THE FALL OF THE WALL AT 20: GLOBAL CONSEQUENCES TODAY

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FOREWORD

When East Germans first crossed through the Berlin Wall on 9 November 1989, no one knew that the consequences of this one small act would have global ramifications, bringing about the end of the forty year Cold War, and transforming the framework of global politics. The past twenty years have shown that the fall of the Berlin Wall is far from being just an end-point; rather, it was the beginning of a new era in German-American relations, in transatlantic cooperation, and in global affairs. The American Institute for Contemporary German Studies (AICGS) is pleased to provide new analysis on the consequences of the fall of the Berlin Wall for Germany and its Western partners.

In the twenty years since the Berlin Wall fell, Germany reunited and the Cold War ended. The United States became the lone superpower, challenged now by rising powers in the South and East. The European Union grew in members and scope. Terrorist attacks changed the way we think of defense. NATO engaged in its first military action in Afghanistan. The world economy flourished—and then fell. The authors in this volume reflect on these and other consequences of the events of November 1989, proving that that historic moment is just as relevant today as it was twenty years ago. In his essay, Manuel Lafont Rapnouil discusses the ascendancy of the European Union and improvements in Franco-German relations, despite initial hesitancy toward a reunified Germany. Klaus Larres looks across the English Channel to Britain's relations with Germany, explaining both Britain's initial misgivings on German reunification as well as the role that Germany's role on the world stage has had on Britain's own decline in global affairs. Turning to the other side of the Atlantic, J.D. Bindenagel considers the U.S. response to the fall of the Wall and how the U.S. then paved the way not only for German reunification, but for German NATO membership and subsequent role as a full partner in security affairs. Finally, Holger Wolf analyzes the economic side of reunification and the asymmetries that have continued between east and west to this day.

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1989 WAS SEMINAL FOR EUROPE'S HISTORY

1989 WAS SEMINAL FOR EUROPE'S HISTORY... BUT THIS HISTORY REMAINS TO BE WRITTEN

MANUEL LAFONT RAPNOUIL

Twenty years ago, with the fall of the Berlin Wall, a united Europe was again possible. And, for the first time in European history, such a scenario could proceed in peace and, actually, from peace. Of course, there are still people who love Europe so much that they prefer when there are two of them, such as the so-called "old" and "new" Europe. But even if European unity is still difficult and incomplete, the union of Europe is a given, both as a fact and a trend.

Yet, the outcome of this union is still unclear and undecided, just as neither the unfolding nor the outcome of the events in 1989 were bound to occur the way they did.[1]

Where Have the Last Twenty Years Led Us?

With these twenty years of perspective, the record for Europe does not look as bleak as some would like to persuade us. As Adam Michnik argued, "with the exception of the Balkans and Russia, the post-communist countries have not had such a good 20 years in their modern history."[2] Indeed, most former Soviet satellites successfully completed their transition to market economies and democracies. Obviously, what happened in the Balkans during the 1990s is a strong reminder that there were other possible exits from the Cold War than toward peace and prosperity. But precisely this supports the case that the situation has overall turned out positively.

NATO played its part in this process, strengthening civilian control over the military, assisting security sector reform, and directly contributing to the stabilization of the Balkans. However, it was arguably the European Union (EU) that played the key role. One of the most apparent examples is that of how the EU secured the democratic consolidation of Slovakia in 1997-1998. But Brussels' role was broader, though often more discreet (and sometimes criticized as petty). The EU contributed to the transition through trade, investments, financial aid, technical assistance, and political support. Moreover, it showcased "soft power" at its finest, using both active and passive leverage, and realizing Konrad Adenauer's vision of a *Magneteuropa*.

In turn, these economic and democratic transitions allowed for enlargements to proceed. Ten former Warsaw Pact countries are now members of NATO. In addition, the twelve countries that opened negotiations with the EU ten years after the Wall fell, in 1999, are now member states. Among them, Cyprus, Malta, Slovenia, and Slovakia are already members of the monetary union. In twenty years, the EU has more than doubled its membership, increasing from twelve members at the end of the Cold War to twenty-seven today! Such a record should be considered with respect. Still, this overhaul obviously raised not only concerns, but also true challenges. Even Vaclav Havel, once so impatient about an accession process deemed lengthy and bureaucratic, now advises the older members to show patience with the most recent ones.[3]

Obviously, such a long and demanding journey cannot be without consequences. The fatigue within the EU about enlargement is real. Most members—whatever their commitment to further enlargements—acknowledge the need for a "pause" that will

seemingly last for several years. Nonetheless, the EU's magnetism and leverage still exist. The economic crisis was a strong reminder of the many benefits that come with the EU, to Irish voters and others. The Balkans, Ukraine, Georgia, and Turkey are all looking forward to a positive outcome of their membership plans, whatever the uncertainties and difficulties of the accession process. Outside of Europe, the EU remains the indisputable role model for regional integration processes, be it in Latin America, Africa, or Southeast Asia.

Inside the EU, seduction and enthusiasm are long gone. Yet in spite of genuine frustrations and disappointments, the overall assessment remains positive. Opinion polls show that enlargement is viewed as having caused difficulties, such as cultural differences or institutions-management issues. But it is also perceived as a favorable contribution to continental and national security, stability, modernization, growth, democracy, etc.[4] Polls also show that, in general, new members have a more positive view of the end of communism than other former Eastern bloc countries. Even if they are dissatisfied with the current state of their government or economy, it does not drive them to withdraw their support for democracy, capitalism, or their EU membership.[5]

Simultaneously, integration has also moved forward. Twenty years earlier, the European Communities were mainly dealing with trade and market-related issues. Nowadays, the European Union has extended cooperation on such areas as immigration, environment, education, research, police, justice, climate change, etc. The European project expanded to the political arena with the creation of the European Union through the 1991 Maastricht Treaty. Quickly, it went further and touched upon core sovereignty issues. The Schengen agreement created a large borderless space for individuals' freedom of circulation. The monetary union was an even more significant step forward. Many thought it was unachievable or doomed to failure. On the contrary, the economic crisis proved it was both robust and beneficial, and shed more light on the importance of the European Central Bank—the most federalist body in the Union along with the Court of Justice of the European Union.

Ten years after the Wall fell, a few European leaders began to mention the idea of a constitution for the EU, expressing both the need for better institutions and the desire to walk further down the road of political union. This idea was eventually rejected, after years of intense debates between officials and difficult discussions within the European public. Yet for all the difficulties they faced for more than a decade, institutional discussions overcame this landmark failure. The Lisbon Treaty was eventually ratified by every state. Its implementation will hopefully allow for much-needed institutional consolidation.

However important institutions are, they alone cannot account for the EU's failures and successes. The external relations area is a good case in point: for all its institutional complexities and shortcomings in this area, the European Union has managed to make major progress. Obviously, its role in world politics is still not on par with its potential clout as the largest world market, the largest world trading power, the largest development and humanitarian aid donor, and a major multilateral contributor (through funds, but also troops and diplomacy). All the same, the EU succeeded in raising its profile on global affairs. For one, it successfully assumed leadership on major issues such as innovative funding for development assistance, responsibility to protect, cultural diversity, climate change, and international criminal justice.

The European Union is even considered as a global provider of security, despite being absent from the field ten years ago. Europeans are serious enough on proliferation to have confronted the Iranian leadership with suspicions over its nuclear activities in 2003, in spite of their divisions about Iraq. And even though the EU cannot compete with the United States, it is the latter's partner of choice and one of the few international actors able to act out of area in the interest of global peace and stability. Whatever its limitations, in particular with regard to European military capabilities, "the ESPD [now Common Security and Defense Policy] has performed far more creditably than many predicted and than anyone had a right to expect" in the international crisis-management arena.[6]

The Gradual Revelation of 1989's Consequences

So what did 1989 actually change and how does it account, at least partially, for the events of the last twenty years and their outcome? The end of the Cold War was a happy and positive event. Yet, the enthusiastic optimism that prevailed at the time failed to see much of the incoming challenges, threats, and changes. 1989 was as much a victory as a game changer, even though the latter was not immediately clear at the time. One may actually argue that it is still not clear what the new game, its rules, and its goals are: hence the fact that we still characterize it as the post-Cold War era.

For instance, many saw the fall of the Iron Curtain as a moment of closure or revenge over Yalta. The reunification of Europe somewhat appeared to mark the end of a too long parenthesis, the liberation from a kidnapping. But it was just as much a time of beginning. Enlargement raised a new set of questions—about Europe's institutions, its cohesiveness, its borders, its vocation. It came with new eastern neighbors, including Russia. It even reformulated older issues such as the EU's regional policy, the free movement of labor, social harmonization, and others, to put them into a whole new context. To a certain extent, the same could obviously be said about NATO.

Just as enlargement seemed to close a parenthesis, but actually opened a whole new chapter, political integration seemed to achieve Europe's founding fathers' initial plans, but actually changed the nature of the project and quickly proved to be a whole new challenge, too. In 1989, a new impetus for the European construction was the obvious way forward for many, and notably for Bonn and Paris, so as to make the best out of the fall of the Iron Curtain in general, and of German reunification in particular. Yet, allowing the EU to take on political issues raised its own set of new difficulties. The "Monnet method"—a quiet functionalism taking advantage of a passive consent from the public—was not meant for these new unchartered territories, and indeed is not fully adapted to political integration. But there were no obvious candidates for replacement.

