

## The Limits of Leadership: Germany and the EMS/Yugoslavian Crises

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### Introduction

The reunification of Germany in 1990 has renewed old concerns over the potential for German hegemony in Europe.<sup>1</sup> Opinion is sharply divided over the extent to which a unified Germany will pursue its interests in as conciliatory a manner as it had during the Cold War now that its most important goal since World War II has been achieved. Many question whether Germany will stay focused toward the West or will instead turn its attention Eastward in its new condition.<sup>2</sup> Others wonder if Germany will maintain its status as a "civilian power" or will endeavor to play a stronger military role in the new Europe.<sup>3</sup> Some have even suggested that Germany will eventually acquire nuclear weapons despite having renounced them during the negotiations over reunification,<sup>4</sup> while others argue that the demands of the unification process make it highly unlikely that Germany can play a strong leadership role in Europe, at least for the next few decades.<sup>5</sup>

Will Germany dominate the European Union? If one were to judge Germany's potential political influence by the mere possession of power resources and its past aggression, there might indeed be cause for alarm. The rehabilitation of Germany over the last forty-five years is largely due to its active participation in Western institutions: primarily NATO and the European Community (now European Union).<sup>6</sup> France and Germany have served together as the motor for the institutional development of Europe since its inception, and the Germans now more than ever easily dominate the EU in terms of economic power, population, and conventional military forces, accounting for about thirty percent of EU GDP.<sup>7</sup> Germany's currency and powerful central bank set the standard for anti-inflationary monetary policies in EU member states. As a long-time practitioner of "checkbook diplomacy,"<sup>8</sup> Germany's economic clout as an export market and as a financial contributor to the EU provide the Europeans with their two most potent sources of diplomatic influence: trade sanctions and foreign aid. These resources and Germany's historical legacy cause many Europeans their anxiety over whether the Germans will attempt to throw their weight around in the EU.

Yet Germany's leadership potential in the EU is not unlimited - far from it. Germany's formidable resources do not convert directly into political dominance; rather, they are strongly influenced by factors at both the domestic and EU levels. Serious obstacles - opposition parties, legal barriers, public opinion, historical legacies, the interests of other EU members, and EU institutions themselves - must often be surmounted if the Germans hope to effectively assert their interests within the EU.

Overcoming these barriers, and exercising German leadership, depends on whether German actors are empowered during key moments in the formulation and execution of policy. This empowerment in turn largely depends on the phase of the policy area in question and its related institutional mechanisms within the EU and Germany.

Recent German behavior as a partner in the renewed drive toward European integration since the 1991 Treaty on European Union demonstrates the difficulties the Germans face in attempting to find a new political role for their country. As always, Germany must walk a fine line between actively protecting national interests derived from its strategic position in the center of Europe and accommodating the concerns of other EU members. At the same time, Germany's leaders must work to overcome strong domestic opposition to a greater involvement in foreign affairs, particularly when a military contribution is required, while Germany's Western allies are increasingly expecting the country to play a stronger role in situations which call for international collective action. These often conflicting demands affect Germany's ability to influence European policies. To illustrate how political processes at the domestic and EU levels condition Germany's participation in, and leadership of, European policymaking, this essay will examine two specific cases of post-unification German political influence in the EU. The two issues involved are perhaps the most contentious of those remaining on the EU's ambitious agenda for complete economic and political union. The analysis presented here suggests that Germany's ability to help resolve them, and thus finally complete European integration, should not be taken for granted.

The first case concerns an economic issue and the development of the EU's internal sovereignty: the drive towards European Economic and Monetary Union (EMU). Germany is expected to play a decisive role here given the Deutschmark's role as anchor currency of the European Monetary System (EMS), forerunner of EMU. Indeed, this is what happened during the negotiation of the monetary policy provisions of the Treaty on European Union agreed to at Maastricht in December 1991. Germany was able to exert influence in achieving an agreement on EMU, yet after the Treaty moved to the individual states for ratification, a crisis developed in the EMS from September 1992 to August 1993. During this period Germany was unable to resolve the crisis through a realignment or a reduction in German interest rates.<sup>9</sup>

The second case focuses on a matter of external sovereignty and foreign policy cooperation: the EU's response to the break-up of Yugoslavia and the resulting wars in Croatia and Bosnia-Herzegovina. Again, Germany initially took the lead in the recognition of Slovenia and Croatia in December 1991, an act which brought much criticism on Germany, but one which also precipitated the EU's own begrudging recognition of the former Yugoslav republics just one month later. Yet after violence began to escalate in the region, Germany found it very difficult to intervene in a more substantial way to help resolve the conflict or provide aid despite much pressure from allies and the efforts of German Chancellor Helmut Kohl and his cabinet.

After a brief theoretical discussion, I shall demonstrate that in both of these cases German leadership was transformed depending on the phase of the policy in question, institutional constraints at the domestic and EU levels, and most importantly, on who was acting on the part of Germany. During these events Germany's executive was empowered in the early phases of policy: Kohl during the Maastricht negotiations; primarily German foreign minister Hans-Dietrich Genscher during the recognition of Slovenia and Croatia. Yet during the crisis phases the country was prevented from acting more decisively thanks to Germany's constitutional provisions, decentralization of power, and the specific EU mechanisms (or lack of them) for cooperation in monetary and political-military affairs. During the EMS crisis, power over monetary policy shifted in Germany from Kohl to the Bundesbank, while EMS rules for cooperation in monetary affairs prevented Germany from engineering a realignment of parities. During the Yugoslavia/ Bosnia conflict, Kohl was forced to engage his opponents in an unprecedented political and legal battle over allowing Germany to participate in sanctions-monitoring and peacekeeping operations abroad, while the EU provisions on European Political Cooperation (EPC) have so far been terribly inadequate as a mechanism to coordinate European military action, provide peacekeeping forces, or resolve war in the Balkans. German behavior over the past several years thus highlights the extent to which any EU member - hegemonic or otherwise - must often reorient or even restructure its own domestic political interests and processes in order to comply with efforts to increase the EU's competence in key policy areas. As long as EU-level mechanisms for monetary and political cooperation remain weak, the extent of such EU-domestic harmonization may determine if European integration ever reaches full monetary and political union.

## European institutions and domestic politics

As EU member states are embedded in the most densely institutionalized network of relations ever devised in world politics, Germany's ability to influence European policies depends on its command of a complex set of EU decisionmaking rules and procedures.<sup>10</sup> This fact leads us to consider the role of major EU bodies such as the European Commission, the Council of Ministers, the European Council, the European Parliament, and the European Court of Justice in determining how a member state influences EU policies. However, such influence also depends on the domestic political structures and processes operating within each member state,<sup>11</sup> as national leaders and other actors continually redefine the relationship between their state and the EU. This process of international-domestic interaction in the EU varies according to issue-area and the phase of policymaking in question. Hence, the analytical framework presented here rests on several considerations concerning EU institutions and domestic politics.

For example, the most ambitious changes in the scope of the EU, such as the Single European Act and the Maastricht Treaty, require revision of the Treaty of Rome. This takes place through intergovernmental negotiations between member states, which empower chief executives (or their representatives) in the early stages of the process. They enjoy a privileged position in the bargaining process and their preferences determine their countries' interests vis-a-vis the EU. Their dominance of the summitry process means they control the policy agenda and most sources of information about how the deal was made, which gives them an advantage over other domestic actors.<sup>12</sup> Hence, a member state's leadership of the EU at this point is a function of the bargaining position and negotiating ability of its representatives, who must strike a deal within the bounds of EU rules concerning revisions of the Treaty of Rome.

In addition, as recent work on "two-level games" reminds us,<sup>13</sup> the need to ratify such agreements represents an important second stage in the international bargaining process, which allows additional actors to have a voice in EU policymaking. In the EU, such decisions must be approved by a unanimous vote of the Council of Ministers, then by each member state. At this point in the treaty revision process domestic politics can influence outcomes according to the ratification procedures in each member state. States whose constitutions require them to ratify by referendum, such as Denmark and Ireland, often become more beholden to public opinion and general sentiments of national identity when asked to approve substantial advances in European integration, whether through widening or deepening.<sup>14</sup> In other states, party politics and judicial bodies may play a greater role in approving treaties. Both France and Germany, for example, typically empower their houses of parliament and their constitutional courts, not their citizens, in the ratification procedure.<sup>15</sup> As I discuss below, this situation temporarily changed, of course, when French president Mitterrand called for a referendum on the Maastricht Treaty in an effort to boost his popularity. This was a tragic mistake on his part, as it prompted the speculative attacks on weaker currencies in the ERM in the weeks after the Danes rejected Maastricht.

However, European integration does not proceed only through revisions of the Treaty of Rome. It can also develop through day-to-day policymaking, which involves another distinct set of EU rules and domestic actors than does treaty negotiation. This set itself varies by issue-area. Some well-developed policy areas in the EU, such as the Common Agricultural Policy or the Common Market, have strong institutional foundations at the EU level supported by a large body of ECJ case law.<sup>16</sup> Normal policymaking in these areas is likely to be dominated by lawyers, judges, lobbyists, and EU officials in Brussels. At the domestic level, specialized ministries or interest groups might enjoy a privileged position (such as agricultural ministries and French farmers in the CAP), depending on the extent to which EU policymaking procedures draw them into the process.

In policy areas which have been less clearly delegated to the EU by member states, such as monetary policy and foreign policy, decisions are reached by institutionalized intergovernmental meetings between the appropriate national ministers. The successful implementation of such decisions again rests on domestic structures and actors in each member state. In monetary policy, for example, the key EU institution is the Exchange Rate Mechanism of the European Monetary System, which specifies the obligations of each member state in keeping exchange rates stable and inflation low

through changes in government spending, interest rates or open market inter-ventions. Any realignment of parities must be approved by a unanimous decision of national finance ministers operating within ECOFIN, the council of economics and finance ministers. At the domestic level, the independence of each member state's central bank largely determines whether its currency will be able to meet the requirements of EMS (and future EMU) membership, and thus aid or hinder the monetary integration process. Those countries with the most independent central banks, such as Germany and the Netherlands, have clearly institutionalized anti-inflationary policies and are more immune to government attempts to place national economic goals over exchange rate stability (i.e., through inflationary macroeconomic policies) than countries whose central banks remain under government control.

