CRS Report for Congress

German Unification

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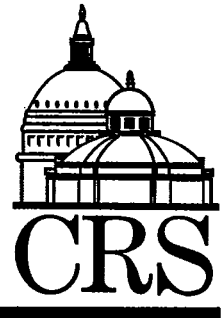

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GERMAN UNIFICATION

SUMMARY

In less than a year, East Germany underwent a remarkable political transformation. A combination of massive emigration to the West and huge street demonstrations in cities throughout East Germany led to the collapse of the hard-line regime of Erich Honecker on October 18, 1989. The opening of the border between the two Germanys on November 9 and continuing deep public mistrust of the government provoked an accelerated exodus of East Germans to the West. Political debate in the country quickly shifted from how to reform East Germany to how and when East Germany should be reunited with West Germany.

East Germany's first free elections, held in March 1990, resulted in a decisive victory for parties advocating rapid unification. The new East German government quickly reached agreement with West Germany on a treaty to make the *Deutschemark* the East German currency. The treaty, which took effect on July 1, 1990, also started the process of harmonizing East Germany's economic structure, legal system, and social benefits with West Germany. Faced with a rapidly deteriorating political and economic situation in East Germany, the two Germanys agreed in August 1990 to unite on October 3, with elections to an all-German parliament to be held on December 2, 1990.

There has been considerable controversy over the unification process in both Germanys. The Bonn government, reluctant to raise taxes in an election year, is counting on borrowed money, West German private investment, and the growth of an entrepreneurial spirit in the East to produce a second German "economic miracle" within a few years. However, many West Germans are skeptical of Chancellor Kohl's plans, and worry about increased taxes and rising interest rates. East Germans fear a sharp rise in unemployment and inflation. Some East Germans also are concerned that they are simply being "swallowed" by the West, and will become second-class citizens in a united Germany.

In February 1990, West Germany agreed to a "Two-plus-Four" (the two Germanys and the four victorious allies from World War II) formula for discussing the international ramifications of unification. On September 12, 1990, these talks yielded a treaty restoring full sovereignty to a united Germany. Among the principal provisions of the treaty were agreement that a united Germany would remain in NATO, would make no future border claims, and would remain a non-nuclear state. In addition, in the event of a conventional arms agreement for Europe, Germany will radically reduce its armed forces, and Soviet forces will withdraw from eastern Germany by the end of 1994. The President sent the Treaty to the U.S. Senate on September 26, 1990. On October 10, the Senate gave its advice and consent to the Treaty.

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INTRODUCTION

BACKGROUND AND ANALYSIS

The process of German unification has raised the issue of how a united Germany will affect the future political and economic course of Europe and, more generally, East-West relations. For the United States, German unification raised the issue of which instruments -- political, economic, arms control negotiations, or changes in security strategy -- could be used to affect the course of change in Germany and in Europe. The treaty returning full sovereignty to Germany and ending U.S. rights over the whole of Germany and Berlin was sent to the Senate on September 26, 1990. The Senate gave its advice and consent to ratification on October 10, and the President signed the Treaty on October 18, 1990.

This report provides an overview of the postwar history of the two Germanys; a review of the upheaval in East Germany and the West German effort to influence developments there; an analysis of the effects of events in the Germanys on selected European states and multilateral institutions; and a description of the U.S. reaction, including congressional concerns, to the unification of East and West Germany.

The geographic entity comprised now of the Federal Republic of Germany (FRG, or West Germany) and the former German Democratic Republic has raised concern since the late nineteenth century over the potential economic and political power vested in a consolidated German state. With the unification of Germany in 1871 under Otto von Bismarck, the nation's presence at the center of Europe, its economic strength, and the development of a sophisticated political elite gave rise to an often ambitious expression of power and to Germany's pivotal role in Europe's alliance systems. Germany's aggressive foreign policy was a catalyst in the series of events leading to the First World War, and Hitler's policies of territorial aggrandizement were the explicit cause of the Second World War in Europe. The alteration of European boundaries and the widespread destruction caused by the two world wars remain scars that have raised concerns over German unification.

The victors of the Second World War sought to manage Germany's future, first through its division into zones administered by the Allies, and ultimately through including Germany's vestigial remnants in competing alliance systems. At Yalta in February 1945, with the war nearing its end, the United States, the USSR, and Great Britain decided to divide a defeated Germany into occupied sectors and to alter its borders, with German territory east of the Oder-Neisse Rivers given provisionally to Poland as compensation

for Polish territory annexed by the Soviet Union. At Potsdam in July 1945, France became the final member of the Four Power Allied Control Council, and the victors agreed to implement the plans sketched at Yalta. No peace treaty was ever signed.

