

# German Unification and the Union of Europe

*The Domestic Politics of Integration Policy*

---

Jeffrey Anderson



## 7 A new Germany in Europe

---

United Germany's place in Europe is intact. Bonn (soon to be Berlin) remains an ardent proponent of the overarching goals of integration, and along with France continues to occupy the activist political fulcrum in Brussels. Since the collapse of the wall in November 1989, the German government has contributed vital support to the ambitious goals of political and economic integration enshrined in the Maastricht Treaty and its more staid progeny, and it has made eastern enlargement a central objective of the European Union. The Federal Republic's integration policy reveals new accents since 1990, to be sure: a greater frugality and a more sober appraisal of the limits of the European project, to name just two. Nevertheless, the appearance is one of seamless continuity with the past.

Yet beyond the glamor and glare of grand bargaining in Brussels, conspicuous shifts in Germany's approach to European regulative policies have emerged since, and in many instances because of, unification. In sum, the preceding chapters reveal a complex pattern of change and continuity, stretching across both the constitutive and regulative dimensions of Community politics. In this final chapter, I delve more deeply into the empirical findings, and construct explanations based on the analytical framework outlined in chapter 1. I then consider the long-term implications of constitutive continuity underpinned by regulative change for the larger relationship between an integrating Europe and a unified Germany as the twentieth century draws to a close.

### **The politics of continuity: constitutive outcomes**

The automatic, even unreflective nature of Germany's "decision" to maintain and even intensify its ties to the West and to the EC after November 9, 1989 can be attributed in large part to the fact that elites and ordinary citizens viewed Europe not as an instrumentality, but as a starting premise – an internalized, intrinsic component of German identity *and* political economy. To recall a core assumption of this study,

member governments will strive to replicate or, at a minimum, secure at the European level the constellation of ideas, interests, and institutions that they find (or would find) most advantageous at the domestic level. And given the success that West Germany enjoyed in building a successful model of political economy embedded within a stable, supportive relationship to Europe, it is hard to imagine another EC member with better reason to pursue policy continuity after 1990. And try Germany did. The Bonn government sought to preserve the postwar equilibrium in interests, institutions, and ideas between Germany and Europe via a policy of comprehensive institutional transfer at the national and supranational levels.

German officials enjoyed unprecedented autonomy during the period immediately surrounding formal unification, conferred on them by the sheer uncertainty accompanying these momentous developments and the virtual absence of mobilized interests in the new Länder. The decision to pursue policy continuity via a comprehensive transfer of the German model in Europe flowed not from precise or even approximate calculations of the vector of group interests, but rather from their reflexive belief in the restorative powers of the West German model in Europe.<sup>1</sup> Political and economic elites looked at the *Wirtschaftswunder* – a macroeconomic boom ushered in by a swift, decisive currency reform in 1948 followed by rapid implementation of the social market economy within an integrating Europe – and concluded that history could repeat itself four decades later.

The post-unification period revealed with brutal clarity the fatal flaws in the ideational foundations of the government's approach.<sup>2</sup> In retrospect, the original script drafted in Germany's provisional capital looks positively Panglossian. When the predicted economic take-off in the new Länder sputtered and then stalled in mid-1991, national policymakers suddenly found themselves in uncharted territory, holding ideational road maps that in many instances bore little relation to the new

<sup>1</sup> This belief was in fact widely held in Germany at the time. For *Ossis*, hope gave rise to conviction, whereas to most *Wessis* it rested on faith.

<sup>2</sup> Lehbruch, for example, laments the fact that a myth – the 1948 currency reform – and a symbol – the social market economy – guided government policymakers as they crafted the terms of GEMSU, with disastrous consequences. He takes particular issue with the 1948 analogy, pointing out that there were crucial differences between the starting points obtaining in the western occupation zones immediately after the war and in East Germany *circa* 1990. For example, in the former, firms emerged from the war largely intact and with state-of-the-art production capabilities; what held back the economy were deficiencies in transportation and communication as well as anemic consumer purchasing power. Moreover, West German firms found shelter under the non-convertibility of the Deutsche Mark for a good part of the 1950s. Thus, 1948 in no way provided an accurate map of the likely effects of economic and currency union in 1990. Lehbruch, "Institutionentransfer," 58–59.

terrain. And as social-market-economic orthodoxy faltered and economic distress mounted throughout Germany, political challenges to government policies, both at home and in Brussels, multiplied. Yet these challenges were aimed not at the broader integration goals pursued by the Federal Republic – testament to the resilience of these core political values and the national framework of institutions that uphold them – but at the regulative aspects of German policies toward Europe.

### **The politics of continuity and change: regulative outcomes**

Within a broader tapestry of continuity in European constitutive politics, the German government's regulative policy responses unfolded in a manner consistent with the "sectorized" nature of the national policy process, i.e. piecemeal and often uncoordinated.

Table 7.1 reveals a complex pattern of change and continuity since unification. First, in *trade* and *internal market* affairs, there is an unbroken line of continuity across the 1989–90 divide. Second, German *environmental* and *energy* policies reveal subtle shifts in the post-unification period. At the domestic level, the government adopted a more measured approach to national environmental regulation (although not for the new Länder) and a greater emphasis on market liberalization in the energy sector. At the supranational level, the German government remained committed to its ambitious European agenda for the environment, but resorted less frequently to solo policymaking when progress in Brussels proved elusive. In energy policy, the changing terms of the national debate after 1990 allowed the Germans to push openly for an internal energy market program they had always supported in principle, but had been unable to advance because of domestic roadblocks and disagreements with the Commission over means to the desired end.

