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## [Germany's Critics of Russia Sanctions: What Motivates Them?](#)



At the end of January, the prime ministers of five regions in what was formerly East Germany demanded a softening or lifting of the European Union's sanctions against Russia. "Restrictive policies are not working. We need new approaches," [said](#) Reiner Haseloff, prime minister of Saxony-Anhalt (CDU). The head of Mecklenburg-Vorpommern, Manuela Schwesig (SPD), [complained](#) that "it's difficult to explain to farmers why they cannot export their products." Bodo Ramelow of Thuringia (the Left Party) expressed similar concerns, [describing](#) the sanctions as "a dead horse" that "cannot be ridden anymore". In turn, the Ukrainian ambassador to Germany, Andriy Melnyk, [called](#) the hypothetical removal of restrictions "a betrayal" and "the bankruptcy of German foreign policy."

These are not the first calls from eastern Germany urging a review of the EU's sanctions policy. Haseloff had already made a similar [demand](#) back in 2016, and was supported by Erwin Sellering (SPD), Schwesig's predecessor in Mecklenburg-Vorpommern. The heads of the regions and their press secretaries explain their desire to review the sanctions regime using purely economic arguments. But the journalist Boris Reitschuster, an unapologetic Kremlin critic, quotes the Germany-based Russian sociologist Igor Eidman as [suggesting](#) there have been "agents of Moscow" among the political elites in eastern Germany since the times of the GDR.

What is driving politicians of Germany's leading parties to propose abandoning the sanctions against Moscow? To what extent has the German economy really suffered?

## Foreign-policy motives

The prime ministers of the eastern states certainly maintain quite close contacts with Russia. Schwesig visited the country in September, 2017, and gave a speech in Russian. She was accompanied by 17 representatives of businesses from Mecklenburg-Vorpommern, the only German region that took part in a shipbuilding exhibition in Saint Petersburg.

That same year, Stanislaw Tillich (CDU), then head of Saxony, participated in the German-Russian Energy Conference. In an interview with the German language channel of RT — formerly known as Russia Today — he [criticized the sanctions](#), saying on behalf of Saxon producers: "We are not Siemens or Bayer. We cannot export our goods to Russia because of the sanctions regulations, and we are suffering from this."

However, there are a number of factors that contradict the "foreign-policy version" of the prime ministers' rhetoric. First of all, the record-holder in number of visits to Russia is not a politician from eastern Germany, but the head of Bavaria, Horst Seehofer. Secondly, none of the current prime ministers from eastern Germany had any history of being particularly interested in German-Russian relations before they were elected. For example, while she was minister of family affairs, senior citizens and youth, Schwesig mentioned Russia only once, [giving](#) a protocol speech about the importance of youth exchanges between Germany and Russia at a "profile" event marking the Robert Bosch Foundation's anniversary in 2016. Finally, today, 27 years after German reunification, we can hardly speak of "special networks" that exist in eastern Germany and are different from the rest of the country. Schwesig was born in the GDR, but she was only 16 in 1990, that defining year for Germany. During Socialist times Haseloff was a little-known research fellow at the Institute of Environmental Studies in Wittenberg, and later ran a local employment agency. Sellering, the former head of Mecklenburg-Vorpommern, only moved to the east in 1994.

In any case, many key ministers in eastern German states were born in western parts of the country. For example, Mecklenburg-Vorpommern's Economy Minister, Birgit Hesse, the minister of internal affairs of Saxony, Ronald Woeller, and his counterpart in Saxony-Anhalt, Holger Stahlknecht, also came to their regions after reunification. These politicians cannot be the victims of some kind of "GDR socialization," allegedly "susceptible" to Russian influence inherited from the times of "unshakeable friendship" with the USSR.

Consequently, what is significant in this context is not the details of regional politicians' biographies, but their understanding of the economic interests of their states.

## Sanctions against Russia and the German economy

The various and limited assessments of damage inflicted on the German economy as a result of the sanctions are quite widely discussed and politicized. There are no precise and comprehensive data. In 2015 Russian sources, referring to the most pessimistic of all scenarios presented by the Austrian WIFO institute, [expected](#) Germany to lose 500,000 jobs and around EUR 30 billion in 2015. At the end of 2017, [the number](#) was estimated at 42,000 jobs, according to an AfG politician without mentioning the original source of this information. The Kiel Institute for the World Economy (IfW), based on data on trade turnover from previous years and its hypothetical growth if restrictions were removed, estimated that in 2015 sanctions caused total damage of about EUR 98.5 billion, of which EUR 61 billion was lost by Russia and EUR 37.5 billion by the countries that imposed the sanctions, primarily the U.S. and EU countries. Germany [accounts for](#) 40% of this amount.