Shortly after the war, Western challenges to an aggressive Soviet foreign policy led to sharp differences over the management of Germany's affairs. The Soviet blockade of Berlin in 1948, in part due to a dispute over Germany's administration, led to the formal division of the country in 1949. The Soviets established the authoritarian and submissive GDR in the east under the leadership of the Communist Party (SED), while the United States, France, and Great Britain supervised the establishment of the FRG in the west. The Western powers oversaw the inculcation of democratic norms in the FRG's Basic Law, or constitution, a document that also gave inhabitants of the GDR "German citizenship" and pledged West German leaders to seek reunification.

Enmeshed in the effort to develop a democratic tradition in the FRG was the goal of creating a viable state that would strengthen the Western objective to forge a strong political, economic, and strategic alliance against the U.S.S.R. The founding of NATO in 1949 was a critical step in this process. The West did not initially grant NATO membership to the FRG, and pursued measures instead that were intended simultaneously to limit its sovereignty and to link the FRG to the effort to counter Soviet power. The FRG's first Chancellor, Konrad Adenauer, consistently sought both to strengthen his nation's fledgling democratic processes and to anchor his country to the West and make it an indispensable ally. A series of international agreements in the 1950s reflected the objectives of Adenauer and the NATO allies.

- The Status of Forces Agreement of 1951 (several times amended) allowed NATO allies to maintain military forces in the FRG; permitted NATO training flights over West German territory; and left to the allies regulation of the safe storage of weapons on their bases.

- The London/Paris Agreements of 1954-1955 between the FRG and the three occupying powers invited the FRG to join NATO "on a footing of equality"; ended the Occupation regime in the FRG but not Berlin; supported "the reunification of a totally free and united Germany by peaceful means"; committed the signatories to a negotiated peace settlement "between Germany and its former enemies applying to all Germany"; and agreed that "a final decision on Germany's borders must be postponed until such settlement is negotiated."

- Agreements in 1954 and 1955 between the FRG and NATO allies allowed Bonn to raise an army but not to produce biological, chemical, or nuclear weapons. (In response, the Soviet Union

established the Warsaw Pact, of which the GDR was made a member.)

THE SOVEREIGNTY ISSUE

Some West German observers believe that contradictions abounded in these arrangements and encumbered the effort to determine Germany's future role in Europe. The Three Powers promised "equality" to the FRG in its NATO membership and expected from Bonn a central role in NATO's defense, but at the same time limited West German sovereignty. They also endorsed ultimate German reunification, though many of Bonn's NATO allies privately opposed it and believed the Cold War division of Europe would indefinitely postpone the moment. For the two Germanys, a final peace settlement could end their forced separation, but might have raised formidable questions about German border claims against neighbors such as Poland and about further reparations by populations decimated in the war.

Some West Germans believe that the postwar agreements left the FRG without a clear, sovereign identity, and that these agreements fettered it with limitations that suggest residual allied distrust. By the 1970s, the FRG's development as a stable democracy, its status as the EC's most formidable economic power, and its heavy financial and political burden as the second largest conventional military power (after Turkey) in NATO Europe caused West German political leaders openly to question continuing restrictions on the nation's sovereignty. In particular, the U.S. right to introduce, store, and utilize chemical and nuclear weapons on West German soil, as well as NATO maneuvers and flight training, have been matters of vigorous debate in the *Bundestag* (parliament).

OSTPOLITIK: THE FRG SEEKS TO ENGAGE THE EAST

In the late 1960s and early 1970s, Social Democratic (SPD) Chancellor Willy Brandt pursued an *Ostpolitik*, or Eastern policy, that had as its objective the improvement of relations with the U.S.S.R. and its Warsaw Pact allies to strengthen possibilities for greater freedom of movement between the two Germanys and, more generally, peaceful resolution of disputes with Germany's enemies from World War II. The Brandt government, for example, negotiated with Poland the 1970 Warsaw Treaty, which recognized Poland as a state, as well as the Oder-Neisse line as the Polish-German border.