Finally, Germany's approaches in the remaining policy areas exhibit marked changes after 1990. The German government formally changed its positions on the *structural funds* and the *CAP* in order to address novel problems in the new territories. *Vis-à-vis* EC/EU policy on *state aid*, Bonn's position remained unchanged only in a formal sense, i.e. the government insisted that it still supported and adhered to a strict application of stringent competition rules. However, after a succession of decisions on individual aid cases, the German government cumulatively altered its praxis in this policy area.

How to explain this pattern of outcomes? The seven case studies together reveal several plausible causal chains. For example, it is clear that national officials, who controlled a reasonably intact institutional

Table 7.1.1. *Policy comparisons*

EC/EU policy	Opposition in new Länder? (1)	Counter-opposition in western Germany? (2)	Organization of policy: Germany (3)	Organization of policy: EC/EU (4)	Policy model congruence? (5)	$\Delta$ in national policy? (6)	$\Delta$ in EC/EU policy? (7)
Trade	Yes <sup>a</sup>	No	Federal	All supranational	Yes	N/A	No
Internal market	No	No	Federal	Mostly supranational	Yes	N/A	No
CAP	Yes <sup>b</sup>	Yes <sup>a</sup>	Shared	Mostly supranational	Yes	Yes	Yes
State aid	Yes <sup>b</sup>	Yes <sup>a</sup>	Federal	Shared	Yes	Yes	Yes
Structural funds	Yes <sup>b</sup>	No	Shared	Shared	No	Yes	Yes
Environment	No	No	Federal	Shared	No	Yes	No
Energy	No	No	Federal	Some supranational	No	Yes	No

Notes: <sup>a</sup> Producer group-led.

<sup>b</sup> Land government-led.

Table 7.2. *The locus of post-unification conflict*

None	Outside Eastern Germany	Eastern Germany
internal market	energy environment	trade structural funds CAP state aid

apparatus in the federal bureaucracy and employed a coherent model of political economy, did not confront uniform domestic pressures for EC policy change; the cases reveal considerable variation in the intensity, composition, and organization of domestic opposition, as well as differential access to the federal and EC policy process. Moreover, national officials were subject to variable pressures from above. In some cases, the interests and ideas embraced by national and EC-level officials were congruent, creating strong currents in favor of policy continuity. Conversely, in at least one case – the structural funds – EC/EU officials pursued a markedly different agenda from their counterparts in Bonn, and used the opportunities presented by unification to press for changes in long-standing German positions.

Taking a broad overview of the seven regulative policy areas covered in this volume, three distinct clusters of cases take shape: those within which the locus of conflict after unification originated in eastern Germany; those in which the locus of conflict resided outside eastern Germany; and those in which conflict simply failed to materialize. The three case clusters, which are depicted in table 7.2, serve as an organizing framework for the ensuing causal analysis.

*Explaining policy outcomes: the absence of politicization*

The internal market case provides support for the front end of the first working hypothesis outlined in chapter 1.

**H1:** If eastern German actors do not press for change in government policy toward Europe, government policy will not change. Conversely, if eastern German actors press for change in government policy toward Europe, national officials will adjust policy to meet their expressed needs.

The constancy of the government's approach can be traced to the failure of the SEA to resonate politically in the new Länder. The federal government came under no pressure whatsoever from political constituencies in the new territories to alter its approach to Project 1992, and western German interests remained as enthusiastic as ever about the

initiative. The result was (and is) policy continuity. Of course, unification led to a revival of the *Standort* debate, which carried implications for German domestic politics and, indirectly, environmental and energy policies, but not for the internal market.

*Explaining policy outcomes: western Germany as a locus of conflict*

A similar correlation between the absence of political mobilization in the east and policy continuity in Brussels surfaces in both energy and the environment, but the parallel is superficial. In contrast to internal market affairs, unification clearly made a difference in these policy areas, leading eventually to perceptible changes in national energy and environmental policies. Yet the eastern German *problématique* featured hardly at all in these policy deliberations; instead, debates and decisions addressed systemic requirements – the health of the German *Standort* – rather than singular problems in the new territories.

Adjustments in energy and environmental policy arose out of concerns about the international competitiveness of the German economy. Unification catalyzed this national debate, and thus its effects on outcomes in these regulative policy areas can be characterized as largely indirect. By altering the terms of the national discussion, unification altered the cost-benefit matrix that national policymakers used to formulate environmental and energy policies at both the national and European levels. This was a debate carried out for the most part by western German political and economic elites, although, as chapter 4 makes clear, eastern German actors contributed to the discussion; business-as-usual in Bonn on matters relating to coal and especially the environment spelled disaster for fledgling business concerns in the new *Länder*, and they responded accordingly.

Ultimately, preserving and improving the competitiveness of German export industry counseled greater caution on the environment and greater activism on the energy front. These conclusions were applied for the most part at home, however. Indeed, what is intriguing about the changes observed at the European level in these two cases is that they in no way reversed or altered the long-standing substantive objectives of the Bonn government. German officials continued to count themselves among the most ardent supporters of strict environmental regulations at the supranational level, and they continued to adhere to a deregulatory energy agenda.

