

Robert Schönfeld (Hrsg.)

Deutschland und Südosteuropa

Aspekte der Beziehungen
im Zwanzigsten Jahrhundert

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Aspects of Relations
in the Twentieth Century

Deutschland und Südosteuropa -
Aspekte der Beziehungen im
Zwanzigsten Jahrhundert

Edited by Roland Schönfeld

Südosteuropa-Gesellschaft
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VORWORT

Über die Rolle, die das vereinte Deutschland im "neuen Europa" einnehmen wird, ist viel spekuliert worden. Seine Zunahme an Fläche, Bevölkerung und wirtschaftlicher Leistungsfähigkeit hat Befürchtungen, aber auch Hoffnungen geweckt. Völker, deren historische Erfahrungen mit den Deutschen in diesem Jahrhundert eher ungünstig waren, mögen sich 1990 an das Wort von François Mauriac erinnert haben: "Seit Deutschland geteilt ist, kann ich nachts ein Auge schließen. Wenn es wieder vereinigt wird, werde ich nicht mehr schlafen können". Andere hofften, mit deutscher Hilfe die schwierige Transformation, die überfällige Modernisierung und die Integration in die westliche Staatengemeinschaft rasch zu bewältigen.

Das bisherige Verhalten des vereinten Deutschland auf internationaler Bühne hat weder den einen noch den anderen Erwartungen entsprochen. Unerwartet schwierige wirtschaftliche und soziale Probleme der Vereinigung forderten eine Konzentration der Kräfte nach innen. Deutsche Finanzhilfe für Ost- und Südosteuropa blieb - mit Ausnahme der Transfers nach Rußland - unbedeutend. Zwar gehört Deutschland in den internationalen Organisationen zu den Befürwortern einer raschen Aufnahme osteuropäischer Länder. Aber in der Europäischen Union hat sich die deutsche Regierung wesentlich stärker für eine Vertiefung als für eine Erweiterung engagiert.

Die deutsche Wirtschaft nutzt in Ost- und Südosteuropa günstige Investitions- und Produktionschancen. Unter den Handelspartnern dieser Länder nimmt sie eine führende Rolle ein. Nichts deutet darauf hin, daß diese Region in absehbarer Zukunft mehr als marginale Bedeutung für die weltweiten Wirtschaftsbeziehungen Deutschlands haben könnte.

Auf territoriale Ambitionen in Osteuropa hat Deutschland verzichtet. In der glücklichen Lage, keine Reparationsforderungen erwarten zu müssen, schloß die deutsche Regierung mit ost- und südosteuropäischen Staaten Verträge über Zusammenarbeit, gute Nachbarschaft und Freundschaft und tauschte Versöhnungserklärungen aus. Das Hauptinteresse deutscher Außenpolitik ist unverändert nach Westen, nicht nach Osten gerichtet. Vom Versuch, eine politisch einflußreiche oder gar bestimmende Stellung in Osteuropa aufzubauen, kann nicht die Rede sein. Durch historische Erfahrungen klug geworden, zeigt sich die deutsche Regierung im Osten versöhnlich, kooperativ und sehr zurückhaltend.

Es wäre falsch, aus der deutschen Vergangenheit auf zukünftige außenpolitische Verhaltensmuster zu schließen. Die internationalen Machtkonstellationen haben sich total verändert. Dennoch ist eine Beschäftigung mit der Geschichte der deutschen Beziehungen zu den ost- und südosteuropäischen Ländern von mehr als nur wissenschaftlichem Interesse. Die Beweggründe deutscher Ostpolitik im 19. und 20. Jahrhundert sind geschwunden. Die Deutschen brauchen keine Siedlungsgebiete im Osten mehr. Im Zeichen landwirtschaftlicher Überproduktion hat Osteuropa seine einstige Bedeutung als Versorgungsraum defizitärer Industrieländer verloren. Deutschland benötigt in Osteuropa keine Verbündeten gegen die Westmächte, die

selbst seine besten Verbündeten geworden sind. Deutschlands geographische Lage mag eine natürliche Mittlerrolle zwischen Ost- und Westeuropa begründen. Vor eigenmächtigen Ausflügen bleibt Deutschland auch in Zukunft durch seine feste Integration in die westliche Staatengemeinschaft bewahrt.

Sicher sind die Gefahren einer Renationalisierung nicht gebannt. Irrationale Ängste vor weiterem Souveränitätsverzicht hemmen die politische Einigung Europas. Das "Europa der Vaterländer" als Alternative zu einem europäischen Bundesstaat kleingeistert durch die Studierstuben. Es ist zu hoffen, daß die Vernunft siegt und auch die einmalige Chance der Integration Ost- und Südosteuropas in die europäische Völkerfamilie genutzt wird. Deutschland hat in diesem Prozeß eine besondere Verantwortung.

Der Diskussion neuester Forschungsergebnisse über die Beziehungen Deutschlands zu Südosteuropa im zwanzigsten Jahrhundert war ein internationales Symposium gewidmet, das von der Südosteuropa-Gesellschaft und dem Center for European and Russian Studies der University of California, Los Angeles, vom 6. bis 8. Juni 1996 im oberbayerischen Wallgau durchgeführt wurde. Auch bei dieser Gelegenheit bewährte sich die vorbildliche Zusammenarbeit mit dem Center for European and Russian Studies und seinem Direktor Prof. Dr. Dr. h.c. mult. Ivan T. Berend. Zur Realisierung dieses Projekts und zur raschen Veröffentlichung der Tagungsergebnisse haben er und sein Institut wesentlich beigetragen. Der herzliche Dank des Herausgebers gebührt somit beiden Veranstaltern, den Autoren sowie allen Mitarbeiterinnen und Mitarbeitern, die an den Vorbereitungen des Symposiums und dieser Publikation mitgewirkt haben.

Roland Schönfeld
Südosteuropa-Gesellschaft

IVAN T. BEREND

Germany and Central & Eastern Europe: Geopolitical Destiny of Interrelationship

- Introduction to the Wallgau Conference -

German - East European relations have a stormy history and an equally turbulent historical discourse. At a recent conference at UCLA that discussed the future of Europe - Quo Vadis Europa 2000 -one of the speakers asked the often heard question: will Central and Eastern Europe be Germanized? Economic experts of the area, on the other hand, looking to Germany as the main actor in investing, modernizing telecommunication, creating opportunities for subcontracting work, the real hope for an industrial restructuring. Politicians and political scientists also recognized that Germany, in the most committed way, is paving the road for the region toward a unified Europe.

Generations of historians and scholars blamed Germany for attempting to conquer its vast neighboring area, including territories east from its eastern borders. The first historian at this list was the Roman Tacitus. In his work, the Germans, written in 98 AD, he stated: "The Germans transact no business, public or private, without being armed," and "think it base and spiritless to earn by sweat what they might purchase with blood."¹ He also stressed that the German youth was dedicated themselves to the service of the state. "Henceforce war becomes the freemen's chief and proper work..."²

From the Teuton knights to Adolf Hitler, indeed, an endless series of German attacks were launched against Eastern Europe. The first war, the first Hungarian king, Steven, had to fought was a war against the attacking German king, Otto, in the early 11th century. In the mid-20th century, the entire region was conquered and occupied.

Hannah Arendt, nearly two thousand years after Tacitus, introduced the term of "continental imperialism" in explaining modern German expansionism. The Pan-German movement targeted the unification all of those, so-called "Staatsfremde" Germans who lived outside the German Reich. At the end of the 19th century, a spectacularly rising and industrializing Germany nurtured overambitious dreams that were clearly and frankly expressed by the leading German historian of the age, Heinrich von Treitschke: "Those who do not participate in this great rivalry," he noted on the great powers colonialization drive in 1887, "will play a miserable role in the coming epoch. Colonialization became a matter of life and death for the great

¹ *The Works of Tacitus*, The Oxford Translation. Vol.II. Henry G.Bohn, London, 1854. pp.303,305.

² *Comelii Taciti, de Germania*, Ed. with introduction by H.Furieux. Larendon Press, Oxford, 1894. p.25.

nations."³ During World War I, and in the middle of German military successes, a German liberal, Friedrich Neumann introduced his *Mitteleuropa* plan for a democratic Central European federation. The "categoricus imperativus" of the age, he argued, is unification. The 20th century is the epoch of "big industry and supra-national state organizations...; small nations have no other alternative but join or be isolated." Although he aimed a federation of sovereign nations, Neuman, however, also openly argued for German leadership of the federation. "Based on our strength and experiences we are driven by higher goals: we ourselves seek to be the Core." To create a *Mitteleuropa* that is competitive and strong enough, it needs, added Neumann, "the neighboring agricultural territories...and certain linguistic union and united military institutions."⁴

Twenty years later, Adolf Hitler began his war-preparations. Assisted by Hjalmar Schacht, Hitler replaced the protectionist agricultural policy, embodied by the Bülow-tariff of September 1925, and initiated a series of bilateral trade agreements that opened the German markets for agricultural products and raw materials of the CEE countries. The export to Germany increased from less than 9% to 22% of the Yugoslav exports between 1929 and 1937. Germany's percentage of the Hungarian exports jumped from 12% to 24%. CEE products covered one-third of Germany's wheat, corn, and lard imports, 35% of its fruit and meat imports, two-thirds of its tobacco and bauxite imports. As Hans Ernst Posse, member of the Hitler-cabinet stated in 1934: "The most important economic policy target is the ...[establishment of] an organic system of *Grossraumwirtschaft*." As David Kaiser interpreted: Hitler has won the first battle of World War II before the war began by the economic penetration of CEE that, indeed, he has strengthened his political influence in the region and established an alliance system as an integral element of his strategy of war-preparations.

What happened thereafter is known: between 1938 and 1942 Hitler conquered the entire CEE region and was rather near to the realization of the traditional German expansionist goals.

This is, however, only one of the possible readings of the historical records. Germany, on the other hand, has been the number one partner of the countries of CEE and assisted their development throughout the entire history of these countries. The first Hungarian king married a German princess, Gisella, to strengthen alliance and consolidate the political situation of the newly established kingdom. The first German settlers arrived as early as the 13th century to establish the very first urban settlements of the country. In several newer waves of immigration during the sixteenth to nineteenth centuries, German artisans and hard-working peasants arrived to CEE. During the 19th century, nearly 4 million German settled in Russia. The cities of the Czech lands, Hungary, and partly Poland were German speaking settlements. Forty percent of the population of Prague was German speaking in the early 20th century. Most of the entrepreneurs and also skilled workers - 26% of them in Budapest industry in the 1880s - were Germans in the area. The "official"

³ H. von Treitschke, *Politics*, London, 1916. Vol.I. pp.115-116.

⁴ F. Neumann, *Mitteleuropa*, Berlin, 1915. pp.54 and followings

language of the Hungarian labor movement in the late 19th century and the first socialist newspaper was German in Hungary. The first theater was a German speaking institution. When modern school system was established in CEE from the 1860s on, the world's best educational system was "imported" from Germany, including the famous secondary school, the "Gymnasium," and the excellent higher educational institution, the "Politechnical school."

The number of Germans reached about 14-15 million people in CEE in the mid-20th century, the single largest ethnic minority in the area, who has had a tremendous contribution to the economic, social, and cultural life of these countries. Their impact was especially great during the modernization attempts of the 19th century. Germany, the most dynamically industrializing country in the late 19th century, became the number one foreign investor and trade partner of several countries of Central and Eastern Europe. It has built the famous *Orientalische Eisenbahnen* and connected the entire Balkans with Europe. Germany "exported" one of its most effective economic "wonder weapon," the modern, so-called mixed German banks, an institution that revolutionarized the less developed countries' economies.

Germany was, furthermore, the only country during the most troublesome 1930s that offered its markets to independent, but crisis-ridden CEE. The barter trade (clearing system) without using hard currency, the assured import quotas, and the higher than world market prices actually saved CEE from a fatal economic disaster and offered the only escape from a virtually hopeless economic situation. It happened in a period when Western Europe has not exhibited any kind of interest in cooperation with this part of the continent. Even at the brink of World War II and in the course of a successful German economic penetration, Britain hesitated to double the least important import-quotas for Christmas turkey from Hungary in 1938. No doubt, Hermann Gross has right when he has stated in 1938 in his book, *Die wirtschaftliche Bedeutung Südosteuropas für das Deutsche Reich*, that "Germany was the only industrialized country that, in order to offer a generous helping hand to the agricultural countries of Südosteuropa, increased the imports of their products by many times."

Confronting the two rather different readings of historical relationship between Germany and CEE one cannot avoid asking the question: is Germany a historical curse or a blessing for Central and Eastern Europe? Although a library of books was published on the topic, and tons of documents are available regarding the centuries-long interrelationship, the answer is still not an easy one. Was the creation of the isolated, German-led trade-zone in the 1930s economically advantageous that helped CEE to cope with the deadly blow of the Great Depression, or was it the most disadvantageous tie that led to German domination and, then, occupation of the area? The answer to these questions are, in my view, in both cases, positive.

The potential of both destructive and constructive consequences of the historically troubled relationship and its ambiguity are permanently characterize German and CEE ties. What are the possible scenarios, then, nowadays, at the turn of the 20th and 21st centuries? What are the threats and/or promises of the renewed German - CEE relations in the post-1989 history?

The facts of the present are rather known. Immediately during the very first years of post-communist transformation, already between 1988 and 1992, Germany became the single biggest trade partner of post-Communist CEE. Germany had an unimportant 2-10% share in the exports of the countries of CEE in 1985. (Hungary being the only exception with a 15% share.) In 1992, however, Germany's role jumped to a 20-30% in the exports of Poland, Romania, Czechoslovakia and Hungary. Regarding imports from Germany, it played an insignificant 4-9% in 1985 (again, Hungary's imports was an exception with a 23% German participation). In 1992, 20-30% of CEE's imports originated from Germany.

Germany thus gained a leading position in Central and Eastern European trade with roughly one quarter of exports and imports. In almost all cases, the German role in foreign trade was greater than in 1937 and surpassed the level reached by the Soviet Union in the decades of Soviet domination over most of the countries.

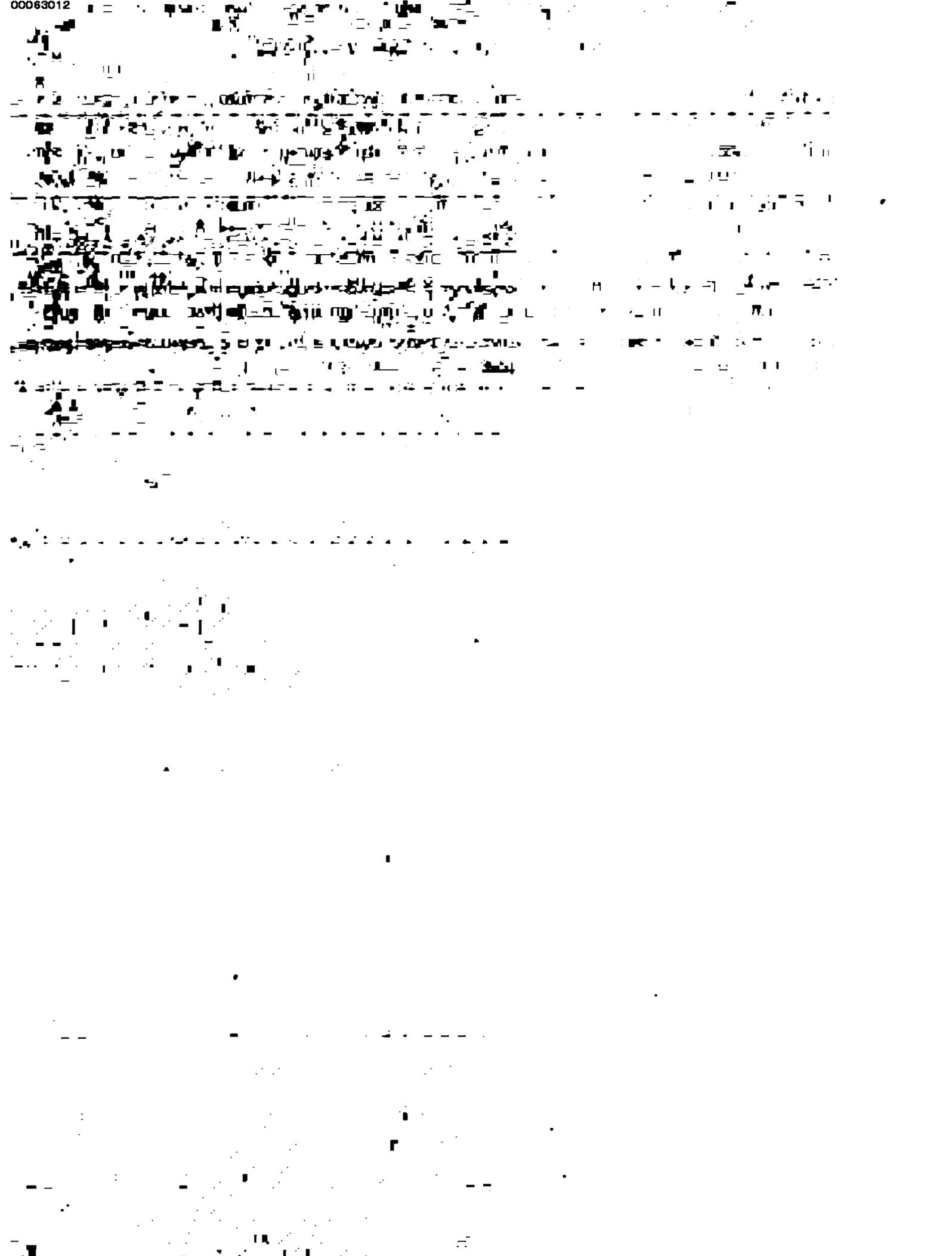
Germany assumed an equally determinant position in crediting and investing to the area. While most of the Western countries were reluctant to assist, Germany took the initiative and exploited her geopolitical advantage, knowledge of and tradition in the markets of the region. Over 40% of Western bilateral financial assistance came from Germany during the first three years of the transition. She was particularly active in Czechoslovakia, Hungary and Poland, committing 62, 54 and 31% of bilateral assistance respectively. In the first years of transition Germany emerged as the most important single direct capital investor in CEE: 40-40% of foreign capital investments in Russia and Poland, 30 and 20% in Czechoslovakia and Hungary respectively, were financed by German companies. Volkswagen initiated one of the largest investment in the region by its transaction with Skoda. Deutsches Bundespost became the single most important investor of the region that plays a leading role in the modernization of the crucially important telecommunication system of CEE.

According to a report of the German Bundesbank in the spring of 1993, Germany was the number one financial supplier of Central and Eastern Europe since the beginning of 1990, providing 113 billion German marks to the region, including more than half of the assistance to the successor states of the former Soviet Union.

German crediting and investment, however, slowed down in 1991-92, since the economic consequences of the German unification and the need for investment in former East Germany exhausted the potential of German capital exports. In the mid-nineties, however, German economic activity in the area gained its new momentum.

Will CEE be Germanized? A peaceful "continental imperialism" will be successfully realized after so many failed attempts? The geopolitical destiny of the area seems to be unquestionable. CEE, although followed a Western-type export-led industrialization drive from the late 19th century, then made its interwar attempts of a nationalist-protectionist economic policy, then, after World war II, adopted Soviet-type forced industrialization, could not cope with its peripheral status. Since the mid-1970s, the region experienced a dramatic relative decline compared to the West from a traditional 1:2 to a recent 1:4 level of per capita GDP. The only exit from this historical trap is a close cooperation with the unified Germany and acting as its subcontractor, exploiting the lower wage level - of the relatively well trained labor force -

that is only about one-tenth that of the German. A rising German economy can elevate the economy of the entire CEE region and repeat the postwar success story of Asia that emerged and continues to emerge in a tempestuous space based on a close collaboration with Japan. A strong Germany has also an elemental interest of consolidating its eastern borders and insulate the prosperous Germany from the chaotic Russia and Balkans by assisting the "emancipation" of 4-6 Central European countries and accepting them by the NATO and the European Union. From being a subordinated backyard of Germany, the area, at least parts of it, gradually might become equal members of an enlarged Europe. The ambiguous historical love-and-hate relation, a relationship that survived its most troublesome nadir in the twentieth century, might conclude in a happy ending in the early twenty-first century.



KATALIN RADICS

German Influences in East-European Linguistic Movements

I would like to present how the Baltics and the Eastern and Central European territories of the former Habsburg empire were penetrated by German influences in connection with the language standardization and language reforms in the 19th and 20th centuries, with a brief overview of the linguistic and historical background. I also want to present the paradoxical character of these German *effects*. While local languages, especially their vocabularies, have profited a great deal from German impact, the presence, sometimes forced use, and the instinct prestige of the German language have threatened their status, even their existence. Peoples of the region fought against the German linguistic influence with the help of ideas and cultural patterns of German origin; while they borrowed German words and expressions, had de-Germanization as their primary objective.

Multifunctional standardized languages of Europe developed between the 15th and 20th centuries. Before that time, hundreds of spoken dialects, but no languages as we understand the term now, had existed. Standardization began by the choice of dialectal version to be written and the selection of the alphabet. This period was followed by a period of studious codification: compilation of the first dictionaries and grammars, elaboration of orthographic rules. Languages vary as to what the first functions of their literacies were: records of housekeeping, farming and transcribing religious texts are among the earliest ones. In the most fortunate areas standardized vernacular languages became universally used very early. Due to the step-by-step, mainly unconscious, operation of thousands of teachers, politicians, officers, journalists, artists, lawyers, who most of the time just did their ordinary job but from time to time reflected on their language, written and spoken versions of national languages were in the making. A great number of everyday language reformers attempted to find better expressions, invented or followed customary expressions and orthographic rules, corrected other people's language use. Evaluation - sometimes by official organizations - went together with the enhancement of vocabulary and extension of language use to new and new functions. In those areas where - for some non-linguistic historical reason - non-vernacular languages fulfill such functions as education, culture, scholarship, public life, legislation, to mention only the most important ones, the standardization process of the vernacular language slows down, and local languages get into close contacts with those languages that serve as medium of these 'formal' functions.

Historically German influences reached the languages of the Eastern and Central European region in three waves. The first, early wave, the cultural-religious effect of Reformation, was very beneficent; it reached the region during the 16th and 17th century, and resulted in a strong impetus for the early literacy and standardization of the local vernacular languages. In the Baltic area even those persons who initiated this process were Germans. Priests of German descent translated the first extensive

religious texts into Estonian, Lithuanian and Latvian. It is no wonder, they chose the Gothic alphabet for writing.¹

German influence was strong in the Baltic area during the codificative period as well. The earliest grammatical descriptions of the local languages were produced by literates who's native language was German and spoke the vernacular language as a second language. The '*Anfuehrung zu der Estnischen Sprach*' in 1637 by H. Stahl and the '*Observationes Grammaticae circa linguarum Esthonicam*' in 1648 by J. Gustlaff were the first systematic descriptions of Estonian, the '*Erster Versuch einer kurtz-verfasseten Anleitung zur lettischen Sprache*' in 1685 by H. Adolfs was the first description of Latvian, and the '*Grammatica Lituanica*' in 1653 by M.D. Klein of Lithuanian - all written by individuals of German descent.²

The Baltics became an area where in the cities, German became the main linguistic vehicle of administration and everyday formal, most of the times even informal interaction until the 20th century. Only peasants of the countryside and servants spoke the local vernacular languages: Estonian, Lithuanian and Latvian.³ Motivated by the ideas of Reformation, the literate German layer of Baltic societies wanted to communicate religious ideas successfully to the local inhabitants, and continued writing and translating religious texts, the only written vernacular language documents, into Estonian, Lithuanian and Latvian for one and a half more centuries.

The economic and cultural elite of the urban settlements was exclusively German throughout the Baltic region. But Germans and people of German descent played a dominant role in cities of Poland, Bohemia, Moravia, Hungary, Transylvania, Croatia, and Slovenia too. These German burghers represented higher culture in nearly every aspect of daily and public life than did the people of local origin, and functioned as prestige groups for the local population. Not only the new German settlements went together with the import of contemporary modern German customs, material culture, and fashion, including the import of their names; foreign military, time to time present in the countries, was also basically German speaking. German linguistic influences strengthened when the region fell under the rule of Habsburg Monarchy because the central government forced people to use German for administrative and other formal purposes throughout the empire. Actually, speaking German for the inhabitants of the Habsburg Empire was a prerequisite for belonging to the middle or upper classes of the society.⁴

¹ Velta Ruke-Dravina, *The standardization process in Latvian: 16th century to the present*. Stockholm, Almqvist & Wiksell International, 1977, p. 42.

² H. Haarmann, "Historical Trends of Cultural Evolution among the non-Russian Languages" in *Sociolinguistica. Internationales Jahrbuch für Europäische Soziolinguistik*. Ed. by, U. Ammon, K.J. Mattheier and P.H. Nelde, Tübingen, Max Niemeyer Verlag 1992, p. 23.

³ Ibid. p. 21.

⁴ Y. Millet, "Continuité et discontinuité: cas du tchèque" in I. Fodor and C. Hagège, eds. *Language Reform / La réforme des langues / Sprachreform*. Hamburg, Helmut Buske Verlag, 1983-1994; Vol. II., pp. 486-7.

This was the period when the second strong German wave reached the local languages of the area. From a strictly linguistic point of view the German influences ended in (1) different kinds of German - local - language bilingualisms, (2) changes over time in the status of the two languages (German and local idiom), and (3) changes, especially in the vocabulary, within the local languages themselves. The 18th and 19th centuries were the period when education, culture, public life, legislation, scholarship necessitated a standardized linguistic vehicle other than Latin, and German was first used and turned out to be adequate in its structure and vocabulary for these functions in the area.

Linguistically, nothing is wrong with this situation. German was present among the spoken languages throughout the area's cities. The use of the local language for informal functions and applying another language for formal functions is a well known and widespread form of bilingualism in large areas of North and South America, Africa and Asia. This bilingual situation may (1) stabilize; (2) transform into either the expansion of the local idiom to fulfill more and more formal functions by absorbing large vocabulary chunks and structural patterns of the other language; or, (3) end up by the loss of the local idiom and generalization of the other language for all functions, including the informal ones.

Most languages, i.e. the three Baltic languages, Sorbian, Czech, Hungarian, Slovenian, Croatian, to a lesser degree Polish have been existed as the local language in a bilingual situation where German was the, or one of the, other spoken and written idioms. A German - local language bilingualism characterized most cities in Bohemia, Moravia, Hungary, Slovenia, and Croatia. Most settlers of German descent also became bilingual. The countryside was basically monolingual, the population spoke only the local languages. During the period of bilingualism, local vernacular languages came into the closest contact with the German language. These linguistic contacts transformed them and resulted into a vast amount of German loan-words, expressions and sometimes structural characteristics in them.

The intense centralizing efforts within the monarchy reached their peak at the end of the 18th century, during the reign of Joseph II and resulted into completely and officially excluding local languages from the most important formal functions. The language of instruction, newspaper publishing, theater, and scholarship became exclusively German all over Bohemia, Moravia, Hungary, Transylvania, Croatia, Slovenia, and part of Poland. Bilingualism became finally and fully stigmatized⁵, and the status of the languages advanced into the forefront of political conflicts. But the situation was quite paradoxical. Germanization of the local languages evolved not only because of the intrinsic bilingualism and forced use of the German language but also by the prestige of Viennese style of life. While separatist tendencies had been strengthening, Vienna became a center where members of the upper classes traveled to get in touch with European culture, and learned not only the customs, followed the newest fashion, but also started using their names - of course their German names. Even the Czech language, that showed an exceptional achievement in early literacy

⁵ For the interrelation of bilingualism and the development of purism see G. Thomas, *Linguistic Purism*. London, Longman, 1991, pp. 124-9.

and multifunctionality, lost, step by step, its functional value and became secondary behind German used in the courts, the administration and education all over Bohemia and Moravia.

It was during this historical moment when the third wave of German influences reached the region and produced the most dramatic changes in the linguistic situation for two centuries. Romantic Nationalism, the most powerful ideology that ever reached the region, transformed the importance of local languages in the eyes of the cultural elites and resulted - ironically - in the most concentrated de-Germanization of the local idioms and a complete alteration of the languages used. The linguistic theses of Romantic Nationalism, elaborated first in the works of Johann Gottfried Herder in their clearest form, invaded the region within a decade after their publication in Germany.⁶ Their effects turned out to be exceptionally forceful and long lasting. They survived the whole 19th and 20th century and still belong to the dominating 'episteme', the major code of knowledge of the East and Central European region. They penetrated not only the territory of the Baltics and the former territories of the Austro-Hungarian Monarchy, but also the Balkans where there have been practically no Germans in the cities, German did not become a vehicle of communication, and the local languages have practically not accumulated German loan-words in their vocabularies.

This episteme, still prevailing in the area, is based on the following (linguistically mostly false) assumptions: (1) Nations are constituted by the multifunctional standardized literary languages they use and the culture they represent. It is basically people who are assigned to languages and cultures, not the other way around.⁷ People 'belonging' to a specific language and culture constitute a nation. (2) It is the exclusive right of a nation to establish a sovereign state - consequently states are constituted by the language people use. (3) Foreign elements (or, better to say: those foreign elements that they consider being foreign) of languages and cultures threaten the genuine character of a nation, consequently, the sovereignty of the state. To put the argument in another way: a language that is not appropriate for fulfilling administrative, scholarly, etc. needs; a language which has a vast part of the vocabulary of foreign origin is a serious obstacle to becoming a genuine nation, and the imperfect state of a nation is an obstacle to becoming an autonomous and sovereign state.

Though these assumptions direct peoples' actions, they are basically not true. The borderlines of a community using a given standardized language are rather accidental; languages and states can have as many interrelationships as the number of states; and the vocabulary of every known non-isolated language is made up of a majority of originally foreign elements (e.g. 4/5 of the English language). In addition, many kinds of languages are appropriate as standardized linguistic vehicles of a community: a local dialect, the language of the immigrants, the language of the

⁶ H. Sundhaufen, *Der Einfluß der Herderschen Ideen auf die Nationsbildung bei den Völkern der Habsburger Monarchie*. München, Oldenbourg Verlag, 1973, p. 22.

⁷ See e.g. J.G. Herder, *Briefe zur Beförderung der Humanität*. Berlin, Aufbau, 1971, pp. 294-5.

ex-colonizing power, the language of the neighbors, a mixture of the local language and that of the traders, a mixture of two languages in contact, a revitalized ancient language, and so on. In addition, on the basis of this episteme, it is impossible to solve any situation of bilingualism or multilingualism, as well as the status of speakers of vernacular languages living permanently in group or diaspora within other states. Still, well based or not, these are the assumptions most everyday people, politicians, scholars make when thinking about language in this area that might be called for this reason 'the belt of linguistic nationalism'.

At the moment when Eastern and Central Europe was attracted by this ideology, the lack of a well functioning 'national language', in other words: a standardized multifunctional local language became an urgent, vital need in the eyes of the cultural elites. They realized not only that it was impossible to translate Western pieces of literature, cultivate scholarship, write laws in their native language without using a great amount of loan-words and foreign vocabulary elements, but had a strong belief that to make the necessary changes on their local languages is a *sine qua non* of their community's qualifying for being a 'nation'.

Language reform movements were launched from the first third of the 19th century on throughout the Eastern and Central European region on the basis of the Romantic Linguistic ideology. The primary aim of these reforms was to make local languages suitable for a series of formal functions: education, literary translation, scholarly communication, public life, legislation - to mention the most important ones among them. Foreign words and expressions, that meant most of the time but not always German words, were the main targets of the actions. Philologists borrowed or conceptualized principles for legitimizing the replacement of the foreign elements with the ones they had considered genuine. These principles varied: the most widespread of them was to replace foreign elements with dialectal or archaic elements. To turn to the peasant culture, peasant dialect was a Herderien idea, applied throughout the Eastern and Central European linguistic reforms, except Rumanian.⁸ Historical principles were also strongly taken into consideration. On a historical basis, Rumanian was altered exclusively in the direction of French. Most of the time, reformers of Slavic languages accepted the replacement of a German loan-word with a word taken from another Slavic language as legitimate. Estonian language reformers in the 20th century replaced German loan-words with Finnish words. But to accept a word from a closely related language has not always been welcome. If the language from which to separate was a closely related language, the principle was different. Polish language reformers of the 19th century wanted to get rid of not only German but also Czech elements, and Slovak purists of the 1920s fought against 'Czechoslovakisms' (i.e. Czech words in the Slovak language). If the alphabet was based on Gothic characters, that were considered foreign, (like in Czech and the Baltic languages) they changed it. Similarly, if the orthography reflected foreign rules of mapping phonological shape into visual signs, they changed it. The most striking cases are those when, on the basis of the ideology of German origin, German loan-compounds or

⁸ F. Serban, "Modernisation de la langue roumaine" in I. Fodor and C. Hagège, eds., 1983-94, Vol. III, pp. 219-38.

loan-expressions were nationalized by the exact calques [part-by-part translations of the elements⁹ for the definition of 'calque'] of the expelled German expression.

The result of the language reform movements was not only the introduction of thousands and thousands of new vocabulary elements into the local languages, and by this the elaboration of multifunctional standardized local languages, Estonian, Latvian, Lithuanian, Polish, Czech, Slovak, Hungarian, etc. throughout the region but also a radical change in the status of the languages used.

Urban bilingualism slowly changed: local languages expanded in communication at the expense of German. The German language lost its prestige language status throughout in the Eastern and Central European cities. By the 1920s, functional bilingualism (the kind of bilingualism when the two languages share are used for different functions) disappeared, and German became the first foreign language spoken more and more by the older generations.

The transformation was colossal. As a consequence of a paper published in 1912 by Johannes Aavik, the great Estonian language reformer, first literates, then the entire community switched the word order of the subordinate clauses from verb final to verb initial, a change hard to believe was possible within a decade.¹⁰ Completely changing vast amounts of vocabulary, teaching people how to use them, convincing people to switch to a language instead of the other they had used before is an exceptional achievement in transforming human societies. Peoples of the region have lived through an experience and built up a belief that the intentional transformation of important social institutions is a possible scenario.

Only those territories preserved bilingualism where a cultural elite did not represent, or, did not successfully represent the transformation of the local language into a multifunctional standardized idiom. These bilingualisms are not urban. On the contrary, they characterize some areas of the countryside. Kashubian and Sorbian are two examples of this. Kashubian, a Slavic language spoken in the Polish provinces Gdansk, Koszalin, and Bydgoszcz has been stabilized as a local language of a bilingual, later trilingual community (actually, old speakers of the villages are still trilingual, speaking both German and Polish besides Kashubian). Kashubian, being a peasant language, has not been Germanized over the centuries, i.e. it continued to be a language used only for informal purposes.¹¹ Sorbian, another Slavic idiom, spoken South of Berlin, in Germany, has been Germanized because of its urban multifunctional use and close German contacts during the last centuries.¹² By now, it has been restricted to the position of the vehicle of informal communication, bilingually spoken still, especially on the countryside, with German, the language

⁹ See N. Molnár, *The Calques of Greek Origin in the Most Ancient Old Slavic Gospel Texts*. Köln, Böhlau, 1985, pp. 34-66.

¹⁰ V. Tauli, "The Estonian Language Reform" in I. Fodor and C. Hagège, eds., 1983-94, Vol. III, pp. 312-21.

¹¹ Z. Topolinska, "Kashubian" in A.N. Schenker and E. Stankiewicz, eds. *The Slavic Literary Languages: Formation and Development*. New Haven, Yale Concilium on International and Area Studies, 1980, p. 184.

¹² R. Marti, *Probleme europäischer Kleinsprachen: Sorbisch und Bündnerromanisch*. München, Verlag Otto Sagner, 1990, pp. 40-48, 53-60.

used for formal functions. After a shorter or longer period of bilingualism or plurilingualism, a few local languages disappeared: Vodian and Livonian¹³ became extinct by the 20th century.

The presence of German elements in the local languages ceased to be a problem after World War II. However, Linguistic Nationalism is still flourishing and governing the behavior of peoples related to language. Politicians tend to accept any effort of separatism if the community declares having a different language from its neighbors. Citizenship may be given on the basis of a name (i.e. on linguistic basis) if the name shows a pattern belonging to the national language of a country. A statesman declared being the prime minister of everybody in the world speaking the national language of the country. In other words, he stated that the language people speak determine the state they belong to. Everyday people, scholars and political leaders share the idea that a government has large responsibilities concerning not only the spreading of cultural and mother tongue materials among people living in other countries (which is an obvious right of every government) but also the fight for the cultural and linguistic rights of groups of people speaking the country's national language but living within other states. Language reform movements are launched again and again, any time separatism is on the agenda. Bosnian Muslims introduce Arabic words and Koranic expressions instead of Serbian expressions in their language. Croats propose fines and prison terms for those who use 'words of foreign origin' in their Parliament. President Tudjman found time to think about Croatian tennis terms to replace English ones. In Croatia, even German loan-words are targeted by contemporary purist efforts.¹⁴

No strong German linguistic influences approach Eastern and Central Europe nowadays. The paradoxical remains of the three historical German waves are the suppression of the German language from among the spoken languages of the region, and the presence of an 'episteme' Linguistic Nationalism, the German origin of which is long forgotten.

¹³ P. Hajdu. *Finno-Ougrian Languages and Peoples*. London, Andre Deutsch, 1975, pp. 202-3.

¹⁴ Chris Hedges, 'In the Balkans, Three Languages Now Fight It Out' in *The New York Times International*, May 15, 1996, p. A4

GERALD D. FELDMAN

German Business Interests and Rumanian Oil in the First World War

1. Introduction

In a report of May 1921 on "the significance of the German participation in the Steaua Romana during the war," Emil George Stauss, member of the managing board of directors of the Deutsche Bank and former head of this major Rumanian oil producer provided a glowing account of its contribution to Germany's war effort both before and after Rumania's entry into the war on the Allied side. Indeed, because of the British blockade and the Russian occupation of the Galician oil area, Germany became almost completely dependent upon Rumanian oil very shortly after the war began. Although the Rumanian government, both because of Allied pressure and because of its own policies and Rumanian conditions, hampered the supply of oil products to Germany through some export bans, border delays, and transport difficulties, satisfactory quantities managed to get through thanks to the technical and administrative personnel, largely German, employed by the Steaua. Rumania's entry into the war in August 1916 obviously interrupted the supply, while the imaginative sabotage conducted by the British prior to the German occupation of Rumania almost entirely disrupted production and deliveries until April 1917 when, thanks to the skills of the same German personnel, the supply began to flow to Germany once again. Furthermore, Rumania was not only the key supplier of Germany, but also a major supplier of Austria-Hungary, Bulgaria, and Switzerland, and it provided substantial amounts to the Ottoman Empire and to German naval forces in the Black Sea and Mediterranean as well. Much of the oil was transported along the Danube by the Bavarian Lloyd, which was jointly owned by the Deutsche Bank and the Steaua while the rest was shipped from the port and refineries of Constanza. The heavy German investment by the Deutsche Bank in Rumanian oil, therefore, had paid off well in wartime both for the bank and the German government. Stauss certainly must have written his report with a heavy heart since the Deutsche Bank had sold the majority of its shares to a consortium of Rumanian and Allied interests the year before.¹

Such are the costs of a lost war and the shattered ambitions left in its wake. Those aspirations must certainly still have been fresh in Stauss's mind, and it is in no way surprising that Rumania's oil had been a major object of German war aims planning in the last years of the war. The peculiarities of that planning, shed interesting light

¹ Emil Georg Stauss memorandum, "Die Bedeutung der deutschen Beteiligung an der Steaua Romana während des Krieges," Bundesarchiv Potsdam (BAP), Deutsche Bank, R 8119, Nr. P8364, Bl. 149/1-10. More generally, see Hans Pohl, 'The Steaua Romana and the Deutsche Bank (1903-1920)' in *Studies in Economic and Monetary Problems and on Banking History*, Mainz, No. 24, 1989, pp. 77-94.

on German goals in southeastern Europe and on the alternatives contemplated by and rivalries within German imperialism, all of which are the subject of this paper.

2. Rumanian Defeat and German Opportunities

Germany, of course, was not the only country interested in Rumanian oil, and the Deutsche Bank's Steaua Romana was not the sole German investment in the Rumanian oil business. Before 1914, Rumania was the fourth largest producer in the world after the United States, Russia, and Mexico and the second largest ex-porter after the United States. Given its status as producer and exporter, it naturally attracted the interest of the great firms and concerns in the international oil business. The Rumanian government held the rights to its oil fields, retaining a quarter as undeveloped reserve, and leasing the rest. Another quarter of the leased fields was reserved for ownership by Rumanian nationals, while the other half was leasable without restriction as to nationality. In reality, because of the heavy capital requirements of production, refining, and transport, over ninety percent of the entire industry's capital came from abroad. Germany supplied 92 million of the nearly 146 million lei invested in the Rumanian oil industry in 1907. The German proportion of capital had been reduced before the war to 27.5 percent, while the British share was 23.7, the Dutch, 20 percent, and most of the remainder was supplied by the French and other European interests and the Americans. Domestic Rumanian capital investment amounted to only 4.5 percent.² The largest German supplier of capital was the Deutsche Bank, which controlled the Steaua Romana through its holding company, the Deutsche Petroleum Aktiengesellschaft (DPAG). The other important German source of capital was the Deutsche Bank's rival, the Disconto-Gesellschaft, whose Deutsche-Erdöl-Gesellschaft (DEAG) acted as a holding company for its interests in the Vega, Concordia, and Petrolifer fields. The two other major players in Rumania were Royal Dutch/Shell, in whose Astra Romana there was substantial British as well as Dutch investment, and the Standard Oil's Romana-Americana, whose fields were the richest of the Rumanian concessions. Indeed, the overwhelming strength of Standard Oil worried Rumanian nationalists, who greeted the Deutsche Bank's entry into the Rumanian oil business in 1903 for that reason. Nevertheless, Standard Oil dominated the market both in Rumania and in Germany and was even aided by the Disconto-Gesellschaft, which successfully fought against the Deutsche Bank's effort in 1910-1912 to break Standard Oil's dominant market

² Eli G. Anninos, *Der wirtschaftliche Einfluß Deutschlands auf die Petroleum-Industrie Rumäniens und ihre Bedeutung für die internationale Wirtschaft*, Giessen, privately printed, Phil. Diss., 1926, pp. 56-57. In general, this is a very valuable account of the German role in Rumanian oil. For the prewar figures, see Iván T. Berend and György Ránki, *Economic Development in East-Central Europe in the 19th & 20th Centuries*, New York and London, Columbia University Press, 1974, pp. 106-107.

position by promoting a Reich oil monopoly to control the import and distribution of oil in Germany.³

One of the major objections to the oil monopoly was the use of the state to benefit one set of private interests over another, and critics charged that such practices could only encourage a return to the old "Direktionsprinzip" when the Prussian government managed the mining industry. Indeed, it was very ironic for the Deutsche Bank to promote state control in Germany while fighting it in Rumania, for one of the major problems of all the foreign enterprises in the prewar Rumanian oil business was the pressure being put on by Ionel and Vintila Bratiánu and their fellow liberals for a nationalization of the industry. As a German expert frankly admitted in a wartime memorandum: "In recent years among the circles most influential in Rumanian politics the view that one should strive for a state petroleum monopoly has more and more gained the upper hand. One cannot deny some justification for this view from a Rumanian standpoint. The fact that the petroleum industry is almost completely controlled by foreign capital prevents acting on the great economic principle of making the production of energy as cheap as possible in one's own country while selling it as expensively as possible abroad."⁴

Whatever Ionel Bratiánu's plans, losing a war was no way in which to be positioned to carry them out, and his government's assent to British demands that the oil be kept out of German hands by destroying the wells, supply depots, and refining facilities only complicated matters further. The destructive efforts Colonel John Norton-Griffiths, popularly known as "Hellfire Jack," who turned the oil fields into a pyromaniac's dream and a wrecker's paradise, irritated the Germans no end.⁵ It confirmed their resolve, once victorious, to press Rumania's oil, which was absolutely vital to their war effort, permanently into the service of the Reich. Indeed, it also afforded an unparalleled opportunity to qualitatively improve Germany's postwar position in areas vital to the development of its national economy.

Even prior to the Rumanian entry into the war, the inadequacies of Germany's and Austria-Hungary's supply from the Galician and Rumanian fields under their control were apparent. Thus, Arthur von Gwinner, the spokesman of the Deutsche Bank, frankly admitted that the available petroleum "is in no way adequate to cover German needs" and advised the government in May 1915 to promote the mass production of suitable distillation burners so that alcohol and acetylen could be used

³ Lothar Gall. "The Deutsche Bank from its Founding to the Great War 1870-1914," in Lothar Gall, et. al., *The Deutsche Bank 1870-1995*, London, Weidenfeld & Nicolson, 1995, pp. 64-67.

⁴ Unsigned memorandum probably of late 1917 sent by Hugo Stinnes to Director Deters of his Hamburg office on Oct. 14, 1917, Archiv für Christlich-Demokratische Politik (ACDP), I-220, 272/6. On the Bratiánu program, see Maurice Pearton, *Oil and the Romanian State, 1895-1948*, Oxford, Clarendon Press, 1971, pp. 62-69. Prior to the war, Ionel was Mayor of Bucharest and then periodically Premier of Rumania between 1909 and 1927, Vintila the Director of the National Bank.

⁵ For good descriptions of the destructions of the fields, see Daniel Yergin, *The Prize. The Epic Quest for Oil, Money & Power*, New York & London, Simon & Schuster, 1991, pp. 179-182 and Anninos, *Der wirtschaftliche Einfluß*, pp. 90, 96.

to substitute for petroleum "even though this is not favorable to our interests as a petroleum producer."⁶ With the victory over Rumania, however, one could not only be liberated from extreme dependence on substitutes and on the hydrogenation processes in which Germany was pioneering, but one could also imagine Germany as a major participant in the world oil business. Thus, the same author who so well understood Rumanian desires to dispose over the sale of their own oil and liberate themselves from the great oil concerns, now viewed Rumania as a key to German entry on to the stage as a monopolist among the monopolists. As he pointed out in his memorandum, Germany's having been at the mercy of these monopolists, above all Standard Oil, "has in the past had the consequence that Germany has not drawn the benefits from the progress of the motor industry in its industrial life that would have been possible if it had a secure oil supply."⁷ Investments in large scale motor-driven machinery had been too risky because the oil monopolies had refused to guarantee Germany stable prices. Victory in war would thus transform the competitive conditions of peace, especially if Germany gained a stranglehold on Rumanian oil and also achieved its ambitions in Mesopotamia, where the leaders of the Deutsche Bank's Baghdad Railway and others entertained high hopes of gaining a leading position in the event of victory.

Such control over the Rumanian oil industry was not without its problems, however. Hungary bordered on Rumania and also needed petroleum, as did Austria. Here as in so many other instances, Germany's ally seemed more a burden than an asset, but clearly could not be excluded from the benefits of victory. Also, both before and after the entry of the United States into the war in April 1917, one had to worry about what Standard Oil, whose influence in Washington was well known, would have to say about Germany's exploitation of its victory in the oil fields of Rumania and could be expected to "mix into the peace negotiations" with Rumania. Thus, at the turn of 1916-1917, it only seemed logical for Germany to create *fait accompli* since it would be very difficult to reverse changes in ownership of private enemy property after the war. Therefore, "it seems necessary, if an opportunity that can hardly be expected to recur again is not to be missed, to take now during the war those measures which will serve to secure German interests."⁸ This meant, on the one hand, forcibly liquidating the English, French, Belgian, and ultimately even the American petroleum interests and, on the other hand, leasing the unexploited fields owned by the Rumanian State to Central Power interests. It seemed most logical for the task at hand to be performed by a consortium since this would permit economies of scale while reducing risks and also simplify matters if Germany wished to establish a petroleum monopoly that would, of course, compensate the consortium members. Most important of all, these new acquisitions "together with the petroleum producing areas of Rumania already in German hands would give German disposition over a petroleum area which the petroleum trust today dominating the

⁶ Gwinner to Ministerdirektor Lusensky, May 28, 1915, Historisches Archiv der Deutschen Bank (HADB), S1597.

⁷ Unsigned memorandum probably of October 1917 sent by Hugo Stinnes to Director Deters of his Hamburg office, ACDP, 1-220, 272/6.

⁸ *Ibid.*

earth could not fail to take into consideration." This would especially be the case if the Rumanian government were persuaded or successfully pressured not only to place its fields at the disposal of the German military during the war, which was easy enough so long as the military administration of the country was in force, but also to renounce its rights in international law under the Hague convention to cancel such leases in the peace treaty.

For the time being at least, the Rumanians were helpless and everything depended on how the Germans would decide to deal with them. First, however, the German and Central Power interests involved had to decide how to deal with one another. This required, on the one hand, the resolution of the rivalries and differences among those business interests already in or wishing to get into the Rumanian oil business and, on the other hand, the role that the government and military would play in determining how Rumania's oil would be exploited by Germany and its allies.

3. Conflict and Collaboration among the Private Interests

The chief German rivals in Rumania were the DPAG and DEAG and the two banks which stood behind them, respectively, the Deutsche Bank and the Disconto-Gesellschaft. The DEAG under the general directorship of Rudolf Nöllenburg, an outstanding expert in the oil business, had done extraordinarily well in the first years of the war, a fact which induced the DPAG to increase its holdings in the DEAG in 1916. This was not only financially beneficial to the DPAG but it also enabled it to put pressure on the leadership of the DEAG by, for example, taking advantage of the DEAG statute requirement that required a three-quarters majority for capital share increases to prevent the DEAG from buying up various Dutch interests in Rumanian oil in 1917. The real purpose seems to have been regaining a seat on the DEAG's supervisory board, from which the DPAG had departed because of the DEAG's opposition to the petroleum monopoly scheme back in 1912. Whatever the case, observers viewed this jockeying as preliminary to an agreement between the two big banks and their oil companies, and there was some concern that such an agreement would create a domestic private monopoly that might disregard the public interest. This would obviously especially be the case if the projected consortium to buy up enemy-held and other Rumanian oil fields was to be composed of the two interested banks.⁹

In reality, however, the two banks and their holding companies were no longer alone in competing for Rumanian oil concessions because a powerful new competitor appeared on the scene in the form of the Mineralöl-Handels- und Beteiligungs-Gesellschaft created on December 20, 1917. The driving forces behind this enterprise were Albert Ballin of the Hamburg-America Line and the great Ruhr industrialist, Hugo Stinnes, who had established a major shipping and trading company in Hamburg. They were allied with the powerful Hamburg banker, Max

⁹ See DPAG Supervisory Board meeting, March 29, 1916, HADB, S1602 and Felix Pinner, "Wenn Banken sich streiten...", BAP, Reichslandbund, Pressearchiv, Nr. 6935, Bl. 21-22.

Warburg, as well as with an important group of independent oil-producing and refining companies in Hamburg and Bavaria. Another important addition to the group came in the person of Heinrich Riedemann, who had run Standard Oil's operations in Germany and who was brought on board with the object of acquiring the richest of the Rumanian oil fields, those of the Romano-Americana, for the group. The capacity of this group to challenge the old established banks and their oil companies reflected the greatly increased liquidity of the industrial sector during the war, which made it possible for Stinnes to steadily expand his farflung industrial empire. It was also part of a growing tendency toward diversification and preparation on the part of major German industrialists for the "economic war after the war." As Ballin told Stinnes: "It is necessary to secure access to cheap fuel and open up new sources of profit for the Hamburg-America Line so that its earning power is not bound to a single line of enterprise."¹⁰ As for Stinnes, he was already in the coal, iron, steel, and electric power businesses before the war and had established himself as a national and international merchant and shipper. During the war, he moved into electro-chemical products, aluminum, and finishing and was especially interested in by-product production from both hard and soft coal.

Both Ballin and Stinnes were working hard to get government support for the reconstruction of Germany's merchant fleet and for the promotion of a modernized shipping industry, and their participation in Rumanian and possibly Mesopotamian oil production was an important part of this overall project. They had excellent contacts in the government as well as in the military and sought to use them to secure a place for their group in the division of the Rumanian spoils. Initially, Stinnes was very partial to the idea of making a radical separation between the old groups and the new one he and Ballin had formed on the grounds that the their group was primarily interested in shipping and bunker oil. Both, however, were anxious to secure a place for their group in the trust company (*Treuhand*) that the Reich Economics Office had set up at the end of 1917 to preside over the liquidation of the oil companies belonging to the Allies. It was composed of the four "D" banks, that is, the Deutsche Bank, Disconto-Gesellschaft, Dresdner Bank, and Darmstädter Bank. At the beginning of January 1918, Ballin wrote directly to State Secretary von Stein to remind him of the government's repeated promises to support the shipping industry and to ask that the new group be taken into the trust company. While assuring Ballin that the government was fully behind the shipping industry, he refused the request that it be included in the trust company, emphasizing both in written correspondence and in a personal interview with Ballin that the trust company had been constructed solely for the liquidation of enemy enterprises in Rumania. Through the inclusion of the Dresdner and Darmstädter Banks, neither of whom had any interest in the oil business, it was deliberately designed to avoid any predetermination of the distribution of the assets for which it was acting as a trustee.¹¹

¹⁰ Ballin to Stinnes, Jan. 14, 1918, ACDP, I-220, 276/3.

¹¹ Ballin to Stein, Jan. 3, 1918; Stein to Ballin, Jan. 16, 1918; 1. Aufsichtsratssitzung der Mineralöl-Handels- und Beteiligungs-Gesellschaft, Berlin, Jan. 10, 1918, *ibid.*

The less reassuring aspect of this information was that the government was planning to create some kind of mixed economic enterprise or even a commercial monopoly for Rumanian oil, so that both the old participants in the Rumanian oil business and the newcomers had increasing reason to fear in the early months of 1918 that the peace treaty would contain arrangements designed to give the bureaucrats in Berlin a permanent role in the business.

As concrete information became available by early March, General Director Nöllenburg sounded a lengthy alarm about the plans for the creation of a "Mitteleuropäische Erdölgesellschaft."¹² The Rumanian state oil lands along with the right to grant concessions would be brought into the corporation but the existing enterprises would be taken over as well, albeit with compensation.

The German government would then have the right to create a commercial monopoly for petroleum and all petroleum products in Rumania. The new corporation was to be a mixed economic enterprise, with the Austro-Hungarians getting a quarter share of all the oil exported to the Central Powers. Shares in the company as well as administrative powers would be granted to private capital in both states, but Germany was to retain a majority voting power through shares with special voting rights (*Vorzugsaktien*). The Rumanian government was to receive its traditional seven percent levy on the gross value of all crude oil produced as well as half of net profits exceeding six percent of the invested capital.

Nöllenburg thought these arrangements too generous to Rumania, which he felt was being paid enough by the levy and needed no further reward for simply making the oil lands available. He was most disturbed, however, by the dominating role of the German government since "the exploration and exploitation of petroleum fields requires, because of the many-sidedness and difficulty of the conditions, private and initiative and management perhaps more than any other industry. It is practically out of the question that a viable development can take place under state direction." He also viewed the arrangement as poor recompense to the companies that had devoted their money, energies and talents to the Rumanian oil business in past years. In effect, they were now being told that, instead of being allowed to expand into the new oil lands, they would for all intents and purposes become part of a monopoly. The fact that this was taking place at a time when their resources were being placed at the disposal of the German military and they were expanding their refining capacity to assist the war effort as well as making a substantial investment in repairing the damage done by the English only added to the unfairness of the situation. Nöllenburg felt that the DPAG and DEAG could fairly claim a privileged position in the granting of concessions. Since the new "Mitteleuropäische Erdölgesellschaft" disposed of neither refineries nor transport facilities, it was likely that those in the hands of the existing German corporations would be pressed into the service of the new state-guided monopoly as well and the corporations themselves would come to an "inglorious end."

¹² For this discussion and quotes, see Nöllenburg memorandum, "Förderungen betreffend die rumänische Erdöl-Industrie," March 5, 1918, *ibid*.

Nöllenburg went to great lengths to argue that the projected commercial monopoly would be especially harmful because it would be based on a centralized planning that would put management in a straight jacket. It would be no match for Royal Dutch-Shell and Standard Oil with whom one would have to work to sell Rumanian oil on world markets. In Nöllenburg's view, the big international trusts would collaborate with private interests which understood how to react to world market conditions but not with inexperienced and ignorant bureaucrats running a state monopoly. The great oil companies certainly would react very negatively to the sale of Rumanian oil to the Central Powers at a lower than world market price. At the same time, the demand for Rumanian oil in Germany could be expected to decrease after the war, especially because of the increasingly successful use of brown coal to produce oil products while that of Austria-Hungary could be expected to increase because of the depletion of the Galician fields. In short, both Central European and world market conditions could be expected to change in ways that made a rigid commercial monopoly highly undesirable because it might ultimately benefit Austria-Hungary more than Germany and would most certainly undermine the flexibility needed to operate on world markets.

