Germany on my mind?
The transformation of Germany and Spain's European policies

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Introduction

Seen from Spain, German reunification has not affected Germany's commitment to the process of European integration, which appears to be solid and profoundly embedded in German society. In contrast, it does seem to have affected both German preferences as to the kind of Europe Germany wants, or needs, and the way German interests are presented and negotiated in the European arena. Hence, from a long-term perspective, there appear to be fundamental changes, but also fundamental continuities in Germany's European policy.

Due to the excellent bilateral relations Spain and Germany have enjoyed since Franco's death in 1975, these changes are not viewed with concern or anxiety in Spain. Rather, they are seen as a natural consequence of German reunification, which Spain wholeheartedly supported from the onset. Moreover, because Spain has recently been engaged in a similar reappraisal of its European paradigm, these changes are understood more easily in Madrid than in many other European capitals.

However, past legacies and mutual sympathy alone might not be enough to guarantee a bright future for bilateral relations. In the first place, just as Germany's European policy has been profoundly affected by the reunification and the need to stabilise Central and Eastern Europe, Spain has almost fully achieved the goals of social, political and economic modernisation which led it to apply for EU membership and hence is now able to establish a much more "normal" relationship with Europe. The fact that both countries' European policies have become more assertive of their respective national interests has resulted in the introduction of significant strains in their bilateral relations, and these are likely to increase.

In the second place, long-term changes in the two countries' European policies have coincided with changes of government in both (from the centre-left to centre-right in Spain in 1996, and from centre-right to centre-left in Germany in 1998). One immediate consequence of this change has been to push each government's European policy in opposite and rather incompatible ideological directions. With the Spanish government putting the emphasis on privatisation, deregulation and market-oriented reforms and the German government stressing Eastern enlargement and constitutional discussions, the two countries' European agendas and strategies are clearly drifting apart.

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What consequences might this have for the future? As the Berlin European Council meeting in March 1999 showed, the combination of changes at these two levels of both countries' European policies may change the configuration of Spanish-German relations from a positive into a zero-sum game. Therefore, independently of the political colour of the government in office in Madrid or Berlin, both countries' could do well in preparing for a scenario characterised by increasing difficulties in reaching mutually acceptable agreements on a wide variety of European matters. The challenge would therefore consist of how to adapt to, and learn to live with, a situation in which greater time and resources have to be deployed to obtain fewer agreements of a poorer quality.

These changes, both in behaviour and in perception, their origins and consequences are the subject of this chapter. The chapter is divided in two main sections. In the first, attention is paid to the evolution of Spain's European policy and Spanish-German relations from 1975, after Franco's death, to 1996, when Prime Minister González left the political scene in Spain and the partnership between Germany and Spain entered into crisis. In the second part, the focus shifts to the crisis in this partnership and Spain's perceptions of Germany's new European policy since German reunification.

From model to partner

Over the last 25 years, Spanish foreign and domestic interests have singled out Germany as Spain's best ally, partner and friend with regard to European affairs. Relations with Germany have been a top, and bipartisan, priority for all the democratic governments in Spain and are almost certain to continue being so. So far, relations have been rooted in the influence and attractiveness of the German social, political and economic model, as well as in the very similar significance that Europe has had for both countries' national identity. Over the past two and a half decades, relations have evolved from (consensual) tutelage and guidance to a more mature and equal relationship. Following German reunification and the end of the Cold War, new dimensions have been added to the two countries' relations of both countries, thus making the management of these relations more complex.

Over the last few years, however, German-Spanish relations have begun to show worrying signs of fatigue. Contrary to the frequent analysis made by media commentators, this has had little to do with the chemistry of the political leaders (excellent in the case of Kohl-González, non-existent in that of Schröder and Aznar). Rather, this fatigue is structural rather than circumstantial and reflects the changes that have taken place in both countries' views of the process of European integration. Fifteen years after it joined the EC/EU, Spain no longer considers itself isolated, peripheral or marginalised, so it has no need for a "big brother" to represent its interests. Economically, accession to the third stage of EMU on its own merits and the strong performance of the Spanish economy since 1996-1997 have increased Spaniards' collective self-esteem and spurred the elites' self-confidence in the possibility of catching up with European levels of welfare and employment. A more confident and mature relationship with Europe has thus developed and both Eastern enlargement and the eventual reduction or loss of financial transfers after 2006 are now seen with ever-diminishing concern.

Spain's European identity

To understand what "Europe" means or has traditionally meant for the majority of Spaniards, one has to look into history, or rather, we would argue, into the particular vision of Spanish
history constructed by Spanish intellectuals and thereafter internalised by a large part of the political class opposed to General Franco and his isolationist regime. This vision, extraordinarily aptly summarised in the oft-cited sentence of the philosopher José Ortega y Gasset, "Spain is the problem, Europe is the solution" (Ortega y Gasset 1963, p.521), questioned the ability of Spaniards to achieve goals of collective social, political, cultural and economic progress, while at the same time identifying "Europe" with modernity and economic development.

