

Prepublication praise for
HOW GERMANS NEGOTIATE

“This groundbreaking book analyzes and interprets German negotiating behavior, offering a refreshingly unconventional explanation of its historical origins and an excellent as well as thorough study of the post–World War II conduct of negotiations typical for Germany’s diplomacy and business.”

—KARL KAISER

Otto-Wolff-Director, German Council on Foreign Relations, Berlin

“This book is meant to take the surprise out of negotiations with German diplomats and managers for Americans who might otherwise become confused and frustrated by the importance of the *Gesamtkonzept* (the philosophical basis for the German position). It could also prove to be very useful for Germans who want to understand how their American counterparts think and act. Given the ever closer political and economic interdependence in the world, with increasing possibilities for conflicts of interest, the book might well help to ‘keep the peace.’”

—HERBERT WINKLER

Washington Bureau Chief, Deutsche Presse-Agentur

“W. R. Smyser adeptly explores the divergence between American and German approaches to negotiating, which has been obscured by fifty years of close cooperation. While Americans negotiate from a consensus-oriented *modus operandi*, Germans negotiate from a comprehensive concept, *Gesamtkonzept*, resisting determinedly and tenaciously incremental changes of consensus-building style. Understanding this incongruity is a critical component for reaching agreement. Invariably, as Smyser points out, careful intellectual and substantive preparation has remained the hallmark of German negotiating style. The book is a must read for Americans and others looking for winning strategies in negotiations with Germans.”

—J. D. BINDENAGEL

former U.S. Special Envoy for Holocaust Issues

How Germans Negotiate

Logical Goals, Practical Solutions

W. R. Smyser



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The views expressed in this book are those of the author alone. They do not necessarily reflect views of the United States Institute of Peace.

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For Cameron

Contents

| | |
|---|-----|
| Foreword <i>by Richard H. Solomon</i> | ix |
| Preface | xv |
| Introduction: The Context | 3 |
| 1. The Foundation: Geography, History, Philosophy, and Economics | 11 |
| 2. The Principal Elements of a Negotiation with Germans | 57 |
| 3. The German Negotiator: Personality and Tactics | 99 |
| 4. German Business Negotiations | 133 |
| 5. German Official Economic Negotiations | 165 |
| 6. The Future of German Negotiating Behavior | 185 |
| 7. How to Negotiate with Germans | 197 |
| Notes | 215 |
| Index | 227 |
| About the Author | 247 |

Foreword

THIS BOOK IS THE FOURTH IN A SERIES of volumes published by the United States Institute of Peace about the negotiating styles of different countries. Previous volumes have explored Chinese, Russian, and North Korean negotiating behavior; studies of Japan and France will soon follow. Each of those books has been based on the premise that a nation's negotiating behavior is shaped not only by circumstantial factors (such as the personalities of individual negotiators) and structural factors (such as a country's political system and institutions) but also by a nation's cultural traditions. Furthermore, each of those volumes has been written and published in the belief that diplomatic and business encounters are more likely to yield positive outcomes if we better understand our counterparts across the negotiating table.

The need to improve such understanding seems self-evident in the case of countries such as North Korea, famous for its secretiveness even before the advent of communist rule, and China, whose collectivistic and Confucian traditions remain unfamiliar to many in the West. But what of Germany and the Germans? Do we really need to know more about a people whose intellectual and cultural achievements (by such diverse geniuses as Gutenberg, Hegel, Goethe, Beethoven, and Mann) have enriched all of the West, and whose scientific and economic endeavors (for instance, Bessamer's steel and Benz's automobiles) have helped fuel Western industrialization? German's role in the world may have been distorted and disfigured in the past by Prussian militarism and Nazi fascism, but today Germany is an important ally and a pillar of the global economy, a key member of NATO, the European Union, and the G-8. Are we really in

danger of seriously misunderstanding such an important strategic and economic partner?

The answer, says William Richard Smyser, a former U.S. and UN policymaker and a noted scholar of German politics and economics, is “yes.” “On the surface,” he notes in the introduction to this incisive study, “German diplomats and business leaders seem to resemble Americans. They also seem to resemble other Europeans. . . . But Germans are neither like Americans nor like other Europeans. They have a dramatically different history. They reside in different geographic surroundings. They read different philosophers. They see a different world across their borders. They confront different problems and see them from a different perspective. Germans may use the same words as Americans or others, but the words do not mean the same thing and they are not spoken in the same cultural context.”

