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"Perceptions of the EC in the GDR and ex-GDR: the Response of the EC and Federal German Government"

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In this talk, I would like to discuss four questions:

- (1) What has the division of policymaking labor been between the European Community and the German government in dealing with the GDR?
- (2) How was the European Community perceived in the GDR before the fall of the SED regime?
- (3) What role did the Community play in the East German revolution?
- (4) How is the EC perceived today in the five new Länder, keeping in mind the difficult economic problems in eastern Germany?

The first point I would like to make is that there has been an evolving division of policymaking labor between the European Community and West Germany in matters involving the GDR. This division of labor has gone through roughly three phases, in which the West Germans have maintained the most control, but the Community has increased its role quite dramatically.

In the period between 1957 and 1971, West Germany dominated the EC-GDR connection. It did this through its legal interpretation of the Protocol on German internal trade and connected problems. It will be recalled that the Protocol was a special appendix to the EEC Treaty that granted a legal exception to protect the West German state's control over its special trade relationship with East Germany. The Protocol, which was appended to the Treaty, was unique in the sense that it connected one member-state of the Community to the communist regional economic grouping. On the other hand, the Protocol was a measure that reflected the Community goal of trying to help member states overcome their unsolved national political and economic problems; there was originally also a strong connection between the existence and content of the Protocol and Allied policy regarding the German economy, specifically that inter-German trade relations would not be limited by the further development of the European Community.

Because the Protocol had the potential to represent a special link between the quite different economic systems in East and West, in the early period of its existence, the West German government attempted to appropriate control of this link entirely to itself. This was part of a broader policy to minimize East German economic contact with and benefits from the West. West German interpretation of the Protocol meant that EC states other than the Federal Republic had to apply to the GDR all EC Treaty regulations that they normally applied to other third countries. In addition, other EC member-states limited their trade with the GDR so that it would always be exceeded by inter-German trade. The Protocol did serve as a somewhat effective means of limiting the GDR's Western contacts. But under this system, EC institutions had very little say over GDR trade or over the functioning of the Protocol itself, and this national authority came to cause a certain lack of EC control over inter-German trade violations.

After 1972, however, the GDR was officially recognized as a state and relations between the two Germanies were normalized. The EC officially took over member-state (other than West German) legal trading competencies with respect to the GDR. And, after 1989, the EC actually became very involved in the integration of the GDR economy into the Community itself.

This leads me to my second point about how the GDR perceived the EC. After 1972, the East German government clearly came to appreciate the benefits of its Western economic connections. In the 1970s, the GDR's relations with non-socialist states could be characterized as defensive in political terms, but offensive in economic terms. The GDR's main diplomatic activities before 1972 concentrated on making the most of whatever diplomatic legitimacy it won and using this legitimacy to establish further economic, scientific, and technological contacts not necessarily within its own regional economic grouping

in the East, but with the West. It followed this course for two reasons: first, to improve its standing within its own regional grouping, and second, to try to compete economically with the Federal Republic, with which it had reestablished some cultural ties. Economic strength and international legitimacy were connected and self-reinforcing concepts for the GDR regime.

The official ideological view of the European Community within the GDR in the early 1980s followed the Soviet Union's own ideological line as expressed prior to 1987/88. In this perspective, the Community represented the increased international influence of combined monopoly capital and state power. According to Professor Max Schmidt, Director of the Institute for International Politics and Economics in the GDR and an important factor in formulating the GDR's EC policy after 1986, the GDR engaged in research on European integration in order to see how protected its benefits were. It must be emphasized that the GDR itself had no say over the functioning of the Protocol. The GDR was also worried about the establishment of a common West European security policy, because its authorities worried that a common defense policy would have an adverse impact on all-European detente. The GDR had come to have a financial stake in the detente process after 1972. Therefore, the GDR's scholarly community, which was actually rather well informed about the EC, gave special attention to the question of "whether West European integration could be made compatible with all-European relations of security and cooperation."

What was also obvious in GDR works written in the 1980s about the Community is that the SED-regime publicly recognized how West Germany had been economically benefitted by the Community. For example, in one GDR work on the EC, it was commented that "The foreign economic relations of the Federal Republic took on an almost explosive type of development.. giving the BRD-industry favorable conditions for over 50% of its exports." The GDR's contradictory mixture of

condemnation of the EC and admiration for what it had done to help the West German economy corresponds to the policy line that the GDR followed throughout the late 1980s.