In this vision, Spain was an unfinished collective project, as despite being one of the oldest states in Europe, it had never managed to consolidate its unity and create a true nation to sustain it. Distracted from Europe by its American colonial experience and engrossed by domestic conflicts, the country had subsequently missed all the opportunities for modernisation (such as the French or the industrial revolution) which Europe had offered. This conclusion was certainly consistent with the history of Spain in the nineteenth century, and its extraordinary accumulation of political, social and territorial conflicts. These pitched the church against the state, liberals against absolutist, peasants against landlords, workers against business, and the centre (Castille) against the periphery (Navarre, the Basque Provinces and Catalonia). The result was civil war, popular revolution, dynastic strife, constant army intervention into politics, social unrest and authoritarian governments. On the top of all this, Spain lost its last colonies outside Africa (Cuba and the Philippines) in 1898 after a humiliating military defeat by the United States (Headrick 1981; Mesa 1993; Powell 1995).

The year 1898, soon known simply as "the Disaster", marked the high point of Spanish decadence and low self-esteem. However, the beginning of the century saw the emergence of a truly modern intelligentsia which, coinciding with the end of World War I, fuelled hopes of Spanish renaissance developing a project for the "regeneration" of Spain. The promise of "regeneration" was abruptly dashed by the Spanish civil war (1936-1939) and the ensuing dictatorship of General Franco, which lasted until 1975. Rather understandably, Spanish intellectuals saw the Spanish civil war as a collective trauma which proved the inability of Spanish society to resolve peacefully the conflict between modernity and tradition. Looking at Spanish history, they concluded that the defeat of the illiberal forces which had always strangled Spanish modernisation (the monarchy, the army and the Church) would only come by putting an end to the international isolation of Spain, in other words, by irreversible tying the destiny of Spain to Europe and modernity (Espadas Burgos 1988; García Escudero 1980; González 1987; Marks 1997; Payne 1968; Portero 1989).

1.- During the 40 years of Francoist dictatorship, "Europe became the symbol of a great collective aspiration, a widespread hope for national resurgence and improvement. By the time the Spanish state became a member of the EEC in 1986, the idea of 'entering Europe' was widely believed as a necessary achievement for the full recovery of national self-esteem" (Jáuregui 1999, p.273).
Germany as a model

During the Franco dictatorship (1939-1975), two events helped to positively shape the image of Germany and Germans in Spain. At the mass level, Germany absorbed much of the massive wave of Spanish emigration to Europe in the sixties, and these emigrant workers brought back to Spain an image of collective efficiency and modernisation. Second, successive German governments, and specially those headed by Brandt and Schmidt, played a leading role in putting international pressure on Franco's regime during this period. Not by chance, the first meeting of all the Spanish political forces opposed to Franco took place in Munich in 1962 under the sponsorship of the European Movement and the Council of Europe. Equally, Germany was very active in the drafting of the EEC Parliamentary Assembly's Birkelbach Report (1962), which helped ensure that Spain would be refused membership of the EEC as long as it remained non-democratic (Moreno 1998).

Germany's image acquired even greater credit during the transition to democracy (1975-1978), due to the extraordinarily active role played by the Brandt government in gathering international support for the new Spanish democracy. Moreover, the SPD and its Ebert Foundation was instrumental in helping turn the Spanish Socialist Party (PSOE) into a modern, western social-democratic party. For many years, the Ebert Foundation in Madrid provided organisational skills and financial resources, and more importantly, a framework of reference which facilitated the ideological and policy convergence of the Spanish PSOE with the major European socialist parties. Hence, the influence of the SPD was crucial in the consolidation and "Europeanisation" of the political party (PSOE) which was to hold power from 1982 to 1996, though, ironically, it would be Kohl and the CDU who would reap most of the benefits of Spanish gratitude (Pinto-Duschinsky 1991; Powell 1994).

German influence went well beyond what a single political party (the SPD) could do for a fellow Socialist party. Two elements of the Spanish Constitution 1978 reveal how, at the time of the Spanish transition to democracy, Germany offered a solid and durable model of social, political and economic organisation as well as an ideal of collective efficiency to imitate. First, the constitutional provisions for a social-market economy and neocorporatist arrangements including parties, trade unions, business associations and regional governments was heavily inspired by the Renanian Sozialwirtschaft capitalist model. Second, the quasi-federal arrangements Spain adopted through its system of Comunidades Autónomas (autonomous communities) largely imitated the territorial distribution of power existing in Germany between the Bund and the Länder.

Germany's stature in Spanish eyes reached its peak at the time of Spanish accession to the EC. Gaining membership in the EC represented the end of a century of isolation and backwardness, the country's definitive return to Europe and the perspective of fulfilment of the pending challenge of socio-economic modernisation (Alvarez-Miranda 1996; Bassols 1995; Pollack 1987).

Spain applied for EC membership in 1979, shortly after the celebration of its first democratic elections, but it did not become a member until 1986 and after the conclusion of protracted and bitter negotiations. Of the "big four" EC member states, only Germany openly, credibly and forcefully defended the cause of Spanish accession. Italy was absorbed by its internal problems and the United Kingdom was engaged, after Thatcher gained power, in renegotiating its status in the EEC and its contribution to the budget. The Spanish negotiating team learned a tough lesson when they discovered that France, which at the onset of the
Spanish transition to democracy was seen as the natural ally of Spanish interests in Europe, had become a formidable obstacle on the Spanish road to membership (as made visible by Giscard's call in 1980 to halt accession negotiations between the EEC and Spain).