These data differ somewhat from a new report presented by WIFO, according to which German losses [totaled](#) about EUR 11 billion a year. Another source, research by the University of Leipzig, came up with a figure of EUR 7.5 billion in cumulative losses by the German side in 2014 and 2015. Finally, in a [2017 report by Berlin Economics](#), a consulting firm, used several methods based on its own information and data from Eurostat and the Russian federal customs service, and calculated the combined losses of EU countries from sanctions in 2016 to EUR 11 billion-20 billion. German exports to Russia fell 30% over three years.

Each model has several significant flaws. They are based on data on falling exports from Germany to Russia in

sectors that were already declining. For example, according to WIFO, from 2013 to 2016 exports of dairy and fruit fell by 22.5%, and machinery by 18%. Yet it is very difficult to estimate the actual losses of each enterprise without taking into account possible reorientation towards different markets, and federal and European subsidies. Some companies, such as the large agricultural machinery manufacturer Claas and the medium-sized pharmacological company Bionorica, not only remained on the Russian market, but also [increased their investments](#) into Russia, taking advantage of the cheap ruble and adjusting their operations to the new regulations. That balance is also impossible to estimate from the outside.

Several research projects lack information on the total volume of projected average yearly losses from trading and financial restrictions on cooperation with Russia as a percentage of German GDP, even though these data are the most important from the political, macroeconomic and media points of view. The above mentioned study by Berlin Economics determines the impact of a general decline in trade with Russia on Germany's GDP in the range of 0.4-0.7%. But sanctions, as the economists of the universities of Bremen and Leipzig rightly say in the second [edition of their joint report](#), affect not only suppliers but also consumers of goods and services, that is, the Russian side. Direct sanctions, according to this report, caused the decline of GDP of Germany in the amount of less than 0.1% of GDP, and the accumulated losses during the entire period 2014-2016 are estimated at 0.23% of GDP.

It is also rare to find a detailed description of the IfW analysis in the media. *Rheinische Post* [mentioned](#) one important fact from the report, which often escapes public attention: If we consider the total decline in exports of German produce to Russia, only 9% will be due to losses directly encountered as a result of trading restrictions introduced by the EU. The remaining 91% is connected to the lower purchasing power of Russian companies: They simply can't afford imports.

This fact is also highlighted in *Legal analysis of sanctions in business with Russia*, a [report](#) by the East institute of Wismar, a lobbying organization friendly to Moscow, which organizes "Russian days" in Mecklenburg: "We cannot tell with absolute certainty to what degree sanctions affected the decline in the foreign trade balance. The most significant impact was due to the weakened ruble and lost confidence."

One of the clearest indicators of losses due to sanctions is corporate bankruptcies. Such information is published in open sources in Germany, though it is very difficult to establish the precise reasons for any single insolvency. It was possible to confirm one case where sanctions were the cause: the mechanical engineering company Vakoma Production GmbH from Magdeburg, which declared bankruptcy in 2015. The Berlin bankruptcy lawyers' website states that 90% of the company's operations relied on East European markets. Vakoma's financial difficulties are directly [related](#) to "sanctions and the lower ruble rate." The German committee on Eastern European economic relations [suggested](#) that this bankruptcy "appears to be an isolated incident."

### **Is Germany changing its course?**

The statements by the eastern state premiers have to be taken into account, but their influence on the priorities of the German foreign policy agenda should not be overestimated. They are not ordinary politicians: Schwesig and Haseloff members of their parties' boards, and Schwesig, one of Martin Schulz's deputies, also served as a federal minister for four years. At the same time, they have never worked in the government's foreign policy establishment, and never participated in decision-making regarding Berlin's position on sanctions.

The regional premiers are driven by their own egoistical and protectionist considerations, and also act according to the current agenda. For many years already, there have been voices in German politics demanding the abolition of "solidarity payments," a special tax on salaries introduced in 1991 to finance infrastructure projects in the former GDR. This tax was initially introduced as a temporary measure, and is currently considered outdated by a number of experts. During consultation talks, the CDU, CSU and SPD [agreed](#) on a phased reduction of the payments. In this situation, the leaders of eastern German regions have presumably decided to point out that assistance should be continued. Politicians' statements are prompted by local conditions. Germany is not planning to lift sanctions against Russia, neither for economic nor political reasons.

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