In foreign policy, the main EU-level mechanism is European Political Cooperation, which was ostensibly replaced by the common foreign and security policy in November 1993. Decisions made under this rubric are largely intergovernmental as well, thus dominated by chief executives or foreign ministers. However, like day-to-day monetary policymaking, common foreign policy actions in the EU do not require ratification but do require unanimity. Further, once a collective decision is made, the strength of any cooperative EU action is determined by the various contributions of individual member states. Those states whose foreign policy practices permit financial or military contributions to a cooperative effort, such as Britain and France, play a stronger role than those states whose support for a common foreign policy is financial only (such as Germany) or largely symbolic (such as Ireland).<sup>17</sup> To support the NATO/EU Bosnian policy, Germany's institutional mechanisms required an overhaul, thus involving the constitutional court, all political parties and electoral concerns (public opinion).

Hence, the decisionmaking procedures of both the ERM and EPC, in combination with domestic institutions and policies, can stifle leadership by individual member states in political and monetary affairs, even for a country as powerful as Germany. Although many excellent studies focus on institutional mechanisms at the EU level in analyzing Euro-policy,<sup>18</sup> the cases discussed below especially highlight how domestic processes played a key role in Germany's inability to exert its interests in a more forceful manner within the EU setting. Germany's decentralized federal system placed authority in the hands of its 16 Länder and the constitutional court during the ratification debate over Maastricht, placing demands on Kohl's political energies. This struggle took place as the monetary crisis broke out, while Germany's highly independent Bundesbank, legally autonomous and dominated by Länder officials, assumed day-to-day control over German monetary policy. During the Yugoslavia/Bosnia crisis, Germany's tradition of coalitional politics made Kohl more sensitive to the demands of his junior partner, the FDP, when trying to forge a new military role for Germany with regards to sanctions and peacekeeping. Also, the fact that the FDP held the foreign ministry, and the CDU the defense ministry, as usual in most post-war German governments, meant that Kohl's cabinet was often split over the idea of using force since the FDP and the CDU did not always see eye-to-eye on this issue. Finally, the German constitutional court and the SDP would also play a key role during Kohl's battle to make Germany live up to its EU and NATO commitments where force was concerned.<sup>19</sup>

In short, analyses of EU policymaking which focus only on summitry or European-level institutions, whether from a "supranational" or "intergovernmental" perspective,<sup>20</sup> provide an incomplete account of how integration develops and how leadership within the EU can take place. Member state influence at the EU level is a function of both the bargaining position of chief executives and the rules of policymaking in different issue-areas, but once control over policy shifts to the domestic level, other actors and institutions enjoy a more privileged position. These claims are presented in the following table. As the next two sections demonstrate, Germany, through its chief executive, was able to exert leadership during the Maastricht negotiations on EMU and the recognition of Croatia and Slovenia. After these decisions, German influence at the EU level waned during the EMS crisis and the Bosnian conflict thanks to domestic political structures and decisionmaking rules at the EU level in monetary and political affairs.

	Involvement of German actors	
	EU level	Domestic level
Treaties		
Negotiation		Chief executive
Ratification		Council of Ministers court, parliament

## Policymaking

Monetary	C of M (finance minister)	central bank
Foreign policy	C of M (foreign minister)	parties, court, public opinion

## The EMS/EMU case: From cooperation to crisis

There is little question that monetary politics is the one area of EU policy in which Germany reigns supreme.<sup>21</sup> The EMS was created in 1979 thanks to the initiative of German Chancellor Helmut Schmidt and French President Valéry Giscard d'Estaing, and the deutsche-mark soon became the anchor currency of the system. Germany's solid anti-inflationary record and highly independent Bundesbank inevitably placed the country at the center of all discussions concerning monetary affairs. This role was evident during the preliminary phases of negotiations on EMU prior to the Maastricht summit. During this period Kohl dominated the articulation of German priorities and his preferences repeatedly prevailed. Afterward, however, German monetary policy became dominated by the Bundesbank's more immediate goals, objectives which effectively inhibited the resolution of the crisis that soon arose in the EMS.

### The treaty-making phase

Although he was initially lukewarm to the idea of a European central bank advocated by French finance minister Edouard Balladur, Kohl soon stated that monetary union would be on the agenda for the EC summit he would host at Hanover in June 1988.<sup>22</sup> This summit produced a plan (the Delors Report) outlining a three-stage process for achieving EMU. Stage 1 was scheduled to begin in July 1990 with capital liberalization. Stage 2 would establish a European Monetary Institute (EMI), predecessor of a European System of Central Banks (ESCB). Stage 3, set to begin by 1999 and possibly as early as 1997, would irrevocably fix exchange rates and EU states would surrender monetary policy to the EMI/ESCB, with a single currency to follow soon after.<sup>23</sup>

It should be noted that Kohl's support for EMU was documented well before German unification was even on the horizon; to him it became a logical next step on the path to European union, a goal he had long championed. Further, the major terms of unification were primarily decided between Kohl and Gorbachev; Britain and France had little opportunity to bargain with Germany over the matter or to offer unification as a concession for German agreement on other terms.<sup>24</sup> Even so, Kohl's enthusiasm for the EMU project was also evident during the parallel talks on furthering European integration and unifying Germany. He reiterated his commitment to a unified Germany operating within the broader integration of Europe, stressing that "We wish to be German Europeans and European Germans." His November 1989 ten-point plan for unification had endorsed French President Mitterrand's call for EMU, and a few months later the two leaders jointly proposed accelerating the EMU process to keep pace with German unification.<sup>25</sup> In short, although Kohl may have used support for EMU to demonstrate Germany's commitment to European integration during the delicate talks on unification, EMU should not be seen as a simple quid pro quo to make a unified Germany more palatable to the West. EMU was a major part of Kohl's broader strategy of helping to create a more peaceful and stable Europe; he was not forced into it by his European partners.

Fortunately for the advocates of EMU, Kohl's privileged position during negotiations meant that Germany's interests reflected his preferences, and they helped move the discussions forward. If the Bundesbank had dominated Germany's interests at this point, agreement on EMU might not have been reached. In contrast to Kohl, Germany's central bank was highly skeptical of, if not opposed to, European monetary integration. During negotiations, Kohl often acted in blatant defiance of the Bundesbank and its president, Karl Otto Pöhl, who later resigned over this issue. Pöhl did not believe that a European central bank would be sufficiently committed to price stability; he also questioned whether it could be independent enough from European political pressures and whether national economies could converge enough to make a single monetary policy viable.<sup>26</sup> He felt that in monetary union, Germany would be "sacrificing a hard currency on the European altar without

knowing what we would be getting in return.” His own preferences on EMU included four indispensable preconditions:

- \* participation of all EC currencies in the ERM (the currencies of Greece, Portugal, Spain and the United Kingdom were at the time not part of the ERM)
- \* complete capital liberalization in all twelve EC countries
- \* unalterable commitment of the future European Central Bank (ECB) to price stability
- \* complete independence of the ECB from political influence

This list grew after German economic and monetary union in July 1990; Pöhl was firmly convinced that EMU could not take place until price levels and living standards had converged across the EC.<sup>27</sup>

But since EC rules regarding treaty-making empower chief executives, Pöhl's preferences could not prevail without the support of Kohl. Up to and during the Maastricht negotiations both the German government and Bundesbank officials represented the country, and Bundesbank officials attempted to assert their points during the negotiations.<sup>28</sup> But since the setting for these discussions was an intergovernmental conference (IGC) - required for any revision of the Treaty of Rome - only the German government had the ultimate authority to reach an agreement; thus Kohl could, and did, occasionally override Germany's powerful central bank.

This is not to say that the Bundesbank was ignored during the Maastricht negotiations; indeed, most of the EMU provisions - a clear mandate for price stability, independence from national and EC political influence, and a federal structure - reflected the Bundesbank model and had been present in the Delors Report all along. Capital controls would be lifted, and only countries whose currencies had been in the ERM and had remained in the narrow bands for two years could join the final stage of EMU. These provisions clearly adhered to Pöhl's preferences and to the general consensus within the EU on the widespread outline of the project.

But Kohl explicitly abandoned the Bundesbank's position on other points, which helped create space for compromise during the final phase of negotiations at Maastricht. There were three key compromises between Germany and the rest of the EU at this point. First, in talks prior to the IGC, Kohl did not press for strict economic prerequisites for moving to stage 2 and agreed to a fixed date for its commencement - against the explicit counsel of the Bundesbank. Second, the Bundesbank had always insisted on adherence to rigorous, quantitative criteria for deciding which countries qualified to move on to the final stage of EMU. Again, the German negotiators backed away from this position and agreed that not only the number but also the trends (on public deficits and debt) could be considered. Third, and most significant, at the Maastricht summit itself, Germany consented to something that had previously been anathema to Pöhl and the Bundesbank: a deadline for beginning stage three of monetary union, at which time the European Central Bank would begin to function. According to German officials, this was purely a personal decision by Kohl himself, and one that surprised the German delegation because it reversed the position to which they had adhered until that moment.<sup>29</sup>

In short, it is difficult to see how these compromises on EMU would have taken place had Pöhl been in charge of the German position rather than Kohl. Thanks to the EU's institutional rules governing the conduct of intergovernmental conferences and treaty-making, Kohl could override the Bundesbank and sustain the momentum for bargaining on the EMU provisions of the Treaty on European Union. Kohl's behavior during the December 1991 Maastricht negotiations shows that he saw the EMU project as a necessary complement to German unification - even though that event had taken place a year before. His preferences for tying a unified Germany to the integration of Europe were strongly asserted during this phase of monetary politics in Europe, and helped to sustain the negotiations on EMU.

#### The policy-making phase

However, although Kohl was able to dominate German monetary policymaking during the Maastricht negotiation phase, the Bundesbank quickly assumed the reins in the day-to-day management of this area by virtue of its institutional mandate. As a result, Germany's monetary interests came to reflect the more narrow goals of its central bank (protecting the value of German money) rather than the broader goals of its government (further monetary integration into EMU and domestic economic growth). This change in German monetary leadership from Kohl to the Bundesbank is demonstrated by the actions of Germany during the 1992-93 crisis in the European

Monetary System. The central issue was a divergence over credibility: the Bundesbank was concerned about the credibility of its commitment to the deutschemark while Kohl was concerned about the credibility of his commitment to Maastricht and further European integration. As I discuss in this section, these divergent concerns lay at the root of Germany's difficulties in converting its monetary policymaking dominance into EMS leadership.