Nöllenburg's concerns were shared by Wilhelm Cuno, a former Treasury official who had just joined the Hamburg-America Line and who would succeed Ballin as head of the HAPAG after the war and become Reich Chancellor in 1922-1923. He had been appointed General Manager of the Mineralöl-Handels- und Beteiligungs-Gesellschaft, and was in close contact with Ballin and Stinnes. The latter had gotten wind of the government's plans from his son, Hugo Jr., who had travelled to Rumania at his father's behest in late February 1918 to report on conditions and make contact with the military authorities. Hugo Jr. came to the conclusion, soon shared by all involved, that the best way to deal with the government under existing circumstances was, if at all possible, to form a block of all the German private interests, DPAG, DEAG, and the new Ballin-Stinnes group. It was not news his father wanted to hear since he preferred not having to deal with the bankers or, if he had to, operating from a position of strength by creating a production company ready and able to sink new wells in Rumania.¹³

Cuno had in fact begun negotiations with Nöllenburg, Georg Solmssen of the Disconto-Gesellschaft and Emil Georg Stauss in March 1918 with the object of creating a united front of the private German interests that would include his group. Cuno proposed that his group have a one-third participation while the DPAG and DEAG divide the rest on a 2:1 basis. Neither Nöllenburg nor Solmssen were very happy about these proposals since they thought it unfair to be put in such a minority position despite their previous investment and the fact that the Ballin-Stinnes group was capitalizing on their experience. Nevertheless, the DEAG did not have much leverage despite Nöllenburg's outstanding qualities. While there was some temptation for Ballin and Stinnes to form an alliance with the DEAG - they both had

¹³ See the reports by Hugo Stinnes Jr. of Feb. 25/26 and March 25, 1918, as well as the report by Nöllenburg of March 5, 1918 and by Cuno of March 22, 1918 and other relevant correspondence in ACDP, I-220, 272/6.

close connections with the Disconto-Gesellschaft - they ultimately realized that they had to come to terms with the Deutsche Bank/ DPAG group and drag the DEAG/Disconto group along. The reality was that the Deutsche Bank was everywhere to be found as the German dominant force in the oil business, whether in Rumania, in Mesopotamia, or even in Argentina. It also had unmatched experience and personnel. As Stinnes put it, "we have to favor the technically more competent personnel if we want to earn money," and "to speak frankly, I consider the Deutsche Bank and its personnel better than the Disconto-Gesellschaft." Whatever the case, Stinnes considered it essential that the German interests not compete with one another, and he viewed Rumania's oil from the perspective of finding a way to organize all fuel production in Germany and internationally after the war. He was, after all, also a major coal producer as well and he was always something of a visionary. As he told Cuno, the nations at war would face huge tax burdens when peace came and "In my view Germany, England, and America must create a world commercial syndicate for fuel stuffs at the conclusion of peace so that the possibility is created of shifting the largest portion of the war burdens on to the neutrals through huge export levies. With a fifty mark export levy per ton of coal, Germany and England would each get three billion marks."¹⁴

This was, of course, heady stuff for the future. At the moment, the major problem was to create solidarity among the German oil interests despite their tendency to demand special compensation for themselves in the allotment of sequestered enemy fields, whether it was by HAPAG for the anticipated American seizure of the German docks in Hoboken, New Jersey or by the DPAG and DEAG for their losses due to English sabotage and their contribution the getting Rumanian oil flowing to Germany once more. Only if such solidarity was achieved could one create the block of private interests needed to oppose the government's plans. The urgency of the situation did in fact drive the various parties together in early April 1918 under Ballin's chairmanship for the purpose of joining together the DPAG and DEAG either into a single company or into a community of interests (*Interessengemeinschaft*) which would then be joined by the Ballin-Stinnes group. The latter group would be granted equal rights in exploiting the state fields as well as participating in the liquidated enemy companies, including the Romano-Americana. The enterprise thus created was to bear the name "Deutsche Erdöl-Aktiengesellschaft," and Stauss and Nöllenburg were to serve as co-General Directors. Stauss and Nöllenburg were told to join forces and develop a program for Rumania since "only if one succeeds in the very near future to achieve an understanding on Rumanian and general questions will it be possible to offer the Reich government a complete substitute for the creation of state monopolies, as is intended for Rumania and is consequently also to be expected for Germany."¹⁵

¹⁴ Stinnes to Cuno, March 31, 1918, *ibid.* See also, report by Hugo Stinnes, Jr., Feb. 25/26, 1918; Cuno to Ballin, March 5, 1918; report by Cuno, March 22, 1918; Cuno to Stinnes, March 29, 1918, *ibid.*

¹⁵ Meeting at the Hotel Esplanade, Berlin, April 9, 1918, ACDP, 1-220, 272/3

The inspiration for this move as well as the program implicit in it undoubtedly came from Emil Georg von Stauss, who produced a memorandum entitled, "Comments on the Petroleum Question"¹⁶ of March 23, 1918 that was highly critical not only of the government monopoly idea but also of the kind of German diplomacy in Rumania which had produced it. In Stauss's view, which was based on his and the Deutsche Bank's fifteen years of work in Rumania, it was a mistake to impose the conditions set down in what was to become the Treaty of Bucharest even if the Rumanians were willing to sign it: "The humiliation which lies in these conditions, because their impress will be repeated hourly in economic activity, will wound more heavily than the loss of the Dobrudscha... One must not forget that the oil wealth of the country is the darling of the national vanity of all Rumanians. Many years ago King Carol told me with pride that petroleum had become the second most important factor in the Rumanian national economy. The designation "combustible national" is a slogan that will never disappear in Rumania, especially not when so harsh a suppression as lies in the monopoly idea is carried through. The agitation which a petroleum monopoly in such form will unleash, will destroy what remains by way of sympathy for the Germans in Rumania's urban population after the Dobrudscha discussions." Not only did Stauss fear that the conditions would destroy the friendly Marghiloman government, but he also warned that the "economic subjugation" involved would destroy all economic initiative on the part of the Rumanians themselves and alienate the politically influential Rumanians connected with the oil business. When the war ended, a situation would arise in which the military administration would leave or be reduced and the facilities would be endangered because of popular anger. The Germans would then find themselves in the humiliating position of trying to correct the situation which they themselves had created, and Stauss doubted very much that any serious help could be expected from the Austro-Hungarians.

Stauss noted that there was a terrible irony in the German plans since the monopoly proposed by Britianu concerning which the Steaua had been forced to negotiate at various times was actually milder and allowed the industry more freedom of action than the "practical dictatorship of the German government for the entire Rumanian petroleum industry that was being proposed." If the Rumanians themselves had been reluctant to accept a monopoly aimed to serve the Rumanian oligarchy, what could or would they think of one set up to serve Austro-German interests? Indeed, there was every reason to believe that a heavy war indemnity would be viewed more favorably. Stauss also warned against counting on future Rumanian military weakness to maintain the monopoly since, over time, they could be counted upon to show bad faith and eventually to renationalize the industry when overproduction in the world would make it less interesting for Germany.

¹⁶ The copy used here is an undated memorandum, "Bemerkungen zur Petroleum-Frage" in *ibid.* upon which is the discussion and quotes which follow. The memorandum, which had been sent to the government, is discussed in Renate Günther's well-researched if ideologically tendentious, "Das Petroleumabkommen im Bukarester Friedensvertrag von 1918," *Jahrbuch für Wirtschaftsgeschichte*, 1968/IV, pp. 41-87, esp. pp. 74-76.

Stauss's opposition to the petroleum monopoly was not only a matter of international but also of German domestic politics, however, and Stauss and his colleagues were well aware that the plans in question reflected the state-Socialist tendencies being propagated in the Reich Economics Office in Berlin by those who wished to continue wartime controls into the postwar period. It also reflected the interest of the smaller German refineries who were anxious to break the control of the banks and their oil interests over prices. Most important, however, was that the large German interests, above all the Steaua, were deliberately excluded from the peace treaty negotiations with the Rumanians because the negotiators intended to assure that state fiscal interests rather than private interests would predominate.¹⁷ In Stauss's view, this was poor recompense to German industry for its services, especially the petroleum industry, which had done so much to supply German U-Boats in the Mediterranean and elsewhere, not to mention its "pioneer work" in developing Rumania's oil industry in the first place. It had taken a long time for German investors to become convinced that they should risk their money in enterprises abroad, and now the German government was in the process of liquidating profitable concerns that, like the Steaua, were able to provide a sixteen percent dividend in 1915!

In Stauss's view, the path to gaining Rumanian support and to securing German interests lay in traditional commercial rather than governmental measures. It was a mistake for the government to risk its money when private enterprise was prepared to do so, and it was important to encourage the Rumanians to support German enterprise by giving them a financial incentive. This could be done through the creation of one large German company through a merger of the DPAG and the DEAG in which the Rumanian government would then participate by giving its pipelines over to the company in return for shares. There would, in other words, be an "enlarged Steaua" which would also buy up the sequestered enemy companies and fifteen-year leases to exploit the state fields. German and Austro-Hungarian state interests would be protected by receiving a fixed portion of the profits in the form of shares which would provide them with seats on the supervisory board, while the Rumanian state would have profit both from its investment and from its prewar tax privileges. Special guarantees could be provided for the supply of the German and Austrian navies as well as the shipping interests in the recently established Hamburg-Ruhr-Bavarian group.

Stauss insisted that his proposal to substitute a large private German monopoly for a German state monopoly and to pay more heed to Rumanian feelings and national interests was in no way a pursuit of special "interest politics." In his view, the Deutsche Bank, DPAG and other interests involved were giving more than they were getting, and he dismissed fear of the size of the projected enterprise. The war had demonstrated the value of large enterprises, and the condition of the world oil market demanded large-scale enterprises as well. It was, in his view, absurd to cast aside the benefits of private enterprise and especially foolish to try to have a government run an oil business in a foreign country. Indeed, the Deutsche Bank had experienced

¹⁷ These points are emphasized in *ibid.*, pp. 57-59.

great difficulties over the years and, if the German government plan were imposed, it would be free of burdensome responsibilities even if they had brought considerable achievement and satisfaction as well. In fact, Stauss and his colleagues were furious about the government's way of dealing with the question and concluded rather bitterly that the government had concocted its plans without consulting those who had been dealing with Rumanian oil for a decade or more.

Stinnes was much impressed with Stauss's memorandum, although he feared that it was already too late in the spring of 1918 to realize it. This was, in fact, the case, despite the efforts of Karl Helfferich, a former Director of the Deutsche Bank and State Secretary of the Interior who was now heading a special bureau on peace questions, to gain a hearing for the industrialists. The Treaty of Bucharest, signed on May 7, 1918, was exceptionally harsh in its economic terms and, of course, was reversed by Germany's defeat only a few months after it had been signed. At the time, however, it left the advocates of a solution based on private enterprise deeply disappointed. As one official reported, "The way in which the economic negotiations with Rumania are being carried on is evoking very strong criticism here from Helfferich and the ministries and also from the big private interests. The Deutsche Bank is grumbling, Stinnes raging, Ballin up in arms."¹⁸

It is sobering to note, however, that the performance of the private interests attempting to set up a common trust was not much more inspiring than that of the "state Socialists" in the Reich Economics Ministry. By June 1918, the Deutsche Bank and Disconto Gesellschaft and their respective holding companies were at one another's throats again, the Disconto leaders charging that the Deutsche Bank had conducted the negotiations in a "spirit of supremacy" rather than a "spirit of parity," while the Deutsche Bank complained that Nöllenburg was insisting on priority over Stauss in the management of the company. As Ballin, quite fed up with the "circus," wearily told Stinnes, "an enterprise which is to be led in mutual collaboration by such antipodes can hardly be viable."¹⁹

4. Conclusion

What conclusions, then, can be drawn about Germany's performance with respect to Rumanian oil during the First World? In his *Griff nach der Weltmacht*, Fritz Fischer, while admitting that the private interests had not been consulted, suggested that the arrangements in the Treaty of Bucharest reflected a continuity in the forms of organization and the goals of the prewar Steaua Romana and claimed that the

¹⁸ Translation from Fritz Fischer, *Germany's Aims in the First World War*, New York: W.W. Norton & Co., 1967, p. 522. For a fuller discussion, see Fritz Fischer, *Griff nach der Weltmacht. Die Kriegszielpolitik des kaiserlichen Deutschland 1914/18*, Düsseldorf, Droste Verlag, 1961, pp. 678-692 and Georges-Henri Soutou, *L'or et le sang. Les buts de guerre économiques de la Première Guerre mondiale*, Paris, Fayard, 1989, pp. 675-681.

¹⁹ Ballin to Stinnes, June 30, 1918 and Salomonsohn to Ballin, July 1, 1918, ACDP, I-220, 273/3.

Deutsche Bank was striving for a European oil monopoly.²⁰ This argument does not hold up very well in the face of the evidence. If anything, the Steaua strove to avoid a monopoly in Rumania and was, at the very most, seeking to create a modest place for Germany among the world's oil producers in the period before 1914. Germany's private interests certainly circled like vultures when presented with the prospect of gaining control of their enemy's oil holdings in Rumania and improving their bargaining position in dealing with the Rumanian government for leases. This made them all the more outraged by Berlin's efforts to control the situation and the strong possibility that they would be liquidated along with the Allied and American oil enterprises. Stauss was very hostile to his government's treatment of Rumania in this field and Stinnes, a ruthless annexationist when it came to Belgium and various regions of France, agreed with him. In the end, the greatest continuity from the prewar period was the rivalry between the two banks and their respective oil companies which undermined the formation of a block against the German, not the Rumanian government.

As Georges Soutou has cogently argued, Germany's Rumanian policy was an expression of the Mitteleuropa enthusiasm of certain German circles who were autarchic and often state Socialist by inclination.²¹ The private industrial interests dealing with the Rumanian oil question, however, were opponents of and hostile to Mitteleuropa schemes, especially Ballin and Stinnes. They anticipated a resumption of international trade and were struggling for advantage in the postwar period. The dilemma for these businessmen was that they never were able to understand the incompatibility of the military state and the trading state and this inevitably led them to think in terms of the "economic war after the war."²² Insofar as they supported total victory and a "Hindenburg Peace," they inevitably undermined the restoration of the economic order under which they had prospered before 1914. The Janus-faced character of German economic penetration into southeastern Europe is well-illustrated by the Rumanian oil issue in the First World War. The war seemed to opened up the possibility for Germany to assume a more important place among the rivals dominating the international oil market, but it should be clear from the above discussion that Stauss, Nöllenburg, Stinnes, and Ballin all thought the government was undermining these chances by its monopolistic and statist policies. They understood that, over the long run, national authorities always had the upper hand, and since it was impossible to annex Rumania, it was best to neutralize it by respecting its interests and feelings as much as possible. German economic superiority and know-how would outlast the work of the generals. Unhappily, this was a proposition which they generally failed to recognize unless compelled by the logic of the situation, as was the case in Rumania. Indirect proof of the truth of this perception is to be found when Ionel Bratiánu returned to his old tricks, trying to nationalize the oil industry once again and driving Herbert Hoover to call him "a liar

²⁰ Fischer, *Griff nach der Weltmacht*, p. 686.

²¹ Soutou, *L'or et le Sang*, p. 681.

²² On the distinction between the military and the trading state, see Richard Rosecrance, *The Rise of the Trading State. Commerce and Conquest in the Modern World*, New York, Basic Books, 1986.

and a horse thief" because of his refusal to restore the facilities of the Romano Americana to Standard Oil until he was promised more American aid.²³ He must have thoroughly enjoyed giving the Germans a hard time in 1920-1921, when he deliberately held up the sale of the Steaua Romana to Standard Oil through a Swiss holding company. In the end, however, the Germans successfully sold their interests in Rumanian oil in 1921 and even began to look forward to renewed commercial relations, since as Stauss noted in January 1920, "the Rumanians openly admit that they are dependent on Germany for goods, tools, machines, etc."²⁴ This, however, is another story, and how German economic and political interests would service this dependency remained, and remains, an issue of major importance.

²³ Sherman D. Spector, *Rumania at the Paris Peace Conference. A Study in the Diplomacy of Joan L.C. Brătianu*. New York, Bookman Associates, 1962, p. 305.

²⁴ Aufsichtsrats-Protokoll, DPAG, Jan. 7, 1920, HADB, S1602.

DANIEL CHIROT

Who Influenced Whom? Xenophobic Nationalism in Germany and Romania

The question of how much powerful states affect weak ones within their sphere of influence is an old and contentious one. It has economic, political, and cultural aspects.

Unfortunately, as soon as we leave economic evidence and begin to talk about culture and ideology, it becomes difficult to prove how greatly one country actually influences another, and if it does, whether this is a matter of voluntary imitation or some sort of "hegemonic" coercion. It is easy enough to trace how one thinker or another from a major culture is cited - Herder by Slavic nationalists, or Fichte by practically everyone writing on the idea of the nation in the nineteenth and early twentieth centuries. It certainly means something if either of these is cited more often in the writings of influential intellectuals in a particular Eastern European country than, say, John Locke, David Hume, or John Stuart Mill. But is this "influence" of the same kind as German railway investments in the Balkans, or military alliances?

The collapse of communism in East-Central Europe in 1989 and the reentry of Germany into this area as a major, perhaps the single most important big power raises anew all the old questions that made the debate about big power influence on little powers so emotional. Can a small country, say, Romania, really achieve independence, or is it fated to remain dependent in important economic, political, cultural, and ideological ways on some big power. Is independence, if it is attainable at all, worth the price? What, exactly, is the cost of some form of dependence?

It is impossible to examine all aspects of this big question in one paper, even if we limit ourselves to a single case, the relationship between Germany and Romania. But because Germany played an increasingly important, and ultimately hegemonic role in the Balkans from the 1870s to the early 1940s, it is worth exploring a single dimension of the larger issue. In this paper, a specific question will be asked: How greatly did Germany influence the rise of Romania's brand of ultra-nationalism?

To examine Germany's influence on the development of extreme nationalism in Romania from the late nineteenth to the mid-twentieth century is intriguing, because here we have two countries that were very different from each other. One had the most advanced industrial economy in Europe by 1900; the other was the poorest country in Europe after Albania. One was a world power; the other was a struggling regional power of minor international importance. One produced a culture that has influence the entire world. The other has produced some distinguished intellectuals, but rather few, and even most of these are hardly remembered as Romanians at all. Yet, by the 1930s their ideologies were converging, and many aspects of their nationalism resembled each other. It was in Romania that anti-Semitism and xenophobic nationalism produced a fascist movement second to none in Eastern Europe in its popularity or viciousness. The Romanian Iron Guard was unable to

take power on its own, though it well might have within a few years after 1940, even if left alone. In the event, German and Italian pressure forced the Romanian government to give up a large part of Transylvania to Hungary, in 1940, and this precipitated a political crisis that brought them to power. But well before this, the Iron Guard was not only popular and increasing in influence, but by the late 1930s it fairly represented Romanian national sentiment and it was spreading deep roots into the population. Even earlier in the 1930s it had become dominant among the most intelligent and energetic young intellectuals in Romania. Only Nazism was more successful among such movements in Europe, and no other in Eastern Europe came close.¹

Certainly, if there was any flow of influence, it must have been the Germans who influenced the Romanians, and not the other way around. If this was the case, this case can serve as a demonstration of how terribly dangerous it is for a small country to be subject to cultural and ideological forces from a powerful regional or global hegemon over which it has no control whatsoever.

On the other hand, to be fair we have to consider the possibility that the two countries' ideologies converged by sheer coincidence, despite the fact that their societies were so unlike each other. Another possibility is that there was then a prevailing "World ideological system" conducive to the rise of a certain kind of closed, angry, self-pitying, and aggressively anti-liberal nationalism throughout the world. If either of these is true, then we have to re-examine our notions of how cultural and ideological influences really work across boundaries.

That such xenophobic nationalisms were on the rise throughout Southern and Central Europe, and also in East Asia and Latin America suggests that there must have been more than purely local causes involved. It is puzzling, to be sure, that the Western liberal powers that had won World War I and seemed to dominate the world in the 1920s were so unsuccessful in spreading their ideologies, but that only suggests that world ideological trends do not neatly follow either economic or political power.

Furthermore, if it can be shown that in this case it was the weaker, smaller, and in global terms almost insignificant country, Romania, that came to be dominated by such an ideology before it became so powerful in Germany, we can even ask who influenced whom? Where did this kind of ideology originate, and why was it so successful? Now that Romania and all of East-Central Europe have rejoined a globe dominated by a few powerful, advanced capitalist nations, of which Germany is the most important in this region, a question such as this has become of pressing contemporary interest. It can be shown that in economic terms Germany is

¹ Henry L. Roberts, *Rumania: The Political Problems of an Agrarian Sate*. New Haven: Yale University Press, 1951. Eugene Weber, "Romania," in Hans Rogger and Eugene Weber, eds., *The European Right*. Berkeley: University of California Press, 1966. For the sake of comparison, the other articles in *The European Right* may be consulted, as well as Joseph Rothschild, *East-Central Europe between the Two World Wars*. Seattle: University of Washington Press, 1974.

reasserting its economic domination of the region.² Will this result in a new kind of cultural and ideological hegemony by the West, primarily by Germany? Or will, perhaps, some of the ideological currents in East-Central Europe, of which a renewed form of vicious, ethnic nationalism is one of the most powerful, somehow infect the rest of the world?

To begin to approach an answer, we have to move back to the late nineteenth century.

How Bismarck's Germany Tried to Liberalize Romania

The story begins in 1878 at the Congress of Berlin. It was called to resolve the thorny issues raised by the recent, successful Russian-Balkan war against the Ottoman Empire, and one of the items on the agenda was whether or not the European powers should recognize the Kingdom of Romania's full independence. There were many territorial disputes discussed as well, ranging from whether or not Russia would regain all of Bessarabia, part of which was claimed by Romania, to the size of Serbia and Montenegro, Russia's allies. The most pressing problem was settling Bulgaria's borders, as it was Russia's key client in the Balkans. The European powers making the decisions were Germany, Great Britain, France, Russia, Austria-Hungary, and Italy. The event was considered a great triumph for Chancellor Otto von Bismarck. It kept Russian and Bulgarian gains within acceptable limits, so that an immediate conflict between Russian expansionism and the British and Austro-Hungarian goal of containing it was avoided. The Congress also preserved the Ottoman Empire while seeming to satisfy the basic aims of both the new Balkan states and the Russians. A new Crimean War was averted.³

With hindsight, of course, we know that none of the major controversies were settled to anyone's satisfaction. The Russians believed that they deserved far more than they received, and according to George Kennan's account, their frustration initiated the Russo-German hostilities that eventually led to the alliances and division which produced World War I.⁴ Furthermore, Bulgaria's intense dissatisfaction about having to renounce the grandiose borders set for it earlier in 1878 in the Russian inspired Treaty of San Stefano set the stage for a long series of violent Bulgarian conflicts with its Balkan neighbors that lasted at least until 1944, and may, in fact, be revived in the form of the Macedonian controversy in the 1990s. The arrangement whereby Austria-Hungary received control of Bosnia-Herzegovina proved, in the long run, to

² Ivan T. Berend, "German Economic Penetration in East Central Europe in Historical Perspective," in Stephen E. Hanson and Willfried Spohn, eds., *Can Europe Work? Germany and the Reconstruction of Postcommunist Societies*. Seattle: University of Washington Press, 1995.

³ Barbara Jelavich, *History of the Balkans*, Volume I. Cambridge: Cambridge university Press, 1983. pp. 352-373.

⁴ George F. Kennan, *The Decline of Bismarck's European Order: Franco-Russian Relations, 1875-1890*. Princeton: Princeton University Press, 1979.

be a source of terrible strain with Serbia, and a precursor to the tragedies of Sarajevo in both 1914 and 1992.⁵

In this framework, the question of full recognition of Romania as an independent kingdom at that time seems decidedly secondary except to the Romanians themselves and those who study their history. But in connection with Romania, it also brought up an issue that would turn out to be crucial for all of Europe over the next two thirds of a century, anti-Semitism. The way it was handled, without a satisfactory resolution, marked the limits and subsequent rapid decline of liberalism as a restraining force on nationalist passions and conflicts.

Simply put, the European powers at Berlin demanded that before it could obtain full independence from the Ottoman Empire and diplomatic recognition, Romania (which at that time consisted of the provinces of Wallachia and Moldavia, but not Transylvania, the Banat, Bukovina, or Bessarabia, all of which it acquired after 1918) had to grant its Jewish population citizenship. The blatant and official discrimination against its many Jews, most of whom were immigrants and their descendants from the Jewish "Pale" under Russian control, or from territories in eastern Austria-Hungary, left almost all of them as officially stateless people with no legal protection.⁶

With the growth of a wheat exporting economy in the mid-nineteenth century, Wallachia and Moldavia had undergone significant social and economic change, and Jews had migrated into these Principalities (which were only united in 1859) to fill positions as estate managers, money lenders, artisans, tavern keepers, and small merchants. What had been a small Ladino speaking, long established Jewish Sephardic population was greatly augmented and numerically overwhelmed by Yiddish speaking Ashkenazim. Eventually, by the end of the nineteenth century, Jews would make up about 4% to 5% of the population, but they were highly concentrated in parts of Moldavia and in Bucharest, the capital of Wallachia, and later of the Romanian kingdom. By 1850 half of Iasi, Moldavia's capital, was Jewish, and some towns like Botosani were more than 60% Jewish. In 1876 17% of Bucharest was Jewish.⁷ Many of the Jewish merchants were protected by one or

⁵ Jelavich, *History of the Balkans*, Volume II. pp. 95-114. Duncan M. Perry, *The Politics of Terror: The Macedonian Revolutionary Movement, 1893-1903*. Durham: Duke University Press, 1988. For a general discussion of what led up to the breakup of Yugoslavia, see Sabrina P. Ramet, *Nationalism and Federalism in Yugoslavia*. Bloomington; Indiana University Press, 1992.

⁶ William A. Oldson, *A Providential Anti-Semitism: Nationalism and Polity in Nineteenth Century Romania*. Philadelphia: American Philosophical Society, 1991. pp. 13-45.

⁷ Dimitrie Sturdza, "Suprafata si populatiunea regatul Romaniei," *Buletin Societatea geografica romana (Bucharest)*, Vol. XVI, trim. 3 - 4, 1895. p. 42. Marcel Emerit, *Les paysans roumains depuis le traité d'Andrinople jusqu'à la libération des terres (1829-1864)*. Paris: Recueil Sirey, 1937. pp. 159-164.

another of the European powers because they acted as agents for foreign, particularly, but not just German investors or trading companies.⁸

The demand by the European powers that Romania treat its Jews more fairly might, on the face of it, appear somewhat strange to us. There were still *de facto* barriers to Jews entering the civil service or becoming military officers in Germany at this time, and of course Russian law restricted most of its Jews to residence in the "Pale," that is, mostly, the parts of Poland-Lithuania, Belarus, and the western and southern Ukraine absorbed into the Russian Empire in the eighteenth and nineteenth centuries. But in France, Great Britain, Italy, and Austria-Hungary there was no official discrimination, and anti-Semitic attitudes were not yet as strong as they would become in the late nineteenth and early twentieth century. Yet, it was Bismarck who most forcefully demanded at the Congress that the Romanians grant citizenship to their Jews, and the Russians went along rather than compromise their territorial interests.⁹ Clearly, there was a feeling among the European powers that whatever their personal prejudices might be, official anti-Semitism was a distasteful, anachronistic remainder from the past, and that to be properly civilized no modern state could allow it. Russia was an embarrassment, as it would be in the future alliances of the European democracies during both world wars, but in order to be accepted, it kept its prejudices mostly to itself.

The attempt to liberalize Romania failed. Romania's leaders were too determined to resist, and eventually, a face-saving, empty compromise that gave virtually no Jews in Romania citizenship rights was accepted.¹⁰ Why the assembled great European powers were unable to force a small, impoverished, strategically isolated and vulnerable country like Romania to give in on this point is interesting because it tells us something about the power of anti-liberal nationalism in certain societies. It is also a good example of a little country behaving in a way that the great powers considered crudely "uncivilized" and inappropriate, and yet, getting away with it. But rather than just being backward in this respect, Romania, in fact, was more of a precursor to the twentieth century than a quaint laggard, though such a notion would have astounded Bismarck who had considerable contempt for Balkan people.

Without straining the analogy, this example suggests parallels with the late twentieth century, when supposedly "uncivilized" and "retrograde" behavior by Balkan nationalists are roundly condemned by the world's major powers, but their fundamental attitudes and ugly behavior persist. There are many commentators willing to blame the major liberal powers, especially the Americans, Germans, and French, but again, it is possible to wonder what, exactly, can be done in the face of such determined extremism. Whether or not Balkan behavior may turn out, once again, to be more of a sign of the future than something left over from the distant past is an interesting question which, however, must be left for another paper.

⁸ This was a major complaint by one of Romania's most scholarly anti-Semites, Radu Rosetti, in his pseudonymously published attack on Romanian Jews. Verax, *La Roumanie et les Juifs*. Bucharest: Socecu, 1903. p. 50.

⁹ Oldson, *A Providential Anti-Semitism*. pp. 13-45.

¹⁰ Oldson, *A Providential Anti-Semitism*. p. 152.

After the First World War, the briefly ascendant period of Wilsonian liberalism that prevailed in Europe forced the Romanians, unwilling as they were, to give their Jews citizenship, and they did this in order to stay in the good graces of the allies who bestowed on them new territories as large as the original Kingdom. "Romania Mare," or "Great Romania" kept these new provinces until 1940. These lands were taken from Hungary and Russia, except Bukovina, which had been Austrian. (Earlier, a small piece of Dobrudja had ceded to Romania by Bulgarian after the Balkan Wars, retaken by Bulgaria, and again turned over to Romania after that.)¹¹

But the Romanian intelligentsia, especially its youth, were unhappy with the outcome. Universities grew, but the number of government jobs could not keep up with the overproduction of candidates for those positions. Unification brought neither the prosperity nor the sense of greatness promised by nationalism. On the contrary, in the economic and cultural life of the new territories, non-Romanians continued to occupy important positions. Hungarians, Germans, Jews, and in Bessarabia Russians remained in place, compounding the sense of anger felt by Romanian intellectuals. And in Bucharest, Jews were vastly disproportionately represented in the professions that required high levels of education, particularly law, medicine, and journalism. Even before the coming of the Great Depression of the 1930s, the young Romanian intelligentsia had gone over to the far right. Then, in the 1930s, they provided the cadres, along with the activist young Orthodox priests, for the Iron Guard. There was much popular support for this right, too, both from peasants in certain regions, and even from the working class in the Transylvanian cities where the bosses were virtually all non-Romanians.¹² Only after Hitler's assumption of power did the nationalist far right begin to be influenced by Germany. By that time, however, Romania had developed an almost unbroken tradition of anti-Semitic nationalism from about three quarters of a century.

The evidence is clear. Romania's persistent anti-Semitic policies before World War I were fundamental to its nationalism, but were not, at first, the result of German or any other European influence. Because anti-Semitism only became so volatile an issue a bit later in Western Europe, and only became ascendant in Germany after World War I, one might argue that, on the contrary, it was Romania that influenced the rest of Europe. Of course, since no one except for some extreme Romanian nationalist intellectuals would argue that Romania was ever of much consequence as a source of important European ideas, we can dismiss this claim out of hand.¹³ (Whether Russia, another "prematurely" anti-Semitic center can be dismissed so

¹¹ Jelavich, *History of the Balkans*, Volume II. pp. 122, 124, 157-166.

¹² Eugen Weber, "Romania," in Hans Rogger and Eugen Weber, eds., *The European Right* Berkeley: University of California Press, 1966. pp. 512-531.

¹³ A doctrine claiming that Romania was in the forefront of European intellectual developments was officially supported during the later years of Nicolae Ceausescu's rule. This was called "protochronism," and fit nicely the ultra-nationalism of the last two decades of communist rule. But the doctrine can hardly be taken seriously, except that it was, and still is widely accepted among ultra-nationalist intellectuals in Romania. See Katherine Verdery, *National Ideology Under Socialism: Identity and Cultural Politics in Ceausescu's Romania*. Berkeley: University of California press, 1991. pp. 167-214.

easily is a quite different question. After all, *The Protocols of the Elders of Zion*, a Russian creation, turned out to be one of the twentieth century's most influential works. There are even recent translations of this work in Indonesian!¹⁴)

Whatever the sources of Romanian anti-Semitism, and the xenophobic nature of its nationalism, they must be sought internally.

Anti-Semitic Nationalism in Romania and Elsewhere

Why there was widespread anti-Semitism among Romanian, especially Moldavian peasants is not hard to explain. At a somewhat earlier period the same happened in Poland because of the ways in which the Jews were used by the Polish nobility, and because they took over many of the same roles that they were to occupy later in Romania and other parts of Eastern Europe.¹⁵ In fact there is nothing very unusual about this kind of reaction. An identifiably different ethnic or religious group of people who have a higher propensity to be literate, to understand urban and mercantile ways better than the peasants among whom they live, and who know how to use their strong communal and family ties to engage in trade and capital accumulation are very likely to stand out as successful small merchants and money lenders in an economy moving from relatively isolated self-sufficiency to greater contact with the outside world and marketization. On top of this, landowning nobles, foreign investors, or in other situations, colonial masters are likely to trust such "outsiders" to occupy intermediary functions. The outsiders cannot ally themselves with the peasant masses who might be unhappy about being exploited, and as visibly "alien" people they easily become the butt of popular resentment against taxes, labor dues, or the inequities of the market. The same story has been told about many such "pariah entrepreneurs" around the world - the Chinese in Southeast Asia, East Indians in eastern and central Africa or in Burma, Armenians and Greeks in large parts of the Ottoman Empire, and so on.¹⁶ In the case of Romania, much the same feeling that developed against Jews in Moldavia was directed against Greeks in Wallachia. In the great Romanian peasant rebellion of 1907, anti-Semitism as such was not the main issue even though the outbreak began with a series of anti-Semitic outbursts in rural Moldavia. The real issue was peasant hostility toward those who ran estates for large landowners, or otherwise acted as the agents of an increasingly powerful and impersonal market. In Wallachia, which had about twice the population

¹⁴ On the curious spread of the Protocols to Southeast Asia, see Anthony Reid, "Entrepreneurial Minorities, Nationalism, and the State," in Daniel Chirot and Anthony Reid, eds., *Insiders or Outsiders? Chinese and Jews in the Modern Transformation of Southeast Asia and Central Europe*. Seattle: University of Washington Press, 1997.

¹⁵ Hillel Levine, *Economic origins of Antisemitism: Poland and Its Jews in the Early Modern Period*. New Haven: Yale University Press, 1991.

¹⁶ The comparison between Central and East European Jews and southeast Asian Chinese is made explicitly in Chirot and Reid, Eds., *Outsiders or Insiders?* There are many other examples, and a good general source is Donald L. Horowitz, *Ethnic Groups in Conflict*. Berkeley: University of California Press, 1986.

of Moldavia, few such hated agents were Jews and many, the majority in most Wallachian counties, were ethnic and religious Romanians.¹⁷

Quite different was the hostility of the intellectuals among whom modern nationalism was born. This happened some time before Jewish professionals became so important in the cities, and certainly well before the problems brought on by the post-1918 creation of "Great Romania." Direct economic interest, or the various crises of the 1920s cannot be used to explain the phenomenon.

Examining the writing of influential literary and ideological figures in late nineteenth century Romania suggests that their anti-Semitism was based on fear. What alarmed them was the possibility that Romanian culture was going to be overwhelmed by foreign influences. Mihai Eminescu (1850-1889), Romania's leading nationalist poet, who remains today, as he was throughout the communist period, widely taught in schools, feared that an already weakened Romanian national culture would be subverted and corrupted beyond redemption by "foreign" Jews. He was vehemently opposed to the dilution of "Romanianism" by the importation of Western European culture as well, and he feared cosmopolitanism in general because it eroded national strength. He disparaged the idea of creating an "America on the Danube." Most Jews, he felt, would be unwilling to be assimilated, and they were thus the most potentially dangerous of cosmopolitan, foreign influences.¹⁸

The key point was that the intellectuals correctly perceived Romania as weak. Its peasants, in whom the nation's inherent virtues were supposed to reside according to the romantic, German form of nationalism current at that time, were poor and vulnerable to the intrusion of foreign, especially Jewish dominated market forces. The small but exceedingly powerful national aristocracy, which formed the only large landowning class in the Balkans, and which had reduced the peasantry to a condition of virtual serfdom, had been seduced by Western European luxuries and French literary culture. Thus, in an inherently unstable, divided society with a fragile culture, in a weak state bordered by potential Balkan enemies as well as by the Austria-Hungarian and Russian Empires, there were no other reliable protectors of the nation, its *volk*, its culture, and its language than the intellectuals.

In Herder's words, "*Denn jedes Volk ist Volk; es hat seine nationale Bildung wie seine Sprache.*" This was appealing in a supposed nation that had never been politically unified before 1859, that had possessed no fully independent states for over two centuries before then, whose aristocracy was heavily Greek and Levantine, whose head of state was a German prince, that had virtually no literary tradition of its own, and that was largely illiterate. Only the language of the peasants, derived from Latin but with a heavy Slavic component, their Eastern Orthodox Christianity, and the culture of the educated minority stood between survival and cultural extinction.¹⁹

¹⁷ Radu Rosetti, *Pentru ce s'au rasculat tarani*. Bucharest: Socec, 1908. Also, Daniel Chirot, *Social Change in a Peripheral Society*. New York: Academic Press, 1976. pp. 150-155.

¹⁸ Oldson, *A Providential Anti-Semitism*. pp. 47-48, 115-122.

¹⁹ On Herderian nationalism, see Daniel Chirot, "Herder's Multicultural Theory of Nationalism and its Consequences," *East European Politics and Societies*, Volume 10, No. 1. Winter, 1996, pp. 1-15.

Eminescu wrote in 1881:

[T]errible ignorance and corruption above, black ignorance and deep misery below. And this is the Romanian people? Our people of 50-60 years ago, with its healthy barbarity, rare and god-given quickness of mind, great vigor of spirit, cheerful, industrious, ironical? And whence all this change? Superimposed upon our people sits a foreign layer without tradition, without a fixed homeland, without fixed nationality, which did away with what is a people's most precious possession, its historical sense of ongoing and organic development... The true civilization of a people consists not in the wholesale adoption of laws, forms, institutions, etiquette, foreign clothes. It consists in the natural, organic development of its own powers and faculties. If there is ever to exist a true civilization on this soil, it will be one that arises from the elements of the ancient civilization. From its own roots, in its own depths, arises the true civilization of a barbarian people, not from the aping of foreign customs.²⁰

This was an attack against the aristocracy as well as against the mercantile, liberalizing influence of the West, and a call to resistance. Jewish immigrants represented all sides of the danger because they were not only a culturally corrupting influence, but economic blood suckers ruining the peasants, and also agents of Western powers and of the landowners. It was not just Eminescu, but the most distinguished, most widely read, most influential intellectuals who agreed: Titu Liviu Maiorescu (1840-1917), Bogdan Petriceicu Hasdeu (1838-1907), Alexandru Xenopol (1847-1920), and the best known of all, Romania's prolific historian and politician, Nicolae Iorga (1871-1940).²¹

In discussing Russian nationalism Liah Greenfeld has described a type of frustrated, ambivalently Westernizing, insecure but xenophobic intellectual elite that actually existed, and still dominates the nationalist discourse in many other parts of the world, including the Balkans. There could hardly be a more perfect example of such an intelligentsia than the Romanian one in the second half of the nineteenth century and in the twentieth. It was characterized by a deep sense of *ressentiment* because it wanted to modernize the Romanian nation and be accepted by the West Europeans as equals, but at the same time it angrily denounced those same Europeans for mocking and demeaning them, and treating them as if they were backward.²² This was a crucial element in its mythology about the primitive virtues of its peasants and its rejection of European liberal demands that it naturalize its Jews. Xenopol explicitly complained that Romania's Jews, along with their other supposed sins, had a "patronizing attitude toward Romanian culture. His hurt pride showed in that he complained that French, Italian, and Spanish Jews all learned and spoke their host countries' languages. But Jews in Romania, even when they were third generation residents, still misused the mother tongue."²³ Furthermore, even

²⁰ Quoted in Verdery, *National Ideology*. p. 38.

²¹ Oldson, *A Providential Anti-Semitism* pp. 109-115, 122-138.

²² Liah Greenfeld, *Nationalism: Five Roads to Modernity*. Cambridge: Harvard University Press, 1992. See Chapter 3 on Russia. Also Daniel Chirot, *Modern Tyrants: The Power and Prevalence of Evil in Our Age*. Princeton: Princeton University Press, 1996, for examples from Southeast Asia, Africa, the Middle East, and Latin America.

²³ Oldson, *A Providential Anti-Semitism*. p. 129

though the intellectuals were certainly not hypocritical in their fear and loathing of the Jews, anti-Semitism was a good substitute for land reform that might have actually helped the peasants. It was easy enough to condemn the politically disenfranchised Jews, but much harder to effect a land reform that would have taken land away from the powerful aristocracy.²⁴

In light of this, Romania's political establishment, spurred on by an outraged intelligentsia, interpreted European liberal political demands at the Congress of Berlin with respect to the Jewish question as something outrageously unacceptable.

But if we can account for Romanian anti-Semitism in 1878, why is it that within a decade much of the rest of Europe began to drift in the same direction, and after World War I many countries adopted similarly harsh forms of nationalism, though in many non-European cases Jews were not at issue, and even within Europe, there were sometimes other targets for the fear and anger of resentful nationalism? And why did Germany, once a model of modernity and progressive enlightenment, ultimately outdo all the other Europeans in its official anti-Semitism? And was the continuing strength of the most xenophobic elements in Romanian nationalism really a purely domestic matter? After all, Romania changed quite a bit from 1878 to 1938. It became somewhat more urban and educated, much bigger, and its intellectuals became more sophisticated.

The Decline of Liberal Conviction in Western Europe

The fact was that European liberalism was already waning by 1878, though the diplomats at Berlin did not fully realize this. Their world-view was based on a painfully worked out consensus about how proper, "civilized" (by which they meant modern European) nations ought to behave. Even Bismarck, who is not generally remembered as a self-restrained, moderate liberal, and who certainly did not begin his political life as anything of the sort, took a startlingly liberal position at the Congress, and tried, with decreasing success, to maintain it for the rest of his career. It was precisely because Germany and the rest of Europe eventually decided that this liberal view was obsolete that Bismarck lost power in his old age and that the diplomatic system he had carefully built up to avoid a great European catastrophe collapsed in the 1890s.²⁵

It must be said that if the French, English, and Italians seemed to have been quite convinced that denying citizenship rights to Jews was morally unacceptable, Bismarck's approach at the Congress of Berlin and in subsequent negotiations with the Romanians was more manipulative and opportunistic. He wished, first of all, to secure some German investments in Romanian railroads, and managed to get the Ro-

²⁴ Chirot, *Social Change in a Peripheral Society*, pp. 125-131.

²⁵ That is the central theme in Kennan's book, *The Decline of Bismarck's European Order*. For a classical treatment of Bismarck's decline and the end of his version of liberalism, see Erich Eyck, *Bismarck and the German Empire*. London: George Allen & Unwin, 1958. pp. 223-323.

manians to pay dearly to redeem these. In so doing, Bismarck was acting on behalf of his friend and financial ally, the Jewish banker Gerson von Bleichröder.²⁶ Bleichröder combined his own distaste of anti-Semitism with material considerations, though in the end, financial satisfaction was more easily obtained than moral victory.²⁷ But it is too easy to dismiss Europe's concern as a just another of Bismarck's cynical ploys to strengthen Germany, which is the way the Russians interpreted the Congress of Berlin in general.

Bismarck did not have much respect for the Balkans, and on a later occasion, referring to rivalries between the Serbs, Bulgarians, and Greeks, told the French Ambassador to Germany, "One must give these sheep-stealers plainly to understand that the European governments have no need to harness themselves to their lusts and their rivalries."²⁸ No doubt he felt similar disdain for the Romanians.

The prevailing model of how proper, modern nation-states were supposed to behave, and that Bismarck adhered to, was still based on a sense of practicality and restraint, not on an unlimited quest for either glory or total domination. The prevailing world order, to which he had adapted his thinking, was essentially capitalist, increasingly liberal and democratic, and no longer dominated by aristocratic landowners or vain kings intent on maximizing their personal glory at the cost of ruining the people they ruled. The Balkans were, in his view, barely civilized, immature, and given to irrational rivalries that could only endanger the larger purpose of maintaining a peaceful, prosperous Europe. So, the demands placed on Romania were intended to civilize and control this contentious, insecure, little new nation-state. A good part of Bismarck's perceived cynicism was explained by his understanding that it was better for Germany and all of Europe to accommodate itself to the forces of nationalism that he himself had exploited so well in Germany, while at the same time maintaining a pragmatic attitude that kept the passions aroused by nationalism under control. This led him to accept a certain tolerant and liberal view of the nation that was at variance both with his earlier career and with what was to follow his ascendancy in Germany.

Writing about Bismarck's ultimate failure to create the European order he worked so hard to set up, George Kennan has written:

The Bismarck of 1886-1890, in other words, found himself hung up, in his efforts to maintain a stable Europe, by the Bismarck of 1871. He was now the victim of the mistakes of the Prussian military leaders whom he had used, in earlier years, as instruments to the attainment of his political ends.²⁹

Bismarck's policies in a number of other areas show the same tendency toward pragmatism and even a certain liberalism. He successfully opposed, until the mid-1880s, German colonial expansion overseas, and by establishing a social security system he delayed the growth of class conflict in Germany. But in the end, he was

²⁶ The full story of this personal alliance is told in Fritz Stern's *Gold and Iron: Bismarck, Bleichroder, and the Building of the German Empire*. New York: Knopf, 1977.

²⁷ Oldson, *A Providential Anti-Semitism*. pp. 75-77.

²⁸ Quoted in Kennan, *The Decline of Bismarck's European Order*, p. 141.

²⁹ Kennan, *The Decline of Bismarck's European Order*, p. 142.

forced to accede to the demands for foreign expansion, and his late conversion to liberalism came to naught.³⁰

But of course, this was not just a matter of Bismarck's miscalculations, or the drama of an aging titan whose wise policies were put aside by impetuous younger men. All of Europe was undergoing a sea change that ended the liberal consensus that had existed at the Congress of Berlin, and this was manifested throughout the continent in a number of ways. An important consequence of the change was that the link between nationalism and liberalism was decisively broken.

Russia, whose role in subverting liberalism in modern European and world history cannot be underestimated, bears some responsibility for what happened. Its last two Tsars, Alexander III and Nicholas II, were hypersensitive, virtually paranoid xenophobes when it came to dealing with the rest of Europe as well as with some of their own minorities, chiefly but not only the Jews.³¹ They combined an aggressive imperialism that sought to control ever growing portions of Europe and Asia with the assumption that every time Russia was thwarted this was the result of a sinister plot led by a major Western power. A case in point was Alexander's treatment of Bulgaria in the 1880s when Russia's ally and virtual puppet did not behave as subserviently as he wished, and Russia provoked a series of international crises for no good reason other than the Tsar's shortsighted arrogance and sensitivity.³²

The linguistic nationalism which came to predominate in Russia in the second half of the nineteenth century not only resulted in a Russification policy that caused deep resentment in the non-Russian parts of the Empire, but also inflated the self-image of the intelligentsia and the professional military establishment. That, in turn, increased the envy they felt toward Germany's successes. As George Kennan has put it, this "nationalism of the latter part of the nineteenth century seriously distorted Russian foreign policy....[A]nd what was this heady exaltation of nationalism, with its self-adulation, its extravagant claims to virtue, its professions of an innate superiority, but an hysteria?"³³

But Russia was not the only source for what happened. In a way, the deepening of Russian hypernationalism was abetted by intellectual changes in Western Europe, too. It was in 1886, after all, that Edouard Drumont's great bestseller, *Jewish France*, was published. Its basic thesis was that:

The Jews possess half the capital in the world. Now the wealth of France...is possibly worth one hundred and fifty billion francs, of which the Jews possess at least eighty billion....In effect, no one would seriously deny that Jewish wealth has...special character. It is essentially parasitical and usurious....It is the result of speculation and fraud. It is not created by labor, but extracted with marvelous cleverness from the pocket of real workers by financial institutions, which have

³⁰ Knut Borchardt, "The Industrial Revolution in Germany, 1700-1914," in Carlo M. Cipolla, ed., *The Fontana Economic History of Europe*, Volume 4-1, The Emergence of Industrial Societies. London: Collins/Fontana, 1973. pp. 142, 156.

³¹ Leonard Schapiro, *Russian Studies*. New York: Viking, 1987. p. 95. Hans Rogger, "Russia," in Rogger and Weber, eds., *The European Right*. pp. 483-499.

³² Kennan, *The Decline of Bismarck's European Order*. pp. 144, 145.

³³ Kennan, *The Decline of Bismarck's European Order*. p. 418.

enriched their founders by ruining their stockholders....[F]ive hundred determined men in the suburbs of Paris and a regiment surrounding the Jewish banks would suffice to carry out the most fruitful revolution of modern times....[P]eople would embrace in the streets.³⁴

The Romanians may have been a bit ahead of the game in the 1870s, but by the 1880s, they certainly had good examples from the more liberal West in their anti-Semitism.

No doubt, much of the turn toward rabid anti-Semitism and a general anti-liberalism was produced by the deep depression that hit Europe in 1873 and produced an impression of financial instability which lasted into the 1890s.³⁵

But it was not just that, either. With the popularization of Darwinism and its use, perhaps misuse would be the better term, to explain human history, the notion that the mainspring of history was a desperate struggle for survival between "races," interpreted as "nations," became common throughout Europe. In no other country was popularized social Darwinism as influential as in Germany,³⁶ but Social Darwinism was a hit throughout Europe. It appealed greatly to the Russian intelligentsia as well, and Robert Tucker writes that Stalin dated the beginning of his conversion to atheism, and eventually to Bolshevism from the time when, at the age of thirteen, he read the forbidden Darwin while in his seminary school.³⁷

To Darwinism were added, also in the 1860s, the startling revelations of Europe's second most popular scientific superstar, Pasteur. The notion that there were invisible agents causing disease and proliferating in mysterious ways was almost immediately seized upon by intellectuals to explain much that was poorly understood about the great transformation of economic and social life going on.³⁸ Synthesizing his understanding of Darwin and Pasteur, the Volkish German ideologue Paul de Lagarde could go on to explain that Jews were bacilli who had to be exterminated in order to save the German race from being fatally polluted.³⁹

It took about two decades, from the 1860s to the 1880s, for such views to become fully ingrained in Europe's general thinking. When they did, the century of liberalism came to an end as intellectuals and many among the growing body of bourgeois and working class readers came to view the world in racial-national terms and to fear that their nation was beset by implacably hostile racial enemies, both internal and

³⁴ Edouard Drumont in Paul R. Mendes-Flohr and Jehuda Reinharz, eds., *The Jew in the Modern World; A Documentary History*. New York: Oxford University Press, 1980. pp. 276-277.

³⁵ Eric J. Hobsbawm, *The Age of Empire 1875-1914*. New York: Pantheon, 1987. pp. 35-46.

³⁶ Alfred Kelly, *The Descent of Darwin: The Popularization of Darwinism in Germany*. Chapel Hill: University of North Carolina Press, 1981. pp. 30, 37, 125.

³⁷ Tibor Szamuely, *The Russian Tradition*. New York: McGraw-Hill, 1974. pp. 169-170. Robert C. Tucker, *Stalin as Revolutionary 1879-1929*. New York: W.W. Norton, 1974. p. 78.

³⁸ Eric J. Hobsbawm, *The Age of Capital, 1848-1875*. New York: Charles Scribner's Sons, 1975. p. 285.

³⁹ Fritz Stern, *The Politics of Cultural Despair*. Berkeley: University of California Press, 1974. pp. 63-65.

external. The struggle for survival legitimized the mad race for objectively useless colonies in remote parts of the world, for an armaments race, and eventually, world war.⁴⁰

The shift away from liberalism as the foremost intellectual fashion in Europe was a continent-wide phenomenon. Carl Schorske has shown how it affected fin-de-siècle Vienna, and set the stage for the atmosphere the young Adolf Hitler found when he moved there in 1907.⁴¹ It contributed to the devaluation of democratic ideals because these were deemed too bourgeois, too corrupt, too hypocritical, and too inept to meet the challenges of the present hyper-competitive modern age. Mercantile, liberal England was viewed as too weak to maintain its leading world role, and far-sighted European thinkers were already attacking America for its materialistic mass culture and ethnic mixing. In the *Genealogy of Morals* Nietzsche called on Germany to unite with autocratic Russia to become masters of the world, to give up "the English principle of the people's right of representation," and above all, he added, "No American future."⁴²

Nietzsche understood and contributed to the great ideological and cultural changes going on in Europe, but he did not understand international politics. Russia preferred to lean to France in order to gain security against its Central European rivals, Austria-Hungary and Germany. And within France itself there was a momentous change in the nature of nationalism, of which the turn to anti-Semitism was only a part.

In the mid- to late 1880s the seeming triumph of the moderate, anti-clerical, republican (that is, anti-monarchist) left in French politics that had occurred in 1879 turned sour as both the left and right assailed the corruption and foreign policy timidity of the ruling Radicals. Paul Déroulède founded the Ligue des Patriotes in 1882 to agitate for the recovery of Alsace-Lorraine from Germany (lost in 1871 as a result of the Franco-Prussian War), and though he began as a Republican he backed General Boulanger ("Général Revanche") from 1886 to 1889 when the Republic came close to being toppled by the rising ultra-nationalism, social discontent, and militarism of the French. Had Boulanger shown more personal courage, France would have become a neo-Bonapartist dictatorship at that time. Déroulède played an important role in agitating for a Franco-Russian, anti-German alliance in the late 1880s, and subsequently he became an activist of the anti-Republican, militaristic, chauvinistic far right.⁴³ After the failure of Boulangisme there followed a series of other sharp conflicts between the French left and right, culminating in the Dreyfus affair. The right ultimately lost this battle in France, but it succeeded in shifting French nationalist ideology decisively away from its Jacobin, liberal-revolutionary roots toward a new kind of right. Eugen Weber has written about them:

⁴⁰ I have described this in greater detail in Chirot, *Modern Tyrants*. Chapter 2.

⁴¹ Carl E. Schorske, *Fin-de-Siècle Vienna: Politics and Culture*. New York: Vintage, 1981. Chapter 2.

⁴² Friedrich Nietzsche, *The Philosophy of Nietzsche*. New York: Random House / The Modern Library, 1954. p. 802.

⁴³ Eugen Weber, "France," in Rogger and Weber, *The European Right*, p. 85 and Kennan, *The Decline of Bismarck's European Order*, pp. 170-172.

Impulsive, passionate, untheoretical, the nationalists emphasized energy and action as against intellect and words. Militaristic, violent, vulgar, populist, they were in effect very far from the old Right [which was clerical and monarchist], and different even in certain respects from the Bonapartists, so much of whose strength lay in the countryside. For the nationalists were a peculiarly urban phenomenon, and their agitation scarcely touched the masses of the peasantry. One might say with little exaggeration that nationalism was a Parisian movement, its major successes gained among the people of Paris whose democracy consisted largely of hating the rich and despising the poor...⁴⁴

Much of this new nationalism was the product of an expanding school system that deliberately taught patriotism in order to rally the populace to the Republic, but which wound up so idealizing it that a good portion of its supporters turned impatiently away from its institutions.⁴⁵

Disgust with the inability of a parliamentary system to deliver its promises, combined with the deliberate inculcation of what had begun as liberal nationalism produced a similar result in Italy, too, though a bit later. Italy, like Romania, had its great anti-democratic, anti-liberal poet, Gabriele D'Annunzio, who would urge Italy to be more collectivistic, less individualistic, less selfish, and more determined to "regain" national territory in Austria-Hungary.⁴⁶ These were the sentiments that pushed Italy's government into a series of poorly conceived, and ultimately disastrous colonial adventures in Africa, and finally, for almost no obvious reason other than a felt need for glory and territorial aggrandizement, into World War I. And it was as an agitator for entry into that conflict that Benito Mussolini made his mark as an ultra-nationalist leader of the far right.⁴⁷

So it was not just in Russia, or in Germany, much less merely in Romania, but in France and Italy, too, that nationalism in the 1880s and 1890s turned into war mongering chauvinism. (In Italy, it should be pointed out, anti-Semitism played no significant role in late nineteenth and early twentieth century romantic, aggressive nationalism, but in France it was arguably even more pronounced than in Germany.) There were analogous developments elsewhere in Europe, and even in England and the United States similar sentiments provoked imperialist and militaristic sentiments.⁴⁸

⁴⁴ Weber, "France," p. 86.

⁴⁵ Weber, "France," pp. 82-83. More generally, Zeev Sternhell has traced the evolution of French thought toward fascism from the 1880s to 1940 in *Neither Right nor Left: Fascist Ideology in France*. Princeton; Princeton University Press, 1986.

⁴⁶ Ernst Nolte, *Three Faces of Fascism: Action Française, Italian Fascism, National Socialism*. London: Weidenfeld and Nicolson, 1965. pp. 183-186. Luigi Salvatorelli, *The Risorgimento: Thought and Action*. New York: Harper Torchbooks, 1970. p. 31.

⁴⁷ Dennis Mack Smith, *Mussolini*. New York: Vintage, 1982. pp. 23-27.

⁴⁸ Between 1878 and 1912 there were roughly 50 significant colonial acquisitions by the European powers, the United States, and Japan. Until then, European imperial expansion had been more limited, and on the whole, pragmatically limited to what seemed to be of strategic and economic importance. But in the imperialist expansion of the late nineteenth century, there seemed to be a kind of collective hysteria involved that paid no attention to

Was the unparalleled burst of imperialism in the three decades after the Congress of Berlin required by capitalism, as the Marxists have claimed?⁴⁹ Was it, rather, largely a holdover of aristocratic pretension and search for glory, as Joseph Schumpeter believed?⁵⁰ Or was it, also, part of a fundamental intellectual revision of the concept of nationalism that combined social Darwinism, disdain for the hypocrisies of liberal democracy, revulsion against the inequalities of capitalism, and finally, a demand for action to break through the tedium of bourgeois morality? And was this intellectual shift rendered so powerful because increasing scholarization was generating a much greater than ever awareness of nationalist doctrines? This would explain why, as the effects of the depression that began in 1873 eased, and Europe went on to experience the greatest prosperity in its history (before the 1950s to 1980s, that is), hypernationalism did not wane, but further intensified.⁵¹

The Rage of the Frustrated Nationalists: Communities of Imagined Losers

The desire for revenge by those who feel that they have been wronged by the world or history in some way is rarely taken into account by scholars. This is mostly because the rage of the loser, or those who imagine themselves to be losers and who seek vengeance may seem so irrational. But for those who believe in the cause and feel a righteous anger at the thought of turning the tables on their supposed persecutors, their sentiments may well become the basis for a whole political ideology. The sheer ugliness of such ideologies, and the appalling consequences where they became a dominant element in nationalist theory in the twentieth century should not cause us to reject their internal logic.

The most cursory comparison of Romanian anti-Semitism, Russian hypernationalism, and right wing French nationalism in the 1880s points to common elements: a sense of having been mistreated and misunderstood by the world at large, a desire for revenge to right past wrongs, and a deep fear that within the national body there lie alien elements ready to betray the cause. This does not explain the crucial role of social Darwinism in promoting aggressive imperialism and persuading informed public opinion throughout the West, and even well beyond, that "races" were "nations" and that they were necessarily involved in a deadly struggle for space and nourishment. But it does explain why social Darwinism among aggrieved nationalists

practicality. See Daniel Chirot, *Social Change in the Modern Era*. San Diego: Harcourt, Brace, Jovanovich, 1986. pp. 76-80.

⁴⁹ Hobsbawm makes the ingenious (or ingenuous, depending on one's perspective) claim that, after all, despite the absence of any proof that imperialism was economically necessary or even useful, the elites of that time thought so. Could they have been so wrong? This subtly evades the crude determinism of V.I. Lenin's argument in *Imperialism: The Highest Stage of Capitalism*. New York: International Publishers, 1939. But it still sustains the essence of the Marxist argument. See Hobsbawm, *The Age of Empire*, pp. 56-73.

⁵⁰ Joseph A. Schumpeter, "The Sociology of Imperialism," in Schumpeter, *The Economics and Sociology of Capitalism*. Princeton: Princeton University Press, 1991.

⁵¹ That is Sternhell's argument in *Neither Right nor Left*.

could turn so vicious, whereas among thinkers such as, say, Herbert Spencer, it remained a rather mild and liberal social philosophy.⁵² It was the fear of national extinction and the desire for revenge against past wrongs that made the new nationalism of the late nineteenth century so hysterically vicious. Given this, it is not difficult to understand why the trauma of World War I made the situation so much worse.