The elements of this policy line were as follows: First, it supported in its public statements Soviet-proposed reforms of the CMEA, the Eastern economic grouping; second, it worked to take advantage of bilateral economic ties with EC members; and third, it did not support relations with EC supranational institutions. The GDR was secure in its protected benefits from the Federal Republic under the Protocol and had no desire to enhance the unity of EC foreign policymaking. Therefore, the GDR was not overly concerned to foster progress in the EC-CMEA negotiations for a formal agreement.

Of course, the GDR's rate of participation in the Western trading system was limited by its policies with and obligations to its own economic bloc, in which it was the most industrialized member and a kind of junior partner to the Soviet Union. But there was evidence dating from the period of the mid-1960s to mid-1970s that the GDR's own economic policy was to free its heavy dependence on its own economic bloc and to identify leading industrial branches that could be developed at the highest technical levels possible. Of course, the administrative emphasis remained on level rather than quality of production. In 1967, for example, the published GDR longterm plan for the economy called specifically for "trade with capitalist industrial countries," and it incorporated this Western trade into its overall trading system. It did not support any reorganization of the CMEA in a way that would level down its own technological strength.

The GDR's diversification of its Western trade policy over the next decade and a half was important for maintaining East German industrial predominance and,

therefore, its power relationship within its own economic bloc. The EC Protocol figured quite prominently in the GDR's relations within the CMEA and was a means of additional power within that organization. Moreover, according to those who worked in the CMEA, there is evidence that the Soviet Union relied on the GDR economy as a substitute for items produced in, but not obtainable from, the Federal Republic. The GDR was deferred to within its own economic grouping on all questions that might touch upon relations with the Federal Republic, including the statistical aspects of CMEA publications or whether the CMEA would participate in symposia with West European experts, where a West German representative might be present. Moreover, the GDR was apparently quite nervous that talks between the EC and CMEA would activate forces within the EC that wanted to eliminate the special benefits it obtained through the Protocol. In addition, it feared that multilateral negotiations would give the Soviet Union the ability to dictate the EC - CMEA relationship.

This leads to my third point: the fact that an EC-CMEA agreement came about in 1988 was the first indication of weakness in the GDR position and the first indication that the EC was having an important impact on Eastern Europe. Therefore, the EC was very important in the East German revolution. The new urgency of the Soviet Union to increase East-West economic ties made multinational negotiations more important than they had been before. The evidence shows that GDR interest in the internal market, which was expressed from time to time, differed from Gorbachev's interest in important ways. The SED's interest in the internal market stemmed not from a desire to implement a policy change, but from a desire to maintain what it mistakenly estimated to be the best way to enhance its legitimacy--technocratic rather than social reform. Although the SED leadership always expressed its interest in improving its Western economic contacts for the purpose of enhancing its own industry, it did so in the hope that it could meet stricter Soviet economic demands on it. Moreover,

it hoped that it could stave off Soviet criticism that it was avoiding the type of social and governmental reform going on in the Soviet Union. It was in this period that the GDR claimed that it was the forerunner of many of the economic ideas contained in perestroika, so there was little need for a change in its economic course.

However, the evidence pointed, as of July 1987, to a change in Soviet policy on Germany--a policy that reemphasized economic and technological ties with the Federal Republic and its Länder, as well as with the European Community. The slowness of the GDR to reform its political and social system in a way that would have genuinely improved its economic system--and Gorbachev's disgust with this policy--was one of the main reasons for the regime's collapse in 1989.

I have gone into this discussion of the GDR's Western economic ties because I wish to emphasize that the European Community was very important to the GDR--far more important than the GDR was to the EC. There is somehow the belief among scholars that the EC was not an important consideration for the GDR regime, and this is untrue. In fact, I will go one step further and suggest that the Community itself was very important in setting the parameters for the East German democratization movement after the fall of Honecker. After looking at the evidence, it seems to me very clear that during the East German crisis, the EC used its great economic weight and its ongoing Eastern policy to reinforce East German democratic developments. It did this in a way that no West European state acting independently could have done. The tools developed as part of the EC's ongoing policy toward Poland and Hungary had a great deal of influence on the course of the East German crisis. Therefore, unlike the West German government, the EC was throughout the East German crisis overtly able to link financial assistance with democratic reforms.