Although the Bundesbank officially endorsed the plan for EMU, soon after Maastricht it publicly stated that it had serious reservations along the lines discussed above. In January 1992 it announced that it would issue a special declaration on EMU, arguing that more progress toward political union was a prerequisite for successful monetary union. A rigid timetable for EMU as agreed to a month earlier was especially harmful in the Bundesbank's opinion. Such sentiments would continue to issue from the bank in the months leading to the crucial Danish referendum.<sup>30</sup>

In addition to public declarations, the Bundesbank had other formidable resources at its disposal for controlling day-to-day German monetary policy. Its legendary adherence to rigid anti-inflationary discipline derives from both its legal mandate and a firm public aversion to inflation. The bank's independence is assured by legislation providing that it, not the government, is the final legal authority of German monetary policy, and the government is able to appoint only seven of the 16 members of the bank's governing board (the Bundesbank Council). Also, Council members serve a fixed term of eight years and the Bundesbank enjoys full budgetary autonomy. Finally, there are stringent limits on the Bundesbank's direct financing of the government, and it is strictly prohibited from financing government deficits.<sup>31</sup> The Bundesbank also enjoys the support of the German citizenry in combatting inflation as a result of Germany's experience with hyper-inflation during the 1920s. Germans today are unwilling to risk even the chance that the deutschemark will so drastically drop in value as happened after World War I.

These foundations conducive to anti-inflationary policies are further bolstered by the decentralized, federal structure of Germany, which enables the Bundesbank to oppose most demands for fiscal and monetary expansion. The Bundesbank Council is dominated by representatives of the Land central banks, who seek to ensure the independence of the bank from government influence. They are often dubbed the "Bundesbank's backwoodsmen" by critics for their anti-inflationary, domestic-oriented stance as compared to the bank's internationally-minded directors in Frankfurt.<sup>32</sup> The Bundesbank thus enjoys a remarkable amount of autonomy in setting German interest rates, probably more than any other central bank in the world. This discipline and the size of Germany's economy helped the deutschemark assume the de facto position of "anchor" of the EMS. With the German currency playing this role, and with the Bundesbank pledged to defend it, the bank is highly sensitive to the credibility of its commitment to fighting inflation. If the Bundesbank appears that it can be influenced by outsiders in setting German monetary policy, its hard-earned credibility will be lost. When Germany is threatened by inflation, therefore, the bank will go out of its way to demonstrate that it can resist calls for a loosening of monetary policy, no matter what the circumstances.<sup>33</sup> With this attitude on the part of the Bundesbank, the stage was set for a battle of wills between it and Kohl over the direction of German monetary policy after the negotiation of Maastricht. This tension escalated into a dispute between Germany and the rest of the EU thanks to the deutschemark's role as anchor currency of the EMS.

The high costs of German unification, which far exceeded the expectations of German policymakers, created the pronounced inflationary pressures in Germany which precipitated the crisis. In fact, German inflation had been on the rise even before the Berlin Wall fell in November 1989. Inflation rose from 0.2 percent in 1987, to 1.3 percent in 1989, and to 2.8 percent in 1989. During this period interest rates were raised six times by the Bundesbank, creating an even higher base level which the costs of unification would have to build upon.<sup>34</sup> These costs skyrocketed after Kohl agreed to a one-to-one exchange of East German ostmarks for deutschemarks on wages, some household savings, and pensions. This highly favorable rate was a successful effort to purchase the affections of East Germans in anticipation of elections in March and December of 1990,<sup>35</sup> but it came at the expense of German price stability and aroused the consternation of the Bundesbank.

Following German unification and the negotiation of Maastricht, inflation began to creep ever higher, from 2.7 percent in 1990, to 3.5 percent in 1991, and then to 4.1 percent in the first three quarters of 1992. The Bundesbank responded by raising interest rates four more times between 1990 and 1992.<sup>36</sup> By the time of the Danish referendum in June 1992, the discount rate - which established the interest rate floor for the entire Community - was 8.0 percent, and tensions appeared between Kohl

and the Bundesbank and between Germany and the rest of Europe. Immediately following the Danish referendum in June, the deutschemark began to rise in value, leading to fears that the Bundesbank would respond by raising rates once again to safeguard its credibility.<sup>37</sup> However, where the bank would be empowered in the coming months by its institutional role in maintaining the credibility of German monetary policy, Kohl would be constrained by domestic political problems and would eventually be forced to defer to the central bank.

The Danish rejection of Maastricht stimulated national debates about the future of Euro-pean integration, and Kohl was forced to defend the treaty's goals in the face of an increasingly skeptical electorate, recessions throughout Europe, high German interest rates, and a Bundesbank on the watch against inflation. German public opinion, never strong on the idea of a single Euro-pean currency, began to erode even further on the issue after June. Immediately after the Danish referendum, 72 percent of Germans were opposed to abolishing the deutschemark, and only 22 percent were in favor of a single currency. Nearly 75 percent said they wanted a German referendum on the treaty after France announced on June 3 that it would hold a referendum on September 20, and 52 percent said they would still vote against Maastricht, even after the Irish approved the treaty on June 18.<sup>38</sup>

Opposition to the EMU project also came from German employers and trade union leaders, who united in a rare coalition to express their doubts about EMU at the Lisbon summit in June. At the same time, Germany's industrial federation, the Bundesverband der Deutschen Industrie (BDI), traditionally a strong supporter of EMU, abruptly turned against it, announcing Europe was not economically "mature" enough for monetary union; it should be "the last stone, and not the first, in the edifice of integration." Following the September 1992 EMS crisis, only 40 percent of German enterprises were in favor of a single European currency, compared with 60 percent in 1989, and 80 percent felt that Maastricht needed improvement. Calls for a referendum on the divisive issue went unheeded by the German government (and referendums are not provided for in the German constitution), which instead elected to use public declarations to reassure Germans and to foster support for the EMU project.<sup>39</sup>

In addition to the public fears about sacrificing the deutschemark for an untried Euro-currency, Kohl's hand against the Bundesbank was also weakened in the effort to ratify the Maastricht treaty in a wary German parliament, where both houses had to approve it. The Bundesrat has been described as "one of the most powerful upper chambers in the world"<sup>40</sup> since it is composed of representatives of Länder executives (usually ministers in the member state cabinets), and it used this influence along with the Bundestag to make ratification a long and difficult struggle for Kohl during the period of the EMS crises.

Potential ratification difficulties first surfaced when the German parliament announced in February 1992 that it planned to demand the right to "take stock" of EMU again in 1996 to ensure that the economic convergence criteria agreed to at Maastricht were equally enforced throughout the EC before proceeding to a single European currency. Both the opposition Social Democrats (SPD), whose approval was necessary to secure ratification, and the Bundesbank challenged the ratification of Maastricht. The SPD, which held power in 10 of the 16 Länder and thus controlled the Bundesrat, wanted a full parliamentary debate on the issue, and Otmar Issing, a top board member of the Bundesbank Council, expressed fears that the treaty might not be able to ensure monetary and price stability: "This aspect, and the question between monetary union and political union, should be dealt with more thoroughly at a later date." He implied, like the SPD, that renegotiation of the treaty might be needed. Issing also warned that it seemed "almost impossible" for Italy, Greece, Ireland, and Belgium to comply with the rules on state debt and public sector deficits necessary to join EMU "in the foreseeable future."<sup>41</sup>

A more serious challenge to ratification came when the prime ministers of Germany's 16 Länder demanded a veto on all future transfers of national powers to multinational institutions as their price for the ratification of Maastricht. This action was a consequence of Germany's highly decentralized federal structure, a trait which would effectively inhibit Kohl's ability to respond to German reservations over Maastricht and the upcoming crisis in the EMS. As one diplomatic critic put it, "This is what happens when the implications of federal logic are pushed to the extreme."<sup>42</sup> Also, Kohl would have to contend with the SPD's demand for constitutional amendments to accompany Maastricht ratification, changes which included a precise definition of future European union, federalism, the rule of law, and the German concept of a "social state." Finally, the SPD also wanted both houses of parliament to be given the right to "evaluate and approve" the final provisions of EMU. Given these concerns, Kohl and the parliament were at a virtual impasse over treaty ratification during

the summer of 1992, and Kohl was finding it increasingly difficult to muster support for the treaty in and out of his government.<sup>43</sup>

A potential compromise was finally reached at the end of June 1992: a new clause in the German constitution would give the 16 Länder an effective veto (by two-thirds vote) of any future transfer of sovereignty to another institution, but this deal did not receive official acceptance by the German government until October 1992.<sup>44</sup> In the meantime, the German leadership was fully aware how much its reputation had been staked on the Maastricht treaty, particularly when the French gave their *petit oui* to the treaty on September 20. Said one senior German government official two weeks before the crucial French vote: "If Mitterrand wins, then Kohl wins - and the opposite is also true. The chancellor has invested a lot of credibility in Maastricht. We were worried, but now less so. We assume the outcome will be positive."<sup>45</sup> The ratification battle in parliament did not end until December 1992, when both houses, having secured their concessions, voted overwhelmingly for Maastricht. However, during the period leading up to the final August 1993 crisis, the government still had to contend with the federal constitutional court to determine the legality of the treaty on which Kohl had staked his reputation.<sup>46</sup> Given the different priorities between Kohl and the Bundesbank, low public support, and the actions of the SPD, it is no surprise that German leadership was hindered by domestic politics during the crisis.