The fact that Germany defended Spanish and European interests throughout the pre-accession period was particularly to its merit, and explains much of Spanish gratitude later on, because in 1980-1985 Spain represented a threat rather than an opportunity to the EEC. From the EEC's perspective, Spain was a large and poor country which had an enormous agricultural and fishing sector. The country was immersed in a deep economic crisis and mass unemployment threatened to provoke mass immigration to Europe. On top of this was the recurrent threat of a military coup and the problem of Basque terrorism in the north. In these circumstances, it was only Germany's financial generosity and package-dealing capacity which cleared the way for Spanish membership at the Stuttgart (June 1983) and Fontainebleau (June 1984) European Council meetings.

The beginning of a partnership

Felipe González, Spanish Prime Minister from 1982 to 1996, quickly understood the importance of Germany for Spain's modernisation aspirations and, in particular, for Spain's European policy. González not only considered that Germany was the key that would open the door of the EC, but also foresaw the importance that Germany would have in helping the Spanish economy in its ongoing process of modernisation. Spain represented a market of 40 million consumers which was very attractive for German firms, but the Spanish government of the time knew that the country's poor infrastructures would deter foreign investment. Spain aimed, therefore, at obtaining financial assistance from the EC budget (in other words, increased German contributions), to overcome that type of bottleneck. How did Spain win Germany over to its cause?

The birth of a partnership between Spain and Germany can be dated to around the time of González's first official visit to Germany as prime minister in May 1983. In the early eighties, Germany was a model in many respects for the Spanish Socialists, but Sweden and Olof Palme were too, especially with respect to neutrality and the Cold War. In 1981, the Spanish Socialists had mobilised massively in the streets to oppose Spanish membership of NATO and the manifesto on which they had won the 1982 elections included the promise of to hold a referendum to take the country out of the alliance. However, visiting Germany in May 1983, González surprised everyone with his declaration of support for NATO's decision to deploy Pershing and Cruise nuclear missiles in Western Europe. In doing so, González not only ignored his own party back in Spain (even his foreign minister, Fernando Morán, opposed this move) and his fraternal party in Germany, the SPD, which had done so much to help him gain office, but visibly sided with conservative Reagan, Thatcher and Kohl's strategies of Soviet containment. In doing so, he also made it quite obvious that he wished to lead the transformation of the socialist parties in Europe, running years ahead of his British and French comrades.

This support for NATO from the young Spanish socialist was very welcome to Helmut Kohl, who had just won his first elections against the SPD and was facing serious internal contestation from the left and the eco-pacifist movement. The Kohl government's support for Spanish membership to the EC was never formally demanded in return for this move but it followed suit and was understood as a natural consequence of González's declarations (Morán 1990). Also, whereas some member states had feared that Spain would become, together with Greece, another enfant terrible for EEC's foreign policy, González's
statements helped convince EEC member states that Spanish accession could contribute to strengthen rather than weaken the EEC's incipient foreign policy (Barbé 1996).

Germany's effective support for Spanish membership of the EC, besides further boosting the prestige that Germany enjoyed in Spanish public opinion, carried a fairly evident lesson. Spain could neither rely on France as its spokesman nor on forming part of a Mediterranean block led by France, but had rather to establish an independent relation with Germany. As became clear during the accession negotiations, Spanish and German interests were much more complementary than those of Spain and France. This was not only the case of agricultural matters or security affairs, but, even more importantly, Spain and Germany shared a common vision of the process of European integration which combined economic liberalisation with social cohesion (something that was made explicit in the Delors I and II financial packages, approved in 1988 and 1992 respectively, which envisaged a substantial increase of funds for Spain as the complement of the single market and monetary union). Proof of the strength of the Spanish-German partnership came from the fact that it worked perfectly well in spite of the completely different ideological affiliations of González (Socialist) and Kohl (Christian-democrat). In contrast, relations between Spain and France did not improve significantly despite both countries being led for many years by Socialists (Mitterrand and González).

**The consolidation of the Spanish-German partnership**

German unification provided the second opportunity for a further strengthening of the German-Spanish partnership. As remembered by the Chancellor's adviser for foreign affairs, González was the first, and almost only, European leader in calling Kohl after the fall of the Berlin Wall to assure him of wholehearted support for the process of German unity. At a time when Mitterrand, Thatcher and the majority of European leaders were completely disoriented as to how to react to the fall of the Wall and Kohl's *Ten Points*, the lack of concern with which González accepted the prospect of German reunification was particularly striking and, therefore, particularly appreciated (Teltschik 1994).

González's position on German reunification allowed his government to play a very active role in the subsequent redesigning of Europe and the European Union (EU). In the aftermath of the fall of the Wall, Spain became one of the "big countries" in terms of influence and the leader of the less wealthy and southern countries. First, in Maastricht, González was able to introduce the concept of European citizenship and constitutionalise the goal of social and economic cohesion as one of the key dimensions of the new EU. Later on, in Edinburgh in December 1992, González managed to obtain almost a doubling of the structural funds allocated to the poorer EC members. Finally, in 1995, at the European Council meeting in Cannes, González also managed to convince Germany and the EC to give maximum attention to the Mediterranean in return for Southern European support for Eastern enlargement. This was expressed in a significant increase of the funds earmarked for the MEDA programmes, which grew by 22%, as well as the launch in Barcelona of an Euro-Mediterranean Partnership (Barbé 1999).