A small timeline will illustrate how the EC's ongoing Eastern policy laid down the parameters for East German developments: the Commission's action program for Poland and Hungary had been presented at the second meeting of the G-24 in Brussels on September 27-28, 1989. On October 4, the West German Minister Adam-Schwätzer noted Poland and Hungary's great expectations for the EC, supported strengthening the bilateral aid component of the package, and warned against the EC's appearing stingy. On October 5, the French National Assembly called upon Western nations to make a "gesture of generosity and imagination" in their aid to Poland and Hungary, and on October 9, the Council approved a \$1 billion European Investment Bank loan on the EC budget for Poland and Hungary, and the Commission proposed lifting all quantitative restrictions for Hungary within one year. On October 12, when the GDR officially rejected West German financial assistance, the EC and the Soviet Union advertised substantial progress toward a trade and economic cooperation agreement in the second round of negotiations, including most-favored nation-status and cooperation in a number of sectors.

When Honecker resigned on October 18, West German foreign minister Genscher was engaged in urging the EC to complete its action plan for Poland and Hungary, encouraging the EC to go beyond its current program and create "new models of association with these countries." And as Kohl rejected a formal West German debate on the GDR that might preempt its decision about its own future, he also commented, "The more the EC is unified, the greater will be its attraction for East European countries." Two weeks after Krenz was elected head of the GDR state by the Volkskammer in a democratic manner, Commission Vice President and former West German Economics Minister Bangemann met with Krenz and held out the promise of EC benefits to the GDR if the GDR made democratic reforms. Bangemann, after his return, was instrumental in supporting the idea that the EC assist even limited reforms in the GDR. Nevertheless, when the 12 Foreign Ministers sat in council, Mr. Hurd said that the EC had decided it would not be advisable to

begin negotiation on a trade agreement with the GDR on the advice of Foreign Minister Genscher. The Commission delayed publicly, stating that the time was not yet ripe for defining the negotiating position that the EC might take on the EC-GDR agreement. The Commission let it be known in this period that while a simple trade agreement with the GDR had been planned at the opening of discussions, changes in the GDR's political landscape might make a more comprehensive cooperation agreement possible.

It was only after the GDR borders were opened in November that Commissioner Andriessen commented favorably (November 14th) on chances for widespread EC assistance to the GDR. He said that political reform and economic liberalization in the GDR would reinforce processes already begun in Poland, Hungary, and the Soviet Union. In addition, the European Parliament gave its support to full democracy, and not superficial reforms in the GDR. Therefore, when GDR Secretary of State for External Trade Meyer, in mid-November 1989, signalled his country's interest in concluding a trade agreement with the EC in January 1990, the EC had already set out the conditions upon which an East German state could receive assistance and the reformist GDR had to signal its interest in meeting these specific conditions. As one member of the European Parliament put it, "We must not feign surprise over these events that we wanted and also contributed to realizing."

This brings me to my fourth point, if the EC played an important role for East Germany prior to the regime's removal, how can we explain the hesitancy of eastern German policy toward the EC after the revolution? Why is it that the ex-GDR and citizens of the five new German Länder know so little about the European Community? For example, although most ex-GDR citizens have heard of the Community and support European integration, and over half believe that it will be important to their future, 47% were not able to tell whether completion

of the internal market was a good thing, and only 37% were in support of the internal market. Moreover, it appears that the political actors in the GDR only very slowly began to realize that an economic, monetary and social union with the Federal Republic also meant membership in the European Community. This connection was made only vaguely in the March 18 Volkskammer elections. For example, in a February 1990 poll, none of the leaders of the 9 important GDR parties and groupings even mentioned the EC when they were asked about the internal and external requirements of German unity.

The first explanation for the ex-GDR's rather passive attitude toward the EC is based on an important distinction: although Community institutions were active participants in the unification process, the East German parties originally saw European integration more as an emotional symbol than as a collection of governmental bodies with supranational influence. This would explain why all-European frameworks were mentioned at the beginning of the programs of most GDR parties, even while party emphasis on specific Community programs and regulations, such as agriculture or competition policy, was minimal. For the political elite of the new eastern Germany, European integration was important mainly for overcoming bloc structures and for stressing the new GDR's cultural affinity with the West.

Second, it should be mentioned that GDR citizens themselves during unification were inundated with information about Western ideas and organizations, and the EC for awhile was just one of many. Moreover, the closed nature of the CMEA and the SED regime's public emphasis on the foreign economic aspects of the EC meant that Community programs were familiar only to a small circle of diplomats and foreign trade experts. Even though specific information on the EC was available in the GDR prior to 1989, the EC really was outside the experience of even well informed GDR citizens.