In contrast to the four cases examined in the next subsection, the eastern interests that mobilized around both environmental and energy policies did not place unique pressures on Bonn decision-makers, since

they paralleled domestic political line-ups that already existed in the west. The basic consensus in the new Länder on the need to bring the region up to the existing environmental standards of the west matched sentiments expressed on the other side of the former border almost perfectly. Eastern German entreaties to Bonn to refrain from putting too much daylight between itself and its European partners on environmental regulation, or to cut subsidies to hard coal to free up resource transfers to the new Länder, dovetailed with the positions of many western interest groups and, particularly in the case of coal, with the objectives of the federal government.

Although eastern German actors reinforced the structure of the pre-unification debates in both energy and environmental policy, it would be inaccurate to attribute changes in national policy approaches to their emergence on the political scene after 1990. Actors in the new Länder did not “tip the scales” in favor of an environmental moratorium or energy market deregulation. Rather, unification transformed the national economic context, which in turn transformed the national political context. The stakes attending the rejuvenated *Standort* debate were now much higher, a situation that proponents of national policy change in energy and the environment (often the same groups) used to their advantage.

As debates over environmental policy and energy deregulation unfolded in Bonn, national officials referred frequently to developments and precedents in Europe to strengthen their hands domestically. This was most evident in the case of energy; the Bonn government insisted that the EU’s internal energy program, shorn of its *dirigiste* elements, virtually dictated parallel reforms at the national level. Convergence to the emerging European energy model was essential if German economic interests were to be safeguarded. On the environment, Bonn officials exhibited an intense desire to continue living up to their image as the EU’s *Musterknabe*. The subtle changes introduced at the national level, which entailed more a change in pace rather than a change in direction, presented few obstacles.

*Explaining policy outcomes: eastern Germany as a locus of conflict*

Turning to the cases in which unification prompted a mobilization of eastern German actors opposed to government policies, one quickly encounters anomalies that spell trouble for an unalloyed interest-based explanation consistent with the second half of the volume’s first working hypothesis. Simply put, the emergence of eastern German opposition in no way guaranteed a shift in government policy. Although concerted



eastern lobbying campaigns galvanized Bonn officials into adjustments on the Common Agricultural Policy and the structural funds, the same cannot be said for trade, a highly contentious issue area after 1990. There, an eastern German coalition, led by THA firms and organized labor, pressed vigorously but in the end unsuccessfully for radical changes in Bonn's Eastern trade policy.

Perhaps the solution to the puzzle lies in western Germany.

**H2:** Regardless of the interests of eastern German actors, national officials will administer policy in a way that meets the expressed needs of western German actors. When western groups demand policy continuity, continuity will ensue. When they demand policy change, change will ensue.

It turns out that western German pressure group activity is an equally erratic predictor of change and continuity in Bonn's European policies. The failure of the eastern trade lobby cannot be laid at the doorstep of powerful, entrenched business interests in western Germany, which, keen on reaping the benefits of Eastern trade themselves, successfully blocked government efforts to improve the export prospects of potential competitors in the new Länder. Although plausible, this argument is not supported by the empirical evidence. Western firms mobilized neither against the special trade conditions nor for a bigger share of the Eastern trade pie. The issue of special trade arrangements with Russia was not a zero-sum game pitting east against west, since Russia played such a small part in overall western German trade relations.<sup>3</sup> Perhaps more significantly, in two key cases – the CAP and state aid – eastern German reform agendas prevailed over bitter western opposition.

Clearly, an unadorned domestic-interest-based explanation – changes in societal vectors of group interests produce changes in policy – appears plausible in some but not all of the cases covered in this analysis. It covers elements of the internal market, structural funds, CAP, and state aid cases, but completely misses trade and fails to capture relevant aspects of the politics of energy and the environment. A careful examination of some of these cases underscores the importance of incorporating two additional clusters of explanatory variables – institutions and ideas – as well as a second level of analysis – the supranational.

<sup>3</sup> An alternative hypothesis would hold that western firms contributed to the eventual policy outcome by vigorously opposing any change in German policy that might threaten the international trade order and its liberal norms. Although no such evidence materialized, this account is consistent not with an interest-based explanation, but with one that assigns causal weight to institutionalized ideas (see below).

*Trade Policy*

This case reveals that policy continuity arises not just from non-events (e.g. the absence of pressures for change in internal market affairs), but also from a politicized process culminating in a conscious decision to maintain the existing contours of government policy in the face of societal opposition. Intense demands from eastern German firms, trade unions, and state governments for trade subsidies came at a time when Bonn was politically vulnerable to the charge that its unification policies had failed. The federal government responded by declaring the problem of Eastern trade to be of paramount concern, initiating a wide-ranging debate, conducting a thorough policy review, and ultimately standing pat. Had the federal government acquiesced, the ramifications for Germany's liberal trade orientation could well have been momentous. In this instance, continuity resulted from the interaction of ideas and institutions.

The empirical evidence suggests that the German government ultimately chose the policy option most consistent with the prevailing set of ideas about the proper role of the state in trade policy. The government expressly declined to shift its approach toward open trade subsidies when it became clear that existing policy instruments had lost efficacy in light of changed circumstances, and that proposed policy alternatives would require a marked departure from long-established orthodoxy. In short, the doctrine of the social market economy served as a road map, providing federal policymakers with a means of interpreting reality and selecting avenues of action.