Finally, the transatlantic relationship was impacted. Of course, 1989 was perceived as the confirmation of the United States' importance in Europe. Naturally, Washington still cares for a Europe "whole, free and at peace." But despite protestations, the closer Europe got to this horizon, the less interest Washington had in Europe. The U.S. strategic focus shifted toward other frontlines. Both sides of the Atlantic still need to come to terms with this. In Europe, in particular, many still have to understand that special relationships are already less appealing to Washington than a strong partnership with a capable EU.[7] In the case of Europe, and as Polish foreign minister Radoslaw Sikorski recently framed it talking about the missile defense issue, some leaders still have to be disabused from "the dream of basing everything on a bilateral alliance with the United States."[8] It is a consequence of 1989 that, now more than ever, Europeans have to be able to stand up to their regional and global responsibilities by themselves.

Populism and Elites' Exhaustion

The lack of clarity on the meaning and implications of the fall of the Iron Curtain persists today. As Timothy Garton Ash eloquently set out in a recent article,[9] there are still different accounts for what exactly happened in 1989. Each has its own magic bullet: Reagan, Brandt, Solidarnosc, dissidents, John Paul II, Gorbachev, the financial breakdown of the planned economies, the Helsinki Final Act, the Hungarian reform communists, etc. Each has its own perspective: the Baltic countries, for example, focus on 1991 and the breakdown of the USSR. But more importantly, each carries a different vision of the role and the nature of the European project.

These diverse views obviously account for some of the differences among Europeans. For the last twenty years, the countries of central and eastern Europe have been more Atlanticist and pro-market than western Europe. However, these differences could hardly be summed up by the simplistic vision of an East-West divide. Other countries, such as the United Kingdom or the Netherlands, also favor an Atlanticist and pro-market narrative. Germany obviously would have its singular perspective. So would traditionally neutral nations, be it Sweden, Finland, or Austria whose central European vocation was suddenly

revived. The role of the Pope would naturally be stressed in Catholic nations such as Poland and Italy.

In this regard, it is not a surprise that the reconsiderations of the narratives on 1989 that have taken place recently were accompanied by reconsiderations of the posture toward the European Union. In Poland, for instance, some political forces criticized the roundtable talks as a flawed compromise, an "original sin" that tainted the whole transition. When in power, the same forces showed a much more nationalistic, backward-looking, and score-settling profile on the European stage.

It is remarkable that what has been characterized as a "populist backlash"[10] occurred within the former Eastern bloc as soon as the historic task of achieving EU membership was completed. The elites that led the transition and the accession process were exhausted by the journey. However excessive expectations had been, unfulfilled promises of the transition and the accession to the EU—both often confused into one single process—have hit hard.

This phenomenon is not specific to the new members. Populism is just as pervasive in older member states. The European Union is a convenient target for resentment since it is supported by the political and economic elites, and moreover implies a redefinition of national sovereignty and identity. But it does play differently and maybe more strongly in former Eastern bloc countries. The federal project—and one's posture toward the "federator"—appeals differently when one's most recent federal experience was the USSR, Yugoslavia, or even Czechoslovakia.[11] Reconciliation, sovereignty, and other central themes of the European discussion sound different these days than they did in the 1980s.

Lessons that Remain to Be Learned

In spite of these persistently diverging perspectives, or more precisely to contribute to their reconciliation, lessons from the past twenty years should be drawn and learned.

For one, did we fully come to terms with the illusions of the "end of history"?[12] Set out in early 1989, this idea was widely endorsed—and somehow distorted, to be fair with its author, Francis Fukuyama—after the fall of the Iron Curtain. Twenty years later, illusions that were attached to it seem to be dispelled. Europe is still confronted with history, including under its most tragic dimensions. 1989 may even have thrown Europe back into history, in particular through the return of identity politics. Far from the "nationless" federalist dream, the EU had to acknowledge that nations remain the most appropriate level where collective preferences aggregate and where democratic processes deploy. For all its wit, the "federation of nation-states" phrase does not suffice to answer hard questions on how the EU will deliver: on convincing more citizens that EU decisions are not made above their head; on better avoiding the risk that the collection of national choices that is the EU ends up in a least common denominator decision; on getting rid of the zero-sum game that still inspires part of EU politics (e.g., the competition for top jobs or budgetary discussions).

Moreover, to be post-historical as some argue it is, Europe would have to be able to (and feel convinced it can) fully isolate itself from the rest of the world. This leads us to a second lesson. World politics is not the monopoly of the West or even West-centric anymore. Some benefits are attached to Europe no longer being the central battlefield it used to be. It also comes with challenges. For all its achievements, the EU needs to do more in order to convince the world that it may still be relevant on the global stage, not as a problem, but as part of the solution. Even though Europe has called for and anticipated the rise of new powers and a multi-polar world, many still wonder whether Europe will actually be able to find its place in the coming global order.

Third, the West itself is a different notion, whose consistency and relevance is at stake. To begin with, the United States is as much a Pacific or even a global power as an Atlantic one. Moreover, the last eight years confirmed that shared values do not make for converging foreign policies, let alone a robust alliance, as soon as collective preferences and strategic interests do not coincide. It is in this context, and not only in that of the conclusion of the Bush presidency, that transatlantic relations need to be reinvented.

Finally, to address these international issues, the EU needs to have its own house in order. The Union's rise on the global stage at the very time of its worst internal difficulties seems to imply that it can assert itself in world politics irrespective of its domestic disputes and weaknesses. Such a conclusion would be misleading. But only from a sound basis will Europeans be in a position to build upon their good record of the last ten years. In this regard, the most pressing challenge is probably to renew economic success. The European leadership has been aware of this issue for some time now. As of 2000, it devised the so-called "Lisbon strategy" with a view to make the EU "the world's most dynamic knowledge-based economy" by 2010. But results are minimal, and the strategy itself was probably more rhetoric than policy. The successor "2020 strategy," which is to be adopted by next year, will have to deal with the legacy of the 2008 financial crisis. It should moreover address classical challenges (aging, transitioning to a green economy, investing in and capitalizing on research and education), reshape the European growth regime (public debt, private investment, economic reforms), and tackle European imbalances. This is needed so that EU citizens feel that the European project does not fall short of its promises and ambitions, especially in the context of vivid anxieties over globalization.

More cohesion will be needed as part of this effort. This obviously alludes to the coming discussions over the EU budget or tax policy coordination. But the issues go beyond this financial dimension. The journey since 1989 has brought out a more diverse, more heterogeneous Europe. This is not only about economic and social unevenness between older and newer members. It is also about the size of the countries, from reunified Germany to Malta. It is about social and cultural models, from the Nordic welfare state to liberal Britain. The way forward is not to be chosen only between more competition and more convergence. On the contrary, the essence of the European project is a third option, which is solidarity within diversity.

Selfishness within the European bloc predated 1989, as exemplified from the fierce debates in the 1980s over "national returns on budget contributions." Successive enlargements made this reasoning more frequent and damaging at the same time. Such recriminations take place over a budget that only adds up to around 1 percent of the EU GDP. Moreover, they obstruct any possibility for the Union to make a difference through bigger, bolder efforts, when and where needed. More deeply, such a zero-sum game perspective ignores the collective, though sometimes diffuse and delayed, benefits achieved from cooperation that are the essence of the European model. Redistributive measures in the EU budget, collective public investments (infrastructures, research, and education), as well as tax coordination, social harmonization, openness to migrant workers from within or outside the EU, are among the many solidarity-related issues that remain on the table and still have to be dealt with.

What is Ahead for Europe?

Bearing in mind the record for these twenty years, and the lessons that we may want to learn from them, what could be said about the main stakes facing the EU?

Further enlargement is either limited or distant. Croatia is one among the few countries that could become a member soon. Most of the other pending cases are headed down a much longer road. The enlargement fatigue and the public's concerns about some candidates are of course one reason for this. However, one should also point to the fact that most of the current candidates raise major difficulties that go far beyond the usual challenges of consolidating market economy, rule of law, and democracy. Some are bigger countries. Some are engaged in difficult (post-conflict, post-nationalist, or even post-communist) transitions. Some raise serious concerns from the public, all the more so because the latter was not seriously engaged on the occasion of previous enlargements, from which suspicions arose that the process had gone out of control.

In the short term, the challenge for the EU is that it cannot rely on accession as its single tool to address these situations. The Union should further develop its assistance, association, and partnership programs to tailor a comprehensive policy toward its neighbors. The Balkans are a major challenge in this regard, especially now that the "protectorate" approach has

clearly shown its limitations, and that the EU is increasingly perceived as guaranteeing peace without development.[13] Russia is another challenge. As one can see, the pause in the enlargement process does not mean that the EU should remain inactive, but rather should become more proactive. It should pave the way for coming accessions, including by addressing the public's concerns, and more broadly to foster cooperation and convergence with its neighbors, whether they should eventually join the EU or not.

In the longer term, some cases are clear: Maghreb countries or Russia are unlikely future members. But others are seriously discussed, as is the case for Ukraine, Belarus, the Caucasus, and last but not least Turkey. Much can be said about the broader issue of enlargement, and for each specific case. The "EU border" is not only a fashionable issue for political scientists, but also one of the most sensitive and intense European discussions. Yet, beyond the individual merits of each particular country and the more general issue of the need for some geographical limits to the EU, the real underlying divide about the border issue points to a discussion about what kind of union the EU should be.[14]

Therefore, the future of European integration is the key. The Lisbon Treaty is a major thorn out of the side. After more than a decade-long journey toward adapting and streamlining institutions, the broad consensus is that institutional discussions also call for a pause. Yet this is not the end of the EU domestic discussions and disputes. If it is not "invited," integration will force its way on to the agenda. Many issues ask for progress in this direction: energy security, regulation of the banking sector, public deficits, the EU's budget, solidarity between the euro-zone and the rest of the EU economies. In the wake of the economic crisis, former EU Commissioner Mario Monti—who can hardly be suspected of not being pro-market—eloquently advocated for "limited measures of tax co-ordination" as a compromise toward the preservation and strengthening of the single market without sacrificing social protection.[15]

How will member states deal with this prospect? One often invoked idea is that variable geometry (the idea that not every member-state takes part in every policy) could help. Such differentiated membership already exists: for the Schengen space, the monetary union, or even the Common Security and Defense Policy (CSDP). Just as it did in the past, it may prove useful in the future to move forward on some issues as soon as there is broad consensus within the EU, though no unanimity. But there are two issues to be considered. First, there is a risk of unraveling the European political integration. Second, however, variable geometry will not be the easy fix people are hoping for. Some members may be reluctant to opt-out, even though they have limited interest in moving ahead, as is the case for the United Kingdom on security and defense policy. Stable institutions require compromises and quid pro quos to function rather than a patchwork of ad hoc coalitions under an "à la carte" integration strategy. Therefore, what is needed is a way to promote further integration as a broadly collective option.