The Brandt government also sought a direct course to improve relations with the GDR. Erection of the Berlin Wall in 1961 had been accompanied by increased restrictions imposed by the GDR on trade with and travel to the FRG. The GDR produced a constitution that endorsed unification, though only under a communist government; after 1967, any mention of possible unification was dropped from the East German constitution. In 1972, the Brandt government negotiated the Basic Treaty with the GDR. The treaty

recognized the GDR as a sovereign state and allowed establishment of representation by each state in the other's capital. The GDR thereby acquired a degree of long-sought legitimacy, the FRG a means regularly to press East German authorities on a range of human rights issues. In the view of Bonn, however, the GDR's legitimacy was restricted and its sovereignty therefore limited, given the absence of free elections. This interpretation of the relationship of the two Germanys underlay Bonn's contention that the future government and boundaries of a unified German state must be the result of self-determination, and that the then existing borders and status of the two German states were provisional.

Some observers believe that the legalisms that detailed the two Germanys' views of each other reflected the struggle of political leaders and common citizens alike to express or feel a clear identification with a coherent political entity having a semblance of permanence. This search for a clear identity is an important psychological and political factor behind the movement to integrate and unify the two countries.

The SPD-FDP (Free Democratic Party) coalition of Helmut Schmidt capped *Ostpolitik* by signing the 1975 Helsinki Final Act (see **For Additional Reading**). Helsinki afforded Bonn the opportunity to join the United States, its other allies, and its East European neighbors, including the U.S.S.R., in recognizing existing frontiers and endorsing the principles of self-determination, and the free emigration of peoples. In so doing, Helsinki laid the basis within a broad multilateral framework for Bonn's legal and political pursuit of closer cooperation with the GDR, and for eventual unification of the two states based on self-determination. From the perspective of the GDR, the Soviet Union, and other Eastern signatories, Helsinki meant that Bonn recognized existing postwar boundaries, including the one between the two Germanys.

THE UNIFICATION OF GERMANY

East Germany's Path to Unification

In just under a year, East Germany has undergone a remarkable political transformation from a hard-line, Communist regime to unification with West Germany. Huge street demonstrations and mass emigration to the West brought down the hard-line government of Erich Honecker in October 1989. The Communist regime in East Germany collapsed in a matter of months, in part due to public mistrust fostered by a series of scandals involving corruption of former high-level government officials and the reluctance of the leadership to disband the hated secret police.

A key factor in the rapid disintegration of the East German regime was the leadership's decision to open the Berlin Wall on November 9. East Germans began to see for themselves the great difference in living standards between the Germanys. Political debate rapidly shifted from how to reform

East Germany to how quickly to merge with the more prosperous West. The continuing flood of emigration to the West through the open border forced the government to move elections scheduled for May up to March 1990. The government's hand was also forced by Bonn's refusal to grant substantial economic aid to East Germany until after free elections were held.

The decision to move the date of the election up to March accelerated the unification process by giving an advantage to the East German "sister parties" of West Germany parties, who provided massive campaign support. The election result was a decisive victory for the Christian Democratic Union of East Germany and its partners in the Alliance for Germany coalition. Most observers believe the Alliance's victory was a clear sign of public support for Chancellor Kohl's plan for a rapid unification of East and West Germany. In April, the Alliance for Germany formed a coalition government with East German sister parties of the West German Free Democratic and Social Democratic parties to secure the necessary two-thirds majority to make the changes in the East German constitution needed for unification.

In May 1990, West and East Germany agreed to a treaty on economic, social, and monetary union that came into force on July 1. By the terms of the agreement, East Germany adopted West Germany's currency and ceded control over its monetary policy to the West German central bank. Customs barriers were removed, allowing a free flow of goods between the two Germanys. East Berlin also agreed to pass legislation establishing a free market economy in GDR, and align its fiscal and budgetary policy and social legislation with West Germany's.

Several issues were not resolved by the treaty, including the sensitive issues of abortion, and the return of property to West German citizens whose assets were expropriated by the Communist regime. A second treaty to deal with these and other remaining differences in the two Germanys' legal systems was signed and ratified by September. The treaty also states that Berlin will be the capital of the united Germany, but that the seat of government will be decided by the new all-German parliament.

Now that East Germany had lost control over many of the levers of its economic policy, both East and West Germans felt that political unity should occur rapidly. This sentiment was strengthened in August 1990 by the breakdown of the East German governing coalition over Prime Minister De Maziere's firing of several Social Democratic members of his cabinet. Perhaps more important in increasing the urgency of unification was the dramatic economic downturn in East Germany in the wake of July's economic union. After several weeks of political maneuvering in East and West Germany over the date of unification and elections to a new all-German parliament, the East German Social Democrats and Christian Democrats agreed to announce their country's incorporation into the Federal Republic of Germany on October 3, with all-German elections to be held on December 2, 1990. The date was chosen to fall after a meeting of CSCE foreign ministers that will likely approve the outcome of the Two-plus-Four talks. Between October 3 and

December 2, commissioners appointed by Bonn took over administration of the former East Germany and 144 members of the East German parliament will sit in the West German parliament.