In the following chapters, Smyser describes, explains, and elaborates on these differences and analyzes their impact at the negotiating table both while the Berlin Wall was still standing and, especially, since its destruction. Throughout, he paints a fascinating political portrait—fascinating not least because it so often surprises us by confounding our stereotypes and upsetting our preconceptions. *How Germans Negotiate* begins, for example, by attesting to the crucial importance of history in shaping the German worldview. But the history that counts the most, Smyser argues, is not the fading nightmare of the Nazi years, nor even the sixty-odd years when Germany was united under Prussian domination, but rather the preceding thousand years when Germany was a patchwork of small duchies, principalities, archdioceses, and city-states within the expansive Holy Roman Empire. Among other things, this experience taught the Germans the value of diplomacy, for the danger of war with one’s numerous neighbors was ever-present and put a premium on the creation and maintenance of defensive alliances. The lessons of the past have not lost their relevance: today, Germany has more neighbors on its immediate borders than does any other country in Europe, and diplomacy remains critical to Germany’s peace and prosperity.

Germans often refer to their country as *das Land der Mitte* (the land in the middle), a description that is true both literally—for Germany lies in the heart of Europe—and metaphorically—for Germany often, though not always, takes a middle path in its approach to contentious issues on the

agenda of such bodies as the European Union, NATO, and the G-8. “No matter what Germany tries to achieve,” observes the author, “it cannot avoid having to deal with others in order to achieve it. This gives German negotiating behavior a much more central importance for German security than U.S. negotiating behavior has for U.S. security.” It also, we might add, underscores the importance to Germany’s diplomatic and business partners of understanding how Germans negotiate.

Smyser identifies seven points that guide German negotiators. In a provocative and novel analysis, he outlines how those seven points determine German objectives and negotiating tactics, whether in diplomatic or business matters. I will leave it to the reader to discover what this book says about the origins, influence, and interplay of these seven points. But I will note here that Smyser’s analysis is much like his subject matter: historically rooted; argued with logic and brilliance; richly illustrated; down to earth; and formidable.

I should also emphasize that Smyser’s analysis encompasses economic as well as political and security issues. Given that Germany has the world’s third-largest economy, such attention is well merited. The author offers an unusually penetrating economic assessment, drawing on his experience as a consultant to American and European companies to dissect the tacks and tactics adopted both by German businesspeople and by German officials involved in negotiations over mergers, monetary policy, and other financial and corporate concerns. Among other insights, this book distinguishes between two types of German business negotiators: adherents of the “old” style, which resembles the behavior of German diplomats and stresses thorough preparation, persistence, and fidelity to an overarching rationale (the *Gesamtkonzept*); and exponents of a “new” style, which is more aggressive and incisive, prepared to tolerate substantial risk for the chance of rich and swift reward. The latter are fewer in number but higher in profile, featuring within their ranks men such as Jürgen Schempp, who orchestrated the brash takeover of Chrysler by Daimler-Benz. Americans and Europeans from other companies targeted by German firms—or from firms merely looking to do business with German partners—will find this volume indispensable for its crisp analysis and practicable advice.

In the amount of attention it gives to economic issues, *How Germans Negotiate* differs from the preceding volumes in this series of books that

spring from United States Institute of Peace's cross-cultural negotiation project. In other respects, however, this volume continues and complements the achievements of that project. All too often, international negotiations have stumbled on cultural misunderstandings and then collapsed amid mutual recriminations. For instance, a Western negotiator may have failed to read subtle, nonverbal cues from a counterpart whose national culture puts great weight on unspoken signs. By the same token, the Westerner's direct manner and eagerness to press ahead with discussions may have been misinterpreted as unseemly and insulting. The aim of the cross-cultural negotiation project is to reduce the chances of such misunderstandings and thus enhance the prospects of diplomats from different cultures finding peaceful solutions to contentious issues—and of businesspeople reaching mutually rewarding deals. Culture is not of course the only determinant of negotiating behavior; indeed, its influence may often be overshadowed by other factors. But cultural differences do play a part—sometimes a very large part—in international negotiation. The Institute's series of studies of national negotiating styles seeks to ensure that culture is neither excluded from nor exaggerated in the equation that determines negotiating styles.

Even among close allies, differences and misunderstandings, whether rooted in cultural or political soil, can quickly grow, blossoming into resentments and antipathies that obscure the similarities and sympathies—again, both cultural and political—that have always nurtured the relationship. Indeed, in the space of just a few weeks in September 2002, the government of Chancellor Gerhard Schröder and the administration of President George W. Bush suddenly found themselves trading verbal blows and diplomatic insults while commentators warned gravely of the consequences for the two countries' long-standing alliance. Insofar as such arguments reflect policy differences, their course will be determined by policy decisions. But to the extent that such disagreements grow out of, or are magnified by, cultural dissimilarities, then their impact will rest in part on how well we understand one another. At a time when there is an unusually high degree of strain in the German-American political relationship, Smyser's analysis holds even more relevant and valuable insights for those in government and the commercial world who would restore this critical relationship.