This partnership between Spain and Germany was possible, in spite of the conflicting party affiliations of González and Kohl, because both leaders were emotionally attached to Europe but, more fundamentally, because the meaning of Europe for both countries was very similar. Spain, after a bloody civil war and forty years of authoritarian regime was also hungry for international recognition. Spain did not participate in the Second World War, nor was it
invited to become a founding member of United Nations, or take part in the Marshall Plan, the creation of NATO, the launch of the European Coal and Steel Community or the formation of the Common Market. Spain, as an international pariah, was left out of all the important decisions made in Europe or elsewhere until after Franco's death in 1975. Therefore, when Spain was finally accepted as a full member of the European Communities in 1986, its behaviour within the EC was consistently that of pro-European country and therefore fully compatible with that of West Germany. Then, the good personal relationship between Helmut Kohl and Felipe González helped, and was helped by a similar approach to European integration in the two countries (Torreblanca 2001).

From partners to rivals?

Spanish support for German reunification brought major short-term benefits for Spain, but German reunification sowed the seed of a profound change in bilateral relations which would pose constant challenges to the Spanish governments' adaptation capacity. The changing parameters of the European and international context after 1989 did much to relegate Spain to a second division country on the European stage and, more particularly, to diminish its value to Germany. Combined with changes in Spain and Germany, both at the government level as well as in the European paradigm, the long-term effect of German reunification has been particularly visible in the progressive erosion of the Spanish-German partnership and in the introduction of significant tensions between both countries with respect to European policy.

Spain's problems in the new Europe

After the Maastricht Treaty negotiations were closed in December 1991, Spain reeled from crisis to crisis. Spain's problems in finding its place in the new Europe were further aggravated by domestic events in Spain in the period 1993-1996, when a series of corruption scandals poorly addressed by the government, three successive currency devaluations, and rising unemployment and inflation, sent the González Presidency government into political and economic crisis. In a short period of time, Spaniards felt they had passed from being a solid ally and a reliable partner of Germany in European affairs to being seen in Germany as a burden for the EU and German budget, an obstacle to Eastern enlargement, and even a threat to European monetary union.

The end of the division of Europe and the prospect of Eastern enlargement put Spain on the defensive, reawakening fears of a return to marginalisation in a Europe that would turn towards the North and the East and pay less attention to its Southern and Mediterranean flank. Therefore, Spain was a reluctant partner in the process of enlarging the Union, both towards the rich countries of the North, because it feared they would change the balance of power within the European institutions, and also towards the countries of Central and Eastern Europe, because it feared the effects that Eastern enlargement would have for the EU cohesion and structural policies from which Spain benefited so greatly. Hence, Spain threatened to veto the signing of the (European) association agreements with Poland, Hungary and Czechoslovakia in December 1991, and together with such an unexpected ally as Great Britain, forced in 1994 the so-called Ioannina compromise as a condition for accepting the accession of Austria, Finland and Sweden.

The Spanish Presidency of the EU in 1995 led to a temporary recover of Spanish prestige but for most of 1993-1996, Spain had to bear the burden of being considered the leader of the
"Club Med" of social, political and economic laggards which would seek last-minute political agreements to "stop the clock" and enter the EMU through the back door. Moreover, the country had to put up with seeing how the domestic political and economic situation encouraged the richer EU members to study ways of moving ahead without Spain (such as the 1994 Lamers Report), the generalisation of the label "the poor four" or PIGS when referring to Spain, Portugal, Greece and Ireland, not to mention the consolidation of a coalition against financial transfers from the richer to the poorer EU members after the 1995 enlargement.

Changing the guard in Madrid

Bilateral relations between Germany and Spain were not at its height at their best in early 1996. Few people anywhere believed that Spain would ever meet the convergence criteria for inclusion in the third phase of EMU and many in Germany feared that the so-called "Club Med" countries would negotiate their last-minute admission on political grounds which would mean the birth of an unreliable Euro. Then, a change of government in Spain brought to power a generation of political leaders with a completely different vision and understanding of Europe and their country's European policies.

The March 1996 elections in Spain brought to power Partido Popular (PP) led by José María Aznar. Ideologically, the party included Christian-democrats, liberals, and conservatives and, in general terms, the party's European policy had a more intergovernmentalist tone than its Socialist predecessor, it spoke more frequently and openly of national interests and preferred the term "European construction" to "European integration". If the main ideological points of reference of the Spanish Socialists were their German and French colleagues, Aznar's PP was strongly influenced by Thatcher's neoliberalism and seemed to have much greater admiration for the American model of low unemployment than the European model of high social cohesion.

