

INTERVENTO INTRODUTTIVO DEL PRESIDENTE DELL'IRI,

PROF. PETRILLI

QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

NEL RIVOLGERE IL VIVO RINGRAZIAMENTO

DELL'IRI

AL COMMISSARIO DAVIGNON, CHE HA ACCETTATO DI PARTECIPARE A QUESTO CONVEGNO IN QUALITÀ DI RELATORE GENERALE, AI PRESIDENTI CARLI E STORTI CHE VI FIGURANO QUALI CONTRORELATORI, AI MINISTRI, AI PARLAMENTARI E ALLE PERSONALITÀ TUTTE CHE CI HANNO ONORATO DELLA LORO ADESIONE, VORREI LIMITARMI, NEL CORSO DI QUESTO INTERVENTO INTRODUTTIVO, A CHIARIRE LE RAGIONI CHE CI HANNO SPINTO A FARCI PROMOTORI DI QUESTA INIZIATIVA. MI BASTERÀ PROBABILMENTE ACCENNARE AD ALCUNE COSTATAZIONI FONDAMENTALI. LA PRIMA DI QUESTE ATTIENE AL CARATTERE DI SVOLTA RADICALE CHE HANNO AVUTO NELL'ECONOMIA INTERNAZIONALE I FATTI VERIFICATISI TRA L'ESTATE DEL '71 E L'AUTUNNO DEL '73, CON LA CRISI DEL SISTEMA MONETARIO E LE DIFFICOLTÀ SOPRAGGIUNTE NEGLI APPROVVIGIONAMENTI ENERGETICI. PER EFFET

FETTO DI TALI AVVENIMENTI, È ENTRATA IN CRISI - PRESSO L'OPINIONE PUBBLICA PRIMA ANCORA CHE NELLA RISTRETTA CERCHIA DEI CULTORI DI COSE ECONOMICHE - LA FIDUCIA SPONTANEISTICA NELLA CAPACITÀ DEL SISTEMA DI AUTOREGOLARSI NELLA MISURA NECESSARIA A GARANTIRE IL PROSEGUITO INDEFINITO DELL'ESPANSIONE. ACQUISTAVANO INTANTO URGENZA DI CONFRONTO CONCRETO ALCUNI TEMI AGITATI IN PASSATO A LIVELLO PIÙ CULTURALE CHE POLITICO: LA CRITICA DEL CONSUMISMO, AD ESEMPIO, LE PREOCCUPAZIONI ECOLOGICHE, L'ESIGENZA DI ARGINARE LA DIVERGENZA (POTENZIALMENTE ESPLOSIVA) TRA IL MONDO INDUSTRIALIZZATO E IL RESTO DELL'UMANITÀ. COME SEMPRE AVVIENE NEI MOMENTI DI CRISI, LA NECESSITÀ DI UN MUTAMENTO QUALITATIVO SI È IMPOSTA CON CRESCENTE EVIDENZA ANCHE A QUELLI CHE AVEVANO FINITO CON L'ABITUARSI A CONCEPIRE IL FUTURO IN TERMINI DI MERA ESTRAPOLAZIONE DELLE TENDENZE PASSATE.

NULLA FORSE ILLUSTRATA TANTO BENE IL CARATTERE RADICALE DI QUESTA
 SVOLTA QUANTO L'IMPATTO CHE ESSA HA ESERCITATO SUL PROCESSO DI INTE-
 GRAZIONE EUROPEA. COLORO CHE SONO STATI PERSONALMENTE COINVOLTI NELLA PRI-
 MA FASE DI ATTUAZIONE DEL TRATTATO DI ROMA BEN RICORDANO QUANTO LA FI-
 DUCIA NELL'AUTOSUFFICIENZA DEGLI AUTOMATI-
 SMI DI MERCATO, ASSECONDATI DA UNA POLITICA ANTICICLICA ORMAI SPERI-
 MENTATA, FOSSE ALLORA UNIVERSALMENTE DIFFUSA A TUTTI I LIVEL-
 LI. GLI STESSI PROBLEMI SOCIALI, ANCORA APERTI IN TALUNE AREE
 ARRETRATE DELLA COMUNITÀ A COMINCIARE DAL NOSTRO MEZZOGIORNO, ERA-
 NO CONSIDERATI COME MERI FATTI RESIDUALI
 CHE L'ULTERIORE CRESCITA ECONOMICA AVREBBE COMUNQUE SANATO. LO SQUI-
 LIBRIO TRA COORDINAMENTO POLITICO E LIBERALIZZAZIONE DI MER-
 CATO, VIA VIA ACCENTUATOSI IN CONSEGUENZA DEI PROGRESSI DI
 QUEST'ULTIMA A DANNO DELLE ZONE MENO FAVORITE, NON AVREBBE POTU

TO PREOCCUPARE ECCESSIVAMENTE CHI CONCEPIVA LA COESIONE POLITICA DEL
L'AREA INTEGRATA COME UNA CONSEGUENZA AUTOMATICA DELL'IN-
TERPENETRAZIONE TRA LE FORZE ECONOMICHE.

QUESTI ORIENTAMENTI HANNO SUBITO NEGLI ULTIMI ANNI UNA REVISIO
NE IMPOSTA DALLA FORZA DELLE COSE. TUTTI I PAESI
DELLA COMUNITÀ ERANO PREVALENTEMENTE O QUASI ESCLUSIVAMENTE CONSU
MATORI DI PRODOTTI PETROLIFERI, E PERTANTO PIÙ DIRETTAMENTE COLPITI
DALL'EVOLUZIONE INTERVENUTA NEI RAPPORTI DI
MERCATO. CIÒ SPINGEVA INDUBBIAMENTE LA COMUNITÀ VER
SO UNA MAGGIORE ASSUNZIONE DI INIZIATIVA INTERNAZIONALE NEI CONFRON
TI DEI PAESI PRODUTTORI, INTERESSATI DEL RESTO DA LARGHI PROCESSI DI
DIVERSIFICAZIONE ECONOMICA CHE APRIVANO ALL'INDUSTRIA EUROPEA NUOVI
MERCATI DI ESPORTAZIONE E DI INVESTIMENTO. SI MOLTIPLICAVANO ALL'IN

TERNO DEI SINGOLI PAESI MEMBRI INTERVENTI DI ISPIRAZIONE O DI EFFETTO PROTEZIONISTICO SOLLECITATI DALLA DIFESA DELLE RISPETTIVE PARITÀ NELLE NUOVE CONDIZIONI DI INSTABILITÀ MONETARIA GENERALIZZATA, E CIÒ RENDEVA EVIDENTE CHE, PROSEGUENDO NELLA STRADA INTRAPRESA, SI SAREBBE GIUNTI AD UNA ESASPERAZIONE DEGLI SQUILIBRI STRUTTURALI ESISTENTI ED ALLA CRISI DELLA STESSA INTEGRAZIONE DI MERCATO. IL FATICOSO RILANCIO DELLA PROBLEMATICIA ISTITUZIONALE REGISTRATO NEGLI ULTIMI ANNI, CHE TROVA IL SUO PUNTO SALIENTE NEL TENTATIVO ATTUALMENTE IN CORSO DI RIFONDAZIONE DELL'UNIONE ECONOMICA E MONETARIA, È IN DEFINITIVA UN ABBOZZO DI RISPOSTA POLITICA ALL'ATTUALE CRISI DELL'ECONOMIA.

A MIO AVVISO, L'EVOLUZIONE DELLE RAGIONI DI SCAMBIO INIZIATASI CON L'AUMENTO DEL PREZZO DEL PETROLIO È UN FENOMENO IRREVERSIBILE E DESTINATO AD ESTENDERSI PROGRES

SIVAMENTE ALLE MATERIE PRIME NEL LORO COMPLESSO. IO QUINDI RITENGO CHE I MUTAMENTI INTERVENUTI NELL' ECONOMIA INTERNAZIONALE DEBBANO ESSERE ASSUNTI COME UN DATO PERMANENTE, CON GLI ELEVATI COSTI DI TRASFORMAZIONE CHE NE CONSEGUONO. L'ESISTENZA DI QUESTO VINCOLO OGGETTIVO PONE DI PER SÈ PROBLEMI DI RISTRUTTURAZIONE COMUNI A TUTTA L'INDUSTRIA EUROPEA. ANCHE I PIÙ FORTI DEI PAESI MEMBRI DEVONO OGGI MISURARSI CON LA DIFFICOLTÀ DI GARANTIRE NELL'AMBITO NAZIONALE UN PIENO UTILIZZO DEI FATTORI PRODUTTIVI, A COMINCIARE DALLA FORZA LAVORO. ^{INOLTRE} IL BASSO SAGGIO DI SVILUPPO, IN UNA SITUAZIONE CARATTERIZZATA DALL'ARRIVO SUL MERCATO DI NUOVE LEVE PARTICOLARMENTE NUMEROSE, RENDE SPESSO ALEATORIE LE PROSPETTIVE DI UN LORO INSERIMENTO NEL PROCESSO PRODUTTIVO. IN QUESTO SENSO, PUÒ DIRSI CHE I CONTRACCOLPI STRUTTURALI DELLA CRISI MONDIALE HANNO PORTATO ALL'INTERNO DEGLI STESSI PAESI DI PIÙ ANTICA INDUSTRIALIZZAZIONE UNA

TEMATICA AFFINE PER ALCUNI ASPETTI A QUELLA PROPRIA DEI PAESI EMERGENTI. D'ALTRO CANTO, IL GENERALIZZARSI DELL'INTERVENTO PUBBLICO, CUI STIAMO ASSISTENDO IN MISURA TALORA IMPRESSIONANTE NEGLI ULTIMI TEMPI, E LA NUOVA ATTUALITÀ CHE I TEMI DELLO SVILUPPO REGIONALE ASSUMONO NEL MUTATO CONTESTO DI MERCATO RENDONO SEMPRE PIÙ PALESE L'INTERDIPENDENZA ESISTENTE TRA LE DIVERSE SITUAZIONI.

ANCHE A QUESTO RIGUARDO, L'ESIGENZA DI UNA MATURAZIONE POLITICO-ISTITUZIONALE CHE ASSICURI UN REALE COORDINAMENTO TRA I MOLTEPLICI INTERVENTI DEGLI STATI NAZIONALI SEMBRA ANDARE DI PARI PASSO CON UNA PRESA DI COSCIENZA DELLA COMPLESSITÀ DEI PROBLEMI POSTI DALL'INTEGRAZIONE ECONOMICA TRA AREE A LIVELLO DIVERSO DI SVILUPPO. DAL PUNTO DI VISTA ITALIANO TALE EVOLUZIONE APPARE POSITIVA, NELLA MISURA IN CUI POSTULA IL SUPERAMENTO DI UNA CONSIDERAZIONE "ASSISTENZIALE" DEL CASO ITALIANO, VISTO COME UNA ANOMALIA O COME UN'EC

CEZIONE CHE CONFERMA LA REGOLA. TALE SUPERAMENTO SARÀ RESO DEFINITIVO DAL PROSSIMO ALLARGAMENTO DELLA COMUNITÀ AD ALTRI PAESI DELL'EUROPA MERIDIONALE.

CERTO, TALE SUPERAMENTO NON POTREBBE ESSERE UNILATERALE; ESSO DEVE PASSARE ATTRAVERSO UN DIVERSO COMPORTAMENTO DELLO STATO E DELLA SOCIETÀ ITALIANA, CHE TROPPO SPESSO IN PASSATO SONO SEMBRATI RICORDARSI DELL'ESISTENZA DELLA COMUNITÀ SOLO AL MOMENTO DI FORMULARE RICHIESTE, NON SEMPRE DEL RESTO SUSCETTIBILI DI CONCRETO ACCOGLIMENTO. LA CIRCOSTANZA CHE L'ITALIA ABBIA A LUNGO DEDICATO ALL'INVESTIMENTO SOLO LA PARTE RESIDUALE DELLE PROPRIE RISORSE, SACRIFICANDO LE RAGIONI DELLO SVILUPPO FUTURO A QUELLE DI UNA POLITICA REDISTRIBUTIVA NON SEMPRE ILLUMINATA, SEMBRANO GIUSTI -

FICARE IN LINEA DI PRINCIPIO LA PREOCCUPAZIONE DEI PAESI MEMBRI ECONOMICAMENTE PIÙ FORTI CHE AD UNA ACCRESCIUTA SOLIDARIETÀ FINANZIARIA SI ACCOMPAGNI NELL'AMBITO COMUNITARIO UN CORRELATIVO RAFFORZAMENTO DEGLI STRUMENTI DI CONTROLLO. NON A CASO, IL PROGRAMMA TRIENNALE PREDISPOSTO DAL MINISTRO DEL TESORO PANDOLFI, SIGNIFICATIVAMENTE INTITOLATO "UNA SCELTA PER L'EUROPA", SI MUOVE APPUNTO NELLA DIREZIONE DI UNA RIQUALIFICAZIONE PRODUTTIVISTICA DELLA SPESA PUBBLICA ITALIANA. E' ALTRETTANTO SIGNIFICATIVO TUTTAVIA CHE PROPRIO IN TALE CONTESTO, PRELIEVO FISCALE E SPESA PUBBLICA SI PRESENTINO COME LA STRUTTURA PORTANTE DELL'INTERA POLITICA ECONOMICA, PONENDOSI COME LA CONDIZIONE PRINCIPALE DELL'INDISPENSABILE RIATTIVAZIONE DEGLI STESSI MECCANISMI DI MERCATO. E' QUESTA A MIO GIUDIZIO LA SOGLIA DECISIVA CHE IL COORDINAMENTO POLITICO COMUNITARIO DEVE SUPERARE PER GIUNGERE AD UNA CONSIDERAZIONE REALISTICA DEI PROBLEMI CHE OGGI SI PONGONO NEL-

L'AMBITO DELL'ECONOMIA ITALIANA, E NON SOLTANTO DI ESSA.

IN REALTÀ, ANCHE SUL TERRENO PIÙ LIMITATO DEI PROBLEMI INDUSTRIALI, CHE DIRETTAMENTE CI PREOCCUPANO IN QUESTA SEDE, IL DISCORSO È ORMAI CON OGNI EVIDENZA QUELLO DEL COORDINAMENTO POLITICO. LA LEGGE 675 IN MATERIA DI RISTRUTTURAZIONE E RICONVERSIONE INDUSTRIALE HA RAPPRESENTATO IN QUESTO SENSO UN CONTRIBUTO RILEVANTE AGLI SFORZI CHE ANCHE IN SEDE COMUNITARIA SI COMPIONO PER GIUNGERE AD UNA VISIONE ORGANICA DEGLI INTERVENTI PUBBLICI, CHE LI RENDA RECIPROCAMENTE COMPATIBILI E RICONDUCIBILI A DISEGNO COMUNE. MA L'ATTUALE NORMATIVA COMUNITARIA, CHE IGNORA OGNI ESPlicitO RIFERIMENTO AD UNA POLITICA INDUSTRIALE COMUNE E CONDIZIONA (COME ANCHE DI RECENTE SI È POTUTO CONSTATARE) GLI STESSI INTERVENTI DELLA COMMISSIONE AD UNA DISCIPLINA DELLA CONCORRENZA CONCEPITA IN UNA SITUAZIONE STO

RICA PROFONDAMENTE DIVERSA DALL'ATTUALE, È DAVVERO ADEGUATA A COMPITI TANTO IMPEGNATIVI COME QUELLI CHE PROPRIO IN SEDE COMUNITARIA CI VENGONO PROPOSTI, DAL TRASFERIMENTO DI TECNOLOGIE ALLA RISTRUTTURAZIONE DEI SETTORI MATURI E ALLO SVILUPPO DI QUELLI D'AVVENIRE?

A QUESTO RIGUARDO, MOLTEPLICI E LEGITTIME SONO LE PREOCCUPAZIONI DEL SETTORE PUBBLICO IN GENERE, E IN PRIMO LUOGO DI UN GRUPPO COME L'IRI, FORTEMENTE PENALIZZATO DALL'ATTUALE CRISI ANCHE A MOTIVO DEL SUO LARGO IMPEGNO IN SETTORI PIÙ ESPOSTI AI CONTRACCOLPI NEGATIVI DELL'INDEBOLITA DOMANDA MONDIALE E DELL'EMERGENZA DI NUOVI CONCORRENTI. SIAMO ANZITUTTO SENSIBILI AL RISCHIO CHE LO STESSO INCALZARE DELLA CRISI, CHE SOLLECITA IN MOLTI PAESI UNA CRESCENTE PRESENZA PUBBLICA IN TALI SETTORI, ANCORI NELLA STESSA MISURA LE IMPRESE A CONTROLLO PUBBLICO AD UNA LOGICA DI

SALVATAGGIO, CON PERDITA DI IMPRENDITORIALITÀ E CON L'INSORGERE DI CONTRADDIZIONI INSUPERABILI TRA UNA POLITICA DIFENSIVA ALL'INTERNO DELLE RISPETTIVE ECONOMIE E UNA PROIEZIONE ESPANSIVA VERSO I PAESI EMERGENTI. TALE RISCHIO CI APPARE TANTO PIÙ GRAVE IN QUANTO UNA GESTIONE DELLA POLITICA INDUSTRIALE COMUNITARIA INTESA AD OPERARE LE RIDUZIONI DI CAPACITÀ PRODUTTIVA IMPOSTE IN TALI SETTORI DALLA NUOVA DIVISIONE INTERNAZIONALE DEL LAVORO POTREBBE IN TALUNI CASI SORTIRE EFFETTI OPPOSTI A QUELLI DESIDERATI SACRIFICANDO DI FATTO IMPRESE COMPETITIVE A MEDIO TERMINE, CHE PAGANO NELL'IMMEDIATO LO SCOTTO FINANZIARIO DI UN IMPEGNO DI RINNOVAMENTO PERSEGUITO IN AVVERSE CONDIZIONI CONGIUNTURALI. ANCOR PIÙ CI PREOCCUPA INFINE IL PERICOLO CHE IN NOME DI PUR LEGITTIME ESIGENZE DI TRASPARENZA COMPETITIVA SI IMPONGANO ALL'IMPRESA PUBBLICA VINCOLI DISCRIMINATORI, SOSTANZIALMENTE INCOMPATIBILI CON UNA GESTIONE DI TIPO IMPRENDITORIALE E TALI DA INCORAGGIARE PIUTTOSTO IL

CONSOLIDAMENTO E L'ESTENSIONE DI AREE DI CAPITALISMO ASSISTITO, VIRTUALMENTE SOTTRATTE ALLA NORMALE DIALETTICA DI MERCATO.

A QUESTE PREOCCUPAZIONI SI AGGIUNGONO QUELLE INERENTI ALLA DIFFICOLTÀ CHE HA INCONTRATO FINORA LO SVILUPPO DI UNA SOSTANZIALE COOPERAZIONE COMUNITARIA NEI SETTORI AD ALTO CONTENUTO TECNOLOGICO E AD ELEVATO VALORE AGGIUNTO, CHE PUR MAGGIORMENTE ESIGEREBBERO UNO SFORZO COMUNE PER LA DIMENSIONE DEI MEZZI FINANZIARI E DELLE CONOSCENZE TECNICHE CHE IN TALI CAMPI SI RICHIEDONO. LA MAGGIOR DIFFICOLTÀ DI COORDINAMENTO IN UN TERRENO COME QUESTO È ILLUSTRATA DALL'INTERA STORIA DELLA COMUNITÀ EUROPEA, DOMINATA DAL CONTRASTO FRA IL FALITO TENTATIVO DI COSTRUIRE UN'INDUSTRIA NUCLEARE COMUNE E IL CONSOLIDARSI DI UN REGIME FORTEMENTE PROTEZIONISTICO NEL SETTORE AGRICOLO. IN QUESTO SENSO, LA RISPOSTA ALLA SFIDA RIVOLTA ALL'INDUSTRIA EUROPEA DALLA NUOVA DIVISIONE INTERNAZIONALE DEL LAVORO CONDIZIONA DIRETTAMENTE

L'AVVENIRE DELL'INTERA COMUNITÀ E IL SUO STESSO SIGNIFICATO RISPETTO AL PIÙ VASTO AMBITO DEGLI SCAMBI INTERNAZIONALI.

INVESTITA DIRETTAMENTE DA QUESTA PROBLEMATICHE, CHE PONE IN DISCUSSIONE LE SUE RESPONSABILITÀ FUTURE E LA SUA STESSA IDENTITÀ, SPECIE IN UN PAESE COME L'ITALIA, SITUATO GEOGRAFICAMENTE E STORICAMENTE AI MARGINI TRA MONDO INDUSTRIALIZZATO E PAESI EMERGENTI, L'IMPRESA PUBBLICA, OGGI PRIORITARIAMENTE IMPEGNATA NEL RISANAMENTO DELLE SITUAZIONI COMPROMESSE DALLA CRISI, CERCA FATICOSAMENTE LA STRADA DI UNA CARATTERIZZAZIONE CHE RISPONDA AL MUTATO ORIZZONTE STORICO IN CUI SI TROVA AD OPERARE. CONSAPEVOLI DELL'IMPOSSIBILITÀ DI TROVARE RISPOSTE VALIDE CHE NON SIANO GLOBALI, ABBIAMO ASSUNTO UNA INIZIATIVA CHE NEL SENSO MIGLIORE POTREBBE DIRSI PROVOCATORIA, INVITANDO A QUESTO TAVOLO IL RESPONSABILE DELLA POLITICA INDUSTRIALE IN VIA

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DI ELABORAZIONE A LIVELLO COMUNITARIO E DUE TRA I PIÙ AUTOREVOLI ESPONENTI DEL MONDO ECONOMICO ITALIANO. DAL DIBATTITO CHE ESSI AVVIERANNO E CHE CI AUGURIAMO TROVI LARGA ECO NEGLI INTERVENTI DEL QUALIFICATO PUBBLICO PRESENTE, L'IRI SI RIPROMETTE DI TRARRE ELEMENTI DI RIFLESSIONE SUSCETTIBILI DI TRADURSI IN ORIENTAMENTI OPERATIVI.

Ernst-Otto Czempel

ATLANTISCHE GEMEINSCHAFT, EUROPA, DEUTSCHLAND:

OPTIONEN, OBJEKTE ODER UMFELDER BUNDESREPUBLIKANISCHER AUSSENPOLITIK?

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ATLANTISCHE GEMEINSCHAFT, EUROPA, DEUTSCHLAND:
OPTIONEN; OBJEKTE ODER UMFELDER BUNDESREPUBLIKANISCHER
AUSSENPOLITIK?

Einführung

Das interessanteste an der Frage nach der Orientierung der westdeutschen Außenpolitik ist, daß sie überhaupt jetzt gestellt wird. Hat sich die Bonner Außenpolitik verändert? Oder hat sich vielleicht die Welt verändert, in der die Bundesrepublik Außenpolitik treibt? Vieles spricht für die zweite Version. Im historischen Längsschnitt gesehen, hat sich an der bundesrepublikanischen Außenpolitik nichts Substantielles geändert. Sie versteht sich als europäischer Regionalstaat, der auf die Zusammenarbeit mit den westeuropäischen Staaten im Rahmen der EG angewiesen ist und sie deswegen fördert. Sie versteht sich als Mitglied der Atlantischen Gemeinschaft, auf deren, vor allem von den USA erbrachte Schutzfunktion sie nicht verzichten kann. Schließlich trägt sie an der deutschen Teilung, kann und darf sie weder die 16 Mio Deutschen in der DDR noch die Tatsache vergessen, daß auch die osteuropäischen Staaten und zu einem großen Teil die Sowjetunion zu Europa gehören. An dieser Problem-Quadrige arbeitet die Bundesrepublik, seit 1955 die deutsche Frage von der Agenda der Weltpolitik gestrichen und durch die Entspannung ersetzt wurde. Seit beinahe 20 Jahren also verwirklicht die Bundesrepublik ihre Sicherheitsinteressen über die Zusammenarbeit in der NATO, ihre wirtschaftlichen Interessen in der Europäischen Gemeinschaft, ihre Deutschlandpolitik im Rahmen der Vier-Mächte-Verantwortung und ihre Entspannungs-Politik in enger Abstimmung mit den

Vereinigten Staaten, Großbritannien und Frankreich. Seit 30 Jahren betreibt sie eine unilaterale Politik, weil es eine multinationale Alternative dazu nicht gibt. Unilateral ist aber nicht gleichbedeutend mit national, bezeichnet den Prozeß, nicht den Inhalt einer Politik. Bonn denkt 1978 weniger national als 1948; es handelt 1978 nicht anders als nach 1955, nach der Wiedererlangung seiner Souveränität: als unabhängiger Staat, der auf bestimmte Souveränitätsansprüche verzichtet hat. Auch ökonomisch hat sich kaum etwas geändert: das Wirtschaftswunder der 50er Jahre ist zum Stabilitätswunder der 70er geworden. Was also hat sich geändert?

Umwelt und Kontext der westdeutschen Außenpolitik haben sich geändert. Die Entspannung, 1955 nur als Silberstreif am Horizont erkennbar, ist seit 1972 zum dominanten Muster im Ost-West-Konflikt geworden. Der amerikanisch-sowjetische Konflikt wurde durch die partielle Kooperation der beiden Supermächte ergänzt und modifiziert. Dementsprechend änderten sich Funktion und Wert der westlichen Militärallianz. Als Folge des Vietnam-Krieges und der Inflation schwächte sich die amerikanische Hegemonie über Westeuropa ab, ausgedrückt durch die Nixon-Doktrin und den 15. August 1971. Die Ölkrise verschärfte die wirtschaftlichen Probleme derer, die schon genug davon hatten. Die Erweiterung der EG erweiterte den Handlungsspielraum derjenigen Mitglieder, die ihn auszunutzen vermochten.

Diese Umweltveränderungen zu betonen, stellt keinen dialektischen Kunstgriff dar, mit dessen Hilfe die Bundesrepublik aus der Kritik entlassen werden könnte. Die Interdependenz hat

bewirkt, daß in der internationalen Politik die Reichen genauso wenig aus der Verantwortung für die weniger Reichen und die Armen entlassen können wie in der Innenpolitik. Veränderte Bedingungen erfordern eine veränderte Politik. Für die Analyse aber ist es ganz entscheidend, ob die Veränderungen in der Bundesrepublik oder in ihrer Umwelt stattgefunden haben. Die Diagnose eines sich verstärkenden Unilateralismus führt zu verschiedenartigen Therapien, je nachdem ob das Phänomen mit einem sich verstärkenden Nationalismus oder mit sich vermindernenden Kooperationschancen erklärt werden muß. Im ersteren Fall muß sich die Bundesrepublik, im zweiten müssen sich alle Staaten einer entsprechenden Kur unterziehen.

Hier wird die These entfaltet, daß sich an den Zielen der bundesrepublikanischen Außenpolitik nichts geändert hat, die nach wie vor auf Europa und die Atlantische Gemeinschaft gerichtet sind. Der Kontext dieser Politik hat sich jedoch entscheidend und mehrfach gewandelt. Diesem Wandel haben die Mittel, denen die Ausführung der Politik anvertraut wurde, nicht Rechnung getragen. Dadurch haben sich zwischen der Bundesrepublik und ihren EG-Partnern sowie den USA Differenzen eingestellt, die sich über Zeit vertieft und den Unilateralismus gefördert haben. Diese Differenzen können durch Anpassungen der verschiedenen Seiten, am besten durch eine solche aller Seiten beseitigt oder zumindest abgeschwächt werden. 7 Das Problem betrifft übrigens keineswegs nur das Verhältnis der Bundesrepublik zu den westeuropäischen Staaten, sondern das aller EG-Partner untereinander. Unilateralismus ist kein Monopol der Bundesrepublik. Er wird

hier nur deswegen betont, weil er den meisten Problemen zugrunde liegt, mit denen die Kritiker der Bundesrepublik sich beschäftigen. Es geht nicht um die Ziele Bonns. Die Bundesrepublik versteht sich aus Überzeugung, Interessen und geographischer Lage als westeuropäischer Staat. Sie denkt atlantisch aus Gründen der Sicherheit und der ideologischen Verbundenheit mit den Vereinigten Staaten. Diese Basis ist unverändert stabil. Bei der Verwirklichung dieser Politik jedoch tritt der bundesrepublikanische Unilateralismus deutlicher zutage, weil Alternativen in der Zwischenzeit nicht eingerichtet worden sind und die relative Machtverminderung der EG-Partner und der USA eine Machtzunahme der Bundesrepublik bewirkt. Bei ihr wird nun stärker sichtbar, was in den ersten 20 Jahren unter der relativen Abhängigkeit und Schwäche der Bundesrepublik verdeckt, nichtsdestoweniger aber von Anfang an genauso vorhanden gewesen war wie bei allen anderen Mitgliedern der Europäischen Gemeinschaft und der NATO: der Unilateralismus als die einzige theoretisch-politisch wie praktisch bewährte Handlungsweise. Die Bundesrepublik hat keinen neuen Nationalismus entwickelt: Ihre Ziele wie ihre Mittel sind konstant geblieben. Ihr Handlungsspielraum hingegen hat sich vergrößert.

1. Sicherheit und Entspannung

1.1 Sicherheitspolitik

Nach wie vor ist es ein Axiom der westdeutschen Außenpolitik, "daß das Atlantische Bündnis, in dem Amerika die wichtigste Rolle spielt, die unverzichtbare Grundlage ist für die gemeinsame Sicherheits- und Verteidigungspolitik"¹. Daß die Sicherheit der Bundesrepublik bedroht ist, steht für Bonn außer Frage. Zwar hat sich das Bild der Sowjetunion inzwischen etwas differenziert. Ihre militärische Expansion gilt als der Ausnahmefall, als der 'worst case', der möglich, aber nicht wahrscheinlich ist. Vielmehr benutzt die Sowjetunion ihr großes und zunehmendes Militärpotential dazu, ihren Besitzstand und Einflußbereich in Mitteleuropa zu sichern und, wenn möglich, ihren Einfluß nach Westen auszudehnen, die USA aus Westeuropa zu verdrängen². Auf diese doppelte Bedrohung reagiert die NATO, indem sie mit ihrer Abschreckungsfunktion den andauernden Aggressionsverzicht der Sowjetunion sicherstellt und mit ihrer eigenen militärischen Stärke die Sowjetunion daran hindert, ihr militärisches Potential politisch auszunutzen. Beide Funktionen sind ohne die Vereinigten Staaten nicht zu erfüllen. Nur die USA verfügen über das zureichende nukleare Abschreckungspotential, nur sie können auf der strategischen Ebene die Sicherheit Westeuropas gewährleisten. Weder die französische noch die britische Militärmacht ist dazu imstande. Die politische Handlungs- und Bewegungsfreiheit der BRD ist auf den nuklearen Schutz durch die Vereinigten Staaten angewiesen. Jenseits aller (wichtigeren) Gemeinsamkeiten zwischen den Vereinigten

Staaten und Westeuropa setzt dieses militärische Datum eine Orientierungsmarke, die für jede Konzeption verbindlich ist.

Für die Bundesrepublik kommen weitere Daten hinzu. Die Freiheit West-Berlins und seiner Verbindung zu der Bundesrepublik hängt ausschließlich von der Bereitschaft der Vereinigten Staaten ab, dort militärisch präsent zu bleiben und politisch die Sicherheit und Freiheit West-Berlins gegenüber der Sowjetunion zu gewährleisten. Das Berlin-Abkommen vom 3. September 1971 war nicht nur hinsichtlich seiner Genese, sondern ist für seine Dauer und für seine Verwirklichung ausschließlich von den Vereinigten Staaten abhängig ³. Darüber hinaus ist die Bundesrepublik auf die Präsenz amerikanischer Truppen in Westdeutschland insofern angewiesen, als nur die sich darin ausdrückende Interventionsbereitschaft der USA die Grenze zur DDR auch gegen konventionelle Übergriffe und lokale Kriege absichert. Für das erste Basisinteresse jeder politischen Einheit, die Gewährleistung ihrer physischen Sicherheit, ist die Bundesrepublik exklusiv auf die Zusammenarbeit mit den Vereinigten Staaten verwiesen.

Es gibt keine Alternative. Natürlich wären theoretisch die westeuropäischen Staaten imstande, ein Militärpotential in der Größenordnung einer der beiden Supermächte zu erzeugen und bereitzustellen. Die materiellen, technologischen und finanziellen Möglichkeiten dazu wären durchaus gegeben. Es ist auch nicht zu bestreiten, daß die Existenz einer solchen europäischen Streitmacht das NATO-Bündnis von dem Kardinalproblem der

Entscheidung über den Atomwaffeneinsatz befreien und das amerikanisch-europäische Verhältnis langfristig entlasten würde⁴. Sogar der vertragliche Rahmen einer solchen europäischen militärischen Streitmacht steht bereits zur Verfügung: in Form der westeuropäischen Union, deren Organe nach wie vor regelmäßig zusammentreten und arbeiten. Im Vertrag von 1954 ist die automatische Beistandsverpflichtung der Mitglieder enthalten, zu denen außer den ursprünglichen 6 Staaten der Europäischen Wirtschaftsgemeinschaft noch Großbritannien zählt. Im Gegensatz zu diesem Verteidigungsvertrag stellt die Eurogroup eine Untergruppe der NATO dar, die sich ausschließlich mit Fragen der Rüstungsstandardisierung, der Struktur und der Ausbildung der europäischen Streitkräfte befaßt. Hat die Eurogroup den Vorteil, alle EG-Staaten (außer Frankreich) zusammenzufassen, also die Wirtschaftsgemeinschaft militärisch zu komplementieren, so stellt sie praktisch nur eine Arbeitsgemeinschaft innerhalb der NATO dar. Mit Recht hat sie vermieden, sich als eine mögliche Alternative zum westlichen Bündnis zu begreifen.

Z Auch die westeuropäische Union hat von einem solchen Konzept von Anfang an Abstand genommen. Sie könnte zwar ohne weiteres um die beiden noch fehlenden EG-Staaten erweitert und damit zum Verteidigungsbündnis der Europäischen Gemeinschaft gemacht werden. Damit sind aber die Probleme nicht gelöst. Eine europäische Streitmacht, will sie ernstgenommen werden, müßte eine integrierte Struktur, einen gemeinsamen Oberbefehl aufweisen, der ohne Vereinheitlichung der politischen Entscheidungsprozesse nicht denkbar ist. An einer solchen Konstruktion und der damit einhergehenden Verminderung der Handlungsfrei-

heit sind weder Großbritannien noch Frankreich (und auf Dauer vermutlich auch nicht die Bundesrepublik) interessiert. Eine solche europäische Streitmacht würde auch die bundesrepublikanische Beteiligung an der Einsatzentscheidung der Nuklearwaffen ergeben, eine Entwicklung, die die westeuropäischen Staaten, die Vereinigten Staaten und die Sowjetunion bisher sorgsam vermieden haben. Ohne diese nukleare Gleichberechtigung könnte allerdings die Bundesrepublik einer solchen Militärmacht heute nicht mehr beitreten.

Die europäische Streitmacht ist daher nur gedanklich eine Alternative zur amerikanischen Schutzfunktion innerhalb der NATO. Sie sollte langfristig nicht gering geachtet werden. Gelingt die Integration der Außen- und Verteidigungspolitik der EG-Staaten, so ist die Bildung einer europäischen Streitmacht deren logische Folge. Zu fragen bliebe dann freilich noch, wie weit die Entstehung einer dritten Supermacht das Abschreckungssystem in der Welt verändert und die Rüstungsdynamik weitervorantreibt. Nicht nur unter Rüstungskontrollaspekten, auch unter dem Aspekt der Integration der Entwicklungsländer in das globale System scheint der Preis sehr hoch zu sein, den Europa und die Welt für die Entkoppelung der amerikanisch-europäischen Verteidigungsleistungen zu erbringen hätte. Es wäre daher sehr viel sinnvoller, die amerikanisch-europäische Verteidigungsallianz beizubehalten und darin nach neuen Möglichkeiten zu suchen, die Interessendifferenzen aufzulösen und die entstandenen Machtverschiebungen zu kompensieren.

Innerhalb des Bündnisses gibt es nur eine Interessendifferenz; sie betrifft die Mitbestimmung am Atomwaffeneinsatz. Insofern ist sie fundamental, aber nicht aktuell⁵. Mit Recht warnt die SPD vor den Tendenzen in einigen Teilen der CDU/CSU, innerhalb einer europäischen Atomstreitmacht die deutsche Hand an den Abzugshebel legen zu können. Diese Politik sei für die Sicherheit der Bundesrepublik und Europa gefährlich. "Sie kann von uns nicht beilligt werden"⁶. Weniger gravierend, aber zahlreicher sind die Interessenunterschiede der NATO-Partner außerhalb des Bündnisbereiches. Der Vietnam-Krieg der USA war das größte, der Nah-Ost-Konflikt ist das aktuellste, der Konflikt im südlichen Afrika das kommende Beispiel. Im Gegensatz zu Vietnam, sind im Nahen Osten und in Afrika nicht nur amerikanische, sondern auch europäische Interessen involviert;; in der Bundesrepublik blicken die Sozialdemokraten mit Sorge⁷, die Freien Demokraten offensichtlich mit Engagementsbereitschaft⁸ auf diese Konflikte. Ganz anders als in der Frage über den Atomwaffeneinsatz lassen diese Konflikte auch die Machtverschiebungen innerhalb der NATO deutlich erkennen. Der Interventionsverzicht der Amerikaner in Angola wurde vom deutschen Außenminister durchaus als Zeichen zunehmender amerikanischer Zurückhaltung verbucht⁹. Die deutsche Bundesregierung ist im südlichen Afrika, vor allem in Namibia, aber auch an der Südost-Flanke der NATO, in Griechenland und der Türkei, als Vermittler tätig. Sie weiß um die "wachsende politische Bedeutung der Länder der Dritten Welt" und bietet ihnen "eine faire Partnerschaft an"¹⁰.

Natürlich gibt es innerhalb der westlichen Verteidigungsallianz Meinungsverschiedenheiten. Sie sind zahlreich, aber nicht gravierend. So weit die Bundesrepublik und die USA davon betroffen sind, gehen sie größtenteils auf das Konto der Machtverschiebungen, die im Laufe der Jahre stattgefunden haben. Den Vereinigten Staaten fällt es verständlicherweise nicht leicht, den Wandel Bonns vom abhängigen Kleinstaat zum kooperationswilligen Partner jederzeit taktisch voll zu berücksichtigen¹¹. Ihre einsamen Entscheidungen bei den SALT-Verhandlungen mit der Sowjetunion, im Fall der Neutronen-Bombe¹², oder ihre zum Teil zur Pression geratenen Ansprüche in der leidigen Offset-Angelegenheit haben ebenso unnütze Verstimmungen hervorgerufen¹³ wie andererseits die zum Teil beckmesserische Demonstration des bundesrepublikanischen Machtzuwachses, wie sie bei der Benutzung deutscher Häfen und Flughäfen für amerikanische Israel-Lieferungen zutage trat. Werden durch solche Stilfehler die amerikanisch-deutschen Beziehungen gelegentlich "aufgerauht"¹⁴, gibt es Meinungsverschiedenheiten in der Taktik der Durchsetzung der Menschenrechte, gibt es Antipathien zwischen Entscheidungsträgern - die Bündnisbeziehung wird davon nicht berührt. Ihre Bedeutung für die Sicherheit der Bundesrepublik hat Willy Brandt vor der amerikanischen Handelskammer am 20. Juni 1978 noch einmal bilanziert: "Je unzerreißbarer die Bande des gemeinsamen militärischen Risikos sind, um so größer wird unsere Sicherheit. Alles, was uns im Risiko voneinander abkoppeln könnte, wäre weniger Sicherheit, zuerst für uns, schnell für alle. Ich denke, die Bilanz ist eindeutig ... Die Allianz

ist für Europa und für Amerika, für jeden von uns unentbehrlich geworden"¹⁵.

1.2 Entspannungs- und Ostpolitik

Die Entspannungs- und Ostpolitik der Bundesrepublik wird durch die gleiche Interessenlage bestimmt. Mehr noch: Diese Politik kann überhaupt nur als abhängige Funktion des Verhältnisses zwischen den Vereinigten Staaten und der Sowjetunion geführt werden. Konrad Adenauer versuchte über mehrere Jahre hin vergeblich, die Ostpolitik der Bundesrepublik aus dem Entspannungstrend des internationalen Systems herauszuhalten: Er scheiterte. Die sogenannte "Ostpolitik" unter Bundeskanzler Brandt führte die Bundesrepublik in diesen Trend zurück. Oder, allgemeiner ausgedrückt: Die Ostpolitik der Bundesrepublik schwingt, wenngleich mit gewissen Zeitverzögerungen, im gleichen Rhythmus wie die Beziehung zwischen den Vereinigten Staaten und der Sowjetunion. Sich antizyklisch zu verhalten, ist der Bundesrepublik nicht möglich. Bundeskanzler Helmut Schmidt sieht die historische Rolle seines Vorgängers Willy Brandt mit Recht darin, daß er gerade noch rechtzeitig, nämlich "ehe die Großmächte sich über unseren deutschen Kopf hinweg geeinigt hätten, die deutsche Ostpolitik realisiert und vertraglich abgesichert hat"¹⁶.

Ist die bundesdeutsche Ost- und Entspannungspolitik vom Zustand der amerikanisch-sowjetischen Beziehungen abhängig, so ist sie auf die Zustimmung der europäischen Partner angewiesen.

Eine nicht nur im taktischen, sondern auch im strategischen Sinne unilaterale Politik Bonns - ganz zu schweigen etwa von einer "nationalen" - gibt es nicht. Andererseits gibt es keine einheitliche, nach Zielen und Mitteln definierte und gar koordinierte Politik der Neun, zusammen mit den Vereinigten Staaten. Die politische Zusammenarbeit im Rahmen des Europäischen Rates (EPZ) beschränkt sich notwendigerweise in der Ost- und Entspannungspolitik auf große Leitlinien. In diesem "konzeptionellen Synkretismus" hat sie sich jedoch "relativ gut bewährt"¹⁷. Die Neun haben die bei der Gründung der KSZE in Helsinki eingeführte Praxis, gemeinsame Standpunkte zu entwickeln und vorzutragen, beibehalten und ausgebaut. Sie haben auch in Belgrad kooperiert, wobei stets institutionalisierte Fühlungen mit den Vereinigten Staaten erfolgten¹⁸. Berücksichtigt man die Informalität des Europäischen Rates und die große Bandbreite der dort repräsentierten Interessen, so muß die gemeinsame Sprache der Neun in Entspannungsfragen entsprechend hoch bewertet werden. Daß die Konzertierung von Sprache und Aktion für jeden der europäischen Staaten eine Notwendigkeit darstellt, zeigt schon der Größenvergleich zur Sowjetunion. Kein westeuropäisches Land, und schon gar nicht die Bundesrepublik, könnte Moskau unilateral gegenüberreten. Gerade der Versuch, auch individuelle Interessen mit den osteuropäischen Staaten und der Sowjetunion zu verhandeln, setzt die feste Verankerung im Kollektiv der Neun voraus.

Für alle Bundesregierungen seit Adenauer galt dies als Axiom. Die bundesdeutsche Ost- und Entspannungspolitik muß mit den

Verbündeten abgestimmt sein und darf die Sicherheit Westeuropas, der Bundesrepublik und West-Berlins nicht gefährden¹⁹. Abgesehen von der Identifikation mit dem Westen - über die weiter unten zu sprechen sein wird - verbietet diese Interessenlage jeden bundesdeutschen Alleingang. Eine Tendenz zur Selbst-Finlandisierung, zum Austritt aus der NATO gegen ein sowjetisches Sicherheitsversprechen und die Perspektive einer deutschen Wiedervereinigung²⁰ kann nur von Utopisten oder solchen Konservativen bemerkt werden, die mit der Beschwörung des Schreckgespenstes von Rapallo die Entspannung torpedieren möchten. Es gibt in der Bundesrepublik auf dem ultrarechten und auf dem ultralinken Flügel des Parteienspektrums Traditionalisten, die die Verständigung mit Rußland, bzw. der Sowjetunion, der Zusammenarbeit mit dem liberalen, bzw. dem kapitalistischen Westen gegenüber- oder vielleicht entgegenstellen wollen. Sie treten politisch nicht einmal in Erscheinung.

Relevant vielmehr ist der Versuch der Bundesregierung, auf der Basis des Grundkonsenses mit Mitgliedern der EG und den Vereinigten Staaten die Entspannungspolitik, und darin die Ostpolitik, darin wiederum die Politik gegenüber der DDR zu entfalten. Entspannungspolitik kann, da es kein integriertes Gremium gibt und der Europäische Rat nur eine lockere Konferenz der Regierungschefs darstellt, notwendigerweise wiederum nur eine unilaterale Politik sein. Der Unilateralismus kennzeichnet hier aber nicht nur die Mittel, sondern auch die Ziele, insofern die Bundesrepublik auf Grund ihrer geographischen Lage und auf Grund der deutschen Teilung spezifische Interessen besitzt.

Für die sozialliberale Koalition sind diese Interessen unabdingbar mit der Entspannungspolitik verknüpft. Sie enthält nicht nur die "Hoffnung auf eine Wende unseres nationalen Schicksals"²¹, sie birgt darüber hinaus die Möglichkeit zu verstärkten Kontakten mit den sozialistischen Ländern im Vorfeld der Sowjetunion. Sie entspricht vor allem dem Selbstverständnis der sozialliberalen Koalition in der gleichen Weise, wie die Politik der Stärke dem des Kabinetts Adenauer zugeordnet werden muß. Die sozialliberale Koalition macht mit der Zweipfeiler-Theorie ernst, die eine zureichende Verteidigung mit einer zunehmenden Entspannung verbindet. Die Entspannung hat die innerdeutschen Kontakte vermehrt, zahlreichen Familien aus den osteuropäischen Staaten den Übertritt in die Bundesrepublik ermöglicht, die Beziehungen zu den osteuropäischen Staaten vermehrt, und zwar sowohl politisch wie wirtschaftlich, und schließlich auch der Sowjetunion den Vorwand zu einer aggressiv-isolationistischen Politik genommen. Konzept und Interesse verweisen die sozialliberale Bundesrepublik auf die Entspannung.

Es ist unvermeidlich, daß eine solche Politik auf die Kritiker stößt, die die Entspannung mit der Sowjetunion nicht wollen²². Dazu zählen auch Teile der CDU, die zu den Kernstücken der Ostpolitik, zum Gewaltverzichtsvertrag mit Moskau, zur Berlin-Regelung und zum Grundlagenvertrag mit der DDR sich weder zu einer zustimmenden noch zu einer ablehnenden Haltung durchringen konnte²³. Der Partei fällt es schwer, sich auf den veränderten Kontext der Entspannung einzustellen.

Dieser Kontext ist sicherlich sehr viel schwieriger zu handhaben als der der Konfrontation des Kalten Krieges. Da unter ihren Auspizien die Atlantische Gemeinschaft und die EG entstanden waren, kann der Gedanke naheliegen, daß die Entspannung beides gefährdet. Er findet sich bestätigt durch die Differenzierungen, Nuancierungen und Meinungsunterschiede, die seitdem das westliche Feld kennzeichnen. Sie bieten selbstverständlich der Sowjetunion manchen Ansatzpunkt zu einer Diversionstaktik. Moskau versucht über den Bilateralismus mit den Vereinigten Staaten, die traditionellen Beziehungen zu Frankreich, die DKP und die Abrüstungskomitees die Entspannung dazu auszunutzen, den Zusammenhalt der westlichen Welt aufzusplittern. Vornehmstes Ziel dabei ist offensichtlich die Bundesrepublik, in der Moskau und Ost-Berlin auf die einzige noch linientreue kommunistische Partei zählen können. Die Sorge ist verständlich, daß die Sowjetunion aus der Entspannung taktische Vorteile ziehen könnte²⁴. Die Konsequenz daraus kann jedoch nicht heißen, zur Spannungspolitik zurückzukehren, sondern die Solidität und den Zusammenhalt des Westens in den veränderten Kontext der Entspannung einzubringen.