Essential to policy continuity in trade, however, was not the mere presence of a coherent economic belief system, but the fact that it was institutionalized within the federal bureaucracy; the full weight and authority of two key ministries – the BMWi and the BMF – lay behind the justification for Bonn's course of action. These parts of the German federal bureaucracy entrusted with responsibility for trade policy had emerged unscathed from the formal unification process, and were in an advantageous position to resist pressures emanating from the eastern Länder for open-ended subsidy schemes.<sup>4</sup>

Moreover, the institutionalized belief system that informed the government's decision drew on critical support beyond the domestic level. The framework of international trading norms and rules in which the

<sup>4</sup> As a case in point, the BMWi left the department responsible for economic trade relations and policy toward the Eastern bloc countries (*Abteilung VC*) largely untouched in the aftermath of unification. The department head remained in place throughout the period of study, and the few personnel changes involved lateral and upward moves by officials already working within the department.

Federal Republic had embedded itself for nearly fifty years provided conceptual orientation and political backbone for federal bureaucrats, who consulted frequently with responsible officials in Brussels and Paris. OECD and EC trade regimes by no means determined German policy responses, but they formed an integral part of the Bonn bureaucracy's resistance to policy options that entailed open trade subsidies for eastern German exporters.

*State aid, agriculture, and structural funds*

In each of these cases, mobilized coalitions of eastern actors launched major and ultimately successful initiatives to change government policies both at home and in Brussels. In two of the three cases, these eastern coalitions overcame substantial opposition from western groups. In light of the negative example of trade policy, where eastern pressure failed to move policymakers in Bonn, these three instances of regulative policy change deserve close scrutiny.

Across the board, eastern Land governments provided the main impetus for change, a fact that stands in contrast to trade, where the eastern German lobby was led by THA firms and producer groups. These eastern political coalitions led by the Länder either prevailed in the absence of any meaningful countervailing pressure from the west (structural funds) or triumphed over western opponents consisting of producer groups (state aid) or of a coalition of producer groups and certain western Länder (agriculture). The crucial role played by the eastern Länder provides an important clue in our search for causal factors: what enabled them to achieve such prominence in the policy process, and why were they so effective? The explanation can be traced to variations in the organization of the policy process generated by domestic institutional transfer, which influenced the composition of pressure coalitions mobilized in the east and their political efficacy. In short, we find at least partial confirmation of the fourth working hypothesis presented in chapter 1:

**H4:** Where eastern German actors opposed to government policy toward Europe are included in the national policymaking process, national officials will adjust policy to meet their expressed needs.

The two German policy positions to undergo substantial and official changes during the post-unification period were those in which domestic policymaking was shared between Bonn and the Länder; both regional policy and agricultural policy are "joint tasks" in Germany, resting on elaborate policymaking arrangements that elevate the Länder to the status of virtually co-equal participants in the federal policy process.

During unification, institutional transfer in these areas entailed the immediate incorporation of the eastern Länder into the federal policy framework. Consequently, they were positioned to influence national policies directly as participant-insiders, not as lobbyist-outsiders. Insider status also gave the Länder access to information that enabled them to mobilize eastern German interests more effectively at both the national and European levels. Furthermore, joint policymaking arrangements helped eastern interests find win–win solutions in tandem with representatives from the western Länder, and thereby minimize the possibility that east–west conflicts would undermine their bargaining position in Bonn. Where federal government and the states shared policymaking authority, the forbearance of the western Länder was won, either immediately as in the case of the structural funds or eventually as in agriculture.

Länder prominence in the state aid case also stems from institutional sources, but of a different origin than those at work in agriculture and the structural funds. The key to their eventual success was the Treuhandanstalt, a product of “reverse” institutional transfer during unification. On the surface, this suggests support for the third working hypothesis:

**H3:** Where unification results in a modification of national policy institutions, eastern German actors opposed to government policy toward Europe will enjoy greater success in effecting change.

Did the THA, a GDR import, serve as a Trojan horse for the eastern Länder? Not exactly. In fact, the THA entered the gates of the Federal Republic as a highly insulated agency. The turning point came in 1991–92, when the eastern Länder succeeded in bringing about the penetration of the agency on the grounds that their constitutionally defined responsibilities for structural and economic policies were at stake. Following the integration of the THA into German federalism, the new Länder used their new-found access to push federal policy on state aid (but not official doctrine) in a direction more consistent with their needs. The transitional nature of the THA agency helps to explain the “unofficial” nature of the changes in this policy area – Bonn was unwilling to recognize or otherwise acknowledge in Brussels either the permanence of the situation in the new Länder or the enduring nature of their demands for a more forgiving regime on state aid.

The results of domestic institutional transfer in these three cases contrast markedly with trade, internal market affairs, the environment, and energy, where the federal government retained an exclusive grip on policymaking, free of Länder co-participation. As a result, eastern actors

enjoyed few opportunities, even where they were so inclined (e.g. trade policy), to shape the federal policy process from within.

Turning to the institutional characteristics of the supranational policy process – specifically, the distribution of policy responsibilities between national and European-level authorities – the evidence of systematic causal effects, as suggested in the sixth working hypothesis, is inconclusive.

**H6:** Where eastern German actors opposed to government policy toward Europe are excluded from the national policymaking process but enjoy access at the European level, they will have greater success in effecting a change in their government's policy.

