

GERMANY

A BALANCING ACT BETWEEN CAUTION AND EXUBERANCE AMIDST A CRISIS UNDER CONTROL

Although Germany has been one of the countries in Europe most affected by Covid-19, the course of the crisis has so far been relatively mild, with a significantly lower number of recorded deaths and no overburdening of the health care system. There has been no national "lockdown" such as that imposed by Spain, Italy or France. The restrictions in public life, retail trade and the private sector that have been in force throughout Germany since mid-March are of course nevertheless drastic and far-reaching. At the beginning of the crisis, the political and social reaction was marked by a relatively high level of acceptance of decisive containment measures. In the meantime - also in view of the marked slowdown in the spread of the corona virus in recent weeks - the public debate surrounding easing has become loud and diverse. At varying speeds, restrictions are now being progressively withdrawn in all federal states. This balancing act between containment of the consequences of contact restrictions and pandemic control will be uncertain on a gradual basis, and its success may only become apparent in several weeks or even months. At European level, Germany did not emerge as a driver of a coordinated response at the beginning of the crisis - on the contrary, going it alone led to a lack of understanding among partners. Now Berlin is making efforts to limit the damage.

Capacities are holding up - for the time being

Since many medical aspects of the novel coronavirus are still unknown, all attempts

to explain why the course of the disease seems to have been less severe in Germany can only be provisional. Various elements can currently be used to explain this: Firstly, tests were carried out at a relatively early stage on a rather large scale - for example, on returnees from risk areas such as the Tyrolean ski resorts, northern Italy or in the context of the cluster in Heinsberg (North Rhine-Westphalia). This also made it possible to identify many asymptomatic cases and isolate them quickly. Moreover, the average age of those who tested positive has been lower than in other countries - accordingly, it can be assumed that mortality would also be lower. Secondly, the infrastructure of intensive care beds in the country has been a positive factor. With about 33 intensive care beds per 100,000 inhabitants, Germany has about three times as many beds as Italy, Spain or France, for example.

Despite this rather positive initial situation, capacities could be quickly exhausted in the event of an uncontrolled outbreak. Particularly in the case of outbreaks in various senior citizens' and nursing homes, the speed at which a local situation can become tense has become apparent. Moreover, there is a shortage of medical and nursing staff, which has been pointed out by health care personnel for years. Congestion, savings and poor working conditions are often blamed by those affected on a health care system geared towards profitability. As in other countries, there has also been a shortage of masks and protective clothing.

A federal approach to crisis management

The political management of the crisis has been greatly shaped by German federalism. Especially in the beginning, the implementation of restrictions varied accordingly from the 16 *Länder*. The resulting patchwork soon gave way to nationwide regulations after the federal government (*Bund*) had pressed for a uniform approach. However, it was unable

to go beyond recommendations, for example in the area of school closures or restrictions on events - simply because it does not have the authority to do so in the relevant areas. Now that the gradual implementation of an exit strategy is underway, the *Länder* are again submitting different timetables. While this decentralised crisis management creates a certain amount of slowness and uncertainty with regard to the applicable regulations on the one hand, it also allows for permanent, open political debate and greater consideration of regionally varying circumstances on the other. For example, severely affected different *Länder* such as Bavaria or Saarland have implemented much stricter measures similar to the curfews in some neighbouring countries.

Chancellor Angela Merkel was able to reaffirm clearly her claim to leadership, which has been challenged several times in recent months in view of the imminent end of her term of office. In a televised address - a first in her long term in office outside the traditional New Year's speech - she reconciled the loose ends of disagreements that may have arisen between Minister Presidents of the *Länder* and Federal Ministers and appealed to citizens to comply with the measures imposed to protect everyone. Surveys show that a majority of Germans are satisfied with the Federal Government's management of the crisis. The CDU, which has recorded the highest survey results for several years, has profited most from this. Two people in particular hope that their management of the crisis will continue to bear fruit beyond the successful fight against the pandemic: Armin Laschet and Markus Söder, Minister Presidents of North Rhine-Westphalia and Bavaria, who are competing for the CDU chairmanship and thus for the candidacy of Chancellor.

Economic impact: hopes for a soft landing

The consequences for the economy are serious in Germany. About 725,000

companies have registered short-time work. The hotel and catering, tourism and culture sectors have been most directly affected. Emergency aid for the self-employed, micro-enterprises and artists was made available relatively quickly in the various federal states. One of the large companies most affected is the airline Lufthansa. It needs state aid, the terms of which it is currently negotiating - with an hourly loss of around €1 million. The German automotive industry is also experiencing a sharp drop in demand worldwide, but has so far been able to do without state support - at least as far as the major manufacturers are concerned.

The Federal Government has decided on extensive aid measures amounting to around €350 billion. In addition, there are about €820 billion in guarantees. The measures are being financed by loans of €156 billion and reserves. Many economists have been critical of the "black zero" in recent years, as the debt brake prevented important investments in climate protection and infrastructure. Today, however, it is providing Germany with financial policy leeway that should at least cushion the economic consequences of the crisis. However, despite a relatively comfortable starting position, the unclear development of the crisis and the strong dependence on the export market are causing great uncertainty for the German economy.

European policy: national responses and European solidarity

Germany's first reactions to the corona crisis were national and hardly European. The unilateral border closures with neighbours such as France irritated Paris and Brussels, as did the temporary export ban on medical supplies and masks. In the meantime, Berlin has attempted to limit the damage and is supporting other EU Member States by providing equipment or by taking in Covid-19 patients. Germany has also recently repeatedly emphasized solidarity as a basic principle with regard

to the question of how to overcome the crisis at European level. However, the discussion regarding the form of financial aid for other member states is being shaped by reflexes from the past euro crisis. Correspondingly, the "corona bonds" demanded by France, Italy and Spain are being rejected with equal force - but a rift was recently avoided at the European Council on 23 April, and the latest statements by Finance Minister Olaf Scholz suggest greater openness to new models. The cohesion of the EU is central to Germany's own interests - which is why the country's lack of European signals, especially at the beginning of the crisis, has been all the more devastating.

The coming weeks will be decisive

Germany has massively restricted its public life in the current corona crisis and yet decided against a drastic "lockdown". Despite a high caseload, the exponential progression of infections has been rapidly slowed and the capacities of the health care system are currently far from overstretched in most places. In view of this, more and more people are concerned about the effects of the restrictions outweighing the consequences of corona spread. Accordingly, the country is now entering the phase of initial easing. Only the next few weeks will show what degree of openness society can tolerate given the current state of the pandemic. So far, the balancing of different interests in Germany has been relatively successful. To draw premature conclusions from this, however, would be a mistake.

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