Hier liegt der eigentlich neuralgische Punkt. Wenn der Unilateralismus über das unvermeidliche, die Komplexität westlicher Positionen widerspiegelnde und insofern unschädliche Maß hinaus gesteigert wird, zerfällt der Zusammenhalt des Westens, nimmt in seiner Vereinzelung jeder Staat Schaden. Das ist kein bundesrepublikanisches, sondern ein Problem aller westeuropäischen Staaten. An die Adresse der Bundesrepublik muß

jedoch die Frage gerichtet werden, ob sie die Ost- und Entspannungspolitik, in der sie zweifellos spezifisch deutsche Interessen zu realisieren hat, kombiniert hat mit einer Politik in der EG, die nicht unbedingt auf die Eliminierung des Unilateralismus, wohl aber auf seine Einbindung in ein zunehmend stärker ausgestaltetes Gebäude der Zusammenarbeit gerichtet war.

Diese Frage stellt sich für die Bundesrepublik speziell deswegen, weil sie als einziger der westeuropäischen Staaten an unilateraler Bewegungsfreiheit zugenommen hat. Für das Frankreich de Gaulles oder für Großbritannien standen die Eigenständigkeit ihrer Ostpolitik ohnehin nie in Frage. Sie war prinzipiell stets vorhanden und materiell so groß wie die wirtschaftliche und politische Basis dieser Staaten. Für die Bundesrepublik stellte sich die Aufgabe der Ost- und Entspannungspolitik konzeptuell erst seit 1969. Ihre materielle Basis vergrößerte sich in dem Maße, in dem, ebenfalls seit diesem Zeitpunkt, das wirtschaftliche und politische Gewicht der Bundesrepublik zunahm - wenn auch nur relativ zu der Gewichtsabnahme der westeuropäischen Nachbarn. Bundeskanzler Brandt trug diesem Zusammenhang gleich zu Beginn der Ostpolitik Rechnung, indem er eine aktive Westpolitik zu ihrer Voraussetzung erhob²⁵. Zu fragen ist dementsprechend, ob die sozialliberale Bundesregierung die 10 Jahre, die seitdem vergangen sind, dazu benutzt hat, diese Basis zu verstärken.

Eine Bilanz ist nicht einfach und nicht eindeutig. Nimmt man

den Besuch des Generalsekretärs der KPdSU Breschnjew im Mai 1978 als Testfall, so zeigt sich, daß die Bundesregierung in diesem wie in anderen Fällen ihrer Ostpolitik "enge, um nicht zu sagen engste Fühlung mit unseren Partnern" im Westen hält²⁶. Weit davon entfernt, als westeuropäische Vormacht aufzutreten, hat die Bundesregierung die Sowjetunion zu überzeugen versucht, daß der Fortgang der europäischen Integration nicht gegen die Entspannung in Europa gerichtet ist. Bonn versteht und präsentiert sich gegenüber der Sowjetunion als integrierter Teil der EG und der Atlantischen Gemeinschaft. Dieses Selbstverständnis wird der Bundesregierung, nimmt man die Kritik der Opposition zum Maßstab, nicht bestritten²⁷. Es kann sich dabei freilich auch um eine Selbsttäuschung handeln. Immerhin wurde bei dem Breschnjew-Besuch ein langfristiges Wirtschaftsabkommen abgeschlossen - obwohl die Kompetenz zum Abschluß von Handelsverträgen sinngemäß eigentlich bei der EG liegt. Freilich haben alle Staaten der EG die Ausflucht veränderter Begriffe genutzt. Für die Bundesrepublik stellt sich die Frage, wie weit diese unilateral eingeleitete Zusammenarbeit mit der Sowjetunion, der Bundeskanzler Schmidt "gute Aussicht" bescheinigte, sich mit der wirtschaftlichen Zusammenarbeit in der EG harmonisieren läßt.

Erneut zeigt sich, daß das eigentliche Problem nicht im Unilateralismus selbst, sondern in dem mangelnden Ausbau multilateraler Verfahrensweisen der EG liegt. Diese Situation ist zweifellos nicht ungefährlich. Wird sie fortgeschrieben, so reduziert sich die Europäische Gemeinschaft zu einer Freihandels-

zone von Staaten, die im übrigen Politik unilateral, d. h. auch gegeneinander betreiben. Die französisch-deutsche Konkurrenz über den Verkauf von Farbfernsehsystemen in die Sowjetunion gab einen Vorgeschmack dessen, was gegebenenfalls in der Zukunft zu erwarten ist. Diese Perspektive läßt sich freilich im Rahmen der Ost- und Entspannungspolitik nicht zureichend behandeln. Sie stellen nur politische Segmente dar, die zudem größtenteils auch auf Dauer nur unilateral behandelt werden können. Da es eine politisch integrierte Europäische Gemeinschaft in absehbarer Zeit nicht geben wird, kann die Bundesrepublik die Deutschlandpolitischen Probleme und die darauf bezogenen Beziehungen zur Sowjetunion und zu den osteuropäischen Staaten nur unilateral, nur in Abstimmung mit den europäischen Partnern behandeln. Es sind keine gemeinsamen, es sind individuell bundesrepublikanische Probleme. Die eigentliche Antwort auf die Frage, ob die Bundesrepublik den Unilateralismus der Ost- und Entspannungspolitik mit einer verstärkten EG-Kooperation verbindet, muß auf dem Boden gemeinsamer Probleme, also auf dem der Welt- und Wirtschaftsprobleme aufgesucht werden.

2. Wohlstands- und Weltpolitik

2.1 Wohlstandspolitik

Handelspolitisch hängt die Bundesrepublik von Westeuropa, währungspolitisch von den Vereinigten Staaten ab. Ihre Wohlstandspolitik ist daher eingebettet in das Spannungsverhältnis zwischen den Vereinigten Staaten und der EG, das in anderen Papieren ausführlich behandelt wird. Sofern es sich bei der Zusammenarbeit mit der EG oder mit den Vereinigten Staaten überhaupt um Alternativen handelt, hat sich die Bundesrepublik eindeutig für die Europäische Gemeinschaft entschieden. Sie hat nicht nur allen Versuchungen zur "Bigemonie" widerstanden; sie hat auf der Gipfelkonferenz des Europäischen Rates in Bremen, August 1978, maßgeblich dazu beigetragen, daß die Gemeinschaft einen Schritt nach vorn auf eine Währungsunion hin getan hat. Die Abkoppelung vom Dollar, die Umgestaltung der monetären Beziehungen zu den Vereinigten Staaten und Europa von der Hegemonie zur Kooperation ist damit wenigstens perspektivisch in Sicht gerückt.

Die Option für die Europäische Gemeinschaft liegt in der Tradition, der Situation und den Interessen West-Deutschlands begründet. Sie darf nicht als Alternative zur amerikanisch-europäischen Zusammenarbeit mißverstanden werden. Die amerikanisch-europäischen Probleme²⁸ sind temporärer Art, beruhen auf den notwendigen Anpassungen der Vereinigten Staaten an die relative wirtschaftliche Machtverschiebung zwischen ihnen und den Europäern, bezeichnet durch den Niedergang des Dollar.

In diesem Übergangsstadium besteht durchaus die Möglichkeit, der amerikanischen Tendenz, mit den westeuropäischen Staaten bilateral zu verhandeln, nachzugeben. Statt dessen die Kooperation mit den europäischen Partnern zu stärken und mit ihnen gemeinsam die Verhandlungen mit den Vereinigten Staaten zu führen - dies ist die europäische Option. Sie sagt freilich noch nichts darüber aus, ob sie unilateral oder integrativ gehandhabt wird. Die Bundesrepublik ist gegenwärtig der wirtschaftlich stärkste Teil der Europäischen Gemeinschaft. Sie könnte diese Position dazu benutzen, "Zahlmeister" und "Schrittmacher" Europas zu sein²⁹, also integrativ zu wirken. Sie könnte gleichermaßen versucht sein, in Europa die Position einzunehmen, die vordem die Vereinigten Staaten innehatten: die des Hegemon.

Die Politik der Bundesrepublik ist uneinheitlich und undeutlich. Einerseits kann sie geltend machen, keinen außergewöhnlichen wirtschaftlichen Druck auf ihre Partner auszuüben. Viele bundesdeutsche Interessen: an einer gemeinsamen Energiepolitik, an der Reform der Agrarpolitik und an der Direktwahl zum Europäischen Parlament, sind bisher nicht erfüllt worden. Der Bundesrepublik ist es noch nicht einmal gelungen, das Jet-Projekt nach Westdeutschland zu ziehen; es ging nach Großbritannien. Auf der anderen Seite mußte selbst Bundeskanzler Schmidt zugeben, daß angesichts ihrer wirtschaftlichen Stärke manche Bundesrepublikaner "Machtgelüste verspüren, weil sie glauben, Hebel in der Hand zu halten"³⁰. Seine eigene Position grenzte Schmidt nach beiden Seiten ab. Die Bundesre-

publik brauche weder "Minderwertigkeitskomplexe zu kultivieren, noch ... in den Fehler neureicher Attitüden (zu) verfallen"³¹. Er hat damit das Lösungswort des gemäßigten Unilateralismus ausgegeben. Die Bundesrepublik nutzt ihre wirtschaftliche Stärke nicht zu einer hegemonialen Position aus, setzt sie aber auch nicht zugunsten der westeuropäischen Integration ein. Die Folge ist jener undeutliche Zustand, in dem die Bundesrepublik zwar der Zahlmeister Europas ist, insofern als sie 36,5 % des EG-Haushalts finanziert, aber nicht der Schrittmacher der europäischen Integration sein will; ein Zustand, in dem die Bundesrepublik ihre wirtschaftliche Macht nicht direkt ausnutzt, es aber hinnimmt, daß sie indirekt kräftig gespürt wird. Es kann offenbleiben, ob die Bundesrepublik eine 'économie dominante' im Sinne Perroux' darstellt³². Sicher ist, daß die Bundesrepublik mit dem höchsten Bruttoinlandsprodukt in Westeuropa wirtschaftliche Daten setzt, die für die anderen EG-Partner maßgebend und unkorrigierbar sind. Sogar der Präsident der Bundesbank muß einräumen, daß die westdeutsche Stabilität nicht nur eine Stütze und ein Ansporn für die Welt darstellt, sondern auch "eine Herausforderung und gelegentlich ein Ärgernis"³³. In Frankreich wird daher schon offen vom DM-Imperialismus gesprochen, zumindest von der politischen Hegemonie der Bundesrepublik, die das "Modell Deutschland" ihren EG-Partnern oktroyieren wolle³⁴. Mögen in solchen Einschätzungen auch psychologische Elemente, Reminiszenzen vergangener Überlegenheiten und Besorgnisse über die Zukunft mitschwingen - es ist unbestreitbar, daß die deutsche Stabilitätspolitik angesichts der in der Europäischen Gemeinschaft

bereits gegebenen Verflechtung den wirtschaftlichen und gesellschaftspolitischen Handlungsspielraum ihrer Nachbarländer beeinflusst, also auch bestimmt³⁵.

Wirtschaftlich ist die Bundesrepublik, ob sie will oder nicht, ein Schrittmacher in Europa. Sie kann die Frage, wohin sie ihre Schritte lenkt, nicht übergehen. Da sie bisher nicht eindeutig und ausschließlich auf Europa zugegangen ist, hat sie zweierlei offengelegt. Erstens: Ihre Handlungen sind weniger europäisch als ihre Reden. Zweitens: Sie bevorzugt den Unilateralismus gegenüber der Zunahme der Integration. In jedem Fall hat sie durch ihr Verhalten kein Beispiel dafür gegeben, wie der gegenwärtig wohl unvermeidliche Unilateralismus zugunsten seiner Eliminierung eingesetzt werden kann.

Eine solche Kritik muß sich, will sie valide sein, der Frage stellen, ob die Integration im herkömmlichen Sinne machbar und wünschbar ist. Eine Antwort kann hier nur in Umrissen gegeben werden.³⁶ Zweifellos ist der europäische Superstaat weder das eine noch das andere. Ein europäischer Regionalstaat kann nicht wie ein vergrößerter Nationalstaat aufgebaut werden, weil eine solche Machtzusammenballung weder nach innen noch nach außen als Fortschritt angesehen werden könnte. Ein solcher Superstaat ist auch nicht machbar, weil er von vielen seiner zukünftigen Teile abgelehnt wird, nicht zuletzt wegen des möglichen deutschen Übergewichts darin. Was sich gegenwärtig in der Gemeinschaft durchspielt, welche Richtung der Prozeß der Zusammenarbeit hat, vermag niemand genau zu sagen. Calleo hat

sicher recht, daß in Brüssel nicht eine Föderation entsteht, sondern ein konföderaler Block, in dem die Staaten ihre Souveränität nicht aufgeben, sondern schützen³⁷. Dazu ist andererseits notwendig, daß diese Souveränitäten funktional gepoolt, zusammengelegt werden. Die reine Addition reicht nicht aus. Der Unilateralismus kann sich seiner Defizite, seines Unvermögens nur dadurch entledigen, daß er in Multilateralismus umschlägt. Dessen Rubikon ist die Institutionalisierung.

Auf politischem Gebiet ist er durchaus schon überschritten worden; wenn auch in dem etwas außerhalb der EG liegenden Europäischen Rat. Auf dem entscheidenden wirtschaftlichen Gebiet hingegen liegt er noch in der Zukunft. Die Bundesrepublik hat zwar ihre wirtschaftliche Macht durchaus schon eingesetzt, um ihren Partnern zu helfen. Sie hat dabei auch die multilateralen Institutionen benutzt, jedoch den Bilateralismus entschieden bevorzugt. Sie ist sich zwar bewußt, daß sie nicht eine Insel des Wohlstands inmitten eines Meers von wirtschaftlichen Problemen sein kann, hat aber bisher keine organisiert multilateralen Anstrengungen unternommen, um die Insel zu verbreitern oder das Meer aufzufüllen. Es geht hier nicht um die Frage, ob eine solche Politik durch Ankurbelung der westdeutschen Konjunktur oder durch Beseitigung der Inflation bei den westeuropäischen Partnern besser zu erreichen wäre. Es geht darum, daß die Bundesrepublik bei jeder Strategievариante helfen muß, und zwar multilateral über die Europäische Gemeinschaft. Die Bundesrepublik weiß, daß sie nicht nur finanzielle Mittel, sondern gegebenenfalls auch Teile ihrer sozialpolitischen und re-

formpolitischen Handlungsfreiheit in eine solche europäische Strategie einbringen muß, daß sie den anderen Partnern helfen muß nachzuziehen und daß sie entsprechend lange warten muß. Sie weiß, daß sie Partnerschaft nicht nur bereden, sondern auch bezahlen muß³⁸. Es reicht nicht aus, die anderen EG-Staaten aufzufordern, "unverzüglich die dringenden innereuropäischen Probleme, insbesondere Arbeitslosigkeit, wirksam zu bekämpfen"³⁹. Man muß durch die eigene Wirtschafts-, Finanz- und Sozialpolitik dazu beitragen, daß die Voraussetzungen für eine solche Bekämpfung der Arbeitslosigkeit in den anderen Staaten geschaffen werden können.

Eine solche Hilfe kann nicht bilateral, sondern muß multilateral, kann nicht von der Bundesrepublik selbst, sondern muß über die europäischen Institutionen verteilt werden. Nur auf diese Weise läßt sich der Anschein einer westdeutschen Hegemonie vermeiden, nur auf diese Weise schlägt Unilateralismus in Multilateralismus um, werden Präzedenzen geschaffen und Verhaltensweisen eingeschliffen, die die Europäische Gemeinschaft näher zusammenführt. Einen entschlossenen Schritt in diese Richtung hat die Bundesrepublik erst auf dem Bremer Treffen des Europäischen Rates im August 1978 gemacht, wo ein europäischer Fonds für währungspolitische Zusammenarbeit beschlossen wurde. Die deutschen Währungsreserven werden seine wichtigste Basis sein, aber eben nicht sich ausschließlich in bundesdeutscher, sondern in der Hand der EG befinden.

Damit werden nicht alle Probleme der europäischen Zusammenarbeit gelöst, viele von ihnen, vor allem die konjunkturpolitischen Voraussetzungen, erleichtert werden. Ob und in welchem Maße Staaten von so heterogener Sozialstruktur, so unterschiedlicher gesellschaftlicher Organisation und divergierender politischer Tradition zusammengeführt werden können, bleibt eine offene Frage. Die sozialpolitischen Differenzen zwischen der SPD und FDP in der Bundesrepublik übertragen sich nicht nur auf die europapolitischen Konzepte⁴⁰; sie treten im Verhältnis zwischen Staaten und Gesellschaften, etwa der Bundesrepublik und Frankreich, potenziert auf. Die SPD kann, wie beispielsweise auch die Labour-Party, nicht an einem Europa interessiert sein, das konservativ kapitalistisch ist. Sie kann auf der anderen Seite ein sozialdemokratisches Europa nicht diktieren. In dieser Lage ist die Versuchung, sich auf den Unilateralismus zurückzuziehen, das "Modell Deutschland" auf die "Insel Deutschland" zu beschränken, groß. Dem deutschen Wohlstand kann eine solche Politik des Unilateralismus nur recht sein. Er hat bisher nur davon profitiert, daß er nicht stärker in Westeuropa integriert worden ist.

2.2 Weltpolitik

Auch die Funktion der Europäischen Gemeinschaft für die Weltpolitik der Bundesrepublik läßt sich auf den Nenner bringen, daß sie den bundesrepublikanischen Unilateralismus erleichtert und fördert. Diese Feststellung kann freilich nur sehr behutsam

getroffen werden. Zunächst ist eine integrierte, oder auch nur assoziierte Weltpolitik der Neun nicht zu erkennen, ungeachtet aller Erfolge der EPZ. Bonn verfährt hier also nicht anders als alle anderen EG-Partner auch. Hinzu kommt die spezielle Abhängigkeit von den Vereinigten Staaten, etwa in der Kombination von Truppenstationierung und Währungsverhalten; kommt eine spezielle Konkurrenzsituation mit den USA, etwa in der Frage des Exports geschlossener Kernenergieanlagen. Diese besonderen westdeutschen Probleme konnten von der Bundesrepublik nur unilateral behandelt werden, die EG war damit nicht zu befassen. Lagen die Dinge anders, etwa auf dem Ölsektor, so ist die Bundesrepublik in die Reihe der europäischen Staaten eingeschert. Der Unilateralismus ist damit keineswegs ganz verschwunden⁴¹. Daran hat freilich auch das Verhalten der Vereinigten Staaten seinen Anteil, die ihre Kontrollinteressen höher bewertet haben als die Herstellung und Erleichterung einer gemeinsamen Ölpolitik der europäischen Staaten. Das gilt generell: Die Tendenz der Bundesrepublik (wie aller anderen EG-Staaten) zum Unilateralismus kann ohne Berücksichtigung der Präferenz Washingtons für selektiv-bilaterale Verhandlungen mit den einzelnen europäischen Staaten nicht gewürdigt werden. Ob die Bundesrepublik in der amerikanischen Außenpolitik als "Drehscheibe, Anker oder Makler" gilt⁴², sie gilt jedenfalls nicht als Teil der Europäischen Gemeinschaft, der vorzugsweise über Brüssel zu erreichen und anzusprechen ist. In der bundesrepublikanischen Weltpolitik spielt die Europäische Gemeinschaft dementsprechend nur eine untergeordnete Rolle, die nur im Ausmaß des Nötigen benutzt

wird. Gegenüber den AKP-Staaten tritt die Bundesrepublik weitgehend vollständig als EG-Mitglied auf; nur über die stark koordinierte Politik in der Lomé-Konvention und ihrer Vorgänger war die von Frankreich verlangte Mitarbeit an der Aufarbeitung des europäischen Kolonialbesitzes in Afrika zu leisten, ohne darunter zu leiden. Als EG-Mitglied konnte und kann die Bundesrepublik in Weltregionen auftreten, wo sie bisher nicht präsent war und vielleicht als westdeutscher Nationalstaat nicht willkommen wäre. Hat sich Bonn getreu seiner Devise, weltpolitisch ein Zwerg zu bleiben, bisher überhaupt global zurückgehalten, so bietet die Europäische Gemeinschaft einen willkommenen Kontext der Vermittlung und Verbrämung einer zunehmend als dringlich, jedenfalls als unvermeidlich empfundenen westdeutschen Präsenz. Der euro-arabische Dialog erlaubt die Wiederherstellung der traditionellen deutsch-arabischen Beziehungen, ohne die deutsch-israelischen zu beschädigen. Über die EG kann sich Bonn auch in Asien, beispielsweise bei den ASEAN-Staaten einfinden, zu denen von der Tradition her West-Deutschland wenig Zugang besaß. Die Europäische Gemeinschaft wirkt hier als Tor zur Welt, als die 'offene Tür' bundesrepublikanischer Weltpolitik. Es ist nicht die einzige, aber eine wichtige. Durch sie kann die Bundesrepublik von den Verbindungslinien profitieren, die die europäische Welt seit langem mit den Staaten Asiens, Afrikas und Lateinamerikas verbinden. Um so leichter fällt es Bonn, die traditionell kontinentale Orientierung Deutschlands zu überwinden.

Die Europäische Gemeinschaft kann die deutsche Weltpolitik

nicht nur vermitteln, sie kann sie auch verstärken. Währungspolitik gegenüber den USA kann ohnehin nur als europäische Politik betrieben werden. Aber auch die Südafrika-Politik der Bundesrepublik läßt sich besser legitimieren, wenn sie einen europäischen 'code of conduct' vorzuweisen hat.

Freilich wird eine solche instrumentelle Benutzung der europäischen Gemeinschaft für eine unilateral definierte Weltpolitik sehr schnell durchsichtig, wenn sie nur Vorteile für die Bundesrepublik, nicht auch für die anderen EG-Staaten bringt. Auch hier wiederum ist es nicht der Unilateralismus als solcher, der kritisch zu Buche schlägt, sondern seine Relation zu einer multilateralen Politik. Die Bilanz fällt für die Bundesrepublik nicht immer und nicht überall günstig aus. Ihre sehr stark konservative Politik gegenüber den Entwicklungsländern und den Einzelforderungen im Rahmen der neuen Weltwirtschaftsordnung hat ihr ebenso Kritik eingetragen wie ihre Weigerung, ihre Exportinteressen im Energiegeschäft den sicherheitspolitischen Interessen der westlichen Welt unterzuordnen. Der Verdacht bleibt nicht aus, als würde die Rolle moralisch-politischer Absicherung deutscher Weltpolitik, die bis zum Vietnam-Krieg die Amerikaner, danach die Franzosen gespielt haben⁴³, seitens Bonn nunmehr der EG zugedacht.

Die Bundesrepublik befindet sich hier wirklich in einer Zwickmühle. Einerseits ist sie wirtschaftlich, und also auch politisch, eine Weltmacht (nur militärisch eine Regionalmacht), andererseits würde eine deutsche Weltpolitik bei den anderen

Staaten düstere Erinnerungen abrufen, unter denen die an das Wilhelminische Reich bereits genügten. Bonn ist also gezwungen, eine weltpolitische Rolle zu spielen, ohne sie spielen zu können. Aus diesem Dilemma gibt es zwei Auswege: nämlich, Weltpolitik als europäische Politik zu betreiben oder die europäische Politik zur Weltpolitik zu benutzen. Der erste Ausweg führt in den Multilateralismus und zur Verstärkung der europäischen Integration; der zweite führt in den Unilateralismus und zur Degenerierung der EG zu einem rein taktisch gehandhabten Instrument. So unbestreitbar die Bundesrepublik intentionaliter den ersten Ausweg wählen will, so groß ist die Gefahr, daß sie infolge der Schwäche der EG immer mehr auf den zweiten Weg gerät. Denn für Frankreich und Großbritannien, beispielsweise, besteht das Dilemma nicht in gleicher Weise. Sie können sich im Rahmen ihrer Möglichkeiten eine unilaterale Weltpolitik durchaus leisten, weil sie nicht die gleichen historischen Belastungen aufzuweisen haben wie die Bundesrepublik. Sie kann praktisch nur über die Europäische Gemeinschaft weltpolitisch handeln und sieht sich demzufolge sehr viel schärfer vor die Alternative gestellt, diese Gemeinschaft zu entwickeln oder zu entwerten. Dabei kann Bonn die Entscheidung nicht allein treffen. Die Entwicklung der Gemeinschaft hängt nicht nur von der Bundesrepublik, sondern auch von der entsprechenden Bereitschaft aller anderen EG-Staaten ab. Sie ist, was die Weltpolitik anbelangt, praktisch nicht vorhanden, müßte also von der Bundesrepublik erst erzeugt werden. Angesichts der damit verbundenen Schwierigkeiten ist die Neigung, sich

auf eine vorwiegend instrumentell verstandene Mitarbeit in den EG zu beschränken, verständlich. Wiederum kann die bundesdeutsche Außenpolitik nicht autonom, sondern muß sie im Rahmen der Außenpolitik ihrer Partner erklärt und bewertet werden. Der Unilateralismus ist weder eine Erfindung noch ein Monopol der Bundesrepublik. Wer ihn kritisiert, muß sich auch fragen lassen, wie weit er ihn durch sein Beispiel legitimiert und durch sein Verhalten unumgänglich gemacht hat. Man kann sich integrativen Initiativen der Bundesrepublik nicht gleichzeitig verschließen, sie kritisieren und dann noch ihre Erfolglosigkeit verurteilen.

Die Frage nach der atlantischen, europäischen oder unilateralen Orientierung der Bundesrepublik ist mit einer Besichtigung ihres Verhaltens in den drei Feldern nicht abschließend beantwortet. Außenpolitik kann überhaupt nicht als isolierter Entscheidungsprozeß und auch nicht zureichend als Teil eines Aktion-Reaktion-Prozesses zwischen den einzelnen Staaten interpretiert werden. Sie muß vielmehr auch, wenn nicht sogar in erster Linie, verstanden werden als Ausführung gesellschaftlicher Anforderungen an das politische System der betreffenden Einheit. Außenpolitisches Verhalten kann im internationalen System kompatibel sein, ohne den internen Konsensus zu besitzen. Sie kann andererseits mit großer Zustimmung der Gesellschaft formuliert werden, im internationalen Umfeld aber nicht kompatibel, nicht durchsetzungsfähig sein. Die Analyse der außenpolitischen Optionen des westdeutschen Staates muß daher abgeschlossen werden mit einem Blick auf die einschlägigen An-

forderungen der westdeutschen Gesellschaft.

3. Anforderungen und Orientierungen

3.1 Anforderungen

In einem politisch akuten und relevanten Sinn gibt es keine Anforderungen nach der Intensivierung der westeuropäischen Integration. Es gibt Anforderungen der großen politischen Parteien und gesellschaftlichen Gruppen; sie sind auch durchweg ausgearbeitet und detailliert. Sie spielen jedoch anscheinend für das politische Verhalten dieser Gruppen keine Rolle; sie besitzen lediglich die Funktion eines Reserverades. Es dreht sich, wann immer die Aufmerksamkeit sich auf Europa richtet. Es hebt sofort vom Boden der Realitäten ab, sowie Politik als konkretes aktuelles Geschäft betrieben wird. Man wird die einschlägigen Parteiprogramme deswegen nicht zu den politischen Sonntagsreden zählen dürfen. Sie reflektieren vielmehr die durchgängige rationale politische Auffassung, daß der westeuropäische Staat mittlerer Größe allein nicht mehr handlungsfähig ist, daß Westeuropa auf ideologischem, gesellschaftlichem, wirtschaftlichem und politischem Gebiet so interdependent geworden ist, daß die Beziehungen der europäischen Staaten untereinander eine andere, höhere Qualität aufweisen müssen als die zwischen ihnen und ihrer Umwelt. Die daraus abgeleitete Forderung nach der europäischen Integration muß daher durchaus als real eingeschätzt werden. Sie ist aber insofern nur latent, als niemand weiß, wie sie verwirklicht werden kann. Das Kardinal-

problem Europas liegt nicht in seiner Zielsetzung, sondern in den Strategien zu ihrer Verwirklichung. Die Struktur dieses Europa liegt ebenso im Dunkeln wie die konkreten Entscheidungen, mit denen sie heraufgeführt werden könnte. Die Rationalität der europäischen Integration scheitert an der Blindheit der integrativen Prozesse. Als Folge dessen bleibt die Integration verbal und die Politik unilateral.

Die Programmatik der drei großen Parteien unterscheidet sich weniger in dem Grad ihres Engagements für die europäische Einigung als vielmehr in unterschiedlichen Anforderungen ihrer binnenstrukturellen Ausgestaltung. Die Sozialdemokratische Partei, die in den ersten Nachkriegsjahren den politischen Akzent auf die Wiedervereinigung gerückt hatte⁴⁴, hat im Zusammenhang mit dem Godesberger Programm die europäische Einigung zu einem Primärziel erklärt. Seitdem hat sie sich um eine aktive Förderung der westlichen Integration bemüht. Die Ölkrise verminderte den Enthusiasmus etwas, weil sie allzu deutlich die Vitalität des Unilateralismus in beinahe allen europäischen Staaten erkennen ließ. Dennoch hat die SPD die Forderung nach einem Fortgang der europäischen Einigung unvermindert weiter erhoben und sich insbesondere für die Wirtschafts- und Währungsunion eingesetzt⁴⁵. Ihr Parteivorsitzender Willy Brandt bewirbt sich mit Nachdruck um einen Sitz im Europäischen Parlament, dessen Wahlen für 1979 angesetzt sind. Die SPD weiß sich bei dieser Anforderung im Einklang mit ihrer Tradition, in der die Forderung nach Überwindung des Nationalismus, der für so viele Kriege in Europa verantwortlich zu machen ist, stets

eine große Rolle gespielt hat. Die Partei vertraut dementsprechend der europäischen Einigung zwei Ziele an: die Herbeiführung einer europäischen Friedensordnung, "die allen Europäern die Angst vor einem möglichen Krieg ... nehmen kann", und die Herstellung "der sozialen Demokratie ... der Verbindung von Freiheit und Gerechtigkeit"⁴⁶. Dieses allgemeine Programm hat die Partei zusammen mit den anderen sozial-demokratischen Parteien in der Europäischen Gemeinschaft in ihrer Wahlplattform vom 6. 6. 1977 in Einzelforderungen aufgesplittet⁴⁷. Sie fordert ein Europa der Vollbeschäftigung, der Wirtschaftsdemokratie, der verbesserten sozialen Sicherheit und entsprechender Lebens- und Arbeitsbedingungen; ein Europa, das die Entspannung im Ost-West-Konflikt und die Solidarität im Nord-Süd-Konflikt realisiert. Dieses Programm ist in sich stringent: ebenso wie beim Übergang vom Feudalstaat zum Nationalstaat das soziale und demokratische Niveau verbessert wurde, wird es auch beim Übergang zum Regionalstaat auf eine höhere Stufe gehoben werden müssen.

Zu der entscheidenden Frage der Realisierung dieser Forderungen enthält das Programm jedoch nichts, bzw. die nur sehr allgemeine Forderung nach einer entsprechenden Zusammenarbeit der politischen und gesellschaftlichen Gruppen. Angesichts der beträchtlichen Disparität der Sozialstruktur und der gesellschaftspolitischen Konzeptionen, die in Westeuropa vorherrschen, besitzt ein solches Programm vorwiegend deklamatorischen Wert. Er läßt sich nochmals am "Orientierungsrahmen 85" der SPD ablesen, der 1975 vom Parteivorstand verabschiedet wurde.

Er enthält in seinem allgemeinen Teil die sehr richtige Einsicht von der "Notwendigkeit europäischer Lösungen"... hinsichtlich der gerechteren Gestaltung der inneren Gesellschaftsordnung"⁴⁸. Die darauf gerichtete konkrete Auflistung politischer Forderungen hingegen bewegt sich fast exklusiv im nationalen Rahmen, zielt nicht auf Europa, sondern auf die Bundesrepublik.

Das gleiche Schema tritt bei den anderen Parteien auf. CDU und FDP treten engagiert für die europäische Einigung ein, haben sich mit ihren ideologischen Partnern in den EG-Staaten zu europäischen Zusammenschlüssen verbunden. Sie unterscheiden sich selbstverständlich hinsichtlich der Präferenzen für die Binnenstruktur dieses Europa. Die CDU legt den Akzent mehr auf die Freiheit und das wirtschaftliche Wachstum⁴⁹; die FDP versucht beides mit **der Forderung** nach Chancengleichheit und sozialem Ausgleich zu verbinden⁵⁰. Einen praktisch-politischen Weg zur Realisierung dieser Forderungen zeigen auch diese Parteien nicht. Selbst der Deutsche Gewerkschaftsbund vermag ihn nicht zu weisen. Er ist zwar zu Opfern für die europäische Integration bereit, falls sie nicht einseitig gefordert werden und tatsächlich dem Ziel der vollen Integration dienen⁵¹. Er arbeitet mit dem 1973 gegründeten Europäischen Gewerkschaftsbund zusammen, dessen erster Vorsitzender der DGB-Chef Vetter ist. Wie der EGB hoch über den Wassern der Politik seiner Mitgliedsverbände schwebt, so ist auch das Europaprogramm des DGB nicht konkret mit der Praxis der bundesrepublikanischen Gewerkschaften verbunden. Sie richtet sich vielmehr nach wie vor

in erster Linie auf die bundesrepublikanische Wirklichkeit aus⁵².

Parteien und Gewerkschaften, so muß man sagen, sind zur Integration bereit und an ihr interessiert. Sie beschreiten jedoch weder, noch wissen sie den Weg, der dorthin führt. Schwerer wiegt, daß sie auf die Suche nach diesem Weg so gut wie keine Energien verwenden. Sie werden vielmehr ausschließlich auf die politische Einheit gerichtet, in der die Nahziele zu verwirklichen sind. Der Unilateralismus ist kein Nationalismus, er ist eine Praxis faute de mieux.

Blickt man auf die Ministerialbürokratie und auf die Manager der Wirtschaft, also auf jene ökonomisch-politische Kooperationsstruktur, in der die meisten europapraktischen Entscheidungen fallen, so ergibt sich ein schärfer konturiertes Bild. Werner Feld hat jedenfalls bei den von ihm befragten Bürokraten einen deutlichen Widerstand gegen die politische Union festgestellt⁵³, bei den deutschen übrigens stärker als bei anderen europäischen Ministerialen. Sie befürchten Karriereeinbußen. Hingegen haben gerade die deutschen Beamten eine Verstärkung der wirtschaftlichen Kooperation bis hin zur Wirtschaftsunion stark befürwortet⁵⁴. Da aber eine Wirtschaftsunion de facto eine wirtschaftspolitische Union sein muß, geht man wohl nicht fehl in der Annahme, daß der Widerstand, zumindest das Desinteresse der Bürokraten dort einsetzt, wo Kooperation in Organisation umschlägt. Die Beamten würden zwar keinen Widerstand leisten, sie werden einen solchen Umschlag aber auch

nicht fördern. "They are not so much guilty of treason as they are of anomy"⁵⁵.

Welche Forderungen stellen die Manager? Die deutschen Manager sind, vornehmlich in den oberen Rängen, weniger integrationsfreudig als die anderer europäischer Staaten. Auf der anderen Seite würden sich diejenigen, die der Integration zuneigen, stärker engagieren als ihre europäischen Partner⁵⁶. Die unteren Ränge sind integrationsgeneigter als die oberen. Das Engagement für Europa nimmt (ebenso wie die Orientierung zur SPD) zu, je niedriger der Rang ist, in dem sich der Manager befindet. Generell gilt, daß die Mehrheit unter ihnen durchweg eine Konstruktion befürwortet, in der eine integrierte Struktur mit einer wirklichen Entscheidungskompetenz ausgestattet ist. Auf dem Gebiet der militärischen Sicherheit würden sogar die meisten die Entscheidungskompetenz integrieren. Nur auf ihrem eigenen Gebiet, dem der Wirtschaft, sind sie stärker zurückhaltend, befürworten sie in ihrer Mehrzahl gemischt national-integrierte Kompetenzstrukturen. Die Beibehaltung exklusiv nationalstaatlicher Entscheidungskompetenz wird nur von einer verschwindend kleinen Minderheit gefordert.

Auch die Manager also sind nicht gegen eine Zunahme der europäischen Integration. Sie würden sich ihr nicht entgegenstellen, wenn sie käme. Sie würden sie aber auch nicht heraufführen, erstens, weil dies nicht in ihrer Macht steht, und zweitens, weil ihre unmittelbaren Interessen davon nicht profitieren. Sie haben sich im 'Europa der Chefetagen' eingerichtet - warum sollten

sie für ein Brüsseler Europa arbeiten? Auch bei ihnen zeigt sich also, daß ihr Unilateralismus nicht aus Notwendigkeit und Überzeugung, schon gar nicht aus einer nationalen Orientierung stammt. Er stellt vielmehr eine bequeme und handhabbare Praxis dar, die aufzugeben niemand zögern, kaum jemand sich aber engagieren würde.

3.2 Orientierungen

Die Orientierungen der Öffentlichkeit, ihre Attitüden, lassen sich verständlicherweise nur schwer feststellen und noch schwerer beurteilen. Meinungsumfragen, zumal sie jedenfalls in der Bundesrepublik sich nur selten und unsystematisch mit internationalen Fragen beschäftigen, haben einen fragwürdigen Wert. Mit dieser Einschränkung kann gesagt werden, daß das Engagement der Öffentlichkeit für die europäische Integration kontinuierlich zugenommen hat. Noch 1965 lag einer Mehrheit die deutsche Wiedervereinigung näher als die europäische Integration. Seit den 70er Jahren jedoch sind beinahe 3/4 der westdeutschen Bevölkerung für eine Weiterentwicklung der Europäischen Gemeinschaften bis hin zu den Vereinigten Staaten von Europa⁵⁷. Fast die Hälfte, nämlich 41 %, bevorzugte die europäische Einigung gegenüber dem Bündnis mit den USA, war also sehr viel stärker europäisch als atlantisch orientiert⁵⁸.

Diese Option darf nicht als Mißachtung oder Unterschätzung der NATO interpretiert werden. 71 % der westdeutschen Bevölkerung waren 1971 für eine weitere Mitgliedschaft, in der richtigen

Erkenntnis, daß das gegenwärtige Europa seine Sicherheit nicht zu gewährleisten vermag. Auf der anderen Seite wird die kontinuierliche Unterstützung der atlantischen Zusammenarbeit im Rahmen der NATO flankiert mit einem auffallend konstanten Interesse für Neutralität. 1951 hatten sich 48 %, 1965 noch 42 % für eine solche Position West-Deutschlands ausgesprochen, 1975 waren es immerhin noch 36 %⁵⁹. Genesis und Bedeutung dieses Interesses ist schwer einzuschätzen. Es dürfte am ehesten auf den Wunsch zurückzuführen sein, aus dem Großmächte-Konflikt auszuscheren, eine weltpolitische Randposition einzunehmen. An einer erneuten deutschen Führungsposition besteht so gut wie kein Bedarf. Die befragten Deutschen waren mehrheitlich der Meinung, daß die Bundesrepublik außenpolitisch nichts zu sagen habe, nur ein Drittel meldete einen Führungsanspruch für die Bundesrepublik innerhalb der EG an⁶⁰.

Diese Daten lassen sich, wie erwähnt, schwer deuten. Sie sind uneinheitlich und vor allem unvollständig. Es gibt ganz offensichtlich kein ausgesprochenes Bedürfnis nach einer Intensivierung der europäischen Integration; es gibt aber eine evidente Bereitschaft, sie zu akzeptieren und weiterzuentwickeln. Niemand ist dagegen, die meisten sind dafür, kaum jemand engagiert sich.

Der unilateral agierende Entscheidungsträger wird also von niemandem gezwungen, die europäische Option zu verstärken. Es gibt keine unüberhörbaren Anforderungen danach, keine gesellschaft-

lich relevante Gruppe, die mit Nachdruck die politische Verwirklichung der europäischen Option forderte. Diese Forderung ist zwar latent vorhanden und weit verbreitet. Sie wird vom gesellschaftlichen Umfeld, von den Interessengruppen, den Managern, den Beamten und den politischen Entscheidungsträgern selbst geteilt. Sie würden die Wirtschafts- und die Sozialpolitik gern in die Europäische Union einbringen, wenn es einen Anlaß, eine aktuelle Notwendigkeit dafür gäbe. Sie fehlt. Da die Wirtschafts- und Sozialpolitik sich im bundesrepublikanischen Rahmen erfolgreich handhaben läßt, bleibt es beim Unilateralismus. Er läßt sich um so bequemer durchhalten, als die Gewährleistung der Sicherheit im Rahmen der von den Vereinigten Staaten geführten Atlantischen Gemeinschaft problemlos gegeben ist. Die NATO bietet kollektive Sicherheit, ohne den Unilateralismus allzu stark zu beschädigen.

Der Unilateralismus erweist sich damit nicht als die beste, aber als die allein mögliche Politik. Er ist ein Instrumentarium, keine Ideologie, kein Konzept. Er wird praktiziert, weil es eine strategisch-taktisch voll entfaltete Alternative dazu nicht gibt; freilich arbeitet auch niemand daran. Der Unilateralismus läßt sich sehr gut mit der Kooperation mit anderen Staaten verbinden, die ihrerseits keine Alternative entwickelt haben. Solange nicht innenpolitische oder außenpolitische Krisen eine Änderung erzwingen, wird der Unilateralismus das Instrument des 'muddling through' bleiben.

Die Bundesrepublik freilich sollte sich damit nicht zufrieden

geben. Infolge ihrer Vergangenheit kann sie die Erfolge, die ihr der Unilateralismus beschert, nicht unilateral vereinnahmen. Sie würde dadurch nicht nur außenpolitisch isoliert werden, insofern ihr nicht mehr als Notbehelf abgenommen werden würde, was ihre Macht nachweisbar verstärkt. Darüber hinaus würde aber auch der innenpolitische Konsens zerfallen, der die Hypostasierung des 'muddling through' zu einem Konzept des Unilateralismus verbietet. Zwar gibt es an den Rändern der bundesrepublikanischen Gesellschaft die Koalition zwischen den 'Enkeln und den Großvätern', zwischen denen, die sich einer nationalen Machtpolitik erinnern, und denen, die davon träumen. [In der Breite der westdeutschen Gesellschaft aber macht sich, wie die letzten Wahlanalysen zeigen, eine ganz andere Tendenz bemerkbar. Mit dem gewachsenen Wohlstand der post-industriellen Gesellschaft in der Bundesrepublik wandelt sich, analog der These Ingleharts, das Wertsystem von der Betonung materialistischer zur Bevorzugung nicht-materialistischer Werte. Selbstverwirklichung wird wichtiger als die Aufrechterhaltung der tradierten Sozialstruktur; Teilnahme und Teilhabe überwiegen das Interesse an Ruhe und Ordnung; das Verständnis und die Toleranzbereitschaft für Minderheiten vergrößern sich anstelle der Betonung der Sicherheit der eigenen Gruppe nach innen und außen⁶¹. Die Anhänger einer solchen 'Neuen Politik' treten seit den 60er Jahren deutlich in Erscheinung, grenzen sich ab von den Befürwortern der 'Alten Politik', die sich am Wertsystem der vormaterialistischen Gesellschaft orientierten. Zwar zählt die Mehrheit der bundesrepublikanischen Bevölkerung noch immer zu der letzteren Gruppe. Sie wird aber abnehmen in

dem Maße, in dem sich die Industrialisierung durchsetzt. Von den Anhängern der 'Neuen Politik' unterstützten interessanterweise 3/4 die Sozialdemokratische Partei⁶², während ihr nur noch 37,5 % der Hüter der 'Alten Ordnung' ihre Stimme gaben. Die SPD erweist sich damit als diejenige Partei, die den innenpolitischen Fortschritt aufgenommen und weitergeführt hat. An ihr wäre es in erster Linie, diesen Fortschritt auch in die Außenpolitik zu übernehmen. Der Unilateralismus gehört eindeutig zur 'Alten Politik', für die das Ansehen, die Einheit und die Stärke Deutschlands die obersten Orientierungsmarken abgeben⁶³. Die außenpolitische Entsprechung der 'Neuen Politik' würde in einer entschlossenen und dezidierten Bemühung liegen, die europäische Zusammenarbeit zu intensivieren und die notwendigen Grundlagen dafür zu legen. Dafür sind Strategien zu entwickeln und politisch umzusetzen. Mit ihrer Einleitung würde sich die Distanz, in die der Unilateralismus die Bundesrepublik gerückt hat, in eine engagierte Annäherung verwandeln, die den Verdacht des Nationalismus beseitigt und den der Hegemonie nicht aufkommen läßt.

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FOCAL POINTS AND PERSPECTIVES OF GERMAN ECONOMIC, FINANCIAL
AND MONETARY POLICIES OF THE 80s.

by Wilhelm Hankel

THE HANDWRITING ON THE WALL: UNGOVERNABILITY

A common malaise "unites" the countries of the first (Western industrial states), the second (Communist state enterprise) and the third world (the developing countries). More than ever, the future of their societies must be planned in advance, but the execution of these plans, the "governing", is becoming ever more difficult, if not impossible. At the very time in human development and history in which "everything" that is left to the old ways or to chance may end fatally, or will perhaps end fatally, "ongoing formulations" [Fortschreibungen] (only a trendy word for muddling along) and "realistic improvisations" (only a paraphrase for passing solutions) hold sway. It is not anticipatory plans but unforeseen circumstances which determine the policy of all countries. Especially the economic, financial and monetary policies.

This is not a new, but a very old dilemma: man as a "political being" has in fact for long been in the position of adapting himself to the society which he has developed for the purpose of self-assertion, but, for as long as it has existed, the "correct" (just and efficient) self-regulation of this society has been his problem.

The developing countries, thanks to imported expertise, could develop audacious plans for their social, economic and financial future which, however, (must) remain largely a vision because the essential conditions and means for their

fulfillment are missing. The state enterprise countries remain ever more openly -- and painfully -- behind in their goals and self-illusions because the indispensable participation of the subjects of the mis-planning is not only missing, but does not in this way force a resolution of conflicts between the "abstract" common and the "concrete" individual good.

And the democratic pluralistic countries of the West? The more their self-development towards democracy and pluralism advances, the less can they rely on two traditional factors of regulation in their history up to this point: their central authority (government) establishing a framework and data, and the individual plans for utility towards the markets determined by the common good. The central governments are becoming more dependent on the concensus of increasingly powerful "secondary" governments and parliaments: opinion shaping media, "autonomous" social partners, monetary authorities which are "independent of regulation" the central banks, the governments of the provinces and the cities, etc., at the same time, the markets are increasingly bursting out of their old (regulated) limits/^{of} competition and currency areas, becoming ever more monopolistic and multinational, with the result that things can no longer be governed as they have been heretofore.