Third, if one looks at GDR views of the EC before 1989, two rather contradictory strains of analysis are seen. Traditional GDR scholarship considered EC studies to be a branch of imperialism research and the EC was seen as a reactionary organization opposed to communism, one that hurt the working class and lessened the power of smaller European states. But on the other hand, under the influence of Gorbachev's new thinking and his emphasis on the "common European house," European Political Cooperation took on a positive connotation. The EPC was seen as a cooperative element and a means of creating political and economic stability among the three European economic groupings, EC, EFTA, and CMEA.

These contradictory views are visible in East German political culture today, in which the West is considered by the East German left as highly materialistic, and the East German tradition is seen as more concerned for the social welfare of citizens. On the other hand, the clear disorganization of the Round Table and the inability of GDR manufacturing industries to compete with Western products, made all parties in the GDR aware of how difficult it might be to exist as a separate state. The need to modernize and internationalize quickly, combined with the realization that even European integration could not prop up an economically not viable East German state, helped most of the GDR's leaders and citizens to opt for unification.

Fourth, in explaining the GDR's hesitancy to embrace the EC, it is well to keep in mind that the Community's policy of support for the GDR only gradually extended to welcoming it as an immediate Community member. There were many political elements in the EC, West Germany, and East Germany that supported East Germany's evolution as a separate state or felt that unification should evolve gradually. Although statements by Delors show that he expected unification quite early on, and he argued from the beginning that the GDR, whatever political path

it chose, should be treated as a special case by the EC. Delors' view was actually not widespread among West European publics as the new Länder joined the EC; according to Eurobarometer surveys, a majority of EC member-state citizens outside the Federal Republic felt that EC membership should be offered to the GDR only after it democratized and had an open economy; these polls show that most felt the GDR should not receive special favors from the Community over Poland, Hungary or Czechoslovakia. Even among West German parties throughout the winter 1989-90, support for immediate unification was unclear, with the West German Social Democrats favoring a confederation of two German states in which both Germanies would give up some of their sovereignty to a supranational organization and the Christian Democrats supporting a plan of gradual unification.

The fact that the ex-GDR had a rather passive relationship with the Community, was, in my view, compounded by two other factors: first, the way the rather slow-moving EC institutions managed to keep up with the dynamics of German unification was to rely heavily on West German government advice and information, especially statistical data. Indeed, this assistance was one of the main reasons the EC could complete its three-stage program for German entry in such a short space of time. In fact, the relatively optimistic tone of EC statements about the integration of the GDR economy reflected those of the West German government at that time.

Second, the EC and West Germany's need to reassure other European states about the impact and cost of unification meant that the West German government offered to bear the major financial and organizational burden of integrating the new Länder into the EC. Therefore, the EC program to aid the GDR makes use of regular regional funding channels and is basically supplemental to the German aid and restructuring programs. The German government submitted to the EC a

development plan that included six "Common Development Concepts," one for each new east German state. For example, the EC's regional fund will spend DM 354 mio in Mecklenburg-Vorpommern out of a total DM 2 billion regional aid budget encompassing aid from the Federal Republic and its western Länder; for Brandenburg DM 480 million out of DM 3.2 billion; for Saxen-Anhalt DM 534 million out of 3.2 billion; for Thuringia, 490 mio out of 2.8 billion; for Saxony, 880 million out of 5.5 billion; and for East Berlin, 232 million out of 1.4 billion. The social fund will operate at 30%. In fact, it has also been calculated that 75% of the EC budget allocations for the new German Länder will originally come from the Federal German government, simply because of the increased EC tax intake from Germany. Of course, the EC's Phare program will fund a variety of projects in former East Germany, as well.

One effect of the uneven division of labor in integrating the GDR is that Chancellor Kohl's coalition is now paying the political price of domestic economic dislocations in the new Länder, while East German approval of the EC still remains at 87%. This means that the EC may have an unprecedented chance to smooth over tensions between the two Germanies as unification takes hold and to apply its policies in ways that will foster a sense of accomplishment and self-worth in the new German states. The ex-GDR, for example, does believe that it can make a contribution as a gateway to central Europe. In fact, in a new study of West German enterprise behavior done for a research institute in Munich, the GDR's bridge-building role to eastern Europe was one of the main reasons for western German investment. In any case, the GDR itself does represent a new EC market of 16.5 million people--although actual foreign investment in eastern Germany is so far disappointing and may point up the EC's need to inform the Western EC countries about legal conditions in the GDR, just as it is now informing the GDR about the EC through a variety of programs.

