



German Multipolarity in the Twenty-First Century

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IIIA Perspective

Regular publication of the Hungarian Institute of International Affairs.

Publisher:

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September 26, 2025

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“The German economy is not only struggling with persistent economic headwinds, but also with structural problems,”

- Joachim Nagel, President of the Deutsche Bundesbank, at the unveiling of the [*Bundesbank’s December Forecast for Germany*](#).

INTRODUCTION

The world is far from being multipolar, but at the current rate of development and underdevelopment it could easily become so. Conversely, Germany has always had the potential to become a stable pole, but it could quickly fall into a non-polar position. Historically, its emergence as a unique power has been interrupted or curtailed at several points in its recent history by both internal and external forces. So far, it has shown a remarkable ability to regain its genius and return to its former power and vitality. This has largely depended on its social cohesion and consensus on the best way forward. This, in turn, produced a political elite that set about building the German system. Until recently, this cyclical pattern of crisis and reconstruction was relatively predictable.

Today, developments inside and outside Germany have confounded most pundits. In its late November issue, The Economist titled its [lead article](#), “The three forces that will shape 2025: Watch the interplay between Donald Trump, technology and radical uncertainty.” Although the magazine was thinking about the world in general, the title is particularly apt to describe the uphill battle facing Germany. It seems threatened from all sides, with no respite in sight. This is a huge challenge not only for Germany

but for the European Union as a whole. The reason is simple. Germany has been a strong power without openly being one. Its strength was derived mainly from its economic performance and its integrative power—most European countries have been integrated into the German system to varying degrees. What Germany will do now to reinvent itself is a concern for the whole of Europe, and Germany's tango with multipolarity may provide clues as to the future direction it takes, on its own or with the European Union.

There are several ways of looking at multipolarity in the German context. First, Germany is trying to come to terms with global multipolar tensions, trends and adjustments. This is mainly due to the fact that Germany today is first and foremost an economic power that has been forced into certain arrangements when it comes to its security. This has meant being part of a security system such as NATO, while at the same time knowing that change can come suddenly. On October 18, 2010, the leaders of Russia, Germany and France met in Deauville in northern France to discuss security cooperation ahead of a NATO summit in November that year. Just a few years later, in 2014, Russia annexed the Crimean Peninsula, and just under a decade later, in 2022, Russian troops invaded Ukraine with the announced aim of de-Nazification.

This, combined with America's uncertain military commitment in Europe, has left the continent's largest economy and its 85 million people in doubt about its future. Navigating between the existing great power poles is no longer enough. Second, Germany is trying to constitute itself as a viable pole in a multipolar world. If its security model of relying on a system sponsored by a major power is no longer viable, other models will have to be created. This will mean a profound rethinking and reconfiguration of its economic, security and foreign relations. Whether these changes are intra-regional or extra-regional will be a determining factor in the new emerging regional and global polarity.

Furthermore, the twenty-first century did not bring continuity as Germany had expected: It came with radically new structures and patterns of relations. The primacy of national markets is back, meaning those with

huge national markets and market capacity will wield considerable power. Trump 2.0's trade and industrial policies will not only reinforce this situation but also reduce the power of the countries dependent on exports. High density manufacturing to reach global scales will no longer be an advantage, and the same might be true for transnational industrial value chains. Scaling both down will mean inventing a new industrial model and system of integration. Even in a time of peace, this is a mammoth task. It is reported that former German Chancellor Angela Merkel had a [plexiglass cube](#) engraved with the words, "There is strength in calm." Her successors might be desperate to get hold of that plexiglass cube. But at the same time, what worked for her might not work for her successors. The source of her calm might be the cause of their calamity.

A HISTORICAL PERSPECTIVE ON MULTIPOLARITY

The potential for a multipolar world order has always been there but only recently has it become a dominant discursive issue. After the Second World War, it was eclipsed by an institutional world order inspired and dominated by the United States. The ensuing bipolar confrontation of the Cold War structured the world order into a system of obedience and systemic loyalty, consisting of two opposing camps. Moves towards multipolarity were seen as unconventional and unacceptable. Those who escaped the bipolar straitjacket, the non-aligned countries, were severely punished by underdevelopment. The later collapse of the communist bloc meant that the whole world began rushing towards hegemonic integration, in other words, positioning itself according to the hegemonic preponderance of the United States. Multipolarity was a natural consequence of this rush, as some countries fared better than others. Some, like China, came so close to the hegemon that they began to experiment with hegemonic dreams. However, the idea of replacing the hegemonic position of the United States seemed a distant prospect until the U.S. withdrawal from Afghanistan in 2020 following the Doha Agreement between the Taliban and the United States. It was a watershed moment that shattered several myths.