In large part, this is due to the fact that where eastern actors were denied access to the federal policy process, national-supranational congruence worked to deny them access at the European level as well. Trade policy is perhaps the most obvious example; the eastern lobby, stymied in Bonn, found no point of access to the EC policy process either, which effectively ended their campaign to change the government's approach to trade with the former communist bloc. Even the much touted regular consultations between Delors and the prime ministers of the new Länder, which took place outside formal policymaking channels at both the national and supranational levels, failed to generate any movement on this issue.

A stark contrast to trade is provided by the structural funds where the eastern Länder were able to combine their formal roles in both the national and supranational policy processes so as to influence the content and implementation of EC/EU policy, with significant ramifications for the national scene. The absence of a formal role for the Länder in European agricultural policy, however, did not appear to harm their ability to achieve desired shifts on structural questions both at home and in Brussels. In sum, to the extent the organization of the supranational policy process had any systematic effects, it worked to reinforce, not undercut, patterns of access and influence obtaining at the national level.

In trade, ideas worked to reproduce policy continuity after unification. What role, if any, did ideas play in the three cases of policy change?

**H5:** Where unification results in a modification of the national belief system attached to a particular policy area, eastern German actors opposed to government policy toward Europe will enjoy greater success in effecting change.

**H7:** Where eastern German actors confront a situation in which the prevailing national policy model they oppose does not correspond to the prevailing European policy model, they will have greater success in effecting change.

Did policy models governing the structural funds, agricultural policy, and state aid simply disintegrate, or were they systematically ignored or overruled? It appears that neither of these is the case. In each instance, the prevailing policy models employed at the European and German levels persisted into the post-unification period, but were sufficiently elastic to accommodate the changes contemplated and ultimately adopted in agriculture, regional policy, and state aid. The CAP reform's explicit formula of social compensation in exchange for efficiency-oriented market adjustment was entirely consistent with social market orthodoxy in postwar Germany, and even though it represented a rebalancing of priorities within the farm policy sector, it resonated with long-standing, albeit embryonic, concerns about agricultural efficiency in the FRG. Germany's heightened interest in an efficiency-oriented structural policy for agriculture dovetailed with the policy model advanced by the Commission as well as the interests of a pre-existing coalition in the Council of Ministers supporting large farming structures. Indeed, the schizophrenia exhibited by Germany's CAP policies after 1992 – reformist on structural questions, conservative on market and pricing policies – fits comfortably inside the evolving CAP regime of the 1990s.

Policy shifts in the structural funds were even easier for the federal government to justify, particularly once the economic gap between east and west had been established with precision. The principle of assisting the worse-off regions had always occupied a prominent place in the overall Bonn economic policy model, and furthermore it found institutional expression in federal regional policy. The ideational framework supporting the EC/EU's structural funds was similarly accommodating to Bonn's emerging demands on behalf of the new Länder.

Real tensions with existing policy norms developed only in the realm of competition policy; eastern German demands for a more relaxed approach to state aid clashed with strictures of the social market economy, which had always tied firm-specific and sectoral aid to efficiency gains and competitive viability. Objectively, these were harder to argue in the case of eastern German industry, although federal officials increasingly made the attempt as the deindustrialization debate intensified. Strife between the Commission and Bonn over subsidy practices in the new Länder, although it marked a clear departure for Germany, represented nothing atypical in a more general sense; state aid practice in the EC/EU has always been the subject of open controversy between the Commission as defender of the market on the one hand, and the member governments advancing particularistic demands on the other. Not only are conflicts over state aid an ever present reality in

Brussels, they are a legitimate reality – Commission and member governments expect to clash over such matters.

What *is* noteworthy about state aid is Bonn's attempt to have its cake and eat it too, i.e. to retain its reputation as strict disciplinarian on subsidy practices while receiving a blanket exemption to subsidize eastern German industry on the basis of Article 92(2c) of the Rome Treaty. The Commission's rejection of this legal reasoning landed Germany, however unwillingly, in an established camp of subsidizers in the Council of Ministers, who were only too happy to welcome a new wayward companion.

Overall, a high level of flexibility characterizes the policy models for these three areas of EU activity, a fact that stands in marked contrast to trade policy. Although the policy frameworks governing the CAP, state aid, and the structural funds are comprehensive and for the most part transparent, each sanctions a fairly broad range of activities on the part of member governments and subnational actors, which encourages political wheeling and dealing in the Council that often results in compromise solutions. That said, it should be emphasized that in each of these three cases, the flexibility of the ideational frameworks came into play only because eastern German actors (the *Länder*) gained institutionalized access to the policy process, and actively pressed their federal government for changes in national and European policy.

The same cannot be said for trade, which combined a much less flexible set of governing principles with a much more insulated policy process. As a consequence, the lower level of negotiability in trade strengthened the federal government's hand against domestic interests pressing for radical policy initiatives on behalf of the eastern region.

All of this suggests that the degree of policy model congruence between the national and supranational levels, highlighted in hypothesis H7, is not a critical factor in producing policy change or continuity after unification. Policy change in fact occurs where congruence is both present and absent (e.g. state aid, structural funds), as does policy continuity (e.g. trade, energy). That said, the case comparisons suggest that policy *incongruence* comes into play, in that it can create a situation in which the federal government is forced to accept changes in policy – admittedly on the margins – that it does not support. Supporting evidence comes from the structural funds, which operate according to principles at odds with Germany's federal regional policy regime. Although Bonn did not confront any difficulties with the basic *principle* of EC/EU cohesion assistance for the new *Länder*, once obtained it created significant problems for the government because of the lack of policy congruence. Specifically, the needs of the new *Länder*, quite

similar in content to those of the southern periphery, coincided with the Commission's larger substantive and political agenda in this policy area. For Bonn, the price of structural assistance for the new Länder was the importation of a "foreign" model of regional development into the new Länder.