However, German leadership, whether by the Bundesbank or Bonn, was constrained in another way as well: by the decisionmaking rules of the European Community. As noted, with tensions mounting in the EMS during 1991-92 from inflation rate differentials in member countries, an ERM realignment - a combination of a deutschemark revaluation and a devaluation of the weaker currencies - at any point prior to September 1992 would probably have prevented the crisis. The Bundesbank had tried to bring a realignment about as early as spring 1990 as a prelude to German monetary union,<sup>47</sup> and German monetary officials again floated suggestions of the need for a realignment in 1991,<sup>48</sup> but these were not followed on. The bank also suggested the need for an adjustment of parities at various times during the 1992-1993 crises<sup>49</sup> and was rebuffed by other EMS members. According to EMS rules, realignments require the consent of all EMS members and there was substantial disagreement over which member(s) should bear the costs of reducing EMS tensions. For largely domestic political reasons, several of Germany's partner states - primarily Britain, France, and Italy - rejected the idea of a realignment.<sup>50</sup> Thus, despite the pressures, the EC Monetary Committee officially ruled out a realignment of the EMS at the end of August, stating that it would not be "an appropriate response" to the tensions in European foreign exchange markets. The governments of Britain, France and Germany welcomed the statement and pledged their commitment to intervene in markets if necessary.<sup>51</sup>

Following the announcement on June 3 of the French referendum, countries in and out of the EMS began to come under heavy speculative assault in anticipation of a French non and talk of a readjustment of parities became widespread in European financial centers. Since the EMS members were staunchly opposed to any readjustment of parities or to abandonment of the currency grid as they felt either move would jeopardize the Maastricht project, the only alternative was defense of the existing parities via interest rates, and here the Bundesbank called all the shots. EMS members hoped that Germany would not raise interest rates as the crisis heated up,<sup>52</sup> but the Bundesbank was now in an even more powerful position since member countries had committed themselves to maintaining the EMS at all costs. With the deutschemark as the anchor currency of the EMS, the Bundesbank alone could set interest rates on the basis of its own domestic (as opposed to exchange-rate) criteria.

Thus, since realignment was explicitly rejected by the individual EMS members and by the EC monetary committee, the Bundesbank could concentrate on price stability at home, confident that the other EMS countries would have to follow. The Bundesbank's control of the German money supply would continue to direct the fortunes of the EMS. At a key meeting in July 1992 the Bundesbank decided to maintain M3 growth targets, set in December 1991, of between 3.5 and 5.5 percent in determining its interest rates. Since June 1992 M3 growth had been 8.7 percent (annualized), and since the Bundesbank correctly insisted that its sole mandate was to protect price stability for Germany, it became clear that the EMS was in for a rough year despite the fact that many member countries had moderate inflation, slow economies, and rising unemployment.<sup>53</sup> Instead of coordinated realignments, changes would be chaotic and ad hoc during 1992-93, an outcome which all members probably would have preferred to avoid.

The German government kept up the pressure for the Bundesbank not to raise German interest rates any higher to reduce EMS tensions and help foster economic growth in the East, but the

Bundesbank was not deterred. Defying market speculation and government pressure, it attempted to rein in M3 growth by raising the discount rate to 8.75 percent on July 16, its highest level since 1931. Bundesbank president Helmut Schlesinger said his goal was to bring inflation down to 2 percent in the medium term.<sup>54</sup> Kohl and finance minister Theo Waigel had personally advised against this rate hike,<sup>55</sup> but the German government could only complain about the possible effect this would have for the economy and the EMS. Two weeks later, Lothar Müller of the Bundesbank Council defended the rate hike as a necessary response to the fact that Bonn had not acted strongly enough to bolster the German currency.<sup>56</sup> This was a clear indication that the Bundesbank's priorities were not in sync with those of Germany's government, a situation to which neither the government nor the Bundesbank would usually care to admit. Indeed, when the Bundesbank agreed to a small rate cut as the price for the September 13 lira devaluation, Kohl and Waigel tried to emphasize that the devaluation deal was not influenced by the government, although Waigel admitted that Kohl had made a secret visit to the bank to discuss the move.<sup>57</sup>

This pattern of Bonn pressure and Bundesbank intransigence would continue throughout the crisis of 1992-93, and virtually all relevant interests in Germany took turns at bashing the German central bank at various times to get it to trim interest rates. German bankers, engineers, economists, labor leaders, retailers, and industrialists said the bank's tight monetary policies would delay the German economic recovery,<sup>58</sup> while the German Institute for Economic Research (DIW), among others, accused the Bundesbank of pursuing a "misguided and self-defeating monetary policy."<sup>59</sup> Franz Steinkuhler, head of Germany's powerful IG Metall trade union, said the Bundesbank "sets itself apart from the democratic exchanges over economic policy aims with its extreme and one-sided focus on price stability. . . All too often a blow aimed at money supply ends up hitting companies' solvency and their abilities to invest."<sup>60</sup>

As the crisis wore on, government officials became much more forthright in their criticism of the Bundesbank, but to little avail. In January 1993, Horst Kohler, the finance ministry state secretary, said the central bank should take into consideration slow economic growth and rising unemployment around the world at their council meetings. Schlesinger again rejected this view, saying that "Monetary policy should not be turned into a pacemaker for efforts to kickstart economic activity."<sup>61</sup> Some critics called for reforming the way the bank gauges monetary growth as the Bundesbank continued to reject calls for interest rate cuts on the basis of this growth, although it did increase its monetary targets for 1993 to 4.5-5.6 percent in December 1992.<sup>62</sup>

These domestic pressures for Germany to ease monetary policy, however, were nothing compared to the heated recriminations between the Bundesbank and other countries. German officials had suggested a realignment at the crucial Bath ECOFIN meeting on September 4-5, but this meeting proved a disaster; it served only as a forum for Britain and France to pressure Germany into cutting interest rates. As Dutch prime minister Ruud Lubbers observed later, it would go down as a "black page in the book of 1992." He said realignment "was not possible, because England had its pride and France said that it couldn't be done because it was facing a difficult referendum and they couldn't discuss it; and the English said then that the Bundesbank should do something first, and so the discussion went."<sup>63</sup> Danish economy minister Anders Fogh Rasmussen said that "Eleven countries have put colossal pressure on the Germans to lower rates, far more than I've ever experienced." British Chancellor Norman Lamont claimed that the bank had pledged not to raise rates further, but Schlesinger denied that he had made any such promise, arguing that he had no room to cut rates due to continuing inflationary pressures in Germany.<sup>64</sup>

The Bundesbank attempted another realignment with Britain and France one week later, but French treasury director Jean-Claude Trichet neglected to call a meeting to consider the issue while Britain and France again urged Germany to cut interest rates unilaterally to ease EMS pressures.<sup>65</sup> The weekend before Black Wednesday (September 16), the Bundesbank again tried to include other countries in its deal with Italy to cut interest rates in exchange for a devaluation, but other EMS members were adamantly opposed. After Black Wednesday, other EMS countries (and German commentators) were content to criticize the Bundesbank for harming Europe's economy and to attack Schlesinger for publicly suggesting the possibility of a realignment. Those remarks, critics asserted, are said to have triggered the massive speculative attacks against the British pound which forced its exit from the EMS. Schlesinger denied the comments, but the markets had already reacted.<sup>66</sup> In short, despite the Bundesbank's presumed dominance of European monetary politics, the institutional rules of

the EMS prevented anything more than suggestions or hints on the part of Germany for a much-needed realignment of parities.

Lacking the institutional authority at the EU level to engineer a coordinated adjustment of parities in return for an easing of monetary policy, the Bundesbank relied on its own domestic mandate to set German interest rates. This is not to say that the bank completely ignored the worsening economic circumstances in Europe during the crisis period. With its relaxed M3 targets for 1993 the bank was able to make a series of interest rate cuts during the first half of the year.<sup>67</sup> But when pressured to do so, the Bundesbank reacted harshly even when Germany's economic "fundamentals" (lower rates of growth for inflation, wages, and money supply) made it seem a cut might be justified. For example, France (among others) tried again several times in 1993 to pressure the Bundesbank to cut rates for the benefit of Europe, but the bank would only cut rates when such pressure was absent in an effort to demonstrate its independence. The French seemed to have difficulty learning this lesson, as revealed by French finance minister Edmond Alphandery's invitation to German officials to Paris for "talks on rate cuts" in June 1993. The bank's response was decidedly negative, and the effort may have contributed to the bank's failure to cut discount rates the following month, which precipitated the final EMS crisis.<sup>68</sup>

As following the Bundesbank became burdensome for the other ERM members, some began to suggest that the French franc act alongside the deutschemark to create a "dual anchor" system, or even to replace the deutschemark as the sole anchor of the EMS. The French economy enjoyed lower rates of inflation than Germany during 1991-92, a balance of payments surplus, and a budget deficit less than half of Germany's.<sup>69</sup> France also took steps in 1993 to bring about the independence of the Bank of France, which was required by the Maastricht treaty but also necessary if the franc were to enjoy sufficient credibility to serve as an ERM anchor. In other words, France was altering domestic institutions in part to position itself to lead the ERM, affirming the argument that domestic structures are an important factor in enabling a country to influence the EU.<sup>70</sup> The French franc also gained strength for a time after the March 1993 French parliamentary elections, prompting a series of interest rate cuts and further speculation that the franc could serve as anchor of the EMS.<sup>71</sup>

With the franc rising, the deutschemark's fortunes declined somewhat after a second Danish referendum approved Maastricht on May 18, 1993. This event spurred trading in currencies outside the deutschemark bloc, while Germany continued to suffer from high unemployment and interest rates coupled with budgetary difficulties. The deutschemark might have been overvalued by as much as 20 percent during mid-1993 after the series of devaluations during 1992-93, and the French franc was appearing more to be a joint anchor of the EMS.<sup>72</sup> Other EMS members - the Netherlands, Portugal, Belgium - also began decoupling their monetary policies from Germany's and lowering their interest rates unilaterally in mid-1993. After short-term French rates fell below Germany's for the first time in 26 years on June 22, 1993, in another series of coordinated rate cuts with the Netherlands and Belgium, more calls were heard (from the Bank of France, Delors, and others) for France to attempt to assume greater co-anchorship of the EMS in an effort to erode German dominance.<sup>73</sup>

Both Waigel and Bundesbank vice-president Hans Tietmeyer defended the deutschemark's role as anchor in late June 1993,<sup>74</sup> but this ultimately proved unnecessary as events would soon show how resilient the German currency actually was, especially when compared to the quickly- weakening French franc.<sup>75</sup> After much pressure from the Bundesbank, Germany's ruling coalition finally agreed to a package of budget cuts worth DM25bn by the end of June (this was reduced to DM21bn in mid-July), prompting a short series of final rate cuts before the last crisis and a resurgence of the deutschemark at the expense of the franc.<sup>76</sup> However, during this entire series of crises the Bundesbank had become increasingly aware of the inflationary effects of mandatory interventions in support of other currencies, and the bank apparently reached its limit by August 1993. The Bundesbank had discussed this problem privately after the September 1992 lira devaluation, and Schlesinger had alluded to this problem in public comments over the previous months. In June 1993 he criticized EMS reform attempts when the proposals suggested that Germany should agree to increased intramarginal mandatory intervention to defend exchange rates.<sup>77</sup>

