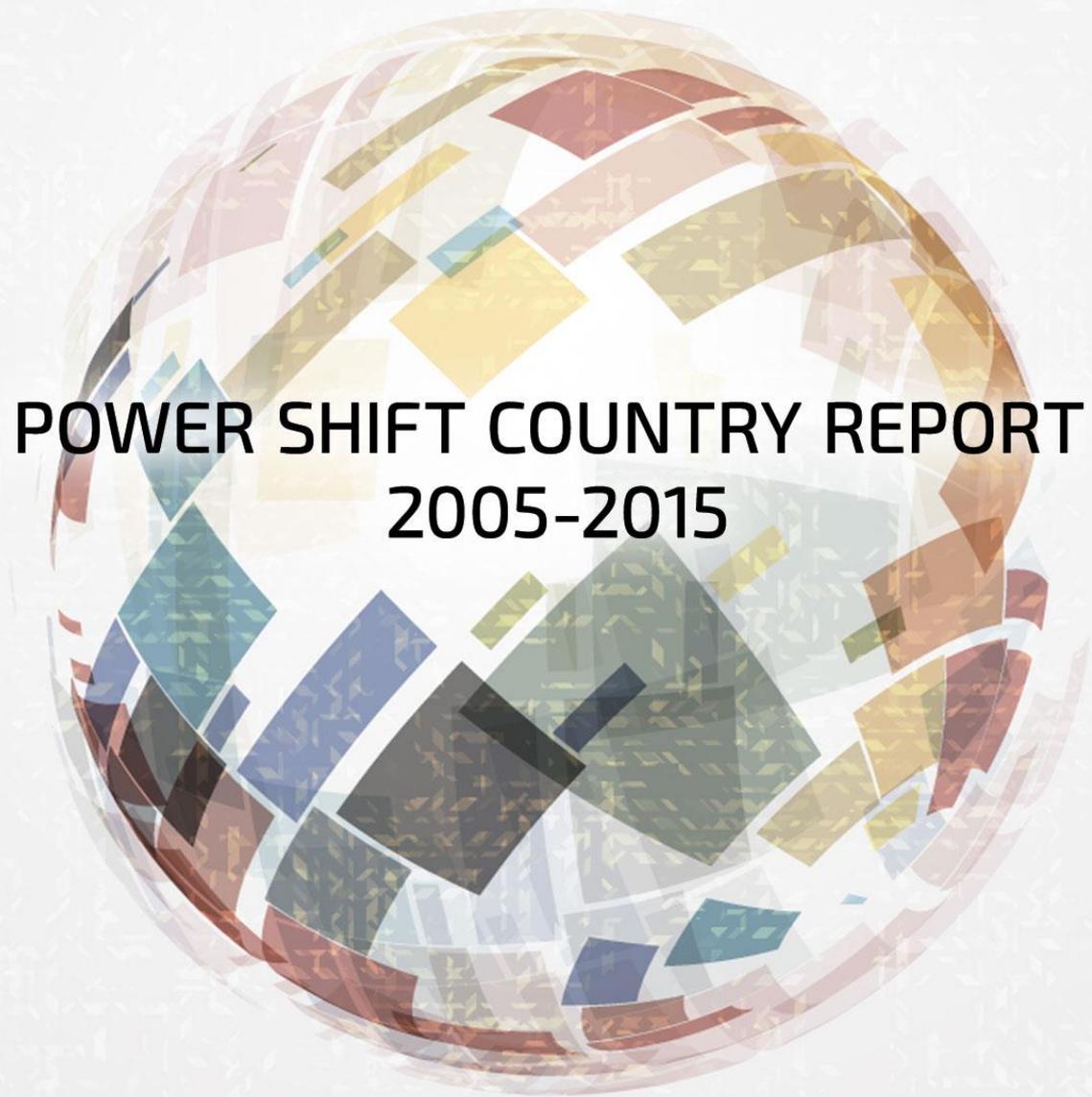


# GERMANY

## POWER SHIFT COUNTRY REPORT 2005-2015



## Germany's Challenged Power

Germany is often perceived as one of the most powerful states in Europe. Based on the Bonn Power Shift Monitor, it is indeed the fourth most powerful country in the G20 after the United States, China and Great Britain. However, the Monitor also reveals that its Power Score has significantly declined over the last years affecting seven of the eight categories considered. Top-rated universities are the only positive category of the Monitor, but this positive mark could not compensate for Berlin's losses in other

### Power Shift 2005-2015



BPSM categories. For its development in the 2005 to 2015 period, Germany thus receives a negative Power Shift Rate of -0.6 which downgrades the country among the power losers of the Monitor to rank 15 out of 19. This rate illustrates an overall decline of 11.9 percent in the country's power.