One of the ironies of the rapid social change that occurred in Europe in the nineteenth century, and has continued at an even faster pace in the twentieth, is that it has augmented the possibility for social insecurity among wide portions of every population. George Kennan, who is certainly not a social theorist but only a wise, experienced diplomat and a learned, careful, but fairly conventional diplomatic historian, put his finger on one of the roots of the growing and new extremist nationalism in Russia when he wrote:

[I]n essence the nationalism in question was the expression of a crisis of identity on the part of great masses of people displaced by the over-rapid social and economic changes of the nineteenth century - displaced from those positions in the structure of society to which they and their families had long been accustomed...sometimes because of upward social movement, sometimes because of downward, sometimes because of educational experiences, sometimes because of the change from country to city...Yet the great mobility of wealth, and the prevailing love for ostentation wherever wealth existed, raised false standards, set up painful contrasts, heightened differences, inflamed sensitivities, and created artificial sources of snobbery. Particularly among those who had a little education (but not quite enough) and a little money (but again, not quite enough), there were great underlying uncertainties. And these uncertainties could be relieved, if not removed, by identification with one's people as a whole, identification with them on the basis of the most obvious - and probably the most primitive criteria: that of speech. In the cultivation of the myth of collective glory - the glory of the national society to which one belonged - one could lend to the individual experience a meaning, or an appearance of meaning, that the artificiality and insecurity of the individual predicament was unable to supply. Thus, millions of people, not only in Russia but almost everywhere else in Europe as well, found in the flag-waving, the brave rhetoric, the sentimentalities and exaltations of nationalistic fervor, the impressive image of themselves which individual experience could not convincingly provide.⁵³

Whether the national intelligentsias throughout Europe caused or merely reflected widespread anti-liberalism is not a question that can be answered by a brief paper. Indeed, whether intellectuals can cause change independently or whether they merely reflect deeper forces is one of the great controversies of all historical analysis. Probably the best solution is to recognize that certain exceptional thinkers and writers come along who can somehow understand and synthesize the forces at work around them. In their work they clarify these larger forces, but at the same time, they spread and ultimate popularize the ideas behind them. This is what a Mihai Eminescu could do, what Nietzsche's angry attacks against liberal, bourgeois

⁵² See, for example, Spencer's reassuring, but unfortunately completely wrong prediction that modern industrial societies would abandon war because it was fundamentally irrational in a world dependent on specialization and exchange. Herbert Spencer, *Principles of Sociology*. New York: D. Appleton, 1897. Part V, # 565, p. 608.

⁵³ Kennan, *The Decline of Bismarck's European Order*, pp. 418-419.

civilization did (mostly posthumously), or what a Dostoevsky was able to do to further reactionary nationalism not only in Russia but throughout much of Europe. Eugen Weber and Zev Sternhell point to Maurice Barrès, the French writer and political essayist, as playing a very similar role in late nineteenth and early twentieth France.⁵⁴ But there were thousands of similar intellectual figures, most of whom were not brilliant writers or thinkers. Some, like the notorious anti-Semite Drumont, were able propagandists. Others, more obscure, spread fashionably anti-liberal doctrines through schools and newspapers to growing and receptive audiences of students and readers.

To be able to present one's nation as having been wronged, to combine the sense of unease about the pace of change with a more general explanation that it was the fault of hostile forces working to undermine the community - these were powerful inducements to hyper-nationalism and the reinforcement of prejudices against all outsiders, be they foreign powers or identifiably different, suspect locals. What was going on in Romania within the ranks of a small intelligentsia surrounded by largely illiterate peasants was part of the same general trend throughout all of Europe, even in its most advanced parts, because of the same sense that nations were competing for living space and that the weak were menaced by extinction, the same belief in the importance of the linguistic community as the only source of salvation in the face of a highly competitive world, and because of a similar sense of insecurity due to rapid change.

The older statesmen at the Congress of Berlin in 1878 simply did not understand what deep forces were at work in Europe undermining the liberal order they saw as inevitable. Thus, the resistance of the Romanians to the dictates of the Congress, which led to prolonged stalling on their part, succeeded because after the Congress, in the 1880s the liberal impetus to reform weakened drastically. The European powers agreed to a few superficial and meaningless changes in Romanian naturalization law in 1880, and subsequently, there was little pressure for any change from the societies that were themselves becoming more xenophobic.

On the Existence of a Cultural World System, and Germany's Role in It

Romania's anti-Semitic nationalism was indeed a domestic phenomenon that needed no outside influence for its creation. All that was necessary was the observation by Romania's intellectuals that in Europe nation-states were being formed, and Romania was in danger of being left out. From that fear, and a deep sense of insecurity and resentment about their own weakness, they created a brand of nationalism that saw the adaptable Jews as their main enemy, agents of the dangerous West, disloyal to Romania, and too powerful in the market economy into which Romania was being absorbed. Romania was hardly unique in having this kind of nationalism, but that does not mean that it needed much inspiration from other examples. In fact, because it was objectively weak and culturally insecure, it developed this kind of nationalism

⁵⁴ Weber, "France," p. 86 and Sternhell, *Neither Right Nor Left*.

from the beginning of its birth as a modern nation, even before a great swing in sentiment made the same type of hyper-sensitive nationalism more current in the more powerful European nations.

Nevertheless we cannot throw out the arguments of these who see deeper, trans-national influences at work. Had Romania been an isolated case, it would have been obliged to change, if only to adapt. Russia was never converted to liberalism, either, and even in France late nineteenth century nationalism turned its back on the liberal tradition. Germany was in no sense the worst offender, at least then, but there, too, the fall of Bismarck coincided with the rise of a nasty and aggressive, but also increasingly insecure and self-pitying nationalism. This made it all the easier for Romania's anti-Semitism, and its own sense of insecurity, to flower.

There was some distance to travel between the xenophobia and anti-Semitism that became associated with nationalism throughout much of Europe in the 1880s and 1890s and the nightmares of the 1930 and 1940s. It was not a forgone conclusion, even in 1910, that everything would turn out that way. In Germany, for example, despite the shift toward very aggressive imperialism and the competition with England, the anti-Semitic parties were on the wane in the decade before the World War, democracy was taking root, and even the Social Democrats were becoming more accepted as well as more moderate as they continued to grow into a major political force.⁵⁵ In France the Dreyfus case wound up reinforcing the liberal defenders of the Republic and discrediting, at least in the short run, the nationalistic right. But in France, after 1905, nationalism revived, and throughout Europe, the sense that nations (or for Marxists, classes) were locked in an inevitable, Darwinian conflict did not lessen.⁵⁶ The armaments race continued and even moderates were taken up by nationalist rhetoric. The fundamental intellectual and social causes behind the separation of nationalism from liberalism did not get weaker, despite the great prosperity of these years. Without such an ideological and cultural atmosphere prevailing throughout Europe, it is not likely that a Balkan assassination would have led to such a terrible war.

There is not much point going over the reasons for Germany's transformation from 1914 to 1918, or the well known history of the 1920s and 1930s. It is a contentious enough subject, even among today's experts. But what about Germany's influence on Romania?

The most current research on the origins of Romanian fascism suggest that Romania had enough of a domestic tradition of anti-Semitism and angry nationalism to account for their persistence after World War I.⁵⁷ What the outside world contributed was, first of all, an unsettled international economy that created extreme

⁵⁵ Richard S. Levy, *The Downfall of the Anti-Semitic Political Parties in Imperial German*. New Haven: Yale University Press, 1979.

⁵⁶ Paul M. Kennedy, *The Rise of Anglo-German Antagonism, 1860-1914*. London: Allen & Unwin, 1980. Eugen Weber, *The Nationalist Revival in France, 1905-1914*. Berkeley: University of California Press, 1959.

⁵⁷ This is the conclusion of the best recent work on the growth of the far right in Romania in the 1920s. Irina Livezeanu's *Cultural Politics in Greater Romania*. Ithaca: Cornell University Press, 1995.

and unpredictable swings. Secondly, the victors of World War I were unable to provide enough security in Europe to reassure small powers that they were safe. That was not Germany's contribution, but England's, France's, an America's.

There is no question that there was an economic, a political, and a cultural world system within which Romania operated, as did Germany, and that Germany was a far more influential member of that system. Oswald Spengler's writings, for example, were highly influential in Romania in the years right after World War I, as they were in Germany. Later, in the 1930s Romania's pre-eminent Fascist philosopher, Nae Ionescu, considered himself a Heideggerian existentialist.⁵⁸ But these influences were only superficial manifestations of something much deeper, a predisposition the part of Romanian intellectuals to look for ideas that supported their home grown ideology and fit with their conception of what Romanian culture should be.

Actually, by the inter-war period, Romania's intellectual life was already sufficiently developed to contribute actively to the larger world of ideas. Mihail Manoilescu, a Romanian economist and political figure, became an influential proponent of autarkic development theories and corporatism. Mussolini was his ideal, and his books were widely translated. They left their deepest mark on Argentinian and Brazilian corporatist thinking, and contributed significantly to the elaboration of Latin American Dependency Theory.⁵⁹

The seeming success of Mussolini's fascism in the 1920s, and even more, Hitler's assumption of power in 1933 strengthened the feeling among right wing nationalists everywhere that this was the wave of the future, just as Stalin's seeming successes in industrializing the USSR was viewed by the far left as proof that communism was the wave of the future. But as far as direct influence went, that is far more questionable, at least until 1938. Romania's fate was in its hands, particularly that of its leaders and intellectuals, and outside forces cannot be blamed for its drift to the right. Even a small, weak country like Romania was only directly shaped by great powers while being occupied or forcefully tied to an alliance that could not be resisted. This happened briefly during World War I, partly during World War II, and during the first two of decades of Soviet domination. At other times, Romania adapted to the world system in which it existed according to its cultural and ideological inclinations. It was anti-Semitic at the time of the Congress of Berlin, even though Europe, and notably Germany pushed it toward liberalization. It was anti-Semitic and xenophobic in the 1930s, when Germany reinforced those sentiments. Romania was hysterically xenophobic (though not officially anti-Semitic, especially since by then it had few Jews left) under Nicolae Ceausescu when the U.S.S.R. was its dominant ally. And today, it has an active right wing trying to push it back into its traditional anti-foreign, anti-Semitic, closed nationalism.

⁵⁸ Livezeanu, *Cultural Politics*, pp. 310-312. Vladimir Tismaneanu, "Romania's Mystical Revolutionaries," *Partisan Review*, Vol LXI, No. 4. Fall, 1994, pp. 600-609. More generally, see Leon Volovici, *Nationalist Ideology and Antisemitism: The Case of Romanian Intellectuals in the 1930s*. Oxford: Pergamon Press, 1991.

⁵⁹ See Joseph L. Love's excellent new book, *Crafting the Third World: Theorizing Underdevelopment in Rumania and Brazil*. Stanford: Stanford University Press, 1996.

Yet, this does not mean that the outside world has not influenced it. If Romania finds itself in a more secure Europe, if it is integrated into a successful capitalist world economy, then those forces on the right will gradually lose influence and become, as they are in most of Western Europe, quite marginal.

In this respect, Germany, which has changed more than any other country in Western Europe since World War II, can be a positive influence. This it can do not so much by the power of ideas, but by anchoring the European Community and encouraging it to spread its economic and security benefits eastward.

Yet, there is no guarantee this favorable outcome will occur. Liberalism seems less sure of itself than it was a few years ago. Could we be on the verge of another episode, as in the late nineteenth century, when the liberal West lost its nerve and sense of mission at the very moment it seemed triumphant? If this were to happen, then, once again, the world system would become a more frightened, dangerous place. The xenophobes in Romania would win the day again, as parallel forces would come to power there and in many other parts of the world.

As far as Western Europe is concerned, we can wonder whether the failure in the 1990s to impose liberal standards of behavior on Yugoslavia may be a strange replay of the Congress of Berlin's failure in 1878 to impose decency on Romania. Whatever the complexities and dangers in the Balkans in the 1990s, part of the reason for hesitation on the part of the West Europeans is that in their own societies there is a revival of xenophobic nationalism, and considerable fear of Muslim immigrants. And in the United States racial tensions may again be nearing one of the periodic high points that have occurred repeatedly in the past, while there is also mounting hysteria about uncontrolled immigration. For whatever reasons, neither the intellectual nor the social climate in the West is propitious to tolerant liberalism, and so political leaders sense that they have no clear mandate to push for the kind of liberal world order they would like to see. It is a frightening thought that the mess in the Balkans in the late twentieth century may be not just local, but a reflection of larger forces at work throughout the world, as the Balkan problem was in the 1880s.

In other words, with respect to the political culture, those who claim that endogenous factors are primary within any society, except if it is under direct occupation, are fundamentally right. Nevertheless, those who see the existence of a larger cultural world system are also right. This system can reinforce either the best or the worst tendencies in any society, even very large ones. A certain global climate of opinion does exist. No single power, no matter how big, can control it, but it is up to the major powers such as Germany, Western Europe in general, the United States, and Japan to be aware of this and do their best to avoid the kind of catastrophic collapse of liberalism that took place between the Congress of Berlin and 1914.

HOLGER FISCHER

Das ungarisch-deutsche Verhältnis in der Zwischenkriegszeit: Freiraum - Partnerschaft - Abhängigkeit?

1. Einleitung

Es steht außer Frage, daß die ungarische Außenpolitik insgesamt - und das ungarisch-deutsche Verhältnis im besonderen - ebenso wie das Verhältnis Ungarns zu seinen Nachbarstaaten, in der Zwischenkriegszeit ganz entscheidend von dem Friedensvertrag von Trianon bestimmt worden ist; von dessen Grenzziehung, von dessen Lösung bzw. Nichtlösung der Minderheitenfrage, von dem internationalen Kräfteverhältnis, das durch ihn und die anderen Pariser Vorortverträge geschaffen worden ist.

Dieses Umfeld, in dem sich die Außenpolitik Ungarns und der anderen kleinen Staaten des Donauraumes abspielte, ist einmal von György Ránki¹ als das Spannungsverhältnis von "mozgástér és kényszerpálya", also von "Handlungsspielraum und Zwangsbahn" beschrieben worden. Er stellte die Frage, inwieweit die kleinen Staaten die Möglichkeit zur Unabhängigkeit besaßen, über welche Mittel zur Sicherung ihrer Selbständigkeit sie verfügten, und ob sie überhaupt eine reelle Chance besaßen, ihren Platz in dem System der Großmächte und der immer enger verknüpften modernen Weltwirtschaft zu behaupten.

In Ungarn wird häufig - und als Beobachter von außen muß man feststellen, sogar immer häufiger - die These vertreten, daß Ungarn sich unverschuldet und quasi naturgegeben in einer Zwangssituation befunden hätte, aus der es keinen anderen Ausweg gab als den, der tatsächlich eingetreten ist, also die Katastrophe des Zweiten Weltkrieges. Ungarn, das Opfer. Abgesehen davon, daß Trianon in der Tat ein ungerechter Frieden des Stärkeren gegenüber dem Schwächeren gewesen ist, wird dabei häufig vergessen, daß Trianon nicht nur und ausschließlich der Anfangspunkt einer neuen Periode bzw. einer von vornherein von außen bestimmten Zwangsbahn, sondern auch der Schlußpunkt einer vorangegangenen Epoche ist.²

¹ György Ránki, "Mozgástér és kényszerpálya. A Duna-völgyi kis országok a nemzetközi gazdaság és politika rendszereiben (1919-1945)", in Miklós Lackó (Ed. by), *A két világháború közötti Magyarországról*, Budapest 1984, p. 11-46, hier p. 11. Der Aufsatz ist auch abgedruckt in György Ránki, *A Harmadik Birodalom árnyékában*, Budapest 1988, p. 5-50.

² Es ist nicht meine Absicht, hier auf die in den vergangenen Jahren in der ungarischen Geschichtswissenschaft in den Vordergrund gerückte (Um-) Bewertung des Friedensvertrages von Trianon einzugehen; ich sehe aber die deutliche Tendenz, über die starke Betonung des zweifellos vorhandenen Unrechtscharakters und der Theorie von der Quelle allen Übels die Mitverantwortung Ungarns für den I. Weltkrieg, die Bedeutung der Nationalitätenpolitik für den Zerfall der Monarchie und die Wesensmerkmale der Horthy-Ära allzusehr aus dem Bewußtsein zu verdrängen. Dies gilt insbesondere für Ernő Raffay, *Trianon titkai, avagy, hogyan bántak el országunkkal...*, Budapest 1990, und für Zoltán Palotas, *A trianoni*

Es stellt sich also die Frage, ob Ungarn, nachdem die Friedensordnung von Trianon geschaffen worden war, sich in der Zwischenkriegszeit in einer zwangsläufig und automatisch in die Katastrophe führenden Zwangsbahn befand oder ob es Bewegungsfreiheit, nicht in die Katastrophe führende Alternativen besaß. Mit anderen Worten, konnte es über seine Politik frei bestimmen, oder aber "entschieden", wie John Lukacs gleich im ersten Satz seines Aufsatzes kategorisch feststellt, "die Großmächte das Schicksal Ungarns als ungarischer Staat und als ungarische Nation im 20. Jahrhundert."³ War Ungarn also lediglich ein Spielball der internationalen Politik, durch die seine Politik fremdbestimmt und damit das Land zum unschuldigen Opfer wurde, oder hat sich Ungarn auf Grund bestimmter politischer Axiome selbst in eine Situation hineinmanövriert, in der es dann nicht mehr über seine Politik frei bestimmen konnte? Gab es vielleicht zwischen den beiden extremen Polen Fremdbestimmung, Zwangsbahn, Abhängigkeit einerseits und Bewegungsfreiheit, Handlungsspielraum, Freiraum andererseits andere Möglichkeiten oder Schattierungen des Verhältnisses, also die Möglichkeit z.B. einer Partnerschaft?

2. Die Grundprinzipien der ungarischen Außenpolitik

Dieser als Diktat empfundene Friedensvertrag löste einen unbeschreiblichen Schock und eine tiefe Enttäuschung in der ungarischen Gesellschaft aus.⁴ Es gab damals keine gesellschaftliche Gruppierung in Ungarn, die sich mit den in Trianon festgelegten Grenzen abfand, keine politische Partei, die nicht die Revision der Grenzen forderte.⁵ Die herrschende Schicht des Vorkriegs-Ungarn, die nach dem Zwischenspiel der bürgerlich-demokratischen Republik und der Räterepublik wieder an die Macht gekommen war, hatte sich in der Zwischenkriegszeit keinen Augenblick lang davon losgesagt, bei einer günstigen außenpolitischen Situation die Herrschaft über die abgetrennten Gebiete wieder zu erlangen. Oder, wie Hoensch es ausdrückte:

határok, Budapest 1990, ist aber noch stärker bei Károly Kollányi, *A trianoni boszorkánykonyha*, Budapest 1993, und bei László Nagy, *Magyarország Európában*, Budapest 1993, zu spüren. György Litván, A Horthy-rehabilitáció csúszdáján, in *Világosság* 34 (1993), Nr. 8-9, p. 86-89, hier p. 86, trifft in seinem Aufsatz sogar die sehr weitgehende und betroffen machende Feststellung, daß man in der ungarischen Geschichtswissenschaft *bewußte* Bestrebungen zur *politischen* Rehabilitierung (Hervorhebung durch H.F.) der Horthy-Ära, zur Schaffung einer historischen Kontinuität zu heute beobachten könne.

³ John Lukacs, Hitler és Magyarország, in *Századok* 127 (1993), p. 751-760, hier p. 751.

⁴ Jörg K. Hoensch, *Geschichte Ungarns 1867 - 1983*, Stuttgart, Berlin, Köln, Mainz 1984, p. 104; Jörg K. Hoensch, *Ungarn-Handbuch: Geschichte, Politik, Wirtschaft*, Hannover 1991, p. 78.

⁵ Jenő Gergely, *Magyarország története 1919 őszétől a II. világháború végéig*, 3. erw. u. verb. Aufl. Budapest 1991, p. 32; Zsuzsa L. Nagy, Trianon: a magyarság és Európa ügye, in *Világosság* 31 (1990), Nr. 8-9, p. 695-700, hier p. 696; auch abgedruckt in *História* 12 (1990), Nr. 3, p. 24-26.

"Unter bewußtem Verzicht auf jeden Kompromiß, in einer imponierenden Starrheit, der jedes konstruktive Element abging, pflegten sie das historische Bewußtsein der Staatsgründung, der tausendjährigen Geschichte des Stephanreiches, der von den Magyaren mit ihrer überlegenen Zivilisation und Kultur zu erfüllenden Mission ... In einer Eruption des Nationalpatriotismus, der alle Bevölkerungskreise erreichte, wurde unter Anlehnung an das Symbol der Heiligen Stephanskrone der Gedanke an eine Revision des Friedensvertrages und an eine Rückgliederung der an die verachteten Nachbarn verlorenen Gebiete wachgehalten."⁶

Im Vordergrund der ungarischen Außenpolitik stand also das Bestreben, in Abschätzung der realen oder der möglichen Entwicklung der internationalen Kräfteverhältnisse, den für die Durchsetzung der Revisionsziele jeweils geeigneten Bündnispartner zu finden.⁷

Diese außenpolitische Konzeption der totalen Revision war eng mit der Innenpolitik verknüpft. Sie diente dem Ziel, die Aufmerksamkeit von den immensen sozialen und wirtschaftlichen Problemen, von den reaktionären Strukturen des Systems abzulenken.⁸ Den Massen wurde eingetrichtert, daß die Ursache aller Mängel in den Revolutionen 1918/1919 und in der Verstümmelung Ungarns läge, für die ebenfalls die Revolutionen verantwortlich seien, daß eine Verbesserung ihres Schicksals nicht von einer Umgestaltung der gesellschaftlichen Verhältnisse abhängt, vielmehr hänge die Prosperität der Nation einzig und allein von dem Ausmaß ab, in dem es gelänge, die revisionistischen Ziele zu verwirklichen, die verlorengegangenen Gebiete wieder anzuschließen.⁹

⁶ Hoensch, *Geschichte Ungarns*, p. 104.

⁷ László Szarka, *Revízió és kisebbségvédelem? A nemzetközi kisebbségvédelem és a magyar külpolitika az 1920-as években*, in *História* 15 (1993), Nr. 9-10, p. 23-25, hier p. 23, weist zu Recht auf ein weiteres Ziel hin, wenn er hervorhebt, daß die ungarische Außenpolitik ein doppeltes Ziel verfolgte, nämlich neben der friedlichen Grenzrevision, der "Korrektur" der Grenzen, auch den Schutz der ungarischen Minderheiten in den Nachbarstaaten.

⁸ Hoensch, *Geschichte Ungarns*, p. 105; Hoensch, *Ungarn-Handbuch*, p. 79.

⁹ Gergely, *Magyarország története*, p. 314; Michael Riemenschneider, *Die deutsche Wirtschaftspolitik gegenüber Ungarn 1933-1944. Ein Beitrag zur Interdependenz von Wirtschaft und Politik unter dem Nationalsozialismus*, Frankfurt a.M., Bern, New York, Paris 1987 (= Europäische Hochschulschriften. Reihe III: Geschichte und Hilfswissenschaften Bd. 316), p. 21-22.

3. Die Entwicklung der ungarischen Außenpolitik¹⁰

3.1. In den zwanziger Jahren: Überwindung der außenpolitischen Isolation

In Anbetracht der gegebenen außenpolitischen Lage mit dem Bündnissystem der Kleinen Entente, das u.a. zum Zwecke der Aufrechterhaltung des Status quo und der Isolierung Ungarns geschaffen worden war, erkannte die Regierung Bethlen (14.04.1921 - 18.08.1931), daß sich Ungarn zunächst in den vom Friedensvertrag geschaffenen territorialen Rahmen einfügen und die offene Revisionspolitik auf einen späteren Zeitpunkt verschieben müsse. Wichtig war zunächst das Herauskommen aus der außenpolitischen Isolation. Diesem Zweck diene das Begehren um Aufnahme in den Völkerbund am 18.09.1922, die dann am 31.01.1923 erfolgte. Von der Mitgliedschaft erhoffte man sich neben einer Lockerung der außenpolitischen Isolation, die Interessen der außerhalb Ungarns lebenden ungarischen Minderheiten besser vertreten zu können¹¹, sowie gewisse Revisionsmöglichkeiten des Friedensvertrages auf der Grundlage des Artikels 19 der Völkerbundsatzung, vor allem aber die Gewährung von umfangreichen Krediten zur Stabilisierung der Währung und der Wirtschaft.¹²

Weitere, allerdings gescheiterte Versuche zum Ausbruch aus der außenpolitischen Isolation stellten die ungarisch-sowjetischen Verhandlungen 1924 dar, die auf der Grundlage eines gemeinsamen, gegen Rumänien gerichteten Interesses zu einer Vereinbarung hinsichtlich der Aufnahme diplomatischer Beziehungen führen sollten, letztlich aber an den grundlegenden politisch-ideologischen Differenzen scheiterten. 1925/1926 folgten dann die Verhandlungen mit Jugoslawien, das wegen seiner durch Grenzstreitigkeiten mit allen seinen Nachbarn verursachten labilen Lage an der Sicherung seiner Grenze zu Ungarn interessiert war.¹³

Wesentlich wichtiger als die bisher genannten politischen Schritte war für die ungarische Revisionspolitik, die mit dem Vertrag vom 05.04.1927 erfolgte Annäherung an Italien. Gemeinsames Ziel war es, das Bündnissystem der Kleinen Entente mit dem vorherrschenden Einfluß Frankreichs im Donaubecken aufzubrechen bzw. ein entsprechendes Gegengewicht zu schaffen.

Bis in die zweite Hälfte der 1920er Jahre hinein verfolgte Bethlen¹⁴ nach außen hin die Politik, den Vertrag von Trianon zu respektieren. Die ungarische Regierung hielt

¹⁰ Zur ungarischen Außenpolitik der Zwischenkriegszeit ist immer noch unverzichtbar Gyula Juhász, *Magyarország külpolitikája 1919-1945*, 3. überarb. Aufl. Budapest 1988. Interessante Einblicke in verschiedene Einzelaspekte der ungarischen Außenpolitik dieser Periode vermittelt der Sammelband von Pál Pritz, *Magyar diplomácia a két háború között Tanulmányok*, Budapest 1995.

¹¹ Es sei hier erneut auf Szarka, *Revízió és kisebbségvédelem* hingewiesen.

¹² Magda Ádám, *Richtung Selbstvernichtung. Die Kleine Entente 1920-1938*, Budapest, Wien 1988, p. 54-58.

¹³ Ádám, *Richtung Selbstvernichtung*, p. 73-74.

¹⁴ Eine hervorragende Darstellung des politischen Wirkens von István Bethlen gibt die umfassende Biographie von Ignác Romsics, *Bethlen István Politikai életrajz*, Budapest 1991 (= A Magyarországi kutatás könyvtára VIII.).

sich deshalb in auffälliger Weise zurück, die lautstark von allen Kreisen der Bevölkerung vorgetragene Revisionsforderungen aufzugreifen. Mit zunehmender Amtszeit aber gelang es Horthy, sich gegenüber Bethlen durchzusetzen und mit seinen außenpolitischen Vorstellungen - Ablehnung einer Grenzziehung auf ethnischer Grundlage, stattdessen weitgehende Wiederherstellung des Stephansreiches in seinen Vorkriegsgrenzen mit einem sicheren Zugang zum Meer - die diplomatischen Aktionen zu prägen.¹⁵

Anfang 1928 sah Bethlen die Zeit gekommen, daß das wirtschaftlich erstarkte, innenpolitisch gefestigte und sich außenpolitisch auf Italien stützende Ungarn, mit der bis dahin verfolgten außenpolitischen Linie, die gegebenen Grenzen zwangsweise zur Kenntnis zu nehmen, brechen und nunmehr auch offen das wichtigste außenpolitische Ziel, die Revision, verkünden könne. Bethlen war sich aber darüber im klaren, daß das italienische Bündnis allein nicht zur Verwirklichung der Revisionsziele ausreichte, sondern daß Ungarn eine engere Anlehnung an eine der am Donauraum interessierten Großmächte sowohl ökonomisch als auch politisch suchen mußte. Ihm schwebte deshalb ein italienisch-deutsch-ungarisches Bündnis vor, das zu diesem Zeitpunkt - 1928 - aber noch nicht verwirklicht war.¹⁶

Anfang der 1930er Jahre hatte die aktive Außenpolitik Bethlens die außenpolitische Isolation Ungarns zwar weitgehend beendet, im Grunde genommen aber war die Regierung Bethlen zehn Jahre nach Kriegsende bzw. nach Trianon in ihrer Revisionspolitik noch keinen Schritt weitergekommen.¹⁷

3.2. In den dreißiger Jahren: Lavieren vs. Annäherung an Deutschland

Die ungarische Außenpolitik der 1930er Jahre ist zunächst durch ein gewisses Lavieren zwischen der Annäherung an Italien und an Deutschland gekennzeichnet. Gyula Gömbös, Regierungschef vom 01.10.1932 bis 06.10.1936, hatte bereits in den frühen 1920er Jahren die Konzeption einer deutsch-italienisch-ungarischen Zusammenarbeit im Rahmen einer "Achse der faschistischen Staaten" als Voraussetzung für eine umfassende Revision entwickelt.¹⁸ Das Deutsche Reich schien als einziger

¹⁵ Hoensch, *Geschichte Ungarns*, p. 117; Szarka, *Revízió és kisebbségvédelem*, p. 25, spricht von der parallelen Existenz zweier Konzeptionen in den 1920er Jahren: die Strategie der integralen (globalen) Revision und die Strategie einer auf ethnischer Grundlage beruhenden Revision.

¹⁶ Vgl. hierzu insbesondere Mária Ormos, Bethlen koncepciója az olasz-magyar szövetségről (1927-1931), in Miklós Lackó (Ed. by), *A két világháború közötti Magyarországról*, Budapest 1984, p. 101-149.

¹⁷ Hoensch, *Geschichte Ungarns*, p. 119.

¹⁸ Die Außenpolitik des Ministerpräsidenten Gyula Gömbös ist vor allem von Pál Pritz in mehreren Studien eingehend untersucht worden: Pál Pritz, Das Hitler-Gömbös Treffen und die deutsche Außenpolitik im Sommer 1933, in *Acta Historica* 25 (1979), p. 115-144; Pál Pritz, *Magyarország külpolitikája Gömbös Gyula miniszter elnöksége idején 1932-1936*, Budapest 1982; Pál Pritz, Das Geheimnis der auf mehreren Bahnen betriebenen deutschen Außenpolitik, in *Acta Historica* 29 (1983), p. 35-56.

Partner in der Lage, mit den Klauseln des Friedensvertrages auch den Ring der Kleinen Entente um Ungarn und den vorherrschenden französischen Einfluß in Ostmitteleuropa zu brechen. Gömbös erkannte zwar deutlich die Gefahren einer deutschen Dominanz im Donauraum, sah aber in der Einbeziehung Italiens ein Gegengewicht hierzu und somit die Voraussetzung für eine umfassende Revision gegeben. Seine Konzeption ging von einer Aufteilung der Interessensphären der beiden Großmächte aus, an deren Schnittpunkt im Interesse eines Kräftegleichgewichtes ein freier Raum im Karpatenbecken für Ungarn geschaffen werden könnte. Nach der Formulierung von Gömbös mußten die ungarischen Revisionsforderungen im Norden auf Deutschland, im Süden auf Italien gestützt werden. Eine durch ziemliche Naivität und Fehleinschätzung der eigenen Position und Stärke gekennzeichnete Konzeption! Jede Kompromißbereitschaft oder jedes Einlenken gegenüber den Nachbarstaaten wies Gömbös weit von sich.¹⁹

Nachdem in den 20er und frühen 30er Jahren die deutsch-ungarischen Beziehungen - trotz solcher Momente wie "Schickalsgemeinschaft", einer großangelegten kulturpolitischen Offensive Ungarns in Deutschland (Ungarisches Institut in Berlin, Ungarn-Jahrbücher) oder zahlreiche Wissenschaftskontakte - für beide Staaten in der politischen Realität eher eine untergeordnete Rolle gespielt hatten, bedeutete Hitlers Machtergreifung eine entscheidende Wende in der Gestaltung der internationalen Kräfteverhältnisse und damit auch für die ungarische Außenpolitik. In den deutschen Vorstellungen stellten die kleinen Staaten des Donauraumes - nicht nur Ungarn! - eine Reserve erster Ordnung in dem neuen totalitären Weltsystem dar, ihre wirtschaftliche Bedeutung war deshalb nicht marginal, sondern zentral. Da das Dritte Reich in den Kategorien von Abhängigkeit, Anschluß, vollständige Einverleibung bzw. vollständige Vernichtung dachte, war die Selbständigkeit bzw. Unabhängigkeit der Donaustaaten natürlich nur relativ. Eben wegen der zentralen wirtschaftlichen Bedeutung für Deutschland konnte die Annäherung an Deutschland den Donaustaaten nur die Zwangsbahn (*kényszerpálya*), nicht aber einen Handlungsspielraum (*mozgástér*) eröffnen.²⁰

Aus deutscher Sicht war der Ausbau, der vordergründig für *beide* Seiten zum Vorteil sich entwickelnden Wirtschaftsbeziehungen, also die Außenhandelspolitik, das Instrument für die politische Zielsetzung.²¹ Die nationalsozialistische Zielsetzung gegenüber dem Agrar-Überschußland Ungarn sah vor, kurzfristig die Ressourcen auszuschöpfen und sie der deutschen Aufrüstung dienstbar zu machen, langfristig Ungarn in einen unter deutscher Führung stehenden, zunächst ökonomischen, dann politischen Hegemonialraum einzubeziehen.

Die ungarische Position im Verhältnis zu Deutschland wurde dagegen ganz wesentlich durch die Forderung nach Revision der Grenzen geprägt. Damit war aus ungarischer Sicht der Revisionismus der Hintergrund, vor dem die gesamte ungarische

¹⁹ Hoensch, *Geschichte Ungarns*, p. 125; Hoensch, *Ungarn-Handbuch*, p. 82.

²⁰ Ránki, *Mozgástér és kényszerpálya*, p. 17-18.

²¹ Riemenschneider, *Deutsche Wirtschaftspolitik*, p. 23.

sche Außenpolitik und auch die deutsch-ungarischen Wirtschaftsbeziehungen zu sehen sind.²²

Unterschiedlicher hätten die jeweiligen Zielsetzungen der beiden Partner und das Interesse jeweils dem anderen gegenüber kaum sein können! Die Realisierung des deutschen Konzepts wurde in Ungarn stark erleichtert, erstens durch die Absatzschwierigkeiten für Agrarprodukte, zweitens durch den für Ungarn spezifischen Revisionismus, zu dessen Durchsetzung die Unterstützung Deutschlands notwendig war, und drittens die - wenn auch irrealen - Vorstellung ungarischer Politiker, Berlin würde innerhalb eines unter deutscher Führung stehenden Europas Budapest eine Vormachtstellung im Donauraum einräumen und ihm die Rolle eines "Unterherrschers" über die Völker Südosteuropas zuweisen.²³

Deutschland schien somit der "natürliche" Bundesgenosse für Ungarn in der Frage der Revision zu sein. Aber es war natürlich eine Illusion, daß Deutschland bereit sei, unabhängig von seinen eigenen Machtinteressen Ungarn selbstlos zu unterstützen. Dies wurde schon 1933 deutlich, als die oben erwähnte Konzeption der deutsch-italienisch-ungarischen Zusammenarbeit und die ungarischen Revisionsziele dem Führer im März 1933 durch den Ex-Premier Bethlen, im Juni 1933 durch Gömbös selbst erläutert wurden. Dieses Gespräch endete für Gömbös mit einer herben Enttäuschung, weil Hitler wegen der auf Grund der Bodenschätze stärkeren wirtschaftlichen Interessen Deutschlands an Jugoslawien und Rumänien nur bereit war, die gegen die Tschechoslowakei gerichteten ungarischen Revisionsbestrebungen zu unterstützen. Damit waren einer Ausweitung der ungarisch-deutschen Beziehungen zunächst enge Grenzen gesetzt, wobei als wichtigstes wirtschaftliches Ergebnis, die in dem im Februar 1934 neu abgeschlossenen Handelsvertrag vorgesehene Öffnung des deutschen Marktes für ungarische Agrarprodukte zu verzeichnen war.²⁴

Als Instrumentarien zur Umsetzung der nationalsozialistischen Außenhandelspolitik waren das Prinzip der Bilateralisierung und die Frage des Clearings von besonderer Bedeutung.

Der bilaterale Handel war in beiderseitigem Interesse: Ungarn besaß erhebliche Agrarüberschüsse, Deutschland eine erhebliche Aufnahmefähigkeit für diese Agrarprodukte. Die Zahlen für den Anteil Deutschlands am ungarischen Außenhandel zeigen dies. Der Anteil Deutschlands am ungarischen Export stieg von ca. 11 - 12% Ende der zwanziger Jahre über ca. 24% Mitte der dreißiger Jahre auf über 50% im Jahr 1939 und dann auf über 60 bzw. 70% in den Jahren 1943/44. Noch offensichtlicher und bedeutender ist die Dominanz Deutschlands im ungarischen Außenhandel, wenn man die Exportanteile bei bestimmten Warengruppen, z.B. bei Bauxit (1935: 96%), Fleisch (1935: 80%), Schweinespeck (1935: 56%) betrachtet.²⁵

²² Riemenschneider, *Deutsche Wirtschaftspolitik*, p. 22.

²³ Riemenschneider, *Deutsche Wirtschaftspolitik*, p. 24-25.

²⁴ Vgl. hierzu detailliert: Pritz, *Hitler-Gömbös-Treffen*, pss.; Riemenschneider, *Deutsche Wirtschaftspolitik*, p. 59-62, 71-72, 79-81.

²⁵ Vgl. hierzu im einzelnen die Statistiken und Abbildungen in Riemenschneider, *Deutsche Wirtschaftspolitik*, pss.

Das Clearing, die finanztechnische Abwicklung des Tauschverfahrens industrielle Fertiggüter gegen Rohstoffe und Agrarprodukte, band die beiden Vertragspartner noch stärker aneinander, weil Ungarn seine Handelspartner nicht mehr frei aussuchen konnte und insbesondere, weil Deutschland gegenüber Ungarn ein zunehmendes Passivsaldo aufwies. Der deutsche Verschuldungsstand betrug Ende 1939 54 Mill. RM und erreichte Ende 1943 einen Stand von über 1 Mrd. RM.²⁶ Andererseits konnte Ungarn mit seinem Guthaben in Deutschland faktisch nichts anfangen, weil es nicht alle gewünschten industriellen Güter kaufen durfte.

Die deutsche Handelspolitik bedeutete für Ungarn zweifellos eine vorübergehende Hilfe. Die ökonomischen Nachteile, wie völlige Gebundenheit des Marktes an Deutschland und die ungleichen Tauschbedingungen, und mehr noch die politischen Nachteile, machten sich erst später bemerkbar.

Kennzeichnend für die ungarische Außenpolitik ist zunächst noch ein gewisses Lavieren auch zu anderen außenpolitischen Partnern in der Hoffnung, eventuell auch mit deren Hilfe, Revisionsziele verwirklichen zu können. Solange Italien noch ein beträchtliches Gegengewicht zu Deutschland darstellte, suchte Ungarn eine intensivere Unterstützung bei Mussolini, der zahlreiche Versprechen zur Unterstützung der Revisionsbestrebungen gab, und unterzeichnete die Römischen Protokolle im März 1934. Allerdings führte die Bildung der Achse Berlin-Rom im Oktober 1936 zu einer stetigen Unterordnung Italiens gegenüber Deutschland hinsichtlich seines wirtschaftlichen und militärischen Potentials. Dies bedeutete auch eine Einengung des ungarischen außenpolitischen Spielraumes, der ja bisher in Italien ein Gegenwicht zum deutschen Einfluß und Druck gefunden hatte.

Nach dem Regierungswechsel im Herbst 1936 kam es in der Regierung Darányi (12.10.1936 - 13.05.1938) zu einem weiteren kurzfristigen Versuch, sich von der starken deutschen Abhängigkeit zu lösen. Im Laufe des Jahres 1937 wurden Verhandlungen mit den Staaten der Kleinen Entente (Jugoslawien, Tschechoslowakei, Rumänien) geführt, die sich um Fragen der militärischen Gleichberechtigung, eines Nichtangriffsvertrages und um die Minderheitenfrage drehten, letztlich aber erfolglos blieben.²⁷

Die Erfolglosigkeit dieser Politik des Lavierens führte zu einer erneuten engen Orientierung an das Deutsche Reich. Schon bei dem zweiten Treffen Gömbös' mit Hitler im September 1935 wurden die grundlegenden Weichen für die weitere ungarische Außenpolitik hinsichtlich der Revisionsziele gestellt. Nach deutscher Auffassung sollte Ungarn auf seine Revisionsforderungen gegenüber Rumänien und Jugoslawien vorerst verzichten und diese ausschließlich auf die Tschechoslowakei - auf die Rückgabe Oberungarns - konzentrieren. Ungarn erhielt im Gegenzug einen umfangreichen deutschen Kredit zur Aufrüstung seiner Armee. Ende November 1937 wurde die ungarische Regierung von Hitler in Berlin über seine Pläne bezüglich Österreich und der Tschechoslowakei sowie über die Ungarn zgedachte Rolle informiert. Hitler brachte erneut deutlich zum Ausdruck, daß eine Revision nur gegen die Tschechoslowakei gerichtet werden könne, daß mit Jugoslawien eine

²⁶ Vgl. die Tabelle bei Riemenschneider, *Deutsche Wirtschaftspolitik*, p. 394.

²⁷ Ádám, *Richtung Selbstvernichtung*, p. 111-122. Downloaded from PubFactory at 01/11/2019 09:44:35AM via free access

Annäherung auch unter Anerkennung der bestehenden Grenzen gesucht, und mit Rumänien ein *modus vivendi* gefunden bzw. eine Revision auf einen späteren Zeitpunkt verschoben werden müsse. Somit wurden die Revisionsziele und damit die nahezu einzige, zumindest aber die entscheidende Grundlage der ungarischen Außenpolitik von Deutschland bestimmt und lagen nicht mehr in den Händen Ungarns.

Wenn auch nach dem Anschluß Österreichs im März 1938 die Rückgliederung Oberungarns in eine größere Nähe gerückt schien, so wurde in Ungarn gleichzeitig eine deutliche Bedrohung darin gesehen, daß durch eine bevorstehende Einbeziehung der böhmischen Länder unter die deutsche Oberhoheit der deutsche Einfluß im Donauraum deutlich gesteigert wurde.²⁸ In Reaktion hierauf intensivierte deshalb die Regierung Béla Imrédy (14.05.1938 - 15.02.1939) die diplomatischen Beziehungen zu Polen und versuchte vor allem, durch Verhandlungen mit der Kleinen Entente einen möglichst großen, friedlichen Revisionserfolg zu erringen. Die Ententemächte erklärten sich im August 1938 in Bled immerhin bereit, die Rüstungsgleichberechtigung Ungarns anzuerkennen und in der Minderheitenfrage einzulenken.²⁹

Dieser erste, wenn auch bescheidene Erfolg, wurde aber von Hitler bei dem Staatsbesuch Horthys Ende August 1938 sofort abgewertet. Hitler war über die "schlappe Haltung" der Ungarn wütend und forderte, wer bei der Zerschlagung der Tschechoslowakei "mittafeln wolle, müsse allerdings auch mitkochen". Imrédy und Außenminister Kánya wurden am 20.09.1938 nach Berchtesgaden zitiert. Hitler zeigte sich ihnen gegenüber großzügig und ließ sie wissen, daß er auf die Slowakei und Ruthenien keinen Anspruch erhebe, solange die ungarische Regierung sich - nach einer kurzen Wartezeit, um ein Eingreifen Rumäniens und Jugoslawiens zu vermeiden - aktiv an der Zerschlagung der Tschechoslowakei beteiligen würde. Die ungarischen Truppen waren aber unzureichend ausgerüstet und besaßen nur eine geringe Kampfkraft. Deshalb wurde in Ungarn die Nachricht von dem Zusammentreffen der vier Großmächte in München mit Erleichterung aufgenommen, weil damit die Gefahr einer militärischen Auseinandersetzung aus dem Weg geräumt worden war, der Kelch noch einmal an Ungarn vorbeigegangen war.³⁰

4. Revisionserfolge

Das Ergebnis des Münchner Abkommens hatte zunächst große Enttäuschungen in Ungarn verursacht, denn allein dem Auftreten Mussolinis war es zu danken, daß wenigstens in einer Anlage die ungarischen Forderungen erwähnt wurden. Zudem sollten Ungarn und die Tschechoslowakei versuchen, ihre territorialen Probleme innerhalb von drei Monaten bilateral zu lösen. Die bilateralen Verhandlungen scheiterten natürlich. Der daraufhin erfolgte I. Wiener Schiedsspruch war das erste

²⁸ Hoensch, *Geschichte Ungarns*, p. 135; Riemenschneider, *Deutsche Wirtschaftspolitik*, p.132-134.

²⁹ Ádám, *Richtung Selbstvernichtung*, p. 130-132.

³⁰ Hoensch, *Geschichte Ungarns*, p. 137-138.

greifbare Ergebnis einer fast zwanzigjährigen Revisionspolitik, ein Ergebnis, das zwar mit großem Pomp gefeiert wurde, aus ungarischer Sicht aber dennoch eine Enttäuschung darstellte, und für das Ungarn mit erheblichen wirtschaftlichen und politischen Zugeständnissen an Deutschland bezahlen mußte.

Die außenpolitische Konzeption der Regierung Teleki (16.02.1939 - 03.04.1941), die im Februar 1939 die Regierungsgewalt übernahm, ging davon aus, daß einerseits die gegenwärtige Vorherrschaft Hitlers in Ostmitteleuropa anzuerkennen und deshalb bei der zu erwartenden Liquidation der "Rest-Tschechei" auf die deutsche Karte zu setzen sei, weil sonst die Rückgewinnung Rutheniens auf dem Spiel stände, andererseits aber die deutschfreundliche Politik nicht zu einer endgültigen Trennung von den westlichen Mächten führen dürfe, falls sich der deutsch-polnische Konflikt ausweiten sollte. Ungarn wollte also im deutschen Gefolge die größtmöglichen Revisionsgewinne einstreichen, aber auch die Kontakte zu den westlichen Mächten weiterpflegen, um nicht bei einer eventuellen deutschen Niederlage erneut territoriale Verluste hinnehmen zu müssen.³¹ Ein in seiner Grundlage durchaus opportunistischer und zugleich irrealer politischer Ansatz.³²

Es war ein engstirniges und gefährliches außenpolitisches Programm der Teleki-Regierung, die alle Schritte allein an der Möglichkeit eines Revisionsgewinns maß und davon abhängig machte, und somit die wachsende außenpolitische, militärische und wirtschaftliche Abhängigkeit Ungarns vom Deutschen Reich beschleunigte. Den mit politischem Druck vorgetragene deutschen Forderungen ausgesetzt, stellte sich die ungarische Regierung selbst unter Zwang, durch Nachgeben, Über-Soll-Erfüllung, Kürzung des eigenen Verbrauchs und Ignorierung volkswirtschaftlicher Notwendigkeiten - z.B. bei der Erhöhung der Erdöl- und Bauxitproduktion und -ausfuhr -, guten Willen Deutschland gegenüber zu dokumentieren, um sich dessen Unterstützung für den eigenen politischen Revisionskurs zu sichern.³³

Ungarn geriet noch tiefer und unlösbarer in die Abhängigkeit des Deutschen Reiches, mit dem am 24.02.1939 vollzogenen Beitritt zum Antikominternpakt, mit dem am 11.04.1939 erfolgten Austritt aus dem Völkerbund und später, am 20.11.1940, mit dem Beitritt zum Dreimächtepakt. Auch auf wirtschaftlichem Gebiet wurde durch die Ereignisse der Jahre 1938 und 1939, mit dem Anschluß Österreichs und der Zerschlagung der Tschechoslowakei, das Außenhandelsmonopol Deutschlands gegenüber Ungarn in ganz entscheidender Weise gefestigt. Rund die Hälfte des ungarischen Außenhandels, aber auch der Kapitalmarkt in Ungarn, wurden mit einem Anteil von über 50% am ausländischen Industrie- und Berg-

³¹ Gergely, *Magyarország története*, p. 83.

³² Hoensch, *Geschichte Ungarns*, p. 139-140. Aus diesem Grund ist die z.Zt. in der ungarischen Geschichtswissenschaft erfolgende Neubewertung Telekis, z.B. bei Gergely, *Magyarország története*, p. 316, aber auch in vielen anderen anläßlich des 50. Todestages von Teleki erschienenen Beiträgen, in dem jetzt der große Politiker gesehen wird, der als einziger die Gefahren der engen Deutschland-Orientierung gesehen und deshalb im April 1941 die Konsequenzen gezogen habe, meiner Ansicht nach stark diskussionsbedürftig, denn es bleibt feste Tatsache, daß gerade auch *er* den Weg der Verkettung mit der deutschen Politik wegen des Zieles der territorialen Revision selbst mit ausgebaut hatte.

³³ Riemenschneider, *Deutsche Wirtschaftspolitik*, p. 165.

baukapital sowie in anderen Wirtschaftsbranchen nun von Deutschland beherrscht.³⁴ Demgegenüber kann der gebietsmäßige und wirtschaftliche Zugewinn Ungarns nur als ein Scheinerfolg gewertet werden.

Mit dem 1. Wiener Schiedsspruch vom 02.11.1938, der Besetzung Rutheniens im März 1939, dem 2. Wiener Schiedsspruch vom 30.08.1940 und der Besetzung der Bácska im April 1941 hatte Ungarn innerhalb kurzer Zeit allein mit deutscher Unterstützung, um nicht zu sagen von Deutschlands Gnaden, einen Teil seiner Revisionsziele, aber eben nur einen Teil, erreichen können. Welch untergeordnete Rolle letztlich die ungarischen Revisionsziele für die deutsche Politik spielten bzw. nur nach der jeweiligen *deutschen* politischen, militärischen und wirtschaftlichen Interessenlage erfüllt wurden, zeigt gerade auch das Beispiel des Angriffes gegen Jugoslawien. Ungarn erhielt eben nicht als Gegenleistung für die Gestattung des Durchmarsches und für die Teilnahme am Angriff das versprochene Banat, nachdem Rumänien hiergegen protestiert hatte.³⁵

Der Preis, den Ungarn für diesen und die anderen Revisionsgewinne bezahlen mußte, war ungeheuer hoch, ging aber im nationalistischen Freudentaumel über die Gewinne unter: Verzicht auf Selbständigkeit in vielen politischen und wirtschaftlichen Bereichen, erweiterte Rechte für den Volksbund der Deutschen, wesentlich erhöhte Lieferung von Agrarprodukten, Verzicht auf die "bewaffnete Neutralität", stattdessen Teilnahme am Weltkrieg an der Seite Deutschlands, schließlich Niederlage und Wiederherstellung der Grenzen von Trianon.

5. Zusammenfassung

Der Hamburger Historiker Bernd-Jürgen Wendt³⁶ meint, daß die von deutscher Seite gezielte Herbeiführung einer sich mit den Jahren immer mehr verstärkenden einseitigen Abhängigkeit der südosteuropäischen Länder vom deutschen Markt ein hervorragendes Instrumentarium war, um "einen gleitenden Souveränitätsverlust dieser Staaten und ihrer Regierungen und eine gefährliche Verengung ihres Handlungsspielraumes" herbeizuführen. Diese Meinung betont also das starke, geradezu übermächtige sowie von *deutscher* Seite gezielt geplante und ausgehende Übergewicht Deutschlands in den Beziehungen zu den südosteuropäischen Ländern und auch zu Ungarn.

Andererseits ist die Bewertung der Neuen Zürcher Zeitung vom 21. März 1944 noch heute unverändert gültig. Die Zeitung schrieb damals: "Der Revisionismus, dem sich die ungarische Politik nach dem Zusammenbruch von 1918 verschrieb, hat

³⁴ Riemenschneider, *Deutsche Wirtschaftspolitik*, p. 137-138.

³⁵ Gyula Juhász, A magyar revíziós célok és a nagyhatalmak, in *História* 12 (1990), Nr. 3, p.15-17; Riemenschneider, *Deutsche Wirtschaftspolitik*, p. 221-223; Manfred Nebelin, *Deutsche Ungarnpolitik 1939-1941*, Opladen 1989, p. 182-193.

³⁶ Bernd-Jürgen Wendt, Südosteuropa in der nationalsozialistischen Großraumwirtschaft. Eine Antwort auf Alan S. Milward, in Gerhard Hirschfeld und Lothar Kettenacker (Ed. by), *Der "Führerstaat": Mythos und Realität. Studien zur Struktur und Politik des Dritten Reiches*, Stuttgart 1981, p. 414-427, hier p. 419.

Ungarn in das Schlepptau Deutschlands gebracht ... Es verband seine Revisionsbestrebungen mit der deutschen Eroberungspolitik, geriet aber, nachdem es im Frühjahr 1938 infolge des Anschlusses Österreichs zum Grenznachbar Deutschlands geworden war, auch unter den unmittelbaren Druck Berlins und verlor die politische Bewegungsfreiheit ... Auf dem Wege des Revisionismus hatte sich Ungarn unwiderruflich in das Netz der deutschen Kriegspolitik verstrickt."³⁷ Hier wird neben dem Übergewicht Deutschlands auch die Triebfeder betont, weshalb sich Ungarn aktiv in die deutsche Abhängigkeit begeben hat.

Ich meine, daß man diese ungarische Triebfeder, diesen aktiven Anteil Ungarns und damit letztlich auch die eigene Schuld an der Annäherung an Deutschland nicht stark genug betonen kann. Denn das politische Ziel, das Ungarn unbedingt erreichen wollte, war nun einmal die totale Grenzrevision. Weil dieses Ziel aber unter den gegebenen Umständen irrational war, stellte Ungarn seine gesamte Außenpolitik auf eine irrationale Grundlage. Ungarn fühlte sich als Partner und es hat agiert, als ob es ein unabhängiger, selbständiger Partner wäre und einen Handlungsspielraum (mozgástér) besäße. Dies war aber ein Irrglaube. Blind gegenüber den Auswirkungen dieser auf irrationale Grundlagen und Zielsetzungen gestellten Politik hat es nicht bemerkt bzw. nicht bemerken wollen oder verdrängt, daß es aus deutscher Sicht nur die Rolle eines - wenn auch wichtigen - Instrumentes besaß. Mit den Revisionsgewinnen kam Ungarn der Erreichung seines Zieles näher. Wieviel von diesem Ziel verwirklicht wurde, richtete sich aber nicht, wie man in Ungarn glaubte, nach einer eigenständigen ungarischen Politik, sondern danach, was ihm von Seiten Hitlers zugebilligt bzw. auf dem Teller präsentiert wurde. Für Hitler standen aber nicht die ungarischen Revisionsziele als solche im Vordergrund, sondern die optimale Inwertsetzung der wirtschaftlichen Potentiale Ungarns, Rumäniens und Jugoslawiens für deutsche Interessen und Ziele. Die Größe der Ungarn zugedachten Brocken richtete sich deshalb jeweils nach dem Ausmaß der Überschneidung der Interessen beider Länder, wobei das deutsche Interesse aber immer ausschlaggebend war. Beides, die Rolle als Instrument der deutschen Politik und die Überlassung von Territorien durch Deutschland, bedeutet aber nicht, daß Ungarn quasi automatisch und insbesondere unschuldig und gegen seinen Willen in die Abhängigkeit Deutschlands, in die Zwangsbahn (kényszerpálya) geraten ist. Diese Abhängigkeit, in die sich Ungarn aktiv hineinmanövriert hat, war der aus dem ungarischen Bewußtsein verdrängte Preis für die Ziele, die man unbedingt erreichen wollte.

Es wurde von allen ungarischen Regierungen der Zwischenkriegszeit eine opportunistische, von illusorischer Selbstgefälligkeit und von irrealen Wunschen geprägte Vorstellung eines starken ungarischen Reiches in seinen historischen Grenzen geträumt. Trianon erhielt die Funktion eines Sündenbocks, auf den alle Fehlentwicklungen, Defizite und Probleme zurückgeführt werden konnten. Die Revision von Trianon bedeutete also auch die Lösung aller Probleme. Das restaurative System war nicht in der Lage und auch nicht willens, andere politische Alternativen und Denkschemata auch nur anzudenken, geschweige denn einen ernsthaften Versuch zu wagen, solche zu verwirklichen.

³⁷ Zitiert nach Riemenschneider, *Deutsche Wirtschaftspolitik*, p. 268.

DRAGAN SIMEUNOVIĆ

Relations Between Germany and Serbia (Yugoslavia)

Introduction

Relations between Germany and Serbia (Yugoslavia) have gone through different phases throughout history. This brief historical introduction will illustrate that the politics of this relationship are dominated by interests rather than emotions.

The first written records of the relationship between the countries which are today Germany and the Serbian tribes date back to Middle Ages. When we talk about Serbs in this article, we mean the tribes that used to and still inhabit the present Serbian territories as well as the territories around them; we are not talking about the Slavic tribes related to Serbs, such as Sorabs, who still live as a minority, on the territory of Germany.

During the Middle Ages, German Crusaders used to have good relations with the Serbian state. There are also records of military contracts, documenting cooperation between Friedrich Barbarosa and the Nemanjić Dynasty, the dynasty that had made Serbia the most powerful country in the Balkans until the end of the 14th Century. During that time and especially during the reign of Tsar Dušan, the most successful conqueror in Serbian history (having conquered Greece, Bulgaria, Albania, the major part of Bosnia and Herzegovina, Dalmatia and Montenegro), large numbers of workers and craftsmen, from the territory of the present Germany came to work in economically, culturally and militarily powerful Serbia. The majority of these workers and craftsmen were people named Saxons, who were miners and casters by profession. Thus Germans were the first "Gastarbeiters" (guest workers) recorded in the history of Serbia.

After Serbia's fall into Turkish power, a large number of Serbs settled on the border of the Austro-Hungarian Empire and served as the first cordon of defense against a Turkish invasion of Europe. Due to their great military prowess, Austro-Hungarian authorities gave them rights to an independent dukedom, with a high degree of autonomy for that period. The dukedom covered, approximately the territory of present day Vojvodina and the northern part of present day Serbia. This area was partly populated by Germans, who like Serbs and Hungarians settled in waves. There is a lot of historical evidence pointing to very good relations between Serbian and German population. Both nations suffered from the pressure of Hungarians, who were politically dominant in that part of Austro-Hungarian Empire.

Upon reestablishment of the independent Serbian state, at the beginning of the 19th Century, relations between Serbia and Germany started to grow quickly, especially in the area of culture. The German intelligentsia, poets in particular, such as Goethe, Schiller, the Grimm brothers, Ranke, during this period as well as before, supported Serbs in their struggle to liberate the rest of their country from the Turks. Although the whole of Europe supported Serbian endeavors, the German intelligentsia took the lead. Old Serbian epic poetry and literature was being

translated into German, as a sign of support for Serbian efforts to develop their standard language and alphabet.