Nevertheless, there is no alternative to governments within the framework of the social order accepted by all individuals and social groups, if the political and physical survival of humanity is not to be questioned fundamentally. In the integrated (economic) world of today and tomorrow we must add to the "old" problem of the integration of the individual (and his economy) into his (national) order, the new one of the order between the national orders of peoples (and their economies).

The economic, financial and monetary policy of tomorrow which, even for national reasons, cannot be renounced, must therefore in addition -- and more than ever -- be co-ordinated and synchronized internationally. This does not require new goals and propositions on the part of those responsible for economic, financial and monetary affairs, but rather a totally new "distribution of competency" among national, supra-regional (in our case European) and supranational officials.

The following analysis concerns itself with this problem, whose most important results may be summarized as follows:

1. The BEING and the CONSCIOUSNESS of the German economic miracle after World War II have never really fit well together. While the spectacular growth of the economy from 1952, the turning point of the German balance of payments, became more and more "export-led" (in the sense of Kaldor), public opinion as well as government (both of the CDU and the SPD) have maintained to this day that it was a question of the "reward" for economic liberalism promoted by private initiative ("social market economy") and a strong anti-inflationary policy (primacy of the policy of stability before full employment).

Indeed, to begin with, the German success in export had purely endogenous grounds: after partition, West Germany retained the greater part of its "old" industrial capacity, but lost its internal markets beyond the Elbe; the world market substituted for the domestic market loss. Only later did exogenous factors enter in. Through the mid-70s the world economy expanded more rapidly than domestic demand. Furthermore, the German policy of stability changed its emphasis: instead of monetary and fiscal restraints it increasingly introduced the policy of exchange rates; but no revaluation of the mark

produced the real buying power parity of the mark compared to other currencies! This has only been accomplished through the excessive floating of the last two years! Therefore, since this reason for the commercial base of the "miracle" has been excluded, the German economic policy pursued up to now, to assure growth, employment and trade adjustments over export and export surplus, cannot be continued much longer.

2. For this reason, most of the "officially" discussed concepts to fight the crisis in the Federal Republic miss the point. The cost relief (of wages, interest and taxes) aspired to by the government and the majority of the committee of experts [Sachverständigenrat -- SVR], does have "diffusionary" effects, but it establishes neither export nor investment incentives. The flexible exchange rates equalize every external price and cost advantage today and tomorrow ("Abolition of the exchange rate -- illusion!"). As a result of the underuse of capacity and depressed expectations, domestic earnings are more likely "saved" than "invested", for which reason all 10 (!) of the economic programs based on this concept since 1974, with a fiscal credit of over 40 billion marks, have been wasted!

The Bonn Economic Summit of summer 1978 merely produced a continuation of the monetary-Keynesian policy mix: the official economic policy is aimed toward tax reductions and additional federal expenditures for investment incentives and subsidies. However, everything points towards a further lack of success of this method: as long as the present ("export oriented") production structure is not fully utilized, and as long as the world depression continues and the reigning

pessimistic expectations even increase, one cannot count on any "new" investment or consumer wave within the framework of the "old" structures.

3. The Federal Republic must -- as during the crisis of the 30s -- develop a new concept of economic policy. However, unlike during the 30s, its movements into and out of economic and "monetary nationalism" (von Hayek, 1937) are barred, because the foreign ties and dependence of the "truncated" Germany are far greater than were those of the "intact" German Reich of that time.

The Federal Republic is therefore committed to the following "double strategy":

* On the level of the OECD (75% of its export market) it has to participate in a concentrated program of western balance of payments consolidation and dollar exchange support: with multilateral (instead of heretofore mostly bilateral) stand-by credits and a similar multilateral control of the Euro-markets, whose excessive "dollar credit creation" is the major reason for the continuing unrest in exchange rates and the weakness of the dollar. An essentially "defensive" program in order to maintain the still high German export position, no longer to broaden it.

- Domestically, it has to commit itself to a policy of "targeted structural change": the necessary impulses for growth must be reached privately in the labor intensive and price elastic middle class companies with fewer than 500 employees; they must be complemented by openly encouraged innovations, ecologically sound investments and a better infrastructure, for which an (indicative) development budget and a system of specific (fiscal) stimuli would have to be

worked out.

The external exchange program requires co-ordination in the appropriate boards of the OECD and the IMF, the domestic fiscal program would require co-ordination with the European Community. In this way, the monetary decision processes would have to be more strongly internationalized, the fiscal more strongly Europeanized.

A European Monetary Union or Zone, as envisioned in the Bremen summit would develop "by itself" in the wake of progressive fiscal and structural political harmonization (as a "true" union -- not as ^{an} exchange union created by interventions); later it could be "legalized" institutionally.

I. THE END OF "EXPORT-LED GROWTH"

1. The German economic miracle after World War II is considered in the German consciousness as the dual outgrowth of the liberal economic reorganization of Ludwig Erhard in 1948/49, the so-called social market economy, and the resultant policy of stability which was pursued within that framework.

In the light of facts, this positive pre-conception of the majority of today's Germans may be mitigated by this or that observation without, however, in any way diminishing Erhard's "historic" shift for Germany:

- After the total bankruptcy of the war and command economy of the Nazi period, and after the currency reform conceived and carried out by the Allies on June 20, 1948 (11 months before the founding of the German Federal Republic on May 27, 1949), from which the West German Mark resulted (3 days before the East German Mark on June 23, 1948), there was no alternative to a "free market economy."

- After the rigorous currency reduction which in several stages nullified 93.5% of all Reichsmark bills as well as commercial paper [Geldvermögensstitel] in Reichsmark denominations, there was even then no more stable (because in the technical sense more scarce) currency than the West German Mark which, after only a few weeks of "free floating" against its cousin and competitor, the East German Mark, quadrupled its value: from 1:1 to 1:4!

Because the Allies, who then still controlled Germany, saw -- and feared -- the advantage of stability of the West German Mark resulting from "their" currency reform as compared to their own currencies, they did not "allow" the new-comer among the established western currencies the 30% depreciation against the U.S. dollar allowed to the other currencies at the time of the re-alignment of currency parity in September, 1949; they only permitted one of 20%. At that time the West German Mark parity of 4.20 (or 23.8 U.S. cents to the mark) was "found" -- instead of the rate of 4.40¹ desired by German officials.

2. Thirty years later, the real "miracle" is that none of the politicians or economists of that time, neither on the German nor the Allied side, foresaw that the partial state regenerated in western Germany was condemned to the "burden of export." Since I have treated this theme at length elsewhere,² I shall here make only a few remarks: as Bruno Gleitze has shown,³ the sites of the most important heavy and manufacturing industries which, before the war, had up to 60% of their markets in the now lost middle and eastern German provinces, were in the West.

Furthermore, the western parts of the country had to

absorb and employ the greatest part of the masses of humanity which fled from the Russians and from Communist rule: a total of about 12 million people.

Thus, the already "overindustrialized" West Germany had to "over industrialize" yet again in order to accomplish the integration of the refugees (an additional fourth added on to the existing population). Above all, it had to find receptive foreign markets to absorb over-production and market shortages. If ever the Hamburg phrase, earlier imported from England, exportare necesse est had meaning, it was in the early years of the second German Republic. Germany could only handle the double problem of substitution for lost domestic markets and the absorption of newly added population to normal employment if it established itself in the expanding world markets.

But -- the chances for such an "export-led growth" -- long before Kaldor developed his theory based upon it⁴-- were, for a long time, judged pessimistically. In his examination of the chances of economic survival for West Germany published in 1949, Fritz Baade, Director of the renowned Institute of World Economy at Kiel, reached the conclusion that the German economy was not even viable without massive economic aid from the Allies. A judgment to which both the author and the Institute held fast even in the revised edition of 1951, as the "miracle" was already producing its first successes.⁵

And Othmar Emminger, then chief economist of the Deutsche Bundesbank, explained in 1952 that the German positive balance of payments was a short term "late flowering of the autarky" of the Nazi period, which had set for itself the

goal of a wide ranging substitution for imports of raw materials -- a formulation which he later had expunged.

All of this becomes understandable when one keeps in mind that neither in pre-World War I nor in pre-World War II Germany was there ever a positive trade or production balance. Since 1890 Germany's external balance was negative (with the sole exception of 1926, the year of the British miners' strikes). To its economists and politicians Germany appeared to be a classic "manufacturing country" which imported raw materials and which exported only as many finished goods as it needed to pay for its imports.

Its major market was domestic and not foreign. To this day its economists occupy themselves more with questions of "internal economic balance" [Konjunktur] than of "integration." The consciousness of being dependent on the world economy is only now in this crisis becoming more "open."

As late as the last balance of payments crisis of 1931, a decision for a racially pure economic nationalism -- the precursor of a political one -- was made. Brüning's currency regulation of 1931 was readily taken over by Schacht and the Nazi government and developed into a program of domestic autarky and foreign bilateralism. It was hailed by the German economy as "protection from ruinous foreign competition." It joined the oldest tradition of German economic and political theory: List's protective tariff and Bismarck's high tariff policy pursued by Caprivi!⁶

3. The German growth success which, already towards the end of the 50s, led from full to over-employment, can be regarded as essentially "export dependent" from 1952, the end of the reconstruction phase (in which investments rose

more than exports). Nominally as well as absolutely, exports grew from year to year more strongly than all components of domestic demand: individually and in the aggregate. See Table 1.

The share of exports in the gross domestic or social product indicates a growing trend up to the present. Furthermore, the export growth in all cyclical recession and internal economic breaks in the post-war period proved to be the demand compensator: whether in 1958/59, 1966/67 or 1975/76 the reduced domestic demand was always quickly and almost "automatically" balanced by increased sales abroad. Because the automatic export valve worked more quickly and more silently, all domestic economic programs came first, too late, and, besides, worked in an exaggerated manner.

The main reason for the "overheating" which until now occurred after every recession in the Federal Republic: 1961, 1969 -- but not again in 1977! -- must be seen and sought in this "automatic" opening of the export valve.

But what is really behind this "mechanism"?

First, a competitive (cost and price) advantage "maintained" by monetary and occasional fiscal policy. Second, an only partially guided (and guidable) constellation in the rate of expansion from domestic to foreign demand by the Federal Republic.

Two phases of the German stability policy may be distinguished:

- Until 1961 (the year of the first revaluation of the D-Mark), the price and cost advantage was supported domestically: by means of a strong monetary and credit policy, whereby the high interest rate (around 8%) of the capital market, while

technically not very convincing, was fully accepted by public opinion as being caused by a "lack of capital," and was thus excused. Additionally, there was an occasional policy of "involuntary" budget surpluses.⁷

- From 1961 onward the stabilization of price and cost levels was shifted to the external exchange rate of the D-Mark. The revaluation of the D-Mark in 1969 and 1971 and the temporary floating periods before the end of the Bretton-Woods system in March, 1973, were entirely within the priorities of stability.

The double "miracle" of this domestic stability policy over the external valorization of the D-Mark is that the resulting permanent improvement of the German terms of trade neither removed the competitive German position abroad or the German export surplus; nor that the permanently growing export surpluses (losses of real income) hindered a permanent increase in real income. On the contrary, despite the handicap of a 20% revaluation between 1961 and 1971, the "export-led growth" did not only continue, but so also did the increase of domestic real income. See Table 2.

As Table 2 demonstrates, between 1949 and 1977 the Federal Republic achieved stability and growth of real income as no other western industrial country, with the exception of Switzerland. An average annual inflation rate of 2.7% prevails compared to an annual growth in real income of 4%; at the other end of the scale is Great Britain with an average inflation rate of 6.4%, and a growth in real income of an average of 1.4% annually. The middle is held by the United States with an annual inflation rate of 3.4% and an average real income growth of 2.2%. What explains the German dual

success: the achievement of growth through output of goods (exports) without a noticeable diminution of real growth due to the rate of inflation?

The solution to the puzzle lies in Table 3. Each German revaluation compensated for only a fraction of the foreign inflation advantage of the world markets in comparison to the domestic price and cost rise in the Federal Republic itself. The Federal Republic did indeed improve its nominal terms of trade, but never in the full amount of the nominal world inflation rate. In reality, it assured its foreign trade position by means of a relative sacrifice in its real terms of trade, a connection which, to my knowledge, has neither been seen nor fully analyzed until today.⁸

Furthermore, in this connection, the strong monopolistic-oligopolistic position of German big businesses, which lead the export trade, must be seen in the German domestic markets. Over 50% of the German export assortment falls to the share of products of machinery manufacture, of the transportation, chemical and electro-industries in which some branches of "leading" or oligopolistically behaving suppliers determine the domestic price level.⁹ For this reason, the rule at all times was to make good the nominal deficit in proceeds (due to revaluation) in foreign trade by raising prices at home.

In other words: thanks to its high degree of monopoly in the domestic market, the German export economy could permit itself the "luxury" of selling its foreign product under the real terms of trade: because the profit that was given away in exports was regained by way of the domestic prices. Exports earned employment, the home market paid the necessary capital.

This is a calculation which continued as long as the world economy nominally expanded faster than consumption and investment in the Federal Republic itself. As Table 1 shows, this typical constellation for the total growth of the Federal Republic for over 25 years is fading away. During the current year (1978), a clear decline of "export-led growth" is to be reckoned with for the first time. This is a situation which might have arisen earlier if regional special export economic plans aimed at the East block and OPEC countries had not overcompensated for the loss in traditional export markets (in Europe and North America). See the final two columns of Table 1!

To this may be added the fact that, with the shift from fixed but adaptable to fully flexible exchange rates, the fixing of export positions becomes more difficult, if not impossible, to charge to the parities of real terms of trade. Owing to the German economic and monetary policy, and especially to the "professional economist" Chancellor Schmidt, it is, in my opinion, no accident that the rediscovery of the advantages of fixed exchange rates -- within and outside of Europe -- is occurring at just the time that the "being" (the end of the era of export-led growth) is moving towards the "consciousness": the problem is less that of EUROPE or of the WORLD ECONOMY than one of saving what one can of the foundations of economic growth.

In other words, it is the problem of a redefinition of the old neo-mercantilistic growth and employment policy, according to which the Federal Republic, as a country dependent on exports, cannot aim for satisfactory domestic growth without an export multiplier.

II. ALTERNATIVES WHICH ARE NO ALTERNATIVES

1. As a matter of fact, all internal economic programs and plans discussed in the Federal Republic since the outbreak of the crisis amount to an effort to gain time until the currently blocked adjustment mechanism springs into action again.*

- The government and the committee of experts (SVR), united as seldom before, propose cost credits (tax, interest and real income reductions) and a still higher national debt.
- The trade unions and the SPD oriented "Left" demand higher national expenditures, higher real wages as a "purchasing power booster shot" and, to round it out, a partition of available jobs (a cut in individual work hours).
- The Opposition has no concept at all. It "complements" the government and SVR program of the priority of cost cuts over increasing demand through order policy indications towards the extent to which the social market economy may be burdened. It sees the economy as being less threatened by the wholesale death of small and middle enterprises (which were also earlier sacrificed to the CDU/CSU restrictions policy), than by legislation which could well have been introduced by its "left-wing" (co-determination and apprentice training).

*In the following, the author is returning to ideas and definitions in recent publications: Die Dollarschwäche-Gründe und Hintergründe, in: Aus Politik und Zeitgeschichte, Beilage zur Wochenzeitung Das Parlament B/12/78 v.25.3.78, Die Grosse Krise kommt noch. - Das Krisenmanagement ist bald am Ende. Was dann? in: Zuckerindustrie, Heft 8/1978 and Beschäftigungspolitik muss bei Mittelunternehmen ansetzen. in Nr. 178 Frankfurter Rundschau v. 16.8.1978.

2. The frightening thing about all three positions is their evident distance from reality. The government and SVR are deceiving themselves if they think they can reduce wages and monetary interest. And even if they were successful in pushing this through against the will (and market power) of the trade unions, and against the investment preferences (and alternatives) of their savers, the result would be fatal. Because as long as investment is too risky, and saving by comparison presents a more comfortable alternative -- at least for the mass of independent "risk" entrepreneurs -- cost credits, no matter how introduced (whether by wage, interest or tax credits), can mean only that the latitude for higher "marginal" savings quotas will rise. The economic impulse will fall flat, as it has thus far.¹⁰

On the other hand, demand programs "from the left" would certainly lead to the exploitation of existing or imagined price increase margins, if only to strengthen the further withdrawal of money from their own enterprises after insufficient self-financing for years. The high revaluation of the D-Mark, which lowers the price level of imported goods, would of itself set upper limits to domestic price increases. But the more successfully the "too high" exchange rate of the D-Mark to the dollar and to other currencies plays its role as "stabilizer" of the domestic price level, in view of under capacity in almost all fields, the more it will fail to launch a wave of investment which would restore full employment throughout the whole economy. In the face of depressed expectations, the government can indeed release any amount of nominal demand, but it has no influence on its real content (the amount which will be wasted in price increases), and even less on

its destination (the amount nominally spent or trickled away into savings).

But what is to be made of the "fashionable" concept of a revision and re-distribution of existing jobs? Does the equation behind it: the more split jobs, the fewer new ones to be created, hold promise? Unfortunately, the equation contains three immediate miscalculations and defects: first, the loss of work time, whether with or without a nominal wage adjustment, raises the real cost of full employment for that portion of real product which can definitely no longer be generated. From a reversible renunciation of real income emerges an irreversible one. This is a process which will make nobody richer, but probably everyone poorer. Second, it is more likely that stronger rather than weaker tendencies towards the freeing of labor ("the rationalizing away of jobs") will emanate from this strategy of a "structurally neutral" full employment policy. Because very few people note that in (capital intensive) large industry rationalization is less dependent on labor costs or wage rates than on liquidity or wage sums. In the cash flow of large industry, the necessary sum of wages to be paid out has the (cost) character of "vanishing" liquidity, whereas the sum of depreciation representing capital erosion has the (budget strengthening) character of "continuing" liquidity. Ever more computers and micro-processors therefore make the self-financing of an enterprise stronger and more independent of outside debt (credit). Besides, during the crisis one can forego depreciation if necessary. He, however, who owes his wages, must go to the bankruptcy court, or immediately after paying them.¹¹

Third, in large industries more than in the small and medium industries, the dispositive resultant costs of human work capacity play an increasingly decisive role. Technical work slaves from maxi to mini computers and micro processes are already working more reliably than human workers, with no social welfare costs and less interest in co-determination! Therefore any partition of jobs would make rationalization more attractive! Not superfluous!

Because this is so due to technical as well as dispositive material constraints, one cannot hope to win the battle to regain full employment either with wage policy restraint or self-castigation, nor with a reduction of work time or a state imposed idleness (which, as is known, is the beginning of many, even if not all, problems.)

3. For this reason, the way out of this crisis lies not in the worn-out concepts argued by the government and the SVR, of a monetarism which, while alert to inflation, is all the more blind to depression and structures, but also not in the spruced up versions of old Keynesian fiscal concepts of indebtedness proposed by the "left" which bear the mark of the 30s and not of the 70s. And though it has lately been taken seriously even by the trade unions, the solution does not lie in the latest wonder drug: less instead of more work, an increase in leisure time designed to absorb the consequences of the productivity "explosion" which cannot otherwise be controlled.

What is needed is not a new theory to fight the crisis, but a rational combination of international and national measures which would serve the common good of all the world economies (plural, not singular!); measures against run-away

national and foreign debt, the ultimate source of all inflation today, and the source of the escalation of depression and a crisis of confidence tomorrow. For it is in one point that the world (economy) has not changed since 1931/32: once it becomes a question of losing money, nobody wants to be the last to be stuck with his irrecoverable claims. As long as there is money, credit and debt, there will always be financial contractions which will rise to panic when the seemingly "safe values" become questionable: The U.S. dollar, New York City municipal bonds, the solvency of leading Euro-banks, etc.

III. EXPORT SUBSTITUTION, EURO-FISCAL AND WORLD CURRENCY POLICY

1. The correct answer to the question which torments all western industrial nations, and not only the Federal Republic, concerning the proper way to fight the crisis, deserves the Nobel Prize in Economics. More so, in any event, than the invention of theories which in this crisis prove their worthlessness, and which, though correct in the sense of formal logic, are hopelessly "out of date" in the sense of Walter Eucken, the spiritual father of the social market economy.

Let us first of all say how this crisis cannot (any longer) be mastered:

- not through increased indebtedness which now no longer stimulates growth but only "promotes" saving and disinvestment.
- nor through stimulation without an inner restructuring which, in any event, would only for a short time (if at all), take up the present capacity slack (only another word for mis-investments!); the stimulation would be seen by those affected as a fleeting spark, whose light would serve to guide their

path of flight to save capital, that is, to change their material investments into money savings.

- nor through a reduction of work time to a 30 hour 5 day work week which would increase real costs and negative ("counterproductive") rationalization tendencies.

On the contrary, ways must be found out of this crisis which will by-pass both dead-end streets marked: "Danger, new indebtedness," and "Danger, preservation of structures." Because to spend another 200 billion D-Marks, as they have been "sprinkled" about by the public hands of the Federal Republic since 1974, without thereby achieving anything either structurally or in the internal economy, must remain a "unique" measure. They represent the cost of an experiment which one had to try -- perhaps -- but which should not be repeated.

Which possibilities remain for fighting the crisis and for pursuing a full employment policy if "domestic deficit spending," foreign "Euro-indebtedness," and a 30 hour 5 day work week have to be renounced -- at least for the present?

The first and for a limited time, most important: since fighting the crisis requires an international and not a national strategy, the balance of payments adjustment of the western industrialized countries must again become a "public" matter regulated by governmental consultations; for it is the western industrialized countries who are each others' best customers, and who can maintain or play out their common free political and economic order only together. The homeric argument over the "locomotive" theory of "who should help whom" collapsed when it became clear on both sides of the Atlantic that, since the "usurpation" by the OPEC countries of the greatest share of the former total surplus of the

industrial countries against third countries (not only of the third world, but of the entire world economy), the deficit caused by oil prices could be "financed" as up to now by debt or through internal or foreign restrictions. If however, both in the interest of a continuing free world trade, and that of a not increasing domestic crisis, this should not occur, then there remains only the "playing in concert of the balance of payments adjustment."

The second, and in the long range most inescapable, task lies in recognizing that there is no mysterious (and "irresponsible") currency speculation behind the hectic activity of the capital and currency movements between 1971/73 to which the Bretton-Woods system fell victim, and to which the 1975/76 mini-order created ^{from} / Rambouillet to Kingston can also fall victim, unless a miracle should occur. The task is to recognize the uncontrolled and uncontained overproduction of international liquidity in the "privately" created U.S. dollar since then. Since the free and private Euro- petro- Asian- and Pacific dollar markets fulfill every reasonable bank justified credit wish (because they can re-finance it), without regard for the solvency and transfer power of the receiving country concerned, or without having to consider how its balance of payments is reflected in its currency, the freest currency system in monetary and world history up 'til now provokes one "currency crisis" after another; and this is because the quotation of all currency relationships in "official" U.S. dollars is always expressed in terms of one currency: the U.S. dollar.

According to internal estimates of the IMF and the BIZ, 8% of world-wide international payments fell to the share of

true (real) goods and service turnover in 1977, while 92% served as protection for currency crises of every kind, most of which were preventive measures whose execution caused the very danger they were intended to avoid. For others! This is a singular situation, in which the firemen go out to start the fire which should have been put out!

The weakness of the dollar and the chaotic exchange rates can be avoided only if the much too free world money and capital markets can be brought back from their present "extraterritoriality" and "illegitimacy" beyond national control and competence to territoriality and legitimacy; that is to say, to a regime comparable to the domestic gold and credit creating controls. Only if it becomes possible to contain the world-wide international liquidity production (largely based on the U.S. dollar), will it be possible to work again successfully with monetary policy on a national level (for instance, for purposes of stability); but above all, only then can an end to the permanent currency unrest and the fatal decline of the U.S. dollar be expected. From this it will be clear that the world inflation and dollar weakness do not signal a "failure" of the American currency and balance of payments policy, but rather a capitulation of almost all western governments and their central banks in face of the influence and extraterritorial expansionary pressure of "their" private (large) banks!¹²

Only when the production of international (U.S. dollar) liquidity is (again) joined to the chain of the central banks (or to a world central bank like the IMF), can today's so "troublesome" capital movements and exchange variations be reduced to that level which can be calculated from real

production balance positions and nominal differences in interest. Only under these conditions could one afford a "clean" floating and build upon it, so that speculative expectations will cause only short term exchange fluctuations and not -- as today -- a long term valuation trend of a currency which can only be broken by a crisis, if at all, just as in the final days before Bretton-Woods!¹³

Ever since the two economic summits on German soil of this past summer, in Bonn and in Bremen, the confusion could not be greater. What is it about?

- In Europe there is not a new edition of that old illusion of "inauthentic exchange rate unions" on the agenda, as President Giscard d'Estaing and Chancellor Schmidt seem to wave in front of us. Such would today only seal the inner European imbalance of under employment and balance of payments deficit. And: The German surplus position in the European Community -- as long as the supply of exchange-support ammunition of the German Bundesbank for weak European currencies holds out!¹⁵

In the European Community today, the problem is the Europeanization of the structural equalization: concerning a horizontal arrangement between "strong" and "weak" countries and regions, and a European rather than a Euro-capital market, at whose liberalization France especially tends to bristle.

The Monetary Union can only become topical and functional (again) after the greatest structural differences in the Community have been adjusted or have found their own path towards financing, which has nothing to do with "money," but only with the "transfer of savings."

The problem of the world economy is a double one: a substitute for world demand which has been hoarded in the

OPEC "piggy bank", and the stabilization of the U.S. dollar as the currently still irreplaceable "monetary measuring stick" of all the world economic trade, credit and reserve transactions.

We have already seen that if the latitude of international refinancing (balance of payments support) is limited, the majority of western countries can again afford a national full employment policy. And, if the "robbing pressure" of (Euro- petro- and other) paper-bank dollars on the similarly free and wild Euro markets is finally brought under control, and with it the "self-service" of wildly profiteering international liquidity, world inflation, exaggerated capital movements and wild floating of exchange rates would, in one blow, lose their ammunition. One blow to cure the chaos! And the proof? One need only compare the official U.S. balance of payments deficits according to size -- however defined -- with the BIZ-released information on the creation of billions of free Euro dollar money and credit, in order to measure how insignificant a curb on U.S. balance of payments deficits would be compared to how important a rationing of Euro dollar money quantities of all shades would be. When banks are permitted to produce their own world money at will, it is only a question of time until this system collapses [kollabiert]: due to its only too justified fear of itself!¹⁶

3. In all "mature" industrial countries today, and not only in the Federal Republic, the problem is less one of demand than one of a new form of supply policy, more specifically, given the technical situation, the correct conclusions must be drawn from the fact that the "natural"

(or technically possible) productivity growth is greater than the effective demand growth, with the socially explosive result that it is easier to offer the population a high standard of living than enough jobs. We have already seen the three standard cures: either to lower costs in order to fill up demand and/or to ration work has little sense in the present situation. Cost reduction stimulates saving rather than investment, freshening up demand results only in accelerating the turns of the indebtedness merry-go-round, without, however, thereby causing the aversion to investment to fly off. And most recently, since the trade unions are shortening individual work hours, perhaps even without wage adjustments (therefore cost neutral), it would seem that the demand for jobs would increase, given the volume of work time, but this calculation would only be correct first, with "constant work techniques", and second, with "100% wage-rate-independent rationalization motives." If both conditions are not present, every attempt will fail (unfortunately) to restore full employment by means of a 30 hour work week or 5 hour society, over still more well-being (or less work). If such suggestions did not also come from serious people, one could almost think of inappropriate "pie-in-the-sky" jokes!

A full employment policy in our times -- and not only in the Federal Republic -- is for the foreseeable future the one and only active middle class policy. Because only in the (still) occupational and labor intensive producing enterprises of fewer than 500 employees do those production and labor techniques thrive which can only in a limited way be rationalized away through technical work slaves -- no

matter how reliable or cheap, in whichever area they may be.

But above all: as long as $3/4$ of all economic turnovers, investments and employees fall to the share of this sector and not to that of the approximately 10th of those enterprises with more than 500 employees, there would be absolutely no more successful program than to encourage this size enterprise -- apart from its legal form. See Table 4. But how? And with what means, without at the same time creating more public debt?

First: tax equalization. Small and medium enterprises, insofar as they are personal corporations [Personalgesellschaften], pay progressive earnings and income taxes and no uniform (corporate tax) rate as do their large competitors; they therefore need a uniform rate like these which, however, would be lower than theirs in order to adjust for their structural disadvantages. Comparable to the preferential tax treatment of the "small" German banks (savings banks) compared to the large private banks, whose structural disadvantages are compensated by a 10% tax bonus from the lawmaker.

Second: tax incentives for the creation of more jobs. Small and middle enterprises employ not only more, but also higher professionally trained, labor potential than the more thoroughly rationalized large enterprises per unit of production (product). Therefore, tax bonuses based on the size of the enterprise would have both a quantitative and a qualitative effect on the creation of new jobs. The demand for qualified professionals would be honored, and at the same time it would become clear to the employment seeking young person that training is again worthwhile. A point of view which is

increasingly disappearing in the years of crisis.

Third: rationalization-neutral tax reforms. Although wage and capital costs (interest and depreciation) are fiscally equally relevant as deductible from earnings, depreciation and re-investment offer recognized fiscal motives for the over-rationalization of the large enterprises, through which the economic productivity of these concerns is again strengthened at the cost of the general public. Because every mark saved on industrial wages causes additional social welfare expenditures (unemployment funds), which burden public finances. Therefore, at least those taxes which unintentionally reinforce this effect, such as local wage or business (capital as well as revenue) taxes, should be modified to depreciation taxes.

Which budgetary resources beyond the already exaggerated national debt could be placed at the disposal of such a spending program aimed at the middle classes and the creation of new jobs -- and not demand? Because the principal mistake of German monetary policy: reducing only public income and not expenditures, only means a governmental re-financing (indebtedness), and no reduction of the government share in the GNP.

Resources for the bonuses for job creation could be taken from the expenditures and bonuses saved for the organized but involuntary unemployment. Instead of the over rotation [Überwälzung] of the wages saved by industry as a result of rationalizing jobs away, the opposite would occur. The unemployment which has been rationalized away as a result of this program finances the increased employment in the small and middle industries.

Secondly, in its subsidy budget of false structure conserving measures, false because they aim at price and income fixing, the country has a mass of compensation which, by a multiple factor, far exceeds the costs of the employment creating measures sketched here. The sum of the annual maintenance subsidies, not for jobs, but for earnings and the market shares of agriculture, industry and services, is almost double that of all crisis-fighting programs of the Federal government since 1974!

The model of the new policy-mix sketched here: international currency policy, supra-regional (fiscal) structural policy and a national, supply-oriented full employment policy,¹⁷ is to be understood not only as a piece of adjusting economic and structural policy, but as a new chapter in the "consumption" rather than "export-led" growth in the sense of Kaldor's famous alternative, and as a new page in the book of market economic competition and order policy. It is an investment in the countervailing powers against the monopoly and concentration tendencies of our times which cannot be met only through legal regulations.

Because: the social market economy can indeed live without its combines and their managers, even if these cannot imagine it, but it cannot live without its small and medium entrepreneurs who risk their capital and their civil existence; who still, though perhaps not much longer, constitute the main body of its industries, investments and jobs even though some politicians imagine that it would be much more easy and rational to govern the world with only a few large industries. The opposite is true: the market

economy performs its expected combination of sufficient goods and employment supply only when many, and therefore neither overly large nor overly strong, entrepreneurs compete with one another for customers and markets. Not only its "guardian classes," (Schumpeter), but its guardian angels.

Table 1: Driving forces of German economic growth 1950-1977

time span	<u>gross capital investments</u>		<u>domestic consumption</u> (priv. & publ.)		<u>export</u> of goods & services		<u>foreign account</u> (export surplus of goods & services)		<u>share of exports</u> export of goods to		
									OECD-	East bloc-	OPEC-
	nominal	real	nominal	real	nominal	real	nominal	real	countries	countries	countries
	average annual change in %						in % of GNP		in % of total exports		
1950-1955	+17.9	+12.7	+11.1	+8.1	+26.6	+20.8	2.1	4.6	76.5	2.1	.
1955-1960	+10.1	+6.8	+8.9	+6.5	+9.8	+12.3	3.0	3.9	74.8	4.1	.
1960-1965	+11.0	+6.8	+9.0	+5.5	+7.7	+6.5	1.2	1.4	80.2	3.8	.
1965-1970	+8.2	+4.5	+7.8	+4.3	+11.8	+10.8	2.0	2.2	82.3	4.4	.
1970-1975	+4.3	-1.0	+10.7	+3.4	+12.2	+5.5	2.9	2.9	75.4 ¹⁾	7.9 ¹⁾	7.6 ¹⁾
1976	+8.5	+5.0	+7.6	+3.3	+14.1	+11.1	2.5	3.2	76.6	6.8	8.2
1977	+6.4	+2.7	+6.6	+2.4	+5.7	+4.2	2.3	3.2	76.5	6.1	9.1
1978 (1st 6 months)		+4.5		+3.0		+4.0			76.9 ²⁾	6.2 ²⁾	8.6 ²⁾

Source: Statistisches Bundesamt, Wiesbaden

1) 1975

2) Jan.-May 1978

Table 2: Stability and growth in the western industrialized countries 1949-1977

country	cost of living index ¹⁾	national income	
		nominal ²⁾	real ²⁾
average annual increase in %			
FRG	2.7	10.9	4.0
Switzerland	3.1	9.3	3.0
USA	3.4	7.6	2.2
Italy	5.5	11.3	2.1
France	6.1	11.2	1.8
Great Britain	6.4	8.9	1.4

Sources: 1). Deutsche Bundesbank, Frankfurt a.M., Monatsbericht

2) IMF, Washington, IFS June 1978 und frühere Berichte; eigene Berechnungen

Table 3: DM revaluations, world and German domestic inflation since 1972

average annual	DM - US \$ parity	world market prices	German export prices	German cost of living index
1972 = 100				
1973	83.4	150.0	106.4	106.0
1974	81.2	251.7	124.5	114.4
1975	77.2	229.2	129.4	121.2
1976	78.9	241.6	134.3	126.7
1977	72.8	266.4	136.1	131.7
1978	65.4 (June)	265.3 (May)	137.7 (May)	135.5 (May)

Source: Deutsche Bundesbank, Frankfurt a.M., Monatsberichte

Table 4: Industry in the Federal Republic of Germany in order of size, 1975

size	number		employees		turnover		investments (capital)	
	1000	%	1000	%	1000	%	1000	%
all industries & corporate bodies	241.5	100
all industries	1,908 ¹	100	20,782	100	2,433	100	164.8	76.8
up to 499 employees ²	1,906	99.9	15,981	76.9	1,872	76.9	131.1	64.8
productive sector (without manual labor); total	42	2.2	7,724	37.2	841	34.5	35.7	21.7
of which up to 499 employees	40	2.1	2,923	14.1	280	11.5	10.0	6.1
from 500 employees (up)	2	0.1	4,801	23.1	561	23.0	25.7	15.6

Source: Statistisches Bundesamt, Wiesbaden.

¹1970. ²given as a differentiation to the productive sector (without manual labor) subtracted from the industries with more than 500 employees; included therein are, therefore, industries with more than 500 employees in banking, insurance, trade and communications (for instance, train and postal services: 426,000 employees = 2% of total employment).

Footnotes

1. Compare Möller, Hans: "Die deutsche Währungsreform von 1948," in: Deutsche Bundesbank (ed.) Währung und Wirtschaft in Deutschland 1876-1975, p 431 ff. See also this author, Hankel, "The Deutschemark turns 30: an expert for wrinkles" in The German Tribune, Hamburg, No. 846 (July 2, 1978), p. 6 (from the Frankfurter Rundschau of 6/16/78, p. 3).
2. See the author's Der Ausweg aus der Krise (ECON), Düsseldorf, Wien, 1975, chapter 8, p. 105 ff.; also Wilfrid L. Kohl (ed.) Economic Policies of Industrial States, Lexington Books, Lexington, Mass. and Toronto, chapter 5, p. 105 ff.
3. Compare Gleitze, Bruno: Ostdeutsche Wirtschaft, industrielle Standorte und volkswirtschaftliche Kapazitäten des ungeteilten Deutschland (Duncker und Humblot), Berlin 1956. See also the author in: Die Zweite Kapitalverteilung, ein marktwirtschaftlicher Weg langfristiger Finanzierung (Knapp), Frankfurt, 1961, p. 24 and in Ausweg, op. cit. and in Kohl, Economic Policies, op. cit.
4. See Kaldor, Nicholas: "Conflicts in National Economic Objectives," in Economic Journal, March 1971, No. 1, p. 1 ff.
5. See Institut für Weltwirtschaft an der Universität Kiel: Lebensfähigkeit und Vollbeschäftigung. Ein Beitrag zur Frage des wirtschaftlichen Wiederaufbaus in Westdeutschland, Bonn, 1951, p. 4 ff.
See also the author in those works cited in footnote 3.
6. See Stolper, G., Hauser, K., Borchardt, K. : Deutsche Wirtschaft seit 1870, (Mohr-Siebeck), Tübingen, 1966.
7. Of Kaldor's two parameters of such a policy (exchange and fiscal policy), it must have been primarily the fiscal policy which aggravated the monetary restrictions pressure before 1961, and after 1961 it was primarily the exchange policy: from the mid-50s to the end of the 60s, the Federal Republic created involuntary budget surpluses because it undertook to put aside funds for the stationing of troops and the rearmament offered by Adenauer (Finance Minister Schaffer's so-called Juliusturm, the tower in which the Prussian war treasure lay); after payment of the Juliusturm the exchange policy played the decisive role in the "foreign economic protection" (Karl Schiller) of German stability policy. See Schiller, Karl: Konvertibilität-Liquidität-Parität. Zum Problemwandel der Währungspolitik in der Nachkriegszeit, in: Festschrift zum 75. Geburtstag Ludwig Erhards (Duncker und Humblot), Berlin, 1972, p. 215 ff.
8. Initial steps towards this: the author with Lehner, F.: Die gescheiterte Stabilitätspolitik und ihre politischen Folgen (Von der Unvereinbarkeit wirtschaftlicher Monopol- und politischer Konkurrenzsysteme), Hamburger Jahrbuch für Wirtschafts- und Gesellschaftspolitik, 21. Jg, 1976;

footnotes (cont.)

see also the author in: Währungs politik, Geldwertstabilisierung, Währungsintegration und Sparerenschutz (Kohlhammer), Stuttgart u.a. 1972, Addition to chapter 4, p. 84 ff.

9. The following figures prove everything: of the total German export, machine construction represents 16.2%, chemicals 13.6%, electro-technical products 10.1% and automotive construction 13.4%. All 4 large fields are typical oligopoly-led sectors: in which the joint-stock companies call the plays (das Wetter bestimmen) as leaders in their fields (such as Mannesmann, Gutehoffnungshütte, the three Farben successors Siemens, AEG-Telefunken, Brown, Boveri u.Cie, and the five big car makers).
10. One of the most fertile (and statistically as well as politically neglected) sources of "fear" saving in times of depression is represented by the not (any longer) invested earnings of entrepreneurs, especially by those personally responsible small and middle entrepreneurs endangered by depression. The following graph (by Helmut Kupky) makes clear what is meant. In the years of crisis since 1972, the (personal) small and middle enterprises in the Federal Republic took more money out of their businesses than they earned. Where did they invest it? A regression in the rate of investment combined with a growing savings rate leads to the presumption that they saved that money earmarked for investment in "risk-free but certain earnings": in treasury notes (Staatspapieren) which, in times of crisis, always have record sales. Former investors thus become savers, which aggravates the crisis "endogenously". By contrast, those large enterprises and large investors (joint-stock companies) who are tied to long range programs do indeed maintain the investment rate at a high level. But first of all, by their proportional share, they do not close the gap which the others (whose investment share still represents 70% in the Federal Republic) have created. Furthermore, the trend of the large investors is away from domestic towards foreign investment. They are not only conscious of the world market but of the exchange rate, that is, they calculate "on site costs" which result in the buying of assets and liabilities by means of currency relationships.
(graph follows on next page)

footnotes (cont.)

11. This "forgotten" factor of rationalization in large industry was first treated by the author in his Währungspolitik, Stuttgart, Berlin, Köln, Mainz, 1971/1972, p. 84 ff. More recently and fully in: Von der Einkommens- zur Arbeitsmarktpolitik in: Mitteilungen aus der Arbeitsmarkt- und Berufsforschung, September 1978 (Schwerpunktheft: Lohn und Beschäftigung) ed. by Bolte, Buttner, Ellinger, Gerfin, Kettner, Mertens, Schäffer, Stingl.
12. An "invisible hand" which sometimes becomes visible, for instance, when one allows the explanations of Anthony M. Solomon, Undersecretary of U.S. Treasury for Monetary Affairs before the Sub-committee on Economic Policy, Committee on Foreign Relations of the U.S. Senate on July 24, 1978, to sink in. (Deutsche Bundesbank, Auszüge aus Presseartikeln Nr. 8, 8/8/78).
13. With regard to sources and figures, compare the author's articles: "Welchen Krieg haben die USA verloren?" in VORWÄRTS of 7/9/1978, and Der Zerfall des US-Dollar, Diagnose und Therapie: Die internationalen Liquiditäten müssen gemanagt werden, nicht die Wechselkurse in: Wochenzeitschrift Das Palament of 22/9/78.
14. See Corden, W.M.: Monetary Integration, Essays in International Finance (Princeton University Press), No. 9 April, 1972, p. 2 ff.
15. See the author: Europäische Geldillusionen, Sozialdemokratischer Pressedienst Wirtschaft, 33. Jg., Nr. 51 of 4/7/78, p. 4 ff.
16. See the author: Die Dollarschwäche, op. cit., as well as Die Lokomotive Zieht uns aus der Krise in Frankfurter Rundschau of 12/7/78/
17. The author first took a position on this policy mix of international monetary policy, supra-regional fiscal policy and national full-employment policy in 1970 at the Innsbruck meeting of the Verein für Sozialpolitik (a society for economic and social sciences); see Arndt, H. and Swatek, D. (eds.) Grundfragen der Infrastrukturplanung für wachsende Wirtschaften (Duncker und Humblot), Berlin 1971, p. 421 ff.
See also the author in Währungspolitik op. cit. p. 251 ff.; Weltwirtschaft, Vom Wohlstand der Nationen Heute (ECON), Düsseldorf, Wien 1977, p. 324 ff. and Beyond Keynes and Monetarism, in: The German Tribune, Economic Affairs Review No. 19, 3d Quarter 1978, p. 5 ff. according to Wirtschaftswoche, No. 19/1978, p. 76 ff.

Germany's Monetary and Financial Policy and the EC

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At its meeting in Bremen on July 6/7, 1978 the European Council agreed on the broad outlines of a new European Monetary System. The originators of the plan were the French President Giscard d'Estaing and the German Chancellor Helmut Schmidt. The French calls for a new monetary initiative were not unexpected, but the German attitude did come as a surprise. Was it the result of political considerations, or did it signal a turnaround in German monetary thinking? So far no answer has been forthcoming to this question; by pointing this out I do not wish to evade the issue, but I should like to postpone discussion of the question and the answer, i.e. to broach the subject without regard to the decisions taken at Bremen, for the German role in the Bremen summit does not fit in with the widely accepted picture of German interests and behaviour vis-à-vis European initiatives in recent years.

I. Criticism by the European partners and the German standpoint

Only a short time after the EEC was established the Germans were being reproached for being insufficiently "European-minded", for being too strongly orientated towards the Atlantic. More recently the partner countries have stepped up their criticism, claiming that the Germans' "tiredness of Europe" is becoming increasingly noticeable. The Germans, it is asserted, not only give the cold shoulder to programmatic initiatives of the Commission or to constructive proposals by European committees but also criticise the European authorities wholesale for alleged bureaucracy and unwarranted lavish expenditure. Inwardly, it is maintained, they long ago dissociated themselves from solutions they had originally supported (e.g. the European

agricultural market organisation), but without being able to suggest acceptable alternatives. Their lack of interest in Europe, their lack of any desire for integration, is reflected in their reluctance to make concessions in questions of monetary policy. Germany is not prepared to accept the role of a key currency for the D-Mark, and its monetary assistance for its European partners is not so far-reaching as the situation demands. The Germans are selfishly pursuing their own stabilisation objectives and are failing to discharge their duties as an économie dominante in Europe. Germany's partners are in effect compelled to submit to German priorities. The underlying cause of all this, it is claimed, is a dogmatic German attitude to the question of monetary stability and a no less marked regulatory dogmatism in favour of what the Germans call a "market system".

The German reaction to these criticisms by our European partners has always been one of astonishment, even consternation. What has surprised the Germans has not been the reference to the specifically German manner of thinking, but the accusation of lack of interest in European integration. The Germans have declared that they have always regarded European union as a historical necessity and as an act of vital interest to Germany. The few people who think differently can be disregarded. The Germans play the Atlantic card only for the sake of achieving a proper balance, which is in everybody's interest. And there can be no question of Germany being tired of Europe. What is discernible in Germany - and not only in Germany - is a certain disenchantment about the prospects of making further headway in the field of European integration. But disenchantment is quite different from being tired of Europe. Exasperation at the bureaucracy in Brussels is another matter; after all, there is no mistaking the fact that a costly organisation has been built up there which does not even make use of the powers it has been given and which - as Germans can hardly help noticing - is for the most part financed by Germany (the "paymaster of Europe"). The EC agri-

cultural market organisation is no longer a market system nowadays, but rather a perversion of such a system. And if the Germans frequently speak out against dirigisme and government planning, in the last analysis they do so in the interests of the Community at large, which in the long run has nothing to gain from a system of internal and external dirigiste interventions. This also applies to the Germans' cool attitude to the use of monetary initiatives as a means of bringing a European economic and monetary system closer. After all, the German misgivings are borne out by experience. But despite all previous bad experience the Germans have always been among the first to advocate the enlargement of the Community and the intensification of cooperation.

Thus, there is indeed no lack of claims and counterclaims. However, such and similar differences are typical not only of the relations between the Germans and their partners; there are also disagreements between the partners themselves. We are not interested in the polemics as such; what counts is actual behaviour, on the one hand at international conferences, at the levels of target formulation among the European authorities and opinion formation among the committees, and on the other hand when shaping actual economic and monetary policy decisions. My paper is concerned - on the basis of a free interpretation of the topic I was given - almost entirely with the role of monetary policy; I shall deal with financial policy only in so far as it constitutes short-term economic policy at the same time. Questions of tax harmonisation, the coordination of the European financial system as a whole and the financing of European organisations will not be discussed.

II. European implications of German economic policy

1. The sources: basic positions and priorities

It must be conceded right away that the specific German attitude to the

question of approaches to an economic and monetary union reflects conceptual judgements; however, the roots of these judgements are evident only to those who are prepared to put themselves in the position of the German nation following the second World War. Besides the military and political disaster, the Germans experienced the near-total erosion of the purchasing power of their currency. This time, in contrast to 1923, it was caused not by open inflation but by pent-up inflation - pent up by price fixing and quantitative controls (the coupon system) - but, like the first hyperinflation, it led in the end to the destruction of almost all financial assets. This experience made people determined not to let such things happen again. Monetary stability became a national issue of very high priority (in terms of monetary policy, since the currency reform of June 20, 1948). This was reflected in the decision of principle, taken when establishing the Bank deutscher Länder in 1948, to grant the central bank independence. This autonomy was admittedly a gift of the Allies, particularly the Americans, but it was entirely consistent with the German bias. The counterpart was the belief that a dependent central bank (or a central bank forming a department of the Finance Ministry) would sooner or later be bound to become an agent of the government in the unsound financing of its budget.