As for the EU's place in world politics, the problem is not that Europe's potential clout is bound to a relative decline. The key is what the EU wants to do with this influence and how it will be able to exert it effectively. The EU does not make a single, unified foreign policy, but a common one. This is the direction that the EU should follow in its efforts. For instance, the progresses of CSDP and the end of ideological opposition between the latter and NATO, but also a more benign or even positive attitude from Washington should allow for serious efforts on the military capabilities front. The EU should also match its civilian capabilities in crisis management to its discourse about its political approach to conflict resolution and its ability to address the full spectrum of a crisis.

The Continuing Need for a Franco-German Engine

In the wake of 1989, one central point of the discussion about the new European order was the future of the Franco-German engine that had prompted much of the European construction so far. Speculation about a reunified Germany's hubris and a purported French reluctance to such reunification fueled such questioning.[16] Alternative leaderships were envisioned, whether they focused on a triumvirate (with the United Kingdom or with Poland), a G-5 or G-6 (a

directorate with the bigger members that would premake decisions), or ad hoc alliances according to the circumstances. Eventually, none of them proved accurate.

What this speculation got right was the need for a different form of leadership. 1989 did not signal the end of the Franco-German engine, but changed the way the engine works, both in its bilateral relationship and in its dealings with other members. European leadership cannot be exerted the same way as before. The decision-making process is easier, thanks to the expansion of the qualified majority voting, but also more complex, because of the multiple majorities that can be built in an enlarged Union. The center of gravity of the EU is further east, even though there is no such thing as a *Mitteleuropa* bloc. Likewise, the number of members also makes for a different union. And the issues at stake are much more politically sensitive for citizens than they used to be.

But all these alternatives missed the point of the persistent centrality of both France and Germany in the new European landscape. An agreement between Paris and Berlin does not suffice anymore to make the decision. Yet it is hard to envision bold decisions that cannot lean upon Franco-German support. But there is more to the Franco-German engine. It still enjoys a historical understanding not only of each other, but also of the EU, and draws some incomparable legitimacy from this "founding fathers" experience. It still does embody some geopolitical and ideological balance within the European Union, and both Germany and France remain the largest budget contributors to the EU (around 19 percent and 17 percent, respectively, in 2008).

Germany and Europe: Closely Linked Challenges

France has a long tradition of preference for intergovernmental leadership and of difficult relations with EU bodies and norms. It now has to deal with what one could call its own "European culture war" that dates from the 1992 referendum and surfaced on several other occasions, such as the 2005 referendum. But the deeper and more fundamental challenge for Paris may have been to come to terms with the post-Cold War environment. Positive evolutions can be pointed out. Paris has a better sense of its relations with the EU institutions, showcased a different posture toward new members under its recent presidency, adopted a new attitude toward NATO, and learned a lesson with its initial mismanagement of the launching of the Mediterranean Union. Paris took some time to realize the nature of post-1989 Europe, and still has to fully conform its actions to this new understanding, getting rid of false dichotomies such as enlargement vs. deepening, institutions vs. leadership, East vs. South, etc.[17]

Still, Germany is an even more interesting case, since a parallel may be drawn between its situation and that of Europe. During the Cold War, Germany was the symbol of a divided Europe. There are some hints that this symbolization persists today.

First, the end of the Cold War did not create the German identity question, but rather gave it a new vigor and largely reframed it. Now, most European countries are currently struggling with this national identity issue, which is closely linked with the global European identity question, the latter being both a trigger and part of the solution for the former.

Second, and as far as reunification is concerned, the parallel is not only that the process takes time, far from the spontaneous conversion to market democracy many expected in 1989. It is also that what is perceived as absorption on both sides, with positive or negative understatements, is actually a much more complex process. What happened in 1989 not only changed central and eastern Europe, but impacted western Europe and, even more obviously, the European project itself.[18]

Third, power status, assertiveness, and effectiveness do not come spontaneously either. Certainly, it took only ten years after the reunification for a German chancellor to talk about "German power" and "national interests." Yet the path from the post-WWII posture to "normal" power (i.e., a more "self-assured and self-centered attitude [but also] an aspiration to leadership, a sense of mission or a special role"[19]) will obviously take some time. The EU, too, has to become a global power whereas its ancestor, the European Community, was created with a view to eliminate foreign policy from within Europe. Both have

to go through a learning process, moving beyond law and economics, a traditional culture of compromise, and a focus on civilian and normative power. Actually, just as it is difficult to envision a European power without a determined German power, the latter will occur only with and through European power.

Fourth, one should pay attention to the current skepticism and questions in Germany about the future of the European project. On the twentieth anniversary of the fall of the Wall, Chancellor Angela Merkel herself made the case that Germany will matter most if it is a team player when she said that tomorrow's walls will fall only if states are willing to "give up powers to multilateral organizations, whatever it costs."[20] However, the recent decision by the Karlsruhe constitutional court on the Lisbon Treaty raised some doubts about Germany's continuing support for an "ever closer union." With the initial move toward a national response rather than coordinated policies to confront the economic crisis and other events, they seem to point to a less dedicated and unquestioned commitment to Europe. Why would Germany be immune to what Pierre Hassner calls "a general European movement toward the reassertion" of nation-states?[21] As Jacques Delors put it, Berlin's attitudes toward a bigger EU budget or a more unified energy policy are a source of concern, but they also exemplify widespread short-term and self-centered attitudes.[22]

I do not want to overplay this parallel. Yet it says something about how important a united Germany is today for a united Europe. It may be part of the explanation as to why any attempt to bypass Germany, even out of concern that Europe cannot wait for Germany to get its act together, is clearly doomed to fail. As far as the Franco-German so-called "couple" has been concerned, there have been difficulties from time to time, often at the beginning of a new leadership in one of the two countries. But the endgame has always been that Berlin is central for Paris' foreign policy (and, I would argue, the other way around is also true).

NOTES

The author would like to thank Jamie Kraut and T.J. Cipoletti for their assistance.

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02

GERMAN UNIFICATION AND ITS REPERCUSSIONS AS SEEN FROM BRITAIN

GERMAN UNIFICATION AND ITS REPERCUSSIONS AS SEEN FROM BRITAIN

KLAUS LARRES

Since the Second World War British politicians and the British public at large have always had a very ambivalent attitude toward the defeated Germany. Feelings of superiority due to the victory in World War II, Britain's past imperial position and its continuing great power role during the Cold War, as well as the country's "special relationship" with the United States and its island location were only some of the factors that accounted for this. The unification of Germany was not welcomed in the United Kingdom. However, the British people and the British Foreign and Commonwealth Office were much less antagonistic toward the reunification of Germany than Prime Minister Margaret Thatcher and her cabinet, some of whom expressed their hostility in a surprisingly public way. Although Thatcher's fear of the rise of a new German superpower never materialized, the unification of Germany has had detrimental repercussions on Britain's standing in the world in a number of important areas.

Thatcher and German Unification

It is well known that British Prime Minister Margaret Thatcher was deeply opposed to German unification. Thatcher's more than skeptical attitude toward Germany and the German character as such was not helped by the fact that she and Chancellor Helmut Kohl did not get along very well. Even one of their first meetings as heads of government was not a success, to put it mildly.

In August 1984 Thatcher had travelled to Kohl's holiday resort on the Wolfgangsee to talk to Kohl. Much to her surprise after around an hour Kohl explained to her that he had another urgent appointment and that much to his regret he really had to end the conversation. Thatcher was not pleased but had to accept Kohl's explanation. She and her advisers took a stroll through the quaint town of St. Wolfgang. Soon, however, she spotted Kohl in a cozy coffee shop and she realized immediately that Kohl's important appointment had been an appointment with a big piece of cake in front of him. She was not amused.

Similarly, at a meeting a year or two later, Kohl interrupted the Prime Minister's flow of words by saying that she had talked enough now and that it was his turn to speak. All this did not help to improve personal relations between the two politicians.

While the British Foreign Office had a much more realistic and constructive attitude toward the unfolding process of German unification in late 1989, Thatcher never really reconciled herself to the unification of the divided country. It was a French politician in the 1950s who said that he loved Germany so much, he wanted two of them—but Thatcher would have fully agreed.

Thatcher was of course guided by history and the unprecedented excesses of Nazi Germany as well as by German expansive power politics since 1870/71. Thatcher clearly feared that a united Germany would become a European superpower that dominated all other European countries, including Britain. In the future, she feared, a united Germany might well harbor ambitious and perhaps expansionist power plans once again.[1]

But there also was a geopolitical dimension to Thatcher's concerns and, from the British point of

view, these concerns are still relevant, even twenty years after the fall of the Wall. After all, with the end of the Second World War and the process of decolonization in the 1960s, Britain had lost its once huge Empire. One of the reasons why Britain continued to play the role of a great power and punched well above its weight in world power politics was Britain's responsibilities in the German question. Britain—like the other three victorious powers of the Second World War—continued to be in charge of questions concerning reunification and all questions concerning the whole of Berlin.