The newly created Serbian state highly valued German science and culture. The majority of Serbian students in the 19th Century had studied at German universities, from Heidelberg to Berlin. A smaller number of students attended the universities of Vienna, Prague and Paris. The German legal system had also been implemented in Serbia. These two countries, Germany and Serbia, were not, however, territorially connected, so their economic and political relations were not well developed. What makes them similar is, that both of them were newly created rising states. Serbia started to dominate the Balkans and was even invited by Prussia in 1866 to fight against Austria as an ally. By doing this, Prussia showed its respect for Serbian military power. The end of the 19th century was marked by improving trade relations between Serbia and Germany, while the export of agricultural products from Serbia to Germany was particularly important. This was also the time when a large number of German craftsmen came to Serbia, Montenegro and Bosnia and Herzegovina. According to historical records, Serbs appreciated and respected German technical knowledge and this attitude persists today.

By the end of the 19th century the foreign policy of Serbia was often described as germanophilic. In particular, the Obrenović Dynasty set an example for having good relations with Vienna and Germany. The rise of the Radical party, led by Nikola Pašić, at the end of 19th century and the government putsch of 1903 which brought down the Obrenović Dynasty, caused a reorientation of Serbian policy. Under the dynasty of Karadjordjević, Serbia began to rely more on Russia, even though it had not had great experience with Russia in the past. Earlier Serbian experience in foreign relations with Russia can be laconically described as many promises but little benefit.

The Serbian-Austrian relationship was getting worse because of Bosnia and Herzegovina, which had been annexed by Austria, and because of further Serbian economic independence. Germany supported Austria with restraint, following its own political and economic interests. During the First World War which had been started by the Austro-Hungarian Monarchy against Serbia, Germany took the Austrian side, however, little known historical evidence confirms that Germany, during the whole period, was engaged in secret negotiations with Serbia. Germany was trying to make a deal with Serbia, offering territorial solutions which did not seem to be optimal for Serbia. Serbia ended the First World War as a winner, whereas Germany was a defeated country. South Slavic countries, which had been within the Austro-Hungarian Monarchy, such as Croatia, Slovenia and Bosnia and Herzegovina joined Serbia, creating Yugoslavia. Serbia had strong interests in creating Yugoslavia because the Serbian people were scattered in Croatia, Vojvodina and Bosnia and Herzegovina. The victorious forces, France and England above all, wanted Yugoslavia as a new and comparatively big state, to be an obstacle to future German invasions to the East. This was even acknowledged in public by the French government.

Germany and the United Kingdom of Yugoslavia

By creating Yugoslavia, a new stage of foreign relations began as German-Yugoslav relations. The Kingdom of Yugoslavia, which existed from the end of the First World War until the beginning of the Second World War, developing a cooperative relationship with Germany in two phases.

The first phase is the period from 1919 to 1933. In this period Yugoslavia was connected with France which was confirmed by the contract of November 11th, 1927. Relations with Germany were underdeveloped and consisted only of reparations questions, insignificant trade relations and irrelevant technical and cultural cooperation.¹ In that period, Yugoslavia always had a negative trade balance with Germany. Yugoslavia was exporting agricultural products and copper to Germany while Germany was exporting to Yugoslavia industrial products, mostly coal and coke.

As far as the reparations were concerned, Germany was expected to pay 132 billion Goldmarks to the winner countries. From this amount Yugoslavia, Greece and Romania together should have received 6.5%. During 1921 and 1922 Yugoslavia got from Germany as reparations, different products valued at 60 million marks.

In this period Yugoslavia concluded with Germany ten contracts: from trade and navigation, to regulating reparations, from social security, to connecting the telephone lines and regulating the position of Serbian-Croatian-Slovenian agricultural workers in Germany as the first "Gastarbeiter".²

In the second period, from 1933 to 1941, the Kingdom of Yugoslavia was drawing closer to Germany. The new foreign affairs orientation was inaugurated by King Alexander himself in 1933. British and French influence in the Balkans diminished, while Czechoslovakia was increasingly isolated and the German geopolitical position in this part of Europe grew stronger. On the occasion of the Yugoslav statesman Milan Stojadinović visit to Germany, the German daily "Berliner Tagesblatt" announced: "Yugoslavia has a task to prevent the penetration of Soviet Russia into the Balkans via the Danube, which in many ways is equivalent to the geopolitical tasks of Germany and the new Reich."³

During the first years of cooperation, Germany consciously made a financial sacrifice, aiming to include Yugoslavia in the "Grosswirtschaftsraum," a large Central European market.⁴ For the first time, Yugoslavia recorded a surplus in trade with Germany. In this period a joint Yugoslav-German commission for the economic

¹ M. Ninčić, *Foreign Policy of the Kingdom of Serbia, Croatia and Slovenia*, Belgrade, 1924, p.20; D. Biber, "German-Yugoslav Relations" in *Encyclopedia of Yugoslavia*, Book 6, Zagreb, 1965, p. 340.

² A. Djordjević, *The Succession of State and Practice of Yugoslavia*, 1965, Belgrade, p.33.

³ *Berliner Tagesblatt*, January 16th, 1938.

⁴ O. Schulmeister, *Werdende Grossraumwirtschaft. die Phasen ihrer Entwicklung in Südosteuropa*, Berlin, 1943.

cooperation was also formed.⁵ Long-term interests were developed by concluding a trade agreement in May 1934, as well as a tourist and consular convention.⁶

By 1940, the German Reich and the Kingdom of Yugoslavia concluded as many as 22 contracts. Aside, from the great increase in economic cooperation, the Yugoslav Government insisted on no formal political agreement with Germany, and at the same time it continued to retain good relations with England. However, in practice, Yugoslavia completely supported Germany in that period. For example, the Yugoslav Government opposed the sanctions against Germany for reoccupying the demilitarized zone in 1936, then supported Hitler's thesis that the "Anschluss" of Austria was solely a German question, and had no objections to the German occupation of "Bohemia", etc. On the occasion Yugoslav Prime Minister Stojadinović visit in January 1938 Hitler said, "It was our wish and it is still one, that Yugoslavia remains strong, powerful and free. We also wish to improve our economic relations, as much as possible."⁷ Similar statements of friendship were also heard from the Yugoslav side.

However, despite the obviously close relations and almost satellite position of Yugoslavia with regard to Germany, there was certain suspicions on the both sides. Even in 1939, Hitler advised Italians to subdue Yugoslavia, "just in case", and on the other hand, Yugoslav Prince Pavel was trying to foster neutral politics between Berlin and London.

Nevertheless, the economic and ideological affinity between Germany and Yugoslavia prevailed. On March 25, 1941 Yugoslavia signed the Tripartite Pact. The Germans secretly agreed to find in Yugoslavia a way to the Aegean Sea and to Yugoslav sovereignty over Thessaloniki, as well as to respect forever the sovereignty and territorial integrity of Yugoslavia. The third point of obligation was a guarantee, that Germany, together with Italy, would not ask for military aid.

These guarantees were more than convenient for Yugoslavia, and within just a few days, the situation reached its dramatic turning point. On March 27, demonstrations against Yugoslavia signing and joining the Tripartite Pact were organized in Belgrade. Almost a half a century of delusions were now accepted as the truth even by Hitler himself. In other words, it was assumed that the demonstrations were organized by Yugoslav communists. After all, they had been proud of it for more than 40 years. However, it was odd that in sympathy with demonstrations organized by the illegal communist party, the military and political elites, led by General Dušan Simović, would carry out the putsch and take power.

Only half a century later would it become known that the whole action was planned and performed by the British Intelligence Service, and that the Yugoslav communists did not know anything about it. According to the high party official Vladimir Bakarić, revealed before he died, the communists joined the

⁵ B. Djordjević, *The Review of Contractual Trade Policy from the Foundation of Serbia, Croatian and Slovenian State to 1941*, Zagreb, 1960, pp. 138-191.

⁶ Trade Contract between the Kingdom of Yugoslavia and Germany with Supplements A, B and C and the Concluded Protocol, Belgrade, May 1st, 1934, in *Službeni list*, Beograd, 1934, No. 123 - XXXII and 1938, No. 2 - II.

⁷ *Aggression against Yugoslavia and Greece. "Nürnberg Verdict"*, Belgrade, 1948, p. 75.

demonstrations spontaneously and were using them to gain popularity. It was obviously convenient for the British that the demonstrations seemed as spontaneous as possible. The English achieved their goal. The putsch government, led by General Dušan Simović denied Germany the loyalty of Yugoslavia. Today, Simović's pro-English orientation is not disputable.

The Second World War

The pact between Germany and Yugoslavia was broken. The German government believed the demonstrations were spontaneous and Hitler acted more than emotionally, without confirmation. On that very day, he ordered that Yugoslavia should be destroyed as a state and Belgrade bombed, even though it was protected by international convention. As early as April 5, 1941 Germany invaded Yugoslavia, in all its fury, and on April 17 Yugoslavia signed its unconditional capitulation. The territory of Yugoslavia was divided among the allies of Germany. Italy got part of Slovenia, Dalmatia, part of Bosnia and Herzegovina, the region of Sandžak, Montenegro and part of Macedonia. Bulgaria got the southeastern part of Serbia, a small portion of Kosovo and eastern Macedonia. Hungary got Bačka, Baranja, Medjumurjè and Prekomurje. Albania, "in agreement with Italy", got the smaller part of Montenegro, part of Sandzak, the largest part of present day Kosovo, and the western part of Macedonia. Germany occupied Serbia, Banat, where the great majority of Ethnic Germans had lived, and a small part of Slovenia. Germany created a satellite Independent State of Croatia (NDH) on the territory of the largest part of Croatia, Bosnia and Herzegovina and Syrmia, over which it had the complete control.

Thus, a dual war began on the territory of then Yugoslavia. First, the partisan resistance movement, led by the communists, and second, the Civil War among different military groups, mostly based on ethnicity. From 1941 to 1945 that war took more than 1,650,000 Yugoslav citizens.

In its desire to break the resistance of the rebels, the German army used "unscrupulous reprisal measures" against the rebels, their helpers and relatives: such as, hanging, burning down settlements, increasing hostages taken, and deportation to concentration camps.⁸ On Germany's side, there were about 140,000 Yugoslav citizens fighting in 1941, about 266,000 in 1942, about 412,000 in 1943 and 416,000 at the end of 1944, while in 1945 there were only about 236,000.⁹

After the military and political breakdown of Germany in 1945, in addition to the 15 million ethnic Germans from different states who came to Germany willingly or

⁸ Minutes from the Session of the Supreme Command of German Armed Forces made on 27 March 1941, "Documents about the Fascist Attack on Yugoslavia" in *Thirty Days*, 1947, No. 16, p. 45.

⁹ The Collection of Documents and Data about the National Struggle for Liberation of Yugoslav People, Volume I, book I, p. 391

by force, those who had fought on German side fled to Germany. In total 715,000 fugitives, many of whom were from Yugoslavia, went to Germany.

Post-War Relations, The First Phase

The end of the war ushered in a new period of relations between Germany and Yugoslavia. It was a long period of cooperation, but at the same time there were great problems between these two countries.

Yugoslavia was consolidated again as a united state and a socialist federal system was established. Germany found itself in a difficult position. Defeated and burdened with considerable reparations and indemnities, it suffered division. It was destroyed militarily and economically. High officials were sentenced for war crimes. In the Second World War about 3.5 million German soldiers and 500,000 civilians were killed (mostly during the Allied air attacks). The Yugoslav army, which had by the end of the war 800,000 soldiers and which was then one of the largest allied armies, did not participate the reprisals against Germany.

The beginning of the "cold war" between the recent allies contributed to the already complicated Yugoslav-German relations. Yet, the relations between Germany and Yugoslavia started developing comparatively quickly after the war. After the reestablishment of the German statehood, a round of bilateral agreements were made.

In the period from 1945 to 1951 Yugoslavia was among the first countries which carried out the repatriation of German war prisoners. After the secret negotiations, from 1950 to 1951, Yugoslavia was again among the first countries to begin a normalization of relations. It was among the first to recognize Germany indirectly, and complete normalization and the reestablishment of diplomatic relations were completed on December 9, 1951. At the end of the war, there were 84,453 German war prisoners. Up to January 18, 1949 about 74,354 German soldiers were set free and returned to Germany. While some 3,968 of German soldiers remained in Yugoslavia, having free citizenship status. 1,024 war prisoners were suspected for war crimes in Yugoslav courts; of these, 962 were sentenced to death. The 11 remaining German prisoners were released from prison and repatriated by the decision of Yugoslav government on March 18, 1953.¹⁰

The fate of German national minority, Volksdeutsche, or ethnic Germans, was a special problem. Up until the Second World War about 500,000 ethnic Germans lived in Yugoslavia. They predominantly inhabited Croatia and Bačka and Banat in Serbia. Their withdrawal from the territory of Yugoslavia to Germany started with the decree of the Ministry of Foreign Affairs of Germany, dated October 10, 1944. By the end of the war, the number of ethnic Germans that left Yugoslavia was about 110,000 from Croatia and about 105,000 from Serbia. About 80,000 members of the German national minority fought for the Wehrmacht, and the vast majority on them withdrew to Germany. Only 17,000 were prisoners of war. By decree of Yugoslav

¹⁰ Amendment to the "Službeni list" 15/1956; Report D.A., March 25, 1953.

authorities, their property was confiscated, along with the property of Serbs, Croats and all other nationalities found to be on the defeated side. It is estimated that about 30,000 ethnic Germans were killed in the fighting. The rest of the German national minority in Yugoslavia, tragically paid for the aggression of Germany on Yugoslavia. About 30,000 were taken by the Russians to Siberia, and about 20 thousand were killed although completely innocent. From March 25, 1945 special concentration camps were formed for ethnic Germans only, which the Yugoslav public knew very little about. The conditions were extremely difficult in these camps. The conflict between Yugoslavia and the Soviet Union in the year 1948 and the Russian departure from Yugoslavia enabled Yugoslav authorities to change their policy towards German population in Yugoslavia. The concentration camps were already closed in March 1948 and out of 6,500 Ethnic Germans accused of war crimes, only 163 of them were tried and convicted.¹¹

From 1951 to 1957, relations between Germany and Yugoslavia substantially improved on political, economic and cultural field. Significant economic cooperation was established and mutual visits of the high level officials from both countries took place. This was a period when Yugoslavia was getting closer to the West and it even entered into a military alliance with Turkey and Greece initiated by the Great Western Powers.

During this period, leading Yugoslav politicians and President Tito in particular had frequently emphasized Germany's right to be a sovereign country and to rearm. President Tito often said, that Yugoslavia was the first country to require, "the unity of Germany as the sole decision of the people of Western and Eastern Germany".¹²

Up to March 10, 1956, Germany had paid approximately DM 60 million to Yugoslavia in war claims. Germany also approved an interest-free loan amounting to DM 240 million for a 99-year-period.¹³ At the same time, Germany stopped terrorist activities by Yugoslav political emigrants against Yugoslavia.

The only serious problem that arose between the two countries during this period was the refusal of Germany to pay war reparations for Yugoslav victims of Nazi crimes. However, severe military, economic and political pressure by the Soviet Union on Yugoslavia started in 1948, and forced Yugoslavia to give in. In 1957, Yugoslavia recognized Eastern Germany as well, hoping that it would be able to maintain good relations with both German countries. Western Germany had an extremely negative reaction and applied Halstein's doctrine,¹⁴ breaking off diplomatic relations with Yugoslavia.

The break of diplomatic relations, which lasted from October, 1957 to January 1968, was harmful for both countries. However, their cooperation in the economic field had even improved. In that period the number of German tourists visiting Yugoslavia was steadily increasing as well as the number of Yugoslav workers in

¹¹ Report of the Yugoslav Agency; *Jugopres*, May 22, 1954

¹² J. Broz Tito, "About Unification of Germany, The Report from VII Congress of the Communist Party of Yugoslavia" in *Struggle for Peace and International Cooperation*, Book V, Belgrade, 1960, p. 169.

¹³ *Politika*, November 16, 1957.

¹⁴ M.G. Doenhoff, *Deutsche Aussenpolitik von Adenauer bis Brandt*, Hamburg 1970, p. 100.

Germany. By the end of 1967 there were already about 100,000 Yugoslav guest workers in Germany. Economic sanctions, the so called "Eastern clause," were, however, imposed on Yugoslavia by Germany and scientific and technical cooperation was reduced. Yugoslav émigrés, in particular the Croatian terrorists, were creating problems for Yugoslavia again. The end of sixties was characterized by non-aligned politics in Yugoslavia, complete separation from Russian influence and the normalization of relations between Western Germany and Eastern socialist countries. During 1967, Germany initiated the re-establishment of diplomatic relations with Yugoslavia. Thus, their relations were normalized again from February 3, 1968.

Relations From 1968 to the Late 1980s

From 1968 to the late 1980s was a new period. Highest level delegations were exchanged again, and economic, cultural, scientific and technical cooperation was getting stronger.

The issue of war reparations to Yugoslav victims of Nazi crimes was being reconsidered. For about 1 million victims, Yugoslavia requested DM 2 billion. The problem was finally resolved by German offering a loan to Yugoslavia in the amount of DM 1 billion with very favorable conditions. The two governments signed an agreement on November 22, 1972 and December 10, 1974. Terrorist activity by the Yugoslav political emigration in Germany decreased for a time, but it intensified again from 1976 to 1979. Although Germany and Yugoslavia had cooperated very well in the extradition of war criminals after the Second World War, the same was not true for the extradition of terrorists.¹⁵ Germany failed to fulfill numerous Yugoslav requests for extradition of Croatian terrorists and so Yugoslavia reciprocated in 1978 when German terrorists were at issue. Yugoslavia had imprisoned four German RAF terrorists, and asked Germany to extradite eight Croatian terrorists in exchange. When Germany refused to meet Yugoslav requirements and acquitted the accused of the charges, the Yugoslav government reacted emotionally and let the German terrorists go free.

As for the matter of Yugoslav guest workers in Germany, there were about 1,800 in 1954, the first year recorded. The improvement of relations led to an increase in the number of the guest workers. In 1970, there were 388,953 and this number was still steadily increasing up to 1973. According to the 1979 census the largest number were coming from Croatia, about 32%, and from Bosnia and Herzegovina, 25.5% with the workers from Slovenia and Kosovo as numerous. The least number of the workers were from Serbia.¹⁶ According to the Federal Yugoslav Employment Agency, the largest number of Yugoslav workers in the Federal Republic of

¹⁵ Georgijević - Atlas. "The Relations of Yugoslavia and FR of Germany 1971 - 1979", in *Yugoslav Review*, Beograd, 1/1980, p. 39.

¹⁶ I. Baučić, "Yugoslav Citizens in FR of Germany about the End of 1979 and in the Beginning of 1980", in *Migrations*, Zagreb, 8-9/1980, p. 188.

Germany was recorded in 1972, declining thereafter to around 300,000 in 1984. This number, however, does not include worker's families.

Yugoslav citizens called for greater cooperation in the regulation of their rights. There was some progress although the Yugoslav side was never entirely satisfied, particularly when it came to the education of Yugoslav children in the Federal Republic of Germany. Pressure was also exerted by some political circles in Germany for guest workers to "return to their homes" or to accept being classified as second-rate citizens in Germany.

In terms of the economic cooperation in that period Germany was first or second on the list of Yugoslav foreign trade partners. In the period from 1968 to 1984, some 385 contracts on economic cooperation were concluded. In the sphere of the technology transfer, Germany was also taking the lead. In this period, Yugoslavia concluded 216 contracts related to the this kind of business operations.

Regarding tourism, Germany was Yugoslavia's most important partner. During 1984, for example, some 2.14 million German tourists visited Yugoslavia. The foreign exchange profit worth \$426 million was realized.

In terms of financial cooperation, Germany was the second largest creditor following closely behind the USA. Cultural-educational and scientific cooperation also intensified in this period. Yugoslav students most frequently chose specialization in the sphere of technology, physics, chemistry, electronics, informatics, machinery, civil engineering, archeology, music, literature and medicine. German exchangees mainly came to Yugoslavia in order to study languages, history, archeology and literature. It was only by means of DAAD that, from 1960 to 1979, Germany was visited by about 8,000 Yugoslavs, whereas about 1,000 German citizens visited Yugoslavia. The difference in number was conditioned not only by unequal interests but also by unequal financial opportunities. Various cultural exchanges were very successfully organized, opening the possibilities for new forms of cooperation.

The problems that arose in this period were as follows: a constant increase in the Yugoslav trade deficit with Germany, reaching \$10.3 billion in 1981; a huge debt with the Federal Republic of Germany amounting to \$1.7 billion in 1982; as well as excessive technological dependence on Germany;¹⁷ and according to the Yugoslavs, the Germans were not trying hard enough to stop anti-Yugoslav terrorism on German soil.

Relations Up to the Present

The last, and latest stage of the relations started with the collapse of the Berlin Wall and continues into the present. The Yugoslav position on the question of German unification was for a very long time the most constructive one as compared to all other socialist countries. The simple act of unification was greeted with approval. Except for the occasional newspaper article, most Yugoslavs were almost as elated as Germans by the idea of the unification. Thousands of Yugoslav citizens and

¹⁷ Branko Pavlica, *Jugoslavija I SR Nemacka 1951-1984, Nas Glas Smederevo, 1989.*

tourists were traveling to Germany to see the end of an injustice and often brought small pieces of the Wall as souvenirs. Throughout Yugoslavia the people felt more or less similar affinities towards Germany as it evolved into the most powerful economic and military European force.

However, the changes which were going on in Eastern Europe were affecting Yugoslavia in a peculiar way. While in the single-nationality countries, such as, for instance Poland or Hungary, there was only a process of liberation from communism, the multiethnic countries, such as ex-USSR and Yugoslavia were shaken by increasing separatism. Communist ideology was replaced by a new one, also collectivist and ardently ideological of nationalism. The paradox was that nationalism was used by the former communist "elite" to lead the national movement in their republics, even though they had struggled so fiercely against nationalism as the enemy of communism.

In the beginning Germany supported the territorial integrity of Yugoslavia, however, the separatist movements, in Slovenia and Croatia first of all, sought foreign support, first in Italy and Austria, and then in Germany. As these two republics grew closer to Germany, Serbia, where nationalism also dominated, began to look on with ever increasing suspicion. And while Slovenian and Croatian politicians literally rushed to Germany asking for support, Serbs avoided any contacts with Germany, leaving it to the Federal Government. The federal authorities had already ceased to function by this time and could not legitimately represent Serbian or anyone else's interests. Even today, Germany is viewed as one of the international factors which brought about the beginning of the Civil War, and as a considerable influence over the premature international recognition of Slovenia and Croatia and especially Bosnia and Herzegovina. The old fears of German "Drang nach Osten" over Serbia, heralding the fall of Yugoslavia arose again. There was an atmosphere of total repulsion towards Germany, while on the other hand there was an atmosphere of euphoria in Croatia toward Germany. The old wounds were opened and the emotions flared. Even such a liberal president of the new Yugoslav state (consisting of Serbia and Montenegro) as Milan Panić, an American citizen, avoided contacts with the highest German authorities.

Currently, the situation has improved. But just as the former Yugoslavia missed its chance to be the first to begin the process of transition towards the market economy and parliamentary democracy, so Serbia and this latest Yugoslavia have once again missed the chance to solve its problems regarding foreign relations. It is a matter of dialogue between true partners. Serbia need only consider the well-known rule from conflict theory; whenever you have a problem with somebody, try to solve it together with him. Instead, feelings of frustration have prevailed on the Yugoslav-Serbian side because of German support for Albanians in Kosovo.

Allies were sought first, among the Jews due to the similar historical destiny, second, among the French on account of the solidarity they had proved during the First World War, then Serbian hopes were pinned on the Greeks and finally on Russians. In the meantime the Croat and Moslem sides reinforced their positions looking to Germany and USA, these two being the de facto most powerful countries. It was unrealistic to expect help and support from Russia, which itself was

economically, politically and militarily on “its knees” before the Western forces. The Serbian side did not fail to notice that Germany was propagating strong accusations against Serbia and the Serbian people, that German public and the media were most aggressive - most often blaming Serbs for all war crimes. The objectivity of many German intellectuals and experts who admitted that Germany had made a mistake with the premature recognition of the ex-Yugoslav republics was not seen as sufficient. German humanitarian aid for the Serbian people was not widely publicized, even though it may have been far less as compared to the aid for the other side. Serbian fear and indignation towards Germany dominated. However, within Germany Serbian workers were not as affected by the German right wing as the Turkish Gastarbeiters.

When the relations with the Jews, French, Greeks and Russians failed, Serbia (the new Yugoslavia), returned to realistic politics. Instead of emotions, calculated interests prevailed. The Dayton Agreement was signed in 1994 and real peace preconditions were created. The embargo imposed by the international community was suspended. There was an impression in Yugoslavia that Germany had supported these processes. Even the possibility of Yugoslav joining The Partnership for Peace started to be openly considered. Russia did not support this idea although it itself had joined The Partnership for Peace as well as all the countries around Yugoslavia. This might have given a wrong impression that Yugoslavia would remain “the Russian fist” in the Balkan peninsula. Yugoslavia has no such a wish at all, particularly since Russia has made no particular efforts to help Serbia and Yugoslavia. Calculated interests rather than emotion dictated Yugoslav recognition of Macedonia. The German, and/or European proposal was respected, although it made Greeks rather angry.

The relations with Germany were reestablished and agreements were made, concerning first of all return of 120,000 refugees to Yugoslavia. It is not convenient for Yugoslavia for economic or political reasons since most of those refugees are young, unemployed and separatist-oriented Albanians. Nevertheless, Yugoslavia accepted them as an act of goodwill towards Germany. It is well known that the refugees have cost Germany a lot, and causing other problems as well. Many are criminals among Albanian refugees, and Germany would like to get rid of them. On the other hand Yugoslavia fears the return of 100,000 young militant Albanians to Kosovo, increasing the chances for an Albanian separatist uprising.

In exchange for the refugees, Germany has agreed to support the integrity of Yugoslav territory and the Yugoslav Government has chosen to trust Germany. Thus reestablishment of good old relations has started again. The clearest expression of Yugoslav trust in Germany is the orientation of most Yugoslav large companies towards Germany once again.

Finally, we must consider the prospects for further cooperation. Above all, there are opportunities for cooperation in the energy and in the chemical industries. Germany could make use of the enormous Yugoslav potential for healthy food production. There are good prospects for cooperation in tourism and international traffic because of Yugoslavia’s key location on the continent. Germany will also be of great importance to Yugoslavia following the long period of economic isolation

resulting from the international sanctions which affected cultural, educational and technical cooperation.

All these relations, from economic to scientific ones, present a good basis for the development of the sound political relations. Yugoslavia should not seek conflict with the most powerful country in Europe, but friendship. Moreover, Germany does not need additional problems with Yugoslavia which could, within the scope of European relations, do more harm than good.

If the 19th Century was the century of more or less harmonious relations between Germany and Serbia and the 20th Century was the one of great fluctuations, from cooperation to the great conflicts, and if it is true that history repeats itself, then now is the time for the new century to usher in harmonious relations between Germany and Serbia (Yugoslavia).

RICHARD J. CRAMPTON

Bulgaria and Germany during the Second World War

The relations between Germany and Bulgaria during the second world war were those between a great power and a small one, between a giant and a dwarf. For the Bulgarians the prime concern was to preserve as much freedom of manoeuvre as they could. Their success, or lack of it, depended on the personalities involved and on the exigencies of war. On the Bulgarian side the most important personality, until his untimely death in August 1943, was King Boris III.

The Role of King Boris

By the middle of 1936 Bulgarian foreign policy was under the direction of King Boris. His major objective was to keep Bulgaria out of the European war which he feared was imminent and he therefore refused to commit his country unequivocally to any great power. This required skilful diplomacy not only abroad but also at home where the various powers all had their lobbies and their supporters: Boris once remarked wryly, 'My army is pro-German, my wife is Italian, my people are pro-Russian; I alone am pro-Bulgarian'.¹

In the second half of the 1930s the pro-German lobby became ever more confident. The Bulgarian army was being supplied and trained by Germans, whilst economic ties were becoming ever stronger. Bulgaria, like Germany, was a revisionist power and could not help but rejoice at every successful assault launched by Hitler on the Versailles system. After the Munich and Vienna awards of 1938 Bulgaria was the only state defeated in the first world war not to have received any rectification of territory, and to many it seemed the only way to secure such rectification was by joining Germany. Boris did not agree. He was determined to retain as much freedom of action as possible. He could do little, however, to mollify or alleviate the exigencies of war, and the defeat of France in the summer of 1940 drastically reduced his room for manoeuvre. In September of that year German and Soviet pressure on Romania produced the treaty of Craiova which secured for Bulgaria the return of the southern Dobrudja. For the first time since 1918 Bulgaria had received some territorial redress and gratitude was duly expressed in a number of ways, including the renaming of some Sofia thoroughfares after prominent Germans. But still Boris refused to commit himself unequivocally to the German cause. Indeed, shortly after Craiova Boris declined an offer from Mussolini which would have given Bulgaria most of Macedonia in return for Bulgarian help in the

¹ Marshall Lee Miller, *Bulgaria during the Second World War*, Stanford University Press, Stanford California, 1975. p. 1. For the general political history of Bulgaria in the inter-war years, see R J Crampton, *A Short History of Modern Bulgaria*, Cambridge University Press, Cambridge 1987. pp. 82-124.

Italian attack upon Greece. What caused Boris eventually to cast Bulgaria's hat into the Axis ring was the deterioration of German-Soviet relations.

The Nazi-Soviet Pact of August 1939 had been a Godsend for Boris. Cooperation with Germany need no longer mean offending the mass of the Bulgarian peasantry whose sentimental attachment to the Russians was still great, that attachment being a legacy of a common religious faith and of the Russian military action of 1877-78 which had led to the liberation of Bulgaria from Ottoman rule. By the end of 1940, however, this convenient situation was changing. The Soviet Union approached Bulgaria with proposals for a non-aggression pact. This occasioned considerable alarm in Sofia not least because the Germans made it clear that in secret talks with Berlin Moscow had put forward proposals for Bulgaria's future which differed considerably from those presented in the non-aggression pact proposed to the Bulgarians. The latter included the creation of a Soviet zone of influence in the Balkans which would involve the establishment of Soviet bases in the Bulgaria. In 1939 the establishment of Soviet bases in the Baltic states had proved the prelude to the incorporation of those states into the Soviet Union in the following summer. With France defeated, the USA neutral, and Britain being pounded by the Luftwaffe, Boris's options were narrowing to a choice between Germany and the USSR. After the experience of the Baltic states there was no doubt that Berlin was to be preferred to Moscow. In the early months of 1941, with German troops concentrating in Romania in preparation for 'Barbarossa', the pressure for a commitment to the German cause mounted, but that commitment did not come until it was obvious that German troops would have to be used to save the Italian cause in Greece. The easiest way for Hitler to offer this help was to move units from Romania to the Greek front which meant their passing through Bulgaria. This they would do whether or not the Bulgarians agreed. If rape were to be inevitable, it was better, if not to enjoy it, then at least to make the best of it.

A German air force mission had been dispatched to Bulgaria in December 1940 and in the following two months Luftwaffe units moved into the country.² On 1 March 1941 Bulgaria officially became an ally of Germany when the pro-German prime minister, Bogdan Filov, signed the tripartite pact in Vienna.³ Britain immediately broke off diplomatic relations, though war was not to be declared, by Bulgaria, until December 1941.

The rewards for joining the Germans were immediate and considerable. Territories on the western border, lost to Yugoslavia in 1918, were regained, as was most of western Thrace, also lost in 1918; to these were added in May the islands of Thassos

² John Ray, *The Night Blitz 1940-1941, Arms and Armour*, London 1996, p. 203.

³ Much has been written on Bulgaria's road to involvement with Nazi Germany. The best summary of the diplomatic prelude to the signature of the tripartite pact in Nicolai Genchev, *Bûlgarsko-germanski diplomatcheski otnosheniya (1938-1941)* in H. Hristov et. al. (eds), *Bûlgarsko-germanski otnosheniya i vrûzki. Izsledvaniya i Materiali*, Bûlgarskata Akademiya na Naukite, vol. 1, Sofia 1972. p. 391-433. There is an excellent and perceptive examination of Bulgarian-German relations in the 1930's in Georgi Markov, *Bûlgaro-Germanski otnosheniya, 1931-1939*, Kliment Ohridski Press, Sofia 1984.

and Samothrace.⁴ A much larger prize was Serbian Macedonia, the majority of which came under Bulgarian control after the dismemberment of Yugoslavia by the Axis. Macedonia did not pass into full Bulgarian ownership, that was to wait until the definitive peace settlement, and the Germans retained control of Salonika; nevertheless, the majority of Macedonia was now in Bulgarian hands, a Bulgarian archimandrite officiated at the 1941 Easter service in Skopje cathedral and Bulgarian nationalists rejoiced that 'unified Bulgaria' had been recreated.⁵

There still remained the question of how free this unified Bulgaria would be to pursue its own policies. One of its great assets was the knowledge and skill of its king. Boris was by now greatly experienced in diplomacy and knew well the strengths, the weaknesses and the foibles of those with whom he had to deal; for example, when flying in to meet dignitaries he would have an aide scrutinise the welcoming delegation through binoculars to see who was at its head, after which the King would don the appropriate uniform and wear the appropriate medals.⁶ Furthermore, in his dealings with Hitler Boris was entirely without constraint, 'speaking without hesitation about the most delicate matters as though it were the most natural thing in the world. This unassuming ease was indeed his great strength,'⁷ as Joseph Rothschild notes, Boris was 'neither intoxicated nor intimidated by Hitler'.⁸ Hitler acknowledged he had reason to be content with Boris and with a people who had given the German troops such a friendly reception. The Bulgarians, Hitler told the King in June, were the Germans' best friends and before the newly appointed German minister to Sofia, Adolf-Heinz Beckerle, set out for his post he was told by Hitler that he was going to a country 'which was very close to the Führer's heart, to a

⁴ Generaloberst F. Halder, *Kriegstagebuch*, vol.ii, *Von der geplanten Landung in England bis zum Beginn des Ostfeldzuges (1.7.1940-21.6.1941)*, W. Kohlhammer, Stuttgart 1963. p. 430.

⁵ The main sources for this essay have been Vitka Toshkova, *Bŭlgariya i tretiyat Reich (1941-1944): politicheski otnosheniya*, Nauka i Izkustvo, Sofia 1975; Ilcho Dimitrov (ed), *Bogdan Filov. Dnevnik*, Otechestven Front, Sofia 1990. This work hereafter cited as *Filov, Dnevnik*; extracts from the diary are available in English in Frederick B. Chary (translator and editor), *Southeastern Europe*, (Pittsburgh), vol. 1, no. 1 (1974), pp. 46-71, vol. 2, no.1 (1975), pp. 70-93, and no. 2 (1975), pp. 161-86, vol. 3, no. 1 (1976), pp. 44-87, and vol. 4, no.1 (1977), pp. 48-107. See also, Miller, *op. cit.* Hans-Joachim Hoppe, *Bulgarien - Hitlers eigenwilliger Verbündeter. Eine Fallstudie zur nationalsozialistischen Südosteuropapolitik, Studien zur Zeitgeschichte*, herausgegeben vom Institut für Zeitgeschichte, Stuttgart 1979. Stephane Groueff, *Crown of Thorns. The Reign of King Boris III of Bulgaria, 1918-1943*, Madison Books, Lanham, New York and London 1987. And V. Toshkova, 'Dnevnikŭt na A.-H Beckerle za bŭlgarsko-germanskite politicheski otnosheniya (1941-1944)', *Bŭlgaro-Germanskite Otnosheniya i Vrŭzki*, Bŭlgarskata Akademiya na Naukite, vol. 3, Sofia 1981, pp. 361-80. Where no reference is given it should be assumed that one of the above authorities is the source.

⁶ Groueff, *op.cit.* p. 346-7.

⁷ Paul Schmidt (edited by R.H.C. Steed), *Hitler's Interpreter*, Heinemann, London 1951, p. 267.

⁸ Joseph Rothschild, *Return to Diversity: A Political History of East-Central Europe since World War II*, Oxford University Press, New York and Oxford 1989. p. 66.

truly friendly people, to a leader who had undergone a great deal, who had enormous political experience, and whom the Führer greatly admired and liked';⁹ Göbbels commented of Boris that, 'If all our allies were like that, we should be satisfied.'¹⁰

Despite this, however, Boris lacked confidence and was constantly plagued by fear and anxiety. He suffered recurrent anxieties that the Germans would assume total domination over Bulgarian affairs. Before the attack upon the Soviet Union Boris' fears were promoted by changes in German diplomatic representation in the Balkans which promoted party rather than professional diplomatists. One such was Beckerle who had been a committed Nazi since 1922 and who, after narrowly surviving the Röhm purge, became a high-ranking policeman. Boris detested Beckerle for whom he had a deep and largely justified suspicion. Beckerle believed that 'the conduct of Bulgaria's ruling circles would have to be observed, controlled and where necessary directed so as to conform absolutely with the requirements of Berlin'.¹¹

Bulgarian-German Relations, 1941-1943: the Role of Bulgaria in the Second World War

After June 1941 the greatest issue at stake in German-Bulgarian relations was of course the war on the eastern front, a conflict greater in extent and portent than anything that had gone before.

Boris was determined that Bulgaria should not be dragged into this new war. Filov had been given an assurance by Hitler in March that the Germans 'would not in any event wish us to do anything which we ourselves did not wish to do'.¹² Any immediate fears in June were allayed when Berlin required of the Bulgarians nothing more than that they represent German interests in Moscow. The Germans in fact agreed wholeheartedly with Sofia's contention that the Bulgarian army was insufficiently equipped to take part in a modern, mobile war; by common agreement its functions were confined to keeping order in Bulgarian-occupied areas and to constituting a reserve force should Turkey intervene on the enemy side. Even these minor tasks, the Bulgarians were quick to point out, required wholesale modernisation of the army, a process to which the Germans, as the supplier of the equipment involved, had no objection.

In fact the Bulgarians were never to commit forces, not even volunteers, to the eastern front, and they were to maintain diplomatic relations with the Soviet Union throughout the period of the German-Bulgarian alliance. They did give some charitable aid, the most notable example being a Red Cross train, equipped at Bulgarian expense and staffed by doctors and sisters of charity from Bulgaria. The train was intended to care for the wounded of both sides but it was actions such as

⁹ Filov, *Dnevnik*, p. 521.

¹⁰ Louis P. Lochner (translator and editor), *The Goebbels Diaries*, Hamish Hamilton, London 1948, p. 106.

¹¹ V. Toshkova, *loc. cit.* p. 361-63.

¹² Filov, *Dnevnik*, p. 270.

this which led the Soviets to complain that Bulgaria's conduct went beyond normal diplomatic relations between two states. This only intensified Bulgarian determination to avoid anything which could be interpreted as involvement in the eastern war. Thus when the Germans wished to use as volunteers fifteen Bulgarian pilots who had been training in Germany the Bulgarian government insisted that if they were used in combat it could only be in North Africa and they were not to wear German uniform or to take an oath of allegiance to Hitler. In May 1942 it was decided the pilots could not even be used in North Africa.¹³

On the great question of the eastern war Bulgaria was in effect to preserve its freedom of action, albeit in circumscribed circumstances. At the end of 1941 Boris was not able to resist a German diplomatic offensive on another and probably equally important question. As a result of its decision in March to join the tripartite pact the Bulgarian government had found itself at war with Britain but in December enormous pressure on Sofia from Berlin forced Bulgaria to join Germany in declaring war against the United States. This new war, like that declared against officially against Britain at the same time, was to be regarded as 'symbolic' rather than real, but even this was a psychological blow because Bulgaria had never declared hostilities against the USA in the first world war. Furthermore, it did so now just as, in their failure to take Moscow, the German armies were suffering their first major setback. The decision sent Boris into paroxysms of despair; after it had been taken he was missing for hours until eventually found praying in a dark and remote corner of the Aleksandŭr Nevsky cathedral in Sofia.¹⁴

Though the long-term effects of going to war with the western allies were enormous, Bulgaria was more immediately affected by the German failure to take Moscow. The Wehrmacht had to call upon German troops from the Balkans and to replace them a new Bulgarian army corps of three divisions was formed and placed under German command. The new Bulgarian army guarded railways, mines, ammunition dumps, and other strategic installations, and was later to take part in operations against the growing partisan movement; Bulgarian troops had not been deployed outside the Balkans but they had been used outside areas under Bulgarian political control in support of a non-Bulgarian civil authority. It was a qualitative change in Bulgaria's involvement in Germany's war.

There was renewed speculation in Sofia early in 1942 that there would be pressure for an even greater change. Filov and the King discussed what would be their response should the Germans ask for Bulgarian involvement in the Russian war. The arguments deployed in the summer of the preceding year were again used when Boris visited Hitler in March and were to be repeated in later discussions. The Bulgarians pointed out that it was in Germany's interest as well as their own to keep a strong army in the Balkans to contain any possible threat from Turkey or from a Russian descent on the Black Sea coast, as well as to deal with the upsurge in

¹³ See R. Rumelin, 'Za bŭlgarsko-germanskite voennopoliticheski otnosheniya v navecherieto na 9 Septemvri 1944', *Bŭlgarsko-Germanski Otnosheniya i Vrŭzki*, Bŭlgarskata Akademiya na Naukite, vol. 2, Sofia 1981. pp. 383-89.

¹⁴ Groueff, *op. cit.*, pp. 308-09.

sabotage and other disorders which the spring was expected to bring. The King also argued that the army still did not have the requisite equipment for its Balkan duties, let alone for a more distant campaign, besides which he was convinced the Bulgarian peasant conscript would not be suited to fighting far away from his native soil to which he was so attached. The British certainly saw the power of this argument; one of the leaflets they dropped to Bulgarian troops occupying Serbia having the headline, 'Why are you in a foreign country?'¹⁵ In March when Boris visited Hitler the Führer let it be known that he did not require Bulgarian help in the eastern war but he did want an increased commitment in Serbia, something Boris resisted on the ground that the Bulgarian army had to be kept in Macedonia not least to combat Italian intrigues. In the summer of 1942, when Filov saw the Axis victories in Russia and North Africa as reason enough for a full Bulgarian commitment to the German war, the King remained reserved and in August took refuge in a report of general Mihov which argued that the current wave of sabotage in the Balkans was the prelude to an allied invasion and dictated more strongly than ever that Bulgarian forces should remain in the peninsula.

The only request for a change in Bulgarian attitudes towards Russia had come in March from Ribbentrop, a man Boris despised and distrusted. Hitler's foreign minister thought the Soviet mission in Sofia and the consulates in Varna and Burgas should be closed because they were nests of spies. Sofia persuaded the Germans that nothing should be done until German naval forces in the Black Sea had been strengthened to prevent any retaliatory action against Bulgaria's Black Sea ports should diplomatic ties between Sofia and Moscow be severed.

Ribbentrop was not incorrect in his allegations about the Soviet missions, for at least one British bombing raid on Burgas was based upon information received from the Soviet consulate in the city.¹⁶ When action came against the Soviet diplomatists, however, it was not because of the information they were supplying to the enemy abroad but because of the links it was feared they had with internal subversives. On 5 April 1942 communist conspiracies were unearthed in the 1st and 6th regiments of the Bulgarian army. Swift action was taken against the conspirators and on 6 April it was decided to close the Soviet commercial mission in Varna. In the second half of October the Bulgarian police made a heavy-handed search of the Soviet consulate in the same city in the expectation of discovering large quantities of explosives and

¹⁵ Stoyan Rachev, *op. cit.*; the appeal is reproduced *inter* pp. 208 and 209, facsimile number 13.

¹⁶ Public Records Office, Kew, London, AIR 34/339, pp.2a,b. These papers include a letter received from SO(I), Istanbul; the letter begins 'The enclosed plan of BOURGAS shows the disposition of German and Bulgarian anti-aircraft defences according to information received from the Soviet Naval Attaché ... The plan of the town was traced from a drawing loaned from Soviet Naval Attaché ... Soviet Naval Attaché points that according to his information a low bridge crosses the canal at the west end of the town.' This must in part correct the opinion of Elisabeth Barker who wrote that 'The Soviet Legation remained in Sofia throughout the war, as a useful centre for collecting information on South-East Europe (which was not passed to the British) ... Elisabeth Barker, *British Policy in South-East Europe in the Second World War*, Macmillan, London and Basingstoke 1976 p. 61.

other weapons; Filov's face was saved only by the discovery of a few small arms. But by then Axis and Soviet forces were moving towards Stalingrad and Montgomery was amassing his armour at El Alamein; the war was moving towards its decisive phase.

As it did so despondency began to seep through Bulgaria's ruling circles. Even before Stalingrad Filov recognised that El Alamein and the American landings in North Africa gave cause for serious concern; in January Beckerle discerned defeatism in the ministry of war and two months later the King admitted to Filov that he had lost faith in a German victory.¹⁷ As yet, however, Bulgaria was in no position to change its alignment and it faced once more German requests for a greater contribution to the war effort, the more so because after the huge losses suffered by the Romanian army at Stalingrad Bulgaria was now the strongest state in the Balkans.

In December 1942 general Foertsch, chief of staff to field marshal Loehr, arrived in Sofia to sound the Bulgarians on the possibility of their army being used against the partisans in Bosnia and Greece. The question was discussed when Boris visited Hitler in May 1943. Hitler asked that the Bulgarians take over an area in north-eastern Serbia to release the German troops at present stationed there for duty on the eastern front. He also wanted the Bulgarians to take over most of Greek Macedonia. Boris declined to accept all of the latter on the grounds that for Bulgaria to take Salonika would be too much of a provocation to the Turks and the Italians. The request with regard to Serbia was accepted on the grounds that the German troops so released might prevent a Soviet landing in Bulgaria, an eventuality which would bring about what Boris and Filov feared most: full Bulgarian involvement in the German-Soviet war. As a result of the May meeting Bulgarian soldiers assumed guard duties along the Belgrade-Salonika railway and replaced the Germans in northern Serbia and along much of the Aegean coast of Thrace.

Boris' next visit to Hitler took place on 15 August. Accounts of what happened at this encounter in Rastenburg differ. Because Boris spoke perfect German no interpreter was present and neither participant left a written record of the conversations. The King had gone to the meeting in a deeply pessimistic mood because he feared Hitler would demand Bulgarian participation in the eastern war. According to what he told Filov, however, this did not happen. Hitler asked only for two more divisions for northern Serbia and eventually Albania, to guard the rear of German forces in Greece and along the Albanian littoral; the King agreed to create a new division to do this on condition that Bulgaria was given the arms necessary to equip the new unit. Hitler did not demur.¹⁸ The official war diary of the German army also mentions discussion on the possible increase of Bulgarian forces in Thrace and confirms the agreement that extra military supplies would be sent to Bulgaria to equip the new divisions which would have to be formed to carry out this task.¹⁹

¹⁷ Filov, *Dnevnik*, p. 565; Toshkova, *loc. cit.*, p. 374.

¹⁸ Filov, *Dnevnik*, p. 599-601.

¹⁹ Walter Hubatsch (ed), *Kriegstagebuch des Oberkommandos der Wehrmacht*, vol. 3, 1. Jan. 1943-31. Dez. 1943, Bernard und Graefe, Frankfurt am Main, 1965, pp. 955-56.

Private, family sources on the other hand, speak of a terrible argument between Führer and King because the latter refused Hitler's demands, made in the most brutal fashion, that the Bulgarian army take its part in the titanic struggle on the eastern front.²⁰

Had such a confrontation taken place it is surprising that other sources do not mention it; secrets were not well-preserved in Berlin or Bulgaria nor was Boris a man who would have kept to himself an experience personally so distressing and politically so important. What is known is that the King returned exhausted from his visit and that after what was intended to be a restorative burst of mountain-climbing he became ill and died on 28 August 1943, aged only forty-nine. There were immediately rumours of foul play but no investigation has yet produced a convincing explanation of how or why such a deed could have been done. It certainly did not serve the German cause to have Bulgaria plunged into political crisis at a time when Italy was teetering on the brink of defection. And that the King had few enemies inside Bulgaria was shown when his funeral proved the occasion for an outpouring of popular grief seldom if ever seen in the country. As Boris' successor, Simeon II, was a minor, political control passed to a Regency of which Filov was the dominant member.

Bulgarian-German Relations, 1941-1943: Domestic Bulgarian Affairs

Boris's determination to preserve the greatest possible degree of freedom of action applied equally to foreign and domestic policy; and frequently the two sectors were interdependent or even inseparable. At home, the extent, speed and peaceful nature of the country's expansion enabled the Bulgarians to accept the alliance with Germany, and appeals by the BBC, for example, for a rising against the royal régime and its pro-German stance fell on totally deaf ears.²¹ The only perceived threat to the official alignment of Bulgaria with the Germans was from the communists, who in November 1940 had mounted a vigorous campaign to support Moscow's proposed non-aggression pact. A 'swoop' on the communists was therefore carried out early in February. Later in the year, after the German invasion of the Soviet Union, there were further restrictions with many of them being confined to rapidly constructed internment camps.

The Bulgarian authorities faced some opposition in Thrace, opposition which they suppressed with great ferocity,²² but in Macedonia they were initially a welcome

²⁰ Groueff, *loc. cit.*, p. 355-61.

²¹ Stoyan Rachev, *Angliya i Sûprotivitelno Dvizhenie na Balkanite (1940-1945)*, Bûlgarskata Akademiya na Naukite, Sofia 1978. p. 40.

²² It has been suggested that the Bulgarians deliberately provoked the September 1941 revolt in order to have an excuse to expel the non-Bulgarian population. A recent enquiry has put the number of persons expelled at around 200,000 with 15,000 dead and a further 30,000 refugees in Salonika. B. Kondis, 'The "Macedonian Question" as a Balkan Problem in the 1940s', *Balkan Studies*, vol. 28, no. 1 (1987), pp. 151-60, p. 151. For Bulgarian interpretations of the occupation of Thrace see, Dimitûr Ionchev, *Bûlgariya i Belomorieto*

relief from Yugoslav centralism. In Macedonia in fact the chief problem was not the indigenous population but the Italians who had expanded into the region from Albania. It was not merely territory but also mineral rights that were at issue,²³ but whilst the Germans lent a sympathetic ear to Sofia's complaints they did not lift a diplomatic finger to help redress them.

If the Germans were inactive in the Italian-Bulgarian dispute over Macedonia Boris feared that they might intervene inside Bulgaria to enforce on Bulgaria a political Gleichschaltung leading to an extreme right-wing and republican government. In February 1942 Boris urged that some steps should be taken to limit the powers of right-wing groups, Filov noting in his diary that these had been very active of late and that 'The Germans do not conceal their sympathy for them.'²⁴ In March Boris complained to Hitler about these groups, but even though the Führer was categorically against any support for them Boris could still tell Filov in May that he had heard from Berlin that Gestapo sources favoured a government led by general Lukov because the King was anti-German and the present administration was dominated by masons who were protecting the Jews. In September 1942 the King refused to allow Lukov and another right-wing officer, colonel Pantev, to go to Berlin because he feared that, with Nazi help, they planned to stage a coup and install a régime with a much greater ideological commitment to the Nazis. And one of the reasons why King Boris was so reluctant to commit any Bulgarian forces to the eastern front was the fear that a right-wing soldier such as Lukov or Pantev might return victorious and then stage a coup.

In fact such fears seem more the product of Boris' nervous and depressive disposition than a reflection of German intentions. When Lukov was murdered in 1943 Beckerle noted in his diary, 'As the government saw in him their chief enemy, I had no contact with him'.²⁵ In any case Boris had little real reason to fear German meddling in internal Bulgarian politics; there was no significant German minority through which the Nazis could work, and Bulgaria's right-wing forces were splintered, poorly-led and lacking in any real popular support. As long as Boris conformed to the general outlines of Nazi policy he was safe from deposition and his country was secure against outright occupation and total subjection to Berlin.

Yet close association with Germany did have some effect on Bulgarian domestic affairs, and had done so even before March 1941. In the summer of 1940 there had been measures against the freemasons, a powerful lobby in Sofia where most leading politicians were members of lodges; even Filov had associations with the masons having joined a lodge in Berlin in 1923.²⁶ 1940 also saw the first anti-semitic

(Oktomvri 1940 - 9 Septemvri 1944g.) *Voennopoliticheski aspekti*, Media Press, Sofia, 1993.

²³ Konstantin Muraviev, *Sûbitiya i hora*, edited by Ilcho Dimitrov, Bûlgarski Pisatel, Sofia 1992. p. 277.

²⁴ Filov, *Dnevnik*, p. 453.

²⁵ Vita Toshkova (ed), *Iz dnevnika na Beckerle, pûlnomoshten ministûr na tretiya raih v Bûlgariya*, Hristo Botev Press, Sofia 1992. p. 68.

²⁶ Velichko Georgiev, *Masonstvoto v Bûlgariya (Pronikvane, organizatsiya, razvitie i rolya do sredata na tridecette godini na xx vek)*, Nauka i Izkustvo, Sofia 1986. p. 336

measures enacted in Bulgaria and, like the measures against the freemasons, they were passed primarily for foreign policy reasons and were certainly not to the taste of many ministers.

The Defence of the Nation Act (DONA), published in October 1940 and put before parliament in November, consolidated these actions and those taken against the communists. This met with little protest but there was considerable unease at the extension of anti-semitic restrictions which the new act heralded. Even though the definition of Jewishness was to remain religious rather than racial, thus offering baptism as an escape from discrimination, further anti-semitic legislation was felt to be counter to Bulgarian political traditions and an unnecessary capitulation to Nazi pressure. There was an avalanche of protest from the Orthodox Church, from individuals, and from professional organisations. The King's view seemed to be that it would be better for Bulgaria to do these things in its own way than have policies thrust upon it as had happened in Romania, Hungary and even France, but he was never fully to convince his nation of this necessity; nor, on the other hand, was he ever to satisfy the Nazi ideologues that he and his country were committed to this particular aspect of the New Order in Europe. The Jewish question was to dominate German-Bulgarian relations in the first half of 1943.²⁷

Beckerle had begun pressing for further measures against the Jews soon after he arrived in Bulgaria. In the autumn of 1941 he urged that Jewish conscripts to the Bulgarian army should be put in special labour battalions; they were, and they were singled out for especially heavy work.²⁸ Further anti-semitic measures in 1942 enforced a twenty percent levy on Jewish property, the wearing of the yellow star, the sale of Jewish businesses with the proceeds being deposited in blocked accounts, and the disbandment of almost all Jewish organisations. Under the same legislation Jews were forbidden to use Bulgarian given names or Bulgarian suffixes to their surnames. Yet so unpopular were these measures amongst the general population that the press was forbidden to report on them immediately but had to let out the information gradually.

During the summer of 1942 there was prolonged discussion of citizenship primarily in relation to the Jewish question. On 19 June 1942 Beckerle was ordered to find out whether the Bulgarian government would be prepared to conclude an agreement under which the Jews living in the Reich and in Bulgarian-occupied territory should be included in the resettlement programme; there was little effective resistance to this and at the end of the month the *sûbranie* (parliament) passed a bill which in effect deprived Jews in the newly-occupied lands of Bulgarian citizenship, a decision which cost most of those Jews their lives; nor was there real complaint over the deportation of Bulgarian citizens in Germany or German-occupied territories. But this did not satiate Nazi appetites. On 6 July Beckerle reported whilst that the Bulgarian government was prepared in principle to conclude an agreement

²⁷ Hoppe, *op. cit.*, p. 93-96. Much has been written on the Jewish question in Bulgaria; for the English reader, an essential source remains Frederick B Chary, *The Bulgarian Jews and the Final Solution, 1940-1944*, University of Pittsburgh Press, Pittsburgh, 1972.

²⁸ Toshkova (ed), *Iz dnevnika na Beckerle*, p. 12.

on Jews living in the Reich and the occupied territories, it also wanted to know whether other states had also done so because it was experiencing considerable difficulties with Bucharest over the question of Romanian Jews resident in Bulgaria. On 5 August Beckerle reported that Croatia, Slovakia, Hungary and Romania had partially agreed or had signalled an intention to agree and the minister urged upon the Bulgarians the fact that the Reich was anxious to achieve uniformity in south eastern Europe for the 'common application of a European policy towards the Jews'.²⁹ In August the Bulgarians established a Commissariat for Jewish Affairs with the task of arranging deportation to the provinces 'or outside the kingdom'.³⁰ In the following month Beckerle was in buoyant mood reporting that the Bulgarian government was using funds confiscated from Jews to construct camps in which they were to be interned.

Early in 1943 Theodor Dannecker, a deputy of Eichmann's, arrived in Sofia as assistant police attaché to supervise the application of the next stage of the final solution. True to the agreement of the previous summer the Bulgarians did not impede the deportation in March of the Jews in the occupied lands. In the following months there was much less cooperation over the Jews with Bulgarian citizenship living in Bulgaria proper, at least 6,000 of whom the Nazis had wished to deport in the first wave of transports. The Nazis suspected the King of frustrating the deportations, Dannecker noting in May that, 'One fundamental obstacle, among others, to their deportation to the east is King Boris'.³¹ Dannecker's suspicions were well-founded. In the previous August Beckerle had protested to Filov against the King's having received the Chief Rabbi to warn him of the impending tightening of anti-semitic measures and in March 1943, in a reference to the Jews in Bulgaria proper, the King had assured a private citizen that the Germans 'won't get their hands on my Jews'.³² And for two Jewish brothers from Vidin, one of whom he knew, the King intervened personally to secure them exit visas.³³ Meanwhile Queen Giovanna secured for a number of threatened Jews the transit visas which would take them through Italy on their journey to safety in Argentina³⁴ and even managed to save a handful of families from the occupied territories.³⁵

Filov had been prepared to follow the German directives on the Jewish issue, and when general Lukov was murdered on 13 February 1943 told the King that, 'We must use this murder to step up the struggle against communism and the Jews'.³⁶ But

²⁹ Toshkova, *loc. cit.*, p. 367.

³⁰ Hoppe, *op. cit.*, pp. 138-41; Chary, *op. cit.*, p. 69.

³¹ Toshkova, *loc. cit.*, p. 371.

³² The private citizen was the late Mrs Marion Stancioff, wife of the Bulgarian diplomatist Ivan Stancioff. Mrs Stancioff described the incident in her private manuscript, *Ivan's Story*. I am grateful to Mrs Stancioff for this information, as for much else.

³³ Doniu Sharlanov and Poly Meshkova (eds), *Sŭvetnitsite na Tsar Boris III; Narodn Sŭd: Doznanie*, Riana Press, Sofia 1993. pp. 210-1.

³⁴ Groueff, *op. cit.*, 320-22.

³⁵ Pashanko Dimitroff, *Boris III of Bulgaria (1894-1943). Toiler, Citizen, King*, The Book Guild Ltd., Lewes 1986. p. 182.