Moreover, the years during and immediately after the war, with their systems of coupons and controls of every kind, had discredited official dirigisme so lastingly that confidence in government quantitative controls was largely destroyed. Direct personal experience therefore backed the votes of the supporters of the Freiburg School and other "neo-liberals" in favour of a market coordination system, which though hardly known at the time, rapidly proved to be highly efficient from mid-1948 onwards. An effective conceptual foundation for the new system - a foundation that was quickly accepted by a large proportion of the population - was provided in the political sphere mainly by the model of the "social market economy" of the CDU/CSU. Needless

to say, it also met with opposition; rival solutions were put forward, especially by the SPD and the trade unions. None of them, however, achieved general acceptance. At the latest, in its Godesberg Programme of 1959 the SPD too opted for the market economy model.

The basis of the German market philosophy was the practice of thinking in terms of compatible regulatory forms. As a consequence regulatory policy was in the forefront of economic policy; interventionist policy was considered to be suspect, although this did not prevent great importance being attached to monetary policy, whose task it was to determine monetary conditions. The contrast with the full employment doctrine in the United Kingdom or the philosophy of "planification" in France or the "new way" in Holland, with the development of econometric forecasting models and the transformation of their results into economic policy decisions, was unmistakable. Of course, Keynes was discovered in Germany too, albeit with a considerable time-lag; at first for the text-books and then - mainly in the variant of fiscal policy - for financial policy. The result was the 1967 Act to Promote the Stability and Growth of the Economy. This Act regulated the forms of anti-cyclical financial policy within a framework of stabilisation policy; it also contained provisions on a compatible incomes policy ("concerted action") as an ancillary policy area. In this Act Professor Schiller believed he had achieved the optimum synthesis between modern regulatory thinking and modern economic management. It was no accident that beside the picture of John Maynard Keynes in his office hung the portrait of Walter Eucken.

The Stability and Growth Act - like the 1963 Act concerning the Creation of a Council of Experts for Assessing Overall Economic Trends - embodied a catalogue of economic policy objectives. According to this Act, the task of stabilisation policy is to ensure, in the context of a free market system, stable purchasing power, a high level of employment, and external equi-

librium, accompanied by steady and appropriate economic growth. This "magic quadrangle" of economic policy targets is still adhered to today even though the targets have so often been at risk or violated - indeed, even though doubts about the catalogue of targets itself are growing. Here, as everywhere else, the setting of standards is not synonymous with their achievement. Actions detrimental to stabilisation are committed by every policy area, by monetary policy less often than by other areas. But monetary policy did create the monetary conditions for an upsurge in prices that accelerated from the beginning of the sixties throughout the economic cycles to about the middle of 1974 - not because the Bundesbank failed to advocate monetary stability on every possible occasion but because it saw its efforts repeatedly undermined on the "external flank".

Although external equilibrium was an element in the German market philosophy, it was rarely achieved. Particularly in the sixties the German authorities were for a long time quite content to have an undervalued currency; the state of running a permanent surplus on current account was convenient and supported by the social groups. But a price had to be paid for this mistaken attitude: the German economy acquired a growing export bias, and almost imperceptibly an enormous need for structural change built up. In addition, prices were pushed up by international price relationships and the effects of the trade surpluses on incomes and liquidity ("imported inflation"). It thus became clear that any attempt at stabilisation under a system of fixed exchange rates is self-defeating owing to the open external flank. After the monetary crisis in the autumn of 1968, and even more so after the renewed crisis at the beginning of May 1969, the exchange rate question was the dominant topic of economic policy discussions in Germany. In 1969 re-valuing the D-Mark even became the main issue in an election campaign - "a unique case of a debate on a change in the exchange rate of a major currency

continuing for many months "in the market place".¹ Forms of imported inflation cropped up intermittently until March 1973. But by then the lesson had been learned; the objections to any monetary solution that facilitated the transmission of inflation from abroad had gathered strength.

2. The German attitude at conferences and in negotiations

Even before the actual negotiations on the creation of an economic and monetary union began at the end of the sixties Germany was viewing plans to form a European monetary arrangement with some reserve.²

- On the one hand, it argued that the establishment of a regional European monetary arrangement might adversely affect transatlantic monetary cooperation; such cooperation should, however, be given priority for political and economic reasons.

1 Emminger, Otmar, Deutsche Geld- und Währungspolitik im Spannungsfeld zwischen innerem und äußerem Gleichgewicht (1948-1975), (The D-Mark in the Conflict between Internal and External Equilibrium, 1948-75), in Währung und Wirtschaft in Deutschland 1876-1975, publ. by Deutsche Bundesbank, Frankfurt am Main, 1976, p. 519.

2 Tsoukalis, Loukas, The Politics and Economics of European Monetary Integration, London, 1977, p. 57.

- On the other hand, it feared that the reciprocal monetary assistance¹ regularly envisaged in such plans might exacerbate inflationary tendencies by increasing international liquidity.

But by 1964/65 at the latest it was recognised that the degree of integration achieved within the Community necessitated a coordination of the short-term economic policies of Community countries. The fact that Germany then accepted forms of medium-term programming that owed a great deal to French models amounted to a much greater concession than foreigners are probably able to appreciate; as late as 1963 Ludwig Erhard was flatly rejecting any kind of economic planning. From about 1968 onwards there were seen to be reasons for creating a monetary union:²

- doubts about the viability of the Bretton Woods system were increasing;
- uncertainty about the willingness of the United States to fulfil the obligations of a key currency country was growing;

1 Memorandum der Kommission über das Aktionsprogramm der Gemeinschaft für die zweite Stufe (vom Oktober 1962), (Memorandum of the Commission on the Community Action Programme for the Second Stage (of October 1962)), in Monetäre Integration in der EWG, Dokumente und Bibliographie, (Monetary Integration in the EEC, Documents and Bibliography), eds. D. Gehrman and S. Harmsen, Hamburg, 1972, p. 36.

2 Gleske, Leonhard, Nationale Geldpolitik auf dem Wege zur europäischen Währungsunion (National Monetary Policy on the Way to European Monetary Union), in Währung und Wirtschaft in Deutschland 1876-1975, publ. by Deutsche Bundesbank, Frankfurt am Main, 1976, p. 745.

- the Common Market, especially the agricultural market organisation, was increasingly exposed to disturbances on the monetary side (as in 1968 and 1969); ¹
- the time seemed ripe to underpin the envisaged transition from a mere customs union to a comprehensive economic union by measures of monetary policy.

The proposals of Chancellor Willy Brandt at the summit conference at The Hague in December 1969 reflected the change in the German attitude and its constants. He advocated the establishment of an economic and monetary union, but suggested that in an initial phase quantitative medium-term objectives should be formulated at Community level and short-term economic policy harmonised at the same time. Only in a second phase should the monetary union be realised. Germany would then be prepared to transfer a fixed percentage of its monetary reserves to a common reserve fund. ² The French proposals at the summit conference, by contrast, provided for the immediate creation of a system of balance of payments assistance at Community level and the formation of a uniform monetary bloc vis-à-vis third countries. This foreshadowed what later became known as the controversy between the

1 In 1968 any impairment of free trade and payments within the Community would have affected no less than 37.6 % of German exports, compared with 27.3 % in 1958.

2 Tsoukalis, Loukas, loc. cit., p. 84.

economists and monetarists.¹

The monetarists wanted to initiate the integration process - indeed, to force it upon the Community countries - by means of monetary ties; these included the "gradual narrowing of the margin of exchange rate fluctuation, the establishment of a European reserve fund with a gradual pooling of monetary reserves, the introduction of a European unit of account".² In particular, they asserted, fixed rates of exchange accompanied by narrow margins of fluctuation oblige the participating countries to coordinate their economic policies. The result is a convergence of economic developments. The economists, on the other hand, questioned the suitability of monetary constraints as a means of fostering integration; they maintained that prematurely fixed exchange rates are disintegrative since, under a system of fixed rates, divergent economic trends cause structural distortions, reduce the efficiency of monetary and fiscal policy, and necessitate restrictions on capital movements that are in principle inimical to integration. Coordination of the basic economic factors (economic policy priorities, the behaviour of economic agents, regional differences, etc.) in partner countries and above all a successful concerted stabilisation policy are

1 Regarding this controversy, see Sachverständigenrat (Council of Economic Experts) Jahresgutachten (Annual Report) 1971/72, Stuttgart and Mainz, 1971, p. 101; *ibid.*, Jahresgutachten 1972/73, p. 1; Adebahr, Hubertus, *Währungstheorie und Währungspolitik* (Monetary Theory and Monetary Policy), Berlin, 1978, p. 445; Emminger, Otmar, *Bemerkungen zum Werner-Bericht über die europäische Wirtschafts- und Währungsunion* (Remarks on the Werner Report on European Economic and Monetary Union), in *Bankbetrieb* 1970/12, pp. 443-5.

2 Gleske, Leonhard, *loc. cit.*, p. 767.

essential first, in order to pave the way for the establishment of a monetary union. Hence the system of fixed parities must come not at the beginning, but at the end of the integration process, so to speak as the crowning achievement.

This controversy, which on the surface appears to be a theoretical dispute about methods of integration, in reality masks deep-seated political differences regarding objectives and conflicting interests. The monetarist approach ties the partners to each other to a much greater extent than does action along the lines proposed by the economists. In the first case the stability-oriented surplus countries can hardly help granting large-scale financial assistance as a result of the "solidarity imperative". If there are no means of inducing the deficit countries to take corrective action, the surplus countries feel obliged to tolerate a parallel inflation. In the second, economist case the arrangement is much looser; during the process of harmonisation it is in principle possible at any time to detach oneself from the "inflation convoy" by revaluation. This is admittedly inconsistent with the idea of convergence, but it is the lesser evil.

The conference at The Hague decided on a compromise. The heads of state and government requested the Council of Ministers to work out a phased plan for the establishment of an economic and monetary union.¹ The development of cooperation in monetary matters was to be based on the harmonisation of economic policies; this clearly reflects the German standpoint. On the

1 See Communiqué der Konferenz der Staats- und Regierungschefs der EWG-Mitgliedstaaten in Den Haag am 1. und 2. Dezember 1969 (Communiqué of the Conference of the Heads of State and Government of the EEC Member States at the Hague on December 1 and 2, 1969), in Monetäre Integration in der EWG, Dokumente und Bibliographie, eds. D. Gehrman und S. Harmsen, Hamburg, 1972, pp. 82-4.

other hand, the question of creating a European reserve fund was also to be examined; this was an issue of importance to the French.

The group of experts set up by the Council put forward a phased plan for the establishment of an economic and monetary union (Werner Plan) in October 1970.¹ This plan was likewise based on the principle of parallelism between economic and monetary policy measures. In the final phase a joint economic decision-making body answerable to the European Parliament and an independent European central bank system were envisaged. All of this seemed to be not too inconsistent with the German views. Even so, the resolution of the Council of Ministers in March 1971 on the phased realisation of the economic and monetary union² had something of a monetarist

1 Council/Commission of the European Communities, Bericht an Rat und Kommission über die stufenweise Verwirklichung der Wirtschafts- und Währungsunion in der Gemeinschaft (Report to the Council and Commission on the Phased Realisation of Economic and Monetary Union in the Community), "Werner Report" (final version), Luxembourg, October 8, 1970.

2 EntschlieÙung des Rates und der Vertreter der Regierungen der Mitgliedstaaten vom 22. März 1971 über die stufenweise Verwirklichung der Wirtschafts- und Währungsunion in der Gemeinschaft (Resolution of the Council and the Representatives of the Governments of Member States of March 22, 1971 on the Phased Realisation of Economic and Monetary Union in the Community) in Monetäre Integration in der EWG, Dokumente und Bibliographie, eds. D. Gehrman and S. Harmsen, Hamburg, 1972, pp. 176-81.

bias: in the very first phase the mutual margins of fluctuation of the exchange rates of Community currencies were to be reduced and a monetary cooperation fund was perhaps to be set up, while the obligations to coordinate monetary policy were mostly of a non-committal kind; in the second and third phases they were not mentioned at all. These monetary concessions seemed acceptable to Germany only because their period of validity - like that of the medium-term monetary assistance scheme, which was likewise approved in March 1971 - was limited, at German request, initially to five years. This period was, however, to be extended automatically if the Community had in the meantime entered the second phase of development towards an economic and monetary union.

But before any concrete measures had been taken, the monetary crisis of spring 1971 erupted. From May 9 onwards the D-Mark floated, and on August 15 the gold convertibility of dollars held by central banks was suspended. Under the Smithsonian Monetary Agreement of December 1971 a new system of central rates came into being, and a new Council resolution of March 1972¹ created the European "snake" by narrowing the margins of fluctuation between currencies. The system of intervention agreed at the same time among the EC central banks was based on the following principles:

¹ EntschlieÙung des Rates und der Vertreter der Regierungen der Mitgliedstaaten vom 21. März 1971 betreffend die Anwendung der EntschlieÙung vom 22. März 1971 über die stufenweise Verwirklichung der Wirtschafts- und Währungsunion in der Gemeinschaft (Resolution of the Council and the Representatives of the Governments of Member States of March 21, 1971 concerning the Application of the Resolution of March 22, 1971 on the Phased Realisation of Economic and Monetary Union in the Community), in Amtsblatt der Europäischen Gemeinschaften, Nr. C 38, April 18, 1972, p. 3.

- Unlimited obligations to intervene in the currencies of participating countries once the published upper and lower limit rates have been reached; intervention within these limits only after prior consultation (concertation) among the central banks.
- Financing of the balances arising from such intervention in Community currencies in unlimited amounts, but for rather strictly limited periods.
- Settlement of the balances in accordance with the composition of the official gross monetary reserves of the respective "debtor central bank".¹

These intervention rules also represent a compromise, but it would probably not have been reached without strong German pressure. The rules produced a system of constraints which, if they are complied with, lead to the desired convergence of economic policy; if they are not complied with, they discredit the entire approach, and in the process confirm the preconceptions of the economists. The intervention system results in an inflationary deficit country continuously losing monetary reserves; it can counteract this by recourse to the common monetary assistance scheme,² but very short-term assistance, while unlimited in amount, is quite unsuitable for financing a balance of payments deficit because of its brief period to maturity (averaging six weeks). Short-term assistance, with its maturity of not more

1 Jennemann, Gerhard, Der Europäische Wechselkursverbund (The European Narrower Margins Arrangement) in Giovanni Magnifico, Eine Währung für Europa (A Currency for Europe), Baden-Baden, 1977, p. 243.

2 Regarding the EC monetary assistance scheme, see Deutsche Bundesbank, Internationale Organisationen und Abkommen im Bereich von Währung und Wirtschaft (International Organisations and Agreements in the Monetary and Economic Field), Frankfurt, 1978, p. 201.

than six months, can also be used to only a very limited extent for this purpose. Recourse to medium-term assistance, with a maturity of up to five years, is likewise not intended for financing inflation-induced balance of payments deficits as its granting is subject to economic policy conditions. The same applies to borrowing under the system of Community loans. Thus, in the last analysis only two possibilities are open to a deficit country: it must either adopt stabilising measures and possibly devalue its currency, or it must leave the narrower margins arrangement. However, this does largely avert the danger of a country being obliged to "adjust through inflation" as a result of the EC intervention system coupled with the EC monetary assistance scheme.

The establishment of the European Monetary Cooperation Fund by a Council ordinance in April 1973, after the system of fixed exchange rates had been replaced by a system of floating rates, made no fundamental difference to the situation; in its present form the Fund is not much more than an institutional combination of existing mechanisms of the Community exchange rate system and monetary assistance scheme.¹ In 1973 the Commission put forward a plan for pooling Community monetary reserves. The plan came to nothing, mainly owing to technical objections; but on the German side the real reason for rejecting it was the fear that the reserve pool might become a kind of "self-service store".

At the turn of 1973/74 the transition to the second phase was due according to the resolution of March 1971; during this phase the transfer of economic

¹ See Gleske, Leonhard, loc. cit., p. 781.

and monetary powers to supra-national bodies was to begin. But as the objectives of the first phase - in particular the coordination of economic policy - had not yet been achieved, the first phase was in effect extended. Even today, however, the coordination of economic policy has not progressed beyond the customary manifestations of goodwill, in spite of the principle - which is still valid - of permanent consultations on general economic policy measures planned by member states and on the compatibility of such measures with the Council's economic policy guidelines (Convergence Guidelines of February 18, 1974).¹ Partly, no doubt, for this reason, nearly all plans and proposals concerning the further development of the EC into an economic and monetary union met with little interest in Germany. But plans which explicitly or implicitly envisaged the D-Mark assuming the function of a key and reserve currency (most recently the plan of de Strycker)² were also rejected. On the one hand, it was feared that any attempt to establish the D-Mark as a key currency would subject it to even greater exchange rate fluctuations than in the past; on the other, it is probable that such efforts would seriously disrupt domestic monetary and credit policy as the absorptive capacity of the German money and capital market is far too small for a key currency country.

As we see, the German negotiating position has regularly been determined by a clear preference for a coordination of general economic policies. Germany felt able to agree to a joint system of intervention and monetary

1 See Deutsche Bundesbank, loc. cit., p. 185.

2 de Strycker, Towards a Greater Convergence of Foreign Exchange Policies within the Community (Reflections by the Belgian Presidency), Brussels, April 3, 1978.

assistance, but not to a monetary assistance scheme of lavish proportions that was largely free from conditions or to a pooling of monetary reserves.

3. The effects of German monetary and financial policy measures

When the D-Mark was revalued by 5 % in March 1961 - both too little and too late ¹ - this monetary policy measure had not been preceded by consultations with the partner countries (apart from Holland, which also revalued by 5 %). This measure led, at least indirectly, to the proposals made by the Commission in its 1962 action programme, in which it recommended among other things the establishment of a monetary union by 1970. ²

The "substitute revaluation" of the D-Mark in November 1968, the devaluation of the franc in August 1969 and the final revaluation of the D-Mark in October of the latter year after a short period of floating were likewise not the outcome of concerted action at Community level, although both countries were under an obligation to take such action; ³ but as a consequence they fostered the efforts to create a European monetary union.

The German answer to the severe dollar/D-Mark crisis in the spring of 1971 was the floating of the exchange rate of the D-Mark on May 9, 1971. This step, which was intended to curb the high rate of price rises at that time (and did in fact accomplish this), nullified the initial moves towards a

1 Emminger, Otmar, loc. cit., p. 508.

2 Tsoukalis, Loukas, loc. cit., p. 56.

3 Tsoukalis, Loukas, loc. cit., p. 76.

monetary union hardly a month after the agreements had been concluded. Criticism from the Community countries was correspondingly sharp. The Germans were accused of "going it alone" without having been authorised to do so. This accusation was rejected by the German authorities. After all, the German decision to float had been preceded by a meeting of Community Ministers of Finance at which Professor Schiller, the German Minister of Economics, had proposed to the partner countries that the Community currencies should float jointly against the dollar. This proposal was turned down by France and Italy; both these countries were reluctant to attach their currencies to the D-Mark, which was strong and apt to appreciate, even though a corresponding safety margin vis-à-vis the D-Mark was explicitly offered to them.¹

On the other hand, the Commission's proposal to deal with the monetary crisis by introducing controls on capital movements was rejected by the Germans. For one thing, such controls were wholly at variance with the German philosophy of a market economy; for another, neither the psychological nor the administrative conditions for the introduction of controls on capital movements existed in Germany.

But the fact that the Community countries' criticism was not without effect became evident in July 1972, when the Federal Government responded to new inflows of foreign exchange not by floating the D-Mark - which would have undermined the package of measures adopted in March 1972 and thus the second attempt at a European economic and monetary union - but by introducing controls on capital movements after all. It was not easy for the

¹ Emminger, Otmar, loc. cit., p. 525.

Germans to commit this sin against the market economy, and it was at least the ostensible cause of the resignation of the Economics Minister, Professor Schiller. The introduction of the controls showed that in Germany too views on the advantages and drawbacks of floating diverged; but no less important was the desire to be a good partner, at least on this occasion, and not to endanger the snake, which had only just been established. The extent to which the German authorities were prepared to display a spirit of partnership became clear in the first few months of 1973. Within five weeks from the beginning of February to the beginning of March the Bundesbank purchased foreign exchange amounting to DM 24 billion⁴ (net), thus accepting an immense inflation of the domestic money circulation. But the system of fixed exchange rates was doomed. However, a move that had failed in 1971 was successful in mid-March 1973: after negotiations with the EC partner countries and the United States, the participants in the European narrower margins arrangement decided to float jointly against the dollar. To make this step easier for the Community partners, the D-Mark was revalued by 3 % against the "snake currencies". With the transition to the joint float the Bundesbank largely regained control over monetary developments. For the first time for many years, the German monetary authorities were able to regulate monetary expansion without the successes of monetary policy again becoming the source of its failures. However, protection against external constraints was not perfect: in the first place, the desire to avoid excessive jumps in the rate of the dollar repeatedly led to not inconsiderable interventions in the dollar market (this applies mainly to 1977 and 1978; see the table). Secondly, interventions were often necessary within the snake as well, sometimes on a fairly large scale (particularly in 1973 and 1976). Thus Germany can hardly be said to have neglected its responsibilities in the snake, even though it must be admitted that on the whole German faithfulness to the agreed principles has not been tested too severely. The interventions in the snake have not been nearly as large as were the dollar interventions in the

Changes in the net external position of the Bundesbank since 1973

DM billion

Period	Total	Interventions in the snake	Other foreign exchange movements
1973			
January - March	+ 19.9	- 0.6	+ 20.5
April - May	- 0.9	- 1.5	+ 0.6
June - July	+ 8.5	+ 5.8	+ 2.7
August - September	+ 3.4	+ 4.3	- 0.9
October - December	- 4.5	- 1.1	- 3.4
January - December	+ 26.4	+ 6.8	+ 19.6
1974			
January	- 2.5	+ 0.2	- 2.8
February - June	+ 5.4	+ 4.1	+ 1.3
July - September	- 6.4	- 3.5	- 2.9
October - December	+ 1.6	- 0.7	+ 2.3
January - December	- 1.9	+ 0.2	- 2.1
1975			
January - March	+ 5.0	-	+ 5.0
April - September	- 6.6	- 1.8	- 4.8
October - December	- 0.6	-	- 0.6
January - December	- 2.2	- 1.8	- 0.4
1976			
January	+ 0.1	-	+ 0.1
February - March	+ 9.7	+ 8.7	+ 1.0
April - July	- 4.6	- 1.4	- 3.2
August - mid-October	+ 7.7	+ 8.0	- 0.4
mid-October - Dec.	- 4.1	- 3.5	- 0.6
January - December	+ 8.8	+ 11.9	- 3.1
1977			
January - June	- 0.8	- 1.5	+ 0.7
July	+ 2.0	+ 0.0	+ 2.0
August - September	- 2.0	- 0.3	- 1.7
October - December	+ 11.3	+ 3.1	+ 8.2
January - December	+ 10.5	+ 1.3	+ 9.1
1978			
January - March	+ 4.5	- 0.7	+ 5.2

days of fixed exchange rates. This is not least because of the present comparatively loose form of the European narrower margins arrangement. Countries with higher rates of inflation can decide between stabilising measures, possibly coupled with devaluation, and withdrawing from the snake. Countries with relatively stable currencies can if necessary revalue. Frequent use has been made of all these possibilities, as the "History of the narrower margins arrangement" shows. The possibility of withdrawing from the snake has not been open to all countries in the same way. What the larger countries - France, Italy and the United Kingdom - could afford to do was not feasible to the same extent for the smaller countries, whose economic situation is largely determined by conditions in Germany. For them Germany is an "économie dominante" in the literal sense of the term. If the Germans pursue an anti-inflationary policy, as they have been doing since mid-1974, the smaller partners have to adjust first in one direction and then in another. While this may on occasion fit in with their own plans, it is nevertheless a form of dependence which is painful, and it has no doubt fostered the wish to involve the major partner in a scheme for formulating objectives jointly.

III. Assessment of German behaviour

1. A methodological note

To assess something means to judge something. But to pass a judgement one must have a standard of judgement, a yardstick, or at least a suitable basis for discrimination. Normally, however, there are no generally accepted criteria for judgements of political behaviour. As a rule several criteria compete with each other; moreover, these criteria tend in the nature of things to be qualitative rather than quantitative.

History of the narrower margins arrangement

1972	
April 24	Basle Agreement enters into force. Participants: Belgium, France, Germany, Italy, Luxembourg, the Netherlands.
May 1	The United Kingdom and Denmark join.
May 23	Norway becomes associated.
June 23	The United Kingdom withdraws.
June 27	Denmark withdraws.
Oct. 10	Denmark returns.
1973	
Feb. 13	Italy withdraws.
March 19	Transition to the joint float; interventions to maintain fixed margins against the dollar ("tunnel") are discontinued.
March 19	Sweden becomes associated.
March 19	The D-Mark is revalued by 3 %.
April 3	The establishment of a European Monetary Cooperation Fund is approved.
June 29	The D-Mark is revalued by 5.5 %.
Sep. 17	The guilder is revalued by 5 %.
Nov. 16	The Norwegian krone is revalued by 5 %.
1974	
Jan. 19	France withdraws.
1975	
July 10	France returns.
1976	
March 15	France withdraws again.
Oct. 17	Agreement on exchange rate adjustment ("Frankfurt realignment")
1977	
April 1	The Swedish krona is devalued by 6 % and the Danish and Norwegian kroner are devalued by 3 % each.
Aug. 28	Sweden withdraws temporarily; the Danish and Norwegian kroner are devalued by 5 % each.
1978	
Feb. 13	The Norwegian krone is devalued by 8 %.

Source: Jennemann, Gerhard, loc. cit., p. 245 (supplemented by the author).

We could base our attempt to assess German behaviour on the generally accepted target of creating a European economic and monetary system; that is, we could ask whether the German negotiating position and German actions were conducive to the attainment of this target or not. This would be a question about the suitability of the instruments of the matter to be judged. As many roads lead to Rome, and as all of them have pros and cons each of which can be valued differently, various alternative ways of achieving the union can be substantiated and highlighted more or less, depending on one's bias. For a valuation of the alternative routes to economic and monetary union, and thus for the actual design of such a union, the current overall economic objectives are important. It is no secret that in this respect - i.e. among national target packages - there are considerable differences in the European camp. I have explained the German position. But how is one or other of the various competing targets to be assigned the priority that is due to it? Which counts more: the French, the British or the German standpoint, or any other standpoint? The problem is simplified if the alternative national objectives (assuming they are clearly defined and generally accepted) are regarded as given, and an optimum compromise is aimed at on this basis. In the event of conflicting interests, joint action is in any case inconceivable without a willingness to compromise. For each of those concerned, however, a compromise on a joint course of action entails a loss of well-being due to the concessions made and a gain of well-being due to the closer approximation to the superordinate common objective - an approximation which would not have been possible otherwise. Working out the balance between these two is hardly easier than in other comparisons of well-being; besides, the result may be affected by the way in which the various national interests are represented. Finally, the primarily economic considerations are accompanied by political considerations of equal weight; any decision in favour of a common solution such as

the economic and monetary union has far-reaching political implications, indeed it may be predominantly motivated by political factors. The same applies to any judgement on the preferable route towards such a union. One view can be set against another, each backed with plausible arguments; even if the problems are clearly recognised, any attempt at an assessment is tantamount to untying the Gordian knot.

In this situation a fairly strict limitation is advisable: to begin with, we shall simply ask whether or not the respective national attitude - in our case that of the Germans - with regard to the setting of national priorities that were recognisable and known to the partners has been consistent; then we shall ask whether or not this attitude is justifiable in the light of the underlying (as a rule primarily economic) reasoning. Such an approach neither excludes other, equally plausible starting points nor forms an impermissible barrier to more detailed assessments, particularly those covering the political implications.

2. The essentials of the German negotiating position

The German negotiators at European conferences have supported either the pure "economist" variant - convergence of economic developments only through the harmonisation of economic (i.e. stabilisation) policies - or the compromise variant: monetary and stabilisation measures must be taken in parallel; the monetary ties must be such as to make coordinated and stability-oriented economic policy measures advisable, if not compulsory. I do not hesitate to assert, in conformity with the great majority of German academic economists and many economic policy makers, that the German position is backed by strong theoretical arguments, and hardly less by past experience. The brief "history" of the European narrower margins

arrangement has at any rate shown that ambitious monetary agreements between countries with different target priorities and economic structures have little chance of success:

- If the monetary ties are effective and force the authorities to take action designed to promote internal and external stability, and if the initial conditions (inflation rate, balance of payments position, growth and employment) are unfavourable, the consequences are very soon felt to be intolerable to domestic society. This results in substitutes such as restrictions on capital movements, temporary special regulations, a softening of the system of rules or withdrawal from the exchange rate arrangement. Since March 1972, i.e. since the last major effort (with German support) in the field of monetary policy, all of these expedients have been practised.
- If the monetary ties are not effective, if for instance the rules on intervention and assistance are very soft from the outset, the constraints are missing; but then either individual countries try to "go it alone" in all kinds of fields so that the Community is left to "muddle through", or the pre-eminence of the requirement of monetary solidarity results in the adjustment of the more stability-minded partners to the conditions set by the "weaker" countries. In the former case a new attempt at reform is soon imperative; in the latter it likewise becomes clear sooner or later that joint inflation does not help the "weak" countries but harms the "strong" ones. In the long run a solution of this kind is beneficial to none of the participants.

These are of course only theses, and as such are not conclusive. But it is unlikely to be possible to produce empirical evidence against them, while there is no lack of corroborative experience. At the latest since the

advent of world-wide anti-inflationary policy from about mid-1974 onwards it has been generally recognised that the Phillips curve, i.e. the trade-off between the growth rate of the price level and the unemployment rate, is fictitious in its generalised version. (That this anti-inflationary policy is leading to a kind of stabilisation crisis is quite a different matter.) This is not to deny that the priority of the target of monetary stability is still disputed. It is generally understood as a target that competes with the objectives of full employment and economic growth, but monetary stability is in fact rather a prerequisite for the attainment of these other objectives. Appropriate growth and a satisfactory level of employment are not possible in the long run without a minimum of monetary stability, which ensures that the actions of economic agents are not determined by inflationary expectations. If they are, the upward movement of prices accelerates under the conditions prevailing in modern industrial society (anticipatory demand of the social groups, and also of the state); the concept of inflationary equilibrium is an illusion. A half-hearted anti-inflationary policy then soon produces a situation which has stagflationary features.

One may regard German concern about the dangers of inflationary processes as exaggerated, but one can hardly help considering these misgivings to be legitimate and hence respecting the German reservations about solutions which appear inflation-prone as being at least worthy of discussion.

3. German political action

Germany too has undoubtedly "gone it alone" in the monetary field, but hardly more often - indeed, probably less often - than comparable European partners. The most important example of such action was the May 1971 decision to float the exchange rate of the D-Mark, which delayed the establishment of the European narrower margins arrangement for about a year.

One should, I think, be prepared to concede even with hindsight that there were at the time good reasons for adopting the German proposal to start a joint float. The roundabout route via controls on capital movements and the almost disastrous monetary crisis of spring 1973 was in nobody's interest. As so often, this recognition was gained only at the cost of enormous economic burdens. After 1971 Germany took no measures of monetary policy in the strict sense that had not been agreed with its partners beforehand. In general the German actions - not least our interventions in the foreign exchange market - were fully in line with the national interests of our partner countries.

The general direction of German stabilisation policy since the transition to floating in the spring of 1973 could be judged differently. By its second stabilisation programme of May 9, 1973 the German Government cut short the sixth post-war upswing for fear of uncontrollable cyclical and (to an even greater extent) inflationary trends. This programme, which was already showing signs of success, was torpedoed by the oil price hike and its repercussions. The rate of price rises accelerated again, albeit to a lesser degree than in most other western industrial nations; the answer was a systematic anti-inflationary policy by monetary means, even though the conditions created by incomes policy at the beginning of 1974 were wholly incompatible with this approach. The reproach that German policies are hampering the recovery of economic activity in western Europe has been with us since that time. Against this, it must be said that German monetary policy has been guided not only by the so-called "unavoidable rate of inflation" but also by the prevailing overall production potential and the current degree of capacity utilisation. In each of the last three years the quantitative monetary targets set have been considerably exceeded. Moreover, in order to bolster economic activity and with a view to ensuring

long-term growth, Germany has since end-1974 accepted higher budget deficits than any other country in the western world except Italy and the United Kingdom (whose deficits undoubtedly boosted inflation, at least in the short run). The consequence has been that German public debt and a "structural deficit" have increased so rapidly that a consolidation of government finance has generally been advocated. However, the measures taken in 1977 by the Federal and Länder Governments, and even more by the local authorities, went further than was necessary; taken as a whole, financial policy did not conform to cyclical requirements. But the adverse effects should not be overrated, particularly in view of the situation of our European partners. Since 1975 German imports have risen much faster than German exports. Besides, it must be borne in mind that we in Germany practise a fiscal federalism which, while it has many advantages, makes it extremely difficult to coordinate fiscal policies at the various levels of government (Federal Government, Länder Governments, local authorities). Public discussion of the various alternatives for further government stabilisation programmes had an additional adverse impact. The programmes themselves were far from being ideal; in particular, they were insufficiently medium term in scope. Once again it turned out that, taken as a whole, the public sector cannot make up for what the private sector is unable to provide. Government action can contribute much to private sector dynamism, but large government financial deficits are not in themselves a proof that this is happening.

IV. The decisions of the Bremen summit meeting

The Bremen decisions have undoubtedly opened up new perspectives in Europe. Through the European Monetary System the European Communities are to become a zone of relatively stable exchange rates. This is to be achieved by a system of parities which is to be protected against disturbances from

outside, within certain margins, by interventions by the central banks and monetary assistance. This solution is not simply a revival of the measures of March 1971 or March 1972. This time monetarist views have been even more generally accepted. In the final sentence of the Bremen communiqué the participating countries are admittedly called upon to "pursue policies conducive to greater stability at home and abroad", but "this applies to deficit and surplus countries alike". Thus, what is really meant by stability remains unclear. Moreover, there are no monetary ties forcing countries to act in a stability-oriented manner. The only things that have been fixed are the vanishing points of a European Monetary System that hardly appears to be consistent with the traditional German negotiating position. Does Germany's vote reflect a turnaround in its thinking? So far the public debate has not supported this view. And yet certain statements by persons close to the Chancellor imply this. The Chancellor himself has repeatedly spoken out against so-called "courageous" monetary policy measures: ¹

"changes in existing mechanisms or the creation of new ones would not foster the economic and monetary union, any more than it would benefit Europe ..."² Even if, as some people now claim, Helmut Schmidt has at bottom always been a supporter of the system of fixed exchange rates (although he used to present the decision in favour of floating in spring 1973 not least as a personal achievement), it can hardly have been monetary considerations alone that tipped the scales. It is, rather, to be assumed that the Chancellor rated the stabilisation risks less high than the European and

¹ Die Zeit newspaper, May 17, 1974.

² Chancellor Helmut Schmidt in the Bundestag on April 8, 1976.

general political implications of the present approach to a solution. Of course, this does not exclude an underestimation of the monetary repercussions.

The Central Bank Council of the Bundesbank, at all events, is wondering whether the effectiveness of monetary policy might not be impaired if we were forced from outside to create D-Marks. For the Council, the aim of creating a zone of greater monetary stability in Europe through closer cooperation in the field of monetary policy requires a convergence of cost and price trends in member countries, not however through a harmonisation of inflation rates at a mid-way level ("Community of inflation") but through greater internal stability in participating countries; this calls for monetary and economic discipline among all partners.

If these requirements were not met, the new monetary initiative would indeed amount to a mechanism for creating international liquidity for the purpose of financing and thus concealing fundamental disequilibria. But it is indisputable that since the Franco-German consultations in Aachen on September 15 and the meeting of Community Finance Ministers in Brussels on September 18 the Germans have had less cause for concern; it was agreed to base the intervention rules on a "parity grid" system modelled on the snake. The EC currency basket, which was initially preferred by France, Italy and the United Kingdom as a criterion for interventions, and which from our point of view would presumably have developed into a D-Mark intervention system in the end, is now only to be a statistical record that acts as a kind of early warning system: in the event of major deviations, consultations are planned. In the German view a parity grid has the advantage (as shown by the snake) that exchange rate adjustments, which are now accepted everywhere as a necessary ingredient of the system, can be carried out unobtrusively and that a temporary opting-out by member countries is easier

to manage. As regards providing the Fund with resources, too, the extreme demands now seem to have been dropped.

But a solution that is ideal from the German standpoint is unlikely to be reached. Even assuming it were attainable, it would probably be no service to the idea of European unity. Joint solutions require a spirit of compromise. But even if the concessions that every partner has to make are shared out reasonably "equitably", the new joint initiative will not find it easy to gain acceptance.

German Agricultural Policy and the European Community
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by

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Introductory Theses

1) In the Federal Republic of Germany, farming has only slight economic significance -- its contribution to the Gross Domestic Product is less than 3% -- but it has tremendous political weight. From the very beginning, as a result, Germany has had considerable influence on the formulation of the common agricultural policy and has contributed accordingly in no small manner to the resultant imbalances and burdens.

2) The true interests of the Federal Republic lie in the realm of industry, in the export of high value industrial commodities, which could be increased substantially within the European Community. On the basis of these advantages for general economic growth, the Federal Republic was ready and able to accept ^{the} increasing financial burdens of the agricultural policy. In practice a form of financial adjustment has developed among the member states to cover the common financing of expenditures for the agricultural policy, a system in which the Federal Republic is the largest net contributor.

3) The widely held opinion of the pacemaker role of

agriculture in European integration is based on misconceptions which arise from the particular situation of the agricultural sector: This "dirigiste" agrarian system created an exceptional sphere which, with its administered prices, interventions and managed investments, has become a foreign body in the democratic, market-oriented Community. Economic integration has not progressed farther in the agricultural sector than in other realms; in recent times one can even ascertain a certain retrogression.

4) Because of the resultant imbalances, the agricultural realm is becoming more and more an impediment to European integration. Structural surpluses, high financial charges, rising consumer prices, misplaced investments and foreign political burdens are causing numerous difficulties.

5) The causes of these false developments lie less in the diverse economic and financial evolution in the member states than in the system of the common agricultural policy and its management. On the one side the special interests of the member states led to the overestimation of the importance of farming to economic growth and to excessive demands on agricultural policy. On the other, traditional conceptions of the farm economy led to an underestimation of the consequences which governmental intervention and subsidies would have on agricultural production.

6) For the scholar the common agricultural policy is a model of the bankruptcy of governmental "dirigisme" in the economy. The European peoples have to pay dearly for this experience.

Concerning the Diversity of Interests

Difficulties in agricultural policy existed everywhere even before the beginning of the European Economic Community. Most industrial countries had not succeeded in finding a harmonious structural adaptation of farming to overall development. Ever since the end of the nineteenth century these incipient imbalances had led to political intervention in such a way that agricultural policy moved increasingly further away from the principles of a market economy. Step by step a form of competition for subsidies arose among countries: each strove to unload his surpluses on his neighbor's doorstep, as well as to shift to other countries the consequences of misplaced interventions in the market by means of further interventions. Thus, when the European Economic Community began, these problems of agricultural policy were brought in as dowry by all the member states.

The state of general economic development was however diverse in each country and accordingly a variety of approaches had been taken in agricultural policy. Particular differences exist in agricultural policy among Germany, Holland and Denmark. German agricultural policy was directed towards a policy of high prices for basic commodities, to the advantage of the larger agricultural enterprises. This worsened the competitiveness of animal production and brought with it a general protectionist mentality. In contrast to this, Holland and Denmark were able to achieve an exemplary modernization of their farm economy through a non-restrictive

agricultural policy and the pursuit of an expansive export policy.

Conflicts of interest between France and Germany arose from the diverse economic structures; at the beginning of the EEC the earning population in France stood at 39% in industry and 20% in farming, in Germany at 49% in industry and 10% in farming. France's particular interest in the development of the agricultural sector was intensified by the geographic concentration of its economy. In broad regions far removed from industry a rapid improvement of the conditions of life seemed achievable only through increases in agricultural production. The safety valve for sales was to be opened by the Common Market and by common financing of agriculture. In this sense the common agricultural policy served for France as a sort of basic business condition for entry into the EEC.

In Italy, as well, the agricultural sector, with 35% of the earning population, had a significant weight. To favor its particular products, the country pursued special interests. At the same time the problems of the underdeveloped areas in southern Italy gave great hope for stronger sales of agricultural products in the common market.

False Points of Departure

This shift of focus in the Community's policy to the agricultural sector, which was strengthened by specific conditions in Italy and France, was a false point of departure from the very beginning of the European Economic Com-

munity. Its impact was rendered even more unfortunate when momentous errors were made in the management of the existing agricultural political system.

For the general development of the European Community it proved to be a particular disadvantage that the Treaty of Rome provided for no common regional policy. The European Community might well have had a better economic position today if the unproductive milliards spent for agricultural surpluses had been used to open up rural regions through industrial enterprises. From the point of view of the long-term developmental trends in the economy and in society, the strengthening of the agricultural sector was in a certain measure a retrogression into obsolete economic structures.

By now the situation has become completely absurd. Agricultural pricing policy and structural assistance favor expansive production in the face of stagnating demand. Indeed even storage costs for butter surpluses exceed the entire expenditure of the Community for the economic development of rural regions: In regional funds, barely 7% of earmarked expenditures for the agricultural market are available.

Misperceptions of Reality

At first, the system of market regulation which developed after 1960 for the most important agricultural products, appeared to be a step forward when measured against the national agricultural systems of the member states: Through the elimination of all subsidies, quota regulations, special bilateral agreements and similar limits on trade,

and on the basis of price levels secured against the outside world, free movement and competition were to follow in the common agricultural market.

The system is neutral in terms of economic policy, but dependent in its function on prices, which are related to the volume of sales. Here lies the vulnerable point of the whole system, in the fixing of prices by political commissions. Experience has shown that politicians are overtaxed by the task of finding the correct choice between the easily recognizable income effect of prices and their long-term influence on the market's equilibrium.

Even the controversy over common grain prices at the beginning of the 1960's showed this. The differences in the level of agricultural prices could only be bridged as the result of a compromise of "the middle way." On the German side no readiness for the requisite lowering of traditionally high grain prices emerged. As a result of the stubborn stance of the German government, the powers were deadlocked for a long time and valuable years of integration were wasted. When the decision in favor of common grain prices finally came, in December 1964, things were already out of tune. The German demands led in the final analysis to price increases for grain in the EEC of 118%. In France, the country with the largest reserve of production, these increases reached 130%.

Moreover, in the span of the several years of negotiations in the search for a compromise among national interests, many a compensation was secured, thus introducing the unhealthy developments of the further extension of market

controls and intervention, and of the unlimited responsibility for all the financial burdens which arose therefrom. The much extolled "pragmatic" process of integration led, in this instance, by small steps, to a falsification of the original conception. A summation of national wishes and the transfer of measures of protection to the Community level were the consequences.

Thus the system of market regulation moved increasingly further away from the liberal principles of the early proposals and arrived at a well-nigh phantom perfectionism. In many thousands of agricultural regulations--comprising over 95% of all EEC regulations issued to the present--the most picayune details were regulated to several points beyond the comma, without the slightest regard for the economic and political importance of the basic information which preceded the comma. Those in charge were prisoners of a system in which the suggestions of technical experts at the European Commission set an ingeniously devised organization in gear. This process finally reached decisions which were nonsensical in terms of economic and agricultural policy, but which were justified by the single concern that their rejection endangered the process of integration.

Obviously present from the beginning was the traditional assumption of predominantly static agricultural production. Thus productive reserves, the impact of technological progress in agriculture and the economic thought-processes of farmers were vastly underestimated, and the incentive to intensify production increased even more.

An added factor is the one-sided structural policy for agriculture. It led, through subsidies and investments, to

the expansion of productive capacity, and to an intensification of the creation of surpluses. In addition, it had unpredictable consequences on the environment, on the configuration of the countryside and on living conditions in rural regions.

Credits and Debits

In spite of the existing difficulties one ought not to lose sight of the positive results of the common agricultural policy:

- The provisioning of the 260 million inhabitants of the European Community was secured through the abundant selection of high quality foodstuffs.
- The independent European farm economy showed great capacities for adaptability and achievement and proved itself far superior to the large agricultural combines of the planned economies of the East.

On the other hand, precisely this great economic dynamism of the European farm economy led, in combination with the European Community's ordered market system and its investment subsidies, to substantial imbalances and to general economic stresses. The Community learned to live with these to a certain degree. That fact can be even less a charter for the future in light of the pending expansion of the European Community, which will bring additional problems for the agricultural sector. In order to avoid additional injury to integration the stresses and burdens which arise for the Community as a result of the agricultural policy

must be clearly understood:

1) Structural surpluses lead to misallocation of capital and labor, and to growing financial burdens. The expenditures of member states and of the Community for the agricultural policy reached about 62 milliard DM in 1976 (17 milliard units of account).¹ That corresponds to about 24% of the overall value produced by the EEC's farm economy and accordingly to the lion's share of its additions to value (Wertschöpfung). Expenditures for the support of agricultural markets and prices in 1978 are already being estimated at about 30 milliard DM.

2) Foreign political stresses as a result of the European Community's agricultural policy are to be reckoned in addition. Contrary to the aims of the Treaty of Rome, the EEC is not an open market in the agricultural sector. It has become rather a substantially restricted preference zone, which results in increasing difficulties for the export possibilities of many countries of the Third World, and in stresses for the world market as a result of export dumping.

3) The increase in agricultural prices takes too little account of the substantial development of productivity in the farm economy. It burdens the consumer and works counter to a policy of stabilization. Prices received by farmers rose between 1970 and mid-1976 by about 150%. Thus they rose more sharply than prices for industrial products and more sharply than the cost of living, up by about 140%.

4) The backwardness of the poor rural regions in

¹Report of the European Community's Commission on the state of farming in the Community, 1976.

Europe could not be reduced. Only a fraction of the funds which are actually being squandered unproductively on agricultural surpluses is available for the regional policy of the European Community.

5) The highly subsidized structural development of the farm economy increases concentration of land ownership and endangers the social structure of large rural zones. It leads to an intensification of production in the most fertile areas of cultivation and, as a result of increased application of chemical products, to the endangering of the ecological balance.

6) The aim of ensuring foodstuffs within the EEC recedes ever further from realization, since the farm economy increases its dependence on the importation of fodder and of foreign sources of energy. It uses today considerably more energy than it returns in the production of foodstuffs, so that the dependence of nutrition is shifted to the energy sector, to the neglect of natural resources, and thereby intensified.

No Recognizable Change of Course

One could raise the question at this point whether there are any changes to be seen in developing tendencies or in the general parameters of the situation which would encourage the hope that the agricultural problem would resolve itself.

With regard to developing production, no limits are evident in the foreseeable future. The rate of increase of production lies in the long run at 2 to 3%, and in addition the average yield for grains as well as for animal products

is increasing, especially the milk production of cows. New biological developments and synthetic products could enhance production in other segments as well.

