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Germany and the European Community: the State and Integration

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The juxtaposition of the two Intergovernmental Conferences, on Economic and Monetary Union and on Political Union, and German unification raises important questions about the process of integration in Europe. In particular it throws in sharp relief the dynamics of integration - both at the formal government level and the more informal, economic levels - and conceptions of the state as epitomised by the reappearance of a single Germany. The reactions of several EC member governments in the helter-skelter of moves to unity were markedly 'realist', most notably the British, who emphasised the likely nationalist aspirations of the new Germany and therefore seeking safety both in national solutions and a balance of power in Europe. Others, characterised eventually by France, and basing themselves on not dissimilar assumptions, sought the safer anchorage of the Germany within a more close-knit European Community. To a significant extent the confusion of reactions allowed the European Commission to take the initiative. Its immediate impact may appear to have been limited but, when set against the political and economic context in which German unification has to be set, it remains a central actor. Moreover, the paper suggests that that wider and deeper framework of transnational ties and relationships provides the more appropriate background against which to ask the question of how Germany might change because of unification. And finally, it poses rather than answers questions about the possible insights the German case has for integration theory.

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PRELIMINARY DRAFT: NOT FOR QUOTATION

GERMANY AND THE EUROPEAN COMMUNITY: THE STATE AND INTEGRATION

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Introduction

1. The juxtaposition of the two Inter-Governmental Conferences, on Economic and Monetary Union and on Political Union, and German unification raises important questions about the process of integration in Europe. In particular, it throws into sharper relief the dynamics of integration - both at the formal, governmental level and the more informal, economic levels - and conceptions of the state, as epitomised by the reappearance of a united Germany. Interest in the 1992 process of completing the Community's internal market and the acceleration of change that has taken place since the Single European Act of 1986 have combined to revive academic interest in the nature of the integration process. There has, for example, been renewed

interest in earlier neo-functional theories², in the relevance of consociationalism³ or in network and other meso-theories whether linked to industry or other interest groups⁴. That interest has also begun to spill over from other fields, whether security, comparative institutions or more directly policy studies,⁵ where, perhaps inevitably, a major preoccupation since 1989 has been the potential impact of German unification on Community policies and the outcome of the IGCs.

2. The sudden and unexpected collapse of the GDR brought with it an early recognition of the need to view the possibilities of German unification not only within a new security framework but also within the context of the European Community and the integration process⁶. To put it another way, the reactions of Germany's partners were decidedly mixed with very different, sometimes even contradictory policies being pursued as events unfolded with seemingly no-one and no one government in control of the unification process. The breaching of the Berlin Wall and the rapidity of the moves towards Germany's unification re-awakened some old fears while reinforcing some newer ones. The Cold War had, after all, in many ways been a struggle for the control of Germany. To many therefore the end of the Cold War signalled the reopening of 'the German question', the extent to which the most powerful economy in Europe would seek to assert itself politically. The establishment of the IGC on Political Union and its focus on a foreign and security policy was thus of particular importance in that it provided a useful reminder of

the role security has played in the development of the Community and in the pace of integration. But in another sense, German unification came at a particularly delicate moment in that it threatened to derail the 1992 process and distract attention away from Economic and Monetary Union. The completion of the Internal market and the relative success of the EMS may have established a powerful logic to move to the next step of EMU, but it required new political decisions and renewed political commitment to take it. In the event, unification appeared, at least during 1990, to bring about that further commitment for the majority of the member states, even if it created profoundly difficult problems for the Germans themselves. For most government, however, as Ole Waever suggested: 'The main problem has been to build Europe in time for Germany ...'⁷

3. In such circumstances it is useful to look at the interaction between the Community and its member states during the unification process. The aim is to assess the areas where unification may have an impact on the Community and where the Community may have had an impact on the process of fully absorbing the former GDR into the FRG. It is above all the interaction that has wider implications for European integration and explanations of that process. However, with all the certainties of the Cold War period gone, with NATO still involved in reviewing its purpose and strategy and negotiations still continuing in the IGCs, such an analysis is inevitably provisional and tentative.

The alarm bells ring

4. Many of the initial reactions to German unification were inspired by a markedly traditional approach to the nature of the nation state and towards international relations, of unreconstructed realpolitik. The emphasis was either on ways in which the process could be slowed down or, when that proved impossible, on the ways in which the new Germany might be constrained. The assumption was that the result of unification would be the re-emergence of a traditional nation state with all the aspirations of a nation state, complicated, of course, in the German case by both its history and its economic strength. The search for a balancing combination of forces was reinforced by a disbelief that ultimately economic power could only be maintained by military power. In influencing perhaps not only the public mind, it was significant that such a book as Paul Kennedy's best seller, The Rise and Fall of the Great Powers⁸ was published shortly before German unification topped the policy agenda. The arguments of those more concerned with civilian power in the interdependent conditions of the last decade of the twentieth century⁹ were rather less sought after or well-received.