³⁶ Filov, *Dnevnik*, p. 557.

the King was not to be moved, and he had the backing of much of public opinion. When Beckerle reported on 26 March that the deportations from the occupied lands were complete he also had to report that he had received a petition of complaint signed by forty-two sùbranie deputies, some of them, for example the former authoritarian prime minister Aleksandûr Tsankov, prominent Germanophiles; the petition expressed concern not at the policy of deportation itself but at the cruelty with which it had been applied. The majority of government deputies condoned official policy but that policy by April was to place Jews fit for labour in official labour battalions which would be used to repair roads and bridges in Bulgaria. Those not fit for work were to be moved out of the cities into internment camps in the country. There were strong protests against these policies, particularly on 24 May, the feast of Saints Cyril and Methodius and the traditional education-day holiday in Bulgaria, but the government was not deflected from its chosen path; at least the labour battalions and the internal detention camps gave the Bulgarians an excuse for refusing to transport Bulgarian Jews to Poland. The Nazis were under no illusion that the work groups were in part a subterfuge to avoid applying the final solution, and after the summer of 1943 increasing instability in Bulgaria and increasing volatility on the battlefields shifted the spotlight from the Jewish question.

Many factors had contributed to Bulgaria's refusal to deport its Jews. The King had explained to Ribbentrop that Bulgaria's Jews were Ladino-speaking and originally from Spain and were thus different from the Jews of central and northern Europe; Ribbentrop had merely replied that "Jews will always be Jews".³⁷ Yet even so die-hard a Nazi as Beckerle eventually recognised that the Jewish question in Bulgaria and the Balkans was different from in other areas; the Bulgarians, he said, had grown up with Greeks, Armenians and Turks, and therefore did not have the antipathy to Jews found in northern Europe, and finally he argued that Berlin should not endanger its political standing in Sofia by pursuing the matter any further.³⁸ There was no doubt that the majority of the Bulgarian population and institutions such as the Bulgarian Orthodox Church found the persecution of the Jews deeply offensive, and many who accepted the internal exile and the formation of labour battalions did so in the belief that this was better than the alternatives which were bound to expose the Jews to even greater dangers. Of enormous importance was the delicate state of the war in 1943 and the fact that early in the year the Americans had warned the Bulgarians that those who persecuted the Jews would be brought to book when the war ended in the inevitable allied victory. Whatever the motivations for Bulgarian action over the Jewish question some 50,000 Jews survived despite considerable pressure from the Nazis that they be included in the final solution.

In a final observation on the Jewish question, it is worth noting that the Bulgarian government did not always insist upon its absolute sovereignty over Bulgarian citizens. It allowed captured partisans, for example, who were not prisoners of war and who were mostly Bulgarian citizens apprehended on Bulgarian territory, to be sent as labourers to mines in German-occupied Norway.

³⁷ Ibid, p. 567.

³⁸ Groueff, *op. cit.*, p. 331.

A war-time development in which there was little Bulgarian-German friction and which has received relatively little attention from historians, is the transfer of populations to and from Bulgaria. The number of Germans living in Bulgaria was very small and most of them moved during the war. In December 1941 856 Germans living within the pre-1940 Bulgarian frontiers were repatriated to the Reich and in the following year five hundred more followed them. In 1943 there was an agreement to transfer ethnic Germans from the territories administered by Bulgaria in Macedonia and Thrace. By a decree passed by the sùbranie on 22 July 1943 the Bulgarian Agricultural Cooperative Bank was given the exclusive right to buy the property of the departed Germans.³⁹ The departing Germans left some 1,200 hectares of land and 84 homes worth 43.6 million leva. It was intended that they should be allocated to ethnic Bulgarians from Ukraine and southern Russia. In December 1943 a German-Bulgarian agreement provided for the resettlement of 2,500 Bulgarians from these areas and the movement began in the early months of 1944, though it seems unlikely that the full compliment of 2,500 were transplanted. The Bulgarian ministry of agriculture wanted to settle the immigrants in the Dobrudja, though there was also talk of sending some to occupied Thrace. The incoming families faced a difficult journey, not least because the Romanians refused to provide free rail transport, whilst the Germans consented to provide free passage to people but not to animals; the Bulgarians, who knew the value of draught animals, paid for them. When they arrived in Bulgaria the newcomers faced further difficulties. The relatively few professionals amongst them found that their Soviet-acquired qualifications were not recognised, and for a long time all immigrants, professional and peasant alike, found it impossible to exchange their marks or rubles for Bulgarian currency. There was worse to come. In November 1944, after Bulgaria had changed sides in the war, the allied control commission, which was under complete Soviet domination, announced that all citizens of the Soviet Union in Bulgaria must register immediately for repatriation to the land of their birth.⁴⁰

Bulgarian-German Relations after the Death of King Boris

The death of King Boris on 28 August 1943 inevitably affected German-Bulgarian relations, the more so in that came at a time of increasing difficulty and uncertainty for Germany in the military sphere. A perceptive senior official in the German foreign office, writing the day before Boris' death, recognised the King's worth and importance:

In the eyes of the Bulgarian people the King is less a monarch than a leader. He is a symbol of national unity and his disappearance could certainly transform the

³⁹ Joseph B Schechtman, *European Population Transfers, 1939-1945*, Oxford University Press, New York, 1946. pp. 250-1.

⁴⁰ Schechtman, *op. cit.*, pp. 444-5; most details are taken from Bojka Vasileva, 'Migratsiya na naselenie ot Ukraina v Bùlgariya prez 1943-1944', *Vekove* (Sofia) 1986, no. 4, pp. 36-40.

internal situation. The nation would be leaderless and insecure and would to an increasing degree fall under the influence of communists and Anglophiles. In conclusion one can say that under King Boris there was no reason to fear political developments unfavourable to us, but his disappearance could lead both to an internal crisis and to external realignments.⁴¹

Of particular value, to both sides, had been Boris' skill as a negotiator and an arbiter. Beckerle certainly found it much more difficult after August 1943 to keep himself fully informed on political developments in Sofia. For the Bulgarians it had been of great value to have their affairs in the charge of one who was not only admired by Hitler but was quite unconstrained with him.

The death of Boris came at a time when Bulgaria's strategic value and significance for Germany was increasing. The withdrawal from the Caucasus released pressure on Turkey's Asiatic flank and made its commitment to the allies more probable; in such a case Bulgaria would be the essential first line of defence in the Balkans.⁴² Germany needed Bulgaria more than ever, and, as far as Filov was concerned, the dependence was mutual. If German goodwill were lost there would be a halt to the arms deliveries upon which the Bulgarian army was dependent for its struggle against the partisans who were becoming increasingly active in the occupied areas, and upon which it would have to rely to defend the country in the event of a Turkish or Soviet attack. In the summer of 1943 the Bulgarians were also considerably in fear of an allied landing in the Balkans, a fear which had been encouraged by a speech by King George VI and by an elaborate intelligence operation. When Marshall Antonescu suggested Bulgaria, Romania and Hungary consider jointly what policy would best suit their interests after the fall of Mussolini Filov assured Beckerle that Bulgaria 'will not do anything in foreign policy without first agreeing with the Germans'.⁴³

Despite such reassurance from Sofia huge problems were accumulating which would eventually break asunder all ties between Germany and Bulgaria.

The first of these was the partisan war. In 1943 this was still confined to the occupied areas of Serbia and Macedonia but the insurgent bands were increasing in size, in strength, in armament, and in audacity; in October a huge unit over two hundred strong attacked Bulgarian military posts north of Pirot. In Bulgaria itself the danger was less because the communists and other opposition groups were heavily penetrated by the police; in 1991 a former royalist police officer revealed that 'In the whole of Bulgaria about five to six hundred people went underground. We knew them all by name - even their partisan names'.⁴⁴ It was only in the summer of 1944 that the partisans, dominated by the communists, became a serious problem inside Bulgaria proper, and this despite the large 'Operation Bogdan' to wipe them out in the Sredna Gora mountains.

⁴¹ Helmut Heiber, 'Der Tod des Zaren Boris', *Vierteljahreshefte für Zeitgeschichte*, (Munich), vol. 9 (1961), pp. 384-416, see pp. 390-91.

⁴² Hubatsch (ed), vol. 3, 1540 *et seq.*

⁴³ Filov, *Dnevnik*, pp. 592-93.

⁴⁴ Interview with Boris Dimitrov in *Anteni* (Sofia), no. 24, 12 June 1991, and no. 25, 19 June 1991.

For most Bulgarians a threat much greater than the partisans was the allied bombing offensive. In 1941 King Boris had feared that if Bulgaria signed the tripartite pact the British would bomb the country, a threat which the British minister in Sofia had indeed made shortly before the pact was signed; and on 1 March 1941 Filov reminded Keitel that it had been agreed that German troops should not march through Sofia as the Bulgarians were anxious to avoid giving the British an excuse to bomb the city. A few bombs were dropped on Sofia by a Yugoslav plane in April 1941 and occasionally the RAF delivered small quantities of explosives or leaflets, but it was not until 15 November 1943 that Sofia suffered its first large raid, and not until 5 January 1944 did it experience what Filov described as 'the first large terror raid'⁴⁵.

Filov believed that the raids were part of a concerted campaign to weaken civilian morale and drive the population into the arms of the clandestine political opposition, the Fatherland Front, and the partisans: a popular Sofia saying after air-raids at the end of the week or the end of a month, was 'The Partisans are being paid their wages'⁴⁶. The raids did not in fact much increase partisan strength but they did dislocate civilian life and stimulate political dissent. By 16 January over three hundred thousand people were estimated to have left Sofia and the administration of the country was thrown into temporary chaos. At a funeral service for victims of the January bombing the bishop of Sofia delivered a sermon strongly critical of the government and of its pro-German orientation; if, he noted, the government was serious in its assertions that its prime objective was to defend the nation from the ravages of war it had clearly failed.⁴⁷ After another massive raid in March 1944 the late King's brother, Prince Kiril, a member of the three-man regency, began to press for a change of external alignment.⁴⁸

The bombing raids had shown that Bulgaria's war with the allies was no longer 'symbolic'. As the conflict came closer allied pressure on Bulgaria to leave the war intensified. On 30 January 1944 the BBC broadcast a statement in which the allied governments issued a strong warning to Bulgaria that it would be regarded as an accomplice of the Nazis if it did not cease helping them, renounce its alliance with them, recall its forces from the occupied territories, and surrender. This warning followed the first of a series of Soviet diplomatic *démarches* urging Sofia at least to observe absolute neutrality. This first note, delivered on 22 January, requested an immediate end to the construction in Varna of vessels for use by the German navy in the Black Sea.

Increasing pressure from the Soviets and the western allies was clearly in Filov's mind when he responded to a letter from Hitler dated 1 February 1944 suggesting a united command in the Balkans. The subsequent discussions gave Filov and his government the chance to clarify their position and their objectives. Sofia's primary concern was to avoid anything which could be seen as a provocation against Turkey

⁴⁵ Filov, *Dnevnik*, p. 655.

⁴⁶ Toshkova, *Iz dnevnika na Beckele*, p. 140.

⁴⁷ John A. Lukacs, *The Great Powers and Eastern Europe*, American Book Company, New York 1953, pp. 538-9.

⁴⁸ Doniu Sharlanov and Polya Meshkova, *op. cit.*, pp. 378.

or the Soviet Union, and therefore Bulgaria intended to do nothing unless it itself were attacked. In the meantime it would commit itself as little as possible to Germany and would accept Hitler's plan for a joint command only on condition that the Bulgarian army could not on its own be expected to achieve major objectives, and that the army could not be deployed outside its present area of operations without the express consent of the Bulgarian high command. The drift away from the German camp had begun.

Meanwhile Soviet pressure increased. Notes from Moscow arrived on 1 March, 17 April, 26 April and 18 May, insisting that Bulgarian territory cease being used by anti-Soviet forces. The Bulgarians were prepared to make some concessions over the construction of naval vessels in Varna and they also decided to turn down a German request that some German troops be withdrawn westwards from southern Russia and Ukraine via the Bulgarian railway system. In April there were further concessions to the Soviets when Sofia accepted their demands that Soviet consulates be opened in Burgas and Rusé which, with that in Varna, would make sure that Bulgarian airfields and ports were not used by the Germans; this time even Ribbentrop agreed the concessions were worth making in order not to complicate Bulgaria's relations with the USSR because if the two states went to war the Wehrmacht would no doubt have to open yet another front in order to help the Bulgarians. The consulates were the subject of the next Soviet note, that of 18 May, and this time Moscow threatened the breaking of diplomatic ties if the consulates were not opened.

Increasing pressure from Moscow and the west inevitably raised the question of whether Bulgaria should not follow Italy and abandon the Axis. As early as November 1942 the banker and former minister for foreign affairs, Atanas Burov, had told Filov that he believed Germany was doomed and that Bulgaria should prepare for a British victory; Filov replied that it was too early to think in such terms. In the summer of 1943 approaches were received from the Americans, approaches to which the Bulgarian foreign minister, Popov, for long a pessimist, wished to return a positive response; again Filov said it was too early. In October he was more pliant. He allowed one of his associates to try and establish contact with Floyd Black, a former president of the American College in Sofia, and advised him that as the Americans were primarily interested in containing Bolshevism it should be pointed out to them that the best vehicle for achieving that end in Bulgaria was the present régime.⁴⁹ Yet Bulgaria was in a weak position. If it joined the western powers it would face the probability of occupation on the Italian or Hungarian pattern; if it escaped that fate and managed to join the western allies unofficial contacts with the latter had revealed that they would in all probability force it to disgorge the territories acquired since March 1941. Given that the prime aim of Filov and the cabinet was still to avoid involvement in the war and to preserve as much as possible of 'unified Bulgaria' their present alignment still offered the line of least peril.

⁴⁹ The best source for all aspects of Bulgarian-American diplomatic relations at this time is the exhaustive and excellent Vitka Toshkova, *Bûgariya v balkanskata politika na SASHT, 1939/1944*, Nauka i Izkustvo, Sofia 1985.

What did most to alter the position and attitude of Bulgaria's rulers was the rapid advance of the Red Army and the increasingly bullish nature of Moscow's diplomatic offensive in Sofia. The Soviet advance posed the ultimate danger for Sofia: the Soviets would declare war on and eventually occupy Bulgaria if it did not abandon the Germans; the Germans would declare war on it and occupy it if it did. In either case Bulgaria would be pulled into the conflict it had for so long sought to avoid, and would be occupied by one or other, or even both of the warring armies of the eastern campaign.

One escape from this dilemma was to conclude peace with the western powers and then observe strict neutrality in the German-Russian war, in which case neither belligerent would have reason or excuse to occupy Bulgaria. An accommodation with the west and the observance of strict neutrality would also nullify the subsidiary threat from Turkey which, backed by Britain and the USA, could be expected to capitalise on any difficulties Bulgaria might experience with Germany or the Soviet Union.

The first overt step towards a settlement with the west was taken in late April 1944 when Filov sanctioned soundings for the formation of a new government which would be less associated with the pro-Axis past. As a result of these soundings the pro-western Bagrianov became prime minister on 1 June. Unfortunately for the new administration within a week the western allies had landed in Normandy, ending all hopes that they might advance into the Balkans and thus considerably weakening Bulgaria's strategic importance for the western powers; conciliation of the USSR was even more necessary than before. In the meantime a direct break with Germany could not be risked. Beckerle was informed on 18 June that Bulgaria would fulfil all its obligations under the tripartite pact but in order to avoid complications with the Russians the Germans should remove their troops from Varna. The Germans, suggested Sofia, could surely not wish another front to be opened in the Balkans by the Soviets, or by the Turks who were now pouring armour into Turkish Thrace. This was an argument which struck home for on 13 July the Germans signified their willingness to remove their steamers and hydroplanes from Varna to make it easier for Bulgaria to pursue 'a policy of peace, friendship and loyalty vis-à-vis the Soviet Union'.⁵⁰

At the beginning of August Bagrianov's delicate tightrope walking received a severe jolt. Turkey broke off diplomatic relations with Germany thus heightening the danger to the Bulgarians from the south east. Desperate not to be thought of as provoking the Turks the Bulgarians declared they wished to leave the war at the opportune moment and declined even the offer of an air defence unit from Germany. Neutrality had to be preserved at all costs and it was this which made the Bulgarians insist that on no account might the Germans bring any more troops into the country; even those retreating from the eastern front were to be barred because to allow them in might be construed by Moscow as a breach of neutrality.

In the middle of August the Bagrianov government made official approaches to the western allies; on 17 August, as proof of its good intentions, it declared total

⁵⁰ Filov, *Dnevnik*, p. 717.

neutrality, released all remaining political prisoners and repealed all anti-semitic legislation.⁵¹ It was too late. On 20 August the Red Army crossed into Romania and three days later King Michael locked marshal Antonescu in a safe in the royal palace gardens and changed sides. At a stroke the Russians were on the lower Danube; the Bulgarians' northern frontier, the one which the Germans had always assured them they need never worry about, was completely exposed.

The pressures from the Soviets were now overwhelming. On 25 August the Bulgarian government demanded the evacuation of all German troops and the following day the Bulgarian armies were ordered to disarm German forces arriving from the Dobrudja. On 1 September two trains, containing mainly women and children, left Sofia for Germany and the following day eight trains took the same route, this time laden mostly with supplies and artillery pieces. Although there were clashes between Germans and Bulgarians in the areas under Bulgarian occupation⁵² German troops in Bulgaria itself offered little or no resistance when the surrender of their weapons was demanded, and between 26 August and 7 September the Bulgarians disarmed and interned 14,638 German personnel.⁵³

Whilst the German forces in Bulgaria were being deprived of their weapons the final breach between Sofia and Berlin occurred. On 30 August the Soviet government, gainsaying its own representative in Sofia, insisted it had never accepted Bulgaria's declaration of neutrality. The Bulgarian foreign minister and former head of mission in Berlin, Pûrvan Draganov, pleaded that German soldiers and sailors were being disarmed and would have left the country by midnight on 31 August but the Kremlin showed little sign of softening its increasingly bellicose attitude. On 5 September the Bulgarian cabinet decided to break off diplomatic relations with Berlin though the war minister successfully argued for a delay of seventy-two hours to enable him to bring Bulgarian forces back from the occupied areas. At around 15.00 hours on 7 September the last German vehicles crossed the border and three hours later Bulgaria declared war on Germany with effect from 18.00 hours on 8 September. But by then the Soviet Union had declared war on Bulgaria which for a few chaotic hours was therefore at war with all the major belligerents of the second world war except Japan. As Burov recalled, 'history allowed us three days to decide questions which could not be solved in three years'.⁵⁴

Bulgaria had ceased to be an ally of Germany and its forces were soon to be fighting alongside the Red Army through Yugoslavia and Hungary into Austria. A few inveterate Germanophiles, led by Aleksandûr Tsankov, fled with the retreating

⁵¹ See Crampton, *op. cit.*, pp. 132-3.

⁵² See Malcolm Mackintosh, 'Soviet Policy on the Balkans in 1944: A British View', in William Deakin, Elisabeth Barker and Jonathan Chadwick (eds), *British Political and Military Strategy in Central, Eastern and Southern Europe in 1944*, Macmillan, London 1988. pp. 235-52. See also Stoyan Iliev, *Iz spomenite mi, Sv. Georgi Pobedonosets*, Sofia 1993. pp. 241-62, *passim*.

⁵³ Hoppe, *op. cit.*, p. 179. For further details on the disarming of the Germans and their departure see, Rumelin, *loc. cit.*

⁵⁴ Valentin Aleksandrov, *Atanas Burov; banker, politik, diplomat, politicheska biografia*, Anteni Press, Sofia 1992. p. 96.

German army and established a 'National Bulgarian' government in exile. It cooperated in the spring of 1945 in desperate efforts to raise a military unit from amongst Bulgarians in the Reich some of whom were to be infiltrated into their homeland to carry out assassinations and acts of sabotage, but little came of these plans.⁵⁵ In the chaos of the Reich's collapse Tsankov and his associates slipped silently away to quiet exile in the new world.

⁵⁵ Little has been written on the Tsankov 'government'. Its finances are discussed in D. Michev, 'Vrûzki na Al. Tsankov s pravitelstvoto na treti Reich (Septemvri - Dekemvri 1944)' in V. Hadjinikolov et al (eds), *Bûlgaro-Germanski otnosheniya i vrûzki*, Sofia 1981, vol. 3, pp. 389-95. Some discussion of the attempts to form a new Bulgarian fighting force is given in K.-G. Kletmann, *Die Waffen-SS - eine Dokumentation*, "Der Freiwillige", Onabrûck 1965, pp. 387-88. I am grateful to Mr Phillip Buss of the former College of Technology, Canterbury, Kent for this reference. See also Stoyan Iliev, *op. cit.* pp. 267 *et. seq.* Iliev was a prisoner of war whom the Tsankovists tried unsuccessfully to recruit.

ROLAND SCHÖNFELD

Germany and Southeastern Europe in the Interwar Period: the Central European Economic Conference, 1931-1944¹

Since World War II historians have become increasingly interested in Germany's relationship to the countries of Southeastern Europe in the interwar period. In general, historical research has focused upon an analysis of German foreign policy aims and concepts as the cause for pursuing particular economic relations and interdependencies. The instruments of commercial and financial policy which were selected to promote these bilateral commodity transfers are perceived as another aspect of the "Südosteuropa-Politik" practised by the German government in the 1920s and 1930s.

However, the analysis of the economic relations between Germany and Southeastern Europe during the interwar years gives a somewhat different picture. It demonstrates how much the scope of foreign policy decision-making was reduced on both sides by internal economic conditions, by impacts from the world market and, finally, by the repercussions of the depression of 1929 on the balance of payments. It shows, furthermore, to what extent economic policy decision-makers had been deprived of feasible alternatives to the instruments they used to prevent externally induced instabilities.

Economic Conditions

After the First World War, the political fragmentation of the Danube region resulted in the break up of a large common market. Despite its deficiencies, the common market had fostered industrialization and offered a rather secure outlet for agricultural produce. Attempts to restore economic cooperation to solve the postwar problems jointly were thwarted by mutual distrust and hostility, by excessive nationalism and by hatred against the "parasitic" Vienna. The new sovereign countries strove to gain political independence and autonomy in implementing a national economic and monetary policy. Thus, they walled themselves in with high protective tariffs. These tariffs were regarded not only as a means for independent

¹ This paper is an abstract of a larger work in progress. Abundant references to literature as well as to the records of the Federal Archives in Koblenz and Potsdam, the Political Archives of the Foreign Office in Bonn, the Krupp Archives in Essen and others will be given in the book. For information and personal recollections I am indebted to Professor Hermann Gross, Munich, who as a young professor and director of the I.G. Farben's economic department in Vienna, was a member of the MWT's economic advisory committee and a friend of Wilmowsky and other representatives of the MWT.

development and modernization of the national economy, but also as a prerequisite of national sovereignty.

The agricultural countries of Eastern and Southeastern Europe had been experiencing severe economic difficulties since the end of the First World War. The boom of the war years was followed by over-production. World market prices for agricultural produce started to crumble in the 1920s. Overseas exporters in Canada, the USA, Argentina and Australia had expanded their highly mechanized low-cost production and pushed into the European markets.

After the outbreak of the Great Depression in 1929 the prices of foodstuffs, agricultural raw materials and minerals plummeted. World market prices for Australian wheat fell by 22% from 1929 to 1930, and by 56% from 1930 to 1931. The price of Argentine corn dropped by 63% between 1929 and 1931. Since industrial demand shrank rapidly, metals and other raw materials were drawn into the avalanche of depreciation.

The international terms of trade for agrarian countries deteriorated continuously, because industrial prices fell at a slower pace. The import demand of industrial countries for foodstuffs shrank in the course of an aggravating economic crisis where unemployment grew and private incomes decreased rapidly. A large part of industrial production capacity became idle. Former importers of agricultural produce started to protect their farmers by imposing prohibitive tariffs.

In a state of panic, European countries clung excessively to protectionism. While overseas producers attempted to rescue their exports at dumping prices, another competitor appeared in Europe after 1930. The Soviet Union, which had been an importer of foodstuffs in the 1920s started a powerful export offensive. Through a particularly reckless pricing policy, the USSR became a dangerous competitor on the international market for agricultural produce and raw materials. It dumped considerable quantities of grain, wood and livestock which added to the critical state of the Southeast European economies.

The decrease of export revenues had a direct multiplier effect upon personal incomes in Southeastern Europe. In the 1920s, their demand for capital had increased to consolidate prewar debts. However, considerable amounts of money were also needed to reconstruct the economies, to settle refugees, to stabilize the currencies and to integrate their territories. Government bonds issued abroad and launched with the help of the League of Nations were hardly used economically. Inflated bureaucracies, oversized armies, corruption and instability used up a large part of the available funds. Finally, those countries needed continuous capital imports in order to service their enormous foreign debts.

When the Austrian Creditanstalt collapsed in 1931 an international financial crisis was set off. Loans were withdrawn and the supply of foreign capital to Southeastern Europe dried up. Since currency reserves were melting away rapidly, governments suspended foreign exchange dealings and curbed the import of goods by quotas. Debt-servicing was discontinued. Trade partners with convertible currencies were forced to cut back traditional export surpluses. The value of imports and exports had to be balanced by bilateral barter or clearing agreements.

German Trade Policy

The countries of Southeastern Europe appealed again and again to the industrial nations for help. Depending heavily on agricultural exports, they urged their developed trade partners to cover the import demand for foodstuffs and raw materials predominantly in Europe, and at the expense of overseas suppliers. However, none of the relief actions suggested at international conferences and by the League of Nations were put into effect. All the plans, including preferential agreements, failed because overseas exporters insisted upon most-favored-nation treatment.

Often such programs were unacceptable to the relief-seeking countries themselves. The opening of their markets required in return threatened to foil their efforts to establish national industries. Some of the plans presented by industrial nations were designed to serve, all too obviously, as a vehicle for political influence. None of the relief projects was apt to offer the Southeast European countries a sufficient and cost-effective marketing of their exports. The industrial states had to consider the needs of their national agriculture. Several European powers were obliged to protect the interests of their colonies.

In this situation an enhanced German trade policy opened up new opportunities. Germany had a considerable import demand for minerals, agricultural raw materials and foodstuffs. In the 1920s, the German Foreign Office had recommended that import demand be used as a means to strengthen the Reich's political influence in Central and Southeastern Europe. The idea was to weaken the Little Entente and thus to neutralize the influence of France in the region, that is, to break up the "cordon sanitaire."

However, the intention of the German government to lower tariffs on imported agricultural produce in return for increased quotas for German industrial goods met with firm resistance from German agriculture. When the German economy started to recover, as early as 1933, the growing demand for raw materials and foodstuffs raised serious problems. In the following years, the boom was enhanced by the armament program of the Nazi government. Since German exports continued to decline, the meager gold and currency reserves of the Reichsbank were soon exhausted. In March 1933, most urgently needed imports were submitted to quotas and licenses. In September 1933, all commodity purchases from abroad had to be regulated.

This system of strict control of foreign trade and payments was referred to as the "New Plan". It was initiated by the then president of the Reichsbank and Minister of Economics, Hjalmar Schacht. Its aim was a thorough diversion of German imports to countries which agreed to accept German industrial products instead of payment in currency.

Founding the MWT

At the end of the 1920s, managers of the German heavy and engineering industry had suggested the development of the Southeast European markets for German export products. The idea was to establish a private organization to analyze the potential of these markets for development and to demonstrate the ways and means for expanding and improving trade relations with the region.

To put these plans into effect they hired Tilo Freiherr von Wilmowsky, the brother-in-law of Gustav Krupp von Bohlen und Halbach. In German public life of the 1920s, Wilmowsky was well-known and highly respected, with international experience and friends all over the world. William Manchester, a harsh critic of the Krupp family, gives a rather mild judgment: "Under his Teutonic surface the baron was humane, modest and idealistic, and in his forties he was to become one of Germany's first Rotarians. Youthful years in England had changed him...; he was an admirer of British democracy and British understatement... As two World Wars were to demonstrate, he was capable of disregarding brutal orders from Berlin...".

As a member of the board of the Krupp company, Wilmowsky knew the difficulties of the German heavy and engineering industry. As a member of the landed gentry, as a chairman of agricultural organizations and as a governor of an agrarian district (Landrat) he was also familiar with the problems of the German farmers. In 1931, Wilmowsky founded the Mitteleuropäische Wirtschaftstag (MWT = Central European Economic Conference) - there was some of Friedrich Naumann's conception of Mitteleuropa in its name - as a society with members consisting of German industrial and trade enterprises. From its very beginning the MWT showed the hand of the practically-minded Wilmowsky.

The more disastrous the effects of the international economic crisis became, the more the hopes of German exporting industries grew that the activities of the MWT would open up new markets for their products. The idea became more and more attractive for them to create a large common market in Central and Southeastern Europe offering some independence from the collapsed world market. The urgent desire of German industry to remove trade barriers explains the enormous success of the MWT. Immediately after having started to propagate close cooperation with the Southeast European economies, the MWT flourished.

Within a few years, the number of MWT members grew to about 130 German enterprises ready to establish or increase business relations with that region. Among them counted not only numerous medium-sized export enterprises, but also large companies with a high standing in German big industry. All important branches were represented - steel, engineering, chemical, electrical and textile industry as well as tobacco and food processing. Wilmowsky was very clever in recruiting members and committing them to the aims of the MWT. Numerous committees for industrial, agricultural, banking, infrastructure or general economic issues were established. They offered every member willing to contribute money and ideas to the joint efforts an honorary position.

The influence of the MWT and its president upon those responsible for German foreign and economic policy was mostly overestimated. Wilmowsky was not a

politician. His numerous friends were found in industry and in the landed gentry. His personal relations to the representatives of the Weimar Republic were amazingly poor. He did not foster personal contacts with the Nazi rulers. The activities of the MWT enjoyed a good reputation in the German Foreign Office. There, the office's expert on Southeastern Europe, Carl Clodius, proved to be reliable in advocating, advising and warning. The ministry of economics, particularly Hjalmar Schacht, its head from 1934 to 1937, took a benevolent interest.

When the Nazis came to power in 1933, the MWT was spared the usual "Gleichschaltung" (forcing into line and under party control) that was the fate of all public and private associations. In the years leading up to the war, the MWT was hardly ever molested by attempts of the Nazi party to interfere in its activities. This is even more surprising since Wilmowsky had never concealed his contempt for the Nazis. In 1933, he was deposed from most of his leading positions - the Chamber of Agriculture, the Central German Business Association, the Reich's Committee for Technology in Agriculture and others - or resigned from them pointedly. However, the new rulers did not object to his remaining president of the MWT.

The MWT was spared presumably because the Nazis thought it useful for their own purposes. They wanted to be on good terms with the big industrialists connected with this organization. Krupp was a mighty symbol needed for rearmament. Wilmowsky was a member of the family. Furthermore, the MWT's activities proved helpful to overcome the bottlenecks created by an urgent lack of currency. And its friendly relations to politicians and industrialists in Southeastern Europe fit well into the concept of Nazi foreign policy.

From 1931 on, the MWT's contribution to German trade policy was focused on propagating the advantages of close cooperation with Southeastern Europe. The MWT suggested ways to develop raw material resources and to create markets for German products in the region. Its activities were based on the perception that the intensity of trade relations depended upon the stage of economic development. Therefore, the MWT made every effort to promote the transfer of technology and organizational know-how to the partner countries. If German exporters wished to expand their sales in Southeastern Europe, they had to help accelerate economic growth, thus raising the income level and the purchasing power of the population. The chief pursuit of the MWT was arranging "technical aid" to modernize production processes and to improve the infrastructure. In this way, the receptivity of these markets for German products was to be increased.

Thanks to the efforts of the MWT the export production of Southeastern Europe was adjusted significantly to German import demand. Under the conditions of the clearing system, a rising volume of purchases from these countries was needed for marketing German industrial products. The MWT arranged for analyses of the production capacities for raw materials needed by the German economy. It demonstrated methods to increase production efficiently and in satisfactory quality.

The Southeast European countries suffered the severest economic crisis with heavy balance of payments constraints. In this situation they were offered an opportunity to improve their export potential by adjusting their production to German import demand. Understandably enough, most of the governments of the region were eager

to support the implementation of MWT projects. In the course of the German economic recovery which had begun in 1933, securing sufficient imports of foodstuffs and raw materials became more important than promoting exports. Thus the restructuring of the export production of Southeastern Europe contributed to the increase of bilateral trade.

Agricultural Cooperation

The modernization of Southeast European agriculture was at the very center of MWT's attention. The MWT was convinced that the development of the Southeast European economies aimed at a significant rise in personal incomes, had to start with their most important production sector. Yet the intentions of the MWT reached far beyond a better coordination of agricultural production with German import demand. It attempted to raise the efficiency of farms by shifting their production to labor and soil-intensive plants, and by teaching the farmers modern production methods. An improved profitability would lead to increased capital formation in Southeast European farms. This would boost their capacity to import German agricultural machinery. Properly used, the machinery would add to the productivity of the sector.

Increasing the cultivation of industrial plants corresponded with the concepts of national agricultural policy. It would have strengthened the export capacity and, simultaneously, raised the raw material supply of the national industries. Later on, these methods at grass-roots industrialization by the MWT were widely criticized by socialist economists. The strategy of the MWT contrasted with the forced industrialization of the region after the Second World War. It is true that most of the MWT projects would have needed a much larger period of time to bear fruit. Since the MWT had just a few years of systematic work there were only some initial, albeit spectacular, successes.

From the very beginning, the MWT's promotion of cultivating oil plants in several Southeast European countries was successful. The German demand for oils and fats for nutritional or industrial uses could be covered only by considerable imports. A large part of these imports consisted of vegetable oils and oil seeds like linseed, palm oil, copra, peanuts, soy beans, sesame oil and cotton seeds. These articles were purchased almost exclusively from overseas countries, mostly China and British and Dutch colonies. Because of the acute lack of convertible currency, these imports created an even more pressing problem.

In most of the Southeast European countries, oil plants and oil seeds were produced for the demand of the national oil mills. The German I. G. Farbenindustrie had attempted to utilize these production capacities. In 1933, it concluded a "Linseed Agreement" with Hungary, which rendered poor results due to difficulties on both sides. The MWT learned from these experiences. Contracts with farmers had to be prepared carefully and advertised effectively. The merchandise had to be purchased and the accounts settled by a national organization, not by a foreign firm. The prices had to be high enough to convince the farmers that it was worthwhile to change their

crop. The purchasing firm had to see to it that the quality of the products was checked and the methods of cultivation were modernized.

Feasibility studies and experimental planting arranged for by the MWT had shown that soil and climate in Romania, Bulgaria and Southern Hungary offered optimum conditions for the growth of soy beans with a particularly high oil and protein content. Wilmowsky convinced executives of the I. G. Farben company to join the MWT's soy project. In March 1934, after successful sowing attempts, the first production agreement was offered to the Bugeac Cooperativa Agricola Cetatea Alba, a cooperative of ethnic German farmers in Bessarabia. In Bucharest, the Romanian company Soia SAR was founded. It was in touch with the farmers under contract and purchased their complete crop at a fixed price, which was about 10% above the current world market quotation.

The German partner of the Soia SAR, the Ölsaat-Verwertungsgesellschaft mbH. (Oilseed Utilization Ltd.), founded jointly by I. G. Farben with the Reich's Association of German Oilmills, was obliged to buy the merchandise at contract prices. The Soia SAR itself was in charge of concluding production agreements with interested farmers. It advised its suppliers with expertise, and inspected, collected and shipped the crop.

The soy organization in Romania served as a model for the founding of Soja, a Bulgarian company for the cultivation and export of oil seeds in Sofia in 1935. In the same year, the Uljarica company for the promotion of cultivating industrial plants and oil seeds was set up in Belgrade. Between 1934 and 1939, the area under contract for the MWT's soy campaign grew from 2,500 to 100,000 hectares in Romania, from 1,500 to 20,000 hectares in Bulgaria, and from 700 to 7,500 hectares in Yugoslavia. The harvests from soy contracts in these countries rose from 28,700 tons in 1935 to 107,100 tons in 1939. The quantities delivered to Germany covered 9% of the imports of soy beans and 4% of the total imports of oil plants at the end of the thirties.

Technical Aid

Other MWT projects providing technical aid were committed to the same goal of increasing the export capacity, and thereby the income of the farmers in the region. At the end of the 1930s, a plan was launched by the MWT to improve local sheep breeds. Wilmowsky succeeded in winning over the Deutsche Woll und Tierhaar A. G. (WOTIRAG = German Wool and Animal Hair Co.), which had carried out interbreeding experiments in Turkey, to start similar tests in Bulgaria and Romania. By crossing local sheep with better breeds, the production of wool and meat was to be increased and the quality of the wool improved. Strongly supported by the Bulgarian minister of agriculture, the MWT founded the Bulgarische Schafzucht A. G. (BUSCHAG = Bulgarian Sheep Breeding Co.) in Sofia. In 1940, it began interbreeding experiments on the state farm, Clementina. WOTIRAG sent German shepherds to Bulgaria to train local farmers. At the suggestion of the MWT, Bulgarian shepherds were invited to complete several weeks of training in Germany.

The breeding plan was scheduled for a period of 10 years. The longevity of the MWT was too short ultimately to produce visible results.

The MWT also advertised the use of German agricultural implements and machinery. From the mid-1930s on, efforts to market German exports in Southeastern Europe had become more and more important. The increasing German demand for raw materials and agricultural produce and, on the other hand, the reluctance of Southeast European governments to liberalize imports, resulted in enormous and ever-growing imbalances of bilateral clearings or, in other words, in the notorious German clearing debts. The necessary publicity had to be done on both sides, in Southeastern Europe and among German manufacturers less interested in exporting since the internal markets had started to boom.

A feasibility study ordered by the MWT in 1935 not only showed the backwardness of the agricultural sectors in these countries, it also demonstrated the problems of using machinery at a low stage of economic development. The small size of farms and the scattered farm land, the low level of knowledge and the primitive methods of traditional cultivation, all required a considerable technological adjustment on the part of German manufacturers. The experiences so far showed that farmers in Southeastern Europe were not able to use imported, often too complicated equipment, properly. Repair shops were lacking in the villages. Therefore previous efforts by governments to mechanize agriculture had resulted in "graveyards of machinery".

Southeast European governments knew about these shortcomings. When they began an active agricultural policy during the Great Depression, they made efforts to improve the education system in the country. Bulgaria tried to encourage the training of farmers by founding numerous agricultural colleges. The Romanian government established departments of agriculture at the universities, and it supported the sensational movement of the sociologist Dumitrie Gusti whose collaborators set up "cultural centers" in many villages and taught farmers in vital issues, from health care to better methods of cultivation. Thus, the offer of the MWT to participate in the training of farmers was welcomed almost everywhere.

It was Wilmowsky's idea to transfer to Southeastern Europe the experience gathered by the Reichskuratorium für Technik in der Landwirtschaft (RKTL = Reich's Committee for Technology in Agriculture) - Wilmowsky had been its president till 1933 - at mechanizing farms in Germany. As in the RKTL, he tried successfully to win the support of the German agricultural machinery industry. In the spring of 1940, the MWT invited the first group of young Bulgarian farmers to Germany to be trained at the Deutsche Landkraftfahrschule (German Caterpillar Drivers' School) in Wartenberg near Berlin. The Bulgarian minister of agriculture was so impressed by their reports that he asked the MWT to establish a similar training facility in Bulgaria.

Thus the Bulgarian School for Agricultural Machinery (BUSEMA) was founded in Gorna Banja near Sofia. It started teaching in April 1942. The MWT regarded it as a particular highlight of its development work. The Bulgarian government offered land and buildings and paid for current expenses. The MWT succeeded in convincing the German engineering industry of the publicity effect of their institution. Finally,

modern machinery worth 15,0000 RM was put in free of charge. The German manufacturers were obliged to exchange the machinery in time and keep it at the most modern technological level. In October 1942, a similar school was opened in Draganesti in Romania. Its teachers had been trained in Wartenberg as well.

The experience of the RKTL in Germany had shown that farmers would be best trained by demonstration. Therefore, the MWT people urged the governments of the region to let them build "model villages" which had proved to be quite effective in Germany. The MWT was permitted to establish the first two such villages in Bulgaria, in Mramar near Sofia and in Dolni Lukovit on the North Bulgarian plain. The Bulgarian advisors for these model villages received their training in Germany. In 1942, right in the middle of the war, work was started. The model villages proved immediately successful in animal and poultry breeding, in feeding, fertilizing, in the use of suitable implements and machinery, and in the cultivation of productive crops. A specific advisory service for the population of the country was being established. Further projects such as artificial irrigation, cheese dairies, and the electrification of villages were being prepared, however, they could never be carried out because of the catastrophe of the war.

Developing Mineral Resources

The second major area of MWT activity was geological research. Most of the rich mineral resources in Southeastern Europe were underdeveloped. Modern production and processing plants such as the oil industry at Ploesti in Romania or the Bor copper mines in Yugoslavia were exceptions. Since the expropriations of German property after the First World War, hardly any German enterprise had been participating in the development of Southeast European raw material resources.

Since the mid-1930s, German industry had a rising and increasingly urgent demand for minerals which could not be met from national resources nor from imports due to the lack of hard currency. Nonetheless, the MWT had to take a lot of trouble to make German enterprises invest in Southeast European mining. They hesitated not only because of their lack of capital, but also because of the deficient infrastructure in the mining regions. The MWT saw as its main task to convince German investors to overcome their resistance against "Balkan adventures". It carried the task out by prospecting, surveying, accounting and estimating returns of mineral resources in the region.

The MWT had its own geologist travel and investigate the mining regions of Southeast European countries. He prepared feasibility studies with which the MWT strengthened its publicity campaign among German industrialists. Its first visible success was the development of new antimony resources in Yugoslavia. In order to work mines near Lissa and Zajecar, the MWT gathered a consortium of German enterprises which built a metal works and a smelting plant for antimony in Zajecar, in cooperation with the Yugoslav owner of the mine and a Swiss syndicate. For the marketing in Germany, the MWT founded the Osteuropäische Handels-Compagnie (East European Trading Co.). In 1940, one quarter of German industry's demand for

antimony could be covered in Yugoslavia. By then, the MWT had proven its importance for the German war economy more or less unintentionally.

In 1937, the MWT had founded the Gesellschaft zur Erforschung ausländischer Erzvorkommen (Society for the exploration of foreign mineral resources) in Berlin. Leading German industrial enterprises like AEG, Siemens & Halske, and others joined it as members. The Society explored lead-zinc deposits in Srebrenica and negotiated an option on their exploitation with the Yugoslav government. In order to develop chrome deposits near Skopje and to build a processing plant, the MWT founded the Jugochrome AD in 1940. For that company, it won the Fried. Krupp AG as the main shareholder. MWT-experts had confirmed the remarkable profitability of lead-zinc deposits in the Bulgarian Rhodope mountains. For their development, the MWT initiated the establishment of the Pirin AD by the Bulgarian Granitoid AD, Felten & Guillaume and Otto Wolff. In 1941, the Pirin AD launched a modern processing plant.

Promoting Young Experts

The development and utilization of Southeast European mineral resources was not only impeded by the lack of capital and the deficiencies of infrastructure. Above all, the lack of trained personnel created a lot of difficulties in the mining sector. In 1940, in order to cope with this problem and to give an example of German private initiative, the MWT provided its first scholarships for young Southeast Europeans to study at the Montanistische Hochschule (mining college) in Leoben. The MWT had started early with activities to promote the training of young students and professionals from these countries. Soon after its founding in 1931, the MWT had considered projects to enable talented young people from Southeastern Europe to study economics or engineering in Germany.

Since 1925, the famous Alexander von Humboldt Foundation had sponsored students from Southeastern Europe and thus had rendered an outstanding service in strengthening cultural ties to these countries. However, its scholarships were confined to the humanities. It was the MWT's idea that economists and engineers in particular, having completed their training in Germany, could be expected to proceed into leading positions in the economy and administration of their countries. There they would recommend closer cooperation with Germany.

Backed by these arguments as well as his reputation and many friends, Wilmowsky succeeded in garnering the support of German industrialists and authorities for the ambitious project. Spontaneously, several large companies agreed to sponsor the scholarship program of the MWT. The program could be launched surprisingly fast. On April 1, 1936, the Deutschland-Stiftung des Mitteleuropäischen Wirtschaftstages (Germany-Foundation of the MWT) was made public and triggered a flood of applications. In the academic year 1936/1937, scholarships were awarded to Bulgarian, Greek, Yugoslav, Romanian and Hungarian students. Up until 1942, about 900 Southeast European students sponsored by the MWT's foundation had completed graduate studies at German universities.

Nazi officials demanded the MWT's protégés be taught Nazi "Weltanschauung" as well. Wilmowsky strictly refused to do so and he succeeded, even though the annoyed undersecretary of state in the Foreign Office, Kepler, reproached him for his obstinacy repeatedly. Wilmowsky also refused to oblige the foreign students to promise "services in return". The propaganda effect was guaranteed in any event. The reports the students had to write after their return to their home countries were full of admiration for Germany and its booming economy. After a few years, many of these students had achieved leading positions in enterprises, administration and even ministries of their countries.

The experiences of the Deutschland-Stiftung came in useful to Wilmowsky and his friends when implementing another training project. Since trade relations to Southeastern Europe had become more intensive, member firms of the MWT frequently complained of a lack of personnel with knowledge of countries and languages necessary for business with this region. German business schools had been training export merchants, however, for the traditional West European and overseas markets.

At Wilmowsky's suggestion, the Hochschule für Welthandel (College of World Trade) in Vienna and its rector Kurt Knoll, himself a member of the advisory council and chairman of the MWT's economic committee, agreed immediately to carry out the new MWT project. The college was ready to offer special four-semester courses for young merchants interested in trade with Southeastern Europe. Member firms of the MWT shared the costs of the teaching program, the language courses as well as the indispensable information trips to Southeastern Europe. They sent their own young employees for training at the college, and they sponsored scholarships for Southeast European students, often sons of business friends and other young people recommended by the MWT because they were suited for later employment in Southeast trade.

In the spring of 1940, the Südost-Stiftung des Mitteleuropäischen Wirtschaftstages Berlin zur Herausbildung junger Kaufleute in Südosteuropa an der Hochschule für Welthandel in Wien (Southeast-Foundation of the MWT Berlin for the training of young merchants in Southeastern Europe at the College of World Trade in Vienna) was founded. Up until 1941, 360 students had registered. These promising beginnings were, however, thwarted by the war.

Another project of the MWT was virtually overrun by war events. The MWT planned to train skilled workers from Southeastern Europe in German industrial enterprises. Several member firms had offered to start two-year training programs for 75 to 100 Hungarian and Bulgarian workers at a time. The firms were committed not to recruit the workers after they had finished their training but to encourage them to return home. At its general assembly in November 1941, the MWT proclaimed the idea "to look for a way to develop a regular staff of skilled workers in Southeastern Europe who know German working methods from experience and are able to deploy and to lead groups of local skilled workers expertly". Due to the outbreak of the war, however, this project was never realized.

Long-Term Planning

Since the end of the 1930s, promoting the establishment of modern industrial sectors in Southeast European economies was considered within the MWT. A report of the MWT published in February 1940 shows a remarkably socialist view of development theory and a rebuff of formerly supported principles. It stated that, in the end, a substantial improvement in living standards in Southeastern Europe and an enlargement of markets for German industrial products required “planned and comprehensive industrialization”. The report urged German industry to accelerate this process by investing capital and know-how directly in relevant industrial branches in Southeast European countries. Another project was considered by the MWT. A stock market for shares of industrial enterprises in Southeastern Europe was to be set up to inform German firms about promising investment opportunities in the region and thus encourage the transfer of German capital, technology and know-how.

For the MWT, political difficulties increased considerably as the war escalated and all the economic resources were concentrated on achieving the “Endsieg” (final victory). The pressures put upon the MWT by party and government agencies resulted in a gradual paralysis of its activities. Party officials criticized the MWT’s “inappropriate” consideration for the sovereignty of these small states in the periphery of the militarily-protected sphere of German political and economic influence, the “Grosswirtschaftsraum”. During the war, the German government increased political pressure on these countries to make them contribute to the joint struggle against Bolshevism. The MWT, however, held to its fair confidence-building attitude towards its partners as long as possible.

In the beginning of 1940, the MWT warned publicly of an “economic occupation” of Southeastern Europe, disguised as a customs or currency union dominated by Germany. Attempts to integrate this region in the German war economy would inevitably result in the extension of the Allied blockade to these countries. Then, all the responsibility for providing the region with vital goods would be shouldered by Germany. A “half-militarily” controlled production scheme designed to exploit these countries more thoroughly, provoked resistance by the population. Undoubtedly, the MWT had been confronted with such plans, threatening its activities aimed at a mutually beneficial cooperation between the German and Southeast European economies.

The principles of international cooperation proclaimed by the MWT met with increasing disapproval by the Nazi hierarchy. Party officials attacked the “liberal club” in public. It was claimed that the activities of the MWT were more beneficial to the partner countries than to Germany itself. The president of the MWT and the members of its board were criticized for cultivating friendships with persons in Southeastern Europe “irrespective of their race or political attitude”. The MWT’s cooperation with German embassies ceased when the German diplomats in Hungary, Romania and Bulgaria were replaced by primitive SS-troopers.

What was left of the MWT ended on July 20, 1944. In the course of the wave of arrests after the failed assassination attempt on Hitler, Wilmowsky was locked up in

August 1944 because of his alleged subversive behavior. He survived in the Sachsenhausen concentration camp. Ulrich von Hassell, former German ambassador to Rome and member of the MWT's board of directors, designated foreign minister of a Goerdeler government, was executed in September 1944.

The activities of the MWT are even more remarkable considering the fact that this association was exclusively sponsored by private enterprises. The MWT's concern was not so much fast business but long-term development efforts. Its goal of an improved market for German products in Southeastern Europe was to be achieved through comprehensive efforts to modernize these economies. Instead of brilliant showpiece investments, it recommended steady and thorough development starting with the traditional agricultural sector. Considering the experiences industrialized countries have gathered during the development of Third World economies today, the MWT's recipe does not seem completely unfounded. The simple practicality of the development strategy designed by the MWT and its insight into the prerequisites of economic growth are intriguing.

The activities of the MWT focused on the transfer of technical know-how and skills, the training in modern production processes, and the efficient use of labor-saving equipment. The experience and knowledge of the advanced country help to modernize the "late-comers". The range of training programs shows the degree to which the MWT emphasized the importance of "human investments" for economic development.

The MWT built confidence in Southeastern Europe in the interests of the German industry. Notwithstanding their economic purpose, the ideas and projects of the MWT were sustained by a deep sympathy with the fate of these peoples, by understanding and good will. It is part of the self-inflicted German tragedy that this confidence was abused by irresponsible politicians.

PAUL MARER¹

The Postwar Role of Germany in Central and Eastern Europe

Introduction

This essay examines the role of Germany in Central and Eastern Europe after World War II and juxtaposes Germany's role with that of the United States.

Central and Eastern Europe is a geopolitical term. Which countries belong depends partly on geographic location and partly on postwar political history. For the purpose of this essay, Central and Eastern Europe is defined as comprised of six countries: Poland, the Czech Republic, Slovakia (before 1992, Czechoslovakia), Hungary, Romania and Bulgaria. Although the German Democratic Republic (GDR) was a legally independent country until 1990 and was, in many respects, in a similar situation as the countries just named, for the purposes of the present discussion the GDR is considered an external actor. One reason for so treating the GDR is that during much of the postwar period the influence of the Federal Republic of Germany on the countries of Central and Eastern Europe was derivative of its relations with the GDR. The other reason is that the GDR no longer exists as an independent country, having been reunited with the FRG in 1990. Therefore, since Eastern Germany is clearly not a part of a geopolitically defined Central and Eastern Europe since 1990, it makes sense to keep unchanged the country composition of the region we are focusing on for entire postwar period.

Germany's role in Central and Eastern Europe was fundamentally different during the communist era, 1949-1989, than it has been in the post-communist period, that is, since 1990. The two parts of this essay focus on the first and on the second of these periods, respectively.

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Germany's Economic Relations with Central and Eastern Europe, 1949-1989²

The 40-year span before the collapse of communism can be divided into two periods: the intensive Cold War era of the 1950s and early 1960s and the Ostpolitik-detente era that began in the mid-1960s and lasted through the 1980s.

During the intense Cold War era, Germany had by and large acquiesced in the U.S. policy of economic containment and isolation of all the Communist countries of Europe, especially the Soviet Union. The single exception to containment, the Western countries had agreed to, was Yugoslavia, a communist country that managed to reject Soviet imperial domination. Economic isolation of all the other communist countries meant a Western embargo on the export of technology and many other products, discrimination on imports from the communist countries, and an unwillingness - in some cases outright legal prohibition - to extend credits or to permit private foreign investment in those countries. Since during the intense Cold War period the Soviet Union had pursued a policy of autarky, and insisted that its allies in Central and Eastern Europe do likewise, there was by and large a consensus on East-West economic policies between the United States, the Federal Republic of Germany, and the rest of the countries of Western Europe.

The second period in East-West relations commenced with the formation of a Social Democratic (SPD) government in West Germany, initially led by Chancellors Willy Brandt and then Helmut Schmidt, who (along with other politicians, some from the Christian Democratic Union) served as the architect of Germany's new Ostpolitik - policies toward the East. Although Ostpolitik focused primarily on the FRG's relations with the Soviet Union and its client state, the GDR, Ostpolitik had significant secondary (derivative) impacts on the countries of Central and Eastern Europe.

Ostpolitik was based on two assumptions and related policy goals. One was the conviction that the only possible - though far from certain - road leading to the reunification of the two Germanies would be the gradual reduction of political and military tension between the Soviet Union and the West. The logic of the argument was that a reduction of tensions would or might lead to a situation in which the Soviet Union would feel itself adequately strong economically and sufficiently secure militarily to be prevailed upon to loosen its grip on the countries of Central and Eastern Europe generally and on East Germany specifically. Therefore, the West should facilitate the easing of tensions by moving toward the normalization of economic relations with the East, consistent with maintaining the military security of the Western alliance.

The other assumption and policy goal was that the West German government has a responsibility for all Germans, including those living in the GDR, and that it should

² For a historical perspective that also covers the interwar period, see Ivan Berend, "German Economic Penetration in East Central Europe in Historical Perspective", in Stephen E. Hanson and Willfried Spohn (eds.), *Can Europe Work: Germany and the Reconstruction of Postcommunist Societies*, University of Washington Press, 1995.

be an objective of FRG policy to make life easier for the people living in East Germany. This goal required, first, for Germany to have good relations with Moscow because the leaders of the USSR had a decisive influence on the policies of the leaders of the GDR and, second, for the Federal Republic to promote economic relations with the GDR, even subsidizing it if that would improve the living conditions of people living in East Germany.

Eventually, the assumptions of the SPD's Ostpolitik became accepted by Germany's Christian Democratic Party, the CDU. Ostpolitik thus became Germany's official policy. The policy was supported particularly strongly by West Germany's business interests which were to benefit from increased commercial relations with the Eastern states.

Germany's new policy was welcomed by Soviet leader Nikita Khrushchev and, in varying degrees, by the leaders in Central and Eastern Europe. There was a realization in the East that the countries needed commercial intercourse with the West to strengthen their weak economies and thus to try to maintain or enhance the political legitimacy of communist rule.

After President Richard Nixon's 1972 visit to Moscow, the U.S. itself adopted *elements* of Germany's Ostpolitik. U. S. policy toward the European communist countries was called *detente* vis-a-vis the Soviet Union and *building bridges* vis-a-vis the countries of Central and Eastern Europe. But there were significant differences between the U.S. policy of *detente* and *building bridges* and Germany's Ostpolitik. First, the policy consensus was much weaker in the United States than in Germany. Second, the United States tended to move toward the normalization of commercial relations with the East, without subsidizing commerce. Furthermore, commercial normalization was held out as a *reward* for a given communist country modifying its behavior, rather than applying the policy by and large unconditionally, as did Germany, in the service of its clearly-stated long-term objectives. Consequently, U.S. economic policy was much less consistent than Germany's. Each time the Soviet Union or a Central and East European country did something - at home or around the world - that the United States strongly disapproved of, such as putting political dissidents on trial or the Soviet Union invading a country (e.g. Afghanistan) or threatening to invade a country (e.g. Poland after the rise of Solidarity), the United States reversed its policy of economic normalization. The ostensible reason was to punish the adversary. However, often the more important reason was U.S. domestic politics: the government had to be seen as responding in some way to the "provocation" of an adversary.

Because Germany was reluctant to follow the twists and turns of U.S. economic policy toward the East, the resulting policy divergence periodically gave rise to tensions between the United States and Germany (as well as other U.S. allies). An example is the gas pipeline controversy in the 1970s and early 1980s. Germany and other West European countries decided to supply wide-diameter, high-pressure gas pipelines and compressor technology for the construction of a Soviet natural gas export pipeline from Urengoi to Western Europe. The United States, responding to the Soviet invasion of Afghanistan and then (what it considered to be) the Soviet-inspired imposition of martial law in Poland, unsuccessfully pressured Germany and

other West European countries to deny the pipeline and related technology to the Soviet Union.³

During the 1970s, the Federal Republic became by far the most important Western trade partner of the Soviet Union and the countries of Central and Eastern Europe. The factors aiding this development included the rapid increase in Germany's economic might, Germany's advantageous location and historical ties with the countries of Central and Eastern Europe, and U.S. reluctance to normalize fully and permanently economic relations with the East. By 1989, more than one-third of the five Central and East European countries' and about half of the GDR's total trade was with the West. However, the share of the West, and the share of Germany in that total, differed considerably among the Central and East European countries (Table 1).⁴

Table 1. Central and East European Countries' Trade in 1989,
Total and with the Industrial West (Billions of current dollars)

Country	Exports			Imports		
	Total	Ind. West	Percent	Total	Ind. West	Percent
Bulgaria	7.8	1.3	17	8.2	2.6	32
Czechoslovakia	13.6	4.5	33	13.4	4.4	33
Hungary	10.9	4.2	39	9.9	4.4	44
Poland	17.9	6.6	37	13.6	5.5	40
Romania	8.7	3.9	45	6.5	1.0	15
C & E. Europe	59.0	20.5	35	51.6	17.9	35
GDR	17.7	8.4	47	18.2	9.4	52
CEE & GDR	76.6	29.0	38	70.0	27.3	39

Source: Paul Marer, et. al., *Historically Planned Economies: A Guide to the Data* (Washington D.C.: The World Bank, 1992).

³ Angela Stent, "Technology Transfer to Eastern Europe: Paradoxes, Policies, Prospects", in William E. Griffith (ed.), *Eastern and Central Europe: The Opening Curtain*, Boulder, CO, Westview Press, 1989, pp. 74-101.

⁴ Because foreign trade prices, trading conditions, and exchange rates were different in intra-CMEA and in East-West trade, it is not possible to calculate, with any degree of accuracy, the trade shares of individual countries or country groups in a communist country's total trade. For a detailed discussion of the problems and alternative estimates, see Paul Marer, et. al., *Historically Planned Economies: A Guide to the Data*. Washington D.C., The World Bank, 1992.