It is now the case that the ex-GDR's current learning process about the EC has begun mainly at the level of the Länder and through party contacts, as GDR party members joined European party groupings. As early as April 1990, the GDR Round Table decided to reorganize the administration of the GDR territory by restructuring the 14 Bezirke (districts) into five Länder with the goal of establishing an East German state. The suggestion to create Länder in the GDR came from the former GDR Blockparteien CDU and NDPD in November 1989, but there was a clear indication that the Round Table generally wished to form governmental structures that were decentralized and compatible for West German ones. German regional demarcation is a complicated historical question; the Länder that were formed in 1990 were those administrative divisions that existed in the central-eastern part of Germany between 1945 and 1952 and that were phased out by the SED leadership as it worked to centralize the East German state.

After elections in the new Länder on October 14, 1990, Land governments were formed and state constitutions were written that made use of numerous transition regulations and guidelines from the West German Basic Law; this helped smooth the administrative process of German unity enormously. In all east German Länder, the concept of federalism was supported by all political parties, including the PDS. One reason was that parties in both east and west Germany recognized that German federalism worked to reduce the fears of EC and other states about German unity. These fears have continued to be expressed in the context of foreign discussion about Berlin's becoming the seat of government in unified Germany. In addition, the internal German discussion on Berlin revolved around the questions of centralism versus regional policy--that is whether changing the capital from Bonn to Berlin would make the German federal system more centralized and what effect this would have on the German role in unified Europe, or whether shifting many governmental resources to Berlin would stimulate regional growth and reduce the economic burden of the GDR for West German

taxpayers and for the Community. This debate may be settled by the end of June.

Since January 1990, political parties and almost all other organizations have formed on a Land basis, with one West German politician actually installed as Minister President of an eastern Land and with West German bureaucrats doing much of the administrative work. For example, the western state of North-Rhine-Westfalia is sending around 1000 Land bureaucrats to the East over the next two to three years to its partner-Land Brandenburg. Community regional programs give certain funds directly to the Länder for training programs for individuals and building up basic industry, as well other joint programs with the German government to help reduce what are rather stark economic disparities among the new Länder, with most of the industry to the south and most of the agriculture to the north. However, since much of the EC's regional fund aid is matched with West German aid, some programs may not be perceived as EC assistance within the ex-GDR.

German government economic restructuring, which has among its goals creation of smaller enterprises in the former GDR, will, if it succeeds, help integrate the GDR more into the mainstream of German economic relations within the EC. The West German relationship to the internal market has been largely based on the activities of the Mittelstand or medium-sized businesses. Some of these with EC-wide contacts may form partnerships with enterprises (or with enterprising people) in the GDR. Moreover, smaller firms bring with them the greatest chances for training and re-training, which are heavily emphasized in the European Community's program for the new Länder. Many components of the EC and German government programs for the new Länder are based on the principle of "self-initiative," whereby the interested eastern German parties have to go and apply for funding for specific projects that they have played a part in designing. Both the Federal German government and EC have organized networks for linking

up interested parties with available funds and credits. EC information offices have done so well that after the original 8 centers are established (these are located mainly in the old Bezirkshauptstädte), further ones will be created. In addition, the EC last fall had mobile information centers operating in the GDR.

One of the characteristics of German federalism has been that the individual Länder represent their interests directly in Brussels, and in this the East German Länder will be no exception. It cannot be stressed enough that the Federal Republic places a strong emphasis on a Europe of the regions, so development of the Länder is important for the picture Germans have of themselves in Europe. A Bund-Länder clearinghouse was decided upon right as the unification treaty was being concluded, so that the new and old Länder consult about their administrative practices.

It has been the case, however, that Berlin, due to the previous representational advantages of its Western half (and despite the chagrin of some of the other eastern Lander governments) has emerged as an effective leader of the east German states' interests vis-a-vis Western elements. This was evident at the February 1991 Minister-Presidents Conference; the ideas expressed at this conference were important in formulating further EC and German regional policy toward the ex-GDR. It has also been reported, however, that the EC's decision to put two rather than one of its information centers in the Land Brandenburg had to do with some intensive conversations between Brandenburg's Minister-President and Jacques Delors in Brussels and also Brandenburg's plans to quickly establish an office in Brussels. The assertiveness of the new Länder in German and EC politics will mean that there will be organized pressure at both the national and supranational levels of government and that the ex-GDR may come to take a more active role pressing its demands on all of the institutions concerned. In this way, the

Community may gain new competencies and expertise as it goes about becoming more visible for citizens living in the new German Länder.