In view of the Bundesbank's awareness of this problem, the actions it took towards the end of the crisis in July 1993 reveal the quandary it faced during this period. To protect its credibility, the bank resisted pressures to cut interest rates further, which prompted the usual speculative attacks on the French franc and other weak EMS currencies. But, since rate hikes in weak currency countries were ruled out due to economic stagnation, the bank was forced by ERM rules into massive interventions on

foreign exchange markets to support those weak currencies, spending as much as 20-25 billion deutschemarks in late July 1993 alone. These currency sales only contributed more to inflationary pressures in Germany, prompting further German monetary tightening, which started the process all over again. As Schlesinger had noted in the September 1992 crisis, the Bundesbank was caught in a "foreign exchange trap" from which there were few exit options.<sup>78</sup> Only after the ERM bands were widened in August 1993 at the end of the crisis could the bank announce with relief that "Owing to the greater flexibility in the operation of (EMS) rules, potential tensions have been lessened at the same time, and thus a major contribution has been made to containing intervention volumes."<sup>79</sup> In the final negotiations of the crisis, with France and Germany in intense confrontation, the Bundesbank adamantly opposed both a unilateral rate cut and the withdrawal of the deutschemark from the EMS.<sup>80</sup>

In sum, Kohl's personal dominance of German monetary goals during treaty negotiations ended once the treaty had been signed and domestic institutional structures shifted power elsewhere: to the Bundesbank and the parliament. The bank controlled monetary policy and maintained high interest rates in the face of demands, from within Germany and especially from other EC states, to relax them. The parliament controlled the ratification procedure and kept the pressure on Kohl. To be sure, Kohl and the Bundesbank were defending two potent symbols of German interests: the Maastricht treaty, which Kohl had negotiated to tie Germany to Europe, and the deutschemark, which the Bundesbank was legally committed to defend. However, because of the bank's firmly institutionalized independence, it was immune to external pressures, and refused to relieve the ERM crisis by means of lower interest rates.

The demands of the ratification process further constrained the government; it could hardly pressure the Bundesbank because its political energies were being absorbed by Maastricht ratification in a setting of widespread public skepticism. Finally, the decisionmaking rules of the EC prevented the Bundesbank or Bonn from acting to prevent what all EMS members probably would have preferred to avoid: a year-long series of ad hoc realignments. A preemptive realignment could have eased the pressures in Europe's foreign exchange markets, but such a move requires unanimity among ERM members. Since the EMS was serving as a surrogate for future EMU, and since members needed to foster public support for further monetary integration, the EMS was hardened into a fixed exchange rate regime at the very moment when it most required flexibility. Thus for several states, and for many reasons, a change in parities was out of the question. As this section has shown, German domestic politics and the constraints of ERM rules were at the heart of Germany's difficulty in translating its EMS dominance into leadership during a period of dire need.

#### The Yugoslavia/Bosnia case: From German pressure to paralysis

Economic and monetary union was not the only policy area influenced by German leadership during the negotiations at the Maastricht summit in December 1991. The Germans pursued another course of action which, critics argue, fostered one of the most tragic events of our times: the wars in the former Yugoslavia. Germany's unilateral recognition of Croatia and Slovenia on December 23 - three weeks before its EU partners took the same step, and before mechanisms were in place to protect ethnic minorities in these states - was said to have precipitated the terrible violence in these regions that continues to this day.<sup>81</sup> As I discuss in this section, Germany was able to assert itself during the recognition phase, but afterward domestic debates, historical images, and EU rules have prevented the Germans from playing a stronger role in confronting the problems generated by Yugoslavia's disintegration.

#### The recognition phase

While Kohl had been merely influential during the EMU negotiations, in the case of Slovenia and Croatia the Germans were far and away the chief instigators of EC policy during the recognition phase. Their influence was not evident at the beginning, for in the early stages of the crisis Germany more or less agreed with its EC partners that Yugoslavia should be kept whole. During the entire first year of the crisis - beginning in April 1990 when newly-elected Croatian president Franjo Tudjman refused to grant minority rights to the 600,000 Serbs residing in his republic - both Germany and the EC essentially had adopted a "wait and see" attitude. With world attention focused on Iraq's invasion of

Kuwait a few months later, it was not until early 1991 when Europe began to seriously consider what to do about Yugoslavia. Toward the end of keeping the country together, the EC suggested a possible association with Yugoslavia in April; in June a five-year, 807 million-ECU loan was offered as a further incentive. As noted, Kohl supported Europe's policy at first; his CDU/CSU coalition had even suggested a month earlier that the EC act as a mediator in the conflict.<sup>82</sup>

These early efforts, of course, did not prevent war from breaking out between Croatia and Serbia after Croatia and Slovenia declared independence on June 25, 1991. As an effort to stem the violence and gain some breathing room for negotiations, the Brioni Accord was agreed to on June 28: Croatia and Slovenia would suspend independence for three months in exchange for a withdrawal of Yugoslavian (i.e., Serbian) troops. But divisions had appeared in the EC since the claims of independence: while the EC was considering some form of confederation to keep Yugoslavia whole, the CDU and the SPD both called for self-determination of the former Yugoslav republics. On July 1 Kohl threatened to cut off German aid to Yugoslavia if it sent the Yugoslavian National Army (JNA) back into Croatia, and he began to suggest that self-determination for the two breakaway republics might be in order. Kohl also had a confederation in mind at this point, but he added that "If that doesn't work, then we'll have to think again." His future defense minister, Volker Rühle, explicitly urged that Germany and the EC formally recognize independence. By July 9 the FDP had joined as well; a general consensus in support of recognition became evident throughout Germany's political elite, and the country was now in a position to exert stronger demands for the EC's recognition of Slovenia and Croatia.<sup>83</sup> These efforts took place incrementally, as Kohl and German foreign minister Hans-Dietrich Genscher sought to build their case over the next few months that the democratic rights of Slovenians and Croatians were being violated, that the Serbs were the chief antagonists in the conflict, and that by withholding recognition the EC was merely delaying the inevitable and prolonging the war.

Germany's diplomatic moves along these lines began when Genscher argued in a EC foreign ministers meeting on July 5 that recognition should be the EC's policy, a suggestion which was refused by others. A month later Genscher tried to arrange permission for Slovenian and Croatian representatives to attend a meeting with the EC over the issue at the Hague. He also argued for the imposition of sanctions on Serbia, but was again refused on both points. Two major conferences held at the Hague in September further exposed disagreements over the use of force in the region in the absence of a definite cease-fire among the warring parties. Although EC aid to the former Yugoslavia was frozen, Germany also began to publicly consider the imposition of unilateral sanctions against Yugoslavia in defiance of the EC - a serious threat considering that Germany was its main trading partner.<sup>84</sup>

Germany's position received a boost after the EC recognized the independent Soviet republics. But the EC still argued that recognition would only add fuel to the fire in Croatia. Although the Germans strongly disagreed thanks to the rash of broken cease fires (13 by the end of September), and argued for the recognition of Croatia even without protection of Serbs there, they still acted within the confines of EC mechanisms and discussions regarding political cooperation throughout the fall of 1991. It was felt that German economic clout, the chief diplomatic weapon at this point, would be more influential toward pressuring the Serbs in the EC rather than in a broader international framework. After Serbia and Montenegro expelled the other four republics from the Yugoslavian government on October 1, Germany's view of the situation prevailed a few days later when the EC foreign ministers agreed at last to allow two final months of negotiations. Recognition would be granted on December 10 if peace efforts failed. The EC also imposed sanctions on all of Yugoslavia in November while the Bundestag officially declared that the Serbs were the aggressors in the conflict. This act precipitated the EC's own admission that the Serbs were to blame for the war.<sup>85</sup>

By December the EC had lifted sanctions except for the rump Yugoslavia, Serbia and Montenegro. Kohl, still under the impression that EC recognition would proceed this month, told Tudjman that he wanted to recognize Croatia along with as many EC states as possible before Christmas. Sweden, Italy, Austria, and Hungary were also likely to follow the German decision. But France, Britain and the U.S. still argued for recognition only as part of a larger peace settlement. However, Kohl decided that German recognition would take place even without the support of the EC. Most world attention at this point was focused on the broader Maastricht negotiations, and Genscher claims he did not push the

matter here, but he did argue against the UN and managed to line up Italy, Belgium, Denmark, and possibly the Netherlands (and some non-EC states as well) in support of recognition by this time.<sup>86</sup>

In mid-December Germany agreed to a compromise: EC recognition would take place on January 15, 1992, provided certain human rights conditions were fulfilled. Unfortunately this meeting did not specify what would happen if conditions were not met. Both Croatia and Germany claimed the Croats met the conditions for recognition, but this was questionable. Since the chief obstacles in the EC against recognition were Britain and France, Kohl offered Major his support on the Maastricht treaty if Britain would support Germany's policy on Croatia. Once Britain was on board, France fell in line.<sup>87</sup>

In any event, the EC resolution agreed to on December 16 specified that December 23 was the first day on which a member country could declare that Croatia or Slovenia had met the conditions for recognition, while formal EC recognition would take place on January 15 after any last-ditch efforts at mediation. The Germans took this route, and with their belief that Croatia would fulfill human rights requirements they felt justified in pulling ahead of the EC and recognizing Croatia and Slovenia on December 23, 1991, a move widely expected given the compromise a week earlier. Germany would open official diplomatic relations on January 15 with the rest of the EC. On January 10, the Germans pledged to continue this course of action and open embassies in the new republics even if Slovenia and Croatia did not fully meet the conditions set for recognition by the EC. The EC apparently adopted the German attitude regarding Croatia's potential commitment to meeting human rights conditions when it recognized the independent states on January 15. This position shift was certainly aided when the JNA shot down and killed five members of an EC monitoring mission on January 8, 1992.<sup>88</sup> As it happened, these conditions were basically ignored as the EC's response to the Yugoslavian situation moved to a new phase: attempts at intervention and peacekeeping. Here the Germans plainly found themselves in a subordinate role in the drama, especially after the Bosnian Muslims and Croats formally declared independence in March 1992 and war broke out there soon after.