*Interests, institutions, and ideas: a reprise*

The analytical framework based on interests, institutions, and ideas captures not only basic contours of the pattern of change and continuity in German policies toward Europe, but its many nuances. Beyond explaining a significant historical outcome, does the study of unification and union lend any insights into comparable cases or larger theoretical issues? In this section, I will sidestep the former question; German unification strikes me as a singular event, with little to recommend itself as a model for other realized or potential unifications.<sup>5</sup> Instead, I will focus on its relevance to theory.

A perennial challenge for political economists who explore the interaction of interests, institutions, and ideas is that their explanatory variables of choice change so infrequently, and when they do, the pace is often glacial. Viewed in this light, German unification presented a propitious natural experiment; in a historical instant, the constellation of interests, institutions, and ideas within Germany changed within a larger supranational context – the European Community – marked by continuity. Scholars were thus able to observe the effects (or non-effects) of much larger variations in these three categories of variables over a much shorter time frame than is typically allowed by real world events. What generalizations emerge from this unique social scientific opportunity?

The case of unification and union confirms a consistent theme in the literature – namely, that institutions and ideas, particularly where they have developed in tandem, are enormously resistant to change, however strong the shock to the system might be. The supreme confidence and faith placed by German elites in the German model in Europe, and the vigor with which they carried out institutional transfer, attests to this property. Institutional and ideational continuity played a large part in producing the continuity that characterized much of the new Germany's approach to Europe after unification.

Their "stickiness," however, does not always impede change. Recalling the examples of the two policy areas examined in chapter 6, where

<sup>5</sup> Examples include the People's Republic of China (PRC) and Hong Kong, the PRC and Taiwan, and the two Koreas.



the policy of institutional transfer granted particular types of access to eastern German actors, the government changed tack within a relatively short time frame. New interests used old institutions and the flexibility inherent in dominant policy models to elicit a shift in government approaches to both federal and European policies. More generally, this suggests that institutional frameworks and the policy models they uphold are independent of the interests that gave rise to them in the first place – leaving open the possibility that change initiated by new interests is quite possible.

This case-oriented study also sheds light on the outer limits of an assertion that appears frequently in institutionalist and idea-centric studies in political economy – specifically, that institutions and/or ideas shape, inform, or otherwise influence the formulation of interests. What this volume shows is just how “hard” material interests are, or at least can be. Contrary to expectations in Bonn, eastern German interests, grounded in a material world vastly different from the one that had developed on the other side of the Elbe, did not converge to the range of preferences held by western German actors. In fact, these interests remained largely impervious to the conditioning effects of the (West) German model in Europe, thereby perpetuating, indeed cementing, a lack of fit between material interests circumscribed by the eastern territories and the constellation of interests, institutions, and ideas buttressing national and European public policies that impinged on those interests. This was a recipe for political conflict and, in some instances, policy change.

This last observation could be read as suggesting that the debate over which variable warrants placement at the top of the causal hierarchy – interests, institutions, or ideas – has moved a long step closer to resolution: interests matter most of all. That, however, would constitute a highly selective interpretation of the volume’s empirical evidence and conclusions. Naturally, the activation of new interests through unification made a huge difference to the potential for political conflict and to the possibility of policy change at both the national and European levels. Only through interaction with certain kinds of institutional frameworks and ideational systems did new interests lead to new policy directions, however. If anything, these conclusions provide strong reasons for moving beyond the research agenda of causal one-upmanship.

Finally, this study demonstrates that the multilevel interactions of interests, institutions, and ideas are not only ubiquitous, but reveal systematic properties, in terms of both process and outcomes. What confers regularity on these interactions is the bounded nature of the system; in this case, a national political economy embedded within a

supranational framework. Given the complex and often subtle nature of these interactions, and the high degree of contextual and historical specificity they exhibit, there is no reason to believe that these patterns of interaction and their outcomes will travel, i.e. that they will replicate themselves perfectly in other times and places. Put another way, this study lends support to the notion that interests, institutions, and ideas will combine systematically elsewhere too, but the logic may well differ from locus to locus.<sup>6</sup>

### United Germany in Europe

What is Germany's place in Europe, now that the Berlin Wall has been consigned to the trash-heap (and mantelpieces) of history and the continent is no longer divided? Put another way, which Germany will take a seat at Europe's council table: a descendant of the assertive, aggressive state that roamed the continent for almost three-quarters of a century after 1871, or the "model and magnet"<sup>7</sup> that sat quietly and comfortably at Europe's center after 1945? The short answer is neither, although the Germany emerging from the settling dust of unification bears a strong familial resemblance to its immediate predecessor.