First, the improvised and hasty withdrawal resembled the fall of Saigon in 1975, an enormous loss of prestige for the reigning global hegemon. Second, it shattered the illusion of a united West, as there were doubts on whether the Americans gave prior notice to their allies. What was certain was that the United States forgot to help its allies evacuate their troops. Finally, the incident showed that hegemonic integration was actually detrimental to some, because they had confused hegemonic positioning and deep systemic integration with the hegemon. Those who had adopted hegemonic positioning became the viable actors of the new global polarity, while those who had adopted an integrative approach, such as the European Union, can be seen in retrospect as the losers. The German experience of global multipolarity is particularly interesting in this context because it was part of a multiplicity of integrative processes. Now all that seems to be fast engulfed in dysfunctionality, forcing it to seek new forms of polarity. Whether it will openly become a pole on its own is still not clear because it might be still impeded by the same structural dependencies as before unless it invents new forms of diffused polarity within a multipolar global configuration.

DEFINING POLARITY AND MULTIPOLARITY

From an analyst's point of view, trying to identify multipolarity in the current international system is a dangerous task. The obvious reason is that it is a very complex concept, in constant flux, with gaps or few logical explanations. Consequently, one should adopt a simple-to-complex methodology when trying to define multipolarity. Simply defined, [multipolarity](#) "is an international system in which there are three or more power centers. This means that no one power can claim hegemonic influence over the others." In this definition, the [conceptual focus](#) is on the distribution of power and influence in the international system, which in turn determines the possible number of countries that are deemed characteristically uniform in the configuration, which has multiple players. We can expand this simple definition in several different ways. First, we can look at the nature of the power of a particular country and how it was attained or derived.

This will lead us to a range of polarity conditions: centrifugal, cooperative and aggregative. Second, these conditions produce different kinds of international environments or ecosystems.

According to neorealists, multipolarity is inherently unstable. They argue that the increased number of players increases the probability of conflict. The neorealists believe that the multiplicity of relatively equal powers tends to produce an environment conducive to anarchy. They therefore equate multipolarity to anarchical polarity. This condition induces uncertainty, which sooner or later induces insecurity and the potential for war. Multipolarity is an absolute negative for the neorealists. At the other end of the spectrum, the neoliberals consider it to be positive because a multipolar structure pushes the players towards integration and cooperation, giving rise to an interdependent system of polarity. This avoids conflict and misunderstandings. The neoliberals argue that the primary strength of multipolarity is its inclusive nature, and isolation is thus avoided.

All this conceptual knowledge is useful for analyzing fully sovereign nations that control the main instruments of power, but it does not fully contextualize German polarity in the new multipolar configuration that seems to be emerging. There are historical and structural reasons for the difficulty in conceptualizing and contextualizing German polarity. In part, the problem stems from the fact that German sovereignty is difficult to define. German polarity sometimes seems to be in a no-man's-land. The conceptual ambiguity served the pacified German model and foreign policy methodology very well. It satisfied the expectations of both neorealist and neoliberal schools of thought on multipolarity.

From the neorealist perspective, since 1945, Germany has never challenged the international order underwritten by the United States. Neither did it challenged American leadership in the Western bloc during the Cold War or the proceeding unipolar period. It fully accepted the systemic constraints imposed by the United States, avoiding open contestation. At the other end of the spectrum, for the neoliberal school, Germany became a perfect example of what they represented:

Total dedication to cooperation and integration, pushing conflict in international relations to the margins. Indeed, Germany has been an exemplary member of multilateral institutions like the United Nations. It untiringly sponsored the “ever closer” integration of 27 countries into the European Union and was notably the biggest contributor to building the regional organization. It was so successful that the EU became a model for other regions like Southeast Asia and Latin America. Neoliberals had only praise for the German cooperative and integrative model that pushed for a peaceful and borderless world.