Excluding trade with East Germany, during the 1970s and the 1980s, the FRG had absorbed about one-fourth of the industrial West's imports from the Central and East European Five, and supplied about one-third of the industrial West's exports to the same group of countries.⁵ The FRG's share in East Germany's trade with the industrial West was considerably larger. At the same time, only about 2 percent of the FRG's total trade was with the Central and East European Five; 3 to 4 percent if trade with East Germany is included.⁶ Chemicals and intermediate manufactured products constituted the bulk of the Central and East European countries' imports from the West, reflecting their industrial policies and the shortage of such products in the CMEA. The Central and East European countries' exports to the West consisted mainly of energy and raw materials, related intermediate products, as well as low-value-added manufactures and consumer products.

The percentage shares of the industrial West in the Central and East European countries' total trade do not indicate whether the level of trade with the industrial West was large or small relative to trade potential. Estimates based on economic models suggest that in the mid-1980s, the Central and East European countries were, on average, fulfilling just about one quarter of their trade potential with the market economies of the industrial West.⁷ That in spite of two decades of gradual normalization of economic relations only a fraction of the Central and East European countries' trade potential with market economies had been realized can be explained mainly by the nature of the centrally planned economic system and, secondarily, by the remaining political constraints on trade on both sides. Examples that illustrates political constraints are the unwillingness of the centrally planned economies to permit foreign direct investment, which generally promotes trade, and the broad controls on the export of technology and products to the East under the auspices of the Coordinating Committee (COCOM) established for that purpose, whose members were the NATO countries minus Iceland plus Japan.

One area where normalization had perhaps overfulfilled the norm during the period of Ostpolitik and detente was the granting of official and private-sector credits to the Central and East European countries. The 1989 gross hard-currency foreign debt of the six Central and East European countries (including East Germany) was nearly \$100 billion, much too large relative to the ability of most of the borrowers to service their debt without difficulties. (Table 2 shows the 1989 gross and net debts and debt-service ratios of the individual Central and East European countries.) Several factors contributed to the eagerness of the West to lend large sums to the countries of Central and Eastern Europe: the need in the mid-1970s to recycle the OPEC surplus that arose in the wake of the large jump in energy prices; the mistaken belief by the creditors that the "all-in-control" governments of the communist states are always in a good position to service their countries' foreign debt; and the erroneous expectation that the Soviet Union would always stand ready

⁵ See Leyla Woods' contribution to *East-Central European Economies in Transition* (Study Papers Submitted to the Joint Economic Committee, Congress of the United States). Washington D.C., U.S. Government Printing Office, November 1994, p. 388.

⁶ *Ibid.*, p. 396.

⁷ *World Development Report*. Washington D.C., The World Bank, 1996, p. 132.

to bail out an East European ally that found itself in balance of payment difficulties. Most important, perhaps, was the desire of Western governments to help finance exports by producers from their countries and that of Western banks to support the foreign sale of their domestic business customers. Both cases seemed to justify lending to the importing communist country. The FRG had granted more than its proportionate share of credits to the East. That is, the share of the FRG's loans to the East in the total loans of the industrial West was larger than the FRG's share in the industrial West's total trade with the Central and East European countries.

Table 2. Central and East European Countries' Gross & Net Hard-Currency Debt in 1989 (Billions of current dollars)

Country	Gross Debt	Reserves	Net Debt	Debt-service Ratio
Bulgaria	8.4	1.5	6.9	.43
Czechoslovakia	7.1	1.6	5.5	.20
Hungary	18.9	1.9	17.0	.48
Poland	40.7*	1.5	39.2	.78
Romania	1.4	.8	.6	.24
C & E. Europe	76.5	7.3	69.2	
GDR	19.7	9.0	10.7	.43
CEE & GDR	96.2	16.3	80.0	

* Of which, \$28 billion was arrears.

Source: See Table 1.

To wrap up this first part of the essay and to build a bridge to the second part, let us speculate about the role of economic factors in the collapse of communism, even though it is much too early to offer any definitive assessment.

There would appear to be a half a dozen or so economic factors contributing to the dramatic events of 1989-1992.

1. Germany's Ostpolitik, intermittently supported by the U.S. policy of detente, policies that had worked as their architects had envisioned. As East-West tensions relaxed, Soviet leaders became willing to entertain options with respect to Central and Eastern Europe generally and East Germany specifically that they would surely have refused to consider if the deep-freeze Cold War era would have continued.
2. Western export restrictions under COCOM denied advanced technology and products to the East, thereby increasing the economic gap between developed market and centrally planned economies. To be sure, over time COCOM members became less and less willing to agree on common policies and the policies agreed to could not always be implemented.
3. While during the 1970s, Western credits helped the economies of the Central and East European countries, by the 1980s the need to service the large debts put economic pressure on the East and was a factor in the Central and East European countries' declining economic performance.

4. The U.S. policy of building bridges to selected countries of Central and Eastern Europe was successful in that it made certain developments in those countries easier to occur, even if U.S. policy was not the direct cause. For example, U.S. policy indirectly supported the rise of the Solidarity movement in Poland and also assisted Hungary's 25 years of political liberalization and economic reforms that culminated in Hungary's last communist government opening its Western borders to the fleeing East Germans, thus helping to trigger the collapse of the Berlin Wall.
5. Reagan's policy of accelerating the arms race forced an economically much weaker Soviet Union to spend disproportionately large resources on the military, which further weakened the Soviet economy.
6. The most fundamental economic cause of the developments we try to explain was the growing weakness of the *traditional* centrally planned economic system. Gorbachov realized this weakness - as did Deng Shao Ping in China earlier - and decided to reform the economy. While Gorbachov's diagnosis was on the mark, his economic and foreign-policy reform policies were based on unrealistic assumptions, yielding consequences that were unforeseen by the architects of those reforms as well as by policy makers and experts in the West. The result was a much quicker and much more encompassing economic and political collapse, first in the countries of Central and Eastern Europe and in the GDR and then in the USSR, than anyone did predict or could have predicted.

As to the relative importance of these six factors, the author's interpretation is that the last factor - Gorbachov's decisive but unpredictable actions, guided, from his point of view, by a fundamentally flawed compass - was primarily responsible, if not for the occurrence of the events, certainly for their timing.

At the same time, it is plausible to argue that each or several of the other factors - Germany's Ostpolitik, the U.S. policy of detente and building bridges to Central and Eastern Europe, COCOM's export restrictions, the foreign debt-service burden, and Reagan's policy on the arms race - was or were also necessary though not sufficient conditions for a Gorbachov-type leader to come to power and to pursue the policies he eventually did.

Germany's Role Post-1989

Germany's role in the transformation of the countries of Central and Eastern Europe is, and will continue to be, shaped mainly by one momentous event: the reunification of Germany.⁸ Reunification, and the way this immense task was and is being

⁸ For details on the economics and politics of reunification, see Roland Schönfeld, "Transformation and Privatization in East Germany: Strategies and Experience", in Roland Schönfeld (ed.), *Transforming Economic Systems in East Central Europe*, München, Südosteuropa Gesellschaft, 1993; and Horst Brezinski and Michael Fritsch, "Transformation: The Shocking German Way", Working Paper No. 96/1 of the Technical University Bergakademie, Freiberg, 1996.

implemented, has had and will continue to have several direct and indirect impacts on the countries of Central and Eastern Europe, via trade, foreign direct investment, foreign economic assistance, and developments in the EU and in the EU's relations with the Eastern countries that aspire to become full members. Each of these aspects is discussed next.

Trade. Reunification involved the exchange of one East German mark for one Deutsche Mark (DM). This caused the effective appreciation of East Germany's exchange rate by several hundred percent. At the same time, wages, pensions and other social benefits in the Eastern part of Germany were gradually equalized with those in the Western part of Germany. These policy measures were taken at least in part in order to stem the flow of people moving from the Eastern to the Western part of Germany. Large migration, if unchecked, would have caused as great if not even greater economic, social and political disruptions as the actions that were actually taken. Be that as it may, one consequence of the economic policies of reunification was that East German producers were priced out of their domestic as well as foreign markets, including their most important markets in the former CMEA countries. Between 1990 and 1993, Eastern Germany's exports to Central and Eastern Europe declined by about 80%. Central and East Europe's exports to Eastern Germany plummeted correspondingly, as East German demand turned away from products of local (East German) and CMEA origin toward West German and other EU products. In brief, German reunification almost wiped out the Central and East European countries' considerable trade with East Germany.

Rather unexpectedly, the 1990-1992 expansion of Central and East Europe's trade with the Western part of Germany was spectacular enough to more than make up for the loss of trade with the Eastern part of Germany. Exports to West Germany increased in response to the reunification-led boom in West Germany's economy, by the imperative facing producers in the Central and East European countries to reorient their sales from the collapsed domestic and CMEA markets to the West, and by the reduction of EU's trade barriers as the EU signed Association Agreements with the countries of Central and Eastern Europe. However, because West German exports to Central and Eastern Europe increased even faster than West German imports from these countries, a substantial trade deficit developed for these transforming economies.⁹ Germany's imports from and exports to Central and Eastern Europe grew much faster than its total trade or trade with the EU. To be sure, the way German reunification was financed - via highly expansionary fiscal and highly restrictive monetary policies - raised interest rates considerably in Western Europe, causing a deep recession in the EU during 1992-93. That, in turn, constrained export opportunities for Central and Eastern Europe to the countries of the EU, other than to Germany.

Foreign Direct Investment. To interpret the record of particular countries as suppliers or as recipients of foreign direct investment, it is helpful to consider the

⁹ Heinrich Machowski and Wolfram Schrettl, "The Economic Impact of Unified Germany on Central and Eastern Europe", in *East-Central European Economies in Transition* (op. cit.), pp. 412-440.

factors that potentially give rise to, or constrain, foreign direct investment outflows, that is, the supply side, and the factors that stimulate or constrain foreign direct investment inflow into prospective host countries, that is, the demand side.¹⁰

On the supply side, the exchange rates and labor compensation rates that investors were facing during the mid-1990s made unit labor costs in Germany eight to ten times higher, on average, than unit labor costs in the countries of Central and East Europe. The differential is considerably greater, on average, than the productivity advantage that German workers have over their counterparts in the East. Even on quite optimistic assumptions about the growth of productivity and thus of real wages in Central and Eastern Europe, a very substantial unit labor-cost advantage is bound to persist in favor of Central and Eastern Europe for the foreseeable future. This is a highly significant factor, increasing the potential supply of foreign direct investment from Germany to the East, especially to those nearby countries and in those sectors and where productivity differentials in favor of Germany are, or can become via foreign investment, considerably less than the eight-to-ten-fold higher labor-cost advantage in Central and Eastern Europe.¹¹ This will stimulate the supply of foreign direct investment, especially in the form of subcontracting and joint ventures, but also via greenfield investment. ("Greenfield" investment means the building of new capacity.) Indeed, there has been a great deal of German investment so motivated, especially since 1995, targeted especially to the Czech Republic, Hungary and Poland.

At the same time, the huge cost of government financial transfers from the Western to the Eastern part of Germany (DM 930 billion during 1991-96, or about \$600 billion at 1996 exchange rates) and the focus of West German firms on investment opportunities in Germany itself during the first half of the 1990s had limited the supply of German foreign investment to any destination, including Central and Eastern Europe. This is probably a reason for the fact that until 1995, Germany had ranked a distant second, behind the U.S., as investor in Central and Eastern Europe.¹²

Turning to the demand side, that is, how attractive are prospective host countries in Central and Eastern Europe as investment destinations, significant differences are found between the states. Chart 1 shows that during transition's first five years (1990-94), the cumulative inflow of foreign investment as a percent of each country's 1994 GDP was the highest, and by a very large margin, in Hungary (circa \$11 billion, or 30% of GDP), the same, relative to the size of its economy, as foreign investment inflows were into China during the same period. Among the countries we are focusing on, the Czech Republic was the second in the region (circa \$4 billion, or 13% of GDP); Poland was third (\$6.5 billion or 7% of GDP).

The reasons for Hungary's jump-start in attracting foreign investment include the favorable political image the country had in the West during the late 1980s and early

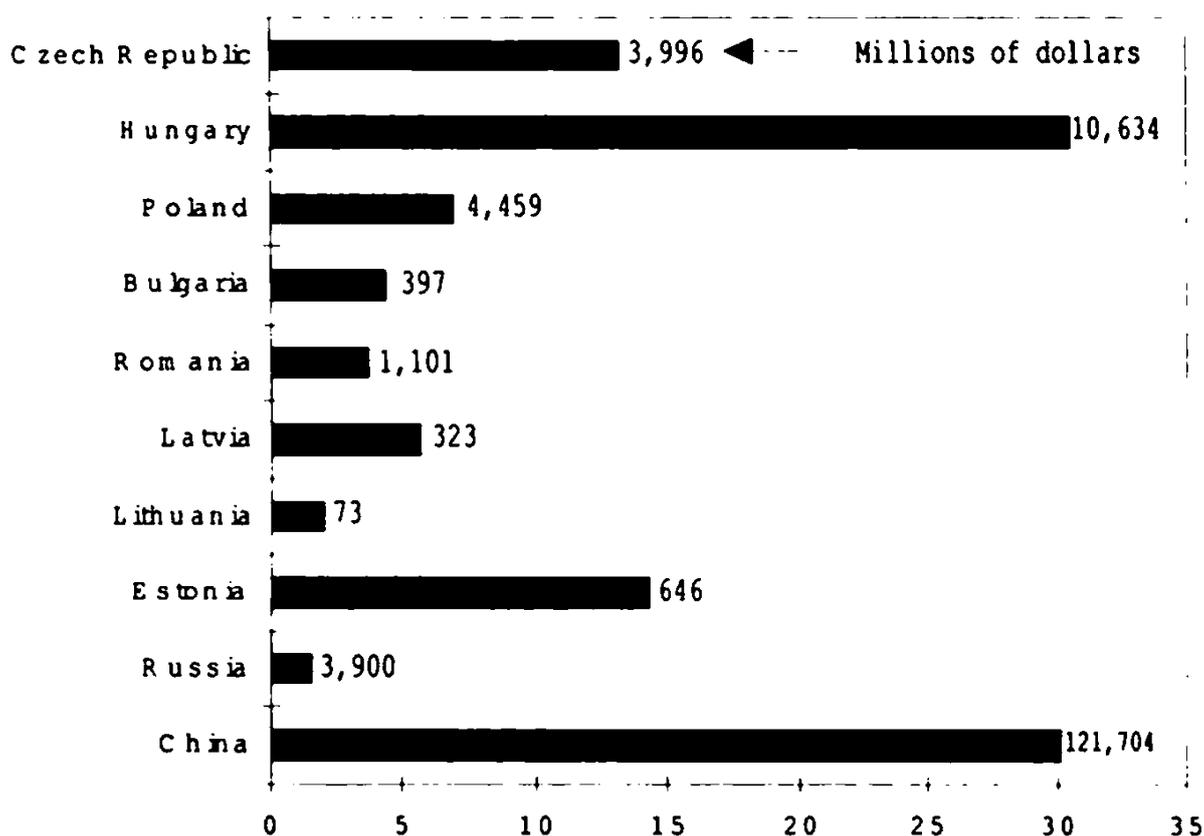
¹⁰ Foreign *direct* investment involves equity control or operations by the foreign investor. Foreign *portfolio* investment (stocks and bonds) do not entail operational control by the investor.

¹¹ If lower labor costs are matched exactly by lower labor productivity, then the low-wage country has no labor-cost advantage vis-a-vis the high-wage country.

¹² *World Investment Report, 1995*. New York: United Nations, 1995, pp. 99-114, 397.

1990s, peaceful political transition and post-communist political stability, and the uninterrupted servicing of the country's large foreign debt. But the most important reason was that Hungary's policy makers chose to privatize state-owned enterprises primarily via sale rather than voucher distribution or management and employee buyouts. An important factor prompting this approach to privatization was the decision to continue to service the large foreign debt, which required a substantial net inflow of capital to finance current-account deficits in the balance of payments.¹³ Whatever the reasons, privatization via sale gave a substantial edge to foreign investors over domestic investors because the latter group had meager accumulated savings.

Chart 1. Cumulative Foreign Direct Investment Inflows, 1989-1995
(As percentage of 1994 GDP)



Note: Data are the sum of inflows during 1989-95. Data for 1995 are preliminary. IMF and World Bank staff estimates.

Source: *World Development 1996* (Washington D.C.: The World Bank, 1996), p. 64.

¹³ For details, see Paul Marer, "Hungary During 1988-1994: A Political Economy Assessment", in *East-Central European Economies in Transition* (Papers Submitted to the Joint Economic Committee, Congress of the United States), Washington D.C., U.S. GPO, 1994.

As to the *level* of foreign direct investment, during 1990-95, the Central and East European countries had attracted only about 10% of the total *flow* of new foreign investment that went to all developing countries (and only about 2-3% of total global foreign investment). The cumulative *stock* of foreign direct investment of the five countries of Central and Eastern Europe, with a total population of about 90 million, is about the same as the cumulative foreign direct investment stock of Argentina (population of 34 million). The Central and East European countries' stock of foreign direct investment is as yet much less than the potential these countries would have if effective demand would be greater. That, in turn, means improving the attractiveness of their business environments and offering better business opportunities as compared with the many other countries around the world with which they are competing for foreign investment.

Foreign Aid. Opinions differ on whether the official development assistance (defined as grants plus concessionary loans) of the industrial Western countries to Central and Eastern Europe has been large, small, or about right, relative to the needs of the recipient countries, their ability to effectively absorb aid, and the moral "obligation" and financial ability of the West to provide economic assistance.

The controversy concerning the adequacy of the level of foreign aid by the West can be approached in different ways. Aid under the Marshall Plan after World War II averaged 2.5% of the GDPs of the recipient countries during the period it was disbursed, about the same aid-to-GDP ratio as for the Central and East European countries during 1991-93. However, the GDPs of all the transition economies are under-recorded, owing to their large unreported economies, and the dollar value of their official local-currency GDPs is under-stated owing to the low value of their exchange rates relative to the purchasing power of their currencies. These two facts mean that the aid-to-GDP ratios of the Central and East European countries are significantly upward biased. Furthermore, the Marshall Plan embodied a much larger grant (as opposed to subsidized loan) component than the aid given to the Central and East European countries: 80% versus 20%, according to one estimate.¹⁴ Marshall Plan aid was also much more generous relative to the size of the donor's economy (circa 1.5% of U.S. GDP) than industrial Western aid to Central and Eastern Europe is relative to the OECD countries' total GDP. The author could not readily find data for Germany's share in official Western assistance to Central and Eastern Europe. However, it is his impression, and only that, that Germany has been carrying at least its fair share in the OECD total, in spite of the huge transfers to the Eastern part of Germany that the Federal government has had to fund.

Economic assistance is granted through international financial institutions, namely, the IMF, the World Bank, and the European Bank for Reconstruction and Development (EBRD), by the EU, and bilaterally by the individual OECD countries. During the early 1990s, a major share of official multilateral assistance took the form of balance of payments support and debt relief, the latter granted selectively. Among

¹⁴ John Harper and Janine Wedel, "Western Aid to Eastern and Central Europe", *East European Studies Occasional Paper #21* of the Woodrow Wilson Center for Scholars, Washington D.C., September 1995, p. 20.

the financial contributions of the EU are non-repayable subsidies granted via such special aid programs as PHARE and TACIS, as well as credits by the European Investment Bank (EIB). PHARE is a program established in 1989, initially limited to Poland and Hungary, subsequently extended to about a dozen European transforming economies. During the mid-1990s, the main recipients were Poland, Hungary and Romania. The shares received by the individual Central and East European countries and European NIS are determined on the basis of population and GDP as well as on qualitative criteria.

Bilateral and EU aid programs have a number of shortcomings. For example, the procedure for inviting projects to be supported by PHARE and TACIS is so complicated that up to two years may elapse between the time that a country or a firm makes an application and the actual start of a project.¹⁵

Because the EU's objective is to integrate the Central and East European countries into Europe, the EU has begun to supply capital investment to finance regional multi-country or trans-European projects, such as railway lines, roads, and border infrastructure, mostly via the EIB. U.S. aid that flows through channels other than the international financial institutions has been mostly bilateral and has been in the form of technical assistance. Much of U.S. and West European aid has gone to consultants from the donor countries serving as advisors in the recipient countries. The effectiveness of the projects funded and the ability of the advisors to deliver more or less what is needed by the recipient country has covered the spectrum, from highly effective to quite ineffective. The reasons why a portion of the aid has not been effectively disbursed can be found in the policies and procedures of the donor as well as the recipient countries.¹⁶

Membership in the European Union. Full membership of several, eventually perhaps all, of the Central and East European countries is the most important assistance that the West can offer. A firm and well-defined commitment by the EU to admitting the Central and East European countries to full membership would strengthen immeasurably the hands of those in Central and Eastern Europe who wish to continue, speed up, or complete - depending on country - the political, economic and social transformation. The reason that a firm commitment to admit would help transformation is that prospective new members will have to make their laws, policies as well as political and commercial practices conform with those of the EU. Although not each and every policy of the EU member countries would be ideal for a transition economy to copy, being obligated to accept the EU's legal, institutional and policy framework would be the best assurance that transformation would not be derailed.

The membership prospects as well as the prospective terms of membership continue to be influenced by German reunification. When the fall of the Berlin Wall opened the way to German reunification, Chancellor Helmut Kohl reportedly said, in effect, to President Francois Mitterand: "I need your support and the support of

¹⁵ Petra Brunner and Wolfgang Ochel, "The Policy of the European Union Towards the Countries of Central and Eastern Europe", *Tokyo Club Papers*, No. 9, 1996, pp. 210-211.

¹⁶ For details, see Harper and Wedel, *op. cit.*

Europe to achieve immediate and complete reunification." President Mitterand, reflecting the concern of the French and those of some other European countries about a unified Germany becoming even more powerful relative to the other EU members, replied, in effect: "Let's create a stronger Europe in which the reunified Germany can be fully embedded."¹⁷

The result was the Treaty of Maastricht, whose two main goals were the establishment of full economic union, including moving to a common currency, as well as a common foreign policy. The Maastricht Treaty went further and faster toward European integration than public opinion was prepared for, which is an important reason why questions remain about the feasibility of the timely implementation of the Treaty by the end of the decade or the early years of the next decade. One complicating factor is the possible admission of several Central and East European countries to full EU membership. There is considerable - though far from unanimous - support among the member governments of the EU that both a deepening and a widening of EU integration are desirable, at least in principle. Whether and to what degree these two objectives are compatible are subject to sharp debates: can the deepening of the EU go ahead as planned under the Treaty of Maastricht while the Community would also be enlarged at about the same time? Some experts believe in the "thesis of complementarity," namely, that a balance can be created between deepening and widening. Others hold to the "thesis of contradiction," namely, that deepening and widening are mutually incompatible objectives.

During 1996-97, this debate is on the top of the agenda of the EU Commission, the governments of the member states, and various expert groups. Between mid-1996 and mid-1997, the governments of the EU countries are holding an Intergovernmental Conference to try to resolve this debate and to agree on the institutional and policy changes required for implementing whatever is decided. One possible outcome is that the EU will be comprised of a *concentric circle* of integrating countries; another, that future integration will resemble a pattern of *variable geometry*.¹⁸

In the model of *concentric circles*, countries are classified into clusters, based on their degree of interest in and preparedness for integration. In a Europe of concentric circles, there would be a more deeply integrated core of countries, around which less fully integrated states are grouped in circles.

In the model of *variable geometry*, differently constituted groups of EU members (possibly also non-members) would work together in specific policy fields. The individual countries will differ from each other in that they acquire rights and assume corresponding obligations only in specified areas of integration. The concept of variable geometry thus means that the community of countries form a system of partly overlapping sub-regimes. Examples of the past application of the concept of

¹⁷ This stylized conversation is reported by George Soros, "Prospects for European Disintegration." Speech delivered on September 29, 1993, at the invitation of the Aspen Institute in Berlin. Published by the Soros Foundation, New York, September 1993.

¹⁸ Brunner and Ochel, *op. cit.*

variable geometry within the EU can be seen in Great Britain and Denmark keeping their options open on whether they will join the monetary union; in Great Britain's refusal to sign the social chapter of the Treaty of Maastricht; and that certain countries decided not to sign the "Shengen Agreement" which eliminated border checks at EU's internal frontiers.

In the view of some experts, Germany (along with Great Britain) favors the "concentric circles" model as a way of reconciling deepening with widening while, at the same time, de-emphasizing the role of commitments to strict time schedules.¹⁹

Summary and Conclusions

This essay discussed the political and economic roles of Germany in Central and Eastern Europe after World War II. We found that during the four decades of communist rule in that part of the world, 1949-1989, Germany's main impact on Central and Eastern Europe was through its Ostpolitik, even though the principal target countries of its policy were the GDR and the USSR. The two main purposes of Ostpolitik were to loosen the grip of the USSR on East Germany and to improve the lives of the population living in the GDR. The main instruments of Ostpolitik were the normalization of economic relations with the East and the granting of subsidies, mainly to the GDR. Germany's Ostpolitik was a factor in the gradual modification of the postwar U.S. policy of containment of all communist countries. German and U.S. policies had certain similarities but also significant differences.

The key conclusion reached is that history was kind to the architects of Ostpolitik and the U.S. policies of detente with the USSR and building bridges to the countries of Central and Eastern Europe, even though the success of those policies was not inevitable. The assumptions of the architects of those policies proved to be correct mainly because of the internal dynamics of the Soviet-type political and centrally planned economic system and the fortuitous (for the West) policies of Mr. Gorbachov.

The second main finding is that one of the most decisive external factors influencing the political and economic transformation of the countries of Central and Eastern Europe has been, and remains, the reunification of Germany. In addition to German reunification's direct impacts on the Central and East European countries' trade, foreign investment inflows, and Western economic assistance, reunification's most important influence is an indirect one, through its impact on the evolution of the EU and on EU's relationship with the countries of Central and Eastern Europe.

¹⁹ Machowski and Schrettl, *op. cit.*, p. 424.

GÜNTER HEDTKAMP

Local Self-Government in Countries in Transition

The Issue

At first glance the issue being addressed, local self-government and local finance in transition countries, may appear as a tangent or a question of marginal interest. Obviously, the question of local self-government has been raised more by western countries and international political institutions than by the politicians in these countries. In fact it was not easy to convince the governments in Eastern and Southeastern Europe that local self-government is a key indicator of political and economic transformation, for the establishment of a democratic system and a market economy. This is the position not only of western countries in general but also of the European institutions. The European Union as well as of the Council of Europe demands from each of its member-states, the ratification of the Charter of Local Self-Government. So, why is this question an important and decisive one for the transition process?

Local Government in Socialist Countries

Remember that the former socialist system can be characterized as a system of extreme centralization where all decisions concerning public activities, defined in a very extensive way, were taken by the central government or by the central organizations of the communist party. Only the execution of these decisions and some elements of the planning system were handled by subsequent levels of administration. Instead of decentralization, the system was based on an administrative hierarchy.

During the communist era, local self-government was abolished in favor of the overall political monopoly of the communist party, the uniformity of state authority, the uniformity of administration and the fiscal monopoly of the state. Consequently, all communities lost their legal identity and the staff lost its democratic legitimacy. They lost their own administration, their property rights and became part of the central budget, functioning merely as executors of plans and directives from the central government. Those few remaining local institutions had very little ability to provide local services and to pursue local interests within this restricted context.

The Political and Economic Aspects of Local Self-Government

What is the relationship between decentralization and local self-government, and why is it one of the basic rules of democracy and a market economy? Democracy and the market are based on individual preferences, both in terms of who should govern and how production factors, goods and services should be allocated. Local government is needed to adjust public services to the preferences of the voters. The voters are simultaneously, the beneficiaries and the financers of these activities. The way to solve the problem of efficient allocation is to establish as much as possible political entities that are close to the voters. They should have a certain degree of homogeneity, hindering the exploitation of one group by another and assuring the protection of minority rights. The ideal solution would be that the voters' willingness to pay would be directly correlated with the structure of the local budget. Instead of meritorious public production, consumer preferences should determine what is produced and how a product should be distributed. Meritoriousness is defined as the political evaluation by an elite group concerning the usefulness of certain goods or of the whole allocation process. The higher consciousness of the political elite governed the socialist system. Even in western countries there are instances where value judgments are made by society - for example, in terms of drugs, tobacco and alcohol, and also for certain public services like education. So I have classified economic systems according to the degree merit implemented in an economy.¹

But let us return to the question of decentralization. For the public sector, the so called subsidiary principle is derived from this political reasoning for decentralization. This principle attributes the ability to provide a public service, first and foremost, to the lowest level. Only if it can be proven that a given activity can be handled more efficiently at a higher level of government, will the whole activity or a part of it be reallocated. This will likely be the case when such activities have external effects which cross the frontiers of communities or regions. The regional structure of government serves to internalize these external effects.²

The Reconstruction of Local Authorities

In all former communist countries, legislation altering the government framework was passed, and the reconstruction of local authorities begun relatively quickly. Constitutional guarantees for local self-government were established, and most of them adhere to the subsidiary principle (as noted above). In general, local property rights and self-government by elected representatives are also constitutionally

¹ Günter Hedtkamp, "Lehrbuch der Finanzwissenschaft", Neuwied, 1977, pp. 14-15, *Wirtschaftssysteme*, München 1974, p. 288.

² See for the allocation of services, Günter Hedtkamp, "Lehrbuch der Finanzwissenschaft" *op.cit.*, pp. 52-58; and for the theoretical aspects, Jere R. Behrman and Steven G. Craig, "The Distribution of Public Services : An Exploration of Local Government Preferences," in *American Economic Review*, Vol. 77 , 1987, p. 37.

guaranteed. Although these new rules were established quickly, it has been much more difficult to implement them. In practice, it may take many years to come to effective institutional and juridical solutions.³ This is not only a question of organization, but also of experience, of manpower and of technical equipment. Above all, style of governance is a mental and political issue. The government must be willing to decentralize. Even in long-established democracies central authorities must sometimes be coaxed into giving up some powers to the local level. This process is necessarily more painful for extremely centralized government bureaucracies where the new administration is being run by personnel from the old system because there are few qualified people outside the old ruling system.

For a decentralized system of government to run effectively, the question arises: should there be an intermediate level between local authorities and the central state? This question of regionalization was actually considered by the Council of Europe in preparing the Charter of Local Self-government. Naturally such an institutional structure depends on the size and the cultural diversity of a country and, last but not least, on the size and structure of the local authorities. In any case, the intermediate levels of government in the socialist countries correspond to neither the tasks at hand nor to the functions they should perform in a democracy.

Intermediate Levels of Government

In the socialist countries the central planning system needed for information and implementation purposes, a certain degree of decentralization. The countries in transformation inherited, therefore, an administrative tier between the central state and the local administration which had nothing to do with decentralization of power, but was the necessary link between the central planning agency and the executors of the plan. These institutions were, however, inadequate intermediaries for a new democratic system because of their organization and the type of administrative tasks they had performed. Most countries abolished or reconstructed these institutions. Insofar as they were transformed, the members of this intermediate tier are in most cases not elected but appointed by the local authorities and have significantly reduced responsibilities - mostly legal monitoring and coordinating public services. In general, they serve as a conduit for the exchange of information, but above all they carry out delegated tasks and oversee the functioning of the central administration - their old, but new-fashioned role. Their persistence should, therefore, be viewed less as the nucleus for regionalization and more as a relic of the former centralized system.

³ For details see, "Decentralization and the Strengthening of Local Self-Government. Local and Regional Authorities in Europe", *Council of Europe*, No. 48. Strasbourg 1992; and "The committee of The Regions. Subcommittee on Local and Regional Finances. Regional and Local Government in the European Union", *Council of Europe*, Draft Version, 1996.

Trade Off between Political, Economic and Legal Aims

New constitutions and laws governing local authorities have allowed new municipalities to build up freely. As a result, some countries have an extremely large number of local authorities, often too small and incapable of establishing democratic institutions (i.e. nominating a mayor, electing a council or board), or pursuing the normal tasks of a local authority. From the beginning, these countries were confronted with the problem of how to reduce the number of local authorities and define new local political structures.

To reestablish local authorities was an extremely difficult thing because it had to be combined with the reorganization of property rights in the economy.⁴ Redefining property rights was not only important for restructuring local government, but also it was a precondition for successful privatization of the socialist economy. The large socialist enterprises fulfilled many tasks which would normally be provided for by the local authority or the public sector in general. The socialist enterprise took care of such services as medical centers, hospitals, cultural centers, kindergartens, road building and other activities normally attributed to the public sector. In principle, these responsibilities needed to be reallocated to the newly established local authorities, but in practice, this was not easily accomplished. Some property may have been claimed by the central state or regional governments, while at the same time, privatized enterprises or the privatizing agency may also have claimed certain kinds of property. In market economies, some firms do sponsor medical facilities as well as cultural or sporting activities, for example.

The bulk of property in Eastern Europe which has been attributed to local authorities is public housing, in spite of the fact that normally it would be privatized or financed by the state as part of national social policy. The municipalization of this property is a heavy burden for the local budgets. Paradoxically, even though technically governed by local authority, the rents and the user charges are regulated by the central government.

⁴ Günter Hedtkamp, "Eigentumszuweisung an Gemeinden aus wirtschaftswissenschaftlicher Sicht," in Klaus König, Gunnar Folke, Jan Heimann (eds.), *Vermögenszuordnung, Aufgabentransformation in den neuen Bundesländern*. Baden-Baden, 1994, p. 141-152.

Financing the Local Budgets

Local Revenues

At the outset, local authorities inherited local industries, and not only those producing public services but also those engaged in the production of private goods. Lack of sufficient revenue has caused the local authorities to protect this source of income for as long as it remains profitable despite the fact that this is inconceivable in most market economies.

The revenue side of the local budgets continues to be insufficient and that is understandable. Where there is a very small local tax base,⁵ it is difficult to acquire revenue through local taxes. In most countries, there are property taxes, but agricultural property everywhere is difficult to tax. Moreover, in these countries urban property is in large measure, housing, a high proportion of which is public. The central governments generously renounced any claims to this type of property, as noted above, leaving the municipal authorities to suffer under this burden. Of course, property values in general are difficult to assess, even in western countries where a developed real estate market exists. Financial administrators, in these countries without fiscal experience⁶ and lacking market indicators, are confronted with nearly insoluble evaluation problems.

An income tax or a profits tax may nominally exist, but in most countries they are poorly developed. It is difficult to implement such taxes and often the preconditions for an efficient tax administration - namely, accountability of both organizations and individuals - are not met. Therefore it is very difficult to implement local surtaxes on revenues and profits. Consequently local taxation is limited to minor taxes, and only in a few countries are local authorities able to collect more lucrative taxes like the vehicle tax. Aside from these taxes, local authorities do collect fees and contributions for public services and get some revenues from permits. Unfortunately the tariffs for most of these revenues are fixed by the central government.

Efficient local self-government requires the bulk of local revenues to be provided by locally-collected taxes and the rates and tariffs to be fixed by the local authorities themselves. Currently, the local authorities neither possess a significant revenue base (in general, less than 10%, and often less than 5% of local budgets), nor are they allowed to fix the rates and tariffs.⁷ More often, local authorities participate in the collection of central taxes, but if these shared taxes are distributed by objective

⁵ IMF, Staff of European I, "Eastern Europe-Factors underlying the Weakening Performance of Tax Revenues" in *Economic Systems*, Vol. 19, No. 2, June 1995, pp. 101-124.

⁶ See Vito Tanzi (ed.), "Transition to Markets Studies in Fiscal Reform", Washington DC, IMF, 1993; and Vito Tanzi (ed.), "Tax Reforms in Economies in Transition." Washington, DC, IMF, 1992.

⁷ Council of Europe, "Decentralization and the Strengthening of Local self-government. Local and Regional Authorities in Europe," No. 48, Strasbourg 1992; Council of Europe, "The Committee of the Regions, Subcommission on Local and Regional Finances, Regional and Local Government in the European Union." Draft Version, 1996

criteria fixed by law, then this is the second best solution to the immediate problem and a step in the right direction for further reforms.

Most local revenue continues to be gathered, as mentioned before, from public property and local industries. The longer this sort of financing persists, the worse the boomerang effect becomes. Local housing suffers, and it becomes increasingly difficult to convince local authorities to withdraw from the production sector of the economy.

Grants from Other Tiers of Government

The largest source of revenue usually comes from the central government and is provided by general or specific grants and loans. Concerning these types of grants, their utility for promoting local self-government depends, first of all on how great is the share of these grants, and second on the manner of distribution. Efficient local self-government requires that grants be given without any conditions concerning their utilization. If this is done for the mass of grants in most countries and if the distribution among communities is based on very few objective criteria fixed by law, then this source of revenue supports efficient self-government. It must, however, be viewed as only the third best solution. Alternatively, there are so called specific grants, given to a certain local authority for a particular purpose. This type of grant is also not unusual and it is useful for financing exceptional expenditures. In order to truly evaluate a grant system, one must take into account: the type of government system (i.e. fiscal federalism, or not),⁸ the proportion of general and specific grants in local budgets, and the characteristics of these grants.

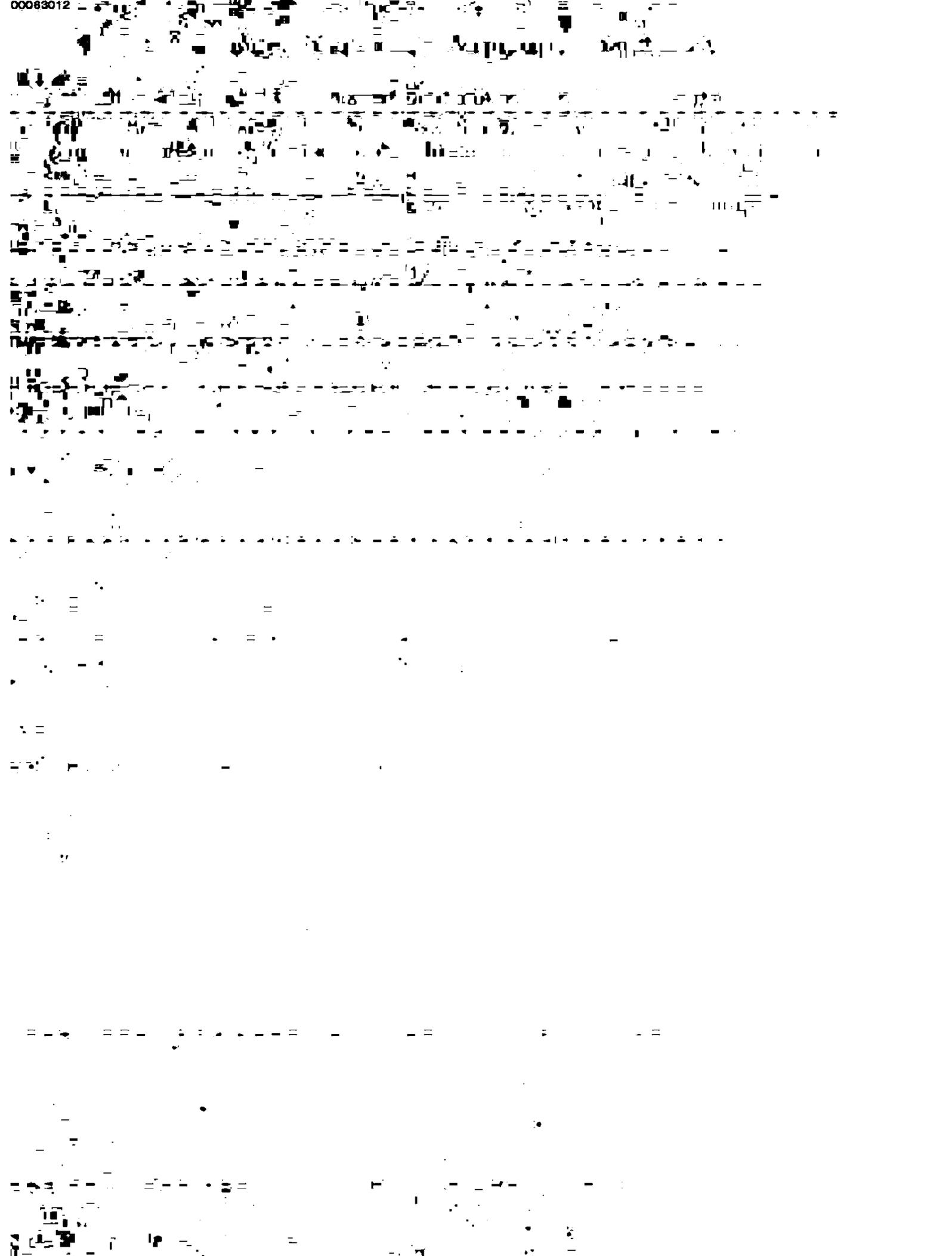
Perspectives

This discussion of local finance in countries in transformation illustrates some positive and impressive developments during the last five years. In many respects, western standards of decentralization have been achieved. Most areas traditionally governed by local expenditure have been transferred to the municipalities, but the central government does continue to regulate. Little progress, however, has been made in terms of local taxation and only a small portion, in many countries about 10%, of the budgetary revenues comes from this source. The bulk of fiscal revenues come, as usual, from grants by the central government, but the specific grants have been largely replaced by general grants which can be freely disposed of by local authorities. To receive these funds, the number of criteria has been reduced and the system of distribution has lost most of its discretionary impact.

For many governments, it seems to be difficult to accept that local authorities may have different preferences and different solutions for political problems within a

⁸ Wallace E. Oates, "Fiscal Federalism: An Overview," in Rémy Prud'homme (ed.), *Public Finance with Several Levels of Government. Proceedings of the 46th Congress of the IIFP*, Brussels, 1990, pp. 1-18, especially p. 9 on the "flypaper effect".

country. The structures of local self-government remain weak, and many politicians at the local level in these countries fear further decentralization. International and supranational organizations like the Council of Europe and the European Union may be able to offer some support for local government when and if those countries which have applied for membership are admitted.



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Hungarian-German Relations in Foreign Trade and Capital Flow during the Period of Transformation, 1989-1995

Introduction

At the Weimar conference, we presented the preliminary results of an inquiry into structural shifts in the Hungarian economy as represented by macroeconomic indicators for the period 1989-93.¹ In this article, we present the first, and by no means exhaustive, results of an inquiry into shifts in German-Hungarian economic relations. We deal with changes in the volume of Hungarian foreign trade and in particular with Hungarian-German foreign trade, as well as some aspects of foreign direct investment in Hungary and German capital investments specifically.

I. Hungary's Import from and Export to Germany

Germany's Share

In the 1950s and 1960s, as a member of the centralized "socialist world market", Hungary's foreign trade was dominated by CMEA intergovernmental agreements. Two-thirds of its trade was with socialist countries. Accordingly, traditional "Western" relations lost their importance both in terms of exports and imports although they did not disappear totally, as we shall see.

The term "traditional" is relative in the case of Central-East European Countries (CEEC) due to frequent political reshuffling. Despite the huge difference between Hungary before and after World War I, we can assert that the traditional "Western" partners for Hungary were Austria and Germany. (This is true not only in economic but also in cultural terms.) According to the scattered data we have at our disposal, at the end of the 19th Century and before World War I under the Monarchy, 70% of Hungary's export and import trade was with Austria and a further 10% was with Germany.² If we disregard trade within the Monarchy, Germany's share jumps to 33%. After the war and the Great Depression, during the period of German economic and territorial expansion, Hungarian-German relations were rekindled and by 1937

¹ Éva Ehrlich, Gábor Révész: Structural Changes in the Hungarian Economy in the First Phase of Transition. Forthcoming. In Hungarian (A magyar gazdaság strukturális változásai az átalakulás első időszakában, 1989-1993) published in Közgazdasági Szemle, May 1996, p. 457-472.

² Iván T. Berend, György Ránki: Közép-Kelet-Európa gazdasági fejlődése a 19-20. században (Economic Development of East-Central-Europe in the 19-20 centuries). Közgazdasági és Jogi Könyvkiadó, Budapest, 1976. p. 200

Germany's share was 25%, and by 1939 it was more than 50% of Hungarian foreign trade.³

After World War II, the consolidation of a divided Germany began only in 1960. Therefore, it is from this year that we are able to breakdown foreign trade according to partners. The share of the FRG decreased naturally to 5-6%. If, however, we add the data for the GDR we still obtain a 16-17% German share. Including Austria, the "German-speaking West", already represents almost 20% of Hungarian foreign trade in the 1960s and 1970s.⁴

Table I presents a breakdown of Hungarian foreign trade over the three decades before systemic changes in the Hungarian economy began in 1989. The table compares figures from socialist and non-socialist countries as well as giving a breakdown of the figures from the major trading partners (the USSR, GDR, FRG and Austria). It illustrates how the "non-socialist countries" and in particular the FRG gradually gained ground at the expense of socialist countries, in particular the Soviet Union. Table I also shows that the above-mentioned "German-speaking West" accounted for 1/3 of Hungarian imports and almost 1/4 of Hungarian exports, already well surpassing the volume of trade with the Soviet Union by 1989.

After 1989, as is well-known, changes in the structure of foreign trade were dominated by the disintegration of the CMEA. The successor states of the Soviet Union were burdened with long-term problems - shaken liquidity and payment arrears. (This was perhaps the most important factor in the large-scale "transformational recession" affecting every country in the region).⁵ The process of economic transformation could not preserve the division of labor which had developed between these countries over 40 years. This fact alone explains why foreign trade between them has been reduced and replaced by trade with market economies, the developed world. In the case of Hungary, Table II shows the relational structure and volume indices of Hungarian foreign trade with other transitional economies, established market economies, and developing economies. Figures for Germany are given separately.⁶

From Table II, we can see that in the first three years of economic transformation, both Hungarian export and import volume decreased by 8% which is 10 percentage

³ Berend - Ránki (1976), pp. 396 and 398.

⁴ If not otherwise indicated, the source of the data in the text is the regular publications of the Central Statistical Office (statistical yearbooks, pocketbooks, trade statistical yearbooks). One could challenge the propriety of data on trade relations since the conversion of rubles into dollars is never perfect. It is very probable that these calculations tend to inflate the values for socialist countries and shrink that of non-socialist countries.

⁵ According to another conception, the disintegration of CMEA relations is not the cause of the transformation crisis but only an element of it.

⁶ Calculations are based on trade statistical yearbooks and the 1995 report of the Central Statistical Office (CSO). We had some volume indices and some data in current prices. We proceeded in a methodologically dubious way. We combined volume indices and breakdowns calculated from current price data. In other words, we assumed that price indices are the same in all relations which is not true. The data of the Table are therefore distorted. We think however that they express tendencies, orders of magnitude. This remark refers also to Tables III. and IV.

points less than the loss of GDP. Foreign trade as a share of the economy therefore increased by more than 10%. During this period up to 1992, the major reshuffling of foreign trade took place. Trade with former socialist countries declined to less than half of Hungary's foreign trade. Market economies, on the other hand, accepted 20% and delivered 30% more goods than in the last year before the systemic changes began. Accordingly, their share of Hungarian foreign trade increased from slightly more than half to three-quarters of the total. These shares have stabilized (up to 1996). The table also illustrates that imports grew faster than exports.

Germany, according to the data, has played an important role in this process. An united Germany appears more prepared both to deliver its own goods as well as to receive Hungarian goods than were the FRG or other market economies. Germany has a commanding position in the integration of Hungary into the developed world. It is worth noting that Hungarian export volume to Germany grew more (2.4-fold in the period under consideration) than import volume from Germany (1.8-fold). Trade with Germany, therefore, eases somewhat the chronic Hungarian foreign trade deficit.

As we have seen in Table 1, Hungary's trade with the GDR before 1989 was not negligible. The collapse of the CMEA and German unification, (including the almost total collapse of large-scale GDR industry) destroyed past Hungarian-GDR relations. If we compare trade with Germany to an FRG+GDR base in 1989, the volume indices of Hungarian trade with unified Germany are less spectacular (See indicators in "Germany b" row of Table I). Still we can see that the opportunities for Hungarian export to Germany increased more than the opportunities for exporting to market economies in general and to developed market economies in particular.

Commodity Composition, Processing

In this section, we reveal changes in the substance of Hungarian import and export relations by looking at the main commodity groups (see Tables III/a and III/b) On the import side (Table III/a), under "*All countries*", the similarities in the volume indices for the main commodity groups are striking. Particularly noteworthy is the value of "*industrial consumer goods*" (imports in 1994 and 1995 are twice what they were in 1989). When the volume indices are broken down, it is clear that the share of industrial consumer goods grew by 10 percentage points, and has almost doubled that of 5 years earlier. This growth falls largely in trade with the market economies (a threefold increase) and is centered to a large extent on Germany (5-fold increase). Higher than average, although much smaller, is the growth of imports from market economies and Germany in the main commodity group - "*raw materials for food industry, live animals, processed food.*"

The strong increase in imports of "Western" consumer goods and, to a lesser extent, food is understandable in a period of trade liberalization, and this can be observed in every country in transition. We should still raise, however, the question of whether Hungarian economic policy should not give greater priority to protectionism during a period of chronic trade and current account deficits. (The

answer is not an easy one since it depends not only on the Hungarian side. Import liberalisation is directly correlated with export potential).

In the main commodity group, "*machines, means of transportation, other investment goods*", we see a strong shift in imports from old partners (i.e. so-called transforming countries) to market economies. Imports of "*machines, means...*" from the countries in transition fell to 1/5 of the total between 1989 and 1995, signaling the total disintegration of CMEA cooperation and specialization. Whereas imports from market economies grew in constant prices by twofold. As a result of these shifts, the share of the "*machines, means...*" main commodity group increased by almost 20%.

On the export side, (see Table III/b), the most striking phenomenon is the loss of markets in the "*machines, means...*" and to a much lesser extent "*food*" commodity groups. With "*machines, means...*" loss of markets in former socialist countries is huge (85%), due to the well-known causes mentioned above. We should single out, however, the fact that in relation to the market economies and in particular Germany, the growth of "*machines, means...*" exports was above average and accordingly its share of total exports grew. The increasing share of "*machines, means...*" in total exports to market economies does not, however, countervail the huge losses in the other relations.

With "*food*", the cause of export loss is not only the shrinking of Eastern markets caused partly by passivity on the Hungarian side, but also trade relations with the West have not been exercised to the fullest extent possible because Hungarian agricultural output fell considerably. Between 1989 and 1993, agricultural output fell by 1/3. This was the largest setback in agriculture among the Visegrad countries. There are two main causes: 1) land restitution measures made property and its use insecure, and created an overly splintered holding structure; and 2) the almost total abolition of agricultural subsidies in 1991 created a huge loss in income and turned agricultural production overnight into a loss-making venture.

Relying on the breakdowns and volume indices by commodity groups, now we will consider other important processes of Hungarian-German foreign trade. In Table IV, we single out the most important commodity groups and those where volume and breakdown indicators signal stronger than average changes.⁷ It is also useful to incorporate yet another dimension into the analysis, namely, transaction type. Foreign trade can be structured also by types of transactions. In this breakdown, naturally the most important item is merchandise trade (e.g. in 1994 this was 82.6% of Hungary's imports and 75% of exports). Another important item is also internal processing (12.8 resp. 22.5%). A smaller item is repair (1% and 1.5%).⁸ Table V gives data for 1992, 1994 and 1995.

⁷ The international classification contains 42 product groups (within it 5 aggregate groups) and 5 encompassing main commodity groups. We included in our IV/a Table on imports 16 product groups and in the IV/b Table on exports 18 product groups. The share of the remaining 26 resp. 24 product groups is negligible, the change in their volume is close to the average.

⁸ Beyond those listed the following negligible items figure in Hungarian foreign trade: financial leasing, operative leasing, outward processing. The processing statistics rely - in

Table V calls attention to the importance of processing for Hungarian foreign trade: as part of the total of turnover, its share is 15% of imports and 23-24% of exports. In relation to German trade it is 25-30 resp. 40%. It is constrained on the export side since its value consists of the imported materials plus processing costs. In fact, two-fifths of the value of Hungarian exports is accounted for by processing transactions. With this knowledge, we can turn to other details of Hungarian-German trade relations.

First we look at the export side (see Table IV/b). After 1989, over a period of 6 years the volume of Hungarian exports increased 2.4-fold. Outstanding growth can be seen in the volume indices of the following product groups: tools, mountings and metal products (growth 6.2-fold), parts (5.1-fold), instruments (6.2-fold), telecommunication equipment and products (10.2-fold), other investment goods (3.7-fold), clothing and textile (4.1-fold), and furniture (3.8-fold). These progressive product groups account for almost half (precisely 49.2%) of exports in 1995.

Behind a large number of these export transactions, is Hungarian processing. Some 30% of the exports of electrical machinery and equipment, and 40% of that of telecommunications equipment and textiles are produced under processing contracts. For apparel and shoes, 80% of exports are processing (according to the gross principle of assessment).⁹

The popularity of processing in Hungarian exports has had mixed results. With engineering products processing, brings modernization and a development in Hungarian work culture. With apparel and shoes, its rationality is the relatively low price of Hungarian labor (relative to its productivity), geographic proximity, and the impact of historical relations. Having said this, at first glance, Hungarian export figures for Germany give a good picture about Hungarian performance. On the import side (see Table IV/a) where total turnover grew 1.8-fold in 6 years, growth was strongest for the following product groups: other semi-finished industrial products (2.9-fold), tools, mountings and other metal products (4.3-fold), transportation equipment (5.2-fold), clothing and textile (10-fold), cars and accessories (6.6-fold), furniture (20-fold) other consumer goods (3.3-fold). The data signal, in part, the import content of production on newly created capacities (vehicles), and in part, the emancipating effect of import liberalization. In other areas where import and export surges coexist (tools, apparel, furniture) it might be the consequence of the increase of processing.

line with border certificates - on the gross principle. In other words, it includes the value of the material. In our case, with inward processing the incoming material figures are imports and also - augmented by the value added by labor - are exports. Breakdown according to types of transactions is given since 1992 for individual trade relations but not for product groups. Statistical publications give only the total (without country breakdown) of the value added by processing within its gross amount. According to these data the value added is 30% on average of inward processing performed by Hungary.

⁹ Source: Ministry of Industry and Trade, Strategy Department: *Ipari strukturaváltozások elemzése, december 1994. (Analysis of structural change in industry) (unpublished study).*

II. Foreign Direct Investment and German Participation in Hungarian Privatization

Foreign Direct Investments in Hungary

Foreign direct investments appeared in Hungary after 1989. We should not, however, forget the precursors, the law on partnerships enacted in 1988 and the attached law on protection of investments, both of which were enacted in the spirit of modern capitalist economies. One can hardly overestimate the importance of foreign direct investments for the transformation of the Hungarian economy. Table VI shows the data from the Economic Commission of Europe on FDI. In each of the past 6 years, Hungary imported a very high amount of capital relative to other countries. Up to the end of 1995, Hungary absorbed more than 1/3 of the foreign direct investment flowing into East-Central Europe and 55% of that flowing into the Visegrad Countries.¹⁰ According to Table VII, capital imports relative to GDP were also outstanding when compared with other economies: the 4.2% and 6.3% FDI/GDP ratio experienced by the Hungarian economy in 1992-1993 was surpassed only by the well-known capital importer Malaysia. In addition, in 1995 Hungarian FDI/GDP is 10% due to the high privatization incomes from abroad.

The importance of high capital imports has had macroeconomic repercussions too. In 1990 Hungary was the most indebted country of East-Central Europe as measured by debt per capita or per GDP. Interest on foreign debt reached the level of 4-5% of GDP. Debt began to grow again in the Fall of 1992 due to the postponement by the government of necessary controls. Were it not for the large FDI inflow, the debt crisis would have been unavoidable by 1993. With a 20% fall in GDP (between 1989 and 1994) and large debt servicing, the capital necessary for the modernization of the economy cannot be created from domestic sources. Large-scale FDI inflow is the only possibility for financing the structural and technological renewal of Hungarian economy.

What is "necessary" does not however always occur. Hungary's ability to attract foreign direct investment can be explained by five factors:

1. Very important is Budapest. This European metropolis in the Western part of the country, aside from Prague, has the best material, cultural and intellectual preconditions for modern living in the East-Central Europe. Hungarians are also friendly and sympathetic towards foreigners.
2. Hungary was the first in the area to start the transition to a market economy.
3. The legal framework, infrastructure (financial, banking, telecommunication and business), and services necessary for building a market economy were the most developed in comparison to other countries of the area. Also developed were the business (and personal) contacts between domestic and foreign firms (and their representatives).¹¹

¹⁰ Czech Republic, Hungary, Poland, and Slovak Republic

¹¹ Hungary had much wider foreign economic relations. Its firms had much more autonomy than the average of CMEA countries. In this country already in 1979 offshore banks were

4. Its central geographic position makes Hungary particularly suitable as a center for regional transit and a point of departure and coordination for the diffusion of transnational corporations into Eastern Europe.
5. The dominance of privatization by auction, favored because of the high debt burden by all the Hungarian governments since 1990, has opened the market for FDI, offering firms with established markets and contacts.

In former socialist countries *two forms of privatization* were practised.¹²

- The *auction form* when state firms are offered for sale to domestic and foreign investors.
- The *voucher form* when state property is distributed among the adult population as free and/or low-price vouchers (backed up by credits).

In Hungary, privatization by auction dominated whereas in the Czech and the Slovak Republics, voucher privatization was dominant. In Poland, both forms were applied equally in a relatively slow process. In other East-Central European countries too (not only in Poland) we find a mixture of the two forms. In the Czech Republic, for example, despite the dominance of the distributive form we find privatization at market value. In Hungary too we find distributive privatization (e.g. in the case of restitution).

Both forms of privatization have their favorable and adverse effects.¹³

1. Experts say that privatization by auction is more promising from the point of view of structural change and modernization. In their opinion, this form is more in line with the requirements of market mechanisms. The profits from privatization can be used to cover part of the costs of modernization and create true proprietors who are profit-motivated. Drawbacks of this form of privatization are its slow progress, the problems of asset evaluation and the choice of suitable buyers. This form also suffers from a political handicap. It undeniably favors the rich who already have accumulated wealth in some form

established; on 1 January 1988 a two-tier bank system was created; in 1988-89 several banking joint ventures were set up; foreign insurance companies reentered the market; the Budapest Stock Exchange had reopened based on the 1982 established secondary bond market; Parliament adopted laws on partnerships, on joint-stock companies, on foreign direct investments. Therefore, by 1988-89, the institutional and legal framework of modern financial intermediation had been created. We should add, however, that these early legal and institutional frameworks are still not substantially effective.

¹² See Éva Ehrlich, *Private Sector and Privatization in Some East Central European Countries: Peculiarities in Hungary*, in *Privatization in NACC Countries. NATO: Economics Directorate and Office of Information and Press*, and as a Working Paper, No.45. Institute for World Economics of the Hungarian Academy of Sciences, 1994.