#### The intervention phase

After recognition changed the Balkan conflict from a civil war into an international one, the concerned parties were forced to turn more toward sanctions and peacekeeping to halt the destruction. At this stage Germany largely - and quite unwillingly - found itself in a minor role in international efforts to impose sanctions and provide peacekeeping forces. Yet, unlike the EMS case, Kohl did not have to compete with a strong domestic institution like the Bundesbank for control of German policy during either the recognition phase or the intervention phase. Instead, his government was constrained first, by formal German constitutional provisions regarding the use of military force abroad, and second, by the informal institutional prohibition - memories of the Nazi occupation of the Balkans - against using German forces in the former Yugoslavia. The first constraint was partially overcome after a protracted political struggle within Germany, but the second one still exerts considerable influence, as one might expect.

The awareness of German officials that their country might have profound difficulties in meeting international commitments calling for military forces was evident months before the Bosnian war broke out. After the Germans had been criticized for their limited role in the Persian Gulf War, Kohl promised in February 1991 to push the SPD into accepting a constitutional change permitting such participation in international missions. Kohl's then-defense minister, Gerhard Stoltenberg, even suggested the idea of a German rapid deployment force for responding to future crises.<sup>89</sup> But the Social Democrats' wariness of German military involvement abroad indicated that Kohl would have a tough battle trying to muster the two-thirds majority in the German parliament necessary for such a change. The FDP as well was concerned about the legality of such German military operations. As events soon would prove after the Bosnian war began to escalate a year later, the German government had to overcome considerable domestic opposition, primarily among political elites, in order to implement these revolutionary reforms. Germany's main political parties had been united over the recognition of the former Yugoslav republics, but during this phase they were split over the idea of a new military role for Germany.

In particular, differences over interpreting article 24 (permitting participation in collective security), article 26 (denouncing aggressive war as unconstitutional), and article 87a (stating German armed forces are for defensive purposes only) of Germany's Basic Law had to be addressed. Strict interpretation of article 87a meant that it had typically taken priority over article 24 in German defense

policy, creating an informal institutional prohibition among Germany's citizens and parties against foreign peacekeeping operations; this position clearly would have to be rectified if Germany was to become more involved in the Bosnian situation.

After article 87a was added to the Basic Law in the 1950s to accommodate German rearmament, the major political parties in Germany eventually accepted the position that article 87a permitted their country's participation in NATO, but for different reasons. These differences conflicted over the so-called "out of area" problem: military intervention in non-NATO states. The CDU/CSU felt NATO was a collective security body, and that German participation in military actions taken under UN, WEU, or NATO auspices - out of area or not - were not in conflict with the Basic Law. Only a "supplemental clarification" of the Basic Law was necessary in their view to permit the Bundeswehr to participate in UN or EC military missions. The SPD and FDP tended to oppose this idea, viewing NATO as a system of collective defense, thus favoring the strict view of article 87a. This limited the Bundeswehr to the defense of NATO members as far as the FDP and SDP were concerned, unless a constitutional change took place.<sup>90</sup> Stung by the criticism of Germany by its allies during the Gulf War, Kohl was determined to formulate, at a minimum, a legal interpretation, and at a maximum, a constitutional change, which would permit Germany to better meet its allied obligations where armed force was concerned.

The chancellor's initial efforts towards these ends were thwarted in June 1991 when the SPD voted to prevent German forces from serving abroad, except as part of UN peacekeeping forces. An overwhelming majority of Social Democrats said German forces could only be sent outside the NATO area to oversee a UN truce, as UN observers, or as part of peacekeeping operations with mixed civilian and military participation. Volker Rühe, executive chancellor of the CDU and future defense minister, criticized the SPD for its position, saying that "under cover of their love for peace, the Social Democrats have irresponsibly isolated themselves not only in Europe, but in the entire world." The decision was also condemned by the FDP, whose chairman said the SPD was incapable of bearing responsibility within Europe and NATO, and thus also "incapable of governing" Germany.<sup>91</sup> At this point, then, when Germany's specific obligations regarding a possible military mission in the Balkans were unclear, the FDP tended to side with Kohl on the issue despite its reservations.

Kohl's government continued its lobbying for a greater German military role after the Croatian/Slovenian/Bosnian recognition saga had been completed. But here he had to overcome domestic opposition, divisions in his own coalition, and historical concerns. The new German foreign minister, Klaus Kinkel (Genscher retired in May 1992 after 18 years in the position), announced at a meeting of the Western European Union (WEU) assembly in early June 1992 that the use of military means - by NATO or a new Franco-German "Eurocorps" under WEU auspices - to enforce the Balkan embargo must not be ruled out, but should only be a last recourse. He then added that German participation in a possible military intervention should be avoided at all costs due to "historical reasons" (i.e., the Nazi occupation of Yugoslavia during World War II).<sup>92</sup> During this same month, polls revealed that 42 percent of Germans thought their country could do without armed forces, while 11 percent were undecided on the issue. With a military force composed entirely of draftees, the option of alternative service - a guaranteed right under the German constitution - was growing more attractive to an increasing number of young Germans and inhibited Germany's efforts to construct a new military role for itself.<sup>93</sup>

Two weeks after the WEU assembly meeting, where all nine members of the organization agreed in principle to undertake military operations on behalf of the UN, Germany repeated that it could not take place in operations outside of NATO soil thanks to its 1949 constitution, although it hoped it would be able to amend it in the near future.<sup>94</sup> Until then, Germany could participate only in the Standing Naval Force-Mediterranean under joint WEU/NATO command by sending one destroyer and three reconnaissance planes to help monitor the Balkan embargo. Kinkel argued that this mission was compatible with Germany's constitution because its forces would remain inside NATO territory (in the Adriatic) and would not enter either the territorial waters or the air space of the former Yugoslav republic. NATO reiterated that these forces could only monitor the embargo; they would not have authority to stop any vessels at this point. Radio contacts, not physical encounters, would be used to determine cargo and destinations.<sup>95</sup>

Even with these limitations, however, the German deployment provoked serious criticisms by the SPD. In the view of the opposition, the action was the most serious and questionable "test case" yet for determining a new German military role; they felt Germany was rapidly headed down a slippery

slope to other foreign adventures since German participation in humanitarian operations was taking place in Cambodia and now being considered for Somalia and Bosnia. SPD parliamentary leader Hans-Ulrich Klose said his party "will not permit a sneaking movement toward combat missions by the German military around the world." Another SPD legislator argued that German troops could deliver aid to Sarajevo, but the Adriatic naval patrol "has nothing to do with humanitarian aid. This naval action is not about the people (of Bosnia). . . but about the government using the Yugoslav crisis to try to broaden the (German military's) deployment area - in violation of the constitution." German public opinion was also divided on the issue: a majority opposed participation in efforts to enforce a ceasefire in Yugoslavia or in any military missions outside NATO territory, but the same number were willing to permit their country's participation in UN peacekeeping forces, particularly when the delivery of humanitarian aid was involved.<sup>96</sup>

To halt the German deployment, the SPD first forced a special emergency session of parliament to decide the issue on July 22. SPD leader Klose again pushed his position that the German military is a "defensive army and not an intervention army." But the German assembly clearly supported the deployment, leading the SPD, as in the debate over EMU and Maastricht, to issue a legal challenge to it before the German Constitutional Court. Although the SPD was not against German participation in all peacekeeping missions, it believed that legal issues concerning these matters needed to be clarified to avoid violating Germany's fundamental law, a sentiment also felt by the head of the CDU parliamentary group, Wolfgang Schaube.<sup>97</sup> These constitutional questions would not be resolved - and then only temporarily - for nearly a year.

After the embargo on Serbia and Montenegro was tightened into a combined NATO/WEU naval blockade in November 1992, German defense minister Volker R  he (who replaced Stoltenberg in March 1992) also stressed that his country's constitution did not prohibit participation since the limited German forces in the Adriatic were acting only in a support role and would not engage in hostilities. Kinkel joined in him in arguing before the press that Germany would not take part in "stop and search" operations in order to stay within Germany's legal provisions.<sup>98</sup> Since other WEU members did not take issue with Germany's participation in the operations, and later encouraged Germany to contribute, it is likely that their remarks were directed more toward their fellow Germans than to assuage Germany's allies.

Indeed, through the fall of 1992 government officials continued their domestic lobbying for greater German participation in peacekeeping operations. A few breakthroughs were achieved as the violence escalated, reports of atrocities filtered out, and the besieged region set in for another bleak winter. In mid-November the SPD finally agreed to help amend the constitutional ban on military involvement outside the NATO area, which in their view should be approved by the German parliament on a case-by-case basis.<sup>99</sup>

Later, in a break with his own party, the FDP, Kinkel in January 1993 stated that Germany should be able to contribute forces to such "blue helmet" operations and to combat missions, but only under specific UN auspices, with a decision of the UN Security Council. If such a decision could not be reached, Kinkel said it would be incumbent upon other regional organizations - the CSCE or the WEU - to take the lead. His position was on the matter was enhanced soon after when Kohl's ruling coalition agreed that Germany should be allowed to participate in such operations provided that the parliament approved of the action. Previously the FDP had argued the need for constitutional changes before Germany should join such missions. After the CDU/CSU/FDP coalition had reached a tentative agreement on this issue, the SPD again stressed the necessary support of the parliament before any military intervention could be permitted. The SPD parliamentary defense policy spokesman, Walter Kolbow, said his party might even support a German role in combat missions provided they were approved by the UN Security Council, commanded directly by the UN, and approved by both houses of the German parliament in each case. He conceded that "Reality will force this on us anyway." Also during this period, Kohl, Kinkel, and R  he began to consider lifting the arms embargo against Bosnia if peacekeeping did not work, but they still opposed any German participation in ground force operations.<sup>100</sup>

The most contentious "escalatory step" was taken after the U.S. began airdrops of humanitarian supplies to the Bosnians. Germany considered lending air support to help with the delivery of aid and with the enforcement of the "no-fly zone" over Bosnia mandated by the UN in April.<sup>101</sup> Kohl supported the participation of German airmen in Airborne Warning and Control System (AWACS) radar flights which would not engage other forces in hostilities. But such participation would be the

first time since 1945 that Germans had gone into a war zone, and the first NATO combat mission ever. These implications again heated up Germany's internal debate over the legality of military intervention and exposed serious rifts in Kohl's coalition.