Economic Impact of Unification

The economic impact of unification is a matter of considerable controversy in Germany. In the former East Germany, economic union has brought the economy to the brink of collapse. Many firms in eastern Germany are facing bankruptcy as a result of a cut in their government subsidies and stiff competition from firms in western Germany. Unemployment is rising sharply and will likely exceed 10 percent by the end of the year in a country where unemployment has been unknown until now. At the same time, consumers in eastern Germany are being hit by higher prices as price subsidies are cut and by higher taxes as the West German tax system is introduced. Moreover, wages in eastern Germany are only a fraction of the levels in western Germany, and will have to remain low for a considerable period if investors in western Germany are to be encouraged to set up plants in the former GDR. Some observers in Germany worry these factors may provoke resentment, or even unrest, in eastern Germany.

There is also concern in Germany about the costs of unification. Perhaps reacting to polls showing that most Germans do not want to make great economic sacrifices to unite the country, Chancellor Kohl ruled out imposing new taxes in order to pay for unity, at least in the short term. In May, Kohl unveiled plans to set up a 116 billion DM ($70 billion) unity fund to meet reunification costs over a three-year period, including the financing of most of East Germany's projected budget deficits and some of the costs of increases in pensions and unemployment insurance. Money for the fund will be raised through budgetary savings and increased government borrowing.

But, all observers point out that the full costs of unification will be much higher. Many agree that as many as half a trillion Deutschemarks ($350 billion) or more will be required over the next decade to correct eastern Germany's appalling environmental conditions, rebuild its crumbling infrastructure, and modernize its industry and agriculture. The German government claims the process of unification will spur economic growth in both parts of Germany, providing additional tax receipts. Bonn is counting on massive private investment from western Germany and the development of an entrepreneurial spirit in the former GDR to create a second German "economic miracle" that will within several years result an dynamic, fully-integrated German economy.

However, polls show most Germans are more pessimistic, at least for the short run. Critics say the Kohl plan's reliance on borrowing may cause German interest rates to increase further. (Some outside observers fear that this will, in turn, cause international investors to divert money from financing the U.S. budget deficit, thus pushing up interest rates in the United States.) Others worry that taxes will have to be increased after all. Other concerns

are the possibility of inflation and job competition from lower paid workers in eastern Germany. The opposition Social Democratic Party's candidate for Chancellor, Oskar Lafontaine, has made these concerns a key theme in his campaign.

Emerging Political Issues in the New Germany

The crisis in the GDR placed the FRG at a crossroads: the founding of the FRG, its development as a democracy, and its robust economic growth have occurred within the framework of such Western institutions as NATO and the European Community, but its future course as defined by its leaders now requires reorientation towards a leading, and not secondary, role in Europe as a whole. As direct Soviet power recedes in Eastern Europe and the possibility of a diminished U.S. political and military role in Europe grows, the Federal Republic's responsibility for assuring the continent's economic growth and political stability will likely expand.

The West German government's objectives were to move swiftly to full economic, social, and political unification of the two Germanys, and to utilize the course of unification to pressure the Soviet Union to relinquish its hold over elements of East German sovereignty.

The internal economic and social consequences of unification have created important political issues in Germany. The opposition SPD, whose leader Oskar Lafontaine initially opposed the treaty of economic and social union because he believed it would cause high unemployment and social and economic dislocation in the GDR, now generally supports Chancellor Kohl's unification policies. Many observers believe that he remains ambivalent over unification. Some SPD officials contend that Chancellor Kohl is forcing solutions on the population of the former GDR in sensitive areas of social policy and thereby risks making citizens in eastern Germany believe that they are second-class citizens in the new Germany -- a development that could eventually cause political instability and regional friction or resentment over differences in social status. There is already evident resentment among some Germans from the former GDR who believe that Chancellor Kohl's virtual imposition of terms in negotiation of the economic and social treaty was tantamount to Bonn's repudiation of often strongly held community values in the GDR. Before unification, some East German officials vigorously solicited investment capital from outside the FRG as a means to blunt the influence of West Germans in the east.

Evaluation of the unification process will be the main issue before the voters in the December 2, 1990 elections. Chancellor Kohl has positioned himself as the architect of unification. SPD leaders have attempted to place the unification process in a political context by contending that Germans from the former GDR must be allowed to retain some of their social values and that the transition to a market economy should be cushioned by a strong safety net for those who lose their jobs as a result of the introduction of a

market economy. The elections should serve as a gauge of the degree to which Germans believe that unification is an equitable process.