This gave Britain a certain degree of influence over West German politics and it certainly helped to enhance Britain's image of still being a European great power. This was one of the reasons why Willy Brandt's eastern policy—*Ostpolitik*—was not received enthusiastically in London. The British were strongly opposed to *Ostpolitik* as Germany's rapprochement with the Soviet Union reminded them of the Weimar Republic's *Rapallo Politik* of the 1920s when Germany appeared to develop an extremely intimate relationship with the Russians.

Most importantly, Bonn's initiative to take more control of its foreign policy gradually began to undermine Britain's influence on postwar Germany and thus also its standing in the world. The Berlin agreements of June 1972 effectively brought an end to the permanent crises surrounding Berlin since the end of WWII. While this resulted in a clear lessening of Cold War tension and thus contributed to global stability, the Berlin agreements also meant that Britain's responsibility as one of the four World War II victors for all questions concerning Germany as a whole, including the Berlin problem, had become much less important in practice. *Ostpolitik* and the Berlin Agreements had clearly resulted in a loss of geopolitical influence for Britain (as well as for France).

Similarly, the unification of Germany in 1990 and the long overdue settlement of the German question also led to an obvious diminishing of influence for Britain. Suddenly, and rather unexpectedly, Britain, as well as France, had lost one of the few remaining factors of influence that gave the country special importance on the world stage, and certainly in European politics. This was hard to accept, in particular for someone like Thatcher who also harbored deep anti-German feelings.

At the infamous seminar with a number of historians at Chequers, the prime minister's country seat, that Thatcher convened in March1990 to discuss the German character and the potential consequences of reunification, the eminent British historian Hugh Trevor-Roper suddenly expressed his deeply felt conviction when addressing Thatcher: "Prime Minister, if anyone had told us in 1945 that there was a chance of a Germany united in freedom, as a solid member of the west, we could not have believed our luck. And so we should welcome unification, not resist it."[2]

This was undoubtedly true but it was still difficult for Britain—both for the country's politicians and to some extent also for the British public—to accept German unification. While in the economic realm Thatcher's fears that unification would lead to the rise of a new German superpower have not been proven true, in the geopolitical sphere her gut feeling was largely correct: the enhanced international role of Germany since unification has in fact led to a noticeable decline of Britain's importance in the world at large.

There are several areas where Britain has had a diminished role since 1990. In the following essay the two most crucial areas will be briefly discussed: Britain's and Germany's relations with the United States and Russia.

Relations with the United States

Already during the Cold War West Germany was essentially America's most important western European partner—not least due to its frontline location to the communist world and the existence of the Berlin Wall. West Germany's crucial leadership role within the European Community also enhanced Bonn's standing in Washington.

Yet throughout the Cold War Britain also enjoyed a very close relationship with Washington. The Anglo-American "special relationship," however, was always taken more seriously in London than in Washington. Britain's frequently weak economic performance and its lukewarm and essentially awkward position in the

European integration question weakened its importance to Washington. When Britain was eventually able to join the EEC in 1973, after French President Charles De Gaulle had prevented the success of Britain's membership application in both 1963 and 1967, the Nixon administration still looked upon Britain as representing America's interests in Europe, at least to some extent. De Gaulle's fear of Britain being Washington's "Trojan horse" within the EEC was not entirely unfounded. Yet this changed soon after, not least in view of Britain's declining role in the world outside Europe that was largely due to economic constraints. U.S. governments increasingly wished Britain to wholeheartedly embrace the European project and become a much less awkward partner within the EEC. When this did not occur and when Britain only made very hesitating and belated steps toward behaving like a fully fledged partner in the European integration project, London lost in importance for the United States. Washington needed Britain as a strong and fully committed partner in the EEC; Britain's ambivalent politics toward the EEC only created problems and did not help support America's relations with Europe.

Still, Anglo-American cooperation in intelligence questions and in the world beyond Europe—not least in the Middle East and in Asia—continued to make Britain a valuable partner to the United States. This situation has continued since the end of the Cold War. Indeed, when Tony Blair and George W. Bush were in power, Anglo-American cooperation in the so-called "war on terror" appeared to have given the Anglo-American special relationship a new lease on life. This appears to have changed again under the Obama administration, although President Barack Obama resurrected the use of the phrase "special relationship" when meeting with Prime Minister Gordon Brown in the course of 2009. Still, the President himself, as well as his closest advisers, do not have personal links to the UK as previous presidents have had. Moreover, the Obama administration is much less focused on Europe, including Britain, than on fighting the war in Afghanistan, dealing with the Middle East and other global trouble spots and, not least, on improving the domestic economy, including reforming America's health care system.

While Britain remains an important partner to the U.S., it is fair to say that since unification in 1990 Germany has become America's most important partner in Europe for above all two reasons:

First, the current global financial crisis has demonstrated that Germany's economy is still comparatively healthy. Despite high levels of unemployment in Germany and the multifaceted strains put on the German economy due to unification and the structural neglects of important industrial and technological areas, the German economy appears to rest on a much sounder footing than the British economy.

In contrast, the global financial crisis has severely weakened Britain. For example, the city of London relies to an unhealthy degree on the financial service sectors that have partially been wiped out. Britain's public finances were in a precarious state even before the crisis and Prime Minister Brown's policy of "quantitative easing," essentially the printing of money in the context of the British stimulus plan to overcome the global financial crisis, has indebted the country even more.

Moreover, the manufacturing and production industries in Britain have almost been exterminated during the last few decades. There is, for instance, no mass car producer left in the UK. This is not the case in Germany, whose industrial base is much wider and, on the whole, in a healthier state than is the case in the UK. In general the prospects for economic recovery in Germany are much better than in the UK.

Second, Britain has remained an awkward partner in Europe. While the governing Labour Party has become much less anti-European than was the case in the 1980s and 1990s, this has not been the case with regard to the Conservative opposition party. The Tory party of David Cameron, the leader of the opposition who appears to have good prospects to win the general election expected in May or June 2010, has even withdrawn from the main conservative block in the European Parliament. This self-imposed marginalization of the British Conservatives was strongly criticized in most European capitals as well as in Washington. Cameron is an outright Euro-skeptic and relations with the EU promise to be difficult if he becomes prime minister. Although Prime Minister Brown (as was his predecessor Tony Blair) is

cautiously pro-European, Britain is still outside the euro-zone and has not joined the Schengen agreement on passport free travel within the EU. The once much applauded St. Malo Treaty for the creation of a European rapid reaction force, signed by Blair and French President Jacques Chirac in 1998, has become stuck. There is little prospect that a serious European military force will come into effect any time soon.

United Germany, by contrast, continues to play an increasingly strong leadership role in the EU—sometimes in close cooperation with France and sometimes, and increasingly often, without France. Chancellor Angela Merkel's mediation skills at a number of European summits have been noted in Washington. Not least, her ability to revive the European constitution and make the Lisbon Treaty acceptable to all European countries was a very impressive feat. Furthermore, American intelligence cooperation with Germany has much improved lately and it may now come a very close second to Washington's still highly intensive exchange and cooperation in all matters intelligence with the British.

Relations with Russia

Since unification in 1990 German-Russian relations have become increasingly close; Britain's relations with Russia, however, have remained lukewarm. In particular in the very recent past German-Russian cooperation has reached new heights—despite Putin's at times highly questionable behavior in domestic and international politics.

The *Financial Times* spoke of a frenzy of politically sponsored German-Russian deal making that has raised a lot of eyebrows in Paris, London, and Washington, not to speak of Warsaw, Kiev, and Prague.[3] For instance, a Russian consortium bought an almost bankrupt German shipyard close to Merkel's electoral district and after much energetic lobbying by Merkel.

A few months ago Siemens abandoned a nuclear joint venture with the French in favor of entering an alliance with Russia's Rosatom. This received much enthusiastic backing in both Berlin and Moscow.

Moreover, in October 2009, a Canadian-Russian consortium, led by Magna, agreed to take a majority stake in Opel, the former subsidiary of General Motors, with the German government offering almost $7 billion dollars in loans and credit guarantees to back the deal.

In addition there is the Nordstream pipeline—a German-Dutch-Russian venture with the majority owned by Gazprom, the Russian gas giant. The submarine pipeline will carry gas from Siberia directly to Germany and will thus bypass third countries. This would have been impossible with a much cheaper overland pipeline. Poland in particular has been highly critical of Germany's increasingly close relationship with the Medvedev/Putin government.

To balance her highly intensive relationship with Russia, Merkel has made a great diplomatic effort to reassure the eastern European countries. She has actively embarked on intensifying Germany's diplomatic relations with eastern Europe by, for example, briefing Polish diplomats before her journeys to Moscow. Merkel is also quite outspoken with regard to the many human rights violations in Russia and has much criticized Moscow's recognition of South Ossetia and Abkhazia.

Still, Merkel speaks of forging a "strategic partnership" with Russia and continues to intensify economic and industrial relations and technology transfer deals with Moscow. For her, the "mutual dependency" which results is part of the "strategic partnership" with Russia. Whatever the wisdom of an economic approach that is largely based on good relations with a strong and authoritarian Russian state, Britain can only view the situation with both envy and concern.

A German analyst in Berlin summarized this state of affairs somewhat inelegantly: "What the U.S. and the UK do not like is that the Germans are quite happy to talk to the people in power. There is no stigma here about talking to the Kremlin in order to open doors…The UK and the U.S. have been naïve and premature with their purely market-based approach toward Russia. They have made deals with the oligarchs without taking care of their political masters in the Kremlin."[4]

Conclusion

Since 1990 Germany has overtaken the UK as Europe's most geopolitically important European state. United Germany's relatively sounder economy and Berlin's increasing importance for both the United States and Russia have been decisive for this development. While Britain and her long-standing experience in global power politics is still important on the world stage, it has become ever more obvious that the country is punching beyond its weight in international affairs. Not least the precarious state of the British economy is increasingly unable to support a global role for the UK and the expensive international responsibilities that come with such a role.