In contrast, the stagnation of demand is intensified by the decline in population. Moreover, per capita consumption is approaching the limits of physical satiety. Thus one faces a trend toward a chronic accumulation of surpluses.

Nor can one reckon with any relief from the world-wide market. After a transitory change of trend around 1973-74, world market prices for agricultural products have "normalized" at their lowest levels. Thus there is no commercial demand for agricultural products at the EEC's high price levels which could justify an expansion of European agricultural production.

Hence the Community faces the obligation of finding solutions through changes in its agricultural policy, in order to avoid additional economic and social waste, and to reduce an area of tension in the process of European integration.

Development of a New Approach

New solutions can only be sketched at this point. Their points of departure lie in both price and market policy, and in structural policy.

Based on recent experience, income policy more than price is the main cause of imbalances. The dual function of prices in securing the income of producers and as the regulator of supply and demand must lead to conflicts in the event prices are derived not from market forces but from political decisions, and in addition, if they are bound to guaranteed sales.

One must try, through the supplementary elements of a new income policy, to divorce prices from their income function, and to facilitate their orientation to market balance. Practically, one ought to construct a combined system of income policy in which income derives

- so far as possible from prices in conformity with the market,
- so far as necessary from assistance which is neutral in its effect on production.

On the basis of discussions up to this point concerning the criteria for the distribution of income assistance, cultivated areas ought to be given preference. Acreage assistance has a neutral effect on production, without narrowing the entrepreneurial disposition and initiative. Practically it lessens the input cost of the factor land, and favors an extensive form of cultivation. Whereas, in order to realize an increase in income the farmer must raise prices on matching quantities of production, acreage assistance comes to him directly, without any effect on the quantities produced.

Whether a turn away from the traditional commitment to intensive cultivation succeeds will also depend upon changes in structural policy. Up to now, aid has strengthened increases in production and ought to be shifted to goals commensurate with the times. Through the development of extensive methods of production more acreage should be used for the same level of production, and the formation of fallow land, as well as the increasing environmental problems arising from intensive farming will be counteracted.

The exploitation of natural sources of energy gains special meaning as a goal. The farm economy must realize that it has the obligation above all to create more energy

and to use it less. In this sense also the natural bases of energy must not be set aside as waste but must be exploited to reclaim energy. Another question also bears examination: whether or not subsidies set false price signals for the application of foreign sources of energy.

In contrast to the subsidy of individual agricultural enterprises, the whole of the rural zone must become the main focus of structural assistance. In this sense, a shift of aid from a structural policy in agriculture to a regional policy ought to be pursued. Both have significance: a regional policy in the improvement of the economic strength of the region, a structural agrarian policy with the aim of retaining rural life's attraction through cultivation and care of the land. The leading role must be given in the future, however, to a regional policy; in this sense a shift of capital from agricultural funds to regional funds ought to be sought. In this way, the objections to changes in this policy from those countries which have become net gainers as a result of the common agricultural financing could be met.

For in each change one must consider that over the agricultural policy a certain form of balance of payments compromise has developed within the European Community, so that from the outset compensation must be taken into account. Thus a strengthening of a regional policy would be an even more appropriate means, since it would allow expectations of more favorable ramifications for economic growth than the agricultural financing pursued up to now.

As in the initial years of the EEC, the possibility of constructive changes of this nature will once again depend

on the political stance of the Federal Republic of Germany. Germany's farm economy will oppose them; it has a double advantage in the present situation because of currency adjustments: it has the highest producer prices with relatively stable currency, and was able in addition to raise its yearly export in short order to 13 milliard DM. It receives for this from the common agricultural fund a currency adjustment which has the effect of an export subsidy.

The costs of this are borne however by the general German economy, as a result of high consumer prices as well as by virtue of losses in the balance of payments caused by the increased expense of agricultural imports. This is so because the currency adjustment for agricultural imports is booked to the credit of the common agricultural fund and not to the German balance of payments. Moreover, high contributions to the agricultural fund must be supplied for the currency adjustment in other countries, since the system of currency adjustment in the agricultural sector is not entirely self-supporting.

Changes in agricultural policy lie accordingly in the interests of the German economy in general and, to the extent they contribute to the reduction of unproductive agricultural surpluses and financial burdens, they lie in the interests of the general economic growth of the entire European Community.

The Outlook for the Enlargement of the European Community

The prospective enlargement of the European Community to include Greece, Portugal and Spain also makes changes in the common agricultural policy appear urgent.

The differences in the economic structures of the three Mediterranean countries are so great when compared to the original countries of the EEC that the continuation of the present agricultural system must lead to new imbalances and further tensions. The admission of these countries ought to become the occasion to consider these problems anew and to ask, in view of the economic and social differences among member states

- whether a unified agricultural market with the same prices still makes sense or is even still possible,
- whether a unified agricultural structural policy with the same goals might not lead to social tensions in the diverse countries which would endanger the further development of Europe.

Up to now an effort has been made to hold fast to the common policy on prices, even though it has become a fiction in view of the differences in prices which exist in fact. The European Community's Commission takes pains to decrease the currency compensation in order to reconstruct a common pricing base and thus to leave the door open for a common currency policy. One ought, however, to examine alternatives and to ask whether the system originally conceived for an EEC of six states can really be maintained as a community of twelve, given the diversity among the economic structures and of comparative incomes.

Thus one might consider leaving agricultural prices to the market, as in the rest of the economy, which would then bring about an adjustment to the various currency developments. This would only be possible, however, if the system

of intervention and the unlimited possibility for sale at fixed minimum prices were abandoned, for without this the risk arises that too many investment funds would flow to the points of intervention in countries with strong currencies. The currency adjustments of our day are designed to prevent just this.

Solutions for the continuing development of the system might be sought in a variety of directions:

1) Dismantling of the system of currency adjustments and the reduction of common standard prices to the level of the member state with the lowest average income. In practice this would lead to a reduction of the intervention price in the majority of the member countries. Consequently one might examine whether above this low, common base price, supplementary measures of income policy at the national level would be allowed. Perhaps one could consider leaving their extent to the individual country, which could then decide based on its level of income and its overall economic possibilities. Such supplementary income assistance would obviously have to be neutral in its impact on production.

2) Retention of the currency adjustment system, at least for a transition period until an extensive adjustment of income differentials among the member states had taken place. In the same process the standard price system could be maintained for protection from without. Agricultural prices would thus be diverse from country to country, just as they were earlier with the help of the currency adjustments, and would correspond to the economic conditions and currency parities in the individual countries. Practically this would mean that intervention would take place at the

national, differentiated level, which would be reinforced through currency adjustments. Here, however, one cannot ignore that this system becomes ever more problematical as differences among member states become greater. It leads to displacement of production, has ramifications for other economic groups, and so forth.

In whichever direction the development in the sphere of market and price policy may take its course, it appears urgently necessary to abandon the common agricultural structural assistance with its consequences of increased production. In doing so one must consider compensation for the financial adjustment among member states which is tied to this. As a substitute one ought to seek a strengthening of the common financing of regional economic assistance.

No one can lay out today complete proposals for the future development of the agricultural policy. It is valid however to give timely consideration to new points of departure in order to guard against increasing imbalances in an enlarged European Community and to become adaptable in agricultural policy and open for the tasks of the further integration of Europe.

GERMANY AND EUROPEAN POLITICAL COOPERATION

by

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I.

The FRG is holding the EC presidency for the present six-month period. The German Foreign Minister is chairman of the EC Ministerial Council as well as of European Political Cooperation (EPC). If one were to ask Hans-Dietrich Genscher about his views on "Germany and European Political Cooperation" the answer would be as follows :

"European unification remains the first priority of German foreign policy. This creates no conflict with our readiness to assume a greater share of responsibility - in keeping with the political and economic impact of the Federal Republic - throughout the world and in the United Nations. Our response to problems in other areas of the world fits into the co-operation among the EC States. European Political Cooperation, which we and our partners are continually developing, reinforces the international profile and impact of the Nine.

The on-going exchange of views and the close co-ordination of the positions which the Nine take on all important international issues are to us a point of departure and a source of support in bilateral relations and in our activities in international organizations and at international conferences. Just as European Political Cooperation helps to strengthen the Community it, in turn, requires a strong European Community as the base. Sound progress towards European unification therefore remains one of our fundamental interests." 1)

1) See Federal Republic of Germany, Press and Information Office: European Political Cooperation (EPC), Bonn 1978, p. 230

This statement is remarkable above all for its reference to the broad agreement between German and European policies which are seen largely as an entity. In the past when a country held the presidency in the European Community it often turned out very difficult for the official representatives of the presidency to represent and promote national and Community positions at the same time. Neither in the second half of 1970 nor in the first half of 1974 nor during the current semester have any complaints been voiced by any of the partner countries regarding the German execution of office. The Bonn diplomacy seems to be quite at ease with the state of "two souls dwelling in its breast" - even when it does not hold the presidency. If there is any talk of problems in this regard it is voiced by the scientific literature, if at all. The general topic of our meeting is hardly a major nor a desired issue with the German Foreign Office, much less the subject of this paper. Those people working on EPC within the Foreign Office today are hardly aware of how important the establishment of EPC 8 years ago was for their house (as well as for their Minister, the chief of the smaller coalition party). For the first time since the creation of the European Economic Community the Foreign Office thus received an exclusive voice on European politics with the EC affairs being managed by the responsible section of the Ministry of Economics. But there was more important cause for German satisfaction over the start of foreign-policy cooperation which had been conceived and organized with active participation of the FRG from the

very outset. EPC was pursued primarily as a step towards political union with the trend to integrational pragmatism being deliberately accepted. The technical argument put forth was that foreign-policy cooperation would help shape the necessary basic orientation for the EC's increasingly expanding foreign-trade policy. It is this concomitant function, however, to which EPC so far has lived up the least.

What has been achieved at best is a common outlook on a number of areas. Atlantic Alliance, East-West detente, relations with South European countries and the Arab states, position on the development processes in Southern Africa as well as on a number of U.N. topics. The actual extension of identical or compatible attitudes of the Nine is difficult to outline. Although it goes beyond public declarations of the Nine, the consultation mechanism takes only limited account of the national elements of the member states' foreign policies. EPC activities are furthermore restricted by three factors: firstly EPC lacks a binding nature, for the cooperation is based solely on political commitments; secondly foreign-policy concertation remains confined to non-economic and non-military aspects of foreign policy which means that the only means of action is the diplomatic "software"; thirdly, EPC's internal rules of the game are largely geared to a policy of responses with the cooperative mechanism lacking initiative in institutional terms.

That, despite of all this, EPC is always mentioned in the forefront whenever the successes of European policy are reviewed, may be due to the fact that the benefits of this instrument for the respective foreign policies of all member countries were about evenly divided. It appears that the modus of cooperation is sufficiently flexible and efficient to allow for individual support of the individual actors thus promoting the Community cause as such. In this way the decline in the European identity on the global level (along with the loss of European empires) was probably slowed down somewhat. To the extent that there is thus a general success story of EPC benefit, the FRG, of course, took its share. In addition, participation in EPC gave Germany an opportunity to gradually penetrate the realm of international diplomacy after some of the major barriers had been removed following the Ostpolitik of the Brandt/Scheel government. Bonn had to cope with a significant extension of its foreign policy in terms of substance and counterparts. It had not put in a great appearance as a foreign-political power so far and because of its status-quo philosophy had not had much scope for major initiatives in that respect. On the other hand, it could not conceal its economic and political stability, and with every new step it was faced (latent) suspicion - not lastly due to the German past. By virtue of its information and consultation facilities as well as its joint analyses and occasional actions EPC was a suitable framework for a (mutual) adjustment process within the Nine.

The question at present is how far this process has advanced. What type of a member in the Club has Germany become ? What is its resulting image in the view of the outside world ? What is its role in the formulation and implementation of the Nine's foreign-policy concertation ? What is, conversely, the role of EPC for the FRG's foreign-policy decision-making ? And finally : Are there indications of new orientations in German foreign policy (e. g. in the course of the new economic-political developments) ? In answering these questions it should be kept in mind that political cooperation is after all a foreign-policy instrument with very selective functions and fragmentary outcomes. This circumstance, while facilitating analysis, is no help for the assessment of the conclusions of such studies.

II.

The Conference on Security and Co-operation in Europe (CSCE), which lasted almost three years until the Final Act was signed in Helsinki on 1 August 1975, was the first test of the EPC. Through their continuous co-ordination in Geneva and Helsinki and at the Belgrade follow-up meeting (1977/78), the Nine have made an important contribution to opinion-forming and coherence among the Western democracies. The successful co-operation among the Nine in the framework of the CSCE made the Community in East and West a real element of equilibrium in Europe. It has at the same time formed the basis for common positions by the EC member States on the major aspects of Eastern and détente policy.

The FRG continues to have vital national stakes in the broad field of Eastern relations. However, implementation of these interests presupposes comprehensive Western concertation and support.

Next to NATO and the "Four" (the three Western Allies plus Germany), EPC assumes specific functions for consultation and activities in this field which can be used by German diplomacy.

Thus it was possible to embed sensitive elements of the FRG's Ostpolitik into a framework with reassuring implications in three respects: Firstly, it put the Bonn government in a position to effectively counter domestic opposition by pointing to the co-

ordination of its policy with the West European partners. Secondly, by maintaining constant consultations within the Nine it was thus able to explain the particularities and limitations of the German objectives in its eastern policy. Thirdly, it made it easier for Bonn to demonstrate towards Moscow and the Eastern states that its ~~eastern initiatives were backed up by a broad Western consensus.~~

It should be clearly understood, however, that EPC was just one of several multilateral instruments in this regard with the others playing a much more specific role in the East-West relationship. Still, even to the surprise of Moscow, EPC developed into a major asset in all-European negotiations. The Eastern literature reproached the FRG with exploiting political cooperation of the Nine to pave the way for aggressive nationalistic forces. Bonn, these authors point out, is determined to utilize its high economic and military potential as well as its enlarged foreign-political leverage to enhance its growing self-reliance within the imperialistic camp. Moreover, the German government, they claim, tries to capitalize on the process of Western European political integration in order to violate the Four-Power Agreement on West-Berlin of 1971 and to extend the competences of the European Community to West Berlin.²⁾

2) Siegfried Schwarz: Tendenzen der politischen Integration in Westeuropa, in: IPW-Berichte, No. 6, June 1977, p. 28

Indeed, the Federal Republic of Germany profits from the fact that - exemplified by the present controversy about West Berlin's representation in the forthcoming directly elected European Parliament - the extended Western platform allows for an endorsement of its German concerns. However, as far as the Nine are concerned, the eternal German issue appears to be more of a strain on them. That may apply less to London and Paris than it does to the other EPC partners. Compensation by means of special capabilities, for example, Bonn's diplomatic experiences in dealings with the East, though difficult to assess, are not without merit for collective East-West-negotiations. On the other hand this asset may have ambivalent implications for Bonn's partners if it entails (economic) advantages mainly for the Federal Republic (see the handling of the Breshnev initiative on all-European conferences, environmental, energy and transport questions). ³⁾

A second challenge in the beginning seventies was to establish the Community's position on relations with the United States , following the call at the Paris summit of 1972 for a constructive dialogue and the appeal by Secretary of State Kissinger on 23 April 1973 for a restructuring of the Western Alliance. The dialogue

3) Ilka Bailey-Wiebecke; Paul J. Bailey, Decision-making at the ECE. The case of the Federal Republic of Germany within the context of the European Community and Political Co-operation, May 1978 (unpublished)

between the Nine and the United States, begun in September 1973, has made it clear, without any need for the originally proposed formal declaration, that European unification and Atlantic partnership are conditional upon each other. In the so-called gentleman's agreement reached at Gymnich (near Bonn), the Nine decided to inform and consult allies and friendly States in the process of evolving common positions on foreign policy. The significance of the policy of European unification for the Atlantic Alliance was acknowledged in the statement issued by the NATO Council with regard to Atlantic relations on 26 June 1974. On the basis of that informal agreement among friends the practice of close mutual consultations between the Community and the United States has taken shape.

The Federal Republic surely has both a major say and a vital interest in this practice. There is no need to repeat why Bonn will neither be forced into an antagonistic position vis-à-vis Washington nor be suspected of assuming the role of executor of U.S. interests in Europe.⁴⁾ Although it played an active part in elaborating the declarations in connection with the Kissinger initiative in 1973, it did not act as forerunner of

4) From a U.S. perspective Bonn might fit a broker's position best. See: Peter Katzenstein, West Germany's Place in American Foreign Policy: Proot, Anchor, or Broker? In: Richard Rosecrance (ed.), America as an Ordinary Country, Ithaca and London 1976, p. 110

the Nine. Even the Gymnich agreement conceived under German presidency cannot simply be credited to the German account.

Rather, the fact that this agreement was never seriously put to the test during the past four years indicates the degree of a general relaxation of tensions in the European-American relationship after the days of Jobert.

In realistic recognition of its own situation and the abilities and inabilities of the Nine the Federal government contributed to collective European efforts regarding the Middle East, the Mediterranean area and Africa while advocating "very close concertation" with the U.S. Administration in each case. This approach is not tantamount to Atlantic uniformism. The EPC activities offer sufficient evidence of Bonn together with other partners taking different positions from the American Administration (human rights issue at the CSCE at Belgrade) and Congress (Cyprus question). In these cases Germany need not resort to the solidarity of the Nine to underline such independent stands, much less so whenever questions of détente and European security are at stake.

With their declaration of 6 November 1973 on the Middle East, the Nine opted for a policy of solidarity with regard to the Middle East and the oil crisis and embarked on a balanced common Middle East policy. On 10 June 1974, at a meeting in Bonn, they took the initiative for the Euro-Arab dialogue and thus created a comprehensive political

framework for longterm regional co-operation between the Community and the countries of the Middle East. The Federal Minister for Foreign Affairs, Herr Genscher, emphasized in this context that the Nine were willing to develop relations with Israel. This balanced Middle East policy was further developed by the Nine in, inter alia, UN debates and is set out in the statement by the European Council of 29 June 1977 which also emphasized Europe's own interest in peace in the Middle East. With their statement of 22 November 1977 the Foreign Ministers therefore supported the new peace initiative which began with the meeting between the Egyptian and Israeli Heads of Government in Jerusalem. The outcomes of the Camp David meeting were welcomed likewise.

Contrary to the Atlantic context and the eastern policy where Bonn played a major part in shaping EPC policy, the Middle East position of the Nine saw Germany relegated to second rank. Perhaps this is the area in which the FRG benefited the most from cooperation within EPC (as well as the European Community). The advantage for Germany is particularly obvious here because it is difficult to conceive of another way to sustain the historical responsibility it has to shoulder. In this sector Germany moves like a snail without a house unlike its position towards the Soviet Union within the détente context. As compared to Paris, for example, Bonn faces a more complicated Middle East relationship. For anything reeking of progress in German statements is conducive to hard feelings on the part of the

Israelis, whereas any respective French step would simply be explained in terms of France's well-known hard line. The following example may illustrate this: After Chancellor Schmidt while talking to the Saudi Arabian Foreign Minister in Bonn in June 1978 mentioned the rights of the Palestinians "to organize a state of their own", Foreign Minister Hans-Dietrich Genscher took three full days to explain to Israeli officials during his visit there that this statement did not imply German deviation from the position of the Nine. Fortunately, Genscher's agenda included negotiations about trade concessions requested by Israel in the context of the forthcoming EC enlargement. These talks gave Genscher the opportunity to make a few reassuring remarks. Thus it is extremely helpful for German diplomacy to be able to refer to the European level and the solidarity of the Nine in bilateral meetings with Israel.

On the other hand, this two-level policy is equally indispensable for the relations with the Arab states. In its bilateral dealings with the Arabs Bonn is more generous than within the framework of the Euro-Arab-Dialogue. There it displayed a much more hesitant attitude in economic as well as political questions. The dialogue conducted by EPC is largely restricted to issues of mutual economic development. Rejection of a noteworthy financial fund, however, affects the political goals of the dialogue.

As far as the Mediterranean policy of the Nine is concerned, Bonn took a more community-oriented stand regarding the pursuit of political aims by financial means. Thus in 1975, within the EPC efforts, Germany

favoured support for the new Portuguese regime from EC funds (thereby ignoring EC credit rules) in order to strengthen the democratic process there. Furthermore, the federal government engaged in bilateral activities with similar objectives and means. It also showed special interest in a joint declaration of the nine heads of government in this context.⁵⁾

The establishment of a pluralistic democratic system in Portugal, Greece and Spain made the orientation of these countries towards the Community a new, important factor in European politics. The Nine co-ordinated their views on this development and in some cases stated their position in public statements.

Meanwhile a second round of accession negotiations has got under way. All three countries have submitted applications for membership to the Council of the EC; negotiations with Greece are already well advanced, whereas in the case of Portugal and Spain preparatory work is still going on in the Community's institutions. Regarding EPC membership of the three applicants the Nine have agreed on a transitional arrangement of step-by-step participation. Turkey which is included in the arrangement will be informed on any question of interest to Ankara. After Greece's entry this line of communication will be maintained by a rotating group of three members. Such complicated mechanisms are sufficient evidence of the

5) "The European Council reaffirms that the European Community is prepared to initiate discussions on closer economic and financial co-operation with Portugal. It also points out that, in accordance with its historical and political traditions, the European Community can give support only to a democracy of a pluralist nature." (Statement by the 2nd European Council, Brussels, 17 July 1975)

highly sensitive situation prevailing in the Eastern Mediterranean.

Incidentally, Germany was prepared to tie Turkey even more closely to the EPC club.

With regard to the Cyprus crisis the Federal Republic tried to maintain a balanced position towards the conflicting parties. The main EPC activities at the beginning of the crisis, however, were conducted by Great Britain as one of the guarantors and France as holder of the presidency. Immediately upon the outbreak of the conflict in July 1974 the Nine formulated their common approach as the basis for diplomatic talks between the Nine and the three parties to the conflict, Greece, Turkey, Cyprus, all associated with the EC. Only during the more recent stages of the Nine's mediation attempts did Bonn assume a more prominent role. The German Foreign Office points out that the Turkish chief of government Bulent Ecevit, during his Bonn visit in May 1978, for the first time demonstrated a clear willingness to make concessions in the Cyprus question. Yet, Germany was far from stimulating a genuine EPC initiative. When Congress lifted its October 1974 embargo in August of this year, this was a consequence of inner-American assessments rather than of West European attempts at influence-taking, although Helmut Schmidt pleaded to Congress on the CBS TV program "Face the Nation" to lift the embargo as soon as possible. Despite a certain amount of crisis-management cooperation between EPC and Washington in the Cyprus case it was obvious that both sides remained relatively helpless. Nonetheless Germany repeatedly drew on the EPC in addition to other fora to demonstrate that its interest as a central European power in

restabilizing the situation at the Southern flank of the Alliance has to be taken seriously.

In the United Nations, the Nine, especially since the statement issued by the European Council on 17 July 1975, have, through the expression of common policies, their statements and votes in the General Assembly and its committees, become an important negotiating partner. Since 1975 it has been the practice for the President of the EC Council to make a comprehensive statement on the common policy of the members of the EC at the beginning of the annual General Assembly. The impact of the Community, which received observer status in 1974, at the Seventh Special Session of the General Assembly in September 1975 made it a negotiating partner in the worldwide dialogue for a new international economic order. Since becoming a member of the United Nations in 1973, the Federal Republic of Germany has strongly advocated a common EC policy within the world organization. In a sense, Bonn strengthened the European position in New York in a twofold manner: In some cases it was instrumental in sponsoring initiatives of the West-European-and-others group. In other respects it had to fight off criticism directed at almost every Western state, for example, concerning relations with South Africa.

As present holder of the presidency in the Nine the federal government took an active part in promoting two resolutions on the 33rd session of the General Assembly. The first project aims at reinforcing the U.N. human-rights stance. The second project contains proposals on expanding the peace-keeping role of the world organization. German membership in the U.N. Security Council since 1977 has increased willingness and

possibilities for co-responsibilities in resolving world-wide problems. A case in point is Bonn's participation in the Namibia contact group. The federal government joins such enterprises less as a result of current assessment than in compliance with the decision of principle of 1971 to become a U.N. member. Although the group of the five did not emerge from EPC, a feedback to the club of the Nine does exist. From time to time the contact group draws on EPC to back up its proposals by public declarations. The same procedure is followed in the British-American initiatives concerning the Zimbabwe/Rhodesia case. The intervention of foreign troops in the civil war in Angola prompted the Nine to counteract the danger of a comprehensive racial war in southern Africa with its repercussions on world peace. In their Luxembourg Declarations of 23 February 1976 and 18 April 1977 the nine Foreign Ministers came out in favor of a policy of independence and self-determination for the Africans. They condemned the policy of apartheid as well as any other form of racial discrimination and opposed all attempts by foreign powers to establish zones of influence in Africa. On this basis they have supported diplomatic endeavours to bring about peaceful change in Rhodesia and in Namibia and stated their position on specific problems concerning southern Africa, especially within the framework of the United Nations. In a "critical dialogue" with the Republic of South Africa they urge a change of the policy of apartheid which they are trying to encourage by measures of their own (e. g. by the code of conduct for establishments of European firms adopted in September 1977).

The Federal Republic of Germany is emotionally involved especially in the Namibia case. For the rest it finds itself in the same defensive

position as Paris and London where all three try to protect their massive economic interests while going as far as they can in bringing about peaceful solutions in that area. Bonn hardly has an independent African policy. It prefers to leave the field to the Britains (Salisbury) and the French (Shaba). Germany tries to avoid anything liable to make it the subject of collective attack as was the case in the 1977 OAU meeting. Clearer stands are taken by the smaller EC countries, Ireland, Denmark and Holland due to traditions and convictions have less ambivalent sympathies for movements of liberalization in Africa. Not lastly for domestic reasons does Foreign Minister Genscher have a hard time following the evaluations of Belgian Foreign Minister Simonet, for example, who acknowledges the increasingly stabilizing function of Cuba in Angola. In those instances Genscher prefers to refer to a possible Angolan participation in a Lomé II convention.

To the same extent that the Nine endeavour to acquire a common profile on African issues, the Federal Republic develops a "German" African policy. In the perspective of the Nine Bonn tends towards a position in between. It endorses basic demands of a general nature. By the same token it appreciates opportunities, like in its bilateral Middle East relations, to refer to the multilateral level (EC and EPC). In a concrete case (Namibia, Angola, Sambia, Tanzania) it will not hesitate to show its readiness to supply major economic support. To have several levels of action at its disposal is all the more important for the German government the more it comes under scrutiny on the international level (North-South conflict, UNCTAD in May 1976, Conference on International Economic Cooperation in Paris 1976/77).

III.

It can be assumed that EPC helped enhance the European impact on international events. However, it has not been able, of course, to stop the process of growing intra-European heterogeneity and the rise of Europe's external dependency. All EPC was able to achieve was to make these weaknesses more tolerable. Apart from the EPC's limited effectiveness as such there is the consideration that the Nine do not really have anything to offer to counterbalance the threat by the one superpower and the dependence on the other as well as to take appropriate account of the demands of the Third World. This fact is part of the conditions of any kind of West European foreign policy in the foreseeable future. To that extent political cooperation of the Nine is less a tool for principal changes in the structure of the international environment than a method of adaptation of one's own to this environment with the chance to help shape future structures.

In this sense the FRG has doubtless profited from its EPC membership. It enabled Bonn to make the outside world familiar with the dynamics in German foreign policy. But at the same time, it facilitated the process of Germany's penetration of the outside world. However, the value of EPC for the FRG varies considerably with the issues at stake. The advantage of greater bargaining power increases where Bonn finds itself paralyzed by psychological strains (Eastern relations, Middle East). In such cases inevitable shifts in German politics become easier. But additional support of a moral-political nature by the Nine will also serve

the German position on African policy where the Federal Republic comes under a different type of pressure. EPC also promoted German objectives where there are technical restrictions to its freedom of action. Without the resort to complicated fundamental changes in the German framework of foreign-policy decision-making participation in EPC allowed for urgently required adjustments. Furthermore, German diplomacy profited from the fact that the Nine's consultation body combines a larger sphere of influence and broader international experience, an asset which paid off in particular in relations with the Mediterranean and the Third World countries. Hence EPC did not only serve as a common point of reference in resisting pressure from domestic and foreign sources, but was also useful in promoting German interests of a different kind. The advantageous development of the Nine's concertation coincided with a new active period in German foreign policy. Compared with the gains the disadvantages for the FRG are but minor. The necessity to show consideration in return and not to disrupt the new solidarities of the Nine produced less difficulties for Germany than for other member states. Yet Bonn's own contribution to EPC so far is but limited. The special relationship with Washington, Paris as well as Moscow surely constitutes a valuable input for effective EPC policy, although by virtue of their specific nature these relations also mean a certain strain. Such unavoidable implications are also easier to accept for the partners as long as the German Foreign Minister refrains from lecturing around as Helmut Schmidt used to do in the economic field. In this sense German diplomacy

played a stabilizing and balancing role pursuing a policy of active restraint.

As far as the procedural development process of EPC is concerned, Bonn has provided valuable inputs, including the idea to organize informal meetings, so-called Gymnichs. But as for the every day business German diplomats have a harder time now and then (be it for reasons of language barrier only) even compared to smaller countries. So far the German government has always favored extending the subjects of consultation, thereby taking care of a close concertation with Washington. Concerning the binding nature of the jointly prepared foreign-policy positions, however, the limits were relatively clearly outlined. A legal fixation of common foreign policy envisaged in Tindeman's Report on the European Union, however, was rejected (even for limited areas). Although collaboration of EC and EPC in European foreign policy was pursued verbally, Bonn did not overexert itself in a concrete situation (for example, the German chairholders of the current presidency would not insist on involving the EC-Commission in the dealings of EPC if, say, Paris was against such participation). A typical example of the integrational credo of the federal government are statements like this :

"The pragmatic beginnings of a common foreign policy in the EPC and the EC's foreign relations are to the Federal Government, besides the enlargement of the Community, the establishment of

the European Council and the decision on direct elections to the European Parliament, important stages in the evolution of the European Community into a political union. In unison with its partners in the EC, it regards the EPC as leading step by step towards a common foreign policy which will be a cornerstone of European union. The Federal Government will therefore play its part in the development of an increasingly comprehensive common foreign policy of the Nine. " 6)

How these statements will be realized in the future remains to be seen. What can be said is that EPC is to serve further intensification of the assumption of world-wide responsibilities. This is illustrated by U.N. initiatives (including CCD) as well as by the opening of a Euro-Asian dialogue with the group of the ASEAN countries. This dialogue is a favorite subject of Hans-Dietrich Genscher (Foreign Ministers meeting in Brussels November 1978). In addition to the economic interests it demonstrates the willingness for a certain kind of policy of equilibrium outside the immediate East-West context. Such a feature had become evident - under more topical auspices - in the treatment of the African crises. Bonn might thus tend to draw on EPC for world-wide crisis management more than in the past. The federal government, of course, would pay special attention to closely coordinate Western crisis diplomacy with Washington in non-NATO contingencies. Bonn as well as

6) See Federal Republic of Germany, Press and Information Office, *ibid.*, p. 18

some other West European capitals are showing a cautious readiness to commit themselves to areas where the United States used to go it alone but now has to display more restraint. Although in this regard Germany would continue to consider EPC as an important concertation body among West Europeans, active participation in other bodies (Franco-German consultation, Security Council group, Group of the Four, Economic Summit and others) would identify EPC as one of several levels of action; similar to Bonn's habit of not always regarding the EC as the central framework for its foreign-economic policy orientations. Under this viewpoint the function of EPC would shift. It would increasingly constitute the West European pool for the various bi- and multilateral activities of West European states outside of the regular Club of the Nine.

The Federal Republic could take a growing interest in such a development. Its foreign policy fares quite well in informal groups. Contrary to bodies with constant status such as EC, these informed ^{at} institutions offer room for a smooth change in status. EPC would less be an instrument for catching up on diplomatic experience than a platform for influencing the policy of its partners.

Part of the success of European Political Cooperation has been due to its concern with those aspects of foreign policy which least often involve direct costs. Thus the member governments were enabled to concert their policies without being forced to consider the budgetary consequences and the distribution of costs and benefits among different governments. There is no substantial sign of a change concerning this practice. Once foreign policy

moves out of this strictly diplomatic field into using economic levers for political ends, the problem of differential distribution of costs and benefits immediately arises (see the Euro-Arab dialogue). So far Germany favors a combination of economic and foreign-policy aspects more in terms of integration policy in order to concert the two strings EC and EPC, than in terms of mutual leverage in day-to-day politics. As long as EPC does not cost anything, the FRG's possibilities to raise its influence remain limited.

The gap which has emerged between the economic strength of the FRG and that of its EC partners has not been fully interpreted so far. Germany is as much aware of as it is embarrassed about its strength. It has not yet come to grips with its potential.

The decision where this potential should lead Germany is an open question; there is not too much consensus building among the domestic political forces so far. Equally open is to what extent Bonn's partners will take an influence in these options. Notwithstanding the answer to this question, the Federal Republic will use every opportunity to diversify its need for diplomatic protection and its willingness to take initiatives in world affairs. Its scope is in many respects not confined to the West European context. Rather, West Germany searches for a modus vivendi for an old problem: Community-building is pursued in terms of a regional entity, whereas most of the vital dependencies exist in a larger framework.

Germany's attitude toward present EC institutions
and European political integration

Paper presented to the Johns Hopkins Bologna Center Conference on "The economic-political role of the Federal German Republic in the European Community (Oct. 5 - 7 - 1978)

by Christoph Sasse

I. Introduction

Because of the supposed key role of the FRG in the Common market and, to a certain extent, in Europe in general, it has become a fashionable subject of recent academic efforts to consider Germany's attitude more closely, and in its different aspects - such as are found on the agenda of this conference, for example. For the sake of scientific correctness it must be said, though, that research here still has not gone further than some first tentative steps. There is a considerable lack of available documentation, and no systematic study of relevant test case material has been undertaken so far. Moreover, there is no common understanding of just what "Germany's attitude" is: Public opinion at large, official government declarations, pressure group attitudes or the behavior of governmental decisions makers? Thus, whoever tries to tackle one aspect of the overall subject finds himself exposed to the lack of an acknowledged method to the absence of solid documentation, and to the necessity of admitting, therefore, that what he proposes is more a series of very subjective impressions than the fruit of solidly established research.

With regard to the specific subject of Germany's attitude toward the EC institutions it must be added that it seems impossible to cover this area for the whole period of the existence of EC institutions. Sporadic events as well as culminating points of EC history must be chosen to highlight what seems to be a coherent evolution toward the present day position of German political leaders vis-à-vis the functioning of the EC and its

constitutional structure. It is therefore suggested that a somewhat closer look at this attitude during three main periods of the EC be taken, i.e. that of the preparation and negotiation of the treaties, the EC crisis of 1965/66 and, finally, what can be called the "Chancellors Brandt-Schmidt-era".

II. The founding of the Communities

1. Supranationalism has never been a subject for resentment or national indignation in Germany. This is particularly true for the early years of the West-German federal state which suffered, in the eyes of its elites both from a lack of national identity and the precariousness of its expressly voiced transitional character. For many, a united Europe seemed in this period a tangible as well as desirable solution in order to prevent any kind of renewal of the errors of the past and to give back to the Germans their international respectability. Germany was swept at these days by a wave of widespread enthusiasm for the idea of a federal Union in Europe, and few cared about the degree to which the German political system would be affected or absorbed by this newly emerging union of the free part of Europe.

Thus, unlike other of the original partners inside the first European Community (ECSC), supranationalism was no issue of controversy in Germany. The idea of becoming part of a federation did not hurt national pride or any deeply rooted instincts of stately independence - on the contrary it seemed for a majority to be the way out of a dangerous and uncomfortable isolated existence. Of course, there was political opposition both from the right and the left to Germany's integration into western Europe.

The ECSC treaty was adopted by the Bundestag by 232 votes (CDU/CSU, FDP, DP, FU, BHE) against 143 votes, the negative ones coming from SPD, KPD and SRP.

(Europa-Archiv 1952, S.4678 f.)

The Rome treaty attracted a massive majority, the only negative votes coming from the FDP and the GB/BHE (Europa-Archiv 1957, S.10073).

This did not stem from disagreement with the institutional set-up of the Communities, but from the fear that Germany's re-unification and, generally, its future as a whole might be prejudiced.

2. When the German Chancellor Adenauer was informed, a few days before Mr. Schuman's initiative of May 9, 1950, of the details of the envisaged declaration, he voiced no objections to the idea of having the Coal and Steel Community administered by a sole High Authority whose decisions were binding upon the member States and subject only to some kind of judicial control. This revolutionary innovation in the field of international organization seemed perfectly acceptable to the German government.

It is possible, of course, that to this government any alternative was more attractive than the existing Ruhr-Statute, and that Bonn hoped for some kind of preferential role because of the high value of Germany's coal and steel output (see art. 28 of the ECSC treaty). But this was by no means certain. Since the Schuman declaration stressed the independence of the High Authority as the only legislative and executive institution there was a visible risk of seeing German interests continuously put into the minority. Nevertheless, we find the German government close by the side of the French during the negotiations in the winter 1950/51. It was no "demandeur" on the issue of establishing a "Special Council of Ministers" for the Community, as were the Benelux-countries. Bonn accepted this modification as well as the establishment of a Common Assembly by way of compromise.

3. We can observe exactly the same attitude during the 1951 negotiation of the EDC treaty and the drafting of a treaty establishing the European Political Community by the ad-hoc Assembly created in anticipation of the coming into force of art.38 of the EDC-statute. In both cases the German government and German parliamentarians were wholeheartedly in favor of an amazingly high degree of supranationalism. The extent to which powers were to be conferred to the EDC indicate clearly the will of the signatory governments to abandon a large part of their national sovereignty. If it has been argued since that the EDC construction of fully integrated European armed force administered by an independant European Commissariat could never have become a workable one, it certainly was not the fault of the then German government that no real test took place.
4. It was the same generation of German politicians and top civil servants who took part in the "relance européenne" after the Messina Conference (June 1955). Although no minutes either of the Spaak Committee (1955 /56) nor of the Brussels negotiating conference (1956 /57) are available, there are enough indications to confirm the preceding picture. With regard to the legal apparatus of the Rome Treaty, the German government, through its representatives Walter Hallstein, Carl Friedrich Ophüls (German member of the Spaak Committee) and Hans von der Groeben, exercised a notable influence toward maintaining a high degree of supra-nationality and of not admitting amendments of the Paris treaty structure which would signal any substantial retreat from the achieved standard.

There is some evidence, for instance, that the German delegation had proposed a kind of calendar for the direct elections of the European Parliament which would have allowed arrival at this result earlier and with much less internal strain. The same is true for the quality of the decisions the Council has to adopt in order to introduce these elections and to establish the Community's own resources. Instead of the hybrid^{procedure}/we now find in the Treaty (arts. 138 and 201), and which has given rise to much political and legal controversy, the German delegation had proposed a mere Council decision without any kind of national ratification.

The appointment of Walter Hallstein to the Presidency of the first Commission and the important role which the German government allowed him to play during nearly 10 years confirm this initial will to take the Monnet concept seriously, i.e. not to exercise national control over the Commission but to give the supranational element enough leeway to develop its creativity and its own political position. The departure of powers conferred upon the Community was seen without regret. The Community's success during the early sixties seemed to prove the effectiveness of the new formula.

III. The Community's institutional crisis

1. When on the 30 June 1965 the important crisis of the Community began and France left the institutions, the official German attitude remained unchanged. The German government had been informed by Mr. Hallstein of the essentials of the proposals which had been transmitted to the Council at the end of March and which later became the pretexte for the French government to require a basis change in the functioning of the Community. It had voiced no

objections. The combination of the renewal of the finance mechanism for the CAP guaranty system with the progressive establishment of the Community's own resources and a greater say for the European Parliament in budgetary matters seemed perfectly logical to the German government, seen from the Community's built-in-dynamics point of view. They did not find, either, that Hallstein's commentary on the proposals before the European Parliament on this Assembly's particular request (after the leaking of some information) was to be regarded as a serious offence to the governments whose Brussel's representatives had, but whose ministries themselves had not, received the proposals' full test.

2. The Commission which remained, as one remembers, rather homogeneous and firm during the 7 months of the crisis, received much help from the other governments, and especially from the German one. Although the Commission as well as the five governments officially did nothing to aggravate the break and to make the French return more difficult, there were many preparations to maintain the functioning of the Community even in the event of a prolonged French empty chair. Studies were made both in Brussels and in Bonn to examine the possibilities of adopting majority and even unanimous Council decisions without French participation. It is true that these possibilities, apart from some insignificant procedural matters, have never been seriously tested. But it cannot be denied that the firm - if also discrete - support which the Belgian, German and Dutch governments gave to the Commission's position permitted the latter to go through the crisis apparently rather unaffected.

It had contributed to the effect that the French government's so-called "Dekalogus" of points, to be imposed

as a rule of conduct on the Commission, could not attract much sympathy from the other member countries. Together with conditions clearly in violation of the Treaty (f. i. that the Commission should consult the governments via their permanent representatives before putting any proposal of some importance before the Council) there were numerous marginal and even rather petty and absurd queries, such as the well known red carpet, or the directives proposed by the Commission, but adopted by the Council (!), going into too much detail and not leaving enough liberty of implementation to the states.

3. After the extraordinary Council meeting of 17/18 January 1966 in Luxemburg had led to no result but had shown M. Couve de Murville defending a very intransigent position, the then German Minister of Foreign Affairs, Mr. Schroeder, during a Bundestag debate on the 27 January, made an extremely clear and firm declaration criticizing the French real purposes and hinting at the possibility of the split becoming irreparable if France did not give in. His attitude drew much support from the Bundestag and is said to have been one of the, if not the main factor for the French Government's retreat in the next day's meeting (28/29 January) in Luxemburg, at which the crisis was settled by the famous "agreement to disagree" on majority decisions.

It has been argued (see f.i. John Newhouse, Collision in Brussels, The Crisis of June 30, New York (Tocquille Series no.2) 1967, p. 174 sq.) that Schroeder's support from the Bundestag was partly due to a bargain he had previously concluded with the German farm lobby and which led him to introduce, during the final session on 29 January 1966, the so called "Schroeder addendum" to the communiqué. He had proposed, as a matter of fact, that

all regulations on farm policy which should have been adopted before the end of the second stage, i.e. until December 31, 1965, would continue to be subject to unanimous decisions. This amendment was adopted without great difficulty, specifying the subject-matters beside financial regulation to which it applied: the market organizations for sugar and oils and fats, amendments to the one on fruit and vegetables, and - one that seems to have had much lasting importance - the price-fixing for milk, beef and veal, rice, sugar, olive oil and oil seeds.

Be that as it may, it certainly was an able step to secure widespread parliamentary support for a position which succeeded in the decisive break-through of the crisis, even if it had to be bought by some deviation of the official governmental line. The main success was that France came back to her chair without obtaining any substantial concessions, at least not verbalized ones. For the seven suggestions made to the Commission were either insignificant or soon forgotten, and on majority decisions things were left where they were, i.e. completely open. That majority decisions became rare during the De Gaulle-Pompidou era was, in any case, not the immediate result of the Luxemburg compromise.

One can say, thus, that the ending of the crisis of 1965/66 without essential damage being done to the Community's institutions was primarily due to the firm refusal of Schroeder, Luns and Spaak to let the basic structure of the Community be essentially altered by the French claims.

IV. The Brandt-Schmidt-era

1. The third period of interest in the framework of this paper is the one covered partly by the Chancellorship of Willy

Brandt, but to a greater extent by that of Helmut Schmidt. Brandt had obtained in the decisive 1969 December summit at the Hague, a great personal success in achieving a new start for the Community after a compromise on the French "tryptichon" concerning "achèvement, approfondissement et élargissement". During the first half of 1970 most of the envisaged measures were adopted without greater difficulties, including the transfer of resources to the Community and the widening of the Parliament's budgetary powers. At the Paris summit in October 1972 a wide-ranging program was spelled out, and the comprehensive term "European Union" first appears. Political cooperation based on the Luxembourg report of the Davignon group (1970) had produced first positive results. Its tightening was prepared during 1973 and adopted in the shadow of the oil-crisis at the Copenhagen summit in 1973. Attempts to proceed in the establishment of the Economic and Monetary Union according to the Werner plan and the two Council decisions of March 1971 and March 1972 had let to the monetary snake but proved to be increasingly difficult. The energy crisis and the subsequent world wide recession put an end to this period of effort to prepare the great leap forward, an expectation which had already met with serious scepticism. The first enlargement, much desired by the Brandt government, considerably slowed down all community matters and led to open disappointment when the demand for re-negotiation was formally voiced by the Wilson government in 1974. Nothing much moved ahead in the Community. Its problem-solving capacity seemed to have fallen to a minimum level.

2. When Helmut Schmidt succeeded Willy Brandt in May 1974 the German government missed few occasions to express doubts about the quality of the Community decisions and even that of its authors. The Chancellor himself often voiced distrust in the ability

of the Commission, in the adequacy of the Council's decision making procedure, and in the competence of the Brussels' officials in general, and he was seconded in this attitude by finance minister Hans Apel, himself a former civil servant of the Community. The term "Germany - pay-master of the Community" appeared - and it was never again forgotten. This period, which one can roughly fix from 1974 to 1976, was certainly the one in which the German official attitude toward the Community's institutions was at its lowest mark.

3. It is hard to say which has been the predominant reason for the considerable change of attitude. German officials speak of a learning process Helmut Schmidt had to undergo himself. No doubt, the regular meetings in the European Council have produced some ^{im}portant effect. Moreover, the direct relationship with France's President Giscard d'Estaing continued to improve gradually, especially since Raymond Barre succeeded Jacques Chirac and began to inaugurate an economic policy aiming at greater monetary stability, less State intervention and the strengthening of the private sector. Common problems, especially with the economic and monetary policy of the Carter administration, worked toward bringing Germany and France even closer together. Although there still is much grumbling from the others, especially from the Benelux-countries, the leading role of this Franco-German "duumvirat" seems to have become a dominant feature of present day European affairs. Its latest product is the EMS, which has a good chance of coming into force by 1 January 1979.
4. If one asks what this state of affairs means for the German attitude toward Community institutions, simple answers do not seem obvious. Certainly, there are some rare majority decisions in the Council, and the German government has accepted compliance with one even on the important

JET issue. Also, the Commission seems utterly unaffected. Germany has never sent leading politicians to serve as commissioners, with the one exception of Walter Hallstein, but still has maintained an honorable level of career and competence. The European Parliament will be directly elected within less than a year, and no one foresees a German government resisting its claim of more powers in the legislative process or over the Commission. The Court's decisions never have raised any kind of particular difficulty with Germany, its conflict over the human rights issue with the German Constitutional Court being a rare and theoretical exception without much practical relevance for the moment. Nearly half of all procedures referred to the Court by national jurisdictions originate from Germany. Whereas other countries have been condemned dozens of times for breach of the treaty, this has happened only once to Germany.

5. Thus everything seems to be at its best, and no problem appears in the relationship between the Community institutions and the German government. To conclude on this note of complete satisfaction and harmony could, however, give a slightly misleading impression and prevent us from looking behind the picture's surface. A few remarks might illustrate which aspects should not be overlooked in this context.