How Germans Negotiate is sure to enhance our understanding of our German allies. Moreover, whereas policies and personalities come and go, the behavioral patterns and stylistic traits that this book so ably identifies are almost certain to endure.

Richard H. Solomon, President
United States Institute of Peace

Preface

WRITING A BOOK ABOUT GERMAN negotiating behavior presents many hurdles, especially if the book is intended to be part of a series on the cultural foundations of diplomacy. For German negotiating behavior reflects a combination of many diverse and sometimes contradictory influences.

An author must look at geography, for Germany has more neighbors than any other European state. He or she must also look far back into history, for the Germans existed as a nation in the center of Europe for more than a thousand years before they formed the last of Europe's major states. And the long history of the German nation has left a far deeper imprint on German culture than the short and often tragic history of the German state. Finally, German negotiating behavior reflects the nation's distinctive philosophical and logical outlook as well as its economic background.

To forge a coherent thesis out of these diverse influences, I began by consulting written sources on Germany itself and on its history and philosophy since the empire of Charlemagne in the ninth century. I then looked at the German economy and at its role in the European Union and other multilateral organizations. I tried to distill the essentials to give readers a practical guide.

To bring the material to life and to learn what Germans thought about themselves, I interviewed many Germans about their culture and diplomacy.

Finally, and most important, I interviewed American, British, French, Russian, and other diplomats and scholars to learn what they experienced when they negotiated with Germans.

Because most of my interviewees were Germans or people who expect to deal with Germans in the future, I have had to honor their requests to protect their identities. I will not cite them by name except when they have

chosen to speak for the public record. I will thus follow the same practice as have the earlier authors in this series, identifying interviewees mostly by their functions and the dates of the interviews.

I have drawn on my own recollections and impressions as well as on other sources. I have seen and experienced Germany over six decades, first as a Nazi dictatorship, then as an occupied land and divided country, and finally as a sovereign and united democracy. I negotiated and consulted with countless Germans during that time and wrote about German history, politics, and economics.

One of my books, *From Yalta to Berlin: The Cold War Struggle over Germany*, reviews the history of German diplomacy since 1949 and goes over much of the material presented here. It is sometimes cited here as a source because it offers a summary of most of the events described in this book and a listing of other sources.

Germans do not negotiate identically on economic and political matters. To help businesspeople, the book therefore contains two separate chapters on German business negotiations and German government negotiating behavior regarding a range of economic issues. The chapters analyze some mergers and acquisitions, such as the Daimler-Chrysler talks. They also describe German negotiations about monetary policy and the European Central Bank as well as within the International Monetary Fund.

I have drawn to some extent on an earlier book of mine, *The German Economy: Colossus at the Crossroads*, to offer relevant background for the economic chapters, but most of the information comes from interviews and recent financial news sources.

Although the United States Institute of Peace series on negotiating styles is intended primarily to serve American diplomats and business leaders, this book should serve readers of other nationalities as well. My interviews have shown that Germans behave remarkably alike no matter who sits across the table, although they do sometimes show special deference to their larger negotiating partners.

Because West Germany was the larger and more independent of the two German states between 1949 and 1990, Bonn's diplomacy during that period was often called "German" instead of "West German." I have also often used the term "German" when I meant "West German." The meaning should be obvious from the context in each case. Moreover, from

1949 to 1990 West German negotiating behavior was, in effect, German behavior. West Germany pursued some parts of the German diplomatic tradition, whereas East Germany tried to break with it. East German behavior was often dictated by Moscow. I ask readers to bear with this anomaly and not to expect a specific reference to *West* German diplomacy each time I refer to the western part of divided Germany.

I want to thank the United States Institute of Peace, and especially its president, Ambassador Richard H. Solomon, for encouraging me to write this study and for supporting it. I also want to thank those who read the manuscript at various stages: Ambassador J. D. Bindenagel, Professor Carl Cerny, Professor Curt Gasteyger, Professor Hope Harrison, Professor Stanley Hoffmann, Dr. Jackson Janes, Professor Karl Kaiser, Dr. Robert Gerald Livingston, Jeremiah Murphy, Ambassador George Ward, and others who preferred to remain anonymous. They offered helpful suggestions. They deserve credit for any merit this work may have. I accept full responsibility for any shortcomings.

I would also like to thank Daniel Snodderly, Judy Barsalou, April Hall, Patrick Cronin, and Nigel Quinney at the United States Institute of Peace. They patiently offered a great deal of help and very useful advice on how to organize my thoughts in the process of editing and preparing the manuscript for publication.

How Germans Negotiate

