MEMO FROM GERMANY

Success and Advice Cast a Giant as a Villain, Not a Model, in Europe

By NICHOLAS KULISH

BERLIN — Throughout the crisis in the euro zone, as governments have fallen, debt burdens have mounted and economies have stagnated or shrunk, Germany has floated above the fray. While its economy has hummed along nicely, its leaders have steadfastly insisted that the path to redemption for the debtors lies in austerity and suffering.

When Chancellor Angela Merkel on Monday described the debt crisis as Europe's "most difficult hours since World War II," she was describing something most Germans had only read about in newspapers or watched on television. The German economy once again surprised experts on Tuesday, growing an unexpectedly healthy 0.5 percent in the third quarter and 2.5 percent higher than the year before.

While there were ominous signs that Europe's slowdown would also strike Germany, its biggest economy — particularly worrisome was a sharp drop in industrial production in September — the pain that euro zone partners have been feeling has yet to arrive here.

With German consumers spending freely, unemployment has reached the lowest level since German reunification more than two decades ago, and it continued falling in October. Tax receipts consistently beat government projections, to the point that Mrs. Merkel's coalition even has plans to cut taxes by more than $8 billion.

Nations in trouble resent a neighbor's remedy for a crisis.

And in a widely noted twist on the accounting surprises that helped cover up Greek debts, Germany recently found its own mistake in the spreadsheets: its obligations were $76 billion lower than previously thought.

Germany's continued prosperity has helped fuel growing anger in countries like Greece and Spain against what is increasingly viewed as harsh German domination. More and more, Germany is cast in the role of the villain, whether by protesters in the streets of Athens or by exasperated politicians in the halls at the recent Group of 20 meeting in Cannes, France.

"The Germans often don't sufficiently appreciate how wrenching the economic changes are that they're prescribing," said Philip Whyte, a senior research fellow at the Center for European Reform in London.

Germany, Mr. Whyte said, was trying to remake all of Europe after its competitive, export-driven economic model, without understanding the connection between its success and foreign indebtedness in countries like Greece, which for years used borrowed funds to purchase German goods.

"Not everyone can be like Germany," Mr. Whyte said. "The world as a whole doesn't trade with the moon."

European partners have taken notice of the yawning divide between their struggles and Germany's strength, and of the way German leaders have resisted aggressive measures by the European Central Bank that may have provided some relief, but may also invite what for Germans is the deep dread of inflation.

Greeks in particular have been outraged at demands for change dictated by Berlin that impinge on their sovereignty. Some Greek protesters have even carried blue European Union flags with yellow swastikas in the middle and compare the debt deals to the occupation of Greece during World War II.

The European crisis has often been likened to a morality play — sinful southerners, virtuous northerners — but at times in Germany it has taken the shape of Wagnerian opera, with Germany cast as the dragon guarding its hoard of gold.

Last week, Germany was awash with reports of a proposal floated at the Group of 20 meeting that might have allowed the International Monetary Fund to draw on German gold reserves to bolster Europe's rescue fund.

The condemnation was swift and disproportionately harsh for a suggestion that was basically doomed from the start. "The German gold reserves must remain untouchable," said Philipp Rösler, the economy minister and vice chancellor.

A cartoon in the newspaper Süddeutsche Zeitung showed three men trying to crack a bank safe marked "Bundesbank gold and foreign currency reserves," a reference to the German central bank.

The masked man attacking the safe with a drill had the German abbreviation for the European Central Bank on his back, while the one placing the dynamite bore the letters for the International Monetary Fund. Holding a flashlight was the president of the European Council, Herman Van Rompuy.

Leading politicians here defended the independence of the Bundesbank but also took the opportunity to call for Italy to sell off its own gold reserves, the fourth largest in the world after the United States, Germany and the International Monetary Fund.

"I am of the opinion that a country should do everything in its power to help itself," said Gunther Krichbaum, chairman of the committee on European affairs in the German Parliament, who spoke in favor of Italy's selling gold to help with its $2.6 trillion debt, "and in this regard Italy is far from exhausting its options."