There is - to spell this out very clearly - no doubt about the very serious commitment of the German political leaders to the idea of European integration. Many if not all of the political and economic reasons for this deep commitment remain unchanged. Auschwitz and Berlin, as it was termed recently, will be determinant political landmarks for a long time to come. There is no alternative in sight which could serve both the peace in Europe and in

the world and specific German interests better than the progressive strengthening of European unity.

This does not mean, however, that the evaluation of the Community's institutional framework has to remain unchanged forever. The bullwarks of supranationalism, i.e. the independent Commission and the majority decisions in the Council, are nowadays seen from Germany with more serene detachment, more pragmatically than as a value in themselves. The Commission, through its impossibility to provide political leadership in times of strain and through the low profile quality of its positions in all matters of high importance, has lost, in the eyes of the German high bureaucracy, much of its prestige. No German government of the immediate future would be inclined to entrust the Commission with more uncontrolled power. One can be rather sure that the answer finally given to the Giscard initiative for speeding up the decision making process will not consist in suggesting transferring important powers from the Council to the Commission.

That by no means suggests any kind of German intention to change this institution or to reduce its powers formally. The government knows too well how useful the Commission's independent wisdom has always been, and how disastrously most debates end when the Commission is left out or cannot offer compromise solutions.

The Council, on the other hand, is unable to undergo any kind of serious reform. If the majority vote came to be applied systematically the Germans - for their isolated economic and financial position - would not be the last ones to claim vital interests. That does not exclude minor changes, for instance some kind of common discipline when unanimity is demanded although majority would suffice. The German position here is open to gradual changes which

might not be without interest, but it certainly does not press for the overall use of the majority principle.

Fundamentally the German attitude remains positive with regard to the European Parliament and its playing the role of a democratic, legitimizing body. On this issue alone there seems to be much popular sympathy available. But one would also go too far in assuming that the German political leaders, be it the present ones or those of the actual opposition, would make the powers of the Parliament a "conditio sine qua non" for further progress in the Community.

For the present political leaders of Germany the most important institution remains the European Council. Here decisions come more easily and are less complicated by cumbersome rules of procedure and the presence of secretariat officials telling the politicians what they should do. German Chancellors have been in favor of the Commission's President joining in the debates, but without making this an issue of major importance. Within the European Council the natural weight of countries counts more than in the normal Community institutions. This might give this organ some additional attractiveness for men like Valéry Giscard d'Estaing and Helmut Schmidt.

6. Nothing characterizes better the current pragmatic German attitude toward Community institutions than the relative ease with which the German government has opted for the quick entry of Greece, Portugal and Spain into the Community. The political decision was taken without much bothering about the ways in which Community institutions would go on to function. Reducing the number of Commissioners to one per country - as the foreign ministers of the Nine suggested recently - would certainly maintain a reasonable level of discussion-time, but would do everything

but strengthen the role of this institution. A Parliament of 513 (410 + 55 + 2 x 24) seems the obvious consequence, but one may doubt that a serious power transfer will be facilitated by the Mediterranean countries (France included) forming a majority (265). The Council of 12 cannot function without firm guide-lines from the European Council. So everything points to the increasing key-position of the latter, where in matters of importance political and economic power outweigh the equality of rights.

Germany has come a long way from its original federal conception in settling with the present state of matters in the Community. There is much evidence for the assumption that the now ruling generation in Germany does view the institutional set-up of the Community free from any doctrinal prejudice.

Germany and North-South Relations

by

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QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

Germany and North-South Relations

I. Introduction: The Challenge

In spite of more than three decades of initiatives by national and international institutions to improve world trade conditions and transfer skills and resources to the developing countries with the goal of decreasing the welfare and growth differentials between the have and have-nots, there is much evidence that - with the exception of a few very successful developing countries - the gaps have increased and are still increasing. The situation of the developing countries clearly calls for some correcting actions: First, the relation of the per capita income between industrial countries and developing countries is unfavourably for the latter (13 : 1 based on conversions of national GDPs at prevailing exchange rates; 6.4 : 1 based on conversions at purchasing power parities) [1]; second, the developing countries' share in world trade has declined by almost 50 percent since 1950 - not counting the oil producing countries - and today accounts for only about 16 percent of the total; third, their share in the world's industrial production has remained more or less constant at the 7 percent level; fourth, more than 20 percent of the labour force in the Third World is unemployed, most of which are young people; fifth, the foreign debt of the developing countries has grown to a level of nearly US-\$ 200 billions, and many countries are hardly able to pay even the interests on this debt; finally, hunger is an ever increasing problem.

This altogether rather poor economic progress of the developing countries as a whole is very much in contrast to the expectations which had been generated by the political leaders of the young nations. While there is little dissent in the developing as well as in the developed world that the recent growth performance is insufficient for securing adequate conditions of living in developing countries, there is a considerable difference in diagnosis and therapy for improving this situation. For most representatives of developing countries (economists as well as policymakers) it seems to be undisputed that imbalances between the North and South originate from a system of complementary division of labour, inherited from the colonial period during which the developing countries had been forced to play the role of primary commodity suppliers. The system which has been cemented since then into the framework of the existing International Economic Order, is obviously unfavourably biased towards the developing countries. Developed countries - principally not disputing the need for correcting actions - very often point to "homemade" problems in developing countries and call for a more realistic assessment of the growth potential, given the endowment with physical factors of production, the availability of skills, entrepreneurial talents and social conditions normally prevailing in developing areas.

Discussions between developing countries and developed countries about how to improve North-South Relations in the recent past have changed in character: Starting from the understanding that traditional

aid policies do nothing but deal with the symptoms of the problem and obviously encouraged by the relative success of the OPEC-Cartel, developing countries (for the first time more or less jointly) demand that inequities be redressed by calling for the establishment of principally new forms of international economic relations, which could secure a more just distribution of welfare between North and South. Ongoing international negotiations at UNIDO, OECD, UNCTAD and other forums already are marked by this new political approach of the developing world. These changes in global political conditions have been accompanied by severe economic problems in most developed countries, which are partly due to the worldwide recession and partly caused by structural adjustment pressures mainly accruing from the recent quadrupling of the oil price in 1973/74 and intensified industrialization efforts in developing countries. Both the change of political and of economic parameters require a reconsideration of industrialized countries' policies. The extent to which there is need for revisions of course depends (among others) on national policy priorities, the degree of outward-orientation of the economy and the existing structure of production.

It is the purpose of this paper to analyze whether and how policymakers in Germany have reacted to the described changes with regard to their policies vis à vis developing countries. Given Germany's integration into the EC and since national, political and economic interests normally differ (reflecting specific country conditions and objectives), such an analysis implies determining whether the evolution of EC policies

in the field of development policy has been in line with changes in German development policy objectives, or whether Germany has acted increasingly on her own, because she did not feel that her (changed) interests in certain fields to be sufficiently looked after by the EC's South policy.

Before going into details, I would like to make a few short remarks on the outline of the paper:

- (1) The paper is divided into two parts. The first one briefly sketches the general principles and patterns of past German development policy objectives and tries to identify emphasis of activities. The second part seeks to find an answer to the question whether there has been a conflict between specific German interests and actual policies pursued by the EC. Finally, EC policies and/or German initiatives are evaluated with regard to their economic implications.
- (2) The points that will be raised in the following do not cover the whole range of issues related to North-South Relations; they are restricted to economic matters and concentrate mainly on international trade policy and primary commodities (including the issue of a New International Economic Order).
- (3) The evaluation of policies requires the existence of criteria on which the judgement can be based. Those applied here are predominantly of economic nature; they start from the premises that the gap between developing countries and industrialized countries

must be reduced in order to promote economic growth and political stability in the world as a whole and that those structural changes which are both necessary for and the result of a constantly growing world economy should be allowed to run their course.

II. Principles and Patterns of German Development Policies

Development policy in Germany is a fairly young postwar phenomenon. Retrospectively North-South Relations between the Federal Republic of Germany and developing countries can be broadly divided into three sub-periods, each with distinctly differing objectives, measures and regional emphasis. The first government expenditures for Third World Countries were made in 1952 as a financial contribution to the "Aid-Programme of the United Nations". A few years later (1956) money from budgetary resources was allocated to bilateral development arrangements. These two initiatives basically were the only specific development activities of the first period of Germany's South Relations, which lasted to the end of the fifties. Principally, development policy during these years was more or less foreign policy vis à vis young independent (developing) nations. Quite in line with principles of foreign policy prevailing during the fifties, which aimed at achieving national unity within the West, at recovering economically by market-economy-type of policies and at gaining full national sovereignty, Germany's South Relations were established with developing

market economy countries in the Western sphere of influence. Consequently, relations were regionally rather restricted to Mediterranean, some African and Latinamerican developing countries; mostly states, which for a long time had been located in the economic and political gravitation field of the USA and former European colonial powers. Development policy during the fifties was insignificant in its material content and took the form of financial aid, very often in a project-tied form. An evaluation of projects - for which aid was granted - by well defined economic criteria was the exception rather than the rule; countries which unequivocally demonstrated political harmony with Bonn, especially in the field of "Deutschlandpolitik" could be sure that desires for financial support were positively approved. It is only too obvious that this practice could be nothing more than a casual, erratic and short-winded piecework.

Parallel to the gradual abandoning of the Hallstein-doctrine as a rather mechanical, quasi-ultimately applied criterion for pathfinding in foreign policy, the insight into the necessity of reconsidering principles for establishing or intensifying South Relations was emerging. Since the early sixties, policies vis à vis Third World Countries began to contain a specific development policy element. Development aid was less and less used as a "bribe" to support Bonn's political position with regard to the non-recognition of a second German state; policymakers became more and more aware of the need to physiologically, politically and economically encounter the results of the decolonization

processes and to bring development policies in line with overall policy objectives. The revision of aims is clearly reflected in practical development policy decisions: They were increasingly based on more systematic project evaluation, very often strictly tied to these projects and regionally more balanced than during the first phase.

The establishment of the Ministry of Economic Co-operation in 1961/62, which originally was created as a result of government coalition negotiations, is a visible indicator for the new era; during this second phase it changed very much in function: From purely co-ordinating development policies to project planning - preparation and - implementation, without comprising, however, competence for bilateral and multilateral financial aid (this rested with the Ministry of Economic Affairs until 1972). In spite of considerable changes in both political attitude vis à vis developing countries and efficiency of development policy management, the policies basically continued to concentrate on tackling the symptoms of underdevelopment rather than trying to eliminate the causes. As was also the case earlier the main stress was on traditional aid policies, often supporting (prestigious) projects, which were extremely unfavourable for achieving rapid economic growth, improved balance of payments conditions and a substantial reduction in unemployment. International trade policy issues, the transfer of technology as well as of capital only played a minor role. These characteristics of German development policies in the sixties, with gradual differences - were prevailing in almost all developed countries, thus

revealing a state of consciousness in Western (Northern) societies (and of their policymakers), in which the whole dimension of the North-South problem had not yet been fathomed; development issues were no matters of broad public interest and of government's major concern. The latter, because political risks could be kept small due to the bilateral nature of relations and due to the weak political position of single developing countries.

This situation had changed considerably by the end of the sixties. The growing political and economic importance of a few very successful developing countries, their better representation as a group in international organizations where they very effectively can criticize prevailing political conditions due to the principle "one country - one vote", gave rise in Germany to a systematic reconsideration of hitherto existing principles of development policies. Coinciding with the declaration of the "Second Development Decade" by the UN, the Federal Government in 1971 concluded a "Concept of Development Policy" by which the theoretical foundations, the priority ranking of objectives, emphasis of sectoral activities and the set of policy instruments were determined [2]. The "Concept" is to be revised regularly; this has been done several times since 1971. A comparison of the different stages of the "Concept" during the third period of German development policy clearly reveals the change from a traditional aid-oriented disposition of measures to a conception which is based on the principle of international solidarity and seeks to indirectly favour the process of social and economic development by improving international conditions.

In turning now to the EC, a similar pattern of changes in development policy conception is discernible. During the sixties, for instance, the Community had only pursued co-operation policy in fragments, via food-aid and associating Mediterranean and African countries. In the early seventies formal competence of the EC was enlarged step by step and, finally, in July 1974, the ministers for economic co-operation principally acknowledged the Community's complete and global competence for development policies. De facto, however, member countries continued to insist on their own decisions with respect to granting financial aid and technical assistance, thus impeding the realization of a common, global EC development policy strategy and partly even reducing the Community's range of action vis à vis associated member countries. This situation clearly reflects the EC countries' political interest in allowing certain areas of activities with developing countries to be arranged on a national level.

III. Congruency or Divergency between EC's and Germany's Development policy objectives ?

In turning now to the initial question of whether the evolution of EC policies vis à vis developing countries has been in line with Germany's own interests in this field and to what extent the EC proved to be a useful instrument to pursue Germany's (changed ?) international objectives, we face several analytical problems: First, there is a considerable difference between policymakers' declarations of intention

(objective in a narrow sense) and what they think to be politically feasible (objective in a broader sense); whenever political objectives (in the narrow sense) are not achieved, one cannot conclude that efforts have been unsuccessful. Second, information about the process of initiatives to cause others to partly or fully take into account other than their own interests is not available, simply because the rules of the game forbid pointing to the loser - and to the winner respectively.

Considering these general problems, it nearly becomes impossible to analytically approach the questions at stake; this is especially so, if one realizes that matters related to the "Europe"-issue are handled extremely carefully in all member countries and especially policymakers in Germany (due to historical reasons) try to avoid any appearance of German dominance in the EC and are very keen on proving their Europe-mindedness. Under these circumstances one is compelled to base one's judgement less on facts but rather on plausibility considerations. This somewhat unsystematic and arbitrary approach is rendered even more difficult by the fact that the sample of observable events is rather small and that the competence of the EC with respect to development policy is restricted to international trade policy. A further field of action, where the question of divergence or congruence of objectives between the EC and Germany might be worth being raised is the complex New International Economic Order, partly related to international trade issues and partly outside the de jure competence of the EC; it is attempted to harmonize individual member countries' attitude towards particular demands within the EC.

Both areas are of extreme relevance for pursuing development policy in the framework of a global strategy. To start with the first, it should be recalled that the EC is the largest participant in world trade; since trade policy - as mentioned - has developed into a matter of common decision making, responsibility for the future of world trade largely rests with the Community. Furthermore, the most controversial issues of trade policy have to do with trade relations between developed and developing countries. For the EC there are both economic and political reasons why much attention should be paid to improving these relations. Economically, developing countries are important, because Third World countries provide a growing market for exports from member countries. Furthermore, developing countries will increasingly become suppliers for low-priced (that is labour-intensive) manufactured goods and continue to export essential raw materials. An aspect of a more political nature is that the importance of developing countries is related to the fact that these countries with their increased self-reliance and bargaining power play a pushing role in the design of the principles and objectives of future worldwide economic relations, which in their shape are opposed to what the EC supposes to be beneficial for the world economy. Members of the EC Countries act in a way reflecting the willingness to provide adequate help for development; developing countries might feel little notion to co-operate with the EC in solving these urgent problems.

In analyzing now the relationship between the development of Germany's and the EC's policy objectives, it might be useful to have a closer look at the basic principles underlying the Community's policy measures

and to compare them with what could be called the German "ordnungs-politisches" credo. As it is commonly known, the decision for a market-type order of the economy probably is the most essential characteristic of postwar German economic development.

Political authorities in Germany were and still are very much convinced that those elements which constitute the phenotype of a "free market economy" - that is, free enterprise, competition in product and factor markets, multilateral trade and liberal payments with equal treatment among partners, mobility of capital and labour - are well suited not only to successfully shape internal but also external economic relations; by effectively extending frontiers of investment - and consumptions - possibilities for all countries, national welfare can be increased and global political stability secured. Similar ideas as well have moulded the legal framework of postwar international political and economic relations and run into the concept of worldwide free trade and to the obligation of pursuing liberal commercial policies. Article 110 of the Rome-Treaty, too, proclaims free trade to be the guiding principle of the Community and underlines the liberalization of trade in order to promote the harmonious development of the international division of labour [3]. On the basis of these respective statements of intentions there seems to be a rather far-reaching similarity between the EC's and Germany's policy objectives.

Judging from actual policies, however, at a first glance there might seem to be a conflict. Policymakers in Germany very often tend to point to the fact that in spite of a certain identity in political

interests among member countries, the German range of activity in politically materializing its own liberal conceptions has become narrower, because certain member countries, which traditionally rely to a greater degree on interventionistic practices, do forge ahead with their own plans. It is undisputed that decision making in a group involves the readiness to offer and accept compromises. Germany consequently should not be blamed, if she could not prevent Brussels from deviating from the path of liberal virtues; this would rather be a case to diagnose diverging interests between the Community and Germany. During the seventies when in most countries inflation accelerated, economic growth slowed down and unemployment rose, many developed countries tried to cope with these problems by implementing or reinforcing barriers to trade. The Federal Republic was no exception in this context; it should be regarded as being especially serious, however, that the violation of one's own principles did not happen as a kind of concession in order to arrive at an agreement with other EC countries, but was done on Germany's own authority. Today, as in the past as well, proposals for installing non-tariff barriers originate in member countries, and quite contrary to the liberal intentions, which probably are more pronounced in Germany than in most other member countries, Germany has not only supported illiberal practices of the EC by "acting conclusively" but also added protection herself.

In a historical perspective the increasing protectionism of the seventies looks like the starting point of a new trend in international trade relations: Since in the first decades following World War II a con-

siderable degree of free trade has been achieved under the auspices of GATT. It was typical of the fifties, however, that liberalization was mainly focussed on trade among developed countries rather than on trade between developed and developing countries. This was partly due to the fact that tariff reductions had been largest for products of major export interest to developed countries and partly due to the foundation of the EEC and EFTA. The integration of developing countries, which took place to a certain extent during this period was, more or less, only a by-product of trade liberalization according to the principle of "most favoured nation" [4]. Although tariff cuts for products for which developing countries have comparative advantages have been quite small and although quotas and other forms of non-tariff barriers were maintained or even newly installed, some developing countries were quite successful in expanding exports of manufactured products, mainly during the sixties [5]. This export success induced the rise of a new wave of protective measures, which in addition to the already prevailing tariffs and quotas took the form of so-called "voluntary export restraints". Among these, the "Arrangements on Cotton Textiles" (LTA) starting in 1961 was the most prominent one; as a reaction to the installation of the non-tariff-type of trade obstacles the developing countries in connection with the UNCTAD I simultaneously started to demand preferential (non-reciprocal) treatments. It took the EC and other major developed trading partners more than 10 years to actually grant preferential treatment (GSP) in favour of developing countries. As mentioned earlier, the period of gradual liberalization following the introduction of the GSP for some years, was superseded by the new protectionistic wave of the seventies.

In the course of this wave the LTA was transformed into the Multi-Fibre-Agreement (MFA) and further voluntary restraints as well as special duties for imports were levied. Obviously in harmony with the interests of the member countries (and this includes Germany) the Community imposed uni-lateral quota restrictions against imports from Brazil, Hongkong, South-Korea, Spain and Taiwan; France additionally insisted on certificates of origin, thus reinforcing control over imports from developing countries.

In view of these developments, it does not seem to be inappropriate to conclude that the EC in spite of a few initiatives for liberalization has failed per saldo to meet expectations raised by the EC's own statements of intentions. This judgement would quite assuredly hold true for the Federal Republic of Germany, since she actively contributed to the implementation of illiberal practices, although she herself feels more than other member countries espoused to the principles of liberalism. To put it in other words: There is no clear evidence to suspect that the EC policy has increasingly been adverse to Germany's interests; there is rather much support for supposing that the interests of both have developed quite parallelly, at least, as far as policy issues and the motivation with which they were "sold" to the public are concerned.

In connection with this assessment an economist is very much tempted to venture a totally different hypothesis: The Federal Republic of Germany herself has damaged her very own economic (political) interests

by keeping in step with the Community with respect to trade policies, instead of either using her increasing political reputation for taking the lead in effectively enforcing liberal policies in the EC or pioneering respective policies in other international forums. The supposed validity of this hypothesis rests on the experience that protection induced by unemployment and sluggish economic growth has never been an appropriate means to improve the economic record. In other words: So far, no one has succeeded in proving that a trade policy aiming at improving the international allocation of economic activities and increasing welfare is unsuited in situations as described above. The argument supporting protection in order to improve employment omits that the degree of employment in an economy generally can only be regulated via incomes policy (and sometimes via demand-oriented approaches). The experience of the thirties strikingly shows that the application of protective measures in favour of obsolete industries tends to strengthen desintegrating tendencies. It is only too obvious that developing countries' prospects to grow (with the exception of the major petroleum and mineral exporting developing countries) would then be negatively affected and that under these circumstances the growth potential in developed countries would be reduced as well. Consequently, even under unfavourable conditions at home, policymakers in Germany and other developed countries would be well advised to further liberalize.

It might be objected in this connection, that the range for further liberalization is not as large as one might expect, given the various liberalization efforts which, aside from some new protective measures,

have been made by the EC. It is true that on the whole the volume of trade which today is subject to tariffs and other regulations is still smaller than - let's say - during the fifties. But - as already mentioned - protection of the last years has shown a tendency to increase and there is a latent danger of new interventions which will probably do more harm to investors in developing countries than the level of protection itself [6].

As to the present level of protection for which the EC bears responsibility, it is determined by the general discrimination against imports from all non-member countries and - what is more significant - by several special protective measures against developing countries (quotas and export restraint agreements). The general discrimination is a result of the Common Agricultural Policy and a result of the tariff scheme, which is more disadvantageous towards developing than developed countries, since protection is highest for those activities where developing countries are most likely competitive [7].

Much hope has been tied by developing countries to the General Scheme of Preference, which came into existence in 1971. It was expected that the scheme would improve the access to the EC member countries' markets thus counterweighting at least partly the discrimination effects against developing countries resulting from the above mentioned elements of the EC's protective system. First empirical assessments of the preferential effects give rise to the conclusion that the GSP so far was not very successful in creating additional trade with developing countries and

even has resulted in intra-West European trade creation; this was mainly due to the fact that regulations agreed upon, are incomplete, since they are - generally speaking - more generous the less competitive the developing countries' export products are and the more inelastic the export supply is. Additionally, there are ceilings for a number of products of special export interest to developing countries (in particular textiles, leather goods, footwear, petroleum products) restricting the access to the import market of one or more of the liberalizing countries [8]. In view of these characteristics and the trade effects resulting from it, one has to conclude that the welfare gains of the GSP have not been very substantial.

An evaluation of the Community's trade policy vis à vis developing countries would be incomplete without referring to the Common Agricultural Policy and to the Lomé Conventions; as to the former, it is especially interesting to know that the EC's Agricultural Policy per saldo has not changed the individual member country's (including Germany's) agricultural protection vis à vis third countries. This fact seems to be another indicator for the hypothesis that there has been no specific need for Germany to act on her own because protectionistic interests have well been represented by protectionistic EC policies. It has to be added that the agricultural protection, however, was not deliberately directed against developing countries, though it negatively affected these countries as a group most, due to the restrictive handling of their food exports and indirectly due to the practice of throwing subsidized EC-surpluses on the world market; the latter definitely

increased the inherent instability of world food markets via artificially lowering world market prices affecting allocation processes in developing countries [9].

As to the Lomé Convention (which comprises a whole set of various objectives) there are two aspects which merit special attention: trade regulations and stabilization of export earnings from developing countries (STABEX). The Convention enlarged the number of associated countries (by some Commonwealth and African countries) and grants - with the exception of some agricultural products - tariff-free access to the EC-market. The EC has renounced the principle of reciprocity but insists on the application of the most favoured nation principle. While the trade effects altogether might be judged to be predominantly favourable to developing countries - although the Convention leaves much room for emergency protection - the economic effects of STABEX are somewhat ambiguous. Politicians in Germany and elsewhere tend to highly value the STABEX-scheme with regard to the benefits developing countries can derive from a stabilization of their export earnings. According to the scheme, a country dependent on the exports of certain primary commodities gets financial support (loan) in the case where its export earnings fall below a certain agreed-upon level (it has to repay this transfer in times when the respective export earnings exceed the target level). Stabilization of export earnings actually improves the economic situation of developing countries, since they are "protected" against the risks of extremely bad supply and demand conditions; furthermore, the greater stability of the foreign exchange (loan) inflow definitely

improves certainty for planning purposes. At a second glance, it seems as if the EC possibly has even aggravated the developing countries' situation and at the same time damaged its own interests; this notion is based on the following considerations: Firstly, the fact that the Scheme combines the compensation of export instabilities with a transfer of resources to "loan" recipients has very much aggravated the problem of directing the transfers to the most destitute countries. Secondly, the system proved to be too rigid to secure a prompt placing and repayment of loans, they thus occasionally assumed a procyclical nature [10]. Thirdly, the favoured position of specific countries' concentrations on primary commodities in getting loans (as compared to other export activities) at times when export earnings were decreasing has tended to furnish the primary sector with an additional attractiveness for investors and governments; this can - with respect to an efficient international division of labour - result in an economically inefficient diversion of productive resources in the non-manufacturing sector. The positive welfare effects of an increased stability in export earnings may well be outweighed by welfare losses accruing from allocative inefficiencies [11].

As to the distributive effects of the STABEX-Scheme, only countries with excessive fluctuations in their export earnings benefit from transfers. It is not at all clear whether such fluctuations are really a reasonable criterion for the decision to financially support a developing country. How questionable such a regulation in practice might turn to be can easily be demonstrated by the following example: Under the Lomé Convention a relatively highly developed country, with quite unstable export

earnings, might well benefit far more from being granted loans without any obligation to pay interest than an economically weaker developing country with stable export earnings, which has no access to privileged loans according to the regulations of the STABEX Scheme. Furthermore, the built-in relationship between the amount of transfer payments and the extent of export fluctuations (the resource transfers are the greater the higher the export instability is) tends to provoke governments in developing countries to deliberately hold actual export earnings below the reference-level; this has happened several times in the mid-seventies [12].

While the analysis so far has not been able to provide much evidence for the assumption that the EC policy vis à vis developing countries has not been in line with Germany's policymakers' interests in the field of trade policies, it seems as if the German Federal Government has tried to at least partly go its own way as regards the ongoing discussions about the New International Economic Order (NIEO). Although there is no legal obligation for EC member countries to jointly negotiate NIEO-matters, there has been unanimity within the Community that the EC should try to politically act with "one vote".

As is well known, developing countries - especially "the group of 77" - have been intensifying their demands for a reorganization of the existing economic order since 1974; current discussions and negotiations mainly center around proposals for an Integrated Commodity Programme, put forward by UNCTAD, which definitely has become the central element for an envisaged

reform of international trade with primary commodities. The Programme seeks to improve the developing countries' terms of trade vis à vis developed countries and to secure a transfer of resources to the "Third World" by establishing or improving international commodity agreements for those primary commodities which play an important role in the exports of developing countries and by raising the price trend for commodity exports. This programme has to be regarded as a reaction to both the realization that the chances for achieving a worldwide catellization of commodities à la OPEC are small and the experience that the success of the existing commodity agreements has altogether been unsatisfactory. By negotiating multilaterally about international regulations for several commodities it is hoped that not only a higher degree of stability will be realized but also financial requirements for the Common Fund envisaged for the system of buffer-stocks will be minimized. The fourth Conference on Trade and Development in Nairobi in 1976 revealed a fundamental discord between developing and industrial countries, the latter being unable to offer negotiable alternatives to the proposed lines and without a clear concept of the implications of the developing countries demands.

Today the once rather stable front within less developed and industrial countries has proven to be rather unstable. While some industrial countries are still reluctant to give in to the demands of the Third World, others - among them most of the EC member countries - are prepared to meet them without arguing much about the consequences. On the other side the developing countries are beginning to show disharmony: Countries who are

important suppliers of individual commodities on the world market are not prepared to transfer national interests to an international commodity authority.

The Federal Republic of Germany obviously did not feel that her interests were adequately represented by the position taken by the majority of the EC countries. These more or less showed willingness to widely agree to the formation of price-raising cartels by primary commodity producing countries, to the stabilization of commodity prices by forming international commodity agreements between producing and consuming countries, to the stabilization of foreign exchange earnings by a system of compensating finance and to the restructuring of the world industrial production in a way, which increases the share of developing countries from approximately 7 percent (1976) to 25 percent by the year 2000. Furthermore, many developed countries did not seem to have much reservation against the developing countries' demand to claim the right to nationalize foreign investment according to the standards of national rather than of international law.

In light of this position taken by other EC countries it is rather easy to understand why the German Federal Government during the course of the various international negotiation rounds was labeled a "hardliner", i.e. for defending an alternative solution to the problem which lies within a market framework. This position is based on the conviction that a "New World Order" along the suggested lines is not only bound to fail with respect to the objectives of stabilization but also against the genuine interests of the developed as well as the developing countries.

The economic arguments and empirical findings by which Germany's contention is backed up, are complex and can only briefly be summarized here:

- (a) Experiences with administered markets show that there is an inherent tendency to develop an autonomous life. The implementation of buffer-stock systems to regulate worldwide commodity markets would no doubt result in a gigantic system with excessive administration costs; it would also be expected to collapse under the burden of exorbitant financial requirements.
- (b) Economic and social costs of primary commodity storage will be substantial because buffer-stock systems by definition require the input of scarce resources to produce raw materials simply for the purpose of being stored. These costs will be the higher the more relative prices are distorted (that is, the more the administered price deviates from the relative scarcity-value) thus preventing an economically rational exploitation of natural resources.
- (c) Like all traditional methods of raw material price stabilization the Integrated Commodity Programme poses a major problem, that of a correct prognosis of prices, the solution to which determines whether the programme will have the desired results. Under normal conditions consuming and producing countries will have different expectations about the price development. If this were not the

case, price fluctuations would not exist and a "remedy" like the programme would not be necessary. As erroneous prognosis of prices will lead to unwarranted transfers of income either from producing to consuming countries or vice versa, depending on whether actual price developments are below or above the fixed price. There are several reasons why price forecasts are virtually impossible. First, we don't know enough about the development of relative productivity or about how it affects prices. Second, the basis of any prognosis is past development. Once a system of administered prices is in operation we no longer have a basis for prognosis since it is unlikely that such prices reflect an equilibrium situation; such data cannot be used to estimate future trends. Third, even if it were possible to have a commonly agreed correct foresight on future prices, speculation would smooth price trends, and schemes like the Integrated Commodity Programme would no longer be necessary [13].

- (d) Possibilities to successfully raise prices by the cartel-type of agreements for the commodities envisaged, are small, because developing countries' share in world exports and output (and for minerals: share in world reserves) for most commodities is not very large, because the price elasticity of world demand for the respective commodities as well as the price elasticity of supply from "outsiders" are rather high, because competition from substitutes is strong and because the vulnerability of cartel members to economic retaliation by consuming countries is high as well.

- (e) Assuming price stabilization could be realized, this would not automatically lead to a stabilizing of export earnings, because if the causes of price-instability are supply-determined, a successful stabilization of prices tends to increase instability of export earnings.
- (f) In a development context it is not at all sure whether an increase of income in the commodity producing sector - provided it can be achieved by the proposed measures - is an efficient way of reducing the welfare gap between developing and industrialized countries. This point is of particular importance if one visualizes the fact that most of the developing countries are net-importers of primary commodities and thus would have to suffer net welfare losses. Since unstable export market conditions are more unfavourable to economic growth the higher the degree of concentration on a few export goods, developing countries should attempt to diversify their production structure - based of course on their comparative advantage - rather than to rely on improving existing traditional structures. In view of the relatively high demand elasticities of income for manufactures such a strategy should predominantly be biased to manufactured products.
- (g) Achieving an accelerated industrialization process in developing countries implies that the advantages of a specific factor endowment can be exploited by specializing in the production and export of raw material-intensive goods. The whole potential for manufacturing, however, has not been exhausted yet, and it is not likely

that a realization of the UNCTAD-Programme will help to induce these activities. There are two reasons for this notion:

- (1) The stabilization of commodity prices - provided it can be achieved - on an artificially high level tends to discriminate against industries, including those which process natural resources.
- (2) Commodity overpricing creates additional adjustment pressures in industrial countries which might slacken growth, thus narrowing the range for capital-aid for the purpose of investment in the developing countries' manufacturing sector.

These arguments for a long time have been the "backbone" of Germany's strict refusal of the developing countries' NIEO-demands. The developing countries' constant efforts to blame Bonn for taking a "reactionary" position and to politically isolate Germany in certain areas of the Third World, together with Germany's own perception that North-South Relations can probably not be solved by merely "showing off" the advantages of the market mechanism, might have been reason in the recent past to reconsider this attitude. It seems as if, by pointing to the necessity of acknowledging "political priorities", the ranking of criteria within the decision-making bodies might have changed. It is quite in line with the new concept that Germany now principally seems to be prepared to financially support individual buffer-stocks and to regard the "Common Fund" basically as a "clearing pool" for the individual commodity agreements. Other member countries of the EC, however, still are

willing (if one can rely on official statements of delegations) to accept the developing countries' "maximum demand"-approach.

IV. Summary

In summarizing the findings of this paper it can be concluded, that - in a narrow sense - there has been a rather high degree of congruency of development policy objectives between the European Community and Germany. Evaluating the development policies, however, shows that the EC as well as Germany clearly damage their own long-term economic and political objectives by pursuing policies which are motivated with short-term arguments; this holds especially true for the field of international trade relations. As far as the more fundamental issue of shaping the future world economy is concerned the picture is even more diffused: The German Federal Republic has taken a strong, puristic market-economy-stand from the very beginning; in the course of the discussions she has attempted to prevent the Community to jointly agree on a system where the market mechanism is replaced by an ex-ante co-ordination of investment decisions between governments. In the meantime the German position has changed; parallel to the emergence of a more sceptical attitude in other EC countries with respect to supporting the creation of a global system of administered markets (without a residual world market which could take the function of a valve for excess production). the German position has become more pragmatic by offering compromises in various hitherto rejected proposals. Furthermore, it seems that the developing countries' political pressures on Germany have induced a fundamental reconsideration of basic criteria of decision-making, giving more emphasis to political rather than economic priorities.

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- [13] If speculators foresee that the production of a primary commodity will be unusually low tomorrow, they would induce rising prices today. Thus less of the commodity would be consumed today and more of it would be available tomorrow. The fluctuation of the price (the amplitude) would then be less without foresight.

German Industrial and Labor Policy and the European Community

by

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QUESTA PUBBLICAZIONE È DI PROPRIETÀ
DELL'ISTITUTO AFFARI INTERNAZIONALI

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0. Introduction

The question assigned to me in this paper was formulated as "how and whether the evolution of EC policies or other effects resulting from the formation of the Community have modified the structure of Germany's economy. Moreover, how has German policy responded to the formation of the EC".

In such generality it is quite impossible to give conclusive answers. First, the question of the impact of the EC on the German economy depends on what would have happened otherwise. Most analyses take the status quo as benchmark, but it is not unthinkable that Germany would have liberalized unilaterally its foreign trade. Still another reasonable hypothesis is that tariff concessions within GATT would have liberalized world trade much more without the EC than with the EC. A second difficulty for finding adequate answers to the questions asked is that what one would like to know ultimately are the effects on the welfare of German citizens of the formation of the EC. Thus, to show for example that tariff reductions for trade within the EC have increased intra-EC trade is not enough for proving that there are economic gains. But to track down the welfare effects of many policies is not an easy task. Unfortunately, the difficulties do not end here. Industrial policy covers such a wide range of actions that one cannot analyze all of them in detail. It is also not obvious how to delineate industrial policy since most policies have effects on industrial structure and performance.

Industrial policy is generally defined as a set of policies that deal with market imperfections, usually in a specific and discriminatory manner in contrast to macroeconomic policy. The goal of industrial policy is to assist industries in various ways. The motivation behind this goal may reflect concern with welfare of the country (full employment, rapid growth) or with welfare of some interest groups (capital owners, workers in a particular area, etc.). By this definition, policies such as regional, social, and labor market policies are examples of industrial policy.

1. Germany and market integration within the EC

The Rome Treaty layed out a step-wise process of integration from a customs union via an economic union toward, eventually, a political union.

The *customs union* had been achieved, through several stages, by 1968. It represents a geographical area where goods circulate without any tariffs being imposed on them. With respect to trade with non-member countries there is a common tariff. A *common market* would require, in addition, that there be no discriminatory measures applied to producers from the different countries of the EC, such a subsidies, differential tax treatments, etc. In the present section we shall assume the existence of a common market and discuss some problems, related to this assumption, in the next section. The reason for this procedure is that tariff policy by its own has created a customs union while other measures of industrial policy are necessary to achieve the common market.

Creation of and adherence to the EC has always been supported by German governments for primarily political reasons. Economic considerations have been clearly secondary. The participants of the Spaak-Committee expressed however the conviction, shared by German industry, that a common market would be highly beneficial for Germany in economic terms. This was one of the arguments used by France to obtain compensation through an arrangement for agricultural products.

Whether or not the Common Market has been beneficial for Germany or for German industry depends, among other, on what one considers as the adequate basis for comparison. The Minister for Economic Affairs of the 1950's, Ludwig Erhardt, was never a stout supporter of the EC on economic grounds. He rightly defended the viewpoint that world-wide trade liberalization would not only be welfare superior for the world but also for Germany. Worldwide trade liberalization may have encountered greater difficulties than formation of a Common Market for Europe and one may therefore consider this alternative as one that would not have been fully realized. However, economists are able to show that even unilateral tariff reductions are

welfare superior to a customs union⁽¹⁾. It was therefore considered safe to argue that Germany's membership of the Common Market could not have been motivated primarily by reasons of economic efficiency. However, had the Common Market provided a solution inferior to the *status quo* it would be difficult to believe that no major interest group objected to joining the EC. In particular, since German industry supported strongly the EC one would expect that at least industry counted on substantial gains. It seems therefore worthwhile to look at the possible gains or losses for Germany and German industry and their distribution among factors of production.

Traditionally, analyses have been focussed on static effects that are due to improved efficiency brought about by a reallocation of resources. They shift the growth path without, however, affecting the growth rate. Let us start with this argument.

Within the EC domestic industry is not protected anymore from competition arising from other member countries. More efficient producers might be expected to capture market shares of less efficient producers. Going back to Viner one may distinguish *trade creation* where production shifts from one community country to another and *trade diversion* where production is displaced from a non-member country to a member country. I illustrate the argument for the case of trade creation, and for a particular market.

(1) A discussion of this issue, and the relevant references, can be found in Krauss (1972). Against this view one might, however, argue that trade liberalization does not give as much assurance against reversals to protectionism as does the EC, so that the two alternatives are not directly comparable. Furthermore, the objective has not been to create a customs union, but a common market with all other discriminatory measures eliminated.

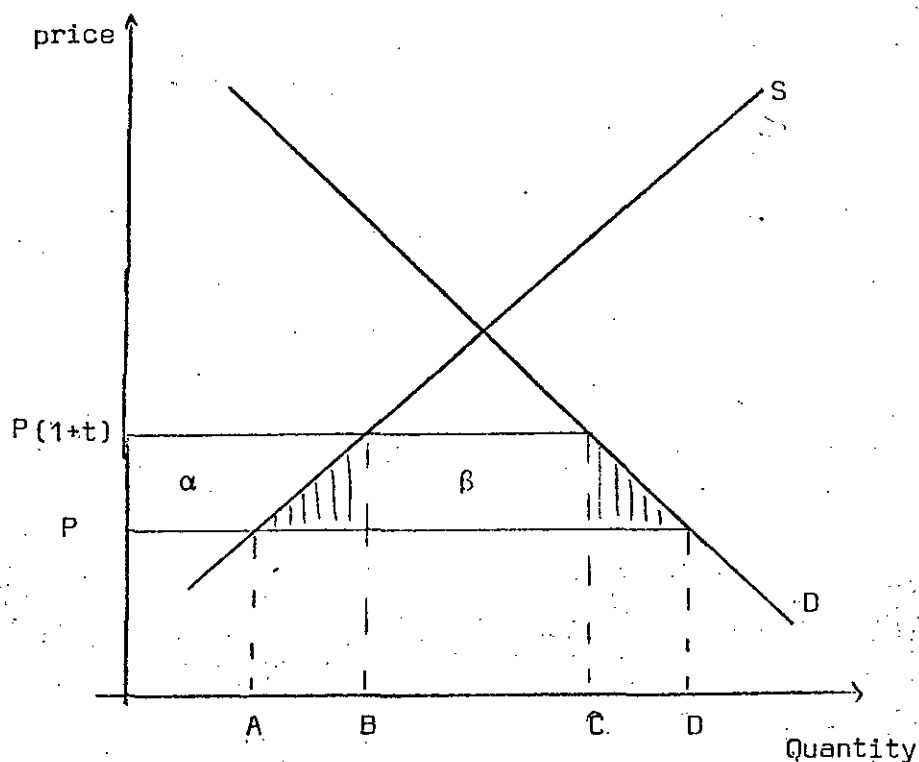


Figure 1

Figure 1 depicts demand of and supply for a particular product in Germany. Suppose that before creation of the EC imports from other EC countries are offered at a price p , on which a tariff rate t was imposed. Domestic consumption is equal to C , production occurs at B and the amount BC is imported. In a Common Market imported goods are offered at price p . Domestic consumption increases to D , imports to AD and production drops to A .

What is the gain from integration? It is the sum of the two hatched triangles, since part of what consumers gain is compensated by a loss of producers' surplus (α) and a loss of tariff revenues (β).

Thus, increased competition leads to a reallocation of resources in favor of more efficient producers. Moreover, this leads to a redistribution of income from industry and government to consumers.

There are at least two disturbing facts about this analysis. One relates to the size of the gain from integration; the other to income redistribution.

Empirical studies of the trade creation, trade diversion effects all reach the conclusion that the gain is inferior to 1 % of GNP for the EC and for any individual country.⁽¹⁾ From Figure 1 we obtain some idea why these gains are insignificant. We can compute the surface of the two triangles very easily if we assume that the slope of the supply and demand curves are identical. In absolute terms the results will not be much affected by a violation of this hypothesis. We now simply have to multiply the increase in imports due to the formation of the EC with the tariff rate and divide by 2.

Prewo (1974) has estimated that by 1970 trade creation was completed and amounted to 40 % of total imports. Applying the average tariff rate of 10 % (before joining the EC) and dividing by 2 one obtains 2 %. This figure can be related to GNP by multiplication with the weight of imports in domestic absorption. This has been between 20-25 % in Germany so that we obtain 1/2 % or less of GNP. Prewo's results are rather on the high side compared to others. On the other hand, had I taken an effective protection rate this would have amounted to 15 % rather than the 10 % of the average tariff rate. Anyhow, the gains seem fairly small and insufficient to warrant integration efforts.

How has Germany fared compared to partner countries ? According to Prewo German imports increased more (in relative terms) than Dutch and Belgian imports but less than Italian or French. This is due to the fact that German tariff protection before 1958 was intermediate to these two sets of countries. Hence, the gain from trade creation was roughly uniform for all countries.

Within Germany who benefitted from trade creation ? According to Figure 1 consumers gained while producers lost. How then is it possible that industry supported the EC while consumers had no particular attitude ?

(1) Balassa (1975, p. 115) arrives at 0.15 % of GNP. Miller and Spencer (1977), using a general equilibrium approach, arrive at 0.16 % for the UK.

I think several important aspects for the assessment of gains for a particular country are neglected in Figure 1 and some of them also in the literature.

(i) I have only talked about trade creation. It is often argued that the interest of German industry consists in trade diversion. Since some of the most important competitors of German industry are outside the EC (USA, Japan, Canada, and until 1973 all EFTA countries) the Common Market discriminates in favor of German industry. Similarly, the Common Agricultural Policy discriminates in favor of French agriculture and to the detriment of overseas producers. I tend not to give much weight to this argument. First, the structures of EC economies are quite similar so that there is a high degree of competition. Second, for most manufactured goods the common tariff does not provide significant protection. This viewpoint is also supported by the empirical studies that reach the conclusion that there has been very little, if at all, trade diversion for industrial products.

(ii) When the overall gains for the EC are computed it is sufficient to analyze imports under the assumption of a given price. When we look at one country we have to consider exports as well. Resources that are displaced by import competition are being absorbed by those industries, or product lines, that increase exports to preserve trade balance.

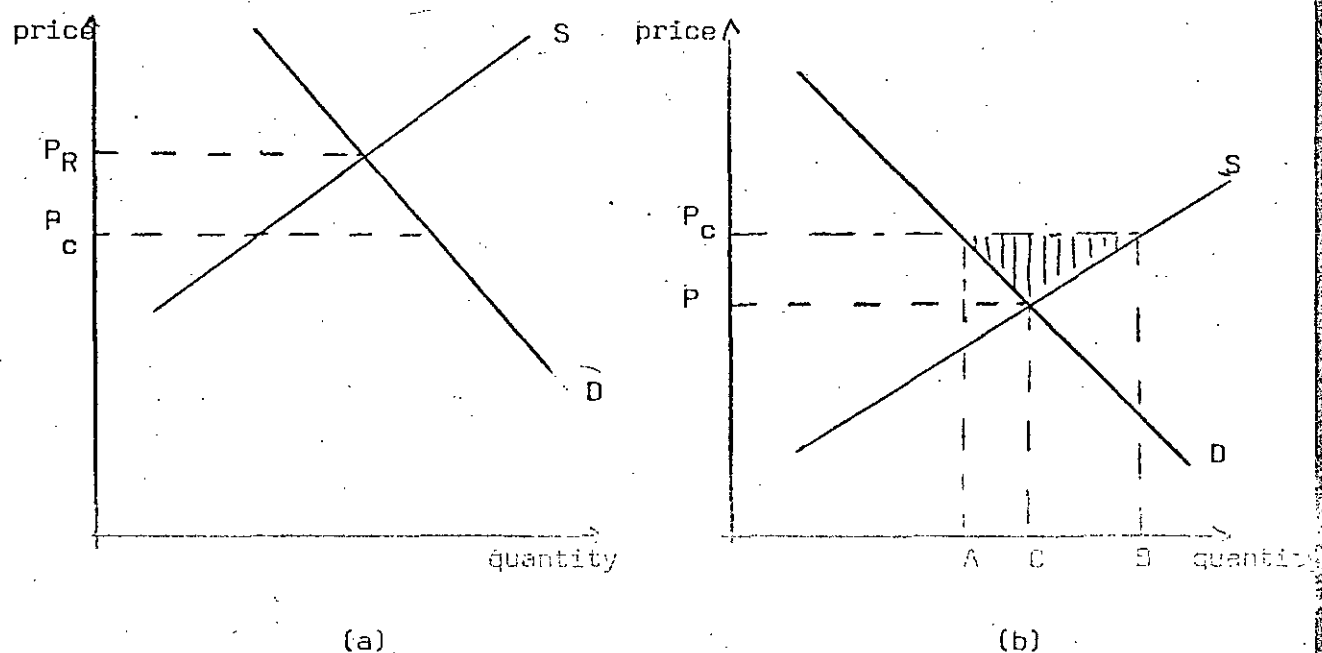


Figure 2

Figure 2(a) shows demand and supply in the rest of the EC. Figure 2(b) demand and supply in Germany. For simplicity suppose that tariffs before forming the EC were such as the prevent trade. The price in Germany is then P , the price in the rest of the EC P_R . Elimination of the intra-EC tariff now leads to exports from Germany to the rest of the EC at the equilibrium price P_C . The net gain for Germany is equal to the hatched triangle. German consumers actually experience a drop in welfare that is, however, exceeded by the gain of German producers.