THE "TWO-PLUS-FOUR" TREATY

On February 12, 1990, the FRG agreed to a "Two-plus-Four" (the two Germanys and the four victorious Allies from World War II) formula for discussing international ramifications of unification. These discussions proceeded with the Soviets maintaining approximately 360,000 troops in the GDR. The parties signed the "Treaty on the Final Settlement with Respect to Germany" on September 12, 1990, in Moscow. On September 26, the Bush Administration referred the Treaty to the Senate. The Senate Foreign Relations Committee held hearings on September 28, and sent the Treaty to the full Senate on October 2. The Senate gave its advice and consent by a vote of 98-0 on October 10, and the President signed the Treaty on October 18, 1990.

The Allies had retained residual rights from Potsdam and other agreements over "Germany as a whole" and maintained occupation forces in Berlin. The principal questions at the discussions were 1) how to terminate or alter allied rights over Germany and Berlin; 2) resolution of border questions, above all the permanence of the Oder-Neisse line between East Germany and Poland; and 3) the place of a united Germany in Europe's security and political framework. Poland participated in the Two-plus-Four discussions when matters germane to its interests were addressed.

The Treaty addresses most of the questions left unanswered by the Potsdam agreement and subsequent agreements between the four powers and the two Germanys and their neighbors. In the Treaty, the united Germany declares that its borders are those of the Federal Republic, the GDR, and Berlin. Germany expressly pledges to conclude a border treaty with Poland. (The Polish government has endorsed the four power treaty with the two Germanys.) Germany also promises to ensure that its constitution contains no provisions incompatible with its pledge to regard its borders as definitive. On October 31, 1990, German and Polish representatives reached agreement on a border treaty.

Several articles of the Treaty seek to clarify Germany's security role in Europe. Germany renounces the manufacture, possession, and control of nuclear, biological, and chemical weapons -- a provision that appears to go beyond a 1955 agreement that did not mention renunciation of the "control" of nuclear weapons. In a later article in the Treaty, however, Germany retains its right to remain a member of NATO, "with all rights and responsibilities" not to be affected by the Treaty. Under NATO procedures, the United States, which maintains custodial control over its nuclear warheads in Europe, would turn over those warheads to German (or Dutch, or Belgian, or other NATO forces) at a certain point in a crisis. A State Department official at the Senate Foreign Relations Committee hearings on the accord testified that these procedures still remain.

The Treaty addresses the presence of Soviet forces in the GDR and their possible withdrawal in the context of an agreement at the talks on

Conventional Armed Forces in Europe (CFE), now under way in Vienna. With the conclusion of a CFE agreement, Germany pledges to reduce its united armed forces to a level of 370,000 (from a current FRG-GDR combined total of approxmiately 600,000) "within three or four years." The following article of the Treaty pledges the Soviet Union to remove its forces from eastern Germany by the end of 1994, "in connection with" the promise of a united Germany to reduce its forces upon a CFE agreement. The Treaty, therefore, does not require either German reductions or Soviet withdrawal if a CFE treaty is not reached. However, a separate bilateral Soviet-German treaty achieving the same ends was initialed on October 12, 1990. The State Department official who testified at Senate Foreign Relations Committee hearings contended that the Two-plus-Four Treaty requires a Soviet withdrawal of forces by the end of 1994, even without a CFE agreement because the Treaty terminates all allied rights in Germany. German officials state privately that reductions in their own forces (east and west) have already begun, a move that could be intepreted as a spur to other nations to complete a CFE accord.

The Treaty provides the united Germany the right to maintain German non-NATO forces on GDR soil during the period of Soviet withdrawal. German NATO forces may be stationed in eastern Germany after the Soviet withdrawal. During the period of Soviet withdrawal, no other NATO forces may be in eastern Germany, except in Berlin, and only at levels existing before the Treaty. After the withdrawal of Soviet forces by the end of 1994, non-German NATO forces may neither be "stationed" nor "deployed" on former GDR territory. This provision of the Treaty reportedly led to contentious discussion with the Soviets. While the United States and its allies agree that the prohibition on stationing means that neither fixed bases nor the indefinite presence of allied forces are allowed, the ban on deployments does not, in the view of State Department officials, preclude NATO forces moving into eastern Germany on training exercises. An agreed minute to the Treaty, initialed by the Soviets, leaves to the German government the interpretation of the word "deployed" as long as the government "takes into account the security interests of each Contracting Party." The minute therefore leaves open the possibility that Germany might call NATO forces into eastern Germany in the event of a crisis.