Britain's importance for the U.S. has also declined. Germany has become Washington's most important European ally. To some extent, the U.S. and Germany have indeed become "Partners in Leadership," as President George H.W. Bush expressed it as early as 31 May 1989, during a speech in the German town of Mainz. It is also clear that Britain's relations with Russia cannot rival the very intimate economic and also political partnership between Berlin and Moscow that has developed gradually since the last Soviet troops left German soil in the mid 1990s.

It is perfectly understandable therefore that Prime Minister Thatcher was strongly opposed to German unification. While contrary to Thatcher's fears united Germany is still coming to terms with the economic burden of unification and is still reluctant to take on a large role in global politics, the country's international importance has certainly increased. In fact, in many areas hitherto dominated by Britain, such as European security policy and relations with the United States, Germany has replaced Britain as Europe's foremost power. The repercussions of German unification for Britain have thus been less than pleasant and satisfying when viewed from London.

NOTES

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03

GERMANY AS A PROVIDER OF SECURITY

CONSEQUENCES OF GERMAN UNIFICATION ON EUROPE: GERMANY AS A PROVIDER OF SECURITY

J.D. BINDENAGEL

Introduction

German unification has had a profound effect on Europe, America, and the world. Over the past twenty years, German sovereignty has changed the Federal Republic of Germany and its most notably its culture of restraint in the use of military force. Today's security threats need Bundeswehr deployments in support of NATO as a provider of international security.

The peaceful revolution in 1989 brought freedom to the people of the German Democratic Republic with the fall of the Berlin Wall on 9 November 1989 and brought free and fair elections of a democratic parliament, the Volkskammer, on 18 March 1990 that voted for German unification, which occurred on 3 October 1990.

Full sovereignty accompanied German unification on 3 October 1990 and with it the duty to provide and protect Germany's freedom, and security, and to promote prosperity for all its citizens, East and West. Unification of Germany also came with NATO membership and the obligations of common defense of all NATO members.

Today that responsibility to NATO is under debate over the Bundeswehr role in Afghanistan. The search for a winning political and military strategy in Afghanistan is not only a test case for NATO. It is a test for America's allies and especially for Germany in its new role as a contributor to global security. As then-defense minister Peter Struck noted, German security is now defended at the Hindu Kush.

German security is also a search for a legitimate Afghan government. Military force and a political strategy are the center of the Bundestag debate needed for Bundeswehr deployment to Afghanistan. NATO's partners—and especially Germany—have long argued for nation building and development assistance as part of the strategy. Since 1994 the German Bundeswehr has been deployed in out-of-area NATO missions and certainly the war in Afghanistan needs Germany's Bundeswehr combat forces to help ensure success. The German Bundestag will debate and decide on the mandate for the Bundeswehr based on the January 2010 London Conference outcomes for development assistance and need for additional soldiers in light of the new NATO strategy.

Success in that war will likely be based on shared power between local leaders that could form the basis for sustainable governance in Afghan society. Clearly an approach different from centralized governance in the region is sorely needed. The Afghanistan-Pakistan region is one primarily of ethnic groups that want to govern themselves (as warlords, tribal leaders, princes) and reject the control of the central government in Kabul. As a common transatlantic policy on Afghanistan is forged, the United States will look to Europe and Germany for the partners it has come to expect, democratically strong and militarily responsible partners to help secure peace in Afghanistan with the U.S. in NATO.

Unification and Germany's Role in NATO

What is the Bundeswehr's global security role today and how did it come about? Germany's shift from a security consumer to a security producer since unification in 1990 is an important narrative in the change

of Germany's role. The transformation of the Bundeswehr from a territorial defense force to a military force deployed for international conflict prevention and crisis management also changed the nature of European security. This transformation from a purely defensive role to an international power projection force is still being debated, especially by the German public.

Germany's twentieth century history of militarism plagued the early debate over the issues shaping how Germany would deal with security after the fall of the Berlin Wall. Twenty years ago through the negotiations for German unification and the end of the Cold War, embedding Germany into NATO was an important objective for the United States and for West Germany. Soon after the fall of the Berlin Wall on 9 November 1989 the fear of German unification became a galvanizing topic of discussion. Would a united Germany seek to be a Fourth Reich? Would it be committed to the European Union? Would it be the Federal Republic of Germany, enlarged? Would it be dangerous? When the Berlin Wall fell, no one knew what a united Germany would become.

Inevitably, the unification debate would revive the German Question and Germany's role in NATO. Competing security architecture would dominate the security debate. As Poland and Hungary became more independent and East Germany began to dissolve, Markus Meckel, later to be German Democratic Republic (GDR) foreign minister, led the debate for a nuclear-free, demilitarized zone in Central Europe and was strongly opposed by Chancellor Helmut Kohl, who sought the support of the United States and NATO.

President Mikhail Gorbachev had spoken of a common European Home and also of the right of sovereign countries to decide on their own about membership in alliances. Nevertheless, the specter of the "Stalin Note," reappeared. This note was a document delivered to the representatives of the Western allied powers—Britain, France, and the United States from the Soviet Occupation government in Germany on 10 March 1952—with an offer of superpower disengagement from Germany and reunification of the occupied zones as long as the Western Occupation agreed to keep Germany neutral and disarmed.

Inevitably, the fear of a return of militarism led to the question whether a united, sovereign Germany would leave NATO and become neutral and unchained. Soviet President Gorbachev saw his vision of a pan-European security structure that would replace both the Warsaw Pact and NATO. That idea never found the stakeholders to make it a reality.

From the long-standing position of the United States supporting German unification, President George H.W. Bush took the position that German "unification should occur in the context of Germany's continued commitment to NATO and an increasingly integrated European Community, and with due regard for the legal role and responsibilities of the Allied powers." Chancellor Kohl and President Bush would join forces during the 2+4 negotiations on German unification supporting united Germany's NATO membership as a condition for unification.

The Unraveling of East Germany and the U.S. Response

As that unification debate from December 1989 to February 1990 began to unfold internally in government circles, East Germany was becoming instable and less governable. After the Berlin Wall fell and the communist party, the Socialist Unity Party (SED) gave up its constitutional monopoly on power on 3 December 1990, the East Germans created round table governing bodies with uncertain powers to decide local matters and at least for this short time of uncertainty to stabilize local governance.

At the U.S.-Soviet Summit in Malta on 3 December 1989 Presidents Bush and Gorbachev established a solid working relationship. That became important as reports circulated in Washington in early December that the chaos of the East German revolution had led to the appearance of a troubling specter—one of civil war in East Germany. Washington was wary of a weak East German government that was on the verge of collapse. According to *New York Times* columnist Thomas Friedman, the Bush administration worried that East Germany's collapse could have forced a disorganized, de facto unification with West Germany before either Germany's neighbors or the Soviet

Union were prepared to accept it.[1]

Concerns arose when reports circulated about chaos in East German cities. Baker sought to rebut those reports that East Germany was spinning out of control and drew on a report from the U.S. Embassy on developments in East Germany. That cable reported that "despite the disorder born of change . . . the East German government still runs, the people work and the economy produces. . . . The forces of democratic change are organizing for elections. Demonstrations continue peacefully amidst rumors of political violence. The pace of this revolution is breathtaking."[2]

When then-Secretary of State James A. Baker III arrived in West Berlin on 11 December 1989 he met with Chancellor Kohl and the next day delivered his speech about U.S. views on a changing Europe, one that explained that as "Europe changes, the instruments for Western cooperation must adapt."[3] Baker was clearly concerned about the reports of a deteriorating situation in East Germany. Providing security and stability in Europe was at the heart of the speech as he spoke of designing and gradually put into place a new architecture for a new era. Although he spoke of new security architecture, Baker also made clear that Europe must have a place for NATO, even if also serving new collective purposes.

Speaking of a united Germany in this new Europe, he argued that it must include arrangements that satisfy the aspirations of the German people and meet the legitimate concerns of Germany's neighbors. With that in mind he recalled President George H.W. Bush's reaffirmation of America's long-standing support for the goal of German unification. Then he laid out succinctly the four principles that would guide U.S. policy.

"One, self-determination must be pursued without prejudice to its outcome. We should not at this time endorse nor exclude any particular vision of unity.

Two, unification should occur in the context of Germany's continued commitment to NATO and an increasingly integrated European Community, and with due regard for the legal role and responsibilities of the Allied powers.

Three, in the interests of general European stability, moves toward unification must be peaceful, gradual, and part of a step-by-step process.

Four, on the question of borders, we should reiterate our support for the principles of the Helsinki Final Act."[4]

Baker was also concerned about keeping the reform movement peaceful and changes flowing from the fall of the Berlin Wall in East Germany manageable. Baker was keenly aware of American responsibility for Berlin and Germany as a whole from World War II that remained a legal condition for unification. Consequently, he considered visiting East Germany while in Berlin to send the message that the United States was serious about its role in Germany.

However, he first called in the two American ambassadors—Richard C. Barkley in East Germany and Vernon Walters in West Germany—and sought their advice on whether he should visit East Germany while on the current trip. Such a visit would be the first trip by a U.S. Secretary of State to East Germany. It was a difficult decision to make since the U.S. considered East Germany to be an illegitimate, unrepresentative regime, despite the fact that the U.S. had diplomatic relations with East Germany since 1974.