German polarity, redefined according to these arguments, means becoming stronger, more stable and larger than others so that most of them are forced to lean towards you or structurally become party to the system that you represent. Once this flow of polarity becomes natural and the pattern is established, the strength of the core becomes synonymous with the proactive management of this circular pattern of polarity (the European integration process, geared toward strengthening German polarity). The circular pattern consists of two fundamental elements: on the one hand, the attitude of strength and its metabolic nature and, on the other, its attractiveness. Furthermore, the identity of the core polarizing force must be clearly established in order for it to be effective. Any confusion about the identity of the core will throw the pattern into disarray and chaos. To avoid this, resilient polarity must be harmonious, which means that attraction or adherence must be sought through cooperation rather than coercion (the neo-liberal aspect of multipolarity). Negotiated adherence is much more effective over time because it reduces the need for contested or coercive adherence. Finally, the creation of a pole involves a parallel process of consensus building and aggregation of common interests, which sometimes requires compromise.

This strange amalgamation of contradictions worked wonders as long as the illusions of the Western world order and the unity of that West remained strong. The first Trump administration put these illusions to the test, but the complacency remained unshaken, especially among Germany’s industrial elite. The Russia–Ukraine war of 2022 changed that.

It was more than a wake-up call. The illusion of an efficient and polished model came to an abrupt end, requiring a rethinking of the concepts of German polarity and its dynamics. Germany must get rid of the conceptual contradictions described above before it can reinvent itself in a world of multipolarity. The full expression of German polarity needs several things. First, it needs to clarify its sovereignty. Second, it needs to withdraw from burdensome integrative processes and responsibilities and reassign itself to other models of integration adapted to a multipolar world. Finally, and most importantly, Germany must reassess its core strengths and polarity factors. All three actions need a new set of concepts to confront a new world order.

In the aftermath of 2022 Russian invasion of the Ukraine, The Economist [wrote](#) that “Mr Putin’s warmongering may prove to be the catalyst that turns Germany into his own nightmare: a stronger, bolder, more determined leader of a more united Europe.” Two years on, we are a long way from that prediction. If anything, Germany and Europe are more divided than ever. The reason is that the transition from the former network of integrative processes has become more difficult for Germany than previously imagined. For the first time in its recent history, Germany is confronted with a new conceptual reality: dependency. The conceptual richness of neoliberalism can be a real trap when the world order changes radically—cozy integrative arrangements can become costly mistakes overnight.

Beyond the concept of dependency, the concept of sovereignty is also poorly understood in the German context. Under the guise of integration and the transnational organization of industry, Germany has appropriated sovereignty in all its forms from other countries, especially market sovereignty. In essence, Germany offered the market sovereignty of the European Union in exchange for the market sovereignty of China under the guise of European integration and the single market policy. Having encountered difficulties with Chinese market sovereignty, Germany is now rushing to conclude a trade agreement with Mercosur countries, in a way trading European Union market sovereignty with other regions

that look more promising. But in a context of growing nationalism and national self-interest, Germany may find itself unable to use other European countries' national economic sovereignty to its own advantage.

Germany is an economic power, and it occupies a country's sovereign market territory with economic means, by transactionalism, under the cover of economic integration, development and modernization. In a post-2022 world, no country wants to let go of its market sovereignty without a bidding process. Unhindered access to another country's economic sovereignty at a low transactional cost is almost impossible. This means that most of the elements fueling Germany's polarity have changed pace. So, the new metamorphosed concepts that Germany must deal with are the concepts of dependency, market sovereignty and transactionalism.

Where this historic and conceptual trajectory will take Germany mainly depends on the future evolution of the international system. According to *The Economist*, "Multipolarity is gaining traction and will have [two broad axes](#). First, the poles in the multipolar world have to be large in terms of economic, financial, and geopolitical power. Second, the essence of multipolarity is not simply that the poles are large and powerful but also that they develop distinct, culturally consistent ways of doing things. Multipolarity, where regions do things distinctly and differently, is also very different from multilateralism, where they do them together."

Furthermore, the magazine argues that to get a good picture of the international system and its multipolar evolution, we need to look at aggregate trends in trade, GDP, FDI, government budgets and population size. It argues that these are more dispersed than before and are moving towards a trend where these elements converge around several poles. This view of the world supports the earlier argument that the size of the national market will be a determining factor in the new world order. In the next section, we will see how Germany measures up in one of the three crucial areas mentioned above: economic power. We will look at whether Germany is in control of its own way of doing things and how it can project itself into the future.

CONTEXTUALIZING GERMAN MULTIPOLARITY AND ITS EVOLUTION

The German tragedy during the Nazi period began with a huge economic crisis in the 1930s, which was accompanied by a severe financial crisis as the Reichsmark collapsed with uncontrollable inflation. Both pushed the militarist regime to invade its neighbors in order to create much-needed economic breathing room. After the Second World War, a new generation of German leaders decided that their country would never again be ruled by a militarist dictatorship like that of the Nazis. Never again would they accept economic policies that would undermine the country's financial health, leading to inflation and a weak currency. Never again would they invade a neighboring country for any reason, economic or otherwise.