In an unprecedented and highly unusual spectacle, Kohl arranged for his government to sue itself over the issue. Desperate to meet his NATO obligations, the German chancellor announced his party's support for German participation, but Kinkel's FDP immediately broke ranks and sued the government in a pre-arranged compromise with Kohl's Christian Democrats to force the issue onto the national stage. It was "The most embarrassing cabinet session of the year," as one German cabinet official put it; other German officials called the peculiar deal an "utter farce" and "pathological," while German newspapers across the political spectrum also denounced it as an "April Fool's joke" and an "embarrassment" to their country. Kohl argued back on German television that if he had not tried to break the stalemate, "Germany's isolation in the world would have been catastrophic. It is bad enough as it is. The world does not understand what is being discussed here." Both the SPD and the FDP again pressed for an injunction to stop the German deployment until constitutional questions could be resolved. This forced foreign minister Kinkel and defense minister R  he to argue against each other in court over the issue, while other cabinet members and military officials warned that Kohl's coalition could break up and Germany could become isolated in NATO if the deployment was prohibited.<sup>102</sup>

To help boost Kohl's position, NATO secretary general (and former German defense minister) Manfred Woerner testified to the court that German participation in the air missions was essential for the operation's success and for the reputation of NATO. He also warned of "an ever-growing impatience in the alliance" with Germany's difficulties in participating in such missions. This argument was also helped when NATO's supreme commander in Europe, General John Shalikashvili, stated that if German crews were withdrawn from NATO aircraft, which were under the command of a German general and largely manned by Germans, it would be "extremely difficult to handle." Another NATO official had previously observed that "Should it get to enforcement, and the Germans were not participating, there would be a significant impact on the operational capability of the AWACS," an assessment echoed by German military chief of staff General Klaus Naumann. Thus Germany not only found itself in a difficult position during this incident, which caused its allies to question the Germans' reliability, but Germany's domestic difficulties may have in part caused a delay in NATO's mission (of course, French concerns about maintaining close coordination with the UN to protect forces on the ground also played a role). Kohl won the ruling by a vote of five to three and the mission began a few days later. The decision was televised live throughout the nation, and the court seemed more impressed with arguments stressing the political damage that might have occurred if the Germans had refused to join the NATO mission since it held off on judging the legality of the issue for several months.<sup>103</sup>

This historic decision soon enabled Germany to participate in the aid mission to Somalia as well, and a senior adviser to Kohl defended this piecemeal approach with the statement that "We will have to continue making these decisions on a case-by-case basis until we can reach both a public and political consensus. We are not a big Switzerland and cannot be one. But there remains a strong pacifist stream both in the Social Democratic Party and in German society." Although Kohl won this round temporarily, he suffered a snub in late May when the Washington conference on Bosnia excluded the Germans. Britain, France, Russia, Spain, and the U.S. used this forum to discuss the possibility of creating "security zones" in Bosnia while Germany was left fuming on the sidelines. Kohl and Kinkel initially criticized this ultimately failed agreement as they felt it might have legitimized Serb military gains, but they agreed to it a week later in a meeting with France.<sup>104</sup> However, Kohl again broke with his European partners at the end of June when he joined with President Clinton in trying to persuade the EC to lift the arms embargo against Bosnia after the Vance-Owen plan finally was pronounced dead by Lord Owen himself. Kohl argued forcefully toward this end at the European Council on June 21, but Britain and France expressed concern for their troops on the ground and rejected Kohl's overtures.<sup>105</sup>

The German chancellor did make progress on the domestic front during late 1993 when all the major German parties put Bosnia at the top of their agendas at their individual foreign policy conferences. Kohl admonished his political rivals to address the question of Germany's future role in the world before the country became preoccupied with domestic issues during the wave of 19 German elections in 1994. He also was anxious to land his country a permanent seat on the UN Security Council. As Kinkel argued during a parliamentary debate, "You know perfectly well that we will only

achieve a seat on the Security Council once we have taken care of this urgently needed constitutional amendment." Kohl's ruling coalition complied, and the SPD's new leader, Rudolph Scharping, attempted to move his party more in line with Kohl's vision on German participation in peacekeeping. But the SPD's rank and file in parliament sharply rejected Scharping's proposal and maintained its general opposition to the use of German forces abroad. Although the Social Democrats favored the Security Council seat, their party whip Guenter Verheugen said that "it's not a priority" for his party and acted accordingly. As an aside, the Greens also opposed intervention at first, as they had during the Gulf War, but leading elements of the party (mainly feminists incensed at the raping of women in Bosnia) eventually became the most vocal supporters of the use of force. The party's Regional Council voted to approve German participation in UN military operations to halt outright aggression and genocide, in Bosnia or elsewhere. This decision was struck down, however, by the Green Federal Board. Finally, the Party for Democratic Socialism, successor to the former ruling party in the GDR, unequivocally opposed any expansion of the Bundeswehr's role. It was the only major party not to split at some point over the most contentious issue since Brandt's inauguration of Ostpolitik.<sup>106</sup>

Thus, as in the case of the EMS crisis, we see that Germany's most recent efforts to secure a new political role for itself have been nearly overwhelmed by domestic attitudes conditioned by decades of cautious involvement in collective action. More importantly, these attitudes were legitimized in the government since the German system permitted the SPD to bring the issue before the constitutional court. Also, the FDP's key role as a junior coalition partner in most post-war governments, and as holder of the foreign ministry portfolio, provided it with the power to make Kohl's government think cautiously about foreign involvement and search for compromise before recklessly committing German forces abroad. These domestic traditions concerning consensual government and the role of force in German foreign policy, with the FDP playing a key mediating role between the two major parties, acted as checks on Germany's ability to play a greater role in helping to resolve the situation in the Balkans.

Besides these domestic legal and historical dilemmas with which Kohl was forced to contend, however, Germany and its EU partners were also severely constrained by the weak provisions concerning political cooperation among the Twelve. While EMS rules at least provide some guidelines on how cooperation is supposed to take place in monetary affairs (i.e., in defending currencies or instituting a realignment), EC provisions on European Political Cooperation (EPC) do not include explicit criteria for imposing sanctions or for undertaking military interventions (or for much else). Decisionmaking rules and procedures for EPC are explicitly designed to prevent the usurpation of power over European foreign policy by any one EC member.

In the first place, EPC outcomes are largely ad hoc, intergovernmental negotiations between the foreign ministers of the Twelve; major decisions must be approved by consensus, and there are no legal mechanisms to enforce them. In addition, even when agreement is reached on the desirability of a European response, individual states have much leeway in their contributions to a cooperative effort. During the Gulf War, for example, only Spain and Portugal participated in identical ways, although all except Ireland "cooperated" in the effort to expel Iraq from Kuwait.<sup>107</sup> Hence the costs of a common foreign and security policy, like some other policy areas, are borne disproportionately among EC members. Finally, the two chief instruments for exerting EC pressure on non-members, foreign aid and economic sanctions, proved highly inadequate after the war escalated and the stakes in the conflict became greater for all parties. In sum, the case of the wreckage of Yugoslavia shows how a mounting crisis clearly and rapidly outpaced any efforts on the part of the Europeans to formulate a cooperative response to the violence using institutional mechanisms at the EC level.

The Twelve had first attempted to invoke EPC even during the recognition phase by offering a European Monitoring Mission in case a stable cease-fire could be negotiated. This effort failed thanks to the rapidity with which the warring factions broke the agreements. In the absence of any agreement which could be brokered by the EC, the Twelve were forced to consider actions such as sanctions-monitoring, peacemaking, and the delivery of aid, most of which required a military component in this situation, a policy area decidedly underdeveloped in the European Union. At the same time, the EC, led by the Council of Ministers, kept trying to arrange cease-fire agreements and may have helped to keep the conflict in Croatia limited, but these efforts were repeatedly unsuccessful in Bosnia. For the most part, then, the EPC mechanism only served its typical, limited, declaratory purpose during the crisis: as a forum for announcing watered-down, "lowest-common-denominator" condemnations of

the conflict in Bosnia. In a situation where military action seemed appropriate only to some member states, institutional rules to achieve this at the EC level proved a serious constraint on leadership by any individual member state on the issue.<sup>108</sup>

After months of feeble EPC declarations, broken cease-fires, and mounting violence, both Germany and France attempted to take the lead on Bosnia. By late 1993 Germany had temporarily resolved its constitutional issues and the EU's common foreign and security policy, supposedly more substantial than EPC, was inaugurated in November, along with the rest of the Maastricht treaty. France and Germany called for more strenuous efforts on the part of the EU to resolve the Bosnian situation, and for regular meetings of European affairs ministers to help foster foreign policy cooperation, but the two received a cool response from the others. The smaller states in particular were highly sensitive to the idea of a common foreign policy being dictated by Paris and Bonn. Also, the European Commission opposed any more appropriation by individual states of its role, limited but formalized by Maastricht, in foreign affairs.<sup>109</sup> The Franco-German-Belgian Eurocorps was established at this time also, but it too lacked any formal mechanism enabling it to play a major role in Bosnia.

Although it is still too early to make a definitive judgement on the role of Germany in facilitating European cooperation to stop the carnage in Bosnia, events in 1994 essentially followed previous patterns. The year began with divisions in the EU over how to end the siege of Sarajevo. Germany, with some support from Belgium and Italy, called for a stronger military response (NATO airstrikes) against the Serbs after 68 were killed in a mortar attack on the distressed city, but Britain, France, and Spain in particular expressed reservations. The official EU mediator in the Balkans also urged against the stronger use of military force in the area.<sup>110</sup> In addition to the EPC shortcomings, the EU in general was bogged down over several other serious matters. Greece, which held the EU presidency, made an issue over the EU's pending recognition of Macedonia. Spain and Britain had reservations about changes concerning representation in the European Parliament and voting in the Council of Ministers to accommodate German unification and the next enlargement. Finally, the EU was divided over whom to select as a replacement for Delors (among other disputes).