Certainly, the PP's taste for liberal economic policies and the strategy of using the EU as a lever to advance domestic reforms was not new. Apart from the admiration of the Spanish Socialists for the German model, very early in the nineties, their leader, González, had begun to consider the German model of capitalism as too rigid, too costly for Spain, and thus inadequate to help Spain to catch up with Europe in terms of growth and wealth. His governments had therefore begun to put an end to neocorporatist arrangements and to put the emphasis on privatisation, liberalisation and flexibilisation, leading commentators to label González as a "leftist Thatcherite". Despite these similarities, there were major policy differences between González and Aznar. Aznar used a more assertive and nationalistic tone to defend Spanish interests and never attempted to conceal the fact that his project was fundamentally national, rather than European. Aznar saw Europe as a means of achieving national goals, not an end in itself. In contrast to González, who believed that EU funds were crucial to help Spain catch up with Europe (hence his emphasis on the policies of cohesion and trans-European infrastructures), Aznar believed in fiscal discipline and saw González's battles for European funds as counter-productive for the image of Spain as a modern and

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2 See the statements of Foreign Minister Josep Piqué on 21 November 2000: "We want to give up cohesion funds. We want to be like the United States: we believe in the New Economy, in a flexible economy and budgetary surplus" (El País Digital, no. 1664, 22 November 2000).
efficient country (hence his controversial accusation that González had behaved like a "beggar" at the European Council meeting in Edinburgh which approved the 1993-1999 financial perspectives).

Once in power, Aznar practically ignored institutional issues and devoted all his efforts to ensuring that Spain could enter the third phase of EMU on its own merits. The turning point in his European policy was his refusal in September 1996, only five months after becoming prime minister, to develop an alliance with Italian Prime Minister, Romano Prodi, to delay the launch of the third phase of the EMU in such a way as to allow the Southern European countries an extra year to fulfil the convergence criteria. This refusal, which was made public by Aznar himself put an end to "Club Med", shattered the image of Aznar as a grey leader of a backward country, and forced Prodi to take the necessary steps to have the Italian economy ready for the EMU in time to meet the original deadlines (Rodrigo 1998).

By proving able to transform the bad economic heritage left by González in less than a year and put Spain in conditions to fulfil the convergence criteria without having to face social unrest, Aznar earned the respect of Chirac, Kohl and the other European leaders, who were themselves encountering serious domestic problems in their bid to reach the third phase of the EMU in good shape. Having qualified on its own merit, Aznar's European policy became much more assertive of Spain's national interests, much more inclined towards Blair and his Third Way, and less and less willing to concede the Franco-German axis a dominant role in European construction.

Aznar's emancipation from Germany

Despite both leaders' centre-right political orientation, Aznar and Kohl were never able to develop either their personal or their respective countries’ bilateral relations to the level achieved by González and Kohl. In fact, the excellent relations maintained by Kohl and González since 1982 hung heavily over Aznar's first visit to Germany in 1996. Having no charisma himself, Aznar reacted very negatively to the charismatic style and policies of his predecessor González and, by extension, of Kohl. But over and above personal affinities or, rather, the lack of them, the problems encountered by Aznar and Kohl owed much more to more complex and profound factors.

First, Aznar and his party had a different generic attitude towards Germany. The older generation in Aznar's Partido Popular had been too involved with the Franco regime, and the young generation too scarcely involved in the Spanish transition to democracy to have developed any deep sense of gratitude to Germany for its support in that process. Moreover, the German Sozialwirtschaft model provoked little admiration in a party in which neoliberalism had a strong appeal, and the German federal model appeared too decentralised for a party which was more openly nationalist and centralist than its predecessor. Only a group of Christian-democrats, heirs of the extinct centrist party which had led the transition to democracy (the UCD), showed any greater affinity with Germany, but they were a minority and were not in the inner European policy-making circle.

Second, Aznar and his party also had a different attitude towards Europe. Aznar was, first and foremost, a pragmatic leader did not share Kohl and González's vision that "more Europe" was the solution to all problems. In contrast to the integrationist stance unanimously defended by the German political parties and the González's Socialists, Aznar held a moderate intergovernmentalist approach to the European integration process. This combined the belief
in nation states and peoples as the central actors of the European integration process, an ensuing distaste for federalism, supranational bureaucracies and European regulations, an admiration for the United State's economic success, and an emphasis on economic, security and justice and polices affairs (Areilza 1999; Dastis 1999; Pérez-Díaz 1998a; Pérez-Díaz 1998b).

Third, Aznar and the PP were aware that Kohl and his vision of Europe were being increasingly questioned in Germany by the opposition, the Länder, and a growing segment of German public opinion. The weak basis of support that Kohl’s views enjoyed even in Germany helped to strengthen Aznar’s own ideas about the process of European integration and actively contributed to his lack of interest in Germany as a potential partner for his government. Therefore, neither Kohl and the CDU could do much to bring Aznar and the PP closer to Germany, nor did Aznar feel any urge to try and close the gap between both governments.

My friend Blair

The change of government in Germany in 1998 opened a temporary window of opportunity for an improvement in the two countries' relations. Despite the differences in their party-affiliations, Schröder and Aznar had more elements in common than Aznar and Kohl. Both had to live under the long European shade of their charismatic predecessors and, more importantly, like Blair and Clinton, they belonged to a younger generation of political leaders who believed in the virtues of privatisation, deregulation, liberalisation and market-oriented instruments and reforms. They saw cutting the size of the state sector and limiting its intervention in the market more as an opportunity to meet the demands of the "new economy" and benefit from the process of economic globalisation than as a sacrifice needed to save the welfare state, in whose social and economic efficiency they simply did not believe.

