

Berlin needs Oettinger

Blog post by Chief Economist Gregor Irwin, 02 November 2016

Germany's EU Commissioner, Günther Oettinger, is no diplomat. He has been accused of racism, homophobia and sexism following a speech he gave last week in which described Chinese diplomats as "slitty-eyed rascals", joked that gay marriage might soon be made compulsory in Germany, and implied women only get jobs through quotas. It is not the first time he has been accused of causing offence, which is why patience with his careless use of "slang" (as Oettinger subsequently described it) appears to be wearing thin in Brussels, particularly among MEPs. There have been calls for him to apologise (no sign of that yet) and quite a few who say it is time for the serial offender to step down.

This was supposed to be a good week for Oettinger. Just last week Commission President Jean-Claude Juncker announced his promotion to Vice-President of the Commission following the departure of Kristalina Georgieva to the World Bank. It was also announced that Oettinger will take on her responsibilities for overseeing the EU's budget. Oettinger will need to go through a confirmation hearing, giving MEPs the opportunity to show their disapproval. But they cannot block him as they only have the power to veto the College of Commissioners as a group, not individuals. This means Oettinger will survive, providing he has political backing.

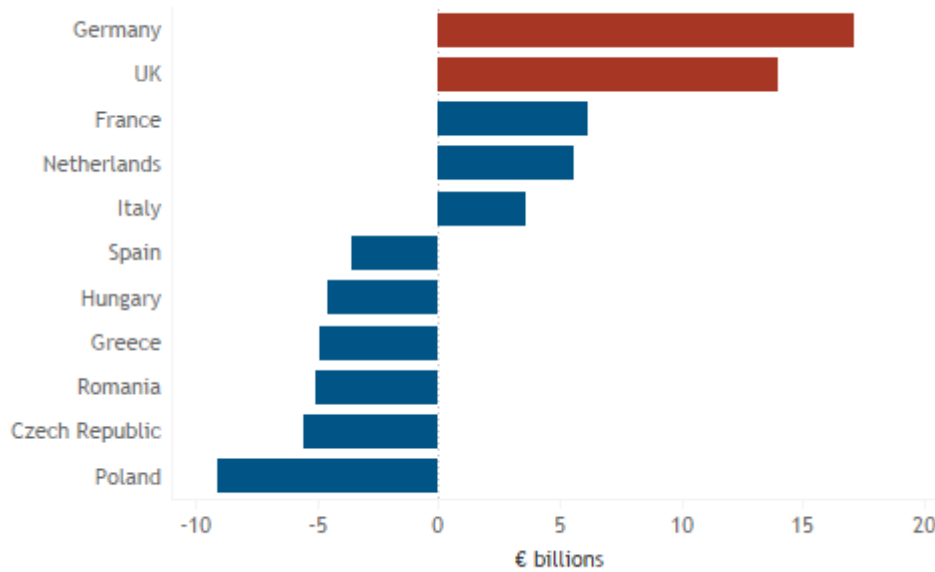
Oettinger has just that, most importantly at home in Berlin. Ms Merkel's spokesman made it clear this week that Oettinger continues to enjoy the chancellor's full support. This did not sound like the chairman's blessing for a football manager on his way out. Rather it was a clear line being drawn by a government that needs Oettinger to stay in post.

The reason is straightforward, even if it has been lost in the furore over Oettinger's remarks. The German government is probably not that bothered about Oettinger's promotion to Vice-President. It is likely to be relaxed if losing that is the price that must be paid to soothe the anger among MEPs. What matters more is that there is now a German running the European budget operation - and at a critical time.

Brussels is gearing up for the next budgetary cycle, which promises to be the toughest on record. The problem is Brexit, which has the potential to cause a political and fiscal mess for Chancellor Merkel. It will create a large hole in the EU budget, with the loss of the UK's large net contribution, unless a deal is done that keeps the UK paying in. Even more fundamentally, Germany will worry that without the UK at the table, there will be a shift in the balance of power in budget negotiations that will make it harder for Berlin to secure its priorities. It wants less spent on agricultural support and less on structural funds and for those structural funds to be linked to economic policies under the European semester. The loss of a large budget disciplinarian will mean Berlin will find itself much more exposed in

budget debates in future. And that is why Günther Oettinger - a CDU man through and through, even if he is no diplomat - is precisely the person that Berlin wants in charge of the process.

Selected net contributions to the EU budget in 2015



Source: House of Commons Library