As the overall health of Germany's economy and its fiscal position widen the rift with Europe's poorer periphery, Germans have a ready response. They say that they already made the structural changes in work-force rules and pension reforms that they are now recommending for the slow-growth countries, and that, by the way, they actually pay their taxes. So if the laggards want Germany's money, they have to play by German rules.

"We believe this success is because we have certain criteria around which we organize our economic policies, and these are the criteria we want other countries to comply with if they ask for our money," said Tanja A. Börzel, a professor of European Union politics at the Free University in Berlin. "When you put national taxpayer money on the line, the people have a say, and that is if we have to eventually pay for the economic sins of others that they at least change their policies if we bail them out."

Guntram B. Wolff, deputy director at Bruegel, a research group based in Brussels, said that as the focus in the debt crisis had shifted from the relatively small Greece to the much larger Italy, the need for domestic action versus international bailouts had risen. Mr. Wolff, who formerly worked at both the European Commission and the German Bundesbank, said that Berlin had played a more assertive role in the European crisis in part because the European Commission had not played as active a role as it could have, particularly over Italian indebtedness.

"The shift of power is clear," Mr. Wolff said, "and you see that it is Berlin that has been gaining power."

Stefan Pauly contributed reporting.

PETER KNEFFEL/EUROPEAN PRESSPHOTO AGENCY

Chancellor Angela Merkel of Germany this week described the debt crisis as Europe's "most difficult hours since World War II."

Some Troops to Stay in Iraq As Trainers, Top Officer Says

By ELISABETH BUMILLER

WASHINGTON — Some United States forces will remain as military trainers on 10 bases in Iraq even after an end-of-year deadline for all American troops to be out of the country, Gen. Martin E. Dempsey, the chairman of the Joint Chiefs of Staff, told a Senate committee on Tuesday.

The forces will provide training in counterterrorism to Iraqis and also instruction in operating American-made tanks and F-16 fighter jets, General Dempsey said. The trainers are expected to remain largely on the bases, "so this isn't about us moving around the country very much at all," he told the Senate Armed Services Committee.

General Dempsey did not provide a number, and a military official later said there would be no more than 200 American military personnel in the country. Overall, there will be about 16,000 American Embassy personnel in Iraq, including a large number of civilian contractors as security guards. Currently there are some 24,000 American troops in Iraq.

At a sometimes heated hearing, both General Dempsey and Defense Secretary Leon E. Panetta tried to counter criticism from Republicans on the panel that the Obama administration was abandoning Iraq, but also sought to make their case that any military personnel left behind would have limited roles.

Although the Pentagon wanted to leave as many as 20,000 troops in Iraq as a hedge against future violence, President Obama announced last month that all American troops would be home by the end of December.

Senator John McCain, the Arizona Republican who ran against Mr. Obama in 2008, was hardly satisfied with Mr. Panetta's and General Dempsey's endorsement of the president. He repeatedly asked them why the administration had failed to negotiate an agreement to leave some American forces behind in Iraq after eight years of war, and was skeptical of the administration's argument that American forces could not stay because the Iraqis had refused to give them immunity from prosecution in Iraqi courts.

"The truth is that this administration was committed to the complete withdrawal of U.S. troops from Iraq and they made it happen," Mr. McCain said testily to Mr. Panetta.

"Senator McCain, that's just simply not true," Mr. Panetta shot back.

After some more back and forth, Mr. McCain rejoined, "It is how it happened. I was there, Mr. Secretary. You were not."

The two were not finished.

"This is about negotiating with a sovereign country, an independent country," Mr. Panetta said. "This is not about us telling them what we're going to do for them or what they're going to have to do."

Mr. McCain responded, "This is about our needs as well, Mr. Secretary."

Both Mr. Panetta and General Dempsey said that the United States would maintain a large military presence in the region, in part as a counterweight to Iran.