¹³ See among others the study by Chin where the author treats almost all of the important (mainly Western) literature. Seung-Kwon Chin, *Privatization of State Enterprises, in Former State Socialist Countries in Eastern Europe: Privatization Modes and Ownership Transfer Patterns on Hungary, Poland, and the Czech and Slovak Republic*. A Dissertation Presented to the Faculty of the Graduate School of Yale University in Candidacy for the Degree of Doctor of Philosophy, 1993.

(house, flat, holiday home, car, jewels etc.) or have available funds (foreign exchange, cash etc.) and who acquired their capital partly under the old regime.

2. In the majority of East-Central European countries, the distributive form of privatization has been preferred. The reliance on this form has been rationalized by the argument that state property was created in the past 40 years in large measure for the citizenry and therefore they are the legal heirs. Reliance on this form of privatization might lend social support to the process, not only of privatization, but also of economic reform in general. Other advantages are that it does not require large capital at a time when domestic savings are scarce, that the whole adult population is drawn into the process of privatization, that the change of ownership is rapid, and it widens the underdeveloped capital market and thereby speeds up the diffusion of private property. Its basic drawback is that "passive property"¹⁴ obtained at subsidized prices or free of charge (including the property given to employees for an allowance or on credit) is in reality only formal property since the new proprietor does not take risk, is interested not in risky structural change and modernization but rather in the conservation of the existing organisation. This hinders economic rationalization. Another drawback is that in a shrinking economy, it does not secure income for a government struggling to balance the budget.

The importance of privatization by auction in Hungary is demonstrated by the fact that it accounted for 40% of total FDI inflow and 45% of FDI inflow through the bank system (see Table VIII). A large part of the income from privatization, as we shall see, comes from the partial sale of large state enterprises in the energy and telecommunications sectors whose buyers are to a large extent German firms.

Germany's Role

The "nationality" of capital is difficult to determine since - contrary to expectations of the 19th Century - in the 20th Century, capital, not the working class, became international. Behind a firm registered in Germany we may find an American firm. A firm of German "nationality" may act through its Swiss or Austrian subsidiaries or be represented by a firm registered in Panama. Contracts of acquisition or privatization might be secret. As a result, the breakdown of FDI inflow to Hungary according to countries of origin is rather unreliable.

¹⁴ The term is from David P. Ellerman, Alec Vahcic and Tea Petrin, *Privatization Controversies: East and West. Communist Economies and Economic Transformation*, 1991, No.3.

Remembering the problems of quantification, we give the breakdown of foreign capital invested in Hungary up to 1995 as follows:

Germany	26%
Austria	14%
France	13%
USA	10%
Netherlands	7%
United Kingdom	7%

Particularly high, at 37%, is Germany's share in privatization FDI.¹⁵ Telling is the short characterization below about the differences between investments of individual countries. "Germans prefer investment in the processing sector and their investments are fairly large per company. The US prefers greenfield investments, with very few but extremely large investments. The Austrians are focusing on small and medium firms and numerous investments. Their larger investments are concentrated in the construction, food processing, and machinery industries. French investors prefer a few select sectors such as banking, pharmaceuticals, and the energy sector."¹⁶

The 26 resp. 37% share by itself shows that Germany has a key role in Hungary's foreign direct investment. This key role is motivated by the fact that the largest German firms participate in a diversified manner in capital penetration. For example, Siemens has a large role in Hungarian cable and telephone production. Leading German companies in the cement industry with an international network expanded their realm to Hungary by buying up DCM, Beremend and Bélapátfalva. The Cologne firm Stollwerck is dealing in the confectionary industry and trade, Reemtsma in the tobacco industry (Debreceni Dohánygyár), Henkell in the wine industry (Hungarovin-Henkell).

Perhaps Germany's most important position is in terms of infrastructure. Allianz AG has a majority ownership in Hungária Biztosító, and Bayerische Landesbank in a large Hungarian bank, Magyar Kereskedelmi Bank. Deutsche Telekom and Ameritech International also have a majority (59%) share in Matáv. In the privatization boom at the end of 1995 German capital acquired important positions in energy supply. From among the five regional gas supply firms, two German firms (Ruhrgas/VEW Energie and Bayernswerk) won tenders. In two from the three power stations sold and in three from the five electricity providers, German corporations

¹⁵ Ferenc Simon, *German Investments in the Hungarian Privatization - for Treuhand Osteuropa Beratungsgesellschaft mbH*, Budapest, January 1996, pp. 5-6. In this study only transactions before December 1995 are treated. We therefore completed his calculations by a country breakdown of the USD 2.7 billion inflow at the end of 1995. This calculation is based on the detailed account of Voszka: Éva Voszka: A tulajdonváltás felemás sikerévé (The controversial success of changes in ownership relations). *Közgazdasági Szemle*, Vol. XLIII. No. 5. May 1996 pp. 392-400.

¹⁶ Simon, 1996, p.6

(RWE Energie/EV Schwaben, Isar Amperwerke and Bayernwerk) acquired the minority shares offered.

III. Some Conclusions

By presenting basic macroeconomic facts for the 1989-1995 period we tried to characterize Hungarian-German relations, their development, and their role in the Hungarian economy. The facts in our opinion show not only the major and important role of Germany in the Hungarian economy but also its positive impact on the process of Hungarian integration into the European and the world economy. We are convinced that Germany's market and property positions are many fold, diversified, and attached to many segments of the Hungarian economy.

In addition, they are critical for German capital. The German positions are particularly important for Hungarian public service infrastructure since they offer a secure market as well as a rapid return on investment for German investors. Since the German property share in public service infrastructure may grow abruptly as a result of Hungary's integration into Europe, Germans have invested their capital in areas promising both in medium and long range returns.

There remains only one other question which cannot be answered in a satisfactory way. Is it right to complain about "the sell-out of the nation's assets" and fear that German capital will not "consider Hungarian interests" when managing and developing their firms, production units and infrastructure based in Hungary? This is certainly a possibility, but the likelihood of this depends largely on current and future state regulations governing the management of foreign property. On the other hand, Hungary should avoid unilateral dependence by diversifying its trade and capital relations to the highest possible degree. The most important thing to remember is that the integration of the national economy (and of capital) for such a small country as Hungary is an unavoidable and positive process. In the long run, any difference between national and foreign-owned property will lose its present significance.

Table I: Structure of Hungarian External Trade by Groups of Countries, 1960-1989
(Total = 100)

	Imports					Exports				
	1960	1970	1980	1985	1989	1960	1970	1980	1985	1989
Socialist countries	70.4	64.5	50.6	54.4	44.4	71.3	65.6	55.1	58.6	47.3
of which:										
Soviet Union	29.8	33.2	28.9	30.0	22.1	29.0	34.1	31.1	33.6	25.1
GDR	10.3	10.4	7.2	6.5	6.3	11.7	9.7	7.2	6.1	5.5
Non socialist countries	29.6	35.5	49.4	45.6	55.6	28.7	34.4	44.9	41.4	52.7
of which:										
FRG	5.1	5.3	12.2	11.4	16.1	5.0	6.0	9.8	7.8	11.9
Austria	7.5	3.3	5.5	6.4	8.6	3.5	2.8	4.2	5.4	6.5

Table II: Structure and Volume-indices of Hungarian External Trade by Groups of Countries, 1989-1995

	Total = 100				1989 = 100		
	1989	1992	1994	1995	1992	1994	1995
GDP					82.4	84.5	85.7
Imports	100.0	100.0	100.0	100.0	92.4	127.9	124.1
Countries in transitions	44.3	25.3	24.0	24.0	48.2	66.2	65.9
Market economics	55.7	73.9	75.0	76.0	120.6	166.7	162.4
Developing countries	49.7	69.7	70.6	70.4	119.7	163.4	157.1
Germany a ¹	16.1	23.6	23.4	23.4	135.5	185.8	180.3
Germany b ²	22.4				96.2	133.6	129.6
Exports	100.0	100.0	100.0	100.0	92.1	93.3	101.7
Countries in transitions	47.3	23.9	23.1	24.4	43.5	42.4	49.6
Market economics	52.7	76.6	75.9	73.2	132.7	134.4	140.5
Developing countries	44.2	71.3	72.0	69.3	143.8	149.5	156.4
Germany a ¹	11.9	27.7	28.2	28.6	213.6	220.0	242.0
Germany b ²	17.4				145.5	150.0	165.0

Notes: ¹ FRG;
² FRG + GDR

Table III/a: Structure and Volume-indices of Hungarian Imports According to Main Commodity Groups by Groups of Countries

	Total = 100				1989 =100		
	1989	1992	1994	1995	1992	1994	1995
<i>All countries</i>							
1. Total	100.0	100.0	100.0	100.0	92.4	127.9	124.2
2. Fuels, electric energy	11.0	14.6	11.0	10.8	96.0	116.8	122.5
3. Raw materials, semi-finished products, spare parts	50.6	36.7	36.8	38.6	72.6	96.2	118.7
4. Machinery, transport equipment, other capital goods	18.1	20.5	23.4	22.1	101.3	154.7	141.3
5. Industrial consumer goods	13.2	22.3	22.0	22.3	146.2	207.5	204.2
6. Raw materials for the food industry, live animals, processed food products	7.2	5.9	6.8	6.2	102.1	152.4	135.9
<i>Countries in transition</i>							
1. Total	100.0	100.0	100.0	100.0	48.2	66.2	62.4
2. Fuels, electric energy	24.2	54.7	41.1	43.5	78.7	90.4	97.8
3. Raw materials, semi-finished products, spare parts	37.8	29.3	32.0	36.7	37.2	49.5	21.5
4. Machinery, transport equipment, other capital goods	17.9	5.5	11.8	5.4	19.6	51.0	22.2
5. Industrial consumer goods	16.8	7.1	11.3	9.8	38.8	88.8	72.4
6. Raw materials for the food industry, live animals, processed food products	3.3	3.4	3.8	2.9	55.9	86.1	62.9
<i>Market economics</i>							
1. Total	100.0	100.0	100.0	100.0	120.6	166.7	163.0
2. Fuels, electric energy	0.5	0.9	1.0	0.9	220.0	300.0	276.3
3. Raw materials, semi-finished products, spare parts	60.7	39.2	38.5	39.1	88.8	117.9	118.7
4. Machinery, transport equipment, other capital goods	18.2	25.5	27.1	26.6	144.8	212.3	206.7
5. Industrial consumer goods	10.3	27.7	25.6	26.1	220.3	295.9	299.7
6. Raw materials for the food industry, live animals, processed food products	10.3	6.7	7.8	7.3	115.0	171.9	158.5
<i>Germany</i>							
1. Total	100.0	100.0	100.0	100.0	135.5	185.8	180.3
2. Fuels, electric energy	0.3	0.8	0.6	0.2	361.3	371.6	120.7
3. Raw materials, semi-finished products, spare parts	63.8	41.2	42.5	45.9	87.5	123.8	129.7
4. Machinery, transport equipment, other capital goods	24.6	25.2	25.8	25.7	139.4	195.7	189.1
5. Industrial consumer goods	9.6	29.5	27.0	25.7	416.4	522.6	482.7
6. Raw materials for the food industry, live animals, processed food products	1.7	3.3	4.1	2.5	263.0	448.1	265.1

Table III/b. Structure and Volume-indices of Hungarian Exports According to Main Commodity Groups by Groups of Countries

	Total = 100				1989 = 100		
	1989	1992	1994	1995	1992	1994	1995
<i>All countries</i>							
1. Total	100.0	100.0	100.0	100.0	92.1	93.3	101.7
2. Fuels, electric energy	2.2	2.6	3.2	2.6	114.8	155.6	139.0
3. Raw materials, semi-finished products, spare parts	36.4	35.1	36.5	35.8	108.0	114.8	123.2
4. Machinery, transport equipment, other capital goods	24.0	12.1	13.0	13.8	42.8	48.0	56.1
5. Industrial consumer goods	15.7	26.2	26.7	25.3	116.0	123.0	127.6
6. Raw materials for the food industry, live animals, processed food products	21.7	24.0	20.6	22.5	95.6	76.7	92.0
<i>Countries in transition</i>							
1. Total	100.0	100.0	100.0	100.0	43.5	42.4	46.2
2. Fuels, electric energy	0.6	2.9	5.1	3.0	152.8	337.3	236.1
3. Raw materials, semi-finished products, spare parts	26.0	28.2	25.5	24.4	54.6	49.9	56.4
4. Machinery, transport equipment, other capital goods	39.4	14.5	13.4	12.1	15.6	14.4	15.5
5. Industrial consumer goods	14.7	11.3	19.9	18.1	28.3	51.4	55.5
6. Raw materials for the food industry, live animals, processed food products	19.3	43.1	36.1	42.4	86.7	64.0	89.3
<i>Market economics</i>							
1. Total	100.0	100.0	100.0	100.0	132.7	134.4	140.5
2. Fuels, electric energy	3.8	2.6	2.7	2.6	106.8	116.6	116.1
3. Raw materials, semi-finished products, spare parts	45.7	37.2	39.5	39.4	133.8	144.2	150.8
4. Machinery, transport equipment, other capital goods	10.2	11.1	13.0	14.3	124.8	149.6	174.7
5. Industrial consumer goods	16.6	30.9	28.8	27.7	171.5	166.1	167.6
6. Raw materials for the food industry, live animals, processed food products	23.7	18.2	16.0	16.0	97.6	82.3	86.4
<i>Germany</i>							
1. Total	100.0	100.0	100.0	100.0	213.6	220.0	242.0
2. Fuels, electric energy	3.8	1.2	1.3	1.4	67.5	75.3	89.2
3. Raw materials, semi-finished products, spare parts	41.7	33.8	39.6	42.8	173.1	209.0	248.4
4. Machinery, transport equipment, other capital goods	11.4	10.3	10.7	14.0	193.0	206.5	297.2
5. Industrial consumer goods	20.3	37.8	32.9	27.9	397.7	356.6	332.6
6. Raw materials for the food industry, live animals, processed food products	22.8	16.9	15.5	13.9	158.3	149.6	147.5

Table IV/a. **Structure and Volume-indices of Hungarian Imports from Germany According to Commodity Groups (1989-1995)**

	Total = 100				1989 = 1.0		
	1989	1992	1994	1995	1992	1994	1995
1 Fuels, electric energy	0.3	0.7	0.6	0.2	3.2	3.7	1.2
2 Raw materials, semi-finished products, spare parts	63.7	41.2	42.5	45.9	0.8	1.2	1.2
21 Raw and base materials	5.9	4.1	3.6	4.2	0.9	1.1	1.3
215 Materials of the chemical industry	4.6	2.8	2.5	2.9	0.8	1.0	1.1
22 Semi-finished products	33.7	27.8	28.6	32.9	1.1	1.6	1.8
222 Semi-finished products of the chemical industry	20.5	11.6	10.8	12.3	0.8	1.0	1.1
223 Semi-finished products of other industries	5.5	7.9	7.6	8.8	1.9	2.6	2.9
224 Instruments, outfits and metal mass products	2.9	4.9	6.5	6.9	3.3	4.2	4.3
23 Spare parts	24.2	9.3	10.3	8.8	0.5	0.8	0.7
3 Machinery, transport equipment, other capital goods	24.5	25.2	25.8	25.7	1.4	2.0	1.9
331 Transport equipment	0.9	3.5	3.1	2.6	5.2	6.4	5.2
351 Apparatus	4.7	4.4	4.2	3.1	1.3	1.7	1.2
381 Other machinery and equipment	11.6	11.7	12.4	13.6	1.4	2.0	2.1
4 Industrial consumer goods	9.6	29.5	27.0	25.7	4.1	5.2	4.8
411 Clothing, footwear and household textile	1.9	13.3	10.5	10.4	9.5	10.3	10.0
421 Conveyance and accessories	1.2	4.5	5.3	4.4	5.1	8.2	6.6
451 Furniture	0.1	1.0	1.0	1.2	13.0	20.0	20.0
471 Other consumer goods	5.2	6.7	6.2	5.9	2.8	3.6	3.3
5 Raw materials for the food industry, live animals, processed food products	1.7	3.3	4.1	2.5	2.6	4.5	2.6
53-54 Products of the food industry	1.5	3.0	3.5	2.1	2.7	4.3	2.5
541 Meat, poultry and dairy product	0.9	1.4	1.7	0.8	2.1	3.5	1.6
Total	100.	100.	100.	100.	1.35	1.86	1.8

Table IV/b. Structure and Volume-indices of Hungarian Exports to Germany
According to Commodity Groups (1989-1995)

	Total = 100				1989 = 1.0		
	1989	1992	1994	1995	1992	1994	1995
1 Fuels, electric energy	3.8	1.2	1.3	1.4	0.7	0.8	0.9
2 Raw materials, semi-finished products, spare parts	41.7	33.8	39.6	42.8	1.7	2.1	2.5
21 Raw and base materials	8.6	4.2	5.6	5.0	1.0	1.4	1.4
212 Materials of animal origin	2.3	1.1	1.8	1.1	1.0	1.7	1.2
214 Materials of metallurgy	2.9	0.7	0.9	0.9	0.5	0.6	0.8
215 Materials of the chemical industry	2.3	1.6	2.2	2.4	1.5	2.5	2.5
22 Semi-finished products	26.3	19.1	21.0	23.5	1.5	1.8	2.2
224 Instruments, outfits and metal mass products	2.8	5.5	6.1	7.2	4.2	4.9	6.2
23 Spare parts	6.8	10.5	13.0	14.3	3.3	4.2	5.1
3 Machinery, transport equipment, other capital goods	11.4	10.3	10.7	14.0	1.9	2.1	3.0
351 Apparatus	0.9	0.9	1.3	2.3	2.1	3.0	6.2
361 Telecommunication machines and products	0.5	0.7	1.3	2.1	2.9	5.7	10.2
381 Other machinery and equipment	4.4	4.7	4.4	5.7	2.3	2.2	3.1
391 Other capital goods	1.5	1.9	1.9	2.3	1.7	2.9	3.7
4 Industrial consumer goods	20.3	37.8	32.9	27.9	4.0	3.6	3.3
411 Clothing, footwear and household textile	10.2	26.3	22.1	17.2	5.5	4.8	4.1
451 Furniture	2.4	3.1	2.7	3.8	2.7	2.5	3.8
471 Other consumer goods	5.2	6.2	5.9	4.9	2.5	2.5	2.3
5 Raw materials for the food industry, live animals, processed food products	22.8	16.9	15.9	13.9	1.6	1.5	1.5
51-52 Agricultural products, live animals	6.3	3.5	4.0	3.5	1.2	1.4	1.3
53-54 Products of the food industry	16.5	13.4	11.5	10.3	1.7	1.5	1.5
532 Canned fruit and vegetables, spices	5.0	4.7	4.1	2.9	2.0	1.8	1.4
541 Meat, poultry and dairy product	9.6	7.1	6.7	6.7	1.6	1.5	1.7
Total	100.	100.	100.	100.	2.1	2.2	2.4

Table V. External Trade by Types of Transactions (HUF billion, percent)

	Total						of which Germany						Proportions of Germany			
	1992		1994		1995		1992		1994		1995			in %		
	HUF	%	HUF	%	HUF	%	HUF	%	HUF	%	HUF	%	1992	1994	1995	
Imports																
Total	878	100	153	100	193	100	207	100	359	100	454	100	24	23	23	
Merchandise	729	83	7	83	6	81	148	72	260	72	306	68	20	21	19	
Trade	126	14	126	13	157	16	55	27	91	25	138	30	44	46	43	
Inward processing	9	1	9	1	6		1		1		2		12	7	33	
Repair			198		317											
			13		6											
Exports																
Total	843	100	112	100	162	100	234	100	319	100	464	100	28	28	29	
Merchandise	628	75	9	75	2	75	138	59	189	59	270	58	22	22	22	
Trade	198	23	847	23	121	24	94	40	126	40	189	41	47	50	49	
Inward processing	8	1	254	2	3		1		1		3	1	14	8	39	
Repair			17		390											
					7											

Table VI. Inflows of Foreign Direct Investment 1990-1995
(Cumulative data in million USD)

	1990	1991	1992	1993	1994	1995	Stock ² per capita
Czech Republic	436	947	1951	2519	3388	5881	566
Hungary	526	1985	3456	5795	6941	11394	1100
Poland	94	211	495	1075	1617	2751	72
Slovakia	28	110	200	354	524	704	165
V ₄ countries	1084	3253	6112	9743	12470	20730	327
Eastern Europe ¹	1095	3425	6553	10537	13900	23079	216
CIS European	-	100	1761	3373	4223	5926	27
Baltic states	-	-	111	353	756	1338	167
Total	1095	3525	8425	14263	18879	30343	92

Notes: ¹⁾ Including V₄ countries

²⁾ At the end of 1995 in dollars

Source: Economic Bulletin for Europe Economic Commission for Europe (ECE). Vol. 47. United Nations. New York and Genève, 1995. p. 100

Review of the new ECE report, HVG. Hungarian Weekly (18. 5. 1996) p. 25

Table VII. Relation of FDI Inflow to GDP in Some Countries

	1990	1992	1993	1994
Czech Republic	0.4	4.2	2.1	
Hungary	1.1	4.2	6.3	2.8
Poland	0.1	0.8		
Greece	1.5	1.5	1.3	1.3
Portugal	4.4	3.6	1.5	1.4
Spain	2.8	1.4	1.5	1.7
Malaysia	5.5	8.2		
Thailand	3.8	3.3		

Source: Judit Hamar: A külföldi működőtőke beáramlás hatásai a magyar gazdaság átalakulására (Effects of FDI-inflows on the transformation of Hungarian economy). Budapest, 1995, p. 36. (Ph. D. thesis)

Table VIII. Inflows of FDI Recording to Hungarian Reports
(1990-1995)

Year	Investments				
	in cash	in kind ¹⁾	total	of which for privatisation	
	million USD				%
1990	311	589	900	22	2.2
1991	1459	155	1614	462	28.6
1992	1471	170	1641	483	29.4
1993	2339	142	2481	1186	47.7
1994	1147	173	1320	92	7.0
1995	4453	110	4563	2780	60.9
1990-1995 total	11180	1339	12519	5025	40.1

Note: ¹⁾ Estimation with uncertainty.

Source: György Csáki - Magdolna Sass - Andrea Szalavetz: Reinforcing the Modernization Role of Foreign Direct Investment in Hungary, Institute for World Economics of the Hungarian Academy of Sciences (Report), Budapest, 1996. pp. 4-5.

STOYAN STALEV

**Die bulgarisch-deutschen Beziehungen
nach der politischen Wende in Europa**

Eine der größten und schnellsten Veränderungen in Bulgarien nach der politischen Wende im Jahr 1989 betrifft die Umstellung der Außenpolitik. Charakteristisch für die neue bulgarische Außenpolitik ist die Rückkehr zu westeuropäischen politischen Werten: offene wirtschaftliche Zusammenarbeit, aufrichtiger politischer Dialog; weg von der tabuisierten außenpolitischen Dogmatik aus der Zeit des Kalten Krieges. Oberste Priorität hat die Anpassung an - und die Übernahme der demokratischen Erfahrungen des Westens. Auf diesem neuen Weg wird die Angliederung Bulgariens an die europäischen wirtschaftlichen (EU) und politischen (NATO, WEU, Europarat) Integrationsstrukturen auch als beste Möglichkeit für die demokratische Veränderung des innenpolitischen Lebens angesehen.

Eines der wichtigsten demokratischen Beispiele war für Bulgarien Deutschland nach der Vereinigung, welches auch ein einmaliges Beispiel war für die Umgestaltung einer kommunistischen Wirtschaft in kürzester Zeit. Auch der deutsche Umgang mit dem kommunistischen Unrecht war wichtig für Osteuropa.

Man kann inzwischen sagen, daß die bulgarisch-deutschen politischen Beziehungen eine bedeutende Vertiefung und Erweiterung erlebt haben.

Schon im Oktober 1991 wurde ein bilateraler Freundschaftsvertrag unterzeichnet. Dieser Vertrag war der erste, den Bulgarien mit einem westeuropäischen Staat nach der Wende abschloß und er ist eine gute allgemeine Grundlage für die Entfaltung der Zusammenarbeit.

Die politischen Beziehungen wurden auf höchster Ebene sehr aktiv gestaltet. Im September 1991 kam der damals neugewählte bulgarische Staatspräsident Dr. Želev zu einem Staatsbesuch in die BRD. Seitdem besuchte er auf Einladung in Deutschland noch mehrmals verschiedene Veranstaltungen: 1992 wurde er in Mainz zum Mitglied des Präsidiums der Liberalen Internationale gewählt; 1994 nahm er am Europa-Dialog in Aachen teil; 1995 kam er auf Einladung der Friedrich-Naumann-Stiftung und der Quandt-Stiftung zweimal nach Berlin. Der Bundespräsident Prof. R. Herzog machte einen Staatsbesuch in Sofia im März 1996, bei dem auch ein neues Kulturabkommen unterzeichnet wurde. Der Bundeskanzler Dr. H. Kohl reiste im Juni 1993 mit einer großen Wirtschaftsdelegation nach Bulgarien.

Jedes Jahr finden auch bilaterale offizielle oder inoffizielle Treffen der Außenminister beider Länder statt (1991, 1992, 1994, 1995, 1996). Aktiv ist auch die Zusammenarbeit der Ressortministerien - besonders die Tätigkeit des wirtschaftlichen Kooperationsrates. Jedes Jahr finden zwischen 40 und 50 Treffen auf verschiedener Regierungsebene statt. Allein die Zusammenarbeit der Verteidigungsministerien beider Länder umfaßt im Jahr etwa 40 verschiedene Veranstaltungen.

Besonders intensiv ist die Zusammenarbeit zwischen den Parlamenten. Dank des eindeutigen Engagements der Bundestagspräsidentin Frau Prof. Süssmuth sind auch

die Beziehungen der Parlamentsausschüsse besonders vertieft worden. Im Jahre 1996 haben viele Besuche des bulgarischen auswärtigen Ausschusses in Bonn und des deutschen Verteidigungsausschusses in Sofia stattgefunden. Die Parlamentspräsidenten selbst haben Besuche in Sofia (1992, 1994) und in Bonn (1993, 1995) gemacht. Sehr aktiv ist auch die Tätigkeit der deutsch-bulgarischen Freundschaftsgruppe im Bundestag. Auf ihre Initiative hin wurde im April 1996 ein deutsch-bulgarisches Forum in Bonn gegründet, mit dem Ziel, die bulgarische Lobby in Deutschland bundesweit zu vereinigen und zu stärken. Vorsitzender des Forums ist der G. Erler (MdB), der auch Vorsitzender der Freundschaftsgruppe im Parlament ist. Als Mitglieder nehmen Politiker aus dem Bundestag, Wissenschaftler und Geschäftsleute teil.

Sehr wichtig für die Vertiefung der politischen Beziehungen sind auch die guten Kontakte der deutschen politischen Stiftungen zu Bulgarien. Alle vier große Stiftungen haben ihre Vertretung in Sofia und zwar (mit Ausnahme der Friedrich-Naumann-Stiftung) mit deutschen Mitarbeitern. Alle diese Stiftungen haben auch dauerhafte Partner in der bulgarischen Parteienlandschaft gefunden.

Diese sehr positive Entwicklung der politischen Beziehungen hatte die volle und konsequente Unterstützung seitens der Bundesregierung für die Bemühungen Bulgariens zur Annäherung an die EU zur Folge - seit 1994 existiert für Bulgarien ein Assoziierungsabkommen mit der EU. Diese Entwicklung führte in Bulgarien auch zu der Auffassung, daß die Vertiefung der politischen und wirtschaftlichen Zusammenarbeit mit Deutschland auch die beste Vorbereitung für die Mitgliedschaft Bulgariens in den europäischen Strukturen ist.

Die wichtigste Voraussetzung für die demokratische Entwicklung des Landes bleibt aber die Umstellung der Wirtschaft und seine Anpassung und Verschmelzung mit dem europäischen- und Weltmarkt. Auch in diesem Bereich haben sich die Beziehungen zwischen Bulgarien und der BRD gewaltig verändert. Die EU ist inzwischen der größte Handelspartner von Bulgarien - mit 40% Anteil im bulgarischen Außenhandel (mit ausgeglichener Handelsbilanz). Unter den EU-Ländern ist die BRD der größte Handelspartner Bulgariens. Der Handel mit Deutschland umfaßt 19% des bulgarischen Außenhandels. Vor Deutschland rangiert nur noch Rußland in dem bilateralen Handel Bulgariens (14% bulgarische Exporte und 30% Importe aus Rußland).

Die BRD ist auch der größte Investor in Bulgarien. Obwohl nach der Zahl der Privatisierungsgeschäfte Deutschland (225 Beteiligungen an Privatisierungen) nur an zweiter Stelle hinter Griechenland (790) rangiert, steht Deutschland an erster Stelle hinsichtlich des Investitionsvolumens - um die 400 Mio. DM (Griechenland - nur 45 Mio. DM). Die größten Investitionen finden sich im Telekommunikationsbereich (Siemens), im Verkehr (Willi Betz), im Hotelwesen (Zografsky), und im Bereich der Nahrungsmittelindustrie. Seit 1991 ist bei der bulgarischen Privatisierungsagentur auch ein Vertreter der Treuhandgesellschaft als Berater tätig. Immer noch ist aber die gesamte Zahl der ausländischen (darunter auch der deutschen) Investitionen in Bulgarien zu niedrig. Dafür verantwortlich ist wohl in erster Linie die instabile innenpolitische Lage nach der Wende (mit häufigen Regierungswechseln), aber auch der Krieg in Ex-Jugoslavien. Auch nach dem Frieden in Ex-Jugoslavien hat sich die geo-

ökonomische Lage Bulgariens nicht wesentlich verbessert. Es sind immer noch keine neue Transportwege in den Westen gebaut worden (darunter auch keine neue Brücke über die Donau zu Rumänien). Daher leiden die alten Verkehrswege an Überlastung durch die stark gestiegenen Warenströme aus dem und in den Westen. Immer noch ist der direkte Energieaustausch (auch Stromaustausch) mit dem Westen nicht möglich.

Das Ziel für die nähere Zukunft ist für die bulgarische Regierung, günstige Bedingungen für ausländische Investoren zu schaffen und den Handel mit Deutschland zu steigern. Die jetzigen Zahlen sind noch niedrig und entsprechen nicht den Kapazitäten der bulgarischen Wirtschaft - 1,8 Milliarden-DM-Umsatz in beide Richtungen.

Bulgarien hat erstmals in Deutschland von der Institution der Honorarkonsule Gebrauch gemacht. 1993 und 1995 wurden Honorarkonsulate in Hamburg (für Hamburg und Schleswig-Holstein) und Essen (für Nordrhein-Westfalen) gegründet, die von erfahrenen deutschen Geschäftsleuten geleitet werden. Diese Form der konsularischen Vertretung hat sich für eine wirtschaftliche Zusammenarbeit als besonders erfolgreich erwiesen.

Seit 1992 ist auch die deutsche Wirtschaft durch eine Repräsentanz des BDI und des DIHT in Sofia vertreten. Daraus sollen in Zukunft bilaterale Handelskammern entstehen.

Besonders aktiv ist die wirtschaftliche Zusammenarbeit mit Bayern (Ministerpräsident Stoiber war im April 1996 zu Besuch in Bulgarien), Baden-Württemberg, Sachsen, aber auch mit Brandenburg, Nordrhein-Westfalen und Sachsen-Anhalt. Sachsen-Anhalt hat bisher auch als einziges deutsches Bundesland eine „Begegnungsstätte“ in Plovdiv eröffnet, die sowohl wirtschaftlichen als auch kulturellen Kontakten dient.

Eine erfolgreiche Zusammenarbeit mit Bulgarien haben auch mehrere Kammern begonnen. Besonders aktiv ist die Handwerkskammer Koblenz, die zusammen mit GOPA, drei Berufsschulen in verschiedenen bulgarischen Städten aufgebaut hat, und eine eigene Vertretung in Sofia besitzt. Bei der IHK Duisburg ist eine Informationsstelle über die Entwicklung der Privatisierung in Bulgarien gegründet worden. Die IHK Leipzig hat eine sehr aktive deutsch-bulgarische Gesellschaft organisiert, die auch vom Geschäftsführer der Kammer, Herr Manegold, geleitet wird.

Der Hauptgeschäftsführer des BDI, L. von Wartenberg besuchte Bulgarien im Mai 1996 und auch der Bundeswirtschaftsminister wird Ende des Jahres in Sofia erwartet.

Deutschland ist auch beispielhaft hinsichtlich der Schaffung einer neuen Gesetzgebung in Bulgarien. In vielen Bereichen der Gesetzgebung orientierte sich Bulgarien am rechtlichen Beispiel Deutschlands: das betrifft z. B. das neu verabschiedete Handelsgesetz (1991), welches eine sehr moderne Regelung der Handelsgesellschaften und des Konkurses beinhaltet; das Wettbewerbsgesetz; das Gesetz über die Nationale Bank; das Privatisierungsgesetz in seiner ersten Fassung von 1992 u.a. Man muß betonen, daß hier auch die deutsche Stiftung für internationale rechtliche Zusammenarbeit wertvolle Unterstützung leistet.

Das deutsche Grundgesetz war auch eine wichtige Quelle für die Ausarbeitung der neuen bulgarischen Verfassung, die 1991 verabschiedet wurde. Die Verfassungsgerichtsbarkeit und die Vollmachten des Staatspräsidenten sind ähnlich wie in der BRD geregelt.

Da das Verfassungsgericht eine neue Institution in der bulgarischen Rechtstradition ist, hat man auch die Praxis des Bundesverfassungsgerichts herangezogen. Schon 1991 entstand eine enge Zusammenarbeit zwischen diesen beiden Verfassungsorganen, nicht zuletzt dank des Engagements des damaligen Präsidenten des Bundesverfassungsgerichts Prof. R. Herzog, der auch in dieser Eigenschaft 1993 Bulgarien besuchte.

Die wichtigste Frage für die Zukunft Osteuropas ist aber die schnelle Ausbildung einer jungen Generation, die die Werte der Demokratie und der Marktwirtschaft im westlichen Sinne begreifen und anzuwenden lernt. Europa kann nur dann zusammenwachsen, wenn Denkweise und Bewußtsein der Bürger sich näherkommen. Dafür muß man in die Jugend investieren. Leider hat es die EU nicht geschafft, ein Jugendwerk für Osteuropa zu gestalten. Deshalb muß die bilaterale Zusammenarbeit in den Bereichen Kultur und Bildung vorangetrieben werden. Neben den positiven sind hier allerdings auch negative Tendenzen zu verzeichnen.

Leider ist immer noch die Zahl der bulgarischen Studenten in der BRD bescheiden. Es entstehen auch Schwierigkeiten im Personenreiseverkehr durch die Verschärfung der Visavorschriften in der EU (Schengen). Besonders wichtig ist, daß sich die Förderung von jungen Wissenschaftlern und Fachleuten auf jene sozialwissenschaftlichen Fächer (Wirtschaft und Recht) konzentriert, die vor der Wende in der wissenschaftlichen Zusammenarbeit mit Westeuropa nicht genug vertreten waren.

Man muß mit Dank betonen, daß der DAAD und die Alexander von Humboldt-Stiftung für die wissenschaftliche Zusammenarbeit einen bedeutenden Beitrag leisten. Durch ihre Unterstützung können viele bulgarische Wissenschaftler in deutschen Instituten für unterschiedlich befristete Dauer arbeiten.

Auch in Bulgarien bestehen schon gute Ansätze von gemischten deutsch-bulgarischen Ausbildungsformen. An der technischen Hochschule in Sofia existiert seit 1990 eine deutsch-bulgarische technische Fakultät, an der deutsche und bulgarische Professoren in deutscher Sprache neben Ingenieurwesen, auch - was sehr wichtig ist - Betriebswirtschaft unterrichten. Jährlich nehmen an diesem Unterricht zwischen 60 und 80 Studenten teil. Die Fakultät arbeitet mit den Universitäten in Braunschweig und Karlsruhe zusammen.

Eine gute Zusammenarbeit besteht ferner im Bereich der Rechtsausbildung. Die Wirtschaftsuniversität Hamburg unterhält seit langem enge Beziehungen zur juristischen Fakultät der Universität Sofia. In Hamburg sitzt auch die bereits 1989 gegründete deutsch-bulgarische juristische Vereinigung, die maßgebliche Hilfe beim Ausbau der neuen Gesetzgebung in Bulgarien geleistet hat. Diese Vereinigung initiierte auch nach der Wende die Gründung eines Instituts für deutsches Recht an der juristischen Fakultät in Sofia. Seit 1992 organisiert dieses Institut jeden Sommer Seminare in Bulgarien über handelsrechtliche Themen, in denen deutsche und

bulgarische Professoren Vorträge halten und somit zur Angleichung in der Theorie des Rechts beitragen.

Es wäre sehr wünschenswert, die deutsche Unterstützung für die Ausbildung in deutscher Sprache in Bulgarien zu verstärken. Bulgarien verfügt über mehr als 25 deutsche Gymnasien im Lande, die noch besser mit deutschen Lehrern ausgerüstet werden könnten.

Das Investieren in die junge Generation ist das wichtigste langfristige Ziel europäischer Integration. Nur auf diese Weise kann Europa auch von der Basis her zusammenwachsen.

Das heißt aber auch, daß der Informationsprozeß über Osteuropa auch im Westen, besonders bei der Jugend im Westen, verstärkt werden muß. Immer noch herrscht Mangel an Interesse gegenüber dem europäischen Osten im Bewußtsein der Bürger. In dieser Hinsicht hat die Universität Saarbrücken eine sehr positive Initiative ergriffen. Sie gründete das Sonderfach „Bulgarikum“, das allgemeine Kenntnisse über Bulgarien, sowohl im Bereich der Geschichte, der Kunst und der Kultur, als auch der Sozialwissenschaften und der bulgarischen Sprache verbreiten soll. Es wäre hilfreich, wenn mehr solcher „Ostrichtungen“ in den allgemeinen Disziplinen der Fakultäten eröffnet würden (z.B. in Wirtschaftslehre, Jura, Geschichte, Sprache). Dies würde dazu beitragen, daß Europa von beiden Seiten, - West und Ost -, als Ganzes verstanden wird.

Die osteuropäischen Länder, darunter auch Bulgarien, müssen die Hoffnung bewahren, daß sie trotz ihrer wirtschaftlichen Alltagsschwierigkeiten, von Europa nicht allein gelassen sind und, daß sie auch eine Chance auf wirtschaftliche und politische Gerechtigkeit haben. In diesem Sinne rechnet Bulgarien mit dem baldigen Start der Verhandlungen über die Aufnahme der osteuropäischen assoziierten Länder in die EU. Man sollte keine neuen, wenn auch nur formellen, Grenzen in Europa zulassen, die dann zu mentalen Grenzen werden könnten.

BEVERLY CRAWFORD

Explaining Germany's Unilateral Recognition of Croatia in 1991

On December 23, 1991, the German government announced its unconditional unilateral diplomatic recognition of Croatia and Slovenia, in open disregard of an EC agreement to recognize the two states under EC conditionality requirements. The decision became a subject of widespread political controversy. It hastened the end of Yugoslavia, and seemed an ominously defiant first foreign policy step of a newly united Germany. It was puzzling because German political elites supported multilateralism, and Germany had worked hard within the EC to deepen political union. The Yugoslav crisis provided an opportunity to strengthen regional cooperation in security and foreign policy and was the impetus for the first EC-directed peace conference in Europe. Why did Germany break ranks with the EC at the risk of undermining both those efforts and the larger project of political cooperation?

EC members agreed to present a unified policy stance on this issue. They then renegotiated the policy to adjust to Germany's preferences. Germany then "cheated" on that agreement.

Two preferences and the preference ordering require explanation: the preference for diplomatic recognition of Croatia and Slovenia, as opposed to the EC preference to maintain Yugoslavia's integrity, and the decision to move unilaterally. Germany preferred multilateral recognition to unilateral recognition, but preferred unilateral recognition to a multilateral effort to save Yugoslavia. How was this preference ordering formed?¹

The findings can be stated succinctly: the German preference for recognition of Croatia and Slovenia originated in the domestic political arena. The norm of self-determination and elite "bandwagoning" effects combined to shape this preference. It was formed neither by external forces, i.e. Germany's new geo-political interests in a changing international environment, nor by the internal pressure of public opinion, interest groups, or the media. Rather, elites preferred to recognize these two states because a recognition policy was most consistent with Germany's entrenched foreign policy norms and the incentives structured by party politics. At no time, however, did elites call for unilateralism; they expected Foreign Minister Genscher to negotiate a joint EC policy of diplomatic recognition. The unilateral action was caused by a spiral of mistrust that emerged in international negotiations in the face of German domestic pressure for a policy of diplomatic recognition. Mistrust was nourished by conflicting international norms and underdeveloped institutions for European foreign policy cooperation.

¹ I explain only Germany's preferences in this episode; I do not seek to explain the sources of the initial EC policy from which Germany's preferences diverged.

Theoretical Considerations

The theoretical debate on international cooperation focuses on whether the source of states' preferences is international or internal. These approaches, however, share the assumption that the decision to cooperate or defect is rational, based on calculations of net gains from a particular policy choice. The theoretical debate is over whether internal or external gains are more important in those calculations.

Realism argues that international anarchy creates incentives for non-cooperation among states, particularly in foreign and security policy. The state's national interest is defined as the maintenance of security and independence. Stronger states are able to protect their interests through unilateral action. Weaker states are less able to protect their interests alone; the weaker they are, the higher their incentive to cooperate with others to do so.²

From this perspective, the structure of the international system is a central determinant of states' policy preferences and their propensity for international cooperation.³ In the world of the Cold War bipolarity increased West Germany's incentive to cooperate in the Western alliance because cooperation offered protection. In multipolar systems, in contrast, states feel unprotected from one another and perceive fewer gains from cooperation. They are therefore likely to rush to protect themselves, and they defect from cooperative efforts that do not protect their interests.

This approach suggests that as Germany expands its relative power in an international system moving toward multipolarity, it will increasingly calculate net gains from unilateral action.⁴ The unilateral recognition of Croatia is cited as an example: a more powerful Germany was recreating its World War II alliance with an independent Croatia as part of a "divide and conquer" strategy in the Balkans. A smaller Yugoslavia with Croatia and Slovenia as allies could realize this geopolitical aim.⁵

The realist approach has important limitations for a general understanding of the sources of defection from cooperation. There is a growing body of empirical evidence to show that powerful states - even under multipolarity - do not always calculate net gains from unilateral action.⁶ And the more powerful they become, the

² The classic text is Kenneth N. Waltz, *Theory of International Politics* (Reading, Mass: Addison-Wesley, 1979).

³ See Kenneth Waltz, "The Stability of a Bipolar World," *Daedalus* 93 (Summer, 1964), pp. 881-909; and John J. Mearsheimer, "Back to the Future: Instability in Europe after the Cold War," *International Security* 15 (Summer 1990), pp. 5-56.

⁴ John Mearsheimer argues that a non-nuclear Germany is likely to eventually acquire nuclear weapons as a defense against a possible attack from the [former] nuclear Soviet Union. See his "Back to the Future: Instability in Europe after the Cold War," pp. 36-39.

⁵ See Pierre M. Gallois, "Vers une predominance allemande," *Le Monde*, 16 July 1993. For a more scholarly account see Eberhard Rondholz, "Deutsche Erblasten im jugoslawischen Bürgerkrieg," *Blätter für deutsche und internationale Politik* 37 (July 1992), pp. 829-838.

⁶ See Stanley Hoffman, "International Relations Theory and Post-Cold War Europe," *International Security* 15 (Fall 1990), pp. 191-92, and Robert Putnam and Nickolas Bayne,

greater the odds that actual policy preferences in concrete cases will be shaped by forces originating outside the anarchic international environment.⁷

The institutional approach addresses those limitations by focusing on the role of international regimes to explain the cooperation of powerful states, even under multipolarity.

The institutional approach suggests that German commitment to the EC should have prevented the defection under investigation here. Indeed, because Genscher had led the effort to strengthen European Political Cooperation (EPC), the regime governing EC foreign policy cooperation, the German decision was unexpected. Under his prodding, EPC grew from a set of informal arrangements initiated in 1969 for intergovernmental cooperation to a more formal institution in the 1980s. His initiative led to the arrangements set forth in the Single European Act of 1986 giving the EPC its formal organizational structure, and the Maastricht Treaty further strengthened EPC.⁸ In short, the regime created expectations about future cooperation. Given Germany's role in these developments, its defection in this episode is puzzling.

Domestic-level approaches suggest partial explanations. Two domestic approaches may shed light on this case: the first "cultural approach" suggests that each state has a national tradition in foreign policy that is the core of what can be termed its foreign policy culture.⁹ That culture defines a dominant world view that constrains available choices. Examples include a tradition of support for countries with similar political structures and value systems, a tradition of anti-communism, or a tradition of support for multilateralism. If these or other normative traditions are entrenched in a nation's foreign policy culture, decision-makers formulate policies that accord with them, and those policies are likely to meet with domestic support; incongruent policies may not. In this case, Germany's tradition of support for self-determination might provide a clue to its preference for recognition, but its unilateral act defied its foreign policy tradition of multilateralism.¹⁰ The puzzle of unilateralism remains.

Pluralist theories provide a complementary domestic-level approach. They suggest that in democracies, decision-makers must be accountable to their publics; that

Hanging Together: The Seven-Power Summits (Cambridge, Mass.: Harvard University Press, 1984).

⁷ See John Gerard Ruggie, "Multilateralism: The anatomy of an institution," *International Organization* 46 (Summer 1992), pp. 561-598.

⁸ The Maastricht Treaty of 1991 provided the legal basis for its institutionalization. The treaty calls for the Political Cooperation Secretariat to join the General Secretariat of the Council of Ministers in a unified institutional structure--the Common Foreign and Security Policy (CFSP). See the *Treaty on European Union*, February 7, 1992, Article J.4.1.

⁹ For a good discussion of the cultural approach see Richard C. Eichenberg and Russell J. Dalton, "Europeans and the European Community: the dynamics of public support for European integration," *International Organization* 47 (Autumn 1993), especially p. 514.

¹⁰ For detailed studies of multilateralism as a German foreign policy norm see: Helga Haftendorn, *Sicherheit und Entspannung: Zur Aussenpolitik der Bundesrepublik Deutschland, 1955-1982*; and Harald Mueller, "German Foreign Policy after Unification," in Paul Stares, ed. *The New Germany and the New Europe* (Washington, D.C.: Brookings, 1992), pp. 129-131.

requirement narrows their range of policy options. Politicians are reluctant to pursue unpopular policies because those policies will undermine their continuing effort to secure political support.¹¹ This approach does not tell us why democratic publics might prefer unilateralism or international cooperation.

A full explanation for Germany's preferences for recognition and defection rests on the interaction of both domestic and international forces. A fruitful way to explore that interaction is to use the metaphor of a two-level game in which central decision-makers strive to reconcile domestic and international imperatives simultaneously.¹² They must cut a deal in international negotiations that will be politically acceptable at home. International negotiating positions are shaped by domestic politics in negotiators' states, but central decision-makers also try to "sell" potential international agreements to their constituencies. The outcome in terms of cooperation or defection is a function of whether internationally negotiated agreements gain the necessary approval at home. The higher the odds of that approval, the greater the odds of international cooperation. Although a high degree of domestic approval makes international agreements easier to achieve, a state's negotiators can cite the lack of domestic approval to pressure their international negotiating partners to change course and accept their preferences. If, however, a state's negotiators find little domestic approval for a particular international agreement and they are unable to persuade their negotiating partners to move to their position, defection is a likely outcome.

As we shall see in this case, German negotiators, whose domestic elites did not approve of the EC's efforts to save Yugoslavia, persuaded their negotiating partners to come closer to their preferences. *But Germany defected from cooperation, nonetheless.*

¹¹ See Arend Lijphart, *Democracies: Patterns of Majoritarian and Consensus Government in 21 Countries* (New Haven : Yale 1984), pp. 138-139; Russell J. Dalton, *Citizen Politics in Western Democracies: Public Opinion and Political Parties in the United States, Great Britain, West Germany, and France* (Chatham, : Chatham House, 1988) pp. 118 and 199.

¹² See Robert D. Putnam, "Diplomacy and domestic politics: the logic of two level games." *International Organization* 42 (Summer 1988), pp. 435-441.

The Recognition Episode

In April 1990 the ultra-nationalist Croatian Democratic Union (HDZ) won Croatia's first contested elections since 1945. Croatia's new HDZ president, Franjo Tudjman, refused minority rights to the 600,000 strong Serb population, and the first Constitution violated the CSCE principles on minority rights.¹³ Local Serbs demanded that Serb-dominated territory be taken out of Croatia. On June 25, 1991 Croatia and Slovenia declared independence from Yugoslavia. The Yugoslav Army (JNA) attempted to prevent their succession, and fighting broke out.¹⁴

It was neither obvious, nor necessary for EC members to respond jointly. At one extreme, the EC could have decided not to act in concert; it could simply have done nothing, and the UN was the likely body to mediate the conflict. Indeed, the EC had never acted independently to resolve a regional military conflict outside its borders. At the other extreme, the EC could take an active, independent role in conflict resolution. The crisis presented the EPC with an opportunity to engage in an independent European conflict resolution effort. A cooperative response was a logical extension of the general commitment to coordinate policy, and it provided an opportunity to strengthen the EPC in preparation for the signing of the upcoming Maastricht Treaty, which would carve out an institutionalized realm for European foreign and security policy cooperation.

Two substantive alternatives for a common policy presented themselves. The first was a joint effort to preserve Yugoslavia. The rationale was to preserve the international status quo in the aftermath of Communism's collapse. Since post-Communist states were moving toward democracy, self-determination via fragmentation would raise the specter of nationalist rivalries. The alternative was an EC policy to speed the disintegration of Yugoslavia by jointly recognizing republics demanding independence and then to help negotiate a peace settlement. The right of self-determination historically implied local and responsive government to counter imperial and totalitarian domination. It was a right enshrined in the UN Charter.¹⁵

The EC chose to jointly preserve Yugoslavia; its members were eager to build an independent foreign policy and security capability in Europe after the Cold War, and believed that the status quo order should be preserved. In early 1991, the EC promised association and possible membership to a united Yugoslavia, hoping that this would help the presidents of the six republics reach a peaceful agreement. On the day before Croatia and Slovenia declared independence, it offered Yugoslavia a five-year, 807 million ECU loan. And when fighting broke out, it insisted that Croatia and Slovenia suspend further steps toward independence, threatening to cut

¹³ See Dijana Plestina, "Politics, Economics, and War: Problems of Transition in Croatia," Berkeley: CGES, Working paper 5.15; and Robert Hayden, "Constitutional Nationalism in the formerly Yugoslav Republics," *Slavic Review* 51 (Winter 1992), pp. 31-62.

¹⁴ See Misha Glenny, *The Fall of Yugoslavia: The Third Balkan War* (London : Penguin Books, 1992).

¹⁵ See Article 76 of the UN Charter, reprinted in Inis Claude, Jr., *Swords into Plowshares* (New York: Random House, 1971), pp. 481-82.

\$1 billion in aid until peace was restored.¹⁶ Taking active steps to mediate the military conflict, three EC Foreign Ministers negotiated the "Brioni Accord" with Serbia, stipulating the withdrawal of all Yugoslav troops from Slovenia - effectively ending the war there. Slovenia and Croatia also agreed to a three-month suspension of independence declarations if the JNA would withdraw.

Until the late Spring of 1991, the German political elite supported the EC in this policy choice. The Christian Socialist Union (CSU) declared that Europe must not fall back into the particularism of small states, and its CDU coalition partner declared that nationalism and separatism could not solve the crisis.¹⁷ The SPD argued that Germany should support those Yugoslavs that were attempting to hold the country together.¹⁸ German political elites also preferred a common EC policy to resolve the crisis. In May, the CDU/CSU called for a German initiative to offer the EC's good offices as a mediator and for the use of West European Union (WEU) troops in a peacekeeping mission to Yugoslavia.¹⁹ On June 19, 1991, a unified declaration of all German political parties stated that Yugoslav unity should be maintained.²⁰

But after Croatia and Slovenia declared independence, the political elite quickly changed course. On June 27, the CDU called for recognition of the two states, and on July 1, the SPD argued that Genscher should actively push this option within the EC.²¹ By July 9, the FDP adopted a policy of support for recognition, thus bringing all major political parties into agreement after Croatia and Slovenia had declared independence. "Recognition fever" spread throughout the political elite: representatives of the 16 German states requested EC recognition of the two republics if the Yugoslav army continued to attack, and the state government of Hesse offered them material aid.²² Meanwhile, the EC was trying to preserve Yugoslavia. On July 3, CSCE officials requested that the EC send an observer mission to Zagreb. The Soviet Union preferred that the CSCE take a back seat to the EC with regard to this crisis, fearing that CSCE involvement would serve as a precedent for interference in the Baltics.²³ EC foreign ministers took up the challenge

¹⁶ Cited in Wolfgang Krieger, "Toward a Gaullist Germany?" *World Policy Journal*, XI (Spring 1994), p. 30

¹⁷ For the CSU position see Deutsche Press Agentur (DPA), 19 May 1991. For the CDU position see Dr. Hans Stercken, Chair of the Parliamentary Committee on Foreign Relations, "Jugoslawien und die Europäische Gemeinschaft," in *Deutschland-Union-Dienst* 44, 20 November 1990, p. 4.

¹⁸ See *Parlamentarische Protokolle des deutschen Bundestags* 12/9, (12th term, 9th Session), 21 February 1991, p. 405.

¹⁹ CDU/CSU Fraktion im Deutschen Bundestag, Pressedienst, 7 May 1991.

²⁰ *Parlamentarische Protokolle* 12/33, p. 2690.

²¹ See statement by Alfred Dregger, Chair of the CDU/CSU Bundestagsfraktion, in *Deutschland-Union-Dienst* 45, (27 June 1991), and Heinz-Juergen Axt "Hat Genscher Jugoslawien entzweit? Mythen und Fakten zur Aussenpolitik des vereinten Deutschlands," *Europa-Archiv* 48 (25 June 1993), pp. 351-352.

²² See "Slowenien stimmt dem Kompromiss von Brioni zu" *Frankfurter Allgemeine Zeitung*, (hereafter *FAZ*), 11 July 1991, p. 2.

²³ "Drei Tage lang am Telefon", *Der Spiegel* 45 (8 July 1991), p. 128.

and agreed to establish a monitor mission to help stabilize a cease-fire when it was negotiated.²⁴ The European Monitoring Mission (EMM) - an EC "first" - was born, suggesting that the crisis was indeed helping to forge new levels of EC policy coordination.

But Germany immediately urged the EPC to change course. In a July CSCE meeting, Genscher identified "Serbian aggression" as the cause of the conflict and urged the Community to recognize both Croatia and Slovenia.²⁵ Other EC members countered that recognition would lead to more bloodshed, but they agreed to jointly recognize Croatia if the JNA continued to fight and suspend aid to Yugoslavia until hostilities ceased.²⁶

Not wanting to take these drastic steps, and despite mounting obstacles, the EC continued to seek peace in a united Yugoslavia. When the JNA refused to leave Croatia, the EC hesitated to make good on its threat of diplomatic recognition.²⁷ Trying to buy time, the EPC requested that the WEU provide military support to back up its mediation efforts, but the WEU refused, saying that it could not send troops outside the NATO area. On August 6, a cease-fire agreement was reached in Croatia, but with no enforcement, it would be broken in less than two weeks. Another blow fell after the August 19 Soviet coup, when most republics of the USSR declared their independence. As EC members extended recognition to them, the rationale for not recognizing Croatia and Slovenia weakened.²⁸

Undaunted by its negotiating failures and German recalcitrance, the EC sponsored another European "first" in September: a European peace conference at the Hague. But Croatia and Slovenia declared secession from Yugoslavia on the day the conference began, and on the second day, Macedonia voted for independence.²⁹ Then, for the first time, the EC asked the WEU to serve directly as its military arm. But the WEU refused again. In the midst of the conference, Kohl raised the possibility of German recognition of Croatia.³⁰

By October the EPC began to embrace the German position. Serbia and Montenegro excluded the other republics from Yugoslavia's federal leadership, and EC officials admitted that these two republics could no longer be regarded as the legitimate successor to Yugoslavia.³¹ On October 10, EC foreign ministers agreed to delay the recognition of Croatia and Slovenia. By this, Genscher understood that on

²⁴ *Declaration on Yugoslavia*, 82nd EPC Ministerial Meeting, The Hague, 10 July 1991.

²⁵ William Drozdiak, "Germany Criticizes European Policy on Yugoslavia," *Washington Post*, 2 July 1991, p. A16; "Genscher will einheitliche EG-Politik," *FAZ*, 6 July, 1991, p. 6.

²⁶ "EG-Aussenminister hoffen auf friedliche Lösung in Jugoslawien," *FAZ*, 10 July 1991, p. 5.

²⁷ Stephen Engelberg, "Yugoslav Premier Fears All-Out War," *NYT*, 29 July 1991, p. A3; "Mehr Beobachter nach Jugoslawien," *FAZ*, 30 July 1991, p. 2.

²⁸ For war and negotiations see Anne McElvoy, "Events Lead Genscher Astray," Times Newspapers Limited - *The Times*, 7 September 1991.

²⁹ See "Yugoslavs Joust At Peace Meeting," *New York Times*, 8 September 1991, p. 9.

³⁰ Helmut Kohl, Tanner Lecture at the University of California at Berkeley, September 13, 1991.

³¹ Krieger, "Toward a Gaullist Germany," p. 33. Downloaded from PubFactory at 01/11/2019 09:44:35AM via free access

December 10, Germany would have a green light from the EC to recognize the two states.³²

But Genscher was uncertain about the level of actual support for recognition within the EC, and he began to build what he hoped was a winning coalition. In early December, he announced that Italy, Austria, and possibly Poland were ready to recognize Croatia and Slovenia.³³ A few days later, Sweden called for recognition, but declared that it would remain in step with the EC.³⁴ Genscher's problem was that Germany's clear supporters looked embarrassingly like the World War II coalition that had backed fascist Croatia. Kohl countered that the pro-recognition group has gone beyond what they called "the 1941 coalition" to include Belgium and Denmark. On December 8, he announced that Germany would recognize the two republics, and that Sweden, Italy, Austria, and Hungary were likely to follow.³⁵

This announcement was a miscalculation, because it indicated to British and French officials that Germany was moving outside the EC policy framework. So on December 13, France and Britain upped the ante by moving outside the EC themselves. They introduced a UN Security Council resolution - aimed at Germany - warning that no country should disturb the political balance in Yugoslavia by taking unilateral action. The United States concurred; it had earlier issued an official statement that recognition should only be part of a larger peace settlement.³⁶ But the threat of a UN Security Council resolution against Germany only served to harden Genscher's position, and on December 15, he announced that Germany would recognize the two republics before Christmas. Hoping that this counter-threat would force EC agreement on the German position, Kohl said that he would wait until after a meeting of EC foreign ministers the next day before actually making the announcement.³⁷

And at first, Genscher's threat of defection appeared to pay off. The U.N. Security Council dropped its resolution against Germany,³⁸ and at the December 16 EPC meeting, only two issues were on the agenda: the timing of recognition, and the conditionality requirements.³⁹ The meeting ended with an agreement that if a set of specific human rights conditions were fulfilled, EC recognition would take place on January 15, 1992. As conditions for recognition, the EC stipulated that minorities be

³² Interview, Bonn, May 26, 1993.