5. Fears of a revanchist Germany were usually expressed with discretion and sotto voce, though the outburst of the then British Secretary for Trade and Industry, Nicholas Ridley, even if exceptional, indicated the intensity of such feelings. More often heard were views - certainly less crudely expressed - that

played on the concern aroused by Germany's economic strength. But certainly, the 'Two plus Four' formula for settling outstanding issues was widely welcomed, even if bilateral discussions between the Federal Government and the US Administration and especially between Chancellor Kohl and President Gorbachev in February and July 1990, rendered it largely a formality. There was though an emphatic insistence by the British and even by the French on a united Germany remaining in NATO, even if there were some who discerned a degree of inconsistency in the latter's position in that the French themselves remained hostile to suggestions that they might rejoin NATO.

6. The question arises though of whether those who feared an assertive Germany underestimated the impact of unification on the German decision-making processes and those involved in it and the influence of public opinion. This may explain, for example, in the seeming paradox for many 'realists' of German reactions to the Gulf War. On the one hand, they had expected German military support even if the provision of such forces and any constitutional amendment that might have been necessary to allow them to be used may have created the very thing feared by many in France and elsewhere of a new German role in the world. On the other hand, Germany's lack of military support and popular distaste for the whole venture gave cause for alarm that Germany could not or would not play its rightful part in collective

security - at least until assuaged by financial compensation, especially to the UK.

7. But it was not simply a question of military power, whether the German government wished to espouse it or not. For others it was only too clear that Germany was the economic locomotive within the Community, even if fewer would go so far as to suggest that the Community and proposals for Economic and Monetary Union were, in Mr Ridley's words, only 'a German racket designed to take over the whole of Europe',¹⁰. It was Germany's very size, its economic growth rates (whatever the temporary hiccup caused by the demands of the economically backward new lander), its monetary dominance and the relative freedom of manoeuvre these elements seemed to bestow on Germany that created alarm. It was, as Bulmer and Paterson have suggested 'simply not possible for Western European states, or superpowers, to ignore West German policy. This is true both because of its defence and security significance and because Bonn plays a key role in East-West relations'.¹¹

8. Politically, strategically and economically, the revolutions in Central and Eastern Europe that had so facilitated Germany's unification compounded the problems faced by Germany's partners (if not Germany itself).¹² The transition from a command to a market economy in the glare of expectant electorates and in a period of relative economic difficulty inevitably placed particular emphasis on what the West could do to help in Central

and Eastern Europe. It was also increasingly clear that, in view of the potential dynamism of the 1992 process and the loss of the Soviet market, Eastern Europe would have to reorganise itself along lines compatible with those laid down in Brussels.

Economic need has reinforced political and security aspirations to make the governments of Central and Eastern Europe look westwards, and, with whatever reluctance born of the past, especially to Germany.

9. Yet it was here that the intrinsically important problems of Central and Eastern Europe become tied up with the question of Germany and its interests. For geographical and historical reasons, Germany has by far the greater stake in the evolution of a stable prosperous Eastern Europe. Before the depression of the 1930s, some 17 per cent of German manufactured exports went to Central and Eastern Europe (including the Soviet Union); in 1989 only some 4 per cent of German exports went there. It remains of course to be seen how far (and how fast) the consequences of forty years separation can be overthrown but even before the end of 1990, Germany had already become Hungary's biggest trading partner, and in terms of investment, a deal was being negotiated between Volkswagen and Skoda. German competitiveness as well perhaps as the attractiveness of the German social market model have combined to place Germany in a potentially privileged position. That has reinforced the fears of those who see a vacuum being filled, economically and then politically, by Germany. Despite Germany's concern and its assiduous efforts to

counter such speculation, the idea of a second 'Rapallo' and a German-Soviet rapprochement has continued to bob up and down.

Governmental reactions

10. The realist approach was most consciously and consistently adopted by the British Government under Mrs Thatcher. The logic for the Thatcher school of thought was (and perhaps even under Mr Major remains) that Germany would seek a national solution to the promotion and defence of its economic power. Consequently, the British position was one of searching for a national solution itself within a cooperative not a Community framework in Europe. That such an attitude was current in the British cabinet was clear; Mr Ridley in his Spectator outburst made it abundantly so.¹² It was not simply that the Germans were 'uppity' or that monetary union was 'a German racket' or that:

This rushed takeover by the Germans on the worst possible basis, with the French behaving like poodles, is absolutely intolerable.