As a result of this policy, Germany decided to concentrate its energies on economic development. As expected, the German tradition of technological innovation meant that Germany soon became a powerful economic system in Europe and a major player in the world. Although Germany had a very important pool of skilled labor, it had neither enough raw materials nor a market large enough to absorb the goods produced by its industrial capacity. The resulting strategy was based on three pillars: building strong and competitive industry, a strong currency based on a sound financial system, and a large market base using geoeconomic leverage.

Together, these three pillars formed a solid foundation for German polarity, which was more or less well managed, although there were cyclical periods when systemic reform became an imperative to avoid decline and possible collapse. For almost seven decades, Germany was home to a powerful economic system. It became a symbol of technical excellence and perfection, paving the way for the German polarity. This was then coupled with an export system that was unique in the global trading system, where a country's industrial development could not proceed without constant input from German industry, whether in the form of whole systems or critical spare parts.

Inevitably, German economic polarity was built into the global economic system. With the advent of globalization, this phenomenon was reinforced and intensified as Germany sought to become a leader in global trade logistics and support systems. German economic polarity was clearly anchored in two particular areas, namely the integrative aspects of global industrial capacity and globalization in its physical aspects. As for the nature of this economic polarity, it was vital, diffused, embedded in others and subterranean—its depth and breadth not always visible. This suited the purpose of the German elite who wanted real power but at the same time did not want to be seen as expansionists, even in the economic sphere. For them, what mattered was systemic, technical and procedural control.

We can call this multipolar fiber polarity, with the strands of polarity mainly coming from Germany's *Mittelstand*, the medium-sized companies with global outreach. In a recent [study](#), the Institut der deutschen Wirtschaft (IW) gave the following description of the so-called *Mittelstand* companies of Germany: "There are a total of 16,400 of these companies, also known as mid-caps, which employ almost 10.4 million people. The number of these companies has grown strongly over the past 20 years. Many of the mid-caps are family businesses that are of great importance to their respective home regions. Also included in this analysis are the hidden champions, which operate globally and are among the world market leaders in their respective sectors, even though they are not corporations." These family-owned entities ended up creating millions of jobs and constituting one of the biggest pools of highly qualified labor, not only in factories but in tens of thousands of research laboratories across Germany. The lifeblood of the *Mittelstand* is simple and practical ideas around which products can be manufactured. The *Mittelstand* companies [file five times as many patents](#) as American corporations.

According to [Institut für Mittelstandsforschung \(IfM\)](#), small and medium-sized enterprises (SMEs) "generated over 2.66 trillion euros according to the latest statistical data in 2022. This is more than 27% of the total revenue in Germany. Overall, they contributed 55.7% to

the total net value added by all companies – 6% more than in 2021.” The institute also [estimates](#) that in 2019, about 3.2 million family-owned businesses were responsible for approximately 37 percent of all revenue and employed around 56 percent of all employees in Germany. This adds up to a situation where at least [50 percent of the German GDP of €4.5 trillion](#) is created in rural areas, rooting German global polarity in rurality.

These facts clearly indicate that the inner polarity of Germany, which has the third largest GDP in the world, comes from a highly sophisticated network of family-owned and managed mid-category businesses. In the case of a German SME, there is a family name attached to the trust placed in the enterprise. According to [one study](#), “The fact that a Mittelstand company is usually a family business also means that the family’s reputation is tied to the reputation of the organization among the community. This means that nobody is eager to pollute the neighborhood lake in order to save on waste disposal costs.”

Mittelstand entrepreneurs have a long-term approach to business, which means more than maximizing profits or temporarily dominating markets. They have a huge social responsibility towards the local community, as they depend on the local community for financial resources in the form of community banks, and local people are also their main investors. This anchorage in trust and responsibility gives the German system of polarity a special advantage. It shows the world that it is a solid and trustworthy system over a long period of time. This means that it is worth investing in this relationship, making the German system very attractive compared to its potential competitors.

Furthermore, German Mittelstand companies have three fundamental characteristics that contribute to Germany’s global polarity. The first is their oligopolistic nature: They occupy niche markets that are very clearly identified for their purpose, and the product is made to fit that niche market. No one else can enter the market segment because the cost of entry is so high that no competitor has the incentive to take the risk. This gives the German Mittelstand total dominance. Germany always tries to dominate the most valuable and most exclusive segments, thus increasing its polarity over its main competitors.