France and Germany did reach agreement to cooperate in regards to the situation in Bosnia, and to coordinate their successive EU presidencies from July 1994 to June 1995 (Spain later joined them on this initiative).<sup>111</sup> But once again Germany became occupied with domestic concerns, namely the wave of elections taking place in 1994 at all levels of government. German public opinion was still at low levels concerning German participation in European integration, and the SPD gave the CDU its worst defeat since 1959 in the first local elections in March, in Germany's third-largest state of Lower Saxony.<sup>112</sup> Soon after this event politicians from the right and left stepped up their calls for cuts in Germany's contribution to the EU budget; they were joined by the Bundesbank and finance minister Waigel. These concerns soon prompted the government to press for a reconsideration of Germany's contributions to the EU, and possibly a rebate along the lines of what Britain had received. Bonn said it would pursue such aims during Germany's European Council presidency.<sup>113</sup>

Germany's European Union ambassador Dietrich von Kyaw said also that the elections would constrain Germany's ability to lead on the Balkans or other matters during its presidency. He warned against expecting any miracle solutions from Germany on the former Yugoslavia, whose problems he said were "stronger than us." At best "some progress" could be made by the end of the presidency on this issue as "the process of ripening (the peace process) has to continue." Similarly, Kinkel told the eastern Europeans not to have inflated expectations of what Germany's presidency could do for them in regards to joining the EU, although he later announced that elections in his country and in France would have no effect on Germany's assumption of its six-month EU presidency in the second half of the year. As he put it, "We will not let ourselves be hampered in any way (by elections). Elections must not play a role, because we are acting for 12 and soon 16 (after the anticipated accession of Sweden, Finland, Austria, and Norway) European countries and not just for ourselves." However, a foreign policy official for the CDU argued instead that "Until May 1995, we are all lame ducks," suggesting that Franco-German leadership would be in short supply given domestic electoral concerns.<sup>114</sup>

These predictions were for the most part confirmed during Germany's EU presidency in the second half of 1994. Following EU custom, Bonn announced an ambitious set of goals it intended to pursue during its six months in the driver's seat. These included improving the operation of EU institutions, implementing the White Paper on Growth, Competitiveness and Employment,

administrative deregulation, enlargement, and of course, Bosnia. Like its predecessors in the position, Germany hoped to make progress in achieving a negotiated end to the war and to strengthening the WEU as a defense arm for the EU's still-evolving common foreign and security policy.<sup>115</sup>

The Germans had a good start with a major constitutional court victory in mid-July finally allowing military operations abroad (provided the German parliament approved). Kohl was understandably pleased with the hard-won decision, but to lessen fears at home and abroad of German militarism he also stressed that "When and where Germany gets involved will be decided in Germany. What this leads to will have to be decided on a case-by-case basis." German news-papers noted Kohl's caution as well at appearances with President Clinton during his Berlin visit, which coincided with the court's ruling. As one put it, "On the first day of the American's visit, the chancellor never tired of saying the word 'Europe' and of praising the advantages of the European Union in well-apportioned doses, as if the American president's calls for more leadership did not reach him." Another suggested that Clinton was putting more responsibility on Germany than officials in Bonn really wanted, since he named Germany as the main U.S. ally in Europe and repeated his call for German participation in UN operations abroad. Again, Kohl was careful to play down this radical change in Germany's position and kept the issue quiet during his campaign. As his strategists remarked, "there were few votes to be won in telling Germans their sons might have to die abroad again."<sup>116</sup>

Most recently, Germany and its allies have had to consider whether and how to extract UN peacekeeping forces since efforts towards mediation have proved such a dismal failure. Divided over how to become involved, the allies are now divided over how to get out. Although Germany's EU presidency was not directed toward this new problem, Kohl's reelection in October gave him enough political capital to be able to offer six to eight German Tornado jet fighters to NATO in the event of a hasty UN retreat from Bosnia. This would mark the Luftwaffe's first foreign combat mission since World War II and may take the Germans one small step closer to fulfilling their new military obligations. Two months after this decision, the Germans said they would be willing to include 2,000 troops to help with the UN retreat if this becomes necessary. <sup>117</sup>

In sum, these events concerning the break-up of Yugoslavia demonstrate, like the EMU/EMS case, that Germany is still operating under some very real constraints as it tries to bring its political clout up to a level equal to that of its economic power. Led by Genscher and Kohl, German diplomacy was successful in recognition, but their country has since endured nearly three years of internal discord over how to measure up in international peacekeeping and military intervention. With legal and historical constraints regarding German participation still in operation for many months during the crisis, the country instead took pains to concentrate its efforts in other areas: humanitarian aid, accepting refugees, and reforming EU asylum policy in general.<sup>118</sup> At the same time, the Germans worked to overcome their country's formal and informal institutional prohibitions which protected against German self-aggrandizement. This was necessary if Germany was to have any hopes of living up to its obligations to NATO and the EU's still-evolving common foreign and security policy.

Much as the Bundesbank represents a possibly excessive German vigilance against inflation, the formerly strict interpretation of articles 26 and 87a guarded the Germans against risky military adventures. The SPD and FDP were able to articulate this view in Bonn during Germany's debate over this issue. It must be said that Kohl was remarkably successful in changing the official view of the German constitution. However, it took a long time and, like during the domestic ratification debate over Maastricht, the electoral contests of 1994 and fickle German opinion assured that he had to move very cautiously. In addition, the weak provisions existing at the EU level to deal with a situation like Bosnia prevented any one EU member from pushing its preferred solution. Of course, this is not to say that Germany would have been able to "solve" the problems of Bosnia had it not been shackled by domestic and international constraints. Certainly the problems caused by such ethnic turmoil are beyond the efforts of any one country. But the unanimity requirement on matters of foreign policy and more importantly, the lack of a more effective EU peacekeeping/defense component and command structure, prevented those who favored stronger military action against the Serbs (such as Germany) from exercising their preferences in a cooperative European setting.

Conclusion

The two cases discussed in this essay reveal considerable constraints, institutional and otherwise, at both the domestic and the EU levels which can hinder cooperative policymaking in Europe, even when a country as powerful as Germany is involved. German interests changed as different German actors became involved in EU policy in different settings, depending on decisionmaking procedures in the domestic and EU arenas. From the negotiations over EMU and the recognition of Croatia and Slovenia, to the EMS crisis and the Balkan wars, German leadership of European foreign and monetary policy ranged from the influential to the ineffectual depending on the task at hand and on who was acting on the part of Germany.

In the case of EMU negotiations, Kohl's effective articulation of long-term German monetary goals before and during the Maastricht negotiations proved a vital source of leadership in the early drive toward EMU. This influence was undermined when the Bundesbank resumed short-term maintenance of German monetary policy after December 1991 and Kohl was forced to contend with a difficult ratification battle at home during the EMS crisis. In the case of the disintegration of Yugoslavia, Germany again clearly took the lead in engineering the EC's recognition of the former republics, an effort largely conducted by foreign minister Genscher. However, once the stakes in the conflict were raised, placing new demands on Germany and involving new actors, Kohl found it difficult even to participate, let alone lead, since he had to take considerable pains to restructure his country's internal legal provisions and attitudes concerning the use of German force abroad.

These differences in German influence significantly depend on political processes, policy stages, and issue areas at both the EU and the domestic levels. Germany's authority before and during the crises was a result of which domestic actors or institutions were empowered and the extent to which EU institutions permitted leadership by individual states. These factors in turn depend on the issue area at hand and the type of decision being made. Treaty-making and diplomatic recognition empower national executives. But once ratification, day-to-day policy-making, or (in the case of Germany) the restructuring of domestic political traditions become a greater priority, leadership becomes constrained. Domestic institutions can constrain national governments as they try to maneuver in the EU arena, preventing some policy options and making possible others. Thus any EU member lacking a strong and effective domestic mandate in the issue area under consideration will likely find it difficult to exert influence on its partners once authority moves from intergovernmental decisions to other areas of policymaking. These domestic institutional capacities and constraints are further conditioned by rules and procedures at the EU level, which may foster or inhibit the conversion of member state power into leadership ability.

These crises raise the important question of how domestic political institutions and traditions may have difficulties supporting both the goals of the state and the broader goals of European integration. Domestic institutions are often created to fulfill the most highly valued and broadly-based societal goals, yet their legislative mandates and structures may or may not foster the achievement of EU goals set by heads of state. As European integration proceeds, the likely result is an increasing amount of domestic institutional restructuring, and possibly convergence, according to shared European norms in order to bring about the vision of a united Europe. France, Belgium, and other EU members displayed their realization of this insight when they made major efforts to bring about the independence of their central banks during the crisis to match the strengths of the Bundesbank. Similarly, Germany's political and legal decisions concerning the use of force abroad helped to bring its effectiveness in this area closer to that of its allies. The formerly-neutral new member states, Austria, Finland, and Sweden, also endured domestic reforms of their defense policies in anticipation of joining the EU and the common foreign and security policy. As others have observed in the case of France, these processes may be viewed as a broader move toward the "Europeanization" of domestic politics among member states to harmonize them with common EU norms and goals. 119

Both the EMS and Yugoslavian crises demonstrate the importance of legal foundations, public support, and immunity from influence when member states are charged with implementing policies designed to further integrate Europe. This may be especially true in policy areas which are relatively underdeveloped at the EU level, such as the EMS and EPC, due to lingering concerns over national sovereignty and autonomy in these sensitive areas. At this level as well institutional arrangements can enable or inhibit the capacity of individual member states to initiate effective leadership in Europe. Without explicit mechanisms to bring about a badly-needed preventative realignment of the EMS or to engineer a more effective peacekeeping force in Bosnia, and because of the unanimity requirement in

both areas of policymaking, Germany (or any other EU member) found it very difficult to exert more influence than it did.

These two crises reflect serious inadequacies in the institutional design for monetary and foreign policy cooperation, and suggest that it may be useful to organize assessment of leadership within the EU along functional lines by policy area, then by institutional mechanisms first at the EU level and then at the domestic level during ratification debates and day-to-day policymaking. When domestic policymaking is dominated by an insulated agency (such as a central bank) with clear programmatic goals in harmony with EU aspirations, integration might develop more smoothly. When domestic structures and traditions call for the involvement of courts, opposition parties, and public opinion to implement policies decided at the EU level, it might become more difficult for the goals of integration to be reached. The challenge, of course, is to maintain some semblance of democratic accountability at both levels without derailing the entire integration project.<sup>120</sup> Despite declarations to the contrary, EU members are still loath to surrender their national authority over monetary and foreign policy to the EU. Thus, until member states' monetary discipline imitates the Bundesbank model, whose structure serves as a blueprint for EMU, and until their foreign policymaking mechanisms more readily permit involvement in EU defense policy, EMU and the common foreign and security policy may develop only haphazardly in fits and starts, in a multiple-speed Europe, if they develop at all.