But there appeared to be, in his opinion, few alternatives because of the 'habits' and the nature of Germans, themselves. Certainly the Community offered little, least of all a Commission of 'seventeen unelected reject politicians ... with no accountability to anybody':

I'm not against giving up sovereignty in principle, but not to this lot. You might just as well give it to Adolf Hitler, frankly.

After a period of reflection, Mrs Thatcher relieved Mr Ridley of his office.

11. It was far from clear, however, that all these sentiments were alien to all those in government even if their expression and expressiveness were regarded as somewhat overdone. Mrs Thatcher, herself, earlier in the year had called for a private seminar to discuss the question of the extent to which Germany had changed since its defeat in 1945 and how Western Europe was to live with a unified Germany. A report of the seminar drawn up by Mrs Thatcher's foreign affairs adviser, Charles Powell, was leaked in the press in the same week as Mr Ridley's remarks.¹⁴ The memo not only drew up a list of unflattering characteristics of Germans but suggested, inter alia, that: 'The way in which the Germans currently used their elbows and threw their weight about in the European Community suggested that a lot had still not changed' when compared to post-Bismarckian Germany. But what particularly concerned the group, 'even those most disposed to look on the bright side', was that there remained doubts about Germany's commitment to democratic norms in that the German system had not yet been put the test (in the form of a serious economic clamity) and that unification would inevitably change German thinking - the implication being that this would not be for the better:

We could not assume that a united Germany would fit quite so comfortably into Western Europe as the FRG. There would be a growing inclination to resurrect the concept of Mittel-

Europa, with Germany's role being that of broker between East and West.....

... There was no evidence that Germany was likely to make further territorial claims at least for the foreseeable future... More widely it was likely that Germany would indeed dominate Eastern and Central Europe economically. But that did not necessarily equate to subjugation...

12. Not surprisingly, perhaps, the conclusion to the report if not of the seminar was that Britain should pursue a policy whereby Germany would be 'constrained within a security framework which had the best chance of avoiding a resurgence of German militarism'. That entailed a continuing American presence to balance German strength and the involvement of the Soviet Union institutionally in discussions of Europe, with the building up of the CSCE a sensible option. The Community was not mentioned in this context and there were 'differing views' as to how genuine the Germans were in their support for European integration:

Was it just a tactic to reassure others? Or a genuine desire to subsume the latent nationalist drive of a united Germany into something broader? The latter was not wholly convincing, given that the structure of the EC tended to favour German dominance, particularly in the monetary area....¹⁵

13. These quotations from the Powell memo suggest the flavour of discussions around the British Prime Minister. They also

probably reflect elements if not the outcome of discussions elsewhere in Community capitals. What it reveals above all about the UK is not simply the continuing suspicion of Germany, but also the difficulty faced by the Conservative Government of aligning itself with other Community - or indeed transatlantic - partners. The memo may have been a looked-for endorsement of Mrs Thatcher's own visceral Atlanticism but the problem for her was that the United States appeared to be looking increasingly towards Germany as its foremost European partner. This was a situation only reversed by Britain's strenuous efforts in support of the US during the Gulf War, which were in marked contrast to the reactions in Germany. But nor did the CSCE live up to the seminar's hopes, at least in the period following Soviet repression in the Baltic republics. And in terms of the unification of Germany itself, the result as Karl Kaiser put it was that:

'Britain's impact on the process was jeopardized by Thatcher's apparent inability to play the 'EC card', her personal idiosyncracies and insufficient exploitation of the professionalism of British diplomacy'.¹⁶

14. The attitudes of France and other member states towards unification and its consequences were sometimes very different. Roger Morgan has succinctly summed up traditional French responses to Germany as constraining and balancing German strength either by forming alliances with its Eastern neighbours or seeking support from the 'Anglo-Saxons, or by seeking security

through drawing Germany into a more intimate relationship with France itself, either bilaterally or within the European Community¹⁵. All three responses were apparent during 1989-90, not perhaps surprising given the speed with which the situation changed and the consequent difficulty of conceiving, let alone, pursuing a coherent policy. There was, for example, Mitterrand's visit to Kiev in December 1989 and even parleys with the East Germans. But it became increasingly clear that even if such policies might in theory have maintained maximum freedom of manoeuvre for France (and so won Mitterrand the support of both his left wing and perhaps even the Gaullists), in practice the weaknesses of the Soviet Union and the rest of Eastern Europe were too serious. However often British and French thought processes run in parallel, mutual suspicion and rivalry tends to inhibit any great cordiality in the relationship, but there was greater mileage in cooperating more closely with the United States, through, for example, the Two plus Four formula. It was perhaps though in the Gulf War that, despite some last minute efforts at unilateral diplomacy, suggested a new working relationship with the US, with French forces operating under American command.