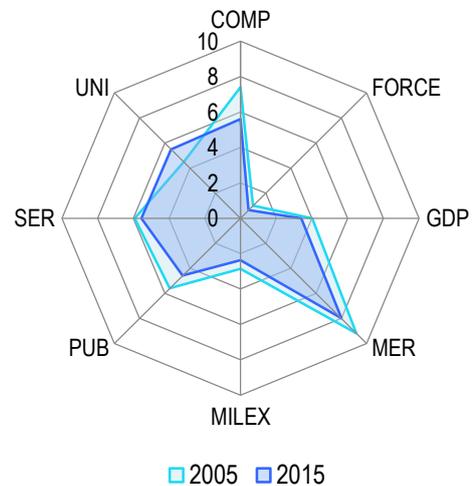
### Top-Education despite Challenges

The only category in which Germany managed to increase its global share is top-rated universities. Here, the number increased from nine in 2005 to 11 in 2015, among them e.g. the University of Bonn. Its high scientific reputation is particularly visible in this category as only the United States and Great Britain present more universities on global rankings than Germany. Due to its increase and other states' losses in this category, Germany managed to surpass Australia, Japan and Canada over the review period which each possessed eight top-rated universities in 2015. Having the third most globally renowned universities among the individual G20 states thus points to a structural advantage in research and knowledge-production. This should not be confused with a leading edge, as the distance to higher ranked Great Britain (with 30 elite universities in 2015) remains remarkably vast. Having said that, housing eleven renowned educational hubs in contrast to one, like Italy, is still a notable plus for Germany's soft and structural power.

### Crumbling Competitiveness

The BPSM reveals that Germany's leading edge on global markets has started to crumble. Considering the number of publications and top businesses, Germany has lost significant shares over the last decade. While Germans scientists published almost

### Germany's Global Shares



30 percent more articles in 2015 (105,754) than in 2005, the overall global share in publications declined as the increase did not keep pace with the global trend. Yet Germany does not stand alone with this challenge as a similar pattern is visible for traditional knowledge-producer like France and Great Britain. In this category Germany and Great Britain competed for the fourth place among the individual G20 states over the review period. Germany succeeded and even surpassed Japan in scientific publications, but as India has enormously increased its output, Germany finds itself behind the Eastern riser.

Turning to the world's largest companies, there were 37 German corporations on the Fortune 500 list in 2005, but only 28 in 2015. This signals a loss of economic momentum and has the greatest impact on Germany's negative power shift rating in the 2005-2015 balance. Though Germany achieved the sixth place among the G20 states, China and Great Britain managed to overtake Germany in this category. Furthermore, France continuously presents more Fortune 500 entries which very much relativizes the impression of a German structural edge.

This is further reinforced by other economic indicators like GDP and exports. The Monitor records decreasing international shares in service exports (-0.37 percentage points), merchandise exports (-1.18 percentage points) and GDP (-0.61 percentage points) – thus confirming that the German economy lags (at least relative to other countries) behind the pace of globalization. This affects Germany's leading position particularly compared to emerging economies as it has already started to shift downwards, although the European power still belongs to the top performers in the world. For example, Germany was the merchandise export powerhouse in 2005, but was surpassed by China (in 2009) and the United States (in 2010).

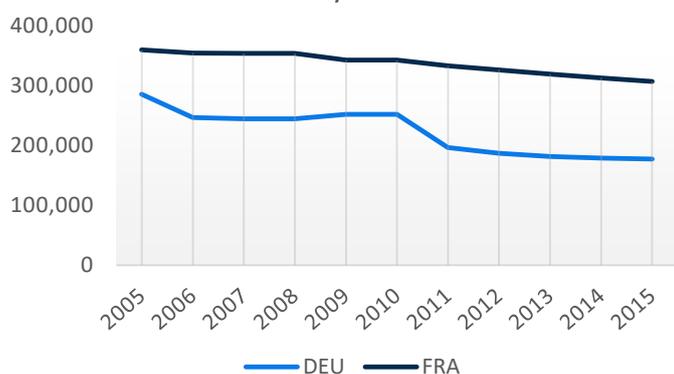
In absolute terms, however, the country has experienced an overall positive trend. It managed to bring down high unemployment rates with the “Agenda 2010”-reform of previous chancellor Gerhard Schröder and even compensated the global financial crisis better than most of its European neighbors.<sup>1</sup> The economy shows healthy growth rates, which are the highest for GDP, merchandise exports and service exports among the European individual G20 states, though these are by far smaller than those of rising economies like China or Korea. As Germany’s power is largely dependent on its economic weight, especially in regards to exports, the catching up of foreign competitors challenges all faces of Berlin’s power.