Unification failed to launch a sweeping reevaluation of Germany's place in Europe, either at home or abroad. In spite of the domestic and international upheavals unleashed by the events of 1989–90, the causal substructure of Germany's distinctive blend of constitutive and regulative politics remains for the most part intact; these include domestic conceptions of interest and identity, institutionalized policy models at both national and supranational levels, as well as international expectations concerning acceptable German behavior. Thus, in the late 1990s Germany's general approach to integration remains consistent with its pre-unification past. The Federal Republic remains solidly anchored in Europe, its exaggerated multilateralism and "culture of restraint"<sup>8</sup> undiminished. Still, to describe the united Germany's relationship with Europe in terms of seamless continuity would be grossly inaccurate. Something has changed since 1990, rendering Germany less of a model and magnet for other European countries, but no less central to the continent's future peace and prosperity.

The changes have been largely domestic in origin, and intimately bound up with unification. Initially, the German government, buttressed

<sup>6</sup> This is consistent with arguments advanced by, among others, Charles Ragin, Raymond Boudon, and Alan Zuckerman. See notes 2 and 3 in chapter 1.

<sup>7</sup> Garton Ash, *In Europe's Name*, 408.

<sup>8</sup> See Peter Katzenstein, "Introduction," in Katzenstein, ed., *Tamed Power*.

by broad public support in both the western and eastern parts of the country, held to the pre-unification formula: EC regulative politics (where possible) as a means to and (where necessary) subordinate to constitutive ends and domestic system requirements. In the Maastricht Treaty, the Federal Republic projected elements of its domestic model onto Europe,<sup>9</sup> whereas on regulative issues it acted for the most part as a policy-taker during the first two years after unification, submitting to established EC procedures and outcomes. Meanwhile, however, domestic pressures were growing that would eventually call into question long-standing German assumptions and approaches in several EC policy areas.

Many (but by no means all) of these pressures originated in the new Länder, i.e. from newly arrived actors whose material interests were ill served by Bonn's EC priorities. Their demands began to resonate in an increasingly charged political atmosphere in Bonn. The softening of domestic consensus over Europe can be traced in part to unification and the ensuing crisis of the national political economy. It can also be attributed to widespread public disillusionment and frustration with contemporary developments on the European continent, from EMU to Bosnia to mad cow disease. Along the way, core elements of the German model were subjected to domestic scrutiny and challenge, with significant ramifications for German objectives in Europe.

Germany's European policies after 1989 continue to be driven by concerns about process and principles, but Bonn officials are paying closer attention to distributive outcomes and net pay-offs in the short term. In the words of a Foreign Ministry official,

We are used to placing the goal of integration above all else, which requires a certain propensity toward generosity. Integration had to be advanced, even if it ended up costing Germany something in the bargain. This is no longer possible. We have to totally reorient ourselves.<sup>10</sup>

Such behavior, quite common for other member governments, is unusual for Germany, which in the past acted in a more rule- and norm-regarding manner than other Community members, particularly the large ones.<sup>11</sup> Precisely because elements of its domestic model of political economy found prominent expression or support in many EC regulative policy areas, West Germany consistently threw its weight behind outcomes that spoke more to the integrity of the rule frameworks

<sup>9</sup> This is characterized as "direct institutional export" in Bulmer, Jeffery, and Paterson, "Germany's European Diplomacy," 42–45.

<sup>10</sup> Interview with Foreign Ministry official, Bonn, November 20, 1992.

<sup>11</sup> On the subject of "normalcy" and German foreign policy, see James McAdams, "Germany after Unification: Normal at Last?" *World Politics* 49 (January 1997), 282–308.

themselves than to “who got what.” This is tangibly less true in the 1990s. Increasingly, Germans are scrutinizing the bottom line in Brussels.

What of it? In purely practical terms, it obviously translates into a more arduous integration process. Up to and including the Maastricht Treaty, integration advanced on the basis of an implicit formula: in exchange for the invisible economic benefits provided by the internal market and the opportunity to reaffirm its innate multilateral credentials, Germany agreed to underwrite regional integration and to wield its influence unobtrusively. Unification rocked the foundations of this cozy arrangement. Germany’s diminished inclination to foot the bill for expensive ventures like eastern enlargement and EU institutional reform, coupled with a less starry-eyed approach to Europe and a growing interest in securing a fair share for itself from various regulative policies, has already complicated EU constitutive bargaining post-Maastricht, and will continue to slow the pace of integration and raise the level of discord among the member states.<sup>12</sup>

Given the deep and abiding concerns expressed across Europe about the flawed democratic credentials of the EU, perhaps this is not a bad thing at all.<sup>13</sup> And if a somewhat more ponderous integration process is all that results from the new Germany in Europe, then basic postwar continuities will surely have endured. It is possible, however, that these subtle changes we are witnessing in Germany’s basic approach to integration, the consequence of a far-reaching domestic transformation begun in 1989, are just the tip of the iceberg. To adopt the analytical terminology employed in this volume, as German national officials reconcile themselves to the fact that their country has been permanently and in some respects profoundly changed by unification, they will seek to adjust their regulative and constitutive agendas in Brussels to reflect the new facts on the ground. In other words, as the content of the German model undergoes a transformation, so too will the assessment of the supportive superstructure desired in Brussels.

Whether this transformational scenario will in fact materialize, and

<sup>12</sup> Bulmer notes that sectorization and its attendant lack of coordination often played to Bonn’s advantage in the past, rendering its gains less visible and therefore less open to criticism from its EC partners. This may no longer be the case – although sectorization persists, Germany is raising its visibility across many policy areas as it pursues a more equitable share of the proceeds. See Bulmer, “Shaping the Rules?”

