its partners how it thinks German power can best serve the EU as a whole, and leave no doubt about Germany’s continued commitment to the EU. Germany would also benefit from openly reflecting on where and why German dominance has harmed the Union in recent years though this is unlikely to be articulated by German leaders.

Coalitions are vital if Germany is to be a successful leader in the EU. Berlin needs to build a more structured process of coalition building. The German political class may disagree, but they would be surprised about the responsiveness they would find if they began to reach out more seriously and more consistently to their EU partners.

In particular, it is worth exploring the potential of a coalition with the affluent, small member states: namely the Nordic countries, Benelux, and Austria. They represent an important part of the EU’s economy and its financial resources; their quality of governance is generally high, and their foreign policy outlook corresponds well with that of Germany. These countries are geographically close to Germany, share many of the same preferences, and according to the data of the Coalition survey they would want to work more closely with Berlin.
It is vital, however, for Germany to understand the domestic setting in these member states and make a realistic assessment of what can be achieved together. Sectoral deepening will be more difficult with countries that face domestic resistance to the idea of an ever-closer union for instance in the Netherlands and Denmark, but it will still work with others. There should be a more pragmatic understanding of what it means to work together for the greater European good one that does not always have to lead to deepening integration or institutional change.

Franco-German cooperation remains a fundamental pillar of Germany’s place in the EU. This is self-evident for German policymakers, but more can be done to make this partnership flourish, especially in foreign and security policy. Investing in understanding each other’s outlook on the world has to go beyond day-to-day business and include a strategic conversation on the conflicts surrounding the EU and its neighborhood. It must also include discussion of the instruments available both within the EU and NATO to respond to these security challenges. Now that the UK has voted to leave the EU, Berlin and Paris will also need a plan for how to continue to integrate the UK into European security structures.

Looking inward, Germany should explore how it can strengthen capacity in core ministries. A number of EU countries have developed strategies to engage with Berlin and started to strengthen their outreach in the German capital. The administration needs to be ready to respond to this growing interest in Berlin. Capacity for policy analysis will also have to be strengthened. This has a public affairs dimension too, and German policy makers should talk even more strategically to those who are in the media and think tank business, lest they talk about Berlin on their own terms.

German government will also have to prepare to foot the bill more often in the overall interest of the Union and build constituencies around that at home. They will also
have to address the difficult prospect of human lives being lost in the wider European interest, with a stronger engagement in security policy. While the debate on a stronger German role in foreign policy has come quite a long way already, the debate on security has not, and is very likely to bring to the fore fundamental controversies within German society at large that policymakers have to be prepared for.

Germans need to mentally prepare for conflict, which will continue to be a regular feature of discussions and decision-making within the EU. For historic reasons, it is particularly difficult for Germans not to be liked by others, but this is at times unavoidable in any relationship. Ultimately, the fruits of German leadership should speak for themselves. While leading will look messy, involving intergovernmental solutions and ad hoc coalitions rather than clear cut homogeneous European solutions, the least bad options have to be pursued. The EU’s institutions will only maintain their legitimacy and strength if they are credible partners for Germany’s leadership strategy.
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