15. Ultimately, however, despite some hesitant false starts, the 'EC card' was played to the full - from the dinner invitations to Community Heads of State and of Government in November 1989 to the calling of the Inter-Governmental Conference on Political Union itself. It was of no little significance that during the

latter half of 1989, France held the Presidency of the EC. Whatever the demands of the office, it provided a ready-made platform for at least launching political initiatives. Irrespective of unification, for example, the French Presidency was already pushing hard for as much preparatory work as possible to be undertaken on Economic and Monetary Union, so often seen in France as the means of 'Europeanising' the Bundesbank. The emergency dinner for HOGS on 18 November allowed for a European position on unification to be established - its timing important in view of the meeting of the super-powers later in the month and because it cleared the decks somewhat for the European Council of 8/9 December to take decisions on EMU etc in a calmer atmosphere (notwithstanding perhaps the disappointment of the FRG's partners that Chancellor Kohl had not prepared them for his 10 Point Programme of 28 November). The European Council, of course, referred to unification, pointing out that the Community had to remain the point of reference as well as influence and that while the question had to be one for Germans themselves, it had also 'to be placed in the perspective of European integration.'

16. All this is not to suggest that the French government reached its decisions or positions easily. For many, German unification spelled the end of the Gaullist dream of a French-led Europe. And as Francois Duchene has reminded us, in 1945, the French had taken the defeat of Germany 'as their first opportunity to shape Central Europe since the lost battle of Leipzig of 1813'.¹⁸ But the result was not as in England a return to the refuge of

sovereignty, but a determination to place unification squarely within a strengthened Community. The lessons of 1981-83 appeared to have gone deep; Germany was seen as an indispensable partner both in general European security terms and more specifically in military and industrial ventures. Ambiguities inevitably continue, not least in French security policy¹⁹. At the same time that the French welcomed Germany's limitation on troop numbers, for example, and its continued rejection of nuclear, chemical and biological weapons, fingers were pointed at the extent of the support given to the peace movement in Germany and fears were expressed about the dangers of either a new Rapallo and/or neutralisation or power vacuum in Central Europe.²⁰ Even so, the extent that France had drawn Germany into supporting a foreign and security policy for the Community²¹ was enough to alarm a number of member states, including not only the British but also the Dutch, who regarded the proposals as altogether too likely to undermine NATO.

17. The Italians, too, however, supported the development of a Community security and defence dimension. Indeed, their proposals as outlined by Mr de Michaelis²² were even more radical than those of France in the sense that they wished to see the incorporation of Western European Union into the European Union by 1998. Moreover, in the Italian case, too, the fact that they held the Presidency of the Council between July and December 1990 encouraged them to push ahead with preparations for both IGCs, deliberately setting out in the case of the IGC on Political

Union to fix an ambitious agenda. And yet, extreme federalists though they may be in British eyes (who complained bitterly after the Rome European Council of having been bounced in decisions by the Italian Presidency), the Italians themselves also sought alternative policies during 1989-90 largely to meet the question of a new Germany. Italian initiatives that resulted in meetings of the so-called Pentagonale, of bringing together Austria, Hungary, Czechoslovakia, Yugoslavia and Italy, may for some have conjured up quaint echoes of the Austro-Hungarian Empire²³, but it also provided a potential means of cushioning any adverse effects of German unification or providing the Central European countries with an alternative pole of attraction to Germany [....]

D. Role of the Commission

18. Amidst the uncertainties and confusion of governmental reactions, the Commission's position proved relatively consistent and coherent. While there may have been differences among Commissioners in terms of enthusiasm, scepticism or concern, there was a general recognition of the need to welcome unification. It was also accepted early that the integration of the GDR into a united Germany and into the Community was a special case which though it might be achieved in stages should not require any treaty revision. Three main aims emerged: the 1992 target for the completion of the internal market was to be maintained; as many post-1992 policies, including agreement on

the next stage of EMU, should be in place in at least embryonic form as quickly as possible (in order both to reinforce Germany's European 'vocation' and ensure a strong German anchorage within the Community); and the Commission should be informed and consulted on the process of unification in order to ensure that unification did not run counter to the *acquis communautaire* (especially important in the view of Sir L Brittan, the senior British Commissioner responsible for competition policy).