The potential for a new, though different, kind of partnership between Spain and Germany was evident. It was specially appealing for both parties at a time when the combination of Chirac's Gaullism and Jospin's statism in France's European policy had taken French-German relations to a historic low and when Blair's UK was also reformulating its relations with Europe. For most of 1998 and 1999, knowing that cohabitation in France and turmoil in Italy would make a Spain-German-British coalition pushing for economic reforms particularly successful, Blair and Aznar tried to win Schröder over their side (as confirmed in the Neue Mitte/New Centre joint statement signed by Blair and Schröder in June 1999). However, the partnership never took off.

3 “Schröder y Blair presentan un manifiesto para la modernización de la izquierda” (El País Digital, 9 June 1999, No. 1132); “Madrid redefines the Center-Right” (International Herald Tribune, 11 December 1998). Addressing the French IFRI on 26 September 2000, Aznar said a major priority of his European policy was to introduce “market-liberalisation reforms and the privatisation of the public sector, reforms which shall lead to increase our competitiveness and therefore, larger prosperity opportunities in a global world”, http://www.lamoncloa.es/interv/presi/p2609000.htm See also “Doubts on Europe Unite Uncommon Comrades Blair and Aznar”, Frankfurter Allgemeine Zeitung, 19 June 2000. In Davos 2000. Aznar's “harshly criticised the interventionist policies of some of his European partners who, he said, were scared of the future” (International Herald Tribune International, 31 January 2000). See also Aznar and Blair's Joint letter of 12 June 2000 titled “Growth is the essential goal for Europe” (Financial Times, 12 June 2000).
First, for most of 1998-2000, and even after Lafontaine's exit from government, Schröder was seen as too weak domestically to implement a *Third Way* agenda, either at the European or at the national level. Second, Schröder's insistence on cutting down Germany's contribution to the EU budget was obviously meant to satisfy German taxpayers and Länder but would, and did, inevitably alienate both the British and Spanish governments. Neither Blair nor Aznar were particularly fond of the British cheque or the cohesion funds, respectively, but precisely because their predecessors had made these issues so visible, they could not afford a defeat over them. While it was understandable that the German government should choose to satisfy its domestic constituencies, this made it more difficult for the three governments to engage in a constructive dialogue and explore ways by which their respective European agendas could eventually overlap. Hence, there were some structural obstacles to the development of a new partnership, but also some potential elements which the new German government did not take advantage of because of its inward-looking stance to European affairs.

Schröder's inability, lack of interest, or insufficient power to press ahead and develop a partnership with Blair and Aznar reinforced the latter's conviction that Spain's European policy should focus exclusively on national interests, which as interpreted by the Popular Party, mainly consisted of having the EU promote and support his programme of economic reforms. Aznar's European policy was thus shaped by the idea of cutting the wealth gap between Spain and the rest of Europe and of ensuring Spain's place among the big and more influential countries of Europe before Eastern enlargement became a reality.

The focus on economic growth and market-oriented reforms meant that institutional issues were only relevant for the Spanish government in as far as they affected Spain's relative weight in the institutions; German attempts to include other issues in the European agenda (enhanced co-operation, *kompetenz-kompetenz* discussions, active employment policies, etc) were rejected outright. Therefore, as both Germany and Spain have reassessed their role and participation in the European integration process and decided to adopt an inward-looking mood and prioritise domestic rather than European goals, each country's European agendas have ceased to overlap. The consequence of this has been growing tension between both governments in an ever-larger number of European policy fields.

*Zero-sum games*

Between 1986 and 1996, coinciding with the period in office of Kohl and González, Germany and Spain were apparently able to solve each country's or government's differences in a positive-sum way. The single market and monetary union were launched and achieved but, at the same time, cohesion expenditure was increased; the reunification of Germany was paralleled by an increase in European citizens' rights; and the process of eastern enlargement was made compatible with a deepening of the Mediterranean dimension. Since 1996,

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5 The sharp deterioration of Spanish-German relations in terms of European policy was particularly evident after the publication by *Die Zeit* (14 September 2000) of a very critical article (titled "The Ugly European") on Aznar's European policy. The article preceded Aznar and Schröder's meeting in La Granja (Segovia, Spain) and gave a rather brutal portrait of Aznar, his diplomats, their negotiation's styles and their European policies. The journalist, Christian Wernicke, described Spain's European policy as a constant "blackmail" to the richest EU members and questioned the coherence of Aznar's simultaneous demand of receiving both cohesion funds and a place among the largest and most influential countries.
however, Spanish and German European agendas have overlapped little, tensions and clashes have become more frequent and bitter, and have increasingly resembled zero-sum games. This has been visible over a variety of issues.