Barkley assured him that his visit would not provoke further instability and argued that fair elections would likely end communist rule as had happened in Poland in June 1989. The Secretary's visit would reinforce the call for those East German elections planned for June 1990. A visit would also offer a chance to encourage peaceful political change and to explain U.S. policy on unification. Walters argued that such a high level visit could strengthen the communist government by giving it legitimacy. After deliberating with the ambassadors, Baker called Brent Scowcroft to discuss the possible visit and then decided late at night to visit East Germany the next day. He then also discussed his planned visit with German foreign minister Hans-Dietrich Genscher and Soviet foreign minister Eduard A. Shevardnadze.

East German stability and German unification were certainly on Secretary Baker's mind when he traveled to East Germany following his West Berlin speech.

Calling for elections as well as a non-violent peaceful reform movement, and enunciating U.S. policy that "unification should occur in the context of Germany's continued commitment to NATO and an increasingly integrated European Community, and with due regard for the legal role and responsibilities of the Allied powers" would be at the top of his priorities.

After Baker delivered his speech in West Berlin, he traveled across town to Potsdam, on the outskirts of Berlin. The visit was dramatic and Tom Friedman, writing in the *New York Times* on 13 December 1989 reported that Baker "[D]irectly after his [West Berlin] speech, slipped into a Mercedes limousine and traveled to East Germany to deliver another message in a previously unannounced round of talks with East Germany's Communist Premier Hans Modrow, as well as with several East German opposition leaders."[5]

The motorcade was indeed quite a sight. On his drive from West Berlin he was escorted by a bevy of West German Mercedes police cars and paddy wagons with sirens blaring and blue lights flashing. Then he came to the border. An East German motorcycle policeman and a lonely East German Volkspolizei in his tiny Wartburg car led Baker across the famous Glienicke Bridge, scene of many East-West spy swaps, and to the East in Potsdam where he met East German Premier Hans Modrow at the Interhotel Potsdam. The declining power of East Germany was clearly discernable.

In his meeting with Modrow, Baker achieved his primary purpose of reaffirming plans for the May election in East Germany and withheld any economic cooperation for the East German proposed joint ventures until Modrow conducted those free elections. Baker explained American policy on German unification and encouraged Modrow on a peaceful path to reform.

Baker also met with Manfred Stolpe and Lutheran ministers, leaders of the peaceful reform movement, to urge the opposition to keep its movement nonviolent and to approach the issue of German reunification with sober restraint. Perhaps to the surprise of the American delegation, the East German opposition on 12 December made clear that they had no intension of abandoning their quest for the renewal of East Germany in exchange for German unification. German unification was simply still too provocative for the fragile opposition in East Germany to forcefully challenge the right of the GDR to exist. That challenge would come shortly.

Speaking to reporters after his one-hour meeting with Modrow, Secretary Baker said "I felt it was important that we have an opportunity to let the Premier and the people of the German Democratic Republic know our support for the reforms that are taking place in this country. We also wanted to make it very clear that we support the process of reform in a peaceful manner, and we are very anxious to see the process move forward in a stable way."

Baker did hold out some future hope in response to Modrow's discussion of U.S. investment in East German joint ventures. Baker told Modrow that if East Germany followed in the perestroika/glasnost footsteps of Poland and Hungary, it could expect to receive a sympathetic hearing from the West.[6]

Premier Modrow, who was also concerned about stability in East Germany said at the same press encounter following the meeting at Potsdam's Interhotel that East Germany "tries in its relations with the United States to be a stable element." Modrow added that East Germany was also "a building block in the 'common European home'" as Gorbachev sought. However dramatic the unannounced visit to East Germany was in helping to stabilize the chaos, it was German unification that would soon become the leading foreign policy issue.

From Security Consumer to Security Provider

The question of providing stability in this time of change would be followed by a larger security debate. Soviet President Mikhail Gorbachev's vision of a pan-European security structure that would replace both the Warsaw Pact and NATO was not to be. Throughout the negotiations on German unification, Germany's continued membership in NATO was discussed and finally agreed.

The first step was when Germany combined the

Bundeswehr with the East German armed forces—the "National People's Army (NVA)." In negotiations, Germany agreed to limits on the number of soldiers a combined army would allow. The issue of the remaining Soviet Forces in East Germany led to delicate talks about how to manage the departure of all Soviet/Russian troops from the territory of the former German Democratic Republic after unification. In the end, as Gorbachev had foreshadowed in United Nations speech in 1988, a united Germany would decide for itself whether united Germany would remain in NATO.

At the same time a compromise was reached to refrain from deploying NATO forces in the territory of the former East Germany until the last Russian forces departed in August 1994. East German foreign minister Markus Meckel's vision of a new European defense strategy also vanished when the Soviet President eventually agreed to accept united Germany in NATO.

However, the territory of the former German Democratic Republic was given special status. NATO agreed with Gorbachev not to move its forces eastward where Soviet forces were still stationed. Stationing of NATO forces would have to wait long after unification day, 3 October 1990. The unification negotiations about NATO resulted in a compromise for inclusion of East German territory as part of united Germany in NATO. In the meantime, only Bundeswehr national forces, Bundeswehr-Ost, were stationed on former East German territory until NATO accepted, in September 1994, the inclusion of that territory only after the departure of the last Russian soldiers on 31 August 1994.

Although not foreseen, West Germany's culture of restraint in the use of military force would also come to an end. That security consumer role had grown out of the Second World War and, as Professor Hanns Maull summarized it, included:

- "Never Again" (pacifism, moralism, democracy, Nie wieder Krieg vom Deutschen Boden—Never again shall war arise from German soil);

- "Politics, not Force" (political solutions without the use of force); and

- "Never Alone" (EU integration, NATO, multilateralism, democratization).[7]

Unification would also signal the beginning of the end to checkbook defense and would reintroduce into the vocabulary the adage of Friedrich the Great, "Diplomacy without weapons is like an orchestra without instruments." The most important political change at unification was the restoration of full sovereignty to Germany on 3 October 1990. The consequences would be felt as a sovereign Germany, a full NATO member, accepted its new security role as a security provider after the Cold War, during which Germany was a security consumer. The steps are remarkable.

BUNDESWEHR REFORM

First, the Bundeswehr would be transformed with much of the credit for the transformation of the Bundeswehr in the early years given, correctly, to General Klaus Naumann. After unification, he was tasked with dissolving the East German Army (NVA) and with integrating some 11,000 NVA officers and other ranks into the Bundeswehr. In addition, Naumann carried out Bundeswehr reform, adapting the forces to new post-Cold War political and security requirements, as well as making them operational in the event of an international crisis.

RECOGNITION OF CROATIA AND SERBIA

Second, faced with the break-up of Yugoslavia in 1991, Germany and the EU recognized Croatia and Serbia. That decision ended the unity of Yugoslavia, which changed an internal Yugoslav conflict into an international crisis with American military intervention, despite the lack of vital American interests in the area. When Germany and the EU were unable to end the military conflict, a very bitter experience ensued for the U.S., Germany, the EU, and the United Nations. This transatlantic fight over military intervention and need for deployments backed by the use of force continues today, sometimes in the guise of disputes over military capabilities other times in the debate about war, peacekeeping, and nation-building.

OUT-OF-AREA NATO DEPLOYMENTS

Third, throughout the 1990s Germany addressed its security responsibilities in the Balkans through a painstaking political and legal process that has gained international respect for the Bundeswehr. In the 1994 debate over German crews' participation on AWACS missions over Hungary—out of the NATO area—the Bundestag voted to send those crews and was promptly contested by the Free Democratic Party in the constitutional court. The Karlsruhe Constitutional Court ruled in July 1994, ironically during President Bill Clinton's visit in Berlin, that German soldiers could be deployed out of Germany as part of an Alliance and with the consent of the Bundestag. Chancellor Kohl, in his news conference with Clinton, immediately declared that the decision did not mean "Germans to the Front." Nevertheless, it did mean just that as we saw in subsequent events.

The Bundestag grappled with other security issues with Bundeswehr deployments, including logistics and support troops in Bosnia, the use of Tornado aircraft in combat missions, and eventually combat infantry on the ground. By 1997 a Bundeswehr General was selected by the SFOR Commanding General, General William Crouch, to be his chief-of-staff. Naming a German General to the chain-of-command, with decision-making authority over combat missions, was a critical political step in German security policy.

NATO ENLARGEMENT

Fourth, after the Dayton Accords, President Clinton moved to enlarge NATO and Chancellor Kohl was willing to support NATO enlargement in 1997 for Poland, Hungary, and the Czech Republic. That decision to help protect those three countries was a major step in Germany's acceptance of new security responsibilities in NATO.

INTERVENTION IN KOSOVO

Fifth, in 1999 led by Madeleine Albright and foreign minister Joschka Fischer, Germany joined the United States along with other European allies in authorizing NATO to bomb Kosovo and end the Milosevic campaign of ethnic cleansing. That decision also set the stage for new international law—the Principle of the Responsibility to Protect (R2P) authorizing international use of force to prevent humanitarian disasters or human rights violations. The German slogan "Nie Wieder Auschwitz" (Never Again Auschwitz) took on new meaning from "no wars could be allowed to emanate from German soil" to "Germany must use force to prevent genocide." Acting to end ethnic cleansing, Germany was true to its postwar constitutional mandate to protect the inviolability of human dignity. The Kosovo campaign also led to the United Nations debate on the principle of "Responsibility to Protect" that allows international intervention in cases of genocide, crimes against humanity, ethnic cleansing, and war crimes.