19. As the Commission drew up its position in early 1990, assisted by a Taskforce under the leadership of the senior German Commissioner, M Bangemann, there was what has been variously described as 'a mood of compromise' (A Donnelly MEP) or 'benevolent conspiracy' (H Wallace) within the Community institutions and increasingly among the member governments. There was in some ways little alternative; East Germans continued to vote with their feet as well as through the ballot box; and, since self-determination had been accepted in principle, there appeared to be little point in arguing against the deadline set by the Germans themselves. Commission proposals for a three stage process of integration into the Community were accepted at the 28 April special European Council meeting in Dublin. These envisaged an interim adjustment phase beginning with the establishment of monetary union in Germany on 1 July 1990 whereby the GDR introduced legislation needed to adapt to FRG and Community law. This was to be followed by a transitional phase beginning formally with the Treaty of Union on 3 October during

which Community legislation would be automatically applied, except where temporary derogations had been agreed. The Council of Ministers took the decision to end the interim phase and introduce the transitional measures on 4 December 1990. The transitional phase was to end with the total integration of the newly unified German state into the Community.

20. Within the Community institutions attention inevitably focused on the Commission's proposed derogations. The European Council's remarks were a model of Euro-diplomacy, telling but tactful, carefully marking the fears of some member states and the determination of others:

These measures, which will enter into force at the moment of unification, will permit a balanced integration based on the principles of cohesion and solidarity and on the need to take account of all the interests involved, including those resulting from the 'acquis communautaire'. The transitional measures will be confined to what is strictly necessary and aim at full integration as rapidly as possible.²⁴

In general the Commission's conclusions were upbeat (too limited and with too short a time scale according to some), coinciding with and perhaps reflecting the optimistic estimates of the Federal Chancellor rather than the more pessimistic forecasts of the President of Bundesbank or the leader of the SDP.

21. Exemptions in general were limited: perhaps only some 20 per cent of Internal Market legislation were not immediately

applicable, though in some specific sectors such as food processing the exemptions were quite extensive, adding up to some 80 per cent of food legislation²⁵. Transitional measures were also proposed for the mechanical and electrical engineering and textiles industries. In addition, exemptions were to be allowed on environmental protection legislation as applied, for example, to the chemical industry, but applying most of the Community's environmental standards, whether in the energy sector given the GDR's reliance on brown coal or others was seen as a major problem and that the air and water quality standards of the Community were longterm issues. On state aids, despite Sir L Brittan's anxieties, it was recognised that a 'constructive', 'sensitive and flexible' application of Community rules was necessary,²⁶ not least in the restructuring of the steel industry, while switching to the Common Agricultural Policy was seen by the Commission as creating 'a major challenge', as was integrating transport into the Community market.

22. These, then, were seen as some of the more obvious problems involved in the full integration of the former GDR into Germany and the Community, suggesting, perhaps deliberately on the part of the Commission, that in general it was 'business as usual'. True, the Commission was rather more often informed of the legislative proposals being undertaken in the new lander than it was consulted, but the important point was that the *acquis* was by and large conscientiously adopted. Doubts however remained, and were reinforced during the latter part of 1990 and early 1991,

about the costs of implementing them in the new lander and the potential conflicts of interest that could arise as Germany sought to ameliorate the situation. Gone, at least temporarily, are the days when Germany could be described as the Community's richest country with only limited regional problems. And since the Federal Government is charged under the constitution to ensure comparable living standards throughout the country, Germany has a major regional problem. The extent to which Germany may become preoccupied with that problem at the expense of wider Community commitments is an increasingly pressing question. Concern over German introspection was, for example, compounded by the increasing conflict between the Bundesbank and the Federal government over the consequences of GEMU and the lessons to be learned from it for EMU and over changes in interest rates. And there was irritation as well as an element of anxiety over Germany's lack of commitment during the Gulf War.

23. The question therefore of whether unification has changed Germany's role in Europe and especially the Community, remains pertinent - even if for somewhat different reasons, thought not necessarily unconnected ones from those raised at the Thatcher seminar. Necessary too is an examination - at present being undertaken at Chatham House - of the potential points of conflict between Germany and its partners in the Community, whether over short or intermediate term problems such as contributions and receipts from the Community's budget, or over longer term the

political and institutional balance between the Community and its member states in a further enlarged EC.

Plus ca change...?

24. Many of the reasons why the fledgling Federal Republic so warmly welcomed French moves towards integration in Europe have a curious relevance today and yet it is only too obvious that circumstances are somewhat different. In 1950, the establishment of the ECSC and the plans for an EDC were regarded by Adenauer and others as important means for breaking free of the restrictions imposed by the victorious allies, not least the French. Moreover, Germany could break free on the basis of equality with France, even if it remained a 'semi-sovereign state'. The Community in other words has formed the framework of Germany's continued stability and prosperity. The last vestiges of Allied control were, of course, only finally negotiated away in March 1991, through the Two plus Four formula, though the remaining Soviet troops have yet to be ferried home at an ever-increasing cost.