<sup>13</sup> See Michael Newman, *Democracy, Sovereignty, and the European Union* (New York: St. Martin’s Press, 1996); Antje Wiener and Vincent Della Sala, “Constitution-making and Citizenship Practice – Bridging the Democracy Gap in the EU,” *Journal of Common Market Studies* 35 (December 1997), 593–614; and Jeffrey Anderson, ed., *Regional Integration and Democracy: Expanding on the European Experience* (Boulder: Rowman & Littlefield, 1998).

where it will lead, is anybody's guess – there are far too many variables and too little available data to venture concrete predictions at the present time. What can be said right now is that Germany may well see fit to undertake major adjustments in the kinds of demands and the types of goals it pursues in Europe, both at the regulative and the constitutive levels. The question is whether the political environment in Brussels will facilitate or impede such changes.

As we have seen, unification reshuffled the cards inside Germany, transforming the domestic context in which European policy is made. New material interests now sit along established ones, overlaid by still intact but increasingly contested institutional and normative frameworks. This renders it much more difficult, even impossible, for the German government to satisfy domestic constituencies with traditional policy priorities and a self-effacing deportment in Brussels. The only real question now is how much and how far German policies toward Europe will change.

Now more than at any time since 1945, however, Germans are expected to walk, talk, and act softly – in short, to be good (West) Germans. Unification rekindled deep anxieties among its neighbors about German power and intentions. Although manifest concerns have subsided, they persist in latent form, and are easily resurrected. Many EU member governments, usually *sotto voce*, ascribe dark intentions to German demands for institutional reform or eastern enlargement, seeing in them thinly veiled attempts to cement its growing power and influence in the EU.

So what? One can start by recalling that the post-unification continuities discussed in earlier chapters originated *inside* Germany; that is, they resulted from the conscious and sometimes reflexive choices of the German government. To date, continuity is “Made in Germany.” But the rumblings expressed by EU members about departures from the West German template smack of externally imposed continuity, which is certain to elicit a far different reaction within Germany, both among elites and the general public. The risk is not the return of the Third Reich, but the emergence of yet another UK in Europe – a second awkward partner, skeptical and often unconstructive on the European stage. Europe can ill afford that outcome. EU member governments and their citizens would do well to reflect on the fact that, while Germany's European interests may be changing, they still fit comfortably with its uniquely positive European identity.

As this book went to press, Germans filed to the polls on September 27, 1998 to elect a new Bundestag. In many respects, the campaign had

been a referendum on Helmut Kohl and unification; the plight of eastern Germany featured prominently in the contest, with both major parties giving iron-clad commitments of continued financial support for the troubled region. In the end, eastern Germans turned their backs on the unification chancellor. When all the votes were tallied, the CDU/CSU had registered its worst election defeat since 1949, and an SPD-Green coalition, led by Gerhard Schröder, looked set to take power for the first time in the republic's history.<sup>14</sup>

Does this change in the partisan composition of government augur still more upheaval in the country's policies toward Europe? At this point in time, all we have to go on are public utterances of the leaders of the new coalition partners, but little else. If their policy pronouncements are genuine, the answer to the above question is "no." In fact, we are likely to observe the same mix of policy continuity and change over the next four years, coupled with an accentuation of the tensions that have been generated by and since unification.

On issues relating to constitutive politics, the policies set down by Germany since 1990 will persist. Trade and internal market policy will carry on as before. With the Greens in power (and in control of the environment ministry), the new government will be willing to drive the EU environmental agenda with domestic legislative initiatives, thereby restoring Bonn-Berlin's pre-unification approach in this policy area. The SPD's new-found political base in eastern Germany, coupled with its commitment to centralize the administration of economic policy for the new Länder while maintaining support for troubled regions and localities in the old, will heighten the tensions with Brussels over subsidy policy and the structural funds already established under Kohl. In agriculture, the SPD-Green government almost certainly will support continued protection for the sector, but will lay greater emphasis on the market, efficiency criteria (which bodes well for eastern German farmers), and environmental objectives in the reform of the CAP and domestic policy.

Only in energy is a departure from the course charted by the Kohl

<sup>14</sup> Final election results were:

	<u>percentage of popular vote</u>
CDU/CSU	35.2
SPD	40.9
FDP	6.2
Greens	6.7
PDS	5.1
Others	5.9

Source: "SPD-Greens To Have 10 Seat Majority," *Agence France-Presse*, September 28, 1998.

government possible; the Social Democrats harbor major reservations about their opponent's approach to domestic energy market liberalization, arguing that it does not take sufficient account of the interests of domestic energy producers and local authorities. Even here, modifications to German energy policy are likely to occur on the margins only; the new government will be unwilling to launch a frontal assault on the Commission's IEM project, much of which is already in place thanks in part to German votes in the Council of Ministers.

All of which brings us back to the basic conclusions reached in this volume. Against all confident predictions and pious hopes of western German politicians and public, the Federal Republic did not emerge unscathed from the cauldron of unification. Domestically, the political and economic constitutions are still recognizable, but they function differently, often subtly so, but differently nonetheless. The changes have not been sufficiently sweeping to prompt dramatic changes in Germany's self-defined place in Europe, at least not yet. Nevertheless, they have bubbled up in complex and fascinating ways, generating shifts in some policy areas and continuity in others, the sum total of which constitutes a new Germany in Europe. The twenty-first century will reveal the direction of this ongoing, evolving relationship between unification and union.