9/11 AND AFGHANISTAN

Sixth, by the time the United States itself was attacked by terrorists on 11 September 2001 Germany was politically decisive in coming to American aid and invoking Article V of the NATO treaty. At this point, however, the United States, shocked by this horrendous terrorist attack, turned back to its culture of self-reliance and ordered the American military into rapid action against the Taliban in Afghanistan, shunning its NATO partners for the military offensive despite the reaction in Europe of unprecedented solidarity and full support in the United Nations for the retaliatory attack on the Taliban.

IRAQ

Seventh, Germany said "No" to Iraq. Soon after the military action in Afghanistan began, the U.S. decided to depose Saddam Hussein and attacked Iraq to end the suggested threat from Iraqi weapons of mass destruction. Europeans questioned Iraq's link to al Qaeda terrorists, while agreeing that Saddam Hussein was an evil dictator. When the military action was over, no weapons of mass destruction were found and unease about preemption among American allies continued, despite the rapid military victory against Saddam Hussein.

The U.S. is painfully aware that the war in Iraq led to a serious breakdown in trust between the United States and Germany. Germany also learned that it could say "No" to the United States. The result was

an increasingly nervous Germany and a France that was willing to partner against this U.S. policy, which both chose to veto. In the 2002 Bundestag election campaign Chancellor Gerhard Schröder rejected the U.S. policy of regime change in Iraq and any thought of German military participation. His opposition to the war was very popular and contributed significantly to his election victory. The U.S. administration reacted to Schröder's opposition by declaring German-American relations "poisoned," a political move that put the administration clearly on one side in the 2002 election. Even today the German public does not support military engagement in Iraq, even though no one is asking for German troops.

Politically, Schröder's "No" to military deployments in Iraq was not simply an election tactic—it was a declaration of German sovereignty that will shape public opinion, especially over the war in Afghanistan.

Conclusion

If there are significant changes over the past twenty years, I would describe these developments:

- the Bundeswehr is a capable and respected fighting force deployed abroad;

- the Franco-German veto of American war in Iraq has redefined the security relationship; and

- Russian hostility toward NATO enlargement and its willingness to use force, such as in Georgia, has grown.

When it comes to Germany and transatlantic relations twenty years after the Berlin Wall, NATO's partners have long argued for nation-building and development assistance as part of the strategy. Since 1994 the German Bundeswehr has been deployed in out-of-area NATO missions and certainly the war in Afghanistan needs Germany's Bundeswehr combat forces to help ensure success. Bundestag debates over the mandate for Afghanistan will determine how Germany becomes a security provider.

Following the January 2010 London Conference, the Bundestag debate will decide whether NATO strategy in Afghanistan/Pakistan is acceptable. The U.S. will have to decide if Europe, notably Germany, is the partner it has come to expect as a security provider.

NATO military operations are essential for providing security from the Taliban threat and for defeating al Qaeda; however when NATO leaves, Afghans must be able to govern themselves. Germany has shown leadership in forging common transatlantic policy and the upcoming London Conference could follow the model of the December 2001 Petersburg Conference in Bonn, one which led to the Bonn Agreement on a new Afghanistan government and the convening of a Loya Jirga. Development aid and security without governance are not sustainable.

The 2001 Loya Jirga elected Hamid Karzai to head the transitional government. A new constitutional Loya Jirga could examine the corrupt and inefficient central government, decide on changes that would devolve power to local leaders, and establish a balanced power sharing relationship with the presidency in Kabul. Unfortunately, the current Afghanistan constitution does not command genuinely deep popular support, and cannot contribute to national stability, nor can it allow NATO to transfer power to Afghans to ensure security.

Empowering ethnic leaders to govern, rather than depending exclusively on the national leader of a corrupt and failing nation-state, could create multiple partners for NATO, buy-in with local leaders, and acquiescence from Kabul. That would leave NATO to use its rapid-reaction forces to enforce local rule and provide security from the Taliban operating outside its ethnic boundaries. Developing sustainable development and security policies is a role the U.S. can expect from Germany in the future.

Germany's future projection of global power may very well also oppose American policy. If this Germany is different from the Germanys that preceded it, it must be due to its newly-won sovereignty that is based on self-determination, dedication to the inviolability of human dignity, and commitment to democracy. Debates like those over Afghanistan will test the strength of the German-American partnership in this era of Obama's community of responsible partners; one could call it "*Verantwortungsgemeinschaft*."

The consequence of unity is that Germany is sovereign and will act as a sovereign power. It will be a responsible partner with its highest interest remaining European integration with pooled sovereignty of its member states. The danger here is that the United States may have missed these developments and is likely to have its expectations of German support for its policies dashed when the German government disagrees.

NOTES

1 Thomas Friedman, "Baker, in Berlin, Outlines a Plan To Make NATO a Political Group," *The New York Times*, 13 December 1989, <http://www.nytimes.com/1989/12/13/world/upheaval-east-baker-berlin-outlines-plan-make-nato-political-group.html?pagewanted=all>.

2 Don Oberdorfer, "Soviets Vowed Not to Suppress Changes in Europe, Baker Says," *The Washington Post*, 8 December 1989, <http://www.highbeam.com/doc/1P2-1227266.html>.

3 Thomas Friedman, "Excerpts From Baker's Speech on Berlin and U.S. Role in Europe's Future," *The New York Times*, 13 December 1989, <http://www.nytimes.com/1989/12/13/world/upheaval-east-excerpts-baker-s-speech-berlin-us-role-europe-s-future.html?pagewanted=all>.

4 Ibid.

5 Thomas Friedman, "Baker, in Berlin, Outlines a Plan To Make NATO a Political Group," *The New York Times*, 13 December 1989, <http://www.nytimes.com/1989/12/13/world/upheaval-east-baker-berlin-outlines-plan-make-nato-political-group.html?pagewanted=all>.

6 Ibid.

7 Hanns Maull, *Germany as a Civilian Power? The Foreign Policy of the Berlin Republic* (Manchester: Manchester University Press, 2001).

04 PERSPECTIVES ON GERMAN ECONOMIC UNIFICATION

PERSPECTIVES ON GERMAN ECONOMIC UNIFICATION

HOLGER WOLF

Though more cautious voices could be heard, initially optimism about the economic prospects of the new states was widespread. It was hoped that—with the aid of the prosperous old states—a rapid turnaround, perhaps even a second economic miracle, could be achieved. Such hopes were soon dashed. Output and employment in the new states collapsed through late 1990 and 1991. For a few years, decline gave way to vigorous growth, rekindling optimism. The period of rapid convergence however was short-lived; by the late 1990s convergence had slowed to a moderate pace that has persisted since. Almost twenty years after unification, labor productivity and GDP per capita in the new states remain below the levels in the old states (though the gap has significantly narrowed), unemployment rates remain higher, and net emigration continues.

This short essay reviews some broader aspects of the unification experience over the last twenty years. It begins with a brief review of macro trends before considering the experience through two different lenses: the postwar "economic miracle" in the Federal Republic and the convergence debate.

Economic Performance

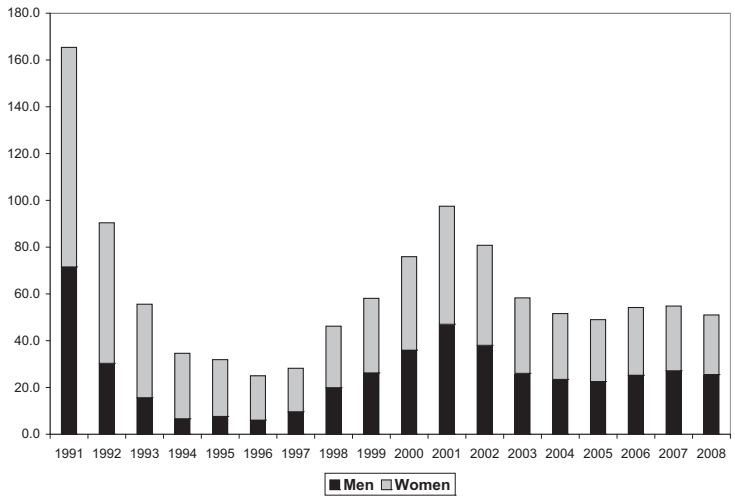
Starting in 1990, the economic, monetary, and social union and subsequent measures extended the institutional, regulatory, and monetary arrangements of the Federal Republic to the new states.[1] Newly adopted private sector arrangements likewise closely resembled existing structures in the old states.

Firms in the new states faced a daunting set of challenges in the initial years. Early wage negotiations—taking place prior to privatization[2] and against the background of sizable labor migration from the new to the old states—resulted in significant wage (and, absent matching productivity growth, unit labor cost) increases aimed at shrinking the gap in base pay by the mid 1990s. For the manufacturing sector, rising labor costs, shrinking external demand as traditional export markets contracted, and declining domestic demand as consumers switched to newly available competing products found their reflection in sharply contracting output, soon followed by a fall in employment and, notwithstanding a growing set of active labor market policies, a sharp rise in unemployment.

Following the initial contraction, output rebounded in the early to mid 1990s. The recovery benefited from a construction boom reflecting both private spending and public sector investments; jointly allowing for a rapid modernization of the housing stock and infrastructure. Manufacturing and exports began lasting recoveries, albeit off much reduced bases. Sustained investment raised the capital intensity, reflected in rising labor productivity. Coupled with moderate wage increases—supported by a broad move toward firm-specific agreements—relative unit labor costs moderated. Transfers, both direct and through the social insurance systems, allowed for sharp increases in living standards and supported local demand.[3] As economic activity rebounded, net emigration fell.

Though the manufacturing sector and exports continued to expand, the peak of construction in 1995 coincided with a slowdown in convergence. Slower aggregate growth found its reflection in a re-acceleration of net emigration.[4] The 2000s have brought little marked change in the aggregate

FIGURE 1: NET EMIGRATION FROM NEW TO OLD STATES



Source: Destatis Pressemitteilung Nr. 375, 1 October 2009. Data exclude Berlin.

patterns. Convergence continues, but at a low rate, and significant gaps persist. Sustained growth in manufacturing and exports provides a bright spot, though relative to GDP both remain below the levels in the old states.[5] Unemployment has declined moderately, though a sizable gap in unemployment rates persists.