25. Integration in the 1950s was also looked on as an important means of safeguarding the newly-established democratic institutions of the FRG. The weight of the past may be heavy, as some of Mrs Thatcher's historians may have suggested, but it would be an abuse of history to equate Bonn with Weimar, whether or not it has yet to face economic calamity. And yet it may be

the case that Germany's democratic institutions, both formal and more informal, political and economic, are reinforced by Community membership in a way that remains significant for the 17 million Germans newly exposed to democracy and unemployment.

26. Happily for Adenauer, integration also reinforced the dominant position of the CDU. Support for European integration, however, is no longer a CDU/CSU preserve. There may have been some differences over NATO or a European security identity within the SPD, and popular support for integration may have waxed and waned over the years but there remains a general consensus in favour of a supra-national European Union.²⁷ The CDU may have led the way towards effective transnational party activity through the EPP, but the SPD is also in the process of further integration with its fellow European socialist parties.

27. Integration in the 1950s also offered greater security in that the Community settled differences with France and provided the civilian counterpart to NATO. With the official end to the Cold war, security questions have changed - helped further by Saddam Hussein. The government, and ultimately the SPD opposition, have remained strongly in support of continued membership of NATO and opposed to neutralism and 'Switzerlandisation' (ie rather than Finlandisation). Indeed, the present government, and successive governments in which Hans-Dietrich Genscher has been involved, have also supported a security dimension to the Community, within the framework of

NATO. Participation in the EC and EPC have had the effect of allowing Germany to play an increasingly significant part in the international system, politically as well as economically. For those of the realpolitik school, this raises the question of for how long Germany will continue to see benefit in using such a proxy or surrogate. The past again remains an important factor; Germans continue to be highly sensitive to calls for German leadership. But the premise of the question is somewhat misguided; it too easily ignores the increasingly important role of the EC/EPC as a necessary supplement and complement to national action rather than a substitute for it. To pose EPC as exclusively an alternative to national policy is to over-simplify a complex inter-relationship. There may, of course, be no sanction against a state which holds out against the consensus or differentiates itself from the common position once agreed - these are major issues in the IGC on Political Union - but at the same time the disposition and the pressure to agree have been intensified. EPC is no longer a fleet moving at the pace of the slowest vessel; it is increasingly becoming a question of the slowest vessel seeking to keep up with the fleet.

28. The economic integration of Germany into the Community, and especially the completion of the 1992 process, has profoundly important political consequences. The importance of the single market to Germany has not been reduced by the absorption of 17 million fellow Germans. Indeed, the European Parliament saw it as a positive stimulus to further economic and political

integration.³³ That is not to suggest that the full absorption of the five new länder will be easily or speedily achieved and that the process will not detract enterprises away from further expansion/investment elsewhere in the Community for an indeterminate period. It is highly likely that regional as well as national and Community interests may conflict and that decision-making will become even more difficult - compounded by the probability of successive rounds of enlargement. But it is to restate the obvious point that an effective Community and a single market continue to benefit Germany for the reasons that stimulated the 1992 process, especially the need to create a more unified economic base in Europe from which better to compete with the United States and Japan.

29. Such a statement does not of course counter the point that Germany as the largest single country in the Community will, now that it is even larger, 'throw its weight about' even more. To a considerable extent, as Mrs Thatcher's seminar came to realise, the answer to that might lie in more majority voting in the Council of Ministers. The possibility of further enlargement may bring additional countries more closely within the DM zone, but it also increases the numbers available for possible blocking minority votes. But that in itself begs the question of what Germany might do if its position was consistently blocked. The extreme options then left to Germany are presumably to accept even though the situation is costly in terms of perceived national interests or to continue in its preferred policy

regardless of the Community institutions including the Court of Justice, safe in the knowledge that (unlike, say, the UK) the Community cannot do without Germany however recalcitrant. The hard bargaining of solutions between these two extremes is likely only to be intensified by the fact that further enlargement also brings within the greater prospect of variable geometry or different-speed Europes. In those circumstances Germany will inevitably be central to most common ventures and thereby probably dominant.

30. But economic dominance may not necessarily in the Community of the late 1990s early 2000s bring political domination. There are various factors and pressures which run counter to this, social, economic and political. Much has been written elsewhere about the post-war German propensity to seek social consensus and to avoid conflict²⁹. If at the political level, this has often slow, cumbersome and not particularly efficient decision-making, the same cannot be said at the economic and enterprise levels. And there are few compelling arguments to suggest why a unified Germany might want to get rid of procedures which have proved beneficial. Moreover, in a number of ways the 1992 process is, the British Government notwithstanding, reinforcing that social dimension. Of course, Community directives are 'nationalised' through national legislation and lose their Community identity, but it may be the case, as M. Delors has suggested, that 80 per cent of social and economic legislation will have originated in the Community.

