German finance minister publicly rebuffs US president

Stefan Steinberg
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Last weekend the German finance minister, Wolfgang Schäuble, delivered a clear rebuff to US president Barack Obama, who has repeatedly called in recent weeks for Germany to step up its financial commitment to save the euro and bail out Europe's ailing banks.

In an interview with a German public television channel on Sunday evening Schäuble declared that before giving advice to Europe Obama should concentrate on resolving the American deficit, which is higher than the euro zone debt.

Schäuble's admonition that the Americans put their own financial house in order before lecturing Europeans is the latest and most public display of growing tensions between the traditional postwar partners as the crisis in Europe threatens to spiral completely out of control.

The comments by the German finance minister follow a sharp exchange of words involving the head of the European Commission, Jose Manuel Barroso, on the eve of the G20 conference in Mexico two weeks ago. When a Canadian journalist asked why North Americans should help pay for Europe's crisis, Barroso retorted angrily: "We did not come here to receive lessons in democracy or how to manage our economy". The crisis did not originate in Europe, Barroso continued, but rather in North America.

Commenting on Barroso's remarks, the *Wall Street Journal* concluded that the incident "showed how tensions are boiling over as the crisis moves into a more dangerous phase."

In alliance with the British government and the International Monetary Fund, Washington has been urging Germany to support a fresh injection of funds into the European banking system by either the European Central Bank (ECB) or the European Union's bailout fund (ESM). London and Washington are also calling for the introduction of a pan-European finance mechanism, so-called euro bonds, to underpin the continent's banking system.

In his television interview Sunday, Schäuble followed up his rebuff to Obama by reiterating his opposition to euro bonds. Schäuble has frequently declared that the prerequisite for their introduction was the forfeiting of sovereignty over budgetary and fiscal policy by individual European states.

All of the measures proposed by Washington would require a huge transfer of funds from Germany to the continent's weaker economies and banks—a step that is vigorously opposed by the German government, its central bank and broad layers of the business community.

Instead, the government in Berlin demands a continuation and intensification of the austerity policies that have already resulted in unprecedented cuts in European living standards.

In its own campaign to counter the current political pressure from Washington on Berlin, the mouthpiece for the German business community, the *Handelsblatt* newspaper, has also intervened in the debate by providing a platform to Obama's rival in the current US presidential election campaign, Mitt Romney.

Prior to the G20 summit the *Handelsblatt* published a guest article written by Romney adviser R. Glenn Hubbard. The article, titled "Do Not Learn From America", severely criticized Obama's budgetary policy as well as the president's attempt to impose a similar policy in Europe.

Obama responded sharply to the *Handelsblatt* article. At a press conference following the Mexico summit Obama criticised the fact that the Romney camp had used a German paper to promote its election campaign. "I would point out that we have one president at a time and one administration at a time … I think traditionally the notion has been that America's political differences end at the water's edge", Obama told reporters.

The *Handelsblatt* has since retaliated with its own unabashed commentary, "America needs a change", in which the editor calls for a change of president in 2012, declaring that at the time of his election in 2008 Obama was the "wrong man at the wrong time."

The increasingly acrimonious and public nature of these exchanges across the Atlantic are an expression of the advanced nature of the crisis, which is overturning longstanding political relations.

Following the launch of the euro in 1999, the US regarded it as a threat to the role of the dollar as the world's leading currency and repeatedly used its monetary policy to weaken the value of the European joint currency. Paradoxically, the weakened euro has benefited Europe's most powerful economy, Germany, which has been able to boost its exports across the globe, particularly to America's main economic rival, China. At the same time, the interconnectedness of the finance markets means that a collapse of the euro would have devastating repercussions not only for the US, but for the entire world economy.

Irrespective of whether they are publicly aired or not, these tensions between the major powers will inevitably dominate the EU summit planned for the end of this week.