First, in the race towards the third phase of EMU in 1996-1998. In this case, German insistence that monetary union should be negatively linked to the reception of cohesion funds and that fines and sanctions should be imposed on countries failing to maintain their economies under the convergence criteria was seen in Spain as a proof of Germany's reluctance with having Spain in the future Euro-zone. Because Spaniards had not fully shaken off the inferiority complex provoked by their historic economic backwardness, the "Club-Med" discourse stemming from Germany was particularly damaging to bilateral relations and perceptions. Once Spain managed to meet the convergence criteria, was selected for the third phase of EMU, and the country started to grow again at a good rate, German economic problems met no sympathy in Spain and the policies sought by the German government at the European level received no support.

Second, tensions have been visible in budgetary negotiations. The negotiation of Agenda 2000 and the financial perspectives for 2000-2006 caused serious tension in Spanish-German bilateral relations. Senior Spanish officials interviewed highlighted how Germany departed from its traditional persuasive style and tried to test its muscles once persuasion had failed, but it did so in such a ruthless and unstrategic manner that it alienated all the players before the game had actually started.

These officials highlight their German counterparts poor handling of these negotiations and still wonder how these German officials could base their strategy, if they had one, on simultaneously attacking the core elements, both symbolic and economic, of the three largest EU members' relations with Europe (the British cheque, the French CAP, and the Spanish cohesion funds). In the case of Spain, it was particularly evident that the more Germany made an issue of the suppression of the cohesion funds, the more inflexible the Spanish government would grow about it. The interesting thing about the Berlin Summit of March 1999 was that both Spanish diplomats and media commentators recognised that Germany was contributing too much and, at the same time, acknowledged that the defence of the cohesion funds contradicted both Aznar's European policies and his domestic economic strategies. Yet, the way the German government approached the issue contributed to reinforce rather than to dilute these contradictions.

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6 e.g., Biedenkopf's views that countries acceding to the third phase of EMU should cease benefiting from cohesion funds (El País Digital, 23 March 1998, No. 689); the Waigel Plan to control more tightly South European government spending in the Euro-zone (El País Digital, 22 April 1998, No. 719); Fischer's statements on the Cohesion Fund (El País Digital, 10 November 1998, No. 921); the editorial of the Spanish daily El País on Germany and the cohesion fund (El País Digital, 3 January 1999, No. 975); the echo of a report drafted by 33 German experts recommending the suppression of the cohesion funds (El País Digital, 11 January 1999, no. 983); and Stoiber's comments on Spain: “we can't wait for Extremadura” (El País Digital, 25 February 1999, No.1028).

7 Interviewees were a senior advisor at the State Secretary for European Affairs and two senior foreign policy advisors at the Prime Minister Office. Interviews were held in June 1999.

8 See the country Report corresponding to Spain and the Agenda 2000 negotiations in Enlargement Watch, no. 1/1999 issued in May 1999, at http://www.tepsa.be (documents online). See also the government's views on Agenda 2000 (Bastarreche 1999; Cordero 1999; Elorza 1999). Tensions between the two governments mounted in February 1999 as the Spanish government criticised the German Presidency's handling of the Agenda 2000 dossier (“Alemania estima incomprensible las críticas de Aznar a su política europea”, El País Digital, 4
Third, Eastern enlargement is of course another element of tension between the two countries. First because the Spanish government disagrees with what it perceives to be the German view that enlargement should not generate any additional cost to the EU budget, that is, that it will all be financed through current mechanisms and resources within the existing 1.27% GDP ceiling of expenditure. The Spanish government sees this as a policy which would oblige the poorer EU members to assume all the burden of Eastern enlargement. A related area of tension is the Spanish perception that Germany uses its good relations and diplomatic channels in Central Eastern Europe to blame all the problems and delays in Eastern enlargement on Southern Europe. These kind of perceptions are easier to create than to counter, specially for a diplomatic service, like the Spanish one, which lacks the necessary resources for this task, and have so far proved very damaging to Spain's image in Europe. The government sees this reputation as undeserved for various reasons. First, because Spain's own path of integration into the EU means that it has natural feelings of solidarity with Central Eastern Europe. Second, because candidate countries will benefit from the maintenance of cohesion principles and budgetary arrangements which Spain has defended. Third, because the myth of the "Southern wing" deliberately serves to hide the fact that both the German elite and public opinion are much more reticent about Eastern enlargement than the Southern European governments (Torreblanca 2000).

Fourth, treaty-reform and institutional reform negotiations, both in the run-up to the Amsterdam and the Nice European Council meetings in 1997 and 2000, respectively, have also revealed how the two countries' models of European integration and institutional preoccupations have moved increasingly far apart. At the time of Spain's accession to the European Community in 1986, it had obtained the status of a big country in the Commission (having the right to name two Commissioners) but not in the Council of Ministers (where it obtained eight instead of the ten votes granted to the big four). Since then, the goal of full incorporating into the group of the largest members, both in status and institutional power, has been shared by all Spanish governments, hence the Ioannina compromise negotiated at the time of the Nordic enlargement in 1995, Declaration No. 50 obtained during the Amsterdam Treaty negotiations, and the proposals made during the IGC 2000 and the Nice European Summit. Rather predictably, Spanish insistence on drawing closer to the big four fits poorly with Germany's strategy of differentiating itself from the other big countries.  