31. But the 1992 process and the increased role of the Community in such areas as R & D (however limited it may still be) has also been seen as having an important impact on industry- government relations. The growing number of mergers and acquisitions as well as increased collaboration at the pre-competitive stage or in joint ventures may need to be placed in a global as much as a Community perspective but that does not weaken the point that, following Wyn Grant, 'in many industries, sectoral variations do at least modify national characteristics and that, in some cases, they produce a more convergent outcome than a simple reading off of national characteristics would suggest'³⁰. In some senses, the reverse of that is that it becomes increasingly difficult for national governments always to discern the national interest in a system of increasing interdependence where economic (and by extension social) interests are intimately tied up in a growing array of transnational arrangements and within an increasingly frontier free market.

32. There has been a growing literature on the role of entrenched interests influencing or determining policy at the national level and more gradually at the Community level. The R & D field in particular has become increasingly well-researched, especially the role of the Information Technology Roundtable of the 12 big European IT enterprises (including of course Siemens).³¹ Their role in bringing about the Community's Framework Programme was critical even while several remained 'national champions'. At the enterprise level, that is, there

'national champions'. At the enterprise level, that is, there was seen to be little incompatibility. Since then, Peterson has suggested, the influence of the Commission has declined, in part because the Commission itself has been more responsive to national policies, different though they remain. Nonetheless, the Commission has established a Community competence in the R & D field that, while it remains limited, has not been an empty victory. There is perhaps no ineluctable process whereby the acquis continuously expands in any one field. But formal collaborative programmes have also to be set against the changes being brought about by the 1992 process, not least in terms of opening up public procurement (notwithstanding perhaps M.Chevenement and, indeed, Mme Cresson). The interactions are again, complex: at the level of the enterprise, for example, there is a whole array of different formal and informal networks, from loose cartels to pre-competitive collaboration, joint ventures, mergers and acquisitions. These interact in different ways, sometimes intimately, others very much at arms length with both regional and national governments and, at the Community level, with the Commission. Inevitably different relationships will be considerably more important at any one time than others. Nonetheless they make up a complicated cobweb of relationships. And though there is perhaps no identifiable spider, what is clear is that German enterprises are highly active.

33. The importance of German industry in a number of key sectors may for some underline the the prospect of German dominance

overall. The question then becomes one of whether at the political level Germany has the capacity and structure and the will to exploit it. Simon Bulmer and Willie Paterson in their 1987 article³² laid considerable stress on the constitutional constraints that continue to beset Germany. They point to both horizontal divisions within government whereby few Chancellors, even Adenauer, have always been able to impose any consistent or coherent policy over time over their semi-autonomous ministers, and vertical divisions, between the federal and the lander levels which became subject to considerable strain because of the Single European Act of 1986. They point to each ministries relative autonomy, reinforced by a heavy reliance on 'experts' and answerable to particular, often powerful constituencies or lobbies. They suggest that under Kohl, the problem has been particularly severe and cite the example of the 1985 Milan European Council meeting at which Kohl and his Foreign Minister Genscher were strongly in support of extending majority voting while the Agricultural Minister was using a German veto in order to protect German farmers. In a significance sense, the relative lack of coordination at the Community level enhances the ministry's position even while the growing role of the European Council sets up a countervailing pressure.

31. Community membership as Rudolf Hrbek has suggested has posed a dual challenge to the länder: first, their freedom to make independent policy has been curtailed as the competence of the Community has expanded; and secondly they believe they have had

insufficient opportunity to participate in decision-making at the federal level³³. The Single European Act proved the catalyst for action.

[para on länder/federal relations to follow

to include points:

all länder have set up Land information offices in
Brussels

länder have intensified the work of their Land missions
in Bonn

the various institutions such as the Conference of
Ministers-Presidents etc include EC items on their
agendas

ie following Hrbek's conclusion - reinforced by Bulmer-
Paterson that the länder have both intensified their
independent EC activities and have sought statutory guarantees
for their rights at the federal level including a new
European Council of the Regions which was agreed in August
1990]

Provisional (and unfinished) Conclusions

There is probably still no answer to what ^{is} Germany ~~is~~; nor is
there an answer to the question of what Europe will be.

