

British fear losing Germany

by Rainer Apel

British Prime Minister Tony Blair's "special relationship" with German Chancellor Gerhard Schröder has fallen to record lows. Hard economic realities have blown the "Third Way" ideology to pieces: The majority of the German political elite, with backing from most of the population, have felt compelled to intervene against Britain's pet policies—globalization and the free market—in several situations that threatened to destroy core sectors of German industry.

The revival of national interests include: a strong spirit of defense of Mannesmann, a leading machine- and pipeline-manufacturing firm, against hostile takeover by Britain's Vodafone; Schröder's intervention to save the Philipp Holzmann construction company from a default that had already been decided on by the creditor banks; the commitment to renew and intensify cooperation with France; the threat to go for a national capital gains tax, should Britain continue to veto it in the European Union (EU). All these developments since mid-November have put Germany into confrontation with the free-market dogma, and notably, it is British media that have most appropriately assessed the disaster of Blair's Germany policy, in a daily stream of articles that can all be summed up under the question: Who lost Germany?

The Dec. 4 London *Daily Telegraph*, for example, reported on remarks by Schröder in the German parliament the day before. The Chancellor pointed to the British blocking of the planned EU-wide capital gains tax, which would end the tax-free status of exclusively financial transactions that are not linked to real investments. The Blair government rejects the tax, on grounds that it would interfere with the free flow of capital, violating long-standing British financial policy. "I make no secret of the fact that I have little understanding for such blocking tactics," Schröder said. Should the British continue to veto the tax, he warned, Germany will go for the tax on its own: "If necessary, we should consider a national solution." And he made clear that Germany has allies. "Contrary to what one may read from time to time, Franco-German cooperation is constructive and, above all, it works," he said.

The *Daily Telegraph* characterized Schröder's remarks as clear evidence of the "rift in Anglo-German relations." It stated: "Tony Blair's dream of exporting his New Labour vision across Europe, suffered a serious setback yesterday, when the German Chancellor blamed him for the collapse in the value of the euro and signalled that his country was now closer to France than Britain."

The Dec. 6 London *Times* concluded that for the time being, Anglo-German relations must be put on hold, because Schröder has fallen back into German policy paradigms that pre-date Blair's inroads (from the spring of 1997 on) into German politics. "Has Gerhard Schröder turned his back on Tony Blair? Has the Anglo-German axis on the Third Way broken down?" the daily asked. "There is not much left of the spirit that inspired Peter Mandelson and Bodo Hombach to compose their charter for social democracy: the way forward for the liberal Left in Europe. The limits of this political friendship have been reached. Herr Schröder's Friday speech on Europe had the clunking prose of Helmut Kohl and Kohlian intent: to make plain British isolation" on the capital gains tax.

"The pattern is familiar. [Former Chancellor] Helmut Kohl would travel to Paris ahead of a European summit and, back in Germany, would express, in German, French dismay about Britain," the *Times* said. It added that Schröder must have been aware that his remarks would make a deal at the Dec. 10 EU summit in Helsinki "less, rather than more, probable."

"But the truth is that Herr Schröder does not much care. He has to fight his way through a Social Democratic Party conference this week [Dec. 7-9], and he expects a barrage of criticism from the Left about his readiness to embrace the Blairite Third Way. The past fortnight of activity has to be read in this light: the Chancellor's theatrical (and potentially, very expensive) rescue of the Philipp Holzmann building company; his defense of Mannesmann against predatory Vodafone; his sudden intimacy with the French."

'One cannot just cut and run'

The Holzmann rescue was again defended by Schröder in his speech to the Social Democratic Party (SPD) national convention in Berlin on Dec. 7. In yet another slap against Blair's dogma, Schröder said: "One cannot just cut and run and leave workers to clear up the mess others have made." The honored foreign guest at the convention was Socialist French Prime Minister Lionel Jospin, who had been an outspoken critic of Blair's "Third Way" already at a time when Schröder was still attracted to Blair's doctrine. In his address, Jospin emphasized the importance of close Franco-German cooperation.

Jospin was not talking in a vacuum: The SPD party left, notably the party's youth organization, the Jusos, had filed motions with the party executive that denounced the "Schröder-Blair paper," which was published in London in June, as "incompatible" with the tradition of the German Social Democracy. A motion by the SPD district of Giessen attacked the Blair policy as a "second-hand version of Margaret Thatcher's neo-liberalism." The Jusos added a call for intensified SPD cooperation with Jospin's French Socialists. A long-overdue Social Democratic policy debate, which Blair and Schröder had managed to suppress between June and December, has finally begun.