The Treaty explicitly terminates four power rights over Germany and in Berlin, and returns full sovereignty to a united Germany.

Several issues remain unresolved by the Treaty. The Treaty does not mention reparations, which were placed in abeyance by the Western powers in 1953 and waived by the Soviet Union in 1954. Nor does the Treaty mention claims by U.S., citizens of property taken by the East German government. The Bonn government has sent a letter to the U.S. Government stating that such claims would be handled in good faith by a united Germany. While the Treaty terminates allied occupation rights in Germany, in late September 1990, Germany and the United States signed new status-of-forces agreements governing the stationing of U.S. forces in Germany and in Berlin.

RAMIFICATIONS FOR OTHER NATIONS AND INSTITUTIONS

The FRG's position as the European Community's foremost economic power, its possession of the second largest conventional forces in Europe, and its strategic position at the center of the continent have enhanced its political influence in both EC and NATO councils in the 1980s. The current pace of change in the U.S.S.R. and Eastern Europe has enabled Bonn selectively to challenge its allies' policies and to redirect the course of several West European institutions. The prospect of a reunified Germany, and therefore of a more powerful economic and political entity, has strengthened Bonn's ability to shape Western policy.

NATO

The two Germanys have served as the strategic center of the NATO-Warsaw Pact rivalry since the creation of the two alliances in 1949. The decline in the Soviet threat and the virtual dissolution of the Warsaw Pact have caused a vigorous effort to revise NATO defense doctrine and have led to cuts in defense budgets in most NATO countries. Decline in the threat has also called into question NATO's continued existence as a defense alliance. In the view of some observers, a weakening of NATO will lead to diminished U.S. influence in Europe and a heightened role for the new Germany in security affairs. Other observers believe that instability in the Soviet Union will require a still vigilant NATO. In addition, the crisis in the Persian Gulf arising from the Iraqi invasion of Kuwait has revived debate in NATO over coordinated "out-of-area" responsibilities to assure the well-being of alliance states.

The NATO summit of July 5-6, 1990, in London saw discussion of the alliance's principal defense doctrines. The theoretical and practical utility of short-range nuclear forces has sharply diminished because few envision the need for such systems in an era of reduced threat. At issue for the Alliance is continued reliance upon the doctrine of nuclear deterrence. The Bush Administration has proposed that nuclear weapons remain part of NATO's strategy as a "last resort" in a conflict; the current official NATO doctrine of "flexible response" in contrast envisions their use at any point in a conflict in the effort to stymie or defeat a Warsaw Pact attack. At the NATO summit in London, representatives of member states softened the "flexible response" doctrine by including in the final communique President Bush's ideas concerning utilization of nuclear weapons as a "last resort". Bonn officials have called for the removal of nuclear artillery from the FRG, and the United States has agreed. Some FRG officials state privately that the new Germany will exclude all nuclear systems from German soil to end an era when Germany seemed the most likely nuclear battlefield in the event of a conflict in Europe. Germany and other NATO states also support rapid progress in the talks on conventional forces in Europe (CFE). Clarification of NATO's stand on the utility of nuclear weapons in its defense doctrine and Germany's

position on whether to base nuclear weapons in the new Germany must await the all-German elections in December and formation of a new government.

CSCE (CONFERENCE ON SECURITY AND COOPERATION IN EUROPE)

Many European governments, East and West, are seeking to provide expanded responsibilities for CSCE to move into a perceived security vacuum that may be developing in the wake of the waning alliance system. France, in particular, wishes to design a broader role for CSCE in arms control talks and verification, human rights, and avoidance of conflict. The Soviet Union has floated a raft of proposals, including the development of institutions at CSCE to provide for European security and conflict resolution. The United States supports modest institutionalization of CSCE and is willing to explore an expanded role for CSCE in areas such as conflict resolution.

Some observers believe that CSCE is the optimal organization for securing a stable bridging of the Cold War era and the emerging period of improving relations between former East-West adversaries. In this view, CSCE embraces nations in both NATO and the Warsaw Pact, has a proven record in human rights and confidence-building measures, and has envisioned from its inception the need to reach beyond the alliance system to provide for European security in a broad sense; therefore, it is well positioned to explore and manage a new European security framework as political and economic developments on the ground in central Europe and the USSR become clear. Other observers believe that CSCE is too unwieldy because its current rules of operation require unanimous consent in decisionmaking, and because it can not manage the still great divergences among its member states.