This elementary consideration is important because it provides at least partial answers to the two problems posed by the previous analysis.

First, the overall welfare gain for Germany *is not* adequately measured by looking at imports only. We have to *add* gains accruing at the export side. They are equal to the increase in exports induced by intra-EC tariff reductions (AB) times the increase in German export prices due to larger supply, divided by 2. The gain obtained on the import side may then be doubled. But even then, the total gain is still fairly small.

Second, and more important, income is redistributed toward producers. However, since German industry loses on some products and gains on others it is not possible to establish whether it realizes net gains. At any rate, they cannot be substantial so that we still need more convincing reasons.

(iii) So far it has been assumed that demand and supply curves are unaffected by integration. This may be a useful assumption for demand but not for supply. We may distinguish two types of efficiency ; allocative efficiency (i.e., how resources are attributed to different activities) and X-efficiency. The latter concept applies to the organizational efficiency within firms. It is indeed often argued that market integration does eliminate slack, forces firms to search for new products and the best pro-

duction methods, etc. In other words, the supply curves in figures 1 and 2 shift downwards, increasing therefore producer surplus. This is shown by the hatched area in figure 3.

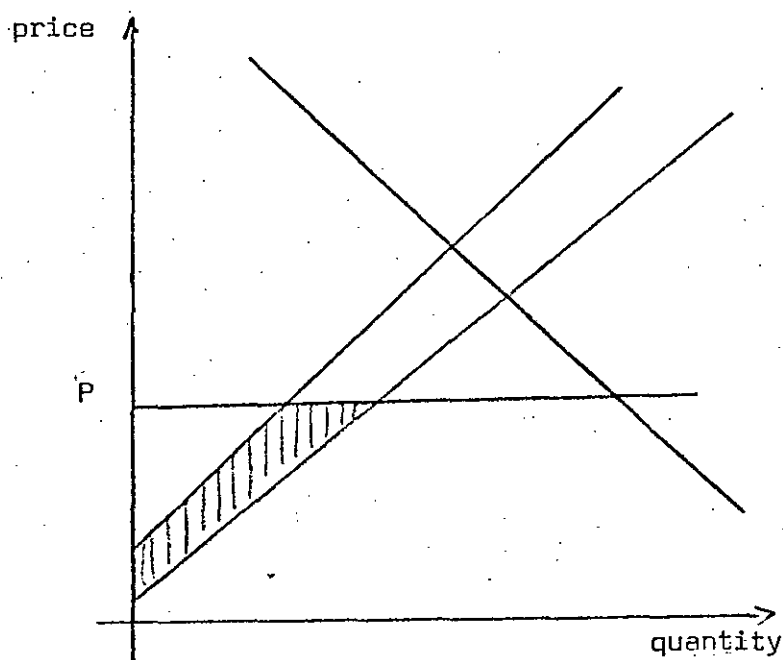


Figure 3

Similar gains may also be realized on the export side where they would also affect extra-community trade.

It is difficult to obtain numerical estimates for this gain in productivity. Balassa (1975) uses an estimate by Walters (1963), according to which in the first half of the century a doubling of inputs in the U.S. non-agricultural sector was accompanied by an approximately 130 percent increase in output. This estimate includes the effects of intensified competition and of economies of scale. Balassa then calculates a 2.3 percent of GNP gain for the EC. I consider this estimate too high for Germany. First,

the German market and available export markets even in the absence of the EC, are large enough to allow German industry to fully exploit potential economies of scale.⁽¹⁾ There are a few exceptions such as nuclear energy, aircrafts and computers-but for those products an integrated market does not exist anyhow. Second, with regard to X-efficiency, the gains are certainly substantially lower for German industry than for the French and Italian industries. Germany was less tariff protected than those countries, has been less interventionist on internal markets and less defensive to foreign investments. Due to this more liberal environment competition on most German markets has been fiercer than in Italy and France, allowing less slack to exist.

Thus, we have again to add something to the total welfare gain - a gain well below 2 %. In figure 3 it is assumed that foreign productivity remains constant. If this is not the case then both domestic consumers and producers benefit.

(iv) Another possible source of gain is following. Suppose that due to rigidities and distortions in the economy the value of the marginal productivity of factors of production is not equalized throughout the economy. For example, unskilled agricultural workers tend to earn less than unskilled construction workers. Now, those sectors where value-added per unit of capital is lowest are the most liable to see their activity reduced through integration. If we assume that the amount of labor and capital released in figure 1 is used to expand production in figure 2(b) then this argument amounts to saying that the area under the supply curve with base AB in figure 1 is less than the area under the supply curve with base CB in figure 2(b). Total value-added thus would be augmented increasing either the real wage rate or profits, or both.

(1) Müller and Hochreiter (1975) show that in all industries of their sample total sales exceed several times minimum optimal plant scale.

Again I am agnostic about the numerical importance of this argument for German industry.⁽¹⁾ Within industry there are fewer distortions in Germany than in most partner countries. And precisely in those sectors where productivity is low no significant change has occurred. For example, a shift of resources from agriculture to industry could have significantly increased value-added. But this shift is being prevented by national support policies as well as the Common Agricultural Policy. Other examples can be found such as the railways, naval construction, etc.

(v) Integration allows a higher degree of specialization. If comparative advantage leads to a resource reallocation toward those industries that are fast-growing then integration affects not only static efficiency of the economy but also its growth rate. Balassa (1975) shows, however, that there has been very little inter-industry reallocation of resources (but substantial intra-industry reallocations) in the EC. In section 2 I have a closer look at industrial structure and show that the share of fast-growing industries has not increased in Germany since 1958, in contrast to what happened in other countries of the EC. It seems therefore that reallocations may not have had a significant impact on the growth rate which has been fairly low in Germany since the mid-sixties.

[1] Gains could be somewhat larger if increased international competition reduces also monopoly power on domestic markets. In view of the probably minor effect of the EC on competition in Germany and the well-known insignificance of those welfare gains the results would not much be affected. Moreover, optimal firm size adjusts to larger market size. The increase in concentration has been such in the EC that it is not clear whether market power has really been reduced.

(vi) Resource reallocation through higher competition should obey the dictates of factor-proportion theory. Since Germany is generally considered as a capital-rich country the Stolper-Samuelson theory implies that real rates of return to capital should have benefitted from intra-EC trade liberalization, to the detriment of wages. As I shall argue in section 3 labor immigration had similar effects.

Although no counter-proof of these propositions, Table I shows that profit-rates in most industries follow a downward trend since 1958. Other phenomena, such as higher competition, increase in union power, and increased taxation may more than offset the above arguments.

(vii) Formation of a Common Market also may have affected the terms of trade. Petith (1977) situates the terms of trade gains for the EC between 0.3 and 1.0 percent of GNP for the EC. It is easy to show (see Petith, p. 266) that the largest terms of trade gains belong to the members that are either small or had the lower initial tariffs. An estimate for Germany is thus well below these figures and can be considered as insignificant.

(viii) Integration effects on investment and saving are often mentioned in the literature. I shall not review them since no strong theoretical argument or empirical finding is available.

However, in Table II the evolution of investment from 1958 to 1970 is shown on a sectoral basis. This evolution is, of course, also due to other factors than the EC. But, at any rate, investment rates in most sectors have declined, sometimes substantially, from 1958/64 to 1964/70. Also the rhythm of replacing labor by capital has slowed down (we return to this problem in section 3).

(ix) In order to show the interests for industry to join the EEC it may be more relevant to compute gains relative to industry's share in GNP than relative to GNP itself. This share is roughly equal to 50 % so that all results should be doubled to obtain the relevant gain for industry. Adding (i) to (viii) then yields a non-negligible percentage of value-added by industry.

TABLE I
Profits in selected industries
1958, 1964 and 1970 (percentages)

Industriegruppe bzw. -zweig	Bruttoumsatzrendite ^a			Auslastungsrendite					
	1958	1964	1970 ^b	Bruttokapitalrendite ^a			Bruttokapitalrendite ^a		
				I			II		
	1958	1964	1970	1958	1964	1970	1958	1964	1970
Gruppe I									
Zellstoff-, Papier- und Papp- erzeugung	15,7	11,5	11,3	21,0	10,6	9,1	20,1	9,9	7,5
NE-Metallindustrie	12,6	17,7	18,3	24,0	25,9	17,3	23,4	22,4	26,3
Papier- und Pappverarbeitung	13,9	15,3	16,8	41,4	33,3	29,3	29,8	25,7	24,8
Bekleidungsindustrie	11,4	9,7	10,6	50,6	34,7	29,2	26,4	15,7	14,4
Textilindustrie	12,3	12,3	16,0	22,9	19,3	17,6	18,2	16,0	15,1
Eisen- und Stahlerzeugung	14,8	12,1	8,6	25,1	14,3	8,7	25,0	14,2	3,6
Feinverarbeit.	19,8	18,7	15,0	30,1	23,5	14,8	22,2	18,3	10,8
Eisen-, Stahl- und Temper- gießereien	12,0	12,4	15,7	19,2	15,9	15,5	18,8	15,4	15,4
Lebenerzeugung	13,0	16,8	18,7	50,0	55,9	43,1	29,6	40,4	32,7
Holzverarbeitung	11,8	16,7	19,9	30,4	37,4	34,0	28,7	34,5	34,2
Gruppe II									
Glasindustrie	14,2	17,7	23,5	30,6	27,1	26,1	25,6	23,9	24,0
Gummi- und Asbestverarbeitung	16,7	13,9	8,6	33,4	23,0	11,0	34,4	20,1	9,0
Chemische Industrie	20,7	16,8	15,4	11,9	16,2	16,0	19,1	15,4	15,2
Schuhindustrie	11,6	9,9	3,1	32,4	23,7	18,8	22,2	15,2	9,0
Stapel- und Holzverarbeitungswerke	15,5	14,5	18,3	25,1	19,8	15,8	25,7	19,2	18,5
ESM-Industrie	13,8	16,0	13,7	40,0	34,6	22,3	34,7	31,1	20,2
Ledererzeugung	- 1,2	0,9	18,9	- 3,9	2,1	15,8	- 7,3	- 0,4	17,8
Musikinstrumente, Sport- und Spielwaren	19,5	21,1	21,2	82,9	63,4	43,6	66,6	52,9	36,5
Kunststoffverarbeitung	22,3	17,9	16,8	65,0	38,8	25,4	57,5	32,1	22,5
Straßenfahrzeugbau	23,3	16,4	11,7	47,7	25,8	13,6	47,6	25,1	13,0
Druckerei, Vervielfältigung	20,6	23,2	29,6	29,4	34,8	30,2	24,3	30,5	27,6
Elektrotechnik	18,3	16,0	8,0	41,0	20,8	13,5	37,0	16,6	9,7
Ziehwerke und Kaltwalzwerke	14,3	10,6	16,0	30,1	18,1	23,7	25,3	17,4	25,0
Pumpebau und Optik	15,1	13,9	12,3	29,1	23,0	16,4	22,7	17,9	11,0
Steine und Erden	27,8	28,4	20,3	37,8	30,0	13,5	37,5	29,9	15,4
Gruppe III									
Maschinenbau	17,4	15,8	12,1	32,6	26,5	17,7	31,8	25,8	17,2
Stahl- und Leichtmetallbau	9,1	6,3	6,2	32,4	17,5	17,2	21,7	17,0	18,7
Bergbau	28,0	31,4	36,3	14,2	12,8	13,1	14,2	12,6	13,1
Industrie insgesamt^c	16,6	14,8	13,5	27,3	21,1	16,2	24,7	19,2	14,5

^a Zur Berechnung vgl. Anhang E. - ^b Umsatz ohne Mehrwertsteuer. - ^c Ohne Luftfahrzeugbau und Schiffbau.

Source : Donges et al. (1973)

TABLE II

Investment and labor-saving effects of investment
in selected industries 1958-1970

Industriegruppe bzw. -zweig	Investitionsquote ^a		Investitionsrate ^b		Arbeitsparender Effekt der Investitionen ^c	
	1958/54	1964/70	1958/54	1964/70	1964/58	1970/54
Gruppe I	12,8	10,4	78,6	55,3	0,79	0,73
Zellstoff-, Papier- und Papierherzeugung	17,5	16,3	70,8	56,3	0,54	0,90
NE-Metallindustrie	14,8	13,8	57,8	54,0	0,49	0,36
Papier- und Papierverarbeitung	10,8	10,9	143,3	57,4	0,64	0,66
Textilindustrie	5,6	4,3	91,0	53,8	0,66	0,77
Textilindustrie	11,5	10,0	66,6	48,7	1,63	0,55
Eisen- und Stahlerzeugung	20,3	14,0	91,2	49,5	0,65	0,67
Feinkeramik	9,4	8,9	77,3	57,7	1,01	0,72
Eisen-, Stahl- und Tempergießereien	11,2	8,7	68,0	48,1	0,61	0,70
Lederverarbeitung	4,5	3,9	63,9	45,6	0,77	0,72
Holzverarbeitung	7,7	7,3	86,3	62,3	0,79	0,61
Gruppe II	13,1	11,0	97,7	74,9	0,55	0,53
Glasindustrie	11,9	11,6	123,1	89,7	0,78	0,63
Gummi- und Anbaueverarbeitung	10,2	11,1	87,3	81,7	0,44	0,47
Chemische Industrie	16,8	13,8	72,1	76,1	0,38	0,46
Schallindustrie	5,9	5,4	61,2	41,2	0,93	0,84
Säge- und Holzbearbeitungswerke	12,7	12,2	70,0	56,6	0,92	1,00
PSM-Industrie	9,1	8,6	107,4	75,7	0,67	0,61
Lederherzeugung	8,8	7,1	61,8	33,6	1,23	4,02
Musikinstrumente, Sport- und Spielwaren	5,7	6,8	113,9	103,0	0,91	0,79
Kunststoffverarbeitung	15,1	11,3	233,6	142,7	0,35	0,34
Strassenfahrzeugbau	17,7	14,6	147,0	83,5	0,44	0,36
Druckerei, Vervielfältigung	11,1	8,5	96,5	63,3	0,67	0,54
Elektrotechnik	10,1	7,3	92,6	66,8	0,52	0,43
Zielerreuter und Kälteanlagen	12,1	10,8	63,7	52,4	0,76	0,42
Feinmechanik und Optik	8,8	8,4	89,7	71,7	0,76	0,51
Steine und Erden	15,7	13,1	128,1	71,0	0,66	0,94
Gruppe III	10,8	9,2	61,3	38,2	0,74	0,56
Maschinenbau	9,0	9,1	80,9	62,6	0,57	0,42
Stahl- und Leichtmetallbau	6,5	6,0	82,0	53,9	0,69	0,60
Bergbau	15,0	10,7	48,3	22,2	1,62	2,14
Industrie insgesamt^d	12,2	10,4	81,8	61,3	0,66	0,58

^a Summe der Bruttoanlageinvestitionen zu Summe der Nettoproduktionsvolumen, jeweils in Preisen von 1962.

^b Summe der Bruttoanlageinvestitionen zu Bruttoanlagevermögen des Basisjahres, jeweils in Preisen von 1962.

^c Änderungsrate der Kapitalintensität, gemessen als Bruttoanlagevermögen in Preisen von 1962 je Beschäftigtenstande, zu Investitionsrate. ^d Ohne Luftfahrzeugbau und Schiffbau.

Source : Donges et al. (1973)

(x) The customs union was only considered as a step toward an economic union. German industry might have expected that policy makers at the EC level will understand and represent the interests of industry as has been the case in the national framework. The benefits from a European representation in international issues such as trade agreements, north-south dialogues, etc. are likely to be substantial; of similar importance is the harmonization of the internal business climate and the socio-legal framework.

From this discussion I derive the following conclusions. There are overall gains from integration. The traditional calculations of static reallocation gains is certainly an underestimation of those gains and fails to show what motivates German industry to support the EC. I then argued that there are a variety of possible additional gains for German industry, some representing income redistribution toward industry. Hence, the gains for German industry are quite substantial so that it is easily understood why industry was favorable to joining the EC. However, adding up all possible gains still does not yield impressive sums for the German economy. It also seems that while the adjustment to an integrated market was less painful to the German industry than to others, because structure and performance was high at the outset, the gains *cannot exceed* those of other countries. Moreover, since I discarded the trade diversion argument for German industry, a free trade arrangement (multilaterally or unilaterally) would have been still better.

2. Industrial policy in Germany and the EC

In the preceding section I have argued that the gains from the integration of product markets cannot have been substantial for Germany although more important for German industry. The arguments have to be extended into two directions. First, increased competition and reallocation of economic activity is sometimes painful and costly. We have therefore to discuss changes in economic structure and the policy measures aimed at easing the adjustment process. Second, more than a customs union has been achieved by European industrial policy. Factor market integration is relegated to section 3. Other domestic or EC policies are discussed in this section.

2.1. Changes in industrial structures

As mentioned already in section 1 the EC has not led to vast inter-industry shifts. In no country have we seen entire industries disappear due to lower productivity than elsewhere in the EC. Partly this is due to defensive measures taken by governments. Although the Rome Treaty allows for such measures to ease adjustment the extent to which national governments have recourse to such policies is clearly outside the spirit of the Rome Treaty.

Another reason is that, in general, technology, factor proportions and market structure vary substantially from product to product so that relative competitiveness also varies from product to product, leading to intra-industry specialization. The speed of adjustment is in this case much higher and the cost substantially lower than with inter-industry specialization. Reallocations can usually be carried out within existing firms and at existing locations.

In the late 50's Germany had already a widely diversified and specialized industrial structure with heavy concentration in fast-growing industries (automobiles, chemicals, machinery, electrical equipment). The structure of other countries, less diversified initially than those of Germany and less concentrated in fast-growing sectors, moved during the 60's and 70's much closer to the German structure. This means that more important inter-industry shifts occurred elsewhere than in Germany. The importance of certain sectors such as steel, or automobiles has risen much more rapidly in Italy and France than in Germany. Table III gives an overview for broadly aggregated groups.

TABLE III
Contribution to domestic value-added in 1960 and 1973
at constant prices of 1970

	1960						1973					
	D	F	I	GB	NL	B	D	F	I	GB	NL	B
1. Agriculture	4.1	8.9	12.3	2.8	7.5	7.8	3.1	5.6	7.8	2.9	6.1	3.7
2. Energy	5.0	5.5	4.6	5.0	3.8	4.5	4.9	6.6	6.1	4.6	6.2	6.2
3. Intermediate products	7.2	6.1	5.2	5.4	4.5	6.5	8.8	7.3	7.2	6.3	6.8	9.8
4. Investment goods	16.4	9.1	6.3	12.9	9.0	5.7	16.9	12.9	8.0	13.1	9.6	9.3
5. Food, drinks, tobacco	5.6	5.6	4.3	3.1	5.7	5.8	5.5	4.7	4.6	3.2	5.1	5.3
6. Consumer goods	9.0	8.6	7.7	8.1	7.1	7.6	8.6	8.1	8.5	8.0	6.1	8.1
7. Construction	8.2	8.4	10.4	6.6	6.9	3.4	8.2	9.6	7.5	6.8	7.4	7.6
8. Services	44.5	47.9	49.3	56.0	55.5	53.2	44.1	45.1	50.2	55.1	52.6	50.1

Source : Expert report to the EEC (1978)

Another way of showing the changes that occurred in the EC (but not necessarily due to integration) is to calculate an indicator for sectoral adjustments. In a report to the Commission a group of experts has calculated the following indicator⁽¹⁾. The difference between the contribution to GDP in 1960 and 1973 is calculated for different sectors. Their arithmetic averages are taken as indicators for sectoral adjustments. If sectors are broadly aggregated (11 sectors) Germany shows by far the lowest adjustment. On the basis of 25 sectors, however, the UK drops substantially while the German indicator increases to the level of the UK. This can be interpreted as follows : in broad categories the structure of the German economy was much more adequate in 1960 than those of other countries. Fewer adjustments were necessary but it is also likely that leadership has been lost through reduced dynamism and a lack of innovation. However, within broad groups the German economy has been more flexible and adjusted more than, for example, the U.K. economy.

In the same study a distinction is made between fast-growing industries and others. Are considered as fast-growing those whose average growth rate from 1960-1973 has been superior to the average growth rate of the economy by at least 30 %. This group consists for Germany mainly of petrol, chemicals, precision instruments and computers, plastics, gas and transport equipment. A comparison with other EC countries (based on their proper fast growing industries) is shown in Table IV.

Table IV reveals that France and the Netherlands were able to increase most the share of the exports of fast-growing industries in total exports. Particularly striking is the increase of those imports that compete with the fast growing sector in Germany.

This reveals again high competitive pressure and gradual elimination of structural differences in the EC.

2.2 Industrial policy in Germany

Structural changes in the EC have not been the pure result of market forces but have also been influenced by policy measures. Two useful distinction may be considered : defensive vs. activating policies, and national vs. EC policies.

(1)

Rapport du groupe d'experts d'analyses sectorielles (1978).

TABLE IV

Production, exports and imports of fast-growing sectors (current prices)

	1963			1970		
	Value added*	Exports	Imports	Value added*	Exports	Imports
GERMANY	28.2	41.6	19.8	37.1	47.1	37.5
FRANCE	33.2	35.8	32.5	39.3	43.8	47.7
ITALY	30.7	33.4	37.8	36.4	35.3	43.9
U.K.	30.2	39.4	25.6	35.5	40.6	35.8
NETHERLANDS	28.2	44.1	44.7	37.9	52.9	49.1
BELGIUM	38.8	66.8	64.4	54.8	66.1	69.5

* Value-added with services and constructions excepted.

Source : Expert report to the EEC (1978).

In particular France and Italy have had recourse to defensive measures in order to alleviate some of their industries from increased competitive pressure and give them enough time (?) to achieve their adaptation. Individual measures will not be discussed here since imagination sets no limits to policy makers in this area.

In Germany, due to a relatively high degree of competitiveness and the basically market-oriented philosophy of the government no *sizeable* defensive measures have been taken⁽¹⁾. Exceptions fall outside of my subject definition. One exception is agriculture. The others are the supports given to the coal industry, ship-building and textiles. Problems of those industries have not, arisen from market integration within the EC but from outside competition (over-seas coal and oil, Japanese shipbuilding, etc).

Industrial policy was used in Germany, as elsewhere, to assist firms in "future" industries. Three major tools have been used : subsidies of various kinds, support of R + D, and support to economic concentration. Let us start with the last approach.

Servan-Schreiber was perhaps the first to argue that one way of taking up the challenge of U.S. industry would consist in concentrating economic activity in firms of a size comparable to the large U.S. firms. He saw in the EC the chance to pull resources in different European countries together to rival eventually U.S. companies.⁽²⁾ To an economist these arguments have always been suspect since size does not often correlate with efficiency. On an *a priori* basis it is quite obvious that, at least for Germany, domestic markets and export outlets are sufficient for firms to attain optimal size. A process of increasing concentration has, of course, occurred in Germany, partly to adjust to a larger market, but it is doubtful that beyond that this has increased performance. This doubt is supported by an empirical study of the effects of concentration in the EC by Jacquemin and Cardon (1973) who conclude that "the actual increase in economic concentration does not bring superior results in terms of profit or growth rates along with it".

(1) Another reason may be that German industry enjoyed during the 60's, already the macroeconomic advantage of an undervalued exchange rate.

(2) An example of how size and efficiency are being married provides the following quotation from Mahotiére (1970) p.73 : "The Common Market's best performance is in motor cars, where Fiat, Volkswagen, and Renault/Peugeot come immediately behind the three American giants,..."

Italian and French governments have frequently organized, or favored, mergers. So has the German government, but only in a very few cases - perhaps because mergers and internal growth of large firms have been high even without aid. One example is Ruhrkohle AG where all former coal companies were merged together. Another example were the (partially unsuccessful) efforts to assist creation of a national oil company. At present subsidies to the aircraft industry are tied to the recommendation for the two major producers to join hands. In all these cases quite defensible economic reasons led to those interventions. Thus, with few exceptions, the German government consistently continued to believe in market forces. This also applies to take-overs of German firms by foreign enterprises, sometimes even in "sensitive" areas, such as the take-over of Deutsche Erdöl by Texaco which was not opposed by the government.

Not only did German governments not believe in Servan-Schreiber's policy recommendations, quite to the contrary, German competition laws are, by European standards, quite severe and the Kartellamt has shown itself vigilant. The Kartellnovelle (1973) has introduced the possibility to control mergers so that articles 85 and 86 of the Rome Treaty, eventually amended for control of mergers as proposed in the Memorandum of 1973 would not increase the severity of competition laws for German firms.

A second approach consists in subsidizing industry. Instead of discussing various forms of subsidization I shall use the concept of effective protection. Donges et al. have computed the effective protection rates shown in Table V⁽¹⁾. These rates take account of tariffs, subsidies, indirect taxes, depreciation rates, etc.

Table V yields the following information with regard to imports from the EC. Only two sectors enjoy high protection : non-ferrous metall founderies and producers. Particularly insignificant is pro-

⁽¹⁾ The formula for computing the total effective protection rate can be found in Donges et al. (1973), p. 81.

tection for investment goods. We may conclude from these computations that for producers from other EC countries access to the German market has been completely liberalized.

Such a conclusions would not hold for third countries. Protection rates are very high for some industries (aircraft industry : 73.2 %, oil refining : 168.4 %, coal mining : 123.8 %). While protection has decreased for EC trade, protection from imports from third-countries has increased in most industries.

A third way to assist industry consists in financing R + D. Public expenditures on R + D increased substantially from 5.6 bill DM in 1969 to 12.2 bill DM in 1974⁽¹⁾. Three sectors of the economy have most benefitted from this aid : computers and telecommunications, energy, and aircrafts. Due to varying forms of support (research financed at universities, subsidies given to firms, government purchase of outputs) it is, however, difficult to make sense out of these figures and compare them internationally or assess their effects on growth.

2.3 European industrial policy

Industrial policy is not explicitly covered by the Treaty of Rome. A comprehensive treatment of industrial policy had to wait until the Memorandum on Industrial Policy, , 1970, and for the Summit meeting of Paris in 1972 where the necessity of a common industrial basis for the Economic and Monetary Union was stressed. However, the global approach of the 1970 Memorandum was already abandoned in 1972, partly due to the political difficulties of such an approach, partly due to some unrealistic aspects. In 1972 it was already realized that the fear of the American Challenge was overrated and that some of the measures proposed were of dubious effectiveness. In particular, the negative effects of increasing concentration of economic power received more attention while the importance of competi-

⁽¹⁾ Bundesforschungsbericht V, p.81.

TABLE V
Effectiv total protection rates on imports
from EEC and third countries

Industriezweig	Effektive Gesamtprotektion			
	1958	1964	1970	
	gegenüber Einfuhren aus			
	Deutschland	KWG-Ländern	Drittländern	
Bergbau ^b	0,8	52,2	3,6	102,1
Steinkohlenbergbau, Kokerei	0,5	65,6	4,1	123,3
Braun- und Bunksteinbergbau	2,2	3,4	0,2	2,9
Erdöl, Erdgas und bituminöse Gesteine				
Sonstiger Bergbau	5,4	3,1	2,9	2,5
<u>Grundstoffe und Produktionsgüter- industrien^c</u>	23,5	30,2	5,3	15,4
Steine und Erden	1,6	12,0	0,4	4,4
Eisen- und Stahlerzeugung	33,3	39,4	5,9	23,8
Eisen-, Stahl- und Tempergießereien	13,4	21,4	2,7	16,7
Zugereien und Kaltwalzwerke	5,6	3,5	3,9	7,3
NE-Metallherzeugung	31,4	68,2	22,8	39,3
NE-Metallgießereien	35,6	73,7	14,2	39,4
Mineralölverarbeitung		60,5	0,8	164,4
Chemische Industrie	18,0	24,6	5,1	16,0
Sägen- und Holzbearbeitungswerke	15,9	19,0	3,6	13,1
Zellstoff-, Papier- und Pappeherzeugung	51,3	53,5	5,6	42,1
Gummi- und Asbestverarbeitung	27,8	29,2	5,1	15,7
<u>Investitionsgüterindustrien</u>	5,5	9,3	1,0	7,4
Stahl- und Leichtmetallbau	0,6	5,8	0,2	3,0
Stahlverformung	10,6	21,0	3,9	12,3
Maschinenbau	0,6	4,0	0,4	3,7
Straßenfahrzeugbau	11,0	14,5	2,3	9,4
Schiffbau ^d	(- 14,9)	(- 14,8)	(- 2,6)	(- 10,9)
Luftfahrzeugbau ^d	(24,0)	(1,8)	(3,5)	(73,2)
Elektrotechnik	5,1	9,2	0,4	8,1
Femmechanik, Optik (ohne Uhren)	3,4	7,9	1,2	6,9
Uhrenindustrie	2,7	5,5	1,2	4,5
EBM-Waren	8,4	15,3	2,5	11,6
<u>Verbrauchsgüterindustrien</u>	20,4	24,4	3,6	20,6
Feinkeramik	5,5	18,3	1,7	18,7
Glasindustrie	16,7	22,8	3,0	15,1
Holzverarbeitung	23,1	24,3	2,1	17,5
Musikinstrumente, Sport- und Spielwaren	6,3	13,8	2,8	10,6
Papier- und Pappeverarbeitung	29,7	29,2	5,9	27,4
Druckerei, Vervielfältigung	4,3	9,6	1,3	8,3
Kunststoffverarbeitung	8,8	13,0	1,6	9,5
Lederherzeugung	11,6	13,0	3,1	11,2
Lederverarbeitung	21,0	26,3	3,8	19,1
Schuhindustrie	26,2	30,6	4,4	15,1
Textilindustrie	24,9	29,3	5,2	25,6
Bekleidungsindustrie	20,9	26,0	3,2	25,1
<u>Industrie insgesamt^{b,c}</u>	14,9	22,1	3,4	19,3

^aUnter Zugrundelegung der Input-Output-Matrix des Ifo-Instituts für die Jahre 1961 und 1964. - ^bOhne Erdöl, Erdgas und bituminöse Gesteine. - ^cOhne Mineralölverarbeitung. - ^dVgl. Ziffer 42.

Source : Donges et al. (1973).

tion and the efficiency of small and medium-sized firms for activities such as R+D became better appreciated. The need for a more rigorous competition policy, rather than exclusive reliance on industrial concentration was stressed.

In the action program of 1973 ("Spinelli-Memorandum") the part of active industrial policy was correspondingly much reduced and mostly confined to aid in future technologies and in sectors with serious adjustment problems (naval construction, textiles, etc.).

The German government's view on the rôle of European industrial policy has been very different from those held by several partner governments and has shaped to a large extent the final form of the action program. The German government has supported any policy serving to reduce trade obstacles within the EC and to increase the degree of integration. Fall under this leading policies such as harmonization of technical and legal prescriptions, public orders, competition laws, and improved control of public subsidies.

As far as active policies are concerned, the German government objected to most of the initial proposals of the Spinelli-plan such as EC guidelines for investment projects to base structural change on a common strategy; declaration of investment projects in critical sectors to the Commission to allow elaboration of recommendations, and increased financial engagement of the EC in "priority" or "critical" sectors; creation of a European export-import bank, etc. The basic reason for this attitude is the relatively stronger belief in market forces and the distrust of bureaucratic interventions by the EC that prevails in Germany compared to some other European countries.

Turning now to specific issues, the choice of high-technology sectors for action on the level of the EC suggests immediately comparison with national programs.

However, European industrial policy has been particularly unsuccessful in this respect due to lacking commitment by partner countries. Neither has the Commission been able to make *precise* proposals, nor have existing frameworks (e.g. Euratom) been adequate. Also government assisted private plans for cooperation failed (computers). Those projects that have been realized are inter-governmental arrangements, independent of the EC. Whether these realizations (Airbus, Concorde, MRCA, etc) are success stories is still doubtful although for European countries to remain in these markets of advanced technology it may be necessary to socialize the short-run losses of these projects. A Common European Policy would certainly be preferable, in this respect, to bilateral arrangements, but agreements on such projects are very difficult to achieve. The German Government has, in general, a very positive attitude toward bilateral or multilateral projects but not to the extent where it would ignore costs. With the exception of Concorde (for good reasons) the German government has been participating full-heartedly in all major projects.

An implication of the Servan-Schreiber thesis is that within the EC, firms from different countries should merge to approach American sizes. Such a viewpoint is also expressed in the Memorandum on Industrial Policy (1970). Few transnational mergers have occurred, however. Nor has there been a wave of important take-overs. The major examples of mergers of German firms with firms in other European countries are Agfa-Gevaert, Hoesch-Hoogovens, and VFW-Fokker. German industry has invested in the rest of the EC, but less than overseas. This is easily understandable since the major reasons for foreign investment seem to be lower factor costs and overcoming tariff and transport barriers. On both accounts there is little reason to invest in the EC. The major foreign investors in Germany are the U.S. and Switzerland. No noticeably increase of investment by partner countries can be discerned.

Transnational mergers are still formidably difficult. A European Company Law certainly would help but would not make all difficulties disappear. Resistance of national governments, organizational differences, etc. would still have to be overcome.

Recently, the Commission represented by Mr Davignon has been very active in suggesting solutions for industries that are particularly affected by the current recession. The basic idea here is not progress through concentration as above, but orderly retreat and adjustment through cartellisation. The German government agreed to the measures taken for steel and textiles with severe reservations. It strongly objects taking these cases as examples for other. The government accepts the idea of a truly temporary emergency measure but believes that industrial restructuration should not be prevented and that the most important motor for industrial adaptation is competition⁽¹⁾.

2.4 Germany's attitude vis-à-vis and influence on EC policy

Unlike several other European countries Germany has emerged after World War II as a relatively⁽²⁾ market-oriented economy. Perhaps surprising to those who look at a market economy sceptically, economic performance has been relatively high and relations among social partners are better than in many other countries.

This success has led German governments of different party compositions to adopt a fairly liberal attitude. They have been persistently in favor of increased market integration and improved competition but equally persistent in their scepticism toward EC dirigism and protectionism.

The basically liberal attribute has been influenced by two other factors that are at least as important. One is the distrust of the EC bureaucracy and fear that Germany will lose control over its own economic environment and its own financial resources. Indeed,

(1) Memorandum der deutschen Delegation zur EG-Strukturpolitik in der gewerblichen Wirtschaft R/1068/78, May 3, 1978.

"Die wichtigste Triebfeder zur Anpassung überholter Strukturen ist der Wettbewerb auf dem Markt. (p.3).

"Keinesfalls aber darf eine Branche nach der anderen erfasst und reglementiert werden. Die Regelungen im Stahlbereich dürfen nicht zum Muster für Eingriffe in andere Branchen werden. (p.6).

(2) "Relatively" since the public sector is as important in Germany as, on average, in other EC countries. Protective measures as well as intervention policies exist, of course, as well.

the original Spinelli-program with investment priorities elaborated by the EC and financed out of a centralized fund, would have had these implications. Germany has so far resisted domestic investment control proposals, and for even better reasons European proposals along that line.

A second reason relates to the policy horizon (atlantic or world) that induces German governments to give sometimes greater weight to third countries. The sceptical attitude toward "orderly marketing agreements" is founded not only on welfare considerations for German consumers but is mostly motivated by the negative impacts on our relationships with the U.S. and the less developed countries, and on world trade in general. In this respect it may also be worth pointing out that the importance of the EC as a trading partner has diminished over the last years, as has trade with the U.S. (see Table VI.

Although German governments have been opposed to economic dirigism and specific controls they have recognized that the differences in economic development and regional problems in Europe require action. To prevent rising protectionism and disintegration of the customs union support has been given to a more comprehensive regional policy. The recent proposals for monetary integration are motivated by similar considerations.

I consider this generally liberal, pro-market attitude as the most important contribution of Germany to and influence on the EC. Without this attitude the evolution of the EC would have been substantially different, and in my opinion, erroneous.

This attitude gives, of course, frequently rise to confrontation. Germany is often made responsible for the lack of a European industrial policy. Recently, the Minister for Economic Affairs, Count Lambsdorff, became seriously attacked by the British and Belgian Ministers for Foreign Affairs, Owen and Simonet, when he tried to prevent higher protection for shoe producers in the EC.

TABLE VI
Foreign trade of W-Germany in 1970 and 1977 (percentages of total)

	Imports		Exports	
	1970	1977	1970	1977
EC	49.6	48.2	46.3	44.9
USA	11.0	7.2	9.1	6.7
JAPAN	1.9	2.8	1.6	1.1
EAST BLOZ	4.0	4.8	4.3	6.1
Oil produ- cing coun- tries	7.7	9.9	2.8	9.1
LDC'S	8.4	10.5	9.1	8.0

Mr Owen felt that since Germany has fewer structural problems than partner countries, its liberal viewpoint cannot be a reference to them, while Mr Simonet was of the opinion that liberalism belongs to the 19th century.⁽¹⁾

Let me now summarize the results of this section.

A favorable initial structure of German industry may explain why the EC provoked a lesser need for inter-industry resource shifts than elsewhere. But within industries substantial specialization occurred. The cost of this type of resource reallocation is, however, much smaller.

A reduced need and a market-oriented attitude of successive government resulted in low-keyed intervention. Those interventions that we can observe are mostly caused by factors lying outside the EC. EC industrial policy, to the extent that it exists, has had no perceptible impact on German industry.

With respect to transnational cooperation within the EC German firms showed relatively seldom strong interest. Government provided support in a few cases that were judged important for Germany's industrial future. It is, however, uncertain whether these projects, when realized, can be considered as positive.

I consider as Germany's major contribution its relatively liberal attitude thus preventing bureaucratic solutions of doubtful economic efficiency.

[1] "German attacks on EEC protectionism widens split over handling crisis", *The Times*, May 3, 1978.

3. Labor Policy

Part of the realization of a Common Market consists in creating a unified market for factors of production, i.e., capital and labor. For both factors integration is not complete but, at least for labor (with the exception of some professions) an integrated market exists.

Why is the integration of factor markets desirable? The factor-price-equalization theorem in international trade shows that (under certain conditions) factor prices converge through commodity trade alone. Hence, one might be tempted to conclude that if the objective is to equalize real incomes of factors of production in the EC a Common Market for goods would be sufficient.

I do not share this view entirely. First, there is a value to be attached to the freedom of establishment and non-discriminatory work conditions. Second, to the extent that the integration of commodity markets is slow and remains imperfect, factor market integration speeds up factor-price equalization. Third, if some of the conditions upon which the factor-price-equalization theorem rests are not satisfied (such as perfect competition everywhere) then again factor mobility helps in bringing about factor-price equalization.

However, no substantial migrations have taken place within the EC. Germany has seen an important inflow of Italian workers. Immigration from other EC countries, and emigration from Germany, have been insignificant (although the present authors sets an example!). The importance of non-EC labor among foreign workers in Germany suggests that labor migration has little to do with the EC. I believe that Germany would have had the same number of foreign workers without an integrated labor market in the EC, with perhaps some Italian substituted by Turkish or Yugoslav workers.

In view of a possible enlargement of the EC it may still be interesting to ask the question whether the foreign labor inflow has been beneficial to Germany and how high those gains might have been. It is

often argued that labor-receiving countries exploit emigration countries ruthlessly by taking their best labor force away, not paying for the cost of their formation, not providing them with the same social wage as domestic labor, and sending them home when business conditions deteriorate. I shall not discuss these issues that seem to be very emotion loaded and void of strong empirical support. Rather I will try to give an answer to the question whether massive immigration has been a good policy for Germany. I think not. In another study⁽¹⁾ we have shown that through international trade there was in 1972 less unskilled labor imported, less human capital exported and more physical capital imported in Germany than in 1962. This is contrary to what neoclassical trade theory would predict for a capital-rich country (both physical and human capital) like Germany. One of the main reasons for this evolution has been the immigration of unskilled foreign workers. Thus, direct labor imports have been substituted for indirect labor imports via commodities. This has allowed Germany to maintain activity in relatively labor-intensive sectors instead of forcing reallocations toward more capital and technology intensive sectors. It would undoubtedly have been advantageous to accept this restructuration during the sixties rather than to face the problem with considerable delay now. Germany would also now be in a much better position vis-à-vis less developed countries : more labor-intensive products would be imported and less direct competition with German export products would exist. The undervaluation of the deutschmark would have been reduced through more rapidly rising real wages in Germany.

Clearly, immigration benefitted profits at least before the recession (since real wages rose less than otherwise). Whether it has been beneficial for the whole economy is doubtful ; current problems certainly are enhanced by the lack of structural change (made possible through immigration) and the presence of a sizeable foreign labor force in Germany. The fact that inter-industry resource reallocations have been much less important in Germany than in other EC countries, and that Germany has become a slow-growth country, is certainly related to the policy of labor immigration.

⁽¹⁾ Steinherr and J. Runge (1978).

4. Conclusions

I have tried to give a tentative answer to the quite difficult question asked in the introduction : how has the EC and its different policies affected German industrial policy and German industrial structure ?

I tended to argue that neither the formation of the EC nor EC policies have had much effect on Germany. If the EC had not been created welfare in Germany would be slightly lower in the status quo ; moreover, the possibility of more general trade liberalization would have been available to Germany.

However, I have tried to show that *industry* in Germany benefits from a number of factors, some allocative other distributive. Although it is generally believed that Germany benefitted more from market integration than others, this may not be the case. Germany's initial structural efficiency and its large domestic market reduce potential integration gains compared to initially highly protected and distorted economies (France, Italy), or economies with a small domestic market (Belgium, Netherlands).

These conclusions imply that there are also *economic* justifications for Germany's entry into the EC. Even if the welfare gain for German society is negligible, some interest groups (capital owners in agriculture and industry gain substantially. Moreover, if the present state of integration is viewed as intermediary to an economic union, then the latter *may* provide an additional motivation. It is indeed often argued that policy harmonization and control of the business cycle provides substantial gains.⁽¹⁾

⁽¹⁾ See R. Cooper (1959).

What impact has Germany exercised on the EC ?

I argued that the most important contribution has been the liberal economic philosophy prevailing in post-war Germany. This was instrumental for the Rome Treaty and for rapid progress toward realization of the Customs Union. Interventionism, attempts at giving economic planning a more important role, and protectionism in trade with non-EC countries have been constantly resisted by German governments. This is particularly important in present times. EC legislation, such as competition laws, also reflects strongly the German viewpoint.

While many more cases could be cited let me conclude with the following. Germany has made through experiences with workers' participation in industry. This experience, considered as generally positive in Germany, and interpreted as one of the reasons why industrial relations in Germany are better than in most other EC countries, has led German governments to insist on participatory structures for the European company law. If this view prevails industrial relations in the rest of the EC could be very much changed.

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from: Susan Strange

Germany and the World Monetary System

There seem to me to be five possible roles or postures which Germany might play in the world monetary system. I would like to start by sketching these roles in rough outline, indicating those which have been advocated by theorists and played on the world stage by policy-makers; those which have been advocated or proposed but never been put into practice; and finally those which have never been clearly conceived or seriously contemplated.

I propose then to consider briefly what strong domestic constraints have so far limited the choice of monetary roles for West German governments (and are therefore more than likely to continue to circumscribe them in the future). These internal constraints are very important and cannot be ignored.

But no less important are the external constraints of Germany's political relations with other countries - especially, but not exclusively, the United States - and the dominant position (which to my mind is continuing and undiminished) of the dollar as the focal point and pivot of the international monetary system. I would like therefore to consider next the implications which follow from these external constraints, both for the general issue of international monetary order and for the particular question of the prospects within the world monetary system of closer European monetary union.

By these steps, I propose finally to arrive at some tentative conclusions about which of the five roles outlined at the beginning would best allow German economic power to serve the future of European union, within the internal and external constraints which we know from experience to exist; and to suggest finally some policy areas and some policy measures which might be considered as necessary adjunct to such a monetary strategy or as means of putting it into effect.

Five Roles in Search of an Actor

The five theoretically conceivable roles are primarily political rather than economic in nature. That is to say, they are distinguished from each other more by the political character they represent than the economic or financial measures or consequences by which they would be expressed. To that extent, I am trying to put forward a political economy analysis of the question posed to me rather than a purely theoretical economic or a narrowly financial one.

The five roles, briefly described, are those of Leader in the System; that of Obedient Ally; of Bigemonist Partner; of Lone Ranger; and of Leader of the Opposition.

Obedient Ally is the role most often assumed and most consistently played by German governments in the past. Of the others, Leader of the System is the role which, for reasons which can be briefly summarised, is simply impossible-at least in present political circumstances and for the foreseeable future. Lone Ranger and Bigemonist Partner have both been imagined and there have been playwrights to draft the part and write the lines. Neither has been played on the world stage. Leader of the Opposition has not so far been seriously contemplated. But perhaps it is time it were.

Let me explain a little more clearly what I mean by these ^{five} ^{named} /rather frivolously/ roles in search of an actor.

The Obedient Ally role involves support for the United States as leader and dominant manager of the international monetary system in whatever goals it seeks and by whatever means it chooses to achieve them. The rationale is simply that the Germans need American military protection and can best ensure that it is maintained, and seen to be maintained, by complying as much as is politically feasible with American wishes; and by making American monetary leadership as easy and non-conflictual as possible. During the 1960s, there were few occasions when Germany failed to give such support. Sometimes it is true as with the negotiations

leading to the General Arrangement to Borrow in 1962, a small price - in that case, a blocking vote on the activation of the GAB - was exacted for the co-operation deemed necessary by the United States. Sometimes, as in negotiations preliminary to the Stockholm Agreement of 1968 on Special Drawing Rights for the International Monetary Fund, German representatives would join the French in stopping the Americans having all their own way. Again, the price exacted for ultimate co-operation and support was the granting of additional voting power in the IMF for the European Community - in short, a rather slender insurance policy against abuse of the new reserve asset on the say-so of Washington.

But for the most part, the West German Executive Director of the Fund in Washington, the President of the Bundesbank at the Bank for International Settlements in Basle, the West German Finance Minister at the OECD in Paris could all be relied upon by the US Treasury to expand Germany's foreign aid programme, to subscribe to the Gold Pool, to refrain from converting dollar balances into gold, to negotiate offset agreements easing the burden of US defence spending in Europe, etc., etc. Assisted by other obedient allies - notably Britain, Japan and Canada - the United States had a relatively easy ride during the period when US payment deficits persisted and when the foreign exchange and gold markets increasingly questioned the long-run reliability of the dollar as international money.

The role of Leader of the System is not one which at present Germany is able to assume. Not because her quota in the IMF is still less than that of the United States. That is merely a mirror held by international organization to the realities of the international political economy. The Leader of the System has to be the possessor of the globally-preferred monetary medium (what I have called in the past the Top Currency). Despite the doubts which foreign exchange dealers persistently express about the valuation to be put on the dollar, it is striking that the bulk of Euro-market dealings is still denominated in dollars, and that it is easier, no matter where on each one might drop from

the skies and go shopping, to use dollar notes to buy necessities than any other national currency. The reason, again, is political more than economic. In the long-run, though the United States may mismanage its currency, its basic political and economic stability, its military strength and therefore its supreme place as a superpower in the world market economy is not in doubt. While it is just possible to imagine a future scenario in which West Germany is overrun by an exuberant Red Army while Fortress America remains inviolate across the Atlantic, it is impossible to imagine a West German state surviving if the United States were overrun or laid waste by nuclear attack. As long as this basic political asymmetry persists, there is no chance whatever of the Deutschmark being the pivot of the international monetary system.