The overall evaluation of the post-unification economic performance depends on the benchmark employed. The next two sections take a closer look at two such benchmarks, the postwar "economic miracle" in the Federal Republic and the speed and extent of productivity convergence.

A Second Economic Miracle?

The impressive economic performance of the Federal Republic in the 1950s and 1960s—combining rapid output and employment growth—provided one possible reference frame for the post-unification performance, made more concrete by the partial overlap of initial conditions and of the reform packages of June 1948 and July 1990. A comprehensive comparison however reveals a range of distinguishing features comprising differences in initial conditions,[6] policy choices, and the external environment.

In the initial years, the new states had to confront the additional tasks of privatization and of adopting and implementing a complex new institutional and regulatory framework. On labor markets, large-scale immigration into the Federal Republic in the early postwar period facilitated continued growth[7] while adjustment in the new states took place against the background of sustained emigration in a complex new institutional framework.[8] On the enterprise level firms in the new states faced the additional challenges of modernizing technologically dated capital stocks while adjusting to high relative unit labor costs and sharp contractions in external and domestic demand.

Taken together, the differences limit the comparability of the two episodes. The literature on the postwar economic experience points to the importance of a wide range of supportive factors rather than a single cause.[9] As Wallich perceptively notes in an early study of postwar German economic performance, "[t]hat all these things came together at the right time and place is the real German miracle."[10]

Convergence

Initial expectations of the time needed to achieve significant convergence between the new and the old states differed, partly depending on the weight given to special factors potentially setting the post-unification period apart from other cross-country and

intra-country convergence experiences.[11] Correspondingly, the observed convergence in relative GDP per worker can be assessed differently.[12] While the initial gap has narrowed significantly since unification, a large part of the convergence occurred in the early period characterized by rapid structural change; if attention is restricted to the more stable period after 1995, the average speed of convergence is quite moderate.

The aggregate convergence performance co-mingles rather disparate regional and sectoral patterns. Studies taking a more disaggregated look reveal several noteworthy points.[13] On the sectoral level, part of the remaining productivity gap reflects (declining) differences in output composition. The spatial perspective suggests that while the distinction between "old" and "new" states remains important, there are important differences within the new states, notably on the more disaggregated level. Twenty years after unification, a number of urban industrial centers with strong positions in growth sectors have emerged.

In 1990, evident gaps in infrastructure and the capital stock explained a significant part of the large productivity gap. After twenty years of investment, these differences have largely disappeared, yet a (smaller) gap remains. An insightful literature[14] explores possible reasons for the remaining gap and the outlook for convergence, pointing to a range of connected factors. In addition to less pronounced network effects, many of these are linked to the smaller average firm size in the new states, associated with a lower export propensity, a reduced ability to exploit scale economies, less scope for supporting specialized high value added business services, a less prominent role played by branded products with wide name recognition, and a lower research and development intensity. Looking forward, continued firm level growth may reduce the importance of these factors.

Conclusion

Following the dramatic initial contraction, economic performance in the new states has been impressive along multiple dimensions. Many of the starting obstacles to growth have been addressed. The gap in labor productivity has dramatically narrowed; real consumption per capita has risen sharply. Following an initial sharp decline, the manufacturing sector and exports have seen steady growth since the early 1990s. Firms from the new states have emerged as strong technological competitors in a number of fields. Yet the performance has not been universally strong. Unemployment remains above the level in the old states, net emigration continues, and productivity convergence is slow. Looking forward, spatial differentiation is likely to become more pronounced with prospects for further convergence brightest for the new urban growth poles with strong positions in expanding sectors.

NOTES

1 See Gerhard Ritter, *Der Preis der deutschen Einheit* (C.H. Beck, 2007) for a comprehensive review of the process.

2 Privatization was delegated to the *Treuhandanstalt* and largely completed by 1994.

3 See e.g., Harald Lehmann, Udo Ludwig, and Joachim Ragnitz, "Originäre Wirtschaftskraft der neuen Länder noch schwächer als bislang angenommen," *Wirtschaft im Wandel*, IWH (5/2005):134-145.

4 See Herbert Brücker and Parvati Trübswetter, "Do the Best Go West?" *Empirica*, 34 (2007): 371-395; Jennifer Hunt, "Staunching Emigration from East Germany: Age and the Determinants of Migration," *Journal of the European Economic Association*, 4/5 (September 2006): 1014-1037; and Alexander Kubis and Lutz Schneider, "IM Fokus: Ist Abwanderung typisch ostdeutsch? Regionale Mobilität im West-Ost Vergleich," *Wirtschaft im Wandel*, IWH (4/2009):152-157 *inter alia* for recent studies of migration.

5 See Gerhard Heimpold, "Von der De-Industrialisierung zur Re-Industrialisierung: Sind Ostdeutschlands industrielle Strukturen nachhaltig?" *Wirtschaft im Wandel* (10/2009) Special Issue 20 Jahre Deutsche Einheit, Part 1: 425-434 and Goetz Zeddies, "Ostdeutsche Exportorientierung trotz Erschliessung neuer Märkte immer noch gering," *Wirtschaft im Wandel* (10/2009) Special Issue 20 Jahre Deutsche Einheit, Part 1: 415-424 for a discussion of manufacturing sector developments and export performance.

6 See André Steiner, *Von Plan zu Plan* (Dva, 2004) for an economic history of the GDR.

7 See Charles Kindleberger, *European Postwar Growth* (Cambridge, MA: Harvard University Press, 1967).

8 See Dennis Snower and Christian Merkl, 2006, "The Caring Hand that Cripples," *American Economic Review* 96, 2 (2006): 375-382 for a discussion.

9 See Werner Abelshauser, *Deutsche Wirtschaftsgeschichte seit 1945* (Munich: Bundeszentrale für politische Bildung, C.H. Beck, 2004); Alfred Mierzejewski, 2004, *Ludwig Erhard* (Chapel Hill and London: The University of North Carolina Press, 2004); and James Van Hook, *Rebuilding Germany* (Cambridge, UK: Cambridge University Press, 2004) *inter alia* for recent assessments of the episode.

10 Henry Wallich, *Mainsprings of the German Revival* (New Haven, CT: Yale University Press, 1955).

11 See Michael Berlemann and Marcel Thum, "Blooming Landscapes in East Germany?" *CESifo Forum* (4/2005): 16-22 for a review.

12 Per capita and per worker convergence measures are influenced by the decline in population and employment (see e.g., Alexander Kubis and Lutz Schneider, "Zum Zusammenhang von Abwanderung und regionaler Konvergenz," *Wirtschaft im Wandel* (10/2009) Special Issue 20 Jahre Deutsche Einheit, Part 1: 408-414 and Rolf Scheufele and Udo Ludwig, "Der lange Weg der Konvergenz," *Wirtschaft im Wandel* (10/2009) Special Issue 20 Jahre Deutsche Einheit, Part 1: 400-407.

13 See e.g., DIW, IfW, IAB, IWH and ZEW, Erster Fortschrittsbericht wirtschaftswissenschaftlicher Institute über die wirtschaftliche Entwicklung in Ostdeutschland, Halle, 17 June 2002; Klaus-Heiner Röhl, "Der Aufbau Ostdeutschlands – Struktureller Fortschritt bei Wirtschaftlicher Stagnation," *iw-Trends* (4/2003); Joachim Ragnitz, Zur Diskussion um den Produktivitätsrückstand Ostdeutschlands, Institut für Wirtschaftsforschung, Halle, 2003; Alexander Kubis, Mirko Titze, and Matthias Brachert, "Leuchttürme und rote Laternen – Ostdeutsche Wachstumstypen 1996 bis 2005," *Wirtschaft im Wandel* (4/2008): 144-153; and Gerhard Heimpold, "Von der De-Industrialisierung zur Re-Industrialisierung: Sind Ostdeutschlands industrielle Strukturen nachhaltig?" *Wirtschaft im Wandel* (10/2009) Special Issue 20 Jahre Deutsche Einheit, Part 1: 425-434, *inter alia*.

14 See for example Margarethe Quehenberger, "Ten Years after: Eastern Germany's convergence at a halt?" *EIB papers* Volume 5, No 1 (2000): 117-136; Michael Burda and Jennifer Hunt, "From Reunification to Economic Integration: Productivity and the Labor Market in Eastern Germany," Brookings Papers on Economic Activity, No. 2, (2001): 1-71; DIW, IfW, IAB, IWH and ZEW, Erster Fortschrittsbericht wirtschaftswissenschaftlicher Institute über die wirtschaftliche Entwicklung in Ostdeutschland, Halle, 17 June 2002; Klaus-Heiner Röhl, "Der Aufbau Ostdeutschlands – Struktureller Fortschritt bei Wirtschaftlicher Stagnation," *iw-Trends* (4/2003); Michael Berlemann and Marcel Thum, "Blooming Landscapes in East Germany?" *CESifo Forum* (4/2005): 16-22; Joachim Ragnitz, "Fifteen Years After: East Germany revisited," *CESifo Forum*, Volume 6, Number 4 (2005): 3-6; Joachim Ragnitz, "Zur Diskussion um den Produktivitätsrückstand Ostdeutschlands," Institut für Wirtschaftsforschung, Halle (2005); Harald Uhlig, "Regional Labor Markets, Network Externalities and Migration: The Case of German Reunification," *The American Economic Review*, Vol. 96, No.2 (May 2006): 383-387.

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