The second characteristic is the use of a highly skilled workforce, which is unique to the German apprenticeship system. Anyone who wants to enter the market has to produce a similar highly skilled workforce, which is very difficult because it would mean reproducing the special industrial ecosystem. According to The Economist, “Around [half of German high-school students](#) go on to dual training in one of 344 trades, from tanner to dental technician. Many of the courses are set by unions and employers’ federations. State and local governments provide the schools where apprentices get their theory. Chambers of commerce and industry run the exams.” This means that the foundation of the German polarity system depends on a strong skills system nurtured by cooperation between industry, government at various levels and industry interest groups.

The whole Mittelstand cooperative system is designed to produce and maintain a steady flow of [skilled workers](#) who are well matched to the needs of SMEs as they develop and evolve in their various sectors. It is also important to emphasize that skills training is not just about technical skills, but also about the attitude that goes with creating excellence. Anyone wishing to compete with such a system will have to replicate a similar mode of democratic governance, resulting in a grassroots national, local and co-operative approach to skills production between industrial sectoral bodies and the public higher education system. This integrative approach and high-quality standards were what gave the German polarity system invaluable resilience and salience.

The third characteristic is that large German companies integrate SME-produced spare parts into their value chains. This means that the large German companies concentrate power based on the use of products produced by oligopolistic SMEs. The result is that they are doubly insulated from competition, and German economic polarity is rooted in German soil. Mittelstand companies play a major role in the expansion of Germany’s economic power. Globally, there are around [4,000 “hidden champions,”](#) more than 1,700 of which are German SMEs. Although Germany’s population is only a little more than one percent of the world’s population, the country is home to around 50 percent of the world’s most innovative

SMEs. They help Germany acquire a highly [sophisticated form of polarity](#) globally, by providing highly innovative products and solutions to a dense network of international clients, including German multinationals.

Over the decades, these companies build a very close [relationship of trust](#) with their customers. This results in a good understanding of the local situation, and because management is family-based in most cases, quick decision-making is possible to satisfy their customers. This makes the German polarity strong, intense and resilient because it is deep and dispersed. The equally dispersed Mittelstand provides valuable structural strength.

The other important contribution of the Mittelstand is that it gives identity to the German system. As a nation, Germany after the Second World War was traumatized by the fact that it had caused one of the greatest catastrophes in human history. An identity based on its historical heritage was suddenly impossible, and a set of values had to be found around which a new identity could be built. This was much easier said than done, as politics and culture were deeply intertwined. So, as [one commentator](#) put it in nominal terms, the Germans decided to consciously try to adopt modesty as a means of defining the character and identity of their country, “being proud of not being proud.”

This impression is only partly true. A society and a nation cannot exist or progress without having a sense of pride, a positive identity around which it can build itself. In the Mittelstand, the Germans found a perfect recipe to solve the problem of identity. It provides the country and its people with a constructive identity based on the notion of excellence. As The Economist [puts it](#), “The best Mittelstand firms combine dynamism and flexibility on one hand with caution and tradition on the other. More than 60% of them are among the world’s top five in their niche; and hundreds are number one.” In a world of increasingly competitive national identities, the Mittelstand provided Germany with a strong and enviable position. Its identity based on technical excellence automatically strengthens and increases the potency of German polarity.

In conclusion, German multipolarity is invisible because it is underground and hidden within other multipolar structures.

The combination of the tragedies of the Second World War and the invincible technological and economic genius of Germany has created a special kind of system. While it is tempting to agree with the president of the Bundesbank that Germany has structural problems, one must be cautious in judging. It is the giants such as Volkswagen that are under attack. This is a cause for concern, but not a catastrophe as far as German polarity is concerned.

The structure and dynamism of the German system of multipolarity is based on a very resilient *Mittelstand*, the SMEs at the heart of the German economy. They give Germany's polarity a unique character by creating and constantly renewing a special kind of ecosystem based on technical excellence, social responsibility, interinstitutional partnership and a corporate identity based on long-term trust. The "middle champions," as they are sometimes called, dominate global innovation. Germany may be the sick man of Europe, but it is the global champion when it comes to projecting polarity. The global geopolitical situation, however, is changing rapidly, and some doubt whether the "mechanical mammoth" can keep up with the changes. The resilience of the *Mittelstand* resonates with the upturn, guaranteeing that Germany's global polarity will survive the turbulent seas of today's unpredictable geopolitics.



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