THE EUROPEAN COMMUNITY

The unification of Germany has opened new avenues for the European Community (EC). While its 12 members are pressing forward on the 1992 road to a Western Europe without borders, France and Germany are seeking an accelerated pace of political unification: France to assure a powerful Germany's anchoring to West European traditions and institutions; Germany to reassure anxious neighbors about the directions of its growing power and influence. Some European observers believe that a politically strengthened EC, in which Germany is deeply embedded, will quiet concerns about the new Germany developing into a nation that intimidates its neighbors. The French government also believes that the European Community is the natural locus for the European defense organization that should slowly replace NATO. Great Britain alone among the EC states is resisting the trend towards greater responsibility for Brussels.

Some EC members wish to extend gradually the benefits and the responsibilities of the EC market to the democratizing nations of Eastern

Europe. Eastern Germany will slowly be placed under EC regulations as its integration into the Federal Republic proceeds. EC Commissioner Jacques Delors and some governments of EC member states have indicated that by acting to strengthen the economies of East European nations and the Soviet Union, an end to Soviet dominance in Eastern Europe can be assured and a new framework for political stability can be built.

In October 1990, the EC nations, with Great Britain alone in opposition, reached agreement on a general outline of a united monetary policy. On January 1, 1994, the EC will take steps to create a central bank that will set interest rates for member states. EC states expressed resolve to adopt a single currency by the end of the decade. Some observers believe that Germany surrendered authority over determination of EC interests rates in return for greater economic integration in the Community. In any event, Germany's economic strength will likely give it a strong voice on the central bank.

SOVIET UNION

Soviet leaders praised the changes in East Germany as a renewal of socialism in the GDR similar to *perestroyka* in the Soviet Union. Indeed, the Soviet Union played an important role in creating these events by serving as an example for reformers, by ruling out Soviet intervention, and by making clear that it would not approve of a violent crackdown on unrest. However, the rapid and overwhelming pressures for unity with NATO member West Germany seemed to threaten Soviet post-war geopolitical gains in Europe. Accordingly, the Soviets at first strongly opposed the reunification of Germany, then offered various proposals (including dual membership for Germany in both NATO and the Warsaw Pact and the dissolution of both alliances) to salvage some political gains from the collapse of the Soviet position in Central and Eastern Europe.

In July 1990, President Gorbachev finally conceded the right of the united Germany to remain in NATO in a meeting with Chancellor Kohl. He was pulled toward accommodation with Germany and its allies in part because he lacked the diplomatic leverage to slow the accelerating process of German reunification short of using force, a very unlikely event. Moreover, President Gorbachev's most urgent political problem at home is not fear of German reunification, but public anger over the Soviet Union's disastrous economic situation. He could use economic aid from Germany and other Western countries to help improve the situation. Trade and joint ventures would permit the Soviet economy to profit from German technology and know-how, and provide markets for Soviet energy and raw materials. President Gorbachev also felt that he could ignore conservative forces, who have condemned him for giving up gains made at the cost of over 20 million Soviet dead in the Second World War, after defeating their challenge to his leadership at the Communist Party Congress, which concluded several days before his meeting with Chancellor Kohl.

The July meeting between Chancellor Kohl and President Gorbachev will likely mark a new, more cooperative era in German-Soviet relations. Germany has successfully pressed its Western allies to loosen the COCOM restrictions on technology transfer to the Soviet Union. Germany has also agreed to honor Soviet contracts signed with former East German companies, pay part of the expenses of the 380,000 Soviet troops in East Germany during the transitional period, and build housing in the Soviet Union for the returning soldiers. In addition, Bonn will guarantee five billion Deutschemarks ($3 billion) in credits to the Soviet Union, and may add to this amount. At the July 1990 Houston economic summit, Chancellor Kohl has asked other EC countries, the United States, and Japan to contribute to the aid effort. Soviet and German negotiators are working on treaties that will significantly expand Soviet-German economic and other ties. The Soviet Union has reciprocated in part by welcoming Germany's emergence as a key player on the international political scene; in September 1990, a key advisor to President Gorbachev on Germany advocated that the united Germany receive a permanent seat on the U.N. Security Council.