**Concluding remarks: an open but cloudy future**

Spain has welcomed the way in which Germany plays a more active role in international politics because that is consistent with its own historical experience of regaining the place and role it deserves in international affairs. Thus, though Spanish officials have criticised the rather ruthless style of the new German assertiveness, they have generally put it down to lack of experience and expressed confidence in the capacity of German officials to learn how to wield their country's power with more subtlety. Moreover, it is undeniable that Germany has profoundly modified its identity (from the definition of citizenship, to the right of asylum or February 1999, No. 1007; "Bronca de los países de la UE a Alemania por su estancamiento de la financiación", ABC-e, 22 February 1999); "Ocho países abroncan a Alemania" (El País Digital, 22 February 1999, No. 1025).

9 In their first December 1999 meeting, Aznar and Schröder coincided in wishing to limit the content of the IGC 2000 to settle the Amsterdam "left-overs" (institutional reform). However, their motivations were very different: whereas Schröder wanted to speed up Eastern enlargement, Aznar wanted to place Spain in the group of big countries before Eastern enlargement (El Mundo, 4 December 1999).
the role of the military) and is logically seeking to upgrade its international and European status accordingly.

That said, however, Spanish observers stress that the use of this enhanced status and power-position will inevitably provoke conflicts and tensions if the German government fails to understand that its European agenda might not necessarily coincide with the needs of other member states. The Spanish elite perceives that domestic support for European integration has crumbled in Germany, that "Europe" has become politicised; that important institutions (such as the Constitutional Court) have put their Europeanism "on hold", and that the institutional fit between the German federal model and the European integration process has deteriorated (Bulmer and Patterson 1996; Janning 1996; Knodt and Staeck 1999).

As Spain itself is undergoing a similar process of paradigm change over Europe and the process of European integration, anxiety is evident. The context means that it is very difficult to predict where the two countries will stand over the next few years, or the outcome of their interactions. Because these uncertainties make it impossible to have a clear vision of the future, Spanish officials defend a "wait-and-see policy", centred on consolidating present gains and taking advantage of the years before Eastern enlargement to catch up with the European average in terms of wealth and employment.

The issue about Germany's European policy that is causing most concern in Spain is German insistence on opening a new intergovernmental conference, around 2004, to discuss "constitutional issues". Whereas the May 2000 speech of Foreign Minister Fischer on the finality of the European integration process did not prompt significant reactions in Spain, its eventual conversion into a political-legal discussion about the final and definitive catalogue of EU competencies is the cause of major concern in Spain.

Seen from Spain, this proposal has little to contribute to the European integration process. To many, it means giving the whole of Europe Germany's own constitutional problems between the Bund and the Länder. For a country like Spain, whose territorial structure resembles the German one but which is less consolidated, much more fragile and includes two important nationalities (Basque and Catalan), the foreseen 2004 IGC threatens to trigger a constitutional debate whose unanticipated consequences have already been the object of attention by media and legal commentators. Therefore, Spain is most likely to oppose such an IGC and would rather see Germany solving its constitutional problems on its own.

10 "Los euroescépticos redoblan sus críticas (El País Digital, 23 March 1998, No. 689); "El canciller pedirá más poder para las regiones" (El País Digital, 25 April 1998, No.772); "Braced for federal system revolt" (Financial Times, 20 June 1998); "A Consensus of Uneasiness" (Frankfurter Allgemeine Zeitung, 2 November 2000); "Schröder apuesta por abrir un debate sobre una Constitución para Europa" (El País Digital, 23 November 2000, No. 1665).

11 A line of Aznar's speech at the IFRI on 26 September 2000 was deliberately addressed to Fischer and his institutional engineering: "we must not succumb to the temptation of proposing political models which are not likely to be spontaneously and peacefully adopted by the citizens of our countries". The speech also contained a warning to the German government and its Länder’s attempt to misuse the concept of subsidiarity to renationalise some single market policies. [http://www.la-moncloa.es/interv/presi/p2609000.htm]

12 See the remarks on this matter of the former president of the Spanish Constitutional Court in the article by Andrés Ortega (“2004: Europa, cuestión interna” El País Digital, 19 December 2000, No. 1691).
Another issue which worries Spanish observers, and is also related to German domestic problems, is the widespread perception that Germany, and particularly its Länder, are increasingly uncomfortable with the single market regulations and their impact on the regional arrangements and agreements between firms, governments and unions which are the base of Germany's Sozialwirtschaft model. The German Länder's increasing reticence with respect to Europe is particularly worrying to Spain as it sees its Autonomous Communities developing similar attitudes to Europe and also because it fears that Germany will seek exceptions which could undermine the principles of the European single market (Elorza 1999; García-Berdoy 1999; Lamers 1999).

As noted at the beginning of this chapter, Germany's partners in Europe can and will live with the new assertiveness shown by the German government. However, at the same time Germany will have to live with partners, such as Spain, which are also framing their European policies in terms of domestic needs and preferences. Because both countries' European agendas overlap less than in the past, accommodating these preferences will surely require more time and effort than in the past, and the results might be less spectacular than in the past. Yet, as both parties share the view that the European integration process is intrinsically consensual, the possible elements of rivalry between both countries should be considered, just like the elements of partnership, as a normal part of their respective European policies.

References