### Neglected Hard Power Capacities

The military categories of the BPSM reveal a striking decrease in hard power capacities between 2005 and 2015. Germany lost global shares in both military spending (-0.49 percentage points) and force personnel (-0.35 percentage points). While the absolute figures reveal an increase in military budgets of 1.47 percent, the number of armed troops were reduced by more than two thirds.

Due to its militant past of the Nazi regime, Germany has developed the self-conception of a ‘civilian power’. Though this should not be misunderstood as pacifism, the use of force remains a tool of last resort instead of typical foreign policy instrument.<sup>2</sup> Therefore, military capabilities are usually not even second order when it comes to the pursuit of national interest or discussions about German power. Underinvestment in the Bundeswehr culminated in the 2010 realignment reform that cut spending and military personnel. Since the 2014 NATO summit in Wales, however, there is an increasing awareness that the German forces are falling behind the demands of the alliance. This increased international pressure on Berlin that gradually revised its defense policy aiming at higher expenditures and the recruitment of more military staff. Still, the numbers of 2015 and the annual reports of the Parliamentary Commissioner for the

Number of Armed Forces Personnel in Germany & France



Armed Forces (Wehrbeauftragter) underline that Germany does not step up to its promises.

In comparison to its allies e.g. France, the German defense numbers and trends underline its dependence on the alliance as well as its military backlog. Among the European countries, Germany has only higher military investments than Italy, whereas the latter commands more forces.

### Powerful but falling behind

Summing up, Germany still belongs to the world’s leading powers. The Power Score of the country, deriving from the market shares of the categories in the model, was always among the five most powerful G20-countries over the period of observation. Yet, the scores reveal an overall decline in Germany’s power base which may eventually result in a loss of political influence on the global stage.



Taking a closer look at the power shifts in the last decade, Germany was among the four largest power losers of the G20 countries since 2009. In the first years of observation from 2005 to 2007, Germany managed to increase its power on the global market, indicated by a positive Power Shift Rate of 0.8 for these years. When the global financial crisis hit in 2007, the country’s favorable economic situation was challenged. Even though this is only one factor related to the declining power shares, it affected all European G20-countries studied by the Power Shift Monitor. The European powerhouse still has structural advantages in innovative capabilities and economic regards, although it also suffered from the rising pressure of the unfolding economies in the east. Therefore, though Germany remains on the global top, the ongoing erosion of its dominant position underline that strategic challenges, particularly regarding innovation and defense strategy, need to be addressed.

<sup>1</sup> Pautz 2015: 33

<sup>2</sup> Speck 2014

## Literature

Pautz, Harwig (2015). "Country Focus: Germany." *Political Insight*, 3(6), pp. 32-35.

Speck, Ulrich (2014). "Foundations of German Power." *Retrieved from Carnegie Europe*: <http://carnegieeurope.eu/2014/03/14/foundations-of-german-power-pub-54955>

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Indicator	Country Data: Germany				2005		2015		2005/15		2005/15	
	Code	Unit	Source	total	CS	total	CS	ICR	MC	CC	PSR	
GDP	GDP	PPP; current int. Dollar	World Bank	2.64 trillion	4.02	3.92 trillion	3.4	48.72	-0.61	18.20	-0.60	
Merchandise exports	MER	Total, current USD	World Bank	970.91 billion	9.18	1,326.76 billion	8	36.55	-1.18			
Service exports	SER	Total, current USD	World Bank	159.42 billion	5.92	272.86 billion	5.56	71.16	-0.37			
Armed Forces	FORCE	Total number of personnel	World Bank	285,000	1.00	177,300	0.65	-37.79	-0.35			
Military Spending	MILEX	Constant 2015 USD m	Stockholm Institute for Peace Research	39,236	2.86	39,812	2.37	1.47	-0.49			
Top Companies	COMP	Total of Top 500	Fortune	37	7.40	28	5.60	-24.32	-1.80			
Top Universities	UNI	Total of Top 200	QS World University Ranking	9	4.50	11	5.50	22.22	1.00			
Publications	PUB	Number of S&E Articles	National Science Foundation	82,968.9	5.60	105,754.9	4.59	27.46	-1.01			

Red numbers consist of uncertain estimates or a BPSM input if the start value equates zero; Figures in blue are SIPRI estimates.  
 CS: Country Share in percent of the world's total; ICR: Indicator Change Rate in percent between two point in time; MC: Market Change, measures the difference of a country's share between two points in time in percent; CC: Rate of Country Change, gives the average of country shares; PSR: Power Shift Rate, difference between the Power Scores of two point in time / average of all market change rates.