EASTERN EUROPE

New governments in Hungary, Poland, and Czechoslovakia have expressed public support in principle for a unified, democratic Germany. They have also publicly advocated NATO membership for a united Germany, pending agreement on a new security system for Europe. Nevertheless, East European governments and their citizens are concerned about the prospect of the seemingly inevitable increase in German power in Europe that will take place with unification. Czechs, Hungarians, Poles, and Russians still remember the actions of a powerful Germany 50 years ago. While most do not fear a return of German militarism, some are worried about German economic hegemony in Central Europe that could be translated into political leverage against them.

These fears may be lessened if a reunited Germany becomes only one part, if the most important part, of a politically and economically integrated European Community. Chancellor Kohl, a strong supporter of EC integration, has voiced support for eventual EC membership for East European countries. On the other hand, increasing integration of Western Europe may make it more difficult for Eastern Europeans, already economically far behind their Western neighbors, to join the EC "club" anytime soon. Eastern European worries of German economic dominance may also be lessened if other European countries, Japan, and the United States assume a higher economic profile in the region.

The attractiveness of West Europe's political and economic model, the increasing economic and political power of a reunited Germany, and the waning of Soviet influence in the region has caused Eastern Europeans to move quickly to reduce their unprofitable political and economic ties to the

Soviet Union. In their place, they are trying to build new links with Germany, which is likely to become a central player in the region. On the other hand, they are also building economic and diplomatic links with each other, and with other Western European countries, at least in part to balance Germany's political and economic preponderance. Eastern European leaders have also stressed to their German and other Western counterparts that the viability of any new security system for Europe depends on assuring that the Soviet Union, through economic aid and new security structures, has a voice and a stake in the new Europe.

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U.S. INTERESTS AND CONGRESSIONAL CONCERNS

GERMANY'S FUTURE AND THE U.S. ROLE IN EUROPE

Some European leaders believe that the decline of the Soviet threat means that political and economic institutions such as the EC should eventually supplant NATO in managing stability on the continent. At the same time, some European leaders also wish to see a continued U.S. presence on the continent to act as a balance against an increasingly powerful Germany, and as a steadying influence should instability grow in the Soviet Union. The means for continued strong U.S. influence in Europe is not apparent, however. The EC opposes a "seat at the table" for the United States. And a diminished U.S. troop presence in Europe will not only reflect a diminished Soviet threat, but will be the expression of a reduced need for a U.S. role as principal guarantor of European stability.

President Bush has said that the United States must remain a power in Europe. Some observers believe, however, that Germany's economic and political power will grow and place the new Germany in the central role for guiding the continent's future. Some German political leaders and intellectuals are unsettled by such a possibility, given Germany's past and residual distrust among some of its neighbors. To assure other Europeans, Bonn is willing to surrender elements of German sovereignty to the EC. Germany and several other European states, as well as the Soviet Union, are exploring avenues for a continued U.S. role on the continent. For the moment, CSCE is the institution in which these parties are seeking stronger U.S. participation.

THE CONGRESSIONAL ROLE

German unification has raised a number of questions that are of direct interest to Congress. Out-of-area questions and burdensharing, due to the Persian Gulf crisis, have again come to the forefront. Some Members believe that NATO allies -- virtually all of which are heavy importers of petroleum -- should place more sizeable military contingents in the Middle East in defense of their economic and strategic interests. Many German officials believe that the Federal Republic, under its constitution, may not send forces out of the NATO treaty area; some also believe that an all-German parliament after December 2 will be called upon to revise the constitution to allow possible military involvement -- probably under U.N. auspices -- outside of Europe.

Broader developments resulting from unification and Soviet retrenchment in Eastern Europe are presenting matters for congressional consideration. Should a treaty result from the CFE (Conventional Armed Forces in Europe) talks and, ultimately, from talks on SNF (short range nuclear forces), the Senate will be called upon for advice and consent. In addition, both Houses are already considering potential effects upon the budget of a changing U.S.

defense doctrine in Europe that would entail a reduced U.S. troop presence and reliance upon a changed landscape of military hardware needed for support of new strategies. The Two-plus-Four Treaty leaves open the possibility for U.S. military contingents under NATO to operate in eastern Germany after Soviet withdrawal. In the political and economic sphere, a reduced U.S. presence in Europe could adversely affect U.S. efforts to manage and influence the competitive trade relationship with the EC.

Even more broadly, Congress has begun to consider a changing U.S. role in the world. What is the relationship between U.S. military power and U.S. influence in assuring protection of the Nation's economic interests? Does the possible settling of old conflicts in Europe free the United States to give stronger form to its role in other areas of the globe? Finally, is there a role for the United States in resolution of possible small-scale conflicts in Europe, now that the superpower rivalry is waning?

FOR ADDITIONAL READING

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