Much more easily conceived is the role of Lone Ranger - the part already played in large measure by the Swiss. The Lone Ranger is available in a crisis to come to the aid of the system. It would never do anything deliberately to undermine or weaken it. But the role is essentially defensive, isolationist, non-committal. It would not preclude the use by foreigners of Deutschmarks as a store of value, whether private or official. Nor would it be inconsistent with the linking of other weaker currencies like the Austrian schilling or the Danish kronerto the Deutschmark as satellite currencies. What the Lone Ranger role does necessitate, however, is that the domestic economy should be insulated through various balancing strategies which prevent whatever links it has with ~~the various links it has with~~ the international monetary system as a result of its evaluation as a strong currency by the markets from disrupting its domestic economic management. Banks must therefore be severely disciplined. Foreigners' transactions must be governed with discrimination and kept under close surveillance. The markets should be allowed substantial freedom to express their appreciation of the strength of the Lone Ranger currency but there must be ^{sensitive as} rather effective insulating fences around such areas/employment, investment

and capital movements which may interfere with internal economic stability.

Bigemonist Partner is a term - and by any literary standards a pretty awful one - borrowed from Fred Bergsten, currently Under-Secretary at the US Treasury for International Economic Affairs. In an article written in 1974, Bergsten argued that "there are only two important powers in the international monetary system - the United States and Germany". He went on to propose a 'bigemony' instead of the US hegemony which, along with other American economists, he believes is weakening as the value of the dollar depreciates relative to other currencies. He defines this as "an hegemony of two. The term is intended to be a bit weaker than 'condominion' but much stronger than 'partnership'". Although Bergsten acknowledged that others, including the rising middle-class of developing countries with commodity power and/or rapid industrialisation would have to be involved in some ways in international economic decision-making, he thought such pluralism was too unwieldy and introduced too many varied viewpoints to provide a basis for the aggressive leadership which the creation of a new international economic structure needed.¹

A more sophisticated variation which could possibly be called a "trigemony" - in which the United States and Germany would be joined by a third power, Japan - has also been proposed by American economists, notably by Professor Ronald McKinnon of Stanford University.² Noting that the exports of the United States, Germany and Japan constituted over a third of world trade in 1973, and that Germany and Japan now hold well over half of the world's official dollar balances, McKinnon proposed a new version of the Tripartite Agreement of 1936. The aim of the agreement would be: "A parallel and consistent expansion of the domestic monetary base in each of the three countries, supported by official intervention (the terms of which were to be spelt out) to main stable rates between the dollar, the Deutschmark and the yen." Frankly characterising this as "a strategy for the world's three principle trading countries to strengthen the dollar system"³, McKinnon also proposed that the triumvirate would act together

to regulate capital movements and the expansion of Euro-dollar dealings.

The role of the Bigemonist or Trigemonist Partner as described by American economists, however, never seems entirely convincing. The United States and the partner (or partners) are supposed to act domestically and towards each other's exchange rate according to certain guidelines. But it is never made very clear what happens if in the future (as in the past) the US acts in contravention of the guidelines; or if the interests of the bigemonist partner or partners diverge sharply from those of the United States. As always, the inherent asymmetry between the power of the US and that of the bigemonist or trigemonist partner is played down. Unless and until a scheme is proposed according to which the United States is prepared to intervene in foreign exchange markets to maintain the stable rates in Deutschmarks and in yen and to encourage the equal acceptance by third parties of reserves denominated in these currencies, and unless and until a scheme is proposed which provides for effective sanctions against unilateral decisions on the part of the United States, this role is not one which in any significant particular differs substantially from that of Obedient Ally.

The fifth and final role of Leader of the Opposition is one which was briefly assayed by France under General De Gaulle. As a result, he is (wrongly in my view) caricatured by many American economists as seeking to bring about the collapse and ruin of the international monetary system. On the contrary, as I interpret the evidence, it suggests a remarkable inhibition in French monetary diplomacy against using forms of leverage against the United States which would risk damage to the delicate fabric of international monetary confidence. De Gaulle rightly perceived that this fabric, like plastic bags or spiders' webs, was very easily torn but could be repaired only slowly and with cost and difficulty. The lessons taught by the failures of central bank co-operation in the crucial years 1928-1931

had been well learned in France.⁴ Though no French official would accept prime responsibility for those failures, none were prepared to see them repeated. Interpreted as a strategy to impose long overdue discipline on an irresponsible top-currency country, the conversions of French dollar balances, the negotiations over SDRs, the attempt to create a European monetary union in the late 1960s, make perfect sense. That these measures went no further in disrupting the two-tier gold price or in blocking the reform negotiations in the International Monetary Fund suggest that the French opposition was - to use English Parliamentary language - that of the loyal Leader of the Opposition Party rather than the standard-bearer of monetary revolution. The tone of Rueff's Le Péché Monétaire de l'Occident is much more one of sorrow than of anger; his appeal to Americans is to recall and live up to their own high standards of responsible Republican government, and to do so in the long-run interests of the United States itself as well as those of Europe and the rest of the world.

and

The Leader's role, however, requires that the leader has followers - /these the French for the most part did not have, even before the events of 1968. Only ^{then} sometimes and/briefly have subsequent French governments been able to muster a confederate army of uncertain volunteers: at the Nixon-Pompidou meeting in the Azores in 1971, and perhaps at the Washington Conference in February 1974. The Conference on International Economic Cooperation (CIEC), feeble though its results have been, was the fruit of such ^a brief alliance under French leadership. The Bremen proposals this year suggest a French recognition that German partnership, at least for any monetary enterprise, is indispensable. Whether Germany could now take over from France the leadership of an effective opposition group within the international monetary system will depend on an assessment of the domestic and external constraints on Germany policy, to which I will now turn.

Domestically, German governments survive if there are plenty of jobs, rising

incomes and relatively stable money. By these three means, political stability and democratic institutions have been reinforced, the communist spectre has been kept at bay and the hazards of a frontier situation made bearable.

The growth has clearly been achieved through successful exploitation of an expanding foreign market for Germany's exports of capital and consumer goods. The accidental legacy of the post-war partition, which left most of the heavy industries to West Germany, enforced an early preoccupation with exports of capital goods. And once domestic prosperity had been achieved, aided by the overflow of refugees from the East, this laid the foundations for later diversification into other manufactured exports - cars, ships, and all sorts of industrial, office and domestic machinery. To maintain the momentum of prosperity and employment at home, German governments needed the open world trading system pursued actively by the United States, supplemented by the preferential trading area created by the European Community. In 1975, the investment goods industries, which accounted for more than 55 % of all industrial exports, were directly and indirectly dependent on foreign markets for 47.4 % of their total output. In the automobile industry the dependence was rated at 52 %; in the machine building industry at 56 %; and in chemicals 48.5 %. In short, exports were the means by which industrial peace was maintained through an embourgeoisement of the proletariat very similar to that experienced in the United States. One job in five in West Germany now depends on exports.⁵ By 1978, Germany's place as the richest, most competitive, most productive economy of the nine members of the European Community was assured. As Kreile remarks, it qualifies, in Francois Perroux's terms, as the 'économie dominante' of Western Europe. Even allowing for the conversion of wage rates into dollars at current exchange rates, the following table compiled by the Dresdner Bank this summer strikingly shows Germany's economic lead.

(to follow)

If the need to maintain uninterrupted progress to higher incomes has been one major constraint on all German governments in the last generation, the need to maintain stable money has been almost as great. Defending the Deutschmark from enfeebling infections from abroad - from over the mountains or across the sea - has been a major preoccupation of the monetary authorities, and especially the constitutionally autonomous Bundesbank, for almost a generation. The lesser attachment, in German eyes, of other countries and their governments to the ideal of stable money has made it difficult at times to pursue the goal both of an internally stable value for the Deutschmark and external stability as expressed in exchange rates. As recounted by Dr. Otmar Emminger, the first serious clash between internal and external balance came in 1957 as surpluses built up on the German balance of payments, the disparity being aggravated as it so often was subsequently by speculative money inflows. Harmony was briefly restored by the two French devaluations of 1957-58 and the deliberate raising of British interest rates and lowering of German ones, aided by the worldwide slackening of economic activity in the recession of those years. Emminger quotes the Bundesbank verdict on 1958: "The economy probably came nearer than in any previous year to the famous 'magic triangle' of monetary and economic objectives - optimum employment, price stability and equilibrium in the balance of payments".⁶

Almost immediately afterwards the incapacity of German monetary policy to keep these triple objectives in view against the contrary forces exerted by the United States was dramatically demonstrated. The "monetary broadside" thoughtlessly but destructively delivered by the Kennedy Administration in 1960 showed how fragile the balance achieved by Germany between internal and external stability really was. The Federal Reserve system reduced its discount rate to 3.5 % just one week after the Bundesbank had raised its rate to 5 %, intending a restrictive influence on the economy. Its policy was completely "unhorsed" in Emminger's phrase by the increasing inflows of foreign exchange that followed. Putting external stability first, the Bundesbank went into reverse and lowered its interest rate. The United States had in Eric Chalmer's vivid phrase won a big battle in "the interest rate war".⁷ Defensive measures such as capital controls were rejected and German governments accepted the US suggestion, strongly backed by Per Jacobsson for the IMF, that increased German aid and capital exports would ease the burden carried by the United States as well as restoring some equilibrium to the German balance of payments. In addition, the Deutschmark revaluation of 1961, it was hoped, would make imports more competitive, check wage demands and thus reduce inflation at home as well as serving to restore external equilibrium.

By coincidence, any recurrence of the conflict between internal and external stability was avoided for about six years between 1962 and 1967, largely because of a temporary convergence between US and German inflation rates and thanks to the rejection by the German government of a flexible exchange rate strategy - at that time still heartily disapproved by the United States and avoided by the European Community as conflicting with its integration strategies.

From 1968 to 1971 and again in 1972, German domestic monetary policies had to adjust, with frequent agility and considerable ingenuity to tidal inundations of liquidity coming from abroad and equally heavy outflows drawing liquidity from the German banking system. "Monetary policy", Emminger concluded, "was

largely at the mercy of external ups and downs."⁸

These ups and downs, once again, were usually the result of sudden switches in US interest rate policies, reflecting political priorities often dictated by the imminence or otherwise of ^{American} elections. More than other European countries, Germany was being obliged in effect to accept unuseable dollar IOUs in very large amounts. At the beginning of 1970 the Bundesbank's net external assets were a modest DM 26 billion; by the end of May 1971 they were up to DM 68 billion, of which only DM 5.6 billion had been contributed by a surplus on current account. The same kind of tidal wave of monetary movement swept DM 18.6 billion into the Bundesbank in the first week of February 1973 and another DM 7.5 billion on 1st March of the same year. That date marked the final long-delayed end of the Bretton Woods system. Although the effects of its protracted death-throes on the domestic money supply was described as disastrous, the end result was to gain freedom from the tyrannical and expensive combination of fixed exchange rates and free exchange markets and to regain at least partial control over domestic liquidity. The one thing floating did not do was, of course, to stabilise the external value of the Deutschmark.

As in the 1930s, a system of floating rates impelled many countries to seek some stability by linking their currency to a stronger trading partner. This tendency reappeared in the Smithsonian realignments and became more marked later on. The European Community's 'snake in the tunnel', whose dependence on the stability of the dollar was demonstrated in 1971 even before it was formally initiated, was unable to survive any situation of uncertainty about dollar values in the foreign exchange markets. Flight from the dollar implied flight to a relatively strong European currency - the Swiss franc or the Deutschmark - or to the yen, quite independently of the objective economic conditions within the country concerned. Thus, the snake was rapidly transformed into a constellation of weaker currencies grouped around the Deutschmark. Far from developing as a

means to greater European integration it became a source of increased monetary division among the members of the Community, separating them more than ever into three groups: those with strong, medium and weak currencies.

Again, the objective differences between the economies were not the prime cause of this deeper division. These certainly existed, but the monetary reflection, as in a concave mirror, was grossly exaggerated whenever the foreign exchange dealers had cause to revise their opinions about the prospects for the US economy and the valuation to put on the dollar. In between whiles, European hopes - propelled by powerful political motives - were apt to revive, plans were apt to be drafted and proposals (from the French in 1975, the Dutch in 1976 and Mr. Roy Jenkins in 1977) put forward.

But the basic reality did not change. And the increased cost of intervention to hold a weak or medium currency from dropping out of the snake was a further reflection of the same reality. That cost could be reduced, but only by diluting the definition of stable parity; or else by widening the snake into a boa; or by finding technical devices to reduce the conditions on which intervention became mandatory; or by allowing repeated floats, realignments, and defections for deviant currencies. But the greater the dilution of the concept, the greater the centrifugal pulls on national economic management and the greater the prospective division between the strong, inflation-proof and the weak, inflation-prone currencies.

The inevitable conclusion expressed for his colleagues by the chairman of the EC Monetary Committee in his oral statement of March 1977 was that "for the foreseeable future it would not be feasible to introduce a coherent exchange rate policy system, if such a system were to go beyond consultations and also contain binding obligations whether in respect of general economic policy or exchange rate policy in particular."⁹

As the previous Annual Report had made clear, a major basis for scepticism

about the feasibility of adopting 'target zones' for intra-EC exchange rates was the recognition by some members of the Monetary Committee that this involved intervention to maintain the stability of the dollar as well as the member currencies, and that this was a truly ~~Sisyphian~~ task unless strongly supported by US monetary authorities and by US policies (including US energy policies) which affected the balance of payments. The resort to floating had not changed the essential characteristic of the international monetary system that no significant change could be made in its operation without the consent and co-operation of the United States.

As far as Germany is concerned, the record of monetary contortions (especially since 1969) as presented by a number of authoritative and knowledgeable economic analysts starting with Dr. Emminger carries a message about the constraints on policy that seems quite clear.¹⁰ There has been a rather remarkable constancy in the domestic constraints. Germany's devotion to stable money, the determined pursuit of growth, exports and employment has been one of the more remarkable and persistent features of the European landscape.

There has been a contrasting inconstancy in the external constraints laid down by the special relationship with the US. In the 1950s these demanded fixed exchange rates, a fixed gold price, the conscientious pursuit by all (including the reserve currency countries) of equilibrium in external payments, and free trade within the world market economy but restricted trade with China and the Soviet bloc. By the 1970s, rates floated, the gold price was freed, the pursuit of equilibrium abandoned by a centre country which solved the adjustment problem by an accelerated accumulation by others of inconvertible and depreciating dollar needs. Free trade had been redefined as fair (i.e. managed) trade and the restrictions on East-West trade mostly removed. Whether described by Nye and Kechane as analysts of international organization as a 'regime change', by most economists as 'the collapse of Bretton Woods' and the 'demise of the dollar', or by radical critics as 'international monetary disorder', there is wide and general agreement that a change of external monetary environment has occurred

and that it is this, more than anything else, which has accounted for a series of defensive reactions by (among others) Germany. For the first half, roughly, of its independent post-war existence, the pursuit of constant domestic goals closely coincided with the wider goals of the United States and the broad character of the system. But in the latter half, from about 1965 or perhaps 1967, ^{the} coincidence disappeared and the divergence has steadily increased.

But for most of this second period, German policy, inside the Community and out, has attempted a defensive strategy suited to external circumstances, seeking to fend off damaging influence and to protect its freedom and capacity to pursue constant domestic goals. The support which at certain points Germany was prepared to give to the European snake has been fairly interpreted primarily as a self-interested strategy of trading off some loss of domestic monetary autonomy in order to have stricter discipline imposed on other EC countries. It was a calculated policy to avoid the spread of monetary infection, far more than a public-spirited bid to achieve closer European union through monetary alignment. (12) The essentially inward-looking nature of German policy was recognised by Michael Kreile in the analysis already quoted. Speaking of Germany's contribution to the loan for Italy and its support for IMF ^{aid} to Britain, Kreile said that these acts "do not represent a will to power. Rather they represent defensive measures intended to stabilise trade partners." Such ^{passivity} ~~facility~~ has reflected a profound absence of any sense of responsibility for the global system, a deep indifference to it except as it affected Germany. The confident assumption was that the United States could safely be left to get on with running the global system while Germany created for itself an island of stability immune to all that went on outside. The basic assumption was that there was no inherent conflict between the domestic and external constraints, between the

pursuit of internal stability and loyal support for the United States - both as leader of the international monetary system and as protector in the international security system.

The question now is whether or not the Bremen proposals represent a wish to change roles, the questioning of this basic assumption. Two considerations could have induced a real shift of attitudes. One might be the rising costs of avoiding major changes in the Dollar-Deutsche Mark exchange rate. From time to time, since the oil-price rise in 1973, there have been serious attempts to maintain this ~~axis~~^{axis} by deliberate market intervention. It began to be noticeable in the summer/autumn of 1974 when the Dollar was getting stronger and the D-Mark weaker. It was openly acknowledged by the 1975 Annual Report of the BIS, which recorded that the degree of success achieved by US-German-Swiss interventions to steady the cross-rates had "not been outstanding - although some stability has been achieved". And it was adopted as a conscious aim by the Rambouillet conference of 1975. But since then, the costs have often proved too great; and US interventions have often been more than a little half-hearted. For example, in the current year, between mid-January and mid-February, the Bundesbank spent DM 1.7 billion in a support operation for the Dollar which proved quite futile against the strong convictions of the foreign exchange markets that it was losing value. The doubling of the swap arrangement with the US in March 1978 to a limit of \$ 4 billion was also ineffective in restoring confidence. The conclusion could be drawn that holding any DM - \$ rate was sooner or later likely to be doomed and that the effort might as well be abandoned. The second consideration might be that in conditions of slow recovery from world recession, Germany finds that it needs first to work for stable rates with her best export customers. (Next to Britain, Germany's economy is now the most trade-dependent of the major industrialised countries,

trade accounting for 22.8 % of GNP against 18 % in 1960.) To keep German unemployment down, it is more important to maintain buoyant levels of intra-European trade ~~and~~ ^{than} to keep open an American market which is not only far smaller but far more subject to capricious door-slamming under the permissive provisions of the last Trade Act. Peter Hermes recently pointed out that 50 % of all German exports now go to other EC countries (65 % to Europe as a whole) compared with only 5 % to the US and 6 % to eastern Europe. Had the Bonn Summit raised any strong hopes that the US would succeed in leading the world economy to full recovery, or had the Carter Administration shown convincing signs of meaning to arrest the Dollar's decline, the trade figures might not be so important. As things are, it is only logical for Germany to turn more decisively towards her European partners.

But how far, and with what sense of permanent commitment?

The basic proposition (which will have been more fully elaborated by the Commission when we meet in Bologna) is for concerted intervention by EC central banks in order to keep (as before) the stronger currencies inside the 'snake' but also to keep the weaker currencies inside a 'boa' ~~cover~~ twice as wide as the 'snake' (i.e. within a band of $4\frac{1}{2}$ % as against $2\frac{1}{4}$ % for the 'snake'). The limits would be set in terms of a basket of exchange rates, not just the Dollar rate. Settlements are to be made not in Dollars, or units-of-account-equivalent-to-Dollars, but in European units of account based on an EC basket of currency values. These would necessarily be more expensive for the strong currencies than would intervention in a depreciating Dollar-based unit.

Uncertain and still subject to negotiation are the extent of pooled reserves (i.e. national reserves earmarked as available for 'snake' and 'boa' interventions) and the degree of monetary discipline to be imposed on weaker currency governments when they need collective support from their EC partners.

The strategy, clearly, is one of collective self-defence against the continuing and threatened depreciation of the Dollar, a kind of Lone Rangers Incorporated role, played jointly by the members of the Community. It cannot, however, succeed by itself in its prime aim of keeping EC cross-rates stable for reasons which have already been stated in this paper. Or, at least, they cannot succeed except by keeping the Dollar stable which is too difficult and costly a task for Europeans to undertake unless they have the full co-operation of the United States.

What will happen, as it has happened so often before, is that when confidence in the current valuation of the Dollar fails (as it may do in reaction to quite frivolous or arbitrary political events) the see-saw mechanism tips the stronger currencies upward; they bounce as high as the Dollar falls low. The weaker currencies are left below with the Dollar. The 'boa', so to speak, is therefore defined by the same events which determine the change in the Dollar-D-Mark rate. The unity of European exchange rates is in a horse-race situation in the sense that when the punters bet on a DM win, they collect their winnings whether the DM wins "over the Dollar by a length or by twenty lengths", whether it appreciates by .05 % or by 5.0 %. Therefore, it does not aid European monetary union at all to try just to narrow the gap and limit the depreciation of the Dollar. It has to achieve a decisive and permanent reversal of the betting; in short, it has to spend enough billions of EUA's to persuade the market, and to persuade it not for two or three days but permanently - that the signals given by the inertia in decision of the Carter Administration can safely be ignored. An expensive task indeed.

The logic of the situation seems clear enough. Only a strategy of concerted opposition to the United States, using all the available means of leverage, to make the United States resist the temptations which beckon

every authority capable of controlling a monetary medium, can possibly succeed. The Dollar in the international monetary system is somewhat like an ultimate, irresistible weapon in a security system. If those who control it, abuse their responsibility, the only chance which those who are affected by it have of arresting that abuse is to use all the means available to them of collective leverage against that country.

To put it bluntly, the only effective strategy of collective security - in monetary just as in military matters - must involve more than passive resistance. There must be some readiness to take the initiative, even to defend one's own security by threatening that of one's opponents ~~or partner~~. Admittedly, in a monetary system, the fragility of confidence in the whole structure imposes closer ^{limits} ~~surveillance~~ on the use of coercive threats. But it is still true that collective monetary security for Europe cannot be achieved without some resort to coercive pressure, without some attempt at active initiatives not just within the Community but also in the global monetary system. The concept of co-existing autonomous regional blocs - in money as in trade - is inconsistent with the familiar reality of 24-hour, round-the-world financial markets, with international banking and insurance, with international channels for financial flows so many and various that, like some kind of underground drainage system, surface walls and barriers have no effect on the ebbs and flows below.

The Breggen proposals, therefore, can only succeed as part of a broader strategy of concerted opposition. They cannot succeed merely as Lone Rangers Inc.; and the strategy requires the transformation of Germany from an immediate ally into Leader of that Opposition.

Some possible measures to implement the strategy can be briefly suggested and, perhaps discussed at greater length during the conference.

In the first place, the policy of supporting the Dollar might be reversed. Instead of buying Dollars to maintain the rate, some part of the vast German and other EC reserves of Dollars might be sold for a basket of European currencies - the ingredients of the ECU. But to avoid inflation, the proceeds should not enter directly into the European economies. They should be issued via the Development Bank first to the most severely affected of developing countries (MSA's) and to those most acutely frustrated by the burdens of debt, then to ACP associates and other selected trade partners in Latin America, Asia, and possibly eastern Europe.

At first this would have the effect of accelerating the Dollar's depreciation, and therefore, for reasons explained above, of widening the 'boa', increasing the disparity between the D-Mark and the Lira and Sterling. To counteract this, the ECU credits to LEC's would have to be a form of tied aid, but more of which would have to be spent in the weak-currency parts of the Community than in the strong. In return, the weak-currency countries would have to observe monetary disciplines and agree to maintain open trade policies towards the Community members, including Germany.

At the same time, the ECU securities so created could be offered to third parties like Japan and the OPEC countries as reserve assets, perhaps index - linked to an agreed basket of traded-goods, manufactures as well as commodities.

The reserve role, it is true, is one which German opinion has persistently rejected. Yet external holdings of D-M assets inexorably creep upward. Now is perhaps the time when, as Leader of a European Opposition, Germany could derive some real leverage on the United States through open acceptance in combination with others of such a reserve role.

Such a strategy could also be constructive in shaping EC policy towards COMECON countries. A glaring weakness over the past five years or so in

EC external relations has been the total absence of any concerted policy for the surveillance and management of COMECON debt. The political folly of out-bidding each other to offer soft loans to Poland other east European countries to finance their orders for ships and other capital goods is a true example of beggar-thy-neighbour economic policies. Whereas ECU loans, on jointly negotiated terms, could be a valuable political weapon.

The other policy area to which an effective monetary opposition led by Germany would have to give some attention is that of banking regulation. In the aftermath of the Herstatt collapse in 1974, the anxiety of international bankers has been primarily allayed by the actions of US monetary authorities, especially the US Comptroller of the Currency. On the whole, it was the US banks, seeking to maintain profitability by aggressive lending abroad, especially in Latin America, who were most exposed to risk consequent upon a chain-reaction from default. But everywhere, European banks have been associated with them. And now, instead of British banks, it is often German banks which are in the lead. It was they, for instance, who led in arranging consortium jumbo-loans of \$ 1 billion each to Spain and Venezuela in 1976 and to Sweden in 1977. And the outflow of German capital far beyond the confines of the Costa Brava is accelerating yearly. Yet the 'universal bank' principle on which the German banks have been used to operate carries important risks for the domestic economy of Germany - and, by association, for those of her European neighbours and banking associates. In the nineteenth century, the British found it necessary to separate domestic from overseas banking, as later did the Americans. The Swiss also decided that stricter regulation was necessary when their banks first became deeply engaged in foreign operations. For its own security and that of others, the surveillance of Community banks engaged in foreign lending may need to be tightened. And for Germany to wait until after the 1980 elections before grasping this nettle may be to wait too long. The assumption that the US

monetary authorities would show much concern if German banks got into difficulties abroad is probably not justified even while Germany looks like an obedient ally; as Leader of the Opposition there would be additional need for self-preservation from the widely-recognised dangers of financial panic.

It may also be necessary, in order to reinforce the efficacy of national monetary authorities, to initiate collective measures - possibly through the Bank for International Settlements - to monitor the extent and nature of bank lending to particular developing countries, to high-risk sectors like ship - building or to individual borrowers.

To sum up, the Bremen proposals as they stand display a distressing mentality which in military terms might be called the mentality of the Maginot Line: "sit tight; close the hatches and hope for the best". Whereas almost a decade of effort to align European currencies has shown the increasing futility of such a strategy in the conditions of the 1970s. It could only work if either the Dollar were so stable that it created no upsetting turbulence in other parts of the system; or if the European community were so insulated from that system by a common external wall of exchange controls, investment and trade controls super-impenetrable and effective that it were immune to any economic policy pursued by the United States. Without some such wall at least as efficient as the Iron Curtain around the COMECON group in the 1960s or those around the Sterling area and the Franc zone in the 1950s, European monetary union is either a sham or vulnerable. It is only necessary for the Dollar to suffer a sudden slide, for the financial cost to Germany of maintaining 'snakes' and 'boas' to prove too great, and for the political cost to Britain and Italy of keeping the rules to be too severe, for the Bremen scheme to collapse and to go the way of its predecessors.

A fresh start has to be made - and it has to be led by Germany - but a Germany which has finally shed the fond delusion that it can shut its eyes, keep its nose clean and leave the problem of managing global monetary interdependence to the Americans.

Footnotes

1. S. Strange, Sterling and British Policy, Chapter 1.
2. F. Bergsten, Toward a New International Economic Order: Selected Papers of C. Fred Bergsten 1972-1974 (1975), p. 342.
3. Ronald I. McKinnon, 'A New Tripartite Monetary Agreement, or a Limping Dollar Standard', Princeton Essay No. 106 (1974), p. 17.
4. See S.V.O. Clarke, Central Bank Cooperation 1924-1931. Also the essay by C. Kindleberger on secondary financial centres (check title).
5. Michael Kreile, 'West Germany, the Dynamics of Expansion', International Organization, Autumn 1977, pp. 785-786.
6. Quoted in Dr. Otmar Emminger, 'The D-mark in the Conflict Between Internal and External Stability', Princeton Essay No. 122 (1977), p. 11.
7. Eric Chalmers, The International Interest Rate War (1972).
8. Emminger, op. cit., p. 24.
9. Annexe to the 19th Annual Report of the EC Monetary Committee, Official Journal, 3.7.78.
10. Annexe II of 18th Annual Report of the EC Monetary Committee on Community exchange rate arrangements noted (paragraph 7) the reasoning of those opposed to target zones and succinctly summarised the argument as follows:
"It was further argued that, both because of the dollar's general importance as a vehicle and reserve currency because of its different weight in member countries' external transactions, it will be difficult to achieve a reasonable degree of stability between snake and non-snake member currencies (and even to avoid tensions within the snake) without concerted endeavours to keep exchange rate movements between the snake and the dollar within

Footnotes (cont).

reasonable bounds." Official Journal, 15.8.77.

11. See Peter Hermes, 'Germany's Responsibility in the World Economy', Aussenpolitik, 3/1977; Michael Kreile, op. cit. in International Organization; Rudolph Herlt, 'Der Dollar Schock: Seine Folgen und der Aussichten zu Ihrer Ubervunching', Europa Archiv, June 1978.
12. Kreile, op. cit., p. 807.
13. Vice-President Poehl, International Herald Tribune, 23 February 1978.
14. P. Hermes, op. cit.

GERMANY AND COORDINATION OF
STABILIZATION POLICY AMONG
OECD COUNTRIES

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I. Germany as a partner in OECD

German economic performance during the last three decades has met with respect and sometimes has been envied by foreign observers. But this attitude has given way to a less emotional and more political one: With growing economic and political stature Germany is expected not only to live up to her normal responsibilities to herself, of looking after her own growth and stability, but to assume some kind of leadership in a worldwide context.

Can - and should - Germany accept this noble assignment?

Leadership presupposes that there is a true chance to exert influence on other countries. Since we do not think in terms of political pressure, the only features which might impress others would be a convincing record of successful economic policy and the persuasive force of argument.

Concerning performance: Germany has been growing fast and has still kept her inflation rate relatively low. But on both counts the record has been not so good since 1975. Germany is the second largest trading nation, and there is certainly something impressive about the penetration of world markets. But the persistence of the current account

surplus and the fact that Germany is the richest country in terms of foreign reserves gives rise to criticism - and certainly does not qualify for leadership. Anyway, it would be inappropriate to suggest that a relatively good combination of economic growth and stability, together with international creditor position are indicators justifying a rivalry in leadership with the United States. Besides, it would be unwise to seek supremacy in a European context over an other member of the Community.

For quite a long period up to the present day political and social stability inside Germany has been appreciated internationally, but her price stability was often thought of as a rather quaint peculiarity which cannot be fully explained by sad historical experiences with inflation. In German thinking price stability is, in fact, considered as instrumental to make a market oriented economy work, to keep competition sufficiently intensive, to avoid misinvestment. In view of this, German policy makers are willing to endure increased difficulties in ensuring enough wage restraint and to encounter more difficulties in maintaining or regaining a satisfactory employment level and growth rate.

Prospects for Germany to remain a model economy have become dimmed in recent years. True, the merits of a market economy are still there, bringing with them a good measure of elasticity to adapt to changing conditions. The trade union organisation is still acting reasonably but some of the wage discipline got lost. And the industriousness of German workers and employees has become less pronounced.

Apart from the slow change in the socio-political factors just described, it should be remembered that decision making in Germany, too, seems to get more difficult. It is true that Germany has a Law to Promote Growth and Stability, offering a set of instruments instantly applicable under eased parliamentary procedures. But they have scarcely been put to use in just the way outlined in the Law. For political reasons, these measures were applied in a modified form and, therefore, had to undergo normal legislative procedures. And the idea behind that piece of legislation, namely the "tripartite" consensus about how to attain the target combination laid down in the Law proved very difficult to achieve, despite the famous "concerted action". Policy performance consequently was not so good: There have been decision lags and misleading projections causing wrong kinds of behaviour. Incomes policy did not really materialize, and fiscal measures were hampered by the federalist structure.

But after all, it might be said in all modesty that probably there have been less policy mistakes in Germany than elsewhere. To some persons responsible for economic policy in Bonn this must have been a consolation whenever they got angry about wrong decisions at home.

Concerning persuasion: The attitude of German representatives in international bodies is a modest one. They avoid pointing too much to laudable German character traits or policy achievements. They try to explain our own ways to manage our economy and often complain about political obstacles to measures proposed by technocrats. They abstain from

lecturing other people knowing that certain basic socio-political structures are too firmly entrenched to undergo quick changes. And too often they feel at a loss about what advice could be given, simply because they do not know enough about foreign countries' legal powers and political possibilities.

On the other hand, the German representatives are reluctant to accept advice from their colleagues if they think these prescriptions could be dangerous to stability or contrary to their convictions about the appropriateness of certain types of measures in a market economy. And it is no use of denying that there is another sore spot: Sometimes there is a feeling that certain recommendations are addressed to Germany in the intention to make Germany pay for the deficiencies of other people.

To sum up: It is no easy task to defend price stability in a world which is less afraid of inflation, and all too confident that cyclical slack can be remedied mainly by some more expansion of demand.

OECD bodies normally do not take decisions. They rather concentrate on round table examinations and discussions. The topics most frequently treated are growth and payments equilibrium. And this means the perennial choice: inflation versus stability; growth and employment versus payments imbalance. The magic word is "Adjustment", and since the days of the WP 3 report of 1966 on "The Balance of Payments Adjustment Process" the battle of words and convictions is carried on about mutual responsibilities and burden sharing.

I could think of no better method to describe the German position during these policy discussions than reviewing the following main issues:

- International Liquidity and Stability
- Oil and other deficits
- Floating and Adjustment
- Adjustment by Demand Management

II. International Liquidity and Stability

Each time the figures on international liquidity creation are reviewed experts are deeply impressed by what has happened. In October 1964 the Group of Ten Ministers stated that the total availability of international reserves and financing facilities, supported by the General Agreement to Borrow of 1961 and by the Basle swap arrangements initiated in 1962, was fully adequate to allow the world economy to expand. At that time, G-10 countries and Switzerland owned foreign reserve assets of nearly 50 billion dollars. In addition, credit facilities available to the same group of countries amounted to 13 billion dollars.

In spite of their satisfaction G-10 Ministers asked a study group to look for possibilities to create additional reserve assets (Ossola Group). Six years later (in 1969) the IMF was authorised to issue Special Drawing Rights. Such assets were created to the tune of 9,5 billion dollars between 1970 and 1973.

This issue, according to US views, was not intended to make a net addition to existing international liquidity growth, but merely to compensate the slowdown of dollar outflows brought about by the expected return of the US to balance of payments equilibrium¹⁾. But, during the following years there were more US deficits causing increased pressure on exchange rates and forcing many countries into floating. The newly created SDRs came on top of this. During the years 1970 to 1973 international liquidity increased by about 105 billion dollars, of which 51 billion constituted direct official claims on the US, and another 20 billion official holdings of Euro dollars.

A second wave of liquidity creation, totaling 46 billion dollars followed promptly in 1974 and 1975. Even before this dollar holdings were considered to be excessive by some central banks. Already in 1972 the G-10 Ministers had ordered a study on the reform of the monetary system, including possibilities to control this kind of liquidity creation. In the Outline of Reform (1974) we find the idea to substitute surplus dollars for SDRs which were designed to be placed "at the center of the system". But after the oil price shock in October 1973, the G-10 in Rome put off this part of the reform and forgot all about "excess dollars".

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- 1) The early availability of SDR removes one of the concerns as to the impact of the US bop programme namely, a slowing of reserve growth and a consequent adverse effect on world trade and income.

... If new reserves of the appropriate kind are flowing into the system, it is possible for some countries to satisfy their preferences to reserve increases without necessitating that other countries be in corresponding deficit."

Maintaining the strength of the Dollar in a strong free world economy. US Treasury, Jan. 1968, p. 9 and 36.

At present we find ourselves in the middle of a new wave of dollar liquidity rushing from a record US deficit of almost 30 billion dollars in 1977 which is continuing into 1978. Most of this deficit had to be financed by increased dollar holdings of G-10 central banks, intervening in support of the dollar without being able to stabilize it. Net interventions by G-10 central banks led to a reserve increase of almost 36 billion dollars during 1977, accounting for even more than the US deficit on current account (29,3 billion \$). This allowed the United Kingdom and Italy to replenish their reserves substantially, which was welcome until it began to jeopardize domestic monetary policies. For Germany and Japan the reserve increase was less desirable from the beginning, and for the same reasons.

Germany felt much concern during all of these years about the tremendous amount of this uncontrolled creation of liquidity, and about its rapidity. Germans were not the only ones who believe that such a pace in liquidity creation has something to do with world inflation which, in fact, reached its peak from 1973 to 1975. Admittedly, the oil price increase made anti-inflationary policies much more difficult to pursue. But the easy availability of reserve assets and credit facilities undoubtedly did more than just facilitate the financing of oil deficits. Under the impact of crisis it was agreed too quickly that large economies were unable to adjust and, therefore, there should be easy access to deficit financing.

The lesson from this experience evidently has not been learnt. In full view of another bout of uncontrolled

liquidity creation stemming from the US deficit, another issue of SDRs has been proposed. In German opinion, this would not seem to be justified. However, there is no Supreme Court to examine the validity of arguments in the context of Article XVIII Sec. 1a of the IMF statute. Decisions on such creation of "controlled" liquidity is preceded by staff studies and by an exchange of views in IMF, OECD and EC bodies. But both the studies and the views are political ones, and eventually there has to be a political compromise.

III. Oil and other deficits

The first burst of international liquidity (1970 - 1972) was enough to do away with the system of fixed exchange rates, and the oil price shock led to quick agreement among industrial countries that oil deficits "had to be accepted".

Germany felt no difficulty in supporting the view that most countries would have to finance their oil deficits by incurring debt until the increased oil bill could be payed for "in real terms". The question, however, how long this financing could and should continue was left unanswered. The following years demonstrated that few countries were able to realize the real transfer quickly. Germany succeeded in turning her trade deficit with OPEC (including oil) which amounted to DM 13,3 billion in 1974 into a surplus of around DM 1 billion in 1977. A similar success was recorded by Japan. But other economies failed to capture a larger share of newly opening OPEC markets.

Experts had thought that the US would be less affected by the oil price increase because of their large domestic energy production. However, some years after the crisis it turned out that the US developed a particularly large oil deficit, accompanied by a rising trade deficit vis-a-vis Japan. This was certainly not considered a beneficial contribution to adjustment. But it is interesting to note that international experts, thinking more in terms of growth policies than in terms of adjustment, tended to feel that it would be rather dangerous if the US would try to redress their current account. Even in 1977 they advised the US not to slow down their cyclical upswing, inspite of the emerging record current account deficit of about 20 billion \$ and the downfall of the dollar in exchange markets. The United States were excused from quick adjustment, with the exception of energy policy. And even this was not criticized regarding the efficiency of the measures envisaged, but merely regarding the legislative delay.

Time and again the German representatives had stated that Germany would accept a deficit in the current account, a reduction of her exchange reserves, an appropriate measure of appreciation of the DM rate, and a reduction in the German share in world markets. Germany did expect her partners to really earn their way by normal competition. But evidently most countries, even when benefitting from currency depreciation, seemed unable to exploit growing markets for themselves, with the exception of UK - although the export rise looks limited to oil - and Italy, where the improvement in the current balance had to be payed for by too little GNP growth.

Recognizing the needs of other countries less able to react, Germany cooperated fully to make the financing of oil deficits easy. The Government refrained almost completely from approaching the Euro-markets for budgetary financing, well aware of more urgent needs on the part of neighbour-countries. Recycling of funds through official channels was approved wholeheartedly. Germany was ready to participate in the OECD Support Fund (which was deadlocked in the US Congress) and presented a scheme of her own for an Investment Fund for oil dollars (an idea originally tabled by Treasury Secretary G. Shultz but also discarded soon). Germany was among the first to contribute to the IMF Oil Facility, agreed to the Extended Fund Facility (1974), subsidized the Trust Fund (created in 1976 out of IMF gold sales) and voted in favor of the Witteveen Facility (still before the US Congress at the time of the 1978 IMF Annual Meeting).

The only concern Germany felt related to the stability of Euromarket operations. In 1974, there was uncertainty about the ability of Euromarkets to handle the recycling problem. Rechannelling of oil dollars to where they were most needed was officially supported by giving relevant information to banks. But there was less coordination between banks and Governments than some thought necessary. For a while at least Euromarkets became more cautious after the Herstatt failure. This failure surely was a wholesome warning against overextension in general. German officials seemed to be more concerned than others about possible overexposure of individual banks. Failures could have led to chain reactions. We looked, therefore, for measures to improve market transparency and bank supervision. But as the authorities in other centres of Euromarket activity, London and Luxembourg, did not share our concern, international action has not been taken yet.

In all, deficit financing from official and private sources did not pose too many problems during 1974 and 1975. In the following year, some countries began to feel the limits of their creditworthiness. This soon induced them simply to ask for more official financing facilities. If they continue to succeed with this line of thought, easy financing of deficits will go on and balance of payments adjustment will, in all probability, have to wait.

IV. FLOATING AND ADJUSTMENT

When the oil crisis came Germany was happy to see her exchange rate floating already with other snake currencies. Since the end of 1972, the DM had already appreciated against the Dollar by 33 % in Sept. 1973. This had been called "overdone", i.e. more than required to offset changes in relative export prices. But Germany did not counteract and, as a consequence, expected a noticable reduction in the current account surplus. At that time nobody dared to expect that 5 years later (in Sept. 1978) the DM would have risen by 66 % against the dollar. The 1977 surplus, however, still equalled that of 1973.

After the oil crisis, floating was considered quite useful to absorb shocks like this. On the other hand, there was a widespread desire for rules and surveillance. It was also felt that economies might be pushed apart and additional inflationary impulses generated, since the effects of exchange rate changes were likely to show less quickly on current account than on prices. As Sterling and the Lira became very weak, experts argued that depreciation resulting from actual or anticipated high rates of inflation could tend to perpetuate through the effect of high import prices on wages. This "vicious circle" proved particularly vicious, indeed, when there is a automatic price-wage-indexation or escalator clause, as is the case in Italy.

In German opinion the vicious circle theory does not go very far because no exchange rate change can have the intended effect on the balance of payments if complementary domestic demand policies are missing. According to German views, monetary policy although it should not and need not be directed exclusively and always toward external objectives can have a strong effect on the exchange rate.

■ In the countries concerned, there is a well recognized need for monetary restraint on purely domestic grounds, and this would also be helpful to limit any "overshooting" by the exchange rate.

Germany was not overly afraid because of the DM appreciation. Only when the dollar began its rapid decline vis-a-vis the DM in October 1977 there was some nervousness on the German side. Partly this was an outflow of uncertainty how long this would continue. Partly it had to be seen as a reflex of US teachings on what growth policies would be appropriate for Germany.

"Overshooting" was seen normally as something to complain about. In other cases the same phenomenon was named "real exchange rate change", and then - curiously enough - it was welcomed because only such changes could be expected to help in the adjustment of current accounts. There was even disappointment about the failure of floating to bring about lasting real exchange rate changes which could really reduce the imbalance of current accounts. This judgement is not easy to understand: Floating exchange rates simply could not be expected to do more than just reflect the relative competitive positions, but not to change these positions. And as long as there is no practical way to enforce real exchange rate changes by policy measures, or to make them last, countries can hardly do anything but to rely on domestic measures bearing on the current account.

V. Adjustment By Demand Management?

Disappointment with the role that floating rates were able to play in balance of payment adjustment, and recognition of the fact that easy deficit financing tends to delay adjustment, the international discussion took a new turn late in 1976: The recession which was so stubbornly plaguing most industrial and developing countries perhaps was to be remedied by differential demand management.

Without any doubt, demand management is to be regarded as an appropriate policy complementary to exchange rate changes. It has the advantage of showing effects on rather short notice, while exchange rate changes need around two or three years to work themselves through. But it was not simple demand management that was recommended but a somewhat refined version

of it called differential demand management. According to this prescription, the main responsibility would rest with countries in a strong balance of payments position, while weak countries would more or less be excused from applying any kind of demand restraint as long as their GNP growth is less than modestly positive. Here again we were confronted with the old Leitmotiv of burden sharing.

When this thesis was first mentioned, Germany could still point to a 5 % GNP growth prospect and an increase of 16 % of import volume (as against a more 13 % for export volume). The call for differential demand management in Germany did not sound very imperative.

More important, however, was the feeling that the exemption for "weak" countries from applying monetary restraint lacked credibility, as it is well known that several countries suffering from strong inflationary pressures are badly in need of some monetary restraint, but are unable or unwilling to apply effective measures. They should not be excused simply because [] their legal and political structure leads to [] an institutionalised habit to have fiscal expenditures financed directly by their Central Bank. If this argument is acceptable in international discussions it is only fair to accept arguments presented by the German side which explain that demand management, in certain cases, does not seem to be a very promising way to cope with economic slack.

Recent German experience has shown that demand is not so easy to manage. What can be managed is bank liquidity and, by tax relief and deficit spending, liquidity in the hands of consumers and investors, including public authorities. Whether or not this liquidity will and can be transformed into effective demand is an open question.

Our recent programs for public expenditure have proved difficult to set up. In conditions of present day Germany, the preference is for public investment. But once a country has gone through a decade during which public investment projects have been carried out massively, it is not easy to recommend still more additions to infrastructure to those levels of Government where,

in a federal system, building and construction projects are planned and executed. Even if, for general economic reasons, such projects are called for, it is difficult to persuade local authorities to incur still more debt when they feel overburdened already, and when there already is some over-investment in house buildings, surplus capacity in kindergardens, elementary and high schools, when municipal recreation facilities and modern townhalls are plentiful and when there is even a surplus of hospital beds. In a situation like this, the German Government in it's program of DM 16 billion DM for four years, concentrated on environment improvements and technological research. But even such a program would appear like a feeble attempt at relaunching an economy in which investment expenditure by all public authorities amounts to only 16 % of total investment.

The private sector, too, seemed to need some impetus to step up investment. In fact, there had been hardly any net real investment in industry since 1970. But undeniably, there is a widespread hesitation to make additions to industrial capacity while existing capacities still are underemployed, and there is a tendency to focus investment on labour saving projects, given the fast increase in labour cost (wages and social contributions) during recent years. In all, there seemed to be no great chance to step up investment by tax measures.

Finally, there is a possibility to increase consumer demand. Germany had been told to try this, in view of Germany's propensity to import which seems to have increased noticeably during recent years. In this way, much of the supply would come from foreign countries - a prospect fitting nicely to the locomotive theory. It can be seen easily that in this case, the main benefit would not go to German production and employment, but other countries.

The desire to see the German external surplus vanishing is understandable and even justified in the interest of international equilibrium. As already mentioned, Germany agreed to accept a current account deficit for a number of years,

and to loose exchange reserves. This was and still is an official attitude and not just lip service. However, it is extremely difficult to envisage an economic scenario in which Germany would run a trade deficit. A large part of German industry has been producing for world markets. This export oriented capacity has been created over the last two decades, partly due to a long period of undervaluation of the Deutschmark. This part of industrial capacity would go unutilised, implying unemployment, or would have to be converted to produce goods for domestic use. Both solutions would cause major problems of friction.

No expert or international organisation would be able to describe a pattern of production for Germany which would correspond to a trade or current account deficit or even to equilibrium, and, at the same time, remain compatible with an appropriate level of employment. There would have to be industrial or tertiary sectors expanding enough to assure sufficient employment. But it would be very difficult to define them, and more so to describe policy measures which would reduce capacities in one branch and, at the same time, give expansionary impulses to other sectors with medium term growth prospects.

Similar problems would arise in an attempt to stimulate imports up to the point of near current account equilibrium. This clearly cannot be achieved through specific import stimulation. And it still has to be explained to us how this could be done by "demand management".