The unification of Germany has taken place within a context of
revolution in Central and Eastern Europe and the possible
implosion of the Soviet Union, and a slower but no less profound

process of integration within (Western) Europe. The most important elements of that process are:

- (i) a frontier free Community - especially for the members of the Schengen Group, including Germany - looking to genuinely free movement of all factors of production including people;
- (ii) a completed internal market leading to an Economic and Monetary Union;
- (iii) a growing 'Europeanization' of expectations on the part at least of national economic and political elites that there is a Community dimension to economic and social legislation;
- (iv) a widening *acquis communautaire* which enhances the formal role of the Commission though perhaps tempered by the application of the principle of subsidiarity;
- (v) a growing area of co-decision on the part of the European Parliament (not necessarily compatible with (iv));
- (vi) a strengthened European Council - in part as a response to (v) as well as to (vii)
- (vii) a growing commitment to common international action - in part through Community procedures and in part through EPC but with increasing consistency and coherence so that at operational levels at least the distinction between an intergovernmental and an integrative approach are increasingly blurred.

If this is the context of German unification, what does that process change? German industry, political activity etc locked (?) into a web of multi-level linkages/inter-relationships.

This does not preclude German economic dominance but does that necessarily imply domination - especially when clearly national as well as Community constraints?

Finally does the whole process provide any useful theoretical insights?

Notes

1. The author would like to thank Rosalind Stevens-Strohmann (RIIA) for her comments
2. See for example S Hoffman & R Keohane in William Wallace (ed) The Dynamics of Integration London 1990, and the 1991 Northedge prize winning essay 'Neo-functionalism: Obstinate or Obsolete' by Jeppe Tranholm-Mikkelsen in Millenium Spring 1991, Vol 20 No 1.
3. See P Taylor 1990
4. Bressand 1989, Rhodes 1990 or J Peterson 'Technology Policy in Europe: Explaining the Framework Programme and Eureka in Theory and Practice' Journal of Common Market Studies Vol XXIX No 3 March 1991
5. (Pedersen 1990 and currently at the RIIA, Wallace & Wessels)
6. The European Council of declared for example
7. International Affairs 66 3 (90) 477-493 p 477
8. A most popular exponent being Paul Kennedy in his The Rise and Fall of the Great Powers London 1988
9. As suggested by Hans Maull, for example, in his article 'Germany and Japan: the new Civilian Powers' Foreign Affairs Vol 69 No 5 Winter 1990/91
10. The Spectator 14 July 1990
11. S Bulmer & W Paterson 'West Germany's role in Europe; 'Man Mountain' or 'Semi-Gulliver', Journal of Common Market Studies XXVIII No 2 December 1989 p 97
12. It is interesting to note, for example, the results of German-Polish talks in May 1991 whereby German minorities in Poland are to enjoy protected and extended minority rights in return for Germany's assistance in accelerating Poland's full membership of the European Community.
13. 14 July 1990
14. The Independent of Sunday of 15 July 1990 printed the memorandum in full. The participants in the seminar in addition to Mrs Thatcher, Mr Powell (the memo's author) and Mr Hurd, the Foreign Secretary were: Lord Dacre (the Oxford historian, Hugh Trevor-Roper), Professor Norman Stone (Oxford), Tim Garton Ash (Oxford), George Urban (Radio Free Europe), Professors Fritz Stern (Columbia) and Gordon Craig (Harvard).

15. It was an interesting piece of logic on the part of the government in such circumstances to leave the determining influence on British monetary policy to the marketplace, in effect to Germany, without attempting to re-establish controls as the French sought by means of a European central bank.

16. Kaiser op cit p 194

17. R Morgan 'French perspectives of the New Germany' Government & Opposition vol 26 No 1 Winter 1991 p108

18. F Duchene 'Less or More Than Europe? European Integration in Retrospect' in C Crouch and D Marquand (eds) The Politics of 1992 Basil Blackwell 1990 p 10

19. See below - in a recent article Ian Davidson suggested six different competing motivations for French policy. Financial Times 11 March 1991

20. French concern within the Socialist government was perhaps heightened by the fact that, for example it was not until April 1990, that Oskar Lafontaine, the SPD's candidate for Chancellor came out in support of continued German membership of NATO.

21. In the Franco-German proposals submitted to the IGC on Political Union. See Agence Europe 15 February 1991

22. See Agence Europe 7 February 1991

23. Not lost perhaps on Mr de Michaelis who is of course a Venetian.

24. As reported in Commission Document COM(90)400 final vol 1 'The Community and German Unification' 21 August 1990

25. see COM(90)400 final op cit p 57

26. Sufficiently flexible that if any extension of a derogation is required, decisions could be taken at committee level.

27. See successive Eurobarometres...

28. The Donnelly Report ...

29. See eg W Paterson..... P Katzenstein...

30. W Grant, W Paterson & C Witson Government and the Chemical Industry 1987 p 314

31. See eg Peterson in JCMS

32. S Bulmer and W Paterson 'West Germany's role in Europe' op cit

33. R Hrbek 'German Federalism and the Challenge of European Integration' in C Jeffery & P Savigear (eds) German Federalism Today Leicester 1991 p 85