³³ "Der Sonderbeauftragte der UN vermittelt - Tudjman will Friedenstruppen nur bei Abzug der Armee," *FAZ*, 3 December 1991, p. 4.

³⁴ "Während Vance sondiert, schießt die Armee," *FAZ*, 5 December 5 1991, p. 6.

³⁵ Tom Heneghan, "Ignoring Critics, Bonn to Decide Support for Croatia, Slovenia," *Reuters*, 16 December 1991.

³⁶ Stephen Kinzer, "Germans Follow Own Line on Yugoslav Republics," *NYT*, 8 December 1991.

³⁷ John Tagliabue, "Germany Insists It Will Recognize Yugoslav Republics' Sovereignty", *NYT*, 15 December 1991, p. 1.

³⁸ Paul Lewis, "U.N. Yields to Plans by Germany to Recognize Yugoslav Republics", *NYT*, 16 December 1991, p. 1.

³⁹ Interviews, EC officials, 18-19 May 1993.

granted autonomy with respect to local government, local law enforcement, the judiciary, and education.⁴⁰

Genscher left the December 16 meeting doubting whether the conditionality requirements were fair, whether Croatia would be able to meet them, and whether they were enforceable.⁴¹ Macedonia was also expected to submit an application, but recognition would only be considered if Macedonia changed its name and renounced claims on Greek territory.⁴²

Genscher's doubts led to a move that astonished everyone: on December 23, Germany unilaterally recognized Slovenia and Croatia, *before* the Arbitration Commission met to assess the fulfillment of conditionality requirements. This preemptive move was triggered by Genscher's fear that the EC would refuse to extend recognition, because its conditions had not been fulfilled. Indeed, on January 11, 1992, the Arbitration Commission declared that the Croatian constitution did not meet the required conditions.⁴³ But with Germany's pre-emption, the EC had little leverage if it adhered to its conditionality requirements. Thus, the Arbitration Commission simply requested that Tudjman give his personal assurance that language would be added to the Croatian constitution conforming to EC requirements. Tudjman complied,⁴⁴ and the EC granted recognition to Croatia and Slovenia on January 15, 1992. "Acceptance" of the conditions substituted for "fulfillment" of them, and the conditionality requirement was conveniently swept under the table.

Explaining German Preferences: International Anarchy, Multipolarity, and German Power

The realist hypothesis is that *as the structure of the international system changed to resemble multipolarity, German economic power, unification and full sovereignty provided incentives for the preference for recognition and defection from international cooperation.* Germany's position in Central Europe and expanded economic interests in the East, the argument runs, could be better served by an independent Croatia and Slovenia; Germany was attempting a modern version of a "divide and conquer" strategy in the Balkans. And when its allies did not support this preference, Germany saw that its interests could best be served by an independent foreign policy in the region.⁴⁵ The independent variable explaining both defection

⁴⁰ Conference pour la Paix en Yougoslavie, Avis No. 5, Paris, 11 January 1992.

⁴¹ Interview, Bonn, 26 May 1993.

⁴² "Bonn wird Kroatien und Slowenien am 15. Januar anerkennen", *FAZ*, 18 December 1991, p. 2.

⁴³ Conference pour la Paix en Yougoslavie, Avis No. 5, Paris, 11 January 1992.

⁴⁴ Letter from Franjo Tudjman to H.E. Robert Badinter, Zagreb, January 15, 1992.

⁴⁵ Many argued that the recognition decision signaled that Germany wished to revive its hegemony in the East and coerce the EC to lend legitimacy to its hegemonic pretensions. Examples include Misha Glenny, "Germany Fans the Flames of War", *New Statesman and Society*, 20 and 27 December 1991, p. 145; Dan C. Singer, "Germany Muscles In " *The*

and the preference for diplomatic recognition is external: Germany's changing power position in an anarchic international system. The virtual neglect of Croatia's human rights violations and the initial coalition formed to support Germany's preferences certainly did not help refute these claims. Nonetheless, the evidence is too weak to support the realist hypothesis.

Both Germany's minimal economic interests in the region⁴⁶ and its policy toward the war in Bosnia since 1991 cast doubt on realist explanations. Throughout this episode, Germany adhered to EC decisions and to an EC embargo that included Croatia.⁴⁷ And during this same time period, Germany sustained its commitment to multilateralism in other issue areas. At virtually the same time that Germany unilaterally recognized Croatia, it was an important force in pushing Europe toward monetary union, helping to create enduring restrictions on its own economic independence.⁴⁸ And at the height of this diplomatic crisis, Germany joined with France to create Europe's only internationally integrated military unit.⁴⁹ When the war in Bosnia escalated in 1994 and Croatia sent troops there, Germany pressured Tudjman to pull back.⁵⁰ Neither this instance of unilateral action nor the preference for recognition can be explained as part of a larger pattern of defection from cooperation. Although the expansion of German power explains Germany's ability to act unilaterally, it does not explain its willingness to do so. Germany's growing power was at best a permissive conditions for this unilateral move.

The Absence of Strong Multilateral Institutions

The institutional hypothesis also situates the cause of Germany's defection at the international level but does not purport to explain the preference for recognition. Assuming that regime membership and consensual multilateral norms increase the reputational costs of unilateral action, reduce uncertainty and attenuate fears that others will defect, thus shaping preferences that favor cooperation, this hypothesis suggests that *the absence of regime strength and the presence of conflicting norms led to Germany's unilateral action.*

Nation, 3 February 1992, p. 126-128 ; Quentin Peel, "Damned if it does - and if it doesn't," *Financial Times*, 18-19 January 1992, p. 6.

⁴⁶ German trade with Croatia was less than .02% of trade with the East. See Axt, "Hat Genscher Jugoslawien entzweit?", p. 353.

⁴⁷ On November 8 the EC imposed economic sanctions on all of the Yugoslav republics, including Croatia. See "Chronology 1991: Western Europe and Canada," *Foreign Affairs*, Vol. 70, 1992, p. 226.

⁴⁸ See Wayne Sandholtz, "Choosing union: Monetary politics and Maastricht," *International Organization* 47 (Winter 1993), pp.31-35.

⁴⁹ See "Regional Outlook: Germany, France Shape a Model for Diplomacy," *LAT*, 19 November 1991, World Report p. 1.

⁵⁰ See Stan Markotich, *RFE/RL Daily Report*, 7 February 1994, RFE/RL Research Institute

Regimes must be firmly in place to raise the odds of cooperation. To put them in place requires a clear set of decision on how to cooperate.⁵¹ Alarming, many of those decisions that would govern joint decisions this case had not yet been made. The ambiguities of the post-cold war environment had left EC members in a state of uncertainty as to how they would jointly solve regional security crises. Recall that early in this crisis, the WEU discussed possible measures to back up the EC's mediation efforts. But lacking a clear mandate, the WEU failed to act. Furthermore, it was during this period that public officials began to talk about "divisible" peace in Europe. NATO's official policy statements paid lip service to Europe's geographic unity and interdependence, but expressed reservations about intervention in post-communist conflicts. The war in Yugoslavia was not expected to widen,⁵² and when it became clear that core national interests of EC members were not threatened, its salience was reduced.

Thus, the Yugoslav crisis led to no new decisions on how to construct appropriate European security regimes. WEU impotence and a reduced sense of urgency for security cooperation weakened mediation efforts. Reduced gains from cooperation to save Yugoslavia strengthened the German resolve to press for diplomatic recognition of the breakaway republics.

The CSCE was also too weak to deter Germany's unilateral move. The Helsinki Final Act provided conflicting guidelines for action. While Principle 2 of Basket I provided for the inviolability of borders, Principle 8 upheld the right of self-determination.⁵³ Furthermore, the CSCE was prevented from playing a prominent role by the Soviet Union.

The relevant regime in this case was the EPC, which had indeed grown in strength under German leadership. But when this episode unfolded; it required no binding commitment to its agreements, had no powers of enforcement, and had no military capability. Sanctions against defection did not exist. International norms governing diplomatic recognition were weak. As Yugoslavia and the USSR fragmented, and new states claimed independence, other considerations such as political stability, whether a state would change its name, its possession of nuclear weapons, and its military power were often more important than human rights considerations in determining whether diplomatic recognition would be granted.⁵⁴ Indeed, Western countries recognized the four "nuclear" republics of the former the Soviet Union; U.S. officials declared they had received sufficient "promises" from them that they would democratize would maintain strict control over nuclear weapons.⁵⁵ What the

⁵¹ Milner, "International Theories of Cooperation among Nations: Strengths and Weaknesses," p. 475.

⁵² See NATO Press Service, press communiques M-1 (91) 42, 6 June 1991; M-2(91) 60, 21 August 1991; S-1 (91) 86, and 8 November 1991.

⁵³ From the Helsinki Final Act of the CSCE, reprinted in Edmund Jan Osmanczyk, ed., *Encyclopedia of the United Nations and International Agreements* (Philadelphia: Taylor and Francis, 1985), pp. 333-54.

⁵⁴ See Roland Rich, "Recognition of States: The Collapse of Yugoslavia and the Soviet Union," in *European Journal of International Law* 4 (1993), pp. 36-65.

⁵⁵ "Die Sowjetunion untergegangen - Rußland anerkannt," *FAZ*, 27 December 1991, p. 1.

EC demanded of Croatia in return for recognition was more than a promise - it was full implementation of human rights practices. This principle of conditional recognition based on human rights considerations was only selectively targeted and enforced.

Given the conflicting norms governing international behavior in this case, given the weakness of the EPC in reducing uncertainty and its inability to impose sanctions for defection, Genscher believed that the reputational costs of defection would be low. As he would later state: "this [the war in Croatia] was not the issue upon which European foreign policy cooperation would be made or broken; our major achievement was providing the EPC with legal status at Maastricht."⁵⁶

Like Germany's growing power under multipolarity, underdeveloped regimes and conflicting international norms provided a permissive condition for defection. But the evidence does not suggest a positive explanation for how the German preference for recognition was formed, nor does it directly explain Germany's unilateral move. The evidence supporting the institutional hypothesis suggests that incentives for defection increased because costs of defection were low. But it cannot tell us why Kohl and Genscher believed that Germany would be better off with a unilateral decision than a multilateral course of conflict mediation aimed at maintaining Yugoslavia.

Besides external forces, domestic-level factors may have more explanatory capability. The impact of changes in the international environment are not unambiguous, and the response is likely to vary among states, depending upon how national elites interpret them. Those interpretations, in turn, may be highly dependent upon domestic forces.

Societal Pressures: Public Opinion, Interest Groups, and the Media

Pluralist theory suggests that in democracies, domestic forces narrow the range of foreign policy options available to central decision-makers. One of the most popular hypotheses explaining this case is that *overwhelming societal pressures, spurred on by relentless media coverage of the war and the large Croatian community in Germany, pushed politicians toward the decision to extend diplomatic recognition to Croatia.*⁵⁷ But the evidence examined here demonstrates that these pressures did not exist when elites formed the preference for recognition. First, direct public opinion did not influence elite calculations leading to the early consensus on

⁵⁶ Interview, 26 May 1993.

⁵⁷ Most arguments stressing the role of domestic politics can be found in German sources. Prominent examples are: Wolfgang Wagner: "Acht Lehren aus dem Fall Jugoslawiens" *Europa Archiv* 47 (January 25, 1992), pp. 31-41; Bruno Schoch, "Anerkennung als Ersatzhandlung" in Peter Schlotter, et. al., eds., *Der Krieg in Bosnien und das hilflose Europa*, (Frankfurt:1993). pp. 37-53; Alexander Muehlen, "Die deutsche Rolle bei der Anerkennung der jugoslawischen Sezessionsstaaten" in *Liberal* 34, (Spring 1992), pp. 49-55; and Arthur Heinrich, "Neue deutsche Aussenpolitik" *Blätter für deutsche und internationale Politik* 36, (December 1992), pp. 1446-1458.

recognition. The first opinion survey on this issue *taken in late July* revealed that 34% of the respondents were against independence for Croatia and Slovenia. 38%, however, felt that independence would be the only guarantee of democracy in the region. 27% had no opinion at all. Furthermore, the majority of respondents preferred conflict resolution through EC mediation efforts. 41% trusted the EC completely when it came to resolving the Yugoslav conflict; 51% simply trusted the EC; and only 3% expressed no trust in the EC whatsoever.⁵⁸ Only about one-third of respondents stated a preference for diplomatic recognition, and virtually all trusted the multilateral process of conflict resolution underway within the EC. Importantly, these views were expressed after political elites had expressed a preference for diplomatic recognition and after Kohl and Genscher pressed for this option within the EPC. It was after political party elites had made their position clear, after Genscher's arguments for recognition within the EPC had become public, and after early mediation efforts faltered, that public opinion favoring recognition began to grow.

The role of political pressure on the part of Croats living in Germany and on the part of Croatian officials themselves is a second form of pressure that could have shaped the preference for recognition. Germany's Croatian community was concentrated in Bavaria and apparently had ties to the CSU.⁵⁹ In 1990 it had begun to lobby the CSU to push for Germany's support of Croatia's interests.

But despite these early lobbying efforts, both the CDU and the CSU held to the position *until the end of June 1991*, that the Yugoslav crisis should be resolved peacefully with Yugoslavia's integrity intact. Even when it became apparent that Croatia and Slovenia would declare independence from Yugoslavia, both the CDU and the CSU held to the position that they could not support nationalism and separatism. Moreover, the conservative parties were not the first to call for recognition. In February 1991, the Green/Bundnis 90 party had called for "self-determination" of Croatia and Slovenia and a confederation of sovereign states as the solution to the crisis.⁶⁰ In short, the Croatian influence on the conservative parties does not adequately account for their change of position, nor does it account for the consensus on recognition on the part of other German party elites.

The third societal-level explanation for elite consensus focuses on the role of the media. The influential *Frankfurter Allgemeine Zeitung [FAZ]*, relentlessly portrayed a Croatia committed to "European" values, while caricaturing the Serbs as being hardly European at all." After June 25, FAZ editorials argued that the people of Croatia and Slovenia had voted democratically to secede; it was the Communist government of Serbia that responded with violence. After the revolutions of 1989 for self-determination and freedom from communist rule, one editorial argued, how

⁵⁸ Institut für angewandte Sozialforschung (INFAS) Meinungsreport. DPA Nachrichtenabteilung/ Ref. II A5, 30 July 1991.

⁵⁹ For a discussion of the role of the Croatian community see Schoch, "Anerkennung als Ersatzhandlung".

⁶⁰ Parlamentarische Protokolle 12/9 of the Deutsche Bundestag, 21 February 1991, p. 408B.

could democratic peoples possibly continue to support central communist regimes?⁶¹ But although the *Frankfurter Rundschau* echoed the FAZ position, the other major newspapers did not. The *Sueddeutsche Zeitung* even warned against hasty recognition.⁶² Although increasing media consensus on a preference for recognition grew throughout the summer, media pressure cannot account for the elite consensus reached in July.

In sum, the "societal pressures" hypothesis fails to explain the change in party positions and the rapid elite consensus on recognition. If domestic-level explanations for the recognition preference are valid, they are of the "top-down" variety: popular consensus followed elite consensus.⁶³ The source of elite consensus requires explanation.

Foreign Policy Culture, and Elite "Bandwagoning" Effects

The "elite" hypothesis explaining the recognition preference has two dimensions. The first is suggested by the cultural approach: *the preference for recognition follows dominant Cold War foreign policy tradition of support for self-determination, formed in the context of German-German relations.* Because this norm shaped German foreign policy, elites calculated high domestic "gains" from being the champions of self-determination in the Yugoslav conflict.

Indeed, support for self-determination was an important component of Germany's foreign policy culture; it was a central foreign policy "norm."⁶⁴ To the extent that Germany had an independent foreign policy during the Cold War, it was the pursuit of the German national interest in self-determination for the people of the GDR.⁶⁵ Until the advent of *Ostpolitik*, the CDU-dominated FRG government based its policy on the view that self-determination as an aspiration of all Germans could only be secured by the Federal Republic. The SPD and the FDP had weakened this "sole right of representation" with policies of rapprochement and the doctrine of "two states in one nation;" nonetheless, they never abandoned the principle itself. The Basic Treaty of 1972 establishing relations with the GDR did not accord it full recognition, and it never referred to it as a foreign country. In the 1980s, the Kohl

⁶¹ "Folter und Mord," *FAZ*, 5 August 91, p. 3; other examples include: "Bonn handelt nicht vorzeitig," *FAZ*, 16 December 1991, p. 1; Johann Georg Reissmueller, "Absurditäten statt Politik," *FAZ*, 8 December 1991, p. 1.61

⁶² Schoch, "Anerkennung als Ersatzhandlung," p. 41.

⁶³ On "top down" vs. "bottom up" perspectives on public opinion in foreign policy formation see Risse-Kappen, "Public Opinion, Domestic Structure, and Foreign Policy in Liberal Democracies," *World Politics* 43 (July 1991), pp. 480-484.

⁶⁴ On the role of norms and how they set standards for behavior see Katzenstein, "Coping with Terrorism: Norms and Internal Security in Germany and Japan," pp. 3-4.

⁶⁵ See Haftendorn, *Sicherheit und Entspannung*; and William E. Paterson, "Gulliver Unbound: The Changing Context of Foreign Policy" in Gordon Smith, William E. Paterson, Peter H. Merkl, and Stephen Padgett, eds., *Developments in German Politics* (Durham, N. C. Duke University Press, 1992), pp. 137-152.

government continued to keep the "German Question" open by consistent reference to the necessity of self-determination for the East German people.⁶⁶

The rhetoric that emerged to justify the political elite's changing position suggests that politicians consciously linked the East German victory for self-determination with the aspirations of the Croatian and Slovenian people for independence from communist-dominated Yugoslavia. The CDU's General Secretary argued that Germany could not apply another yardstick to Yugoslavia "when we achieved the unity and freedom of our country through the right of self-determination."⁶⁷

Why, in domestic German rhetoric, was the principle of "self-determination" focused only on Croats and Slovenians and not on the Serb population in Croatia? 1/3 of all Serbs lived outside the territory of Serbia, and the Arbitration Commission found that those in Croatia were subject to human rights abuses. France and Britain were keenly aware of the vulnerability of Serbs living outside the Republic of Serbia; an important justification for their involvement in the creation of Yugoslavia as a state in 1918 had been the principle of self-determination: the right of all Serbs, as well as Croats and Slovenes to live in a single state. Croatian elites agreed to join Yugoslavia rather than face the alternative of a "Greater Serbia" which would have left Croatia under Serb domination. In the present crisis, French and British officials relied on their own foreign policy traditions, believing that the realization of the self-determination principle could only be achieved through the preservation of Yugoslavia. In any case, keeping Yugoslavia intact was preferable to a renewed effort to build a "Greater Serbia." Germany had not been a party to the creation of Yugoslavia; there was no tradition in German foreign policy of acceptance for Serb self-determination.⁶⁸

In addition, Germany's Christian Democrats quickly perceived the crisis in the old Cold War framework. The *FAZ* portrayal of Serbia as a communist power dominating a people who had voted democratically for independence resonated strongly with the past CDU/CSU rhetoric; indeed self-determination and anti-communism had been the two pillars of conservative foreign policy during the cold war. Communism's demise had thrown the party into confusion concerning its post-cold war ideological direction.⁶⁹ But the Yugoslav crisis appeared to conservatives to

⁶⁶ Paterson, "Gulliver Unbound: The Changing Context of Foreign Policy," pp. 142-43.

⁶⁷ William Drozdiak, "Germany Criticizes European Community Policy on Yugoslavia," *Washington Post*, 2 July 1991, p.A16.

⁶⁸ Tito's Yugoslavia had been an ally against Hitler and Yugoslavia had played an important role in Cold War rhetoric. See Alan C. Lamborn, *The price of power: Risk and Foreign Policy in Britain, France, and Germany* (Boston : Unwin Hyman, 1991). The most important general source is Barbara Jelavich, *History of the Balkans, Twentieth Century Vol. II* (London: Cambridge University Press, 1983). On French and British policies in the post-war period, see Stevan K. Pavlowitch, *Yugoslavia and its Problems: 1918-1988* (London: Hurst Publishers, 1989).

⁶⁹ Beverly Crawford and Jost Halfman, "Germany's Role in Europe's Security Future," in Beverly Crawford, ed., *The Future of European Security* (Berkeley: International and Area Studies), pp. 220-227.

fit nicely into the post-war ideological framework, preserving the world of "communist aggressors" and "democratic defenders."⁷⁰

But these factors only partially explain the preference of opposition SPD political elites for diplomatic recognition. The SPD had taken a pragmatic stand on the self-determination principle during the Cold War, particularly in relations with the GDR. Self-determination is a vague principle that can be pursued in many ways (as its arguments in the 1960's for *Ostpolitik* had suggested). EC policy embodied the desire to achieve self-determination for all parties through a negotiated peace process. Many Croats and Slovenes had suggested a looser federation and a new constitution in early negotiations. CSCE provisions supported existing borders, and the Yugoslav constitution stated that the frontiers of Yugoslavia could not be altered without the consent of all republics. If diplomatic recognition was not the only way to implement the principle of self-determination, why was the SPD so quick to agree with the policy preference put forth by the CDU/CSU?

The second dimension of the hypothesis offers an explanation. It suggests that *elite "bandwagoning" effects led to the SPD's rapid switch to a preference for recognition*. "Bandwagoning" means that if a major party loses an election to its opponent, the loser reassesses its strategy and moves its policy positions closer to those of the winner, hoping to win back the loyalty of lost supporters.

The CDU and the SPD pursued opposing strategies in the 1990 all-German elections. While the CDU had reminded East Germans of its steadfast adherence to self-determination for them throughout the Cold War, the SPD was forced to live down its decades-long *Entspannungspolitik* (policy of relaxing tensions between the two German states at the expense of the potential political desires of the East German people).⁷¹ The CDU justified its proposal for rapid incorporation of the former GDR into the Federal Republic by appealing to the old self-determination principle: rapid unification is what East Germans want, the CDU argued. The SPD concentrated its campaign on attacking the pragmatic problems of unification envisioned in the CDU platform. Indeed, the SPD did not mention self-determination in its campaign rhetoric. It had had an ambivalent relationship with dissident groups and movements for "self-determination" in Eastern Europe, and had rarely evidenced support for them. Although clearly favoring the collapse of the Stalinist East German regime, SPD elites were uncomfortable with the openly nationalistic sentiments that rapid unification evoked.⁷² But it was precisely the CDU appeals to those principles

⁷⁰ See, for example, the statement by Alfred Dregger, Chair of the CDU/CSU Bundestagsfraktion, June 27, 1991 in *Deutschland-Union-Dienst*, Vol. 45, No. 120.

⁷¹ See Heinrich: "Neue deutsche Aussenpolitik: Selbstversuche zwischen Zagreb und Brüssel," p. 1449.

⁷² The definitive study of the origin and expression of these sentiments is found in Andrei S. Markovits and Philip S. Gorski *The German Left: Red, Green, and Beyond* (New York: Oxford University Press, 1995) Discussion of how they were experienced at the time of unification in 1990 can be found on p. 235.

rather than tedious discussion of practical problems that led to its overwhelming victory.⁷³

If the bandwagoning proposition holds, we would expect the SPD to have moved closer to the CDU position the next time a similar issue emerged, even if the next election is far off. When the CDU first linked the principle of self-determination to the recognition of Croatia, SPD officials could have raised human rights concerns. But party leaders saw no way to oppose the CDU position. Once burned because it had not promoted self-determination in its own rhetoric, SPD officials were wary of appearing to deviate from that principle and the policy of diplomatic recognition tied to it, fearing accusations of SPD support for communist regime against the wishes of the Croatian people.⁷⁴ Once the CDU came out in favor of diplomatic recognition, the SPD - not to be outflanked - switched its position as well. Bandwagoning effects seemed to be at work.

The evidence strongly suggests that foreign policy culture and elite bandwagoning effects combined to create an early elite consensus. After July 1, all political elites jumped on the bandwagon pressured Kohl and Genscher to push for EC recognition. Why did Kohl and Genscher cave in? Both had resisted similar pressures in the past.⁷⁵ Both the German public and political elites strongly supported multilateralism in foreign policy; there was never a domestic call for unilateral recognition. Both Kohl and Genscher believed that EPC foreign policy cooperation was in the national interest. Kohl was at the height of his political popularity after having won the 1990 elections, and Genscher had served as Foreign Minister for over a decade. The "domestic elite" hypothesis explains the German preference for recognition, but it does not explain why decision-makers defected from a multilateral agreement.

Recognition as a Two-Level Game

The two-level game metaphor suggests an explanation focusing on the reciprocal impact of domestic politics and international negotiations. The hypothesis suggested by this approach has three dimensions. First, *to the extent that the preference for recognition was formed consensually in the domestic arena, Kohl and Genscher found no domestic support for their cooperation with EPC preferences.* German domestic forces narrowed the the options over which its international negotiators could reach agreement. I have presented evidence on early domestic elite consensus on recognition. What is required is evidence of domestic pressure on Kohl and

⁷³ For details on these two campaign strategies see Gregg O. Kvistad, "Challenges to the Party-State in Unified Germany," in Norbert Finsch, ed. *Comparative Reconstructions* (London : Berg 1995 forthcoming) and see Andrei S. Markovits and Philip S. Gorski *The German Left: Red, Green, and Beyond* (New York: Oxford, 1995) for the SPD position, especially p. 235.

⁷⁴ Interviews, SPD officials, Bonn, 25 May 1993.

⁷⁵ See Risse-Kappen, "Public Opinion, Domestic Structure, and Foreign Policy in Liberal Democracies," pp. 506-507.

Genscher to change course and evidence that Kohl and Genscher could not "sell" the EC preference to preserve Yugoslavia to their domestic constituents.

There is strong evidence of domestic pressure on Kohl and Genscher to change the EC policy. In August, CDU/CSU spokesmen called on Genscher to change EC policy with a tougher position on recognition.⁷⁶ In September, after the EC had recognized the Baltic states, the SPD party leader publically argued that Croatia and Slovenia should be granted recognition by the same principles. By November, parliament had adopted the resolution on Serbian aggression. This elite pressure on Kohl and Genscher was complemented by a significant shift in public opinion; A November poll showed that two-thirds of all respondents supported recognition.⁷⁷ In the same month, parliament resolved that Serbia was the aggressor in the conflict.⁷⁸ SPD spokesmen criticized Genscher and Kohl for not pursuing a tougher policy on recognition within the EPC; they goaded Kohl by declaring that it was entirely up to him whether "thinking in alliances" or the "idea of freedom" prevailed in Europe.⁷⁹

At no time did Kohl launch a domestic publicity campaign in support of the EPC position. On the contrary, he faced the first all-German CDU party convention in Dresden in December with a platform calling for a more forceful and independent foreign policy.⁸⁰ He needed to show his foreign policy strength on this issue, and he did. The December 16th EPC meeting coincided with the party congress, and he was given a standing ovation when he described the EC's conditional decision to recognize the two republics as a resounding success for German foreign policy.⁸¹ He clearly saw the outcome of the EPC meeting as a domestic political "win" for himself.

In short, while there was domestic support for a multilateral solution to the Yugoslav conflict, there was no support for the EC attempt to preserve Yugoslavia. If Kohl had continued to support the EC course, he would have suffered significant political criticism in his own party. The evidence supports the argument that mounting domestic pressure narrowed the policy options available in international negotiations.

The two-level game approach suggests a second dimension of the hypothesis: *Without domestic approval for an international agreement to preserve Yugoslavia, Germany's negotiators tried to reach a new international agreement that would meet domestic approval.* The evidence supports this claim. Pressured at home to achieve the goal of multilateral recognition, Genscher pursued three strategies in order to increase others' incentives to adjust their policies to German preferences.

⁷⁶ "Bonn dringt auf Sanktionen gegen Serbien nach dem Scheitern des EG-Vermittlungsversuchs," *FAZ*, 6 August 1991, p. 1.

⁷⁷ ZDF Politbarometer Mannheimer Forschungsgruppe, 8 November 1991.

⁷⁸ Cited in Wolfgang Krieger, "Toward a Gaullist Germany?" p. 32.

⁷⁹ Quoted in John Tagliabue, "Bold New Germany: No Longer a Political 'Dwarf'", *NYT*, 16 December 1991, p. A12.

⁸⁰ Tyler Marshall, "Germany Makes Its Presence Felt," *LAT*, 20 December 1991, p. A14.

⁸¹ Robin Gedye, "Yugoslav Crisis: Ovation for Kohl over Recognition," *The Daily Telegraph*, 18 December 1991, p.8.

First, Genscher tried persuasion. Recall that he argued at the July CSCE meeting that Serbia was the aggressor, and in the EPC he argued that self-determination for Croatia should be the guiding principle in Europe's response to the crisis. He reasoned with his partners that failure to recognize Croatia would signal to Serbia that its military attacks had been successful and reminded them that the EMM reported that the Serb-dominated JNA was primarily responsible for the bloodshed. Attempting to win sympathy for Germany's position, he argued that "if a war were to spill over the border, Germany... would be one of the countries first and worst affected in the West."⁸²

Second, Genscher raised the stakes by threatening unilateral recognition if EPC members would not accept Germany's position. In August the press leaked German threats of possible unilateral recognition of the two republics if cease-fire violations continued. Those reports continued into December, as domestic pressure in Germany for recognition mounted. Finally, there is circumstantial evidence that Genscher attempted quid-pro-quo bargaining: concessions in other issue areas if EC partners would agree to a joint recognition policy. *The Economist* reported that John Major had given his word that, in return for German support of the British position on a number of issues at Maastricht, he would support the German position on Croatia.⁸³

Each of these strategies was calculated for maximum domestic and international influence. Genscher reminded his EPC partners of German domestic pressure for recognition to signal that their options were narrowed and that they should move to the German position. Tough talk in the EPC showed German domestic audiences that Germany was standing firm on recognition.

Pursuit of these strategies brought the EC closer to Germany's position. By Fall of 1991, EPC press releases questioned whether Serbia and Montenegro could be legitimately regarded as Yugoslavia's successor state. On October 10, it decided to withhold recognition for two months, hoping for some successes at the peace conference. In November, the EPC stepped up pressure on Serbia by imposing sanctions on Yugoslavia, and in December, it lifted sanctions against Croatia. On December 16 the EPC agreed on conditional recognition.

If the EPC moved to the German position, why did Germany take unilateral action? We can rule out domestic pressure at this point: at no time did German political elites call for unilateral recognition; foreign policy multilateralism was a norm that was as entrenched in German political culture as self-determination. The German public supported general policy harmonization in the EC. In 1991, 66% of West Germans and 79% of East Germans saw German participation in the EC as a good thing; 43% of the West German populace and 54% of the East German populace even believed that EC political union should take priority over national independence!⁸⁴ Public support for the EC at a high point during the period under consideration here.

⁸² Robin Gedye, "Yugoslav Crisis: Ovation for Kohl over Recognition."

⁸³ "Wreckognition," *The Economist*, 18 January 1992, p. 49.

⁸⁴ Opinion data on German participation in the EC comes from the Eurobarometer and is cited in Hans-Wolfgang Platzer and Walter Ruhland, *Welches Deutschland in welchem Europa?* (Berlin: J.H.W. Dietz Verlag, 1994), pp. 47-53. Poll data on the priority of political union

A third dimension of the hypothesis explains the actual defection: *the unilateral move was caused by escalating fears of mutual betrayal leading to negotiation failures in a bargaining environment where Germany's options were narrowed by domestic pressure.* Genscher understood that the EPC decision of October 10 to recognize Croatia and Slovenia within two months meant that EPC recognition was a foregone conclusion. But when December 10 passed and there was no firm consensus on recognition, Genscher felt betrayed, particularly when his partners tried to block his move in the UN Security Council.⁸⁵

Still Genscher did not act unilaterally *yet*. Before the crucial December 16 meeting he had attempted to build a winning coalition in favor of recognition but failed to do so. By that time he only had one winning card left in his hand. Knowing the France and Britain had since called off the U.N. Security Council resolution, and betting on the belief that they would not undermine the cooperative effort achieved at Maastricht, Genscher pressured the EPC to accept multilateral recognition with further threats of defection and betrayal if they did not. In turn, he appeared to compromise on conditionality. *The compromise was a bluff*; given the ambiguous nature of conditionality in the recognition of new states, he did not want to accept the specific EC imposed conditionality requirements in this case. Because his partners had betrayed him once by going to the U.N. Security Council, he feared they would block recognition by pointing to Croatia's unmet conditionality requirements. He thus chose to defect, leaving the EPC with the choice of following Germany or fomenting further embarrassing disputes over the issue in the wake of Maastricht euphoria. Genscher bet correctly; Europe ignored the conditionality requirements and followed Germany. To conclude it can now be stated succinctly:

- 1) Domestic pressure narrowed Germany's policy options in EPC negotiations.
- 2) Narrowed options led Genscher to persuade, threaten, and bargain for multilateral recognition; his efforts moved other EPC members closer to German preferences.
- 3) Escalating threats of defection on all sides led to Genscher's belief that his partners would not actually coordinate their policies with German preferences, at least in the time frame demanded by domestic considerations. Therefore he chose to act unilaterally. A counterfactual proposition clarifies the act of defection: had the EPC been institutionalized, sanctions stronger, and international norms clearer, the spiral of mistrust could have been avoided. The EPC would have moved to the German position, and Germany would not have defected. Multilateral recognition would have been the outcome.

I have argued that although domestic politics matters to preference formation under these conditions, and that these conditions obtained in this case, neither international nor domestic factors alone can explain Germany's defection from international cooperation. I have developed a synthetic explanation suggesting that Germany's growing power, underdeveloped multilateral regimes, and conflicting

is from Hans-Joachim Veen, "National Identity and Political Priorities in Eastern and Western Germany," 1993 APSA Paper Washington, D.C., September 2-5, 1993.

⁸⁵ Interview, May 26, 1993.

international norms lowered the costs of unilateralism and provided the permissive conditions for defection. Foreign policy norms and elite politics formed the preference that diverged from that of Germany's partners, and reduced central decision makers' domestic gains from cooperation with them. Conflicting preferences could have been reconciled in the negotiating process, but weak international norms and the absence of sanctions for defection permitted an escalating spiral of threats and counter-threats that reduced trust and increased Germany's incentive to defect.

The Germans make everything difficult, both for
themselves and for everyone else.
Goethe¹

ELLEN COMISSO

Germany, Eastern Europe, and the European Union

At a conference in which history is the dominant discipline and most contributions explore Germany's relations with its eastern neighbors in the past, it is perhaps appropriate that the political science account concern itself with how those relations are likely to evolve in the future, as the twentieth century draws to a close. Normally, political scientists are inclined to avoid projections or explanations based on historical "origins" or "continuities". Although we can certainly recognize that the past casts a long shadow over the present and future, we also tend to see continuity itself as a phenomenon that must be explained, and origins as points in time that must be defended against possibilities of infinite regress.

In this regard, locating the "origins" and defining the continuities of German-East European relations is especially problematic. Do "origins" begin with the thirteenth century invitations to German settlers issued by eastern kings seeking to populate their realms, with the rise of Prussia as a regional power, with the formation of the modern German nation-state in the nineteenth century, or with the peace treaties of World War I that created independent states on the territory between Germany and what was then the Soviet Union? Defining "continuities" is not any easier, since the relationship between both national populations and, in the twentieth century, national states is punctuated as much by abrupt changes - in borders, populations, political orders, trading patterns, and alliances - as by long-standing complementarities and tensions informed by the simple fact of geographic proximity.

If we try to separate what is constant from what is changing in German-East European relations, we find three central factors that have played - and will continue to play - a critical role in shaping them. Nevertheless, both the content of and the interrelationship between these factors is likely to be rather dissimilar in the future from what they have been in the past, largely because the larger European political and economic context within which they operate has been transformed by both the Cold War and the subsequent collapse of socialism. As a result, where Germany's role in the past has been that of transmitting the best and the worst of the West to the East, its role in the future is likely to consist of facilitating the entrance of its eastern neighbors to the West. However, the terms on which that entrance is likely to occur will probably be conditioned by Germany's more recent western interests and ties rather than by its traditional links to the East. From the East European perspective, this means on the one hand that there is much less to fear from a Germany tied to - and constrained by - other western states; on the other hand, however, it also means

¹ Quoted in Gordon Craig, *The Germans* (New York: Penguin Books, 1982), p. 15.

there is much less to expect from a Germany whose major commitments are outside the region itself.

This paper will proceed as follows. First, I shall elucidate and comment on the three central factors - Germany's search for a unified state within stable boundaries, Germany's relations with other major continental powers, and the asymmetrical relation between Germany and the smaller states to its East - that have shaped Germany's relations with Eastern Europe. Here, I shall try to show how the "German question" of the past has become the "European question" of the present and immediate future. Second, I shall survey the various options and scenarios for Europe in the future, focusing on the "widening and/or deepening" debates within the post-Maastricht European Union. Here, I shall explore the current economic and political tensions that have surfaced within the EU since the end of the Cold War, analyzing how Germany's position in resolving them would affect the likelihood of EU enlargement to include the post-socialist states of the East. Here, it seem to me that the key question for Germany is whether its current preferences for "deepening" are consistent with its preferences for "widening."

Plus la même chose, plus ça change: Factors Shaping German-East European Relations

It seems to me that the interaction of three broad factors have shaped Germany's relations with its eastern neighbors in the past century. The first is Germany's search for a unified state within stable and secure boundaries. Significantly, if the search has been a constant, neither the state nor the borders have been. As far as boundaries are concerned, only Poland has rivaled Germany's ability to move around over the map of the continent in the past century. And looking at the state that has ruled the territory within prevailing boundaries, the twentieth century has seen no less than five distinctive political orders govern something called Germany: a quasi-parliamentary monarchy, a turbulent and polarized republic, a Nazi dictatorship, a Leninist state, and a liberal federal republic. As Günter Grass aptly comments, "In our country the end is always the beginning and there is hope, in every and even the most final, end."²

End or beginning, the unified Germany that emerged in 1991 is literally the sixth political incarnation Germany has assumed within the space of a hundred years. In contrast with the past, however, current boundaries are not contested from either within or outside Germany itself. Likewise, the political order within Germany is monotonously stable and liberal democratic; interestingly enough, Germany is one of the few states in western Europe that has not seen the emergence of a major right-wing party with a substantial electoral following in the past decade or so.

Equally important, both internal stability and secure borders have been maintained less by a strong Germany than by a Germany - or more precisely, two Germanys -

² In *The Tin Drum*, translated by Ralph Manheim (Greenwich, Conn: Random House/Fawcett, 1962), p. 195.

sheltered under and constrained by the umbrella of larger alliances. Thus, the armed forces of both postwar German states were integrated into the commands of their respective military alliances. In the case of the Federal Republic, in fact, "its membership in NATO was more complete than those of the other larger European members. Unlike Britain and France, all its forces were committed to NATO. It had no general staff and no independent strategic planning function."³ For a state that historically had experienced the greatest difficulty subjecting its military to civilian and especially democratic control, this was no small change indeed.

Contrary to realpolitik predictions, unification saw a renewed commitment of the Federal Republic to maintaining the vitality of its military and political alliances, even as the threat that led to their formation dissolved.⁴ In the post-cold war international environment, the strategy for preserving secure borders and internal order has come to consist basically of extending the foreign policy approach that proved successful before 1989. It is a strategy that reflects the rather robust empirical finding to the effect that liberal democracies rarely go to war with each other.⁵ As applied to post-Cold War Europe, it calls for surrounding Germany - on the east as well as the west - with states characterized by parallel political and economic orders, based on competitive elections and open markets, linked by partnerships and memberships in common supranational bodies. Hence, the search to define Germany internally and externally that was the source of so many disasters in the east in the past now seems to be a factor giving Germany the most direct and strongest interest in extending the European Union eastward.

The shifts in Germany's internal and external definition that have occurred in the past have not, of course, simply been the product of domestic aspirations. On the contrary, they have reflected developments in the international system as well. This brings us to the second factor shaping Germany's relationship with Eastern Europe: the exigencies of competition with other rival powers on the European continent. Until Germany's defeat in World War II, the Great Power relationship was a competitive and typically antagonistic one, with Germany's relatively late arrival on the scene accompanied by an exaggerated cultivation of military might. It was a strategy that conveniently coincided with the interests of the dominant Prussian elite, and pushed whatever winds of liberalism and socialism that were blowing on the domestic civilian scene off to one side.⁶

³ William E. Paterson, "Germany and Europe," in Jonathan Story, ea., *The New Europe* (Cambridge, Mass: Blackwell, 1993), p. 177.

⁴ See Thomas Banchoff, "Making Sense of Continuity: Conceptual Approaches to German Policy in Europe," paper presented at a conference on "Germany's Role in the Shaping of the New Europe," Center for German and European Studies, UC Berkeley, May 1996 (mimeo).

⁵ See Michael W. Doyle, "Liberalism and World Politics," *American Political Science Review* 80 (December, 1986):1151-1171; Bruce Russett, *Grasping the Democratic Peace: Principles for a Post-Cold War World* (Princeton: Princeton University Press, 1993).

⁶ The classic work here, of course, is Gordon Craig, *The Politics of the Prussian Army* (New York: Oxford University Press, 1955); see also his *Germany, 1866-1945* (New York: Oxford University Press, 1978).

The peace treaties concluding the First World War did little to revive them. The desire on the part of the victorious powers - France in particular - to permanently diminish German power and contain Bolshevism led to the creation of a *cordon sanitaire* of small states between Germany and the Soviet Union. Nominally allied with the western powers who first sponsored their creation and then proceeded to ignore them, the new East European states rapidly became the target of German revisionist aspirations.⁷ With the rise of Adolf Hitler, an aggressive and rearmed Germany restaked its claims to the area, first economically and then politically and militarily. Control of the eastern hinterland thus became an important link in the effort to strengthen Germany for a military confrontation with its other Great Power adversaries.⁸

Defeat in World War II and the start of the Cold War radically transformed the structure of power on the continent and Germany's position in it. The traditional European rivalries in which Germany had been so central were subordinated to the bloc rivalries of the two non-European superpowers. Not only did Germany emerge from the occupation a divided country with two separate states, each with sharply contrasting politicoeconomic orders, but the social bases for militarism that had endured through the Weimar Republic were destroyed on both sides of the divide.⁹ Consequently, each Germany began to look socially, economically, and politically much more similar to the other states in its respective bloc than to either Germany's earlier incarnations or to each other.

As far as the Federal Republic was concerned, both American plans and the strong preferences of its postwar leadership called for it to become a bastion of the "Free World," playing a vital role in a wider European economic reconstruction and recovery. Marshall Plan aid strongly encouraged economic integration among recipient states, pushing France and a Germany no longer "too big" for its counterparts together. French preoccupation with German economic recovery was one factor behind the Schumann Plan, leading to the creation of the European Coal and Steel Community and eventually to the Treaty of Rome in 1957.¹⁰

It would take us too far afield to deal with the ups and downs and nuances of West European integration in the postwar period.¹¹ For our purposes, it is important to note simply that although what can broadly be termed the "western alliance" was

⁷ See Joseph Rothschild, *East Central Europe Between the Two World Wars* (Seattle: University of Washington Press, 1974); Barbara Jelavich, *History of the Balkans*, vol. 2 (New York: Cambridge University Press, 1983); Hugh Seton-Watson, *Eastern Europe 1918-1941* (Hamden, Conn: Cambridge University Press, 1962).

⁸ See Ivan Berend and Gyorgy Ranki, *Economic Development in East-Central Europe in the Nineteenth and Twentieth Centuries* (New York: Columbia University Press, 1974).

⁹ See Peter Katzenstein, "Problem or Model? West Germany in the 1980s," *World Politics* 23 (1980); Ralf Dahrendorf, *Society and Democracy in Germany* (New York: Doubleday, 1967); Russell J. Dalton, *Politics in Germany* (New York: Harper and Collins, 1983).

¹⁰ See William Wallace, "The Changing Economic Context," in William J. Adams, ed., *Singular Europe* (Ann Arbor: University of Michigan Press, 1995), p. 275.

¹¹ A good summary appears in Dennis Swann, *The Economics of the Common Market* (New York: Penguin, 1988).

clearly a stepchild of the Cold War, it did not take the form of simply pacts and treaty arrangements states individually signed onto for limited purposes. Rather, European members sought to complement the United States politically and economically by creating common institutions in which they could articulate and advance a collective interest. As a result, the institutions could outlast the Cold War that led to their creation. Moreover, those institutions and organizations increasingly came to have some of the attributes of sovereignty themselves, especially where West Germany was concerned. We have already mentioned the subordination of German forces to NATO command, with the implicit constraint on sovereignty it entailed. The European Economic Community created by the Treaty of Rome also came to assume increasingly binding authority over the economies of its members as well over the years.¹²

What distinguished the European Economic Community from a pure free trade area a la EFTA was not simply its common external tariffs. Rather, it was the machinery set up to coordinate and initiate measures leading to a genuine common market that made it unique.¹³ Thus, a combined intergovernmental and supranational set of institutions - councils, commissions, courts, etc. - was established, capable of making policy with the member states, and occasionally for them. Because the Treaty of Rome was an open-ended institution-creating treaty and not solely a state-confirming agreement for limited purposes (as is the standard treaty), it provided a focus and a base on which anational, European interests could arise, giving the entities a life of their own, partially independent of individual members. As a result, there were strong forces and a multiplicity of vested interests anxious to preserve and extend it even when the original program for which it had been established had been accomplished.

"Project 1992" of the Single European Act greatly strengthened the autonomy of community institutions and altered the EC's intergovernmental arrangements by changing the decision-making format for the creation of unified market.¹⁴ Indeed, the Maastricht Treaty's emphasis on "subsidiarity" actually has more of decentralizing impact than that of its predecessor in this respect. But as far as Germany is concerned, substantial regulatory power has already been ceded to European institutions in which it is only one of many participants, as the Cassis de Dijon decision made clear over a decade ago.¹⁵

¹² See *ibid*; David Cameron, "The 1992 Initiative: Causes and Consequences," in Alberta Sbragia, ed., *Euro-Politics* (Washington: Brookings Institution, 1992), pp. 23-75; Martin Shapiro, "The European Court of Justice," in *ibid*, pp. 123-57; Robert Keohane and Stanley Hoffman, "Institutional Change in Europe in the 1980s," in R. Keohane and S. Hoffman, *The New European Community* (Boulder: Westview Press, 1991), pp. 1-41.

¹³ See Swann, *op. cit.*, pp. 11-12.

¹⁴ See Wolfgang Wessels, "The EC Council: The Community's Decisionmaking Center," in Keohane and Hoffman, *op. cit.*, pp. 133-55.

¹⁵ See Karen J. Alter and Sophie Meunier-Aitsahalia, "Judicial Politics in the European Community: European Integration and the Pathbreaking Cassis de Dijon Decision," *Comparative Political Studies* 26 (January, 1994): 535-62.

Given the importance of European economic performance for German prosperity and vice-versa, the trade-off between sovereignty and participation that confronts the political leadership of the new, larger German state has militated in favor of greater participation in and strengthening of European institutions.¹⁶ Superficially, such a stance can be attributed to rational, self-interested behavior: as the largest state with the largest economy in Europe, Germany would be expected to have a determining voice in all "common" decisions. From this (typically Anglo-Saxon) perspective, German preferences for "deepening" European integration is simply a more civilized version of the traditional hegemonic aspirations that had lain dormant in the closet during the cold War.

More profoundly, the current structure of European Union institutions casts some serious doubts on this interpretation, since it is the smaller states that are disproportionately represented in virtually every body with decision-making authority. That the smaller states are interested in extending the jurisdiction of European Union institutions so they can have a political influence on processes they have little economic leverage over in any case is not a surprise, but that Germany would wish to be bound to decisions it could make by itself in its own interest in many cases requires some other explanation. In this regard, it is significant that Germany ratified the Maastricht Treaty by a large majority, even though France was unwilling to concede it additional seats in the European Parliament in recognition of unification.

German preferences for "deepening" the European Union despite its relative underrepresentation there reveals just how profoundly Germany's relations with other major European states have changed in the postwar period. Prior to World War II, it competed with other powers in what amounted to a zero-sum game; its victory was another's loss and vice-versa. The strategy pursued by Germany now, however, appears geared to avoiding even the appearance of competition; rather, its actions within EU seem to be those of a state anxious to accommodate and reassure others of its benign intentions. This does not, of course, imply an unwillingness to exercise influence; indeed, the nature of Germany's position in Europe means it can hardly avoid this. Nor does it imply that German policy is founded purely on altruistic motives: it is typically objectives Germany cannot accomplish alone that it seeks to achieve through Europe. But it does suggest a strong bias towards compromise and setting minimal rather than maximum conditions for common decisions. Stated somewhat differently, precisely because Germany has a virtually unique implicit veto power over any course of action EU takes, it has a strong incentive to avoid exercising it.

Consequently, both before and after unification, Germany has tended to play a leadership avoidance role, taking the part of supporting cast to French initiatives. Hence, if we ask why Germany has not asked for increased voting power in EU bodies, accommodating France seems to be a major part of the answer. That is,

¹⁶ See Wolfgang Wessels, "Conceptual Approaches to German Policy in Europe," paper presented at a conference on "Germany's Role in the Shaping of the New Europe." Berkeley, California, May 1996 (mimeo).

French fears of being potentially outflanked by a coalition of Germany and smaller states in the EU are diminished to the degree more, rather than fewer states are required to form such a coalition. At the same time, precisely because representation is not in proportion to population, the tendency of EU to represent governments rather than individuals is institutionally reinforced, again a strong preference of French policy.

For East European states, the implication of this situation are highly ambiguous. On the one hand, a Germany knitted deeply to into the political, economic, and military fabric of western Europe is, thankfully, not a Germany intent on dominating them. On the other hand, to the degree Germany is committed to accommodating its partners whose ties and commitments to East European governments are far less substantial, it suggests that delaying East European accession to EU may just be one of the compromises Germany can live with. In short, the strategic importance Eastern Europe had for a Germany competing with other European powers diminishes quite considerably for a Germany anxious to cooperate and accommodate them.

With this, we arrive at the third factor in German-East European relations, namely, the asymmetry in power and wealth that has long characterized the two, an asymmetry which is almost as marked taking the former socialist states of Eastern Europe collectively as comparing each of them individually with Germany. Unlike the first two aspects of Germany's relations with Europe and Eastern Europe, this aspect has not changed significantly over the years; indeed, the development gap has, if anything, even widened since 1990. Whether German policy toward the region in the past century has contributed to this gap or, on the contrary, whether Germany has been the main source of the expertise, technology, and investment reducing the gap is an argument best left to historians;¹⁷ for our purposes, the point is simply that the asymmetry has been long been present and still remains, regardless of its causes and origins.

Historically, this basic asymmetry was a primary reason for Germany's "ostpolitik" to be derived from its primary concerns with other major powers - be they France, Russia, Britain, or Austria-Hungary - and with its own security; the threat from non-Germanic populations or the states of Eastern Europe themselves was simply never large enough for it to be a central consideration. Viewed from the East European side, the asymmetry has and still is a primary reason for the rather schizophrenic attitude most governments in the region had and continue to have towards Germany: anxious for its support, interest, protection, and investment - yet hating to be in the position of needing them.

That the underlying asymmetry is present today is clear in any number of indicators: if we look simply at trade figures, the combined percentage of German national income realized from trade with all of Eastern Europe together is relatively minor, while Germany is the single largest trading partner of virtually every East European state. That Germany is also the single largest trading partner of virtually every West European state as well is scarce compensation for this dependency; indeed, to some degree it places East European industry in a competitive relationship

¹⁷ See the paper of Ivan Berend, in this volume.

with Germany's western trading partners, particularly those of the "southern tier" of the European Union.¹⁸

Meanwhile, access to German markets is by definition access to European Union markets, such that the extent of German involvement and openness to the east is likely to be mediated by trade policies chosen by EU as a whole, including its willingness to accept new members. How strongly Germany will press for enlargement, in turn, will depend as much on the internal political and economic situation within EU as on its desire to sustain politically stable and economically prosperous liberal democracies to its East. As noted earlier, the accommodationist stance Germany has assumed in the interest of maintaining harmony within a set of economic and political arrangements it has benefited from mean that it may well be willing to make "enlargement" a second-order preference to accommodate others. Consistent with this was the decision of Kohl not to press the issue of enlargement forcefully in 1994 in light of French concerns about a potential eastward drift on Germany's part. Equally important, to the degree Germany is committed to "deepening" European integration, the addition of yet another 4-9 small states whose assent is required for further institutional evolution may simply make the entire project unmanageable. Ironically, this is precisely the reason for British support for East European inclusion. From this perspective, East European accession to EU depends not simply on Germany (who could prevent accession but not guarantee it) but on the form EU as a whole is likely to take and how certain issues central to its operation will be resolved. To these we now turn.

The Politics of European Integration

On one level, the problems presented by the creation of a unified European market are not economic at all. In principle, the fact that different areas of the continent (or at least, that part of the continent included in KU) have different natural and factor endowments and are at different levels of development does not mean local economies cannot operate according to uniform rules providing for free movement of goods, people, and factors of production. Even a cursory glance at the United States reveals wide disparities between the poorest and the wealthiest regions; the glaring contrasts between its inner cities, rural backwaters, and exclusive suburban oases are more a product of than a barrier to a single market.

Rather the obstacles to an integrated European market derive essentially from its political constitution. First of all, developed and less developed areas tend to be located within different countries. As a result, any uniform rule will have differential consequences for individual states and national economies - and it is governments of member states who must agree on what the uniform rules are to be. Second, national governments are virtually the only decision-making agents in the European Union

¹⁸ See Paolo Guerrieri, "Trade Integration of Eastern Europe and the Former Soviet Union into the World Economy: A Structuralist Approach," in *Markets, States and Democracy* (Boulder: Westview Press, 1995), pp. 103-30.

who are responsible to larger publics. Hence, to the degree they cede sovereignty to the Union as a whole, political accountability for decisions declines, since populations have no means to control the actions of states other than their own. In effect, the more integrated national economies become, the more difficult it becomes to reconcile their governmental and regulatory structures with the norms of democratic politics. Finally, as the competences of the European Union expand, the number and variety of interests affected by decisions multiplies. Accommodating them via increased participation, however, invariably decreases the transparency of the decision-making process by making it ever more Byzantine.¹⁹

Deepening v. Widening?

Problems of consensus, accountability, and coordination deeply color the two central debates currently going on within the European Union. The first regards "deepening," a process which may be defined as the taking of more common decisions over more spheres of action. The second concerns "widening," namely, the accession of additional states to the accords and rules constituting the Union. The relationship between actions on the two fronts is, to put it mildly, complex. On the one hand, to the degree increased economic integration makes the rules governing economic decisions more uniform within EU, it also makes them more different from the norms governing economic activity outside EU. In this sense, "deepening" EU is implicitly a process that creates barriers to entry for newcomers. On the other hand, "widening" would see an additional number of states taking part in collective decisions; insofar as this would increase the number of actors, the diversity of conditions, and the variety of interests even further, it implicitly makes "deepening" more contentious and presumably, would slow down the process.

The situation with regard to the creation and allocation of EU's structural funds is perhaps paradigmatic in this regard. Certainly, it was "widening" EEC to include Britain and Ireland that provided the impetus that gave birth to the European Regional Development Fund in the first place, and the size and coverage of the funds have expanded with each successive "deepening" (e.g., with the Single European Act and again, with the Maastricht Treaty).²⁰ But precisely because enlargement of EU to include Eastern Europe would engender a whole host of new claims on what is likely to be a fixed pie, "widening" and "deepening" appear more as alternative, rather than complementary, courses of action.

Were the relationship between the two processes uniquely the either/or one described above, one would expect those governments most reluctant to see increased "deepening" to be the strongest advocates of "widening" EU to include East European applicants. Alternatively, those states most strongly in favor of

¹⁹ On the "democratic deficit" as an obstacle to both "deepening" and "widening," see Joseph Weiler, "After Maastricht: Community Legitimacy in post-1992 Europe," in William J. Adams, Ed., *Singular Europe* (Ann Arbor: University of Michigan Press, 1993), pp. 11-43.

²⁰ See Gary Marks, "Structural Policy in the European Community," in Sbragia, *op. cit.*, pp. 191-225.

"deepening" EU would, by the same logic, be expected to be most opposed to "widening" it in the near future. Such views do indeed seem to lie behind the British position and to some degree the French attitude on the opposite side. But such a hypothetical relationship between deepening and widening EU to accommodate East European admission does not seem to inform German policy on the issue - nor the position of other actors in the process. Hence, let us look at other possible relationships between "widening" and "deepening."

Widening to Deepen?

In the first alternative view, "widening" EU would be a step that would create the political conditions for "deepening." That is, precisely because the number of states and populations included in the European Union would increase dramatically, the need to streamline decision-making processes would become imperative. The question then becomes how decision-making procedures would change, whether the areas of jurisdiction collective decisions currently apply to would be enlarged, and which actors would be the beneficiaries of these changes.

The position of the European Parliament is illustrative in this regard. Historically, the Parliament's evolution as a player in European Community/Union decisions has, in fact, expanded with each new set of accessions. Direct elections followed the entrance of Britain, Ireland, and Denmark into the EEC; increased consultation via the cooperation procedure came in the Single European Act, following the accession of Greece, Spain, and Portugal; additional voice was gained with the co-decisionmaking procedure enshrined in the Maastricht Treaty that accompanied the entrance of Austria, Finland, and Sweden. Hence, to the degree the addition of yet more states to the Union would make the intergovernmentalism of the European Council increasingly unwieldy, there is a possibility that more of the ball would fall in the Parliament's corner, particularly insofar as it is the only EU institution other than the national governments that has a claim to "democratic legitimacy."

Such a scenario would see a Europe of governments and states gradually giving way to a "Europe of the people," divided more along the partisan lines that currently characterize EU parliamentary operations than by the national lines that shape the intergovernmentalism of the European Council.²¹ Movement in this direction, however, would presumably entail redrawing the bases of representation in the European Parliament to better reflect population, and it would also presumably lead to increased law-making at the European level, with a more extensive set of social guarantees. Germany, as the most populous state in Europe and one of the major sponsors of the Social Charter, would presumably benefit from the first step, and it has generally been supportive of an increased role for the European Parliament.

Nevertheless, it is difficult to imagine any national government within EU being willing to give the European Parliament a position equal to that of the European

²¹ See Shirley Williams, "Sovereignty and Accountability in the European Community," in Keohane and Hoffman, *op. cit.*, pp. 155-77.

Council, where governments are represented. Germany is no exception here, and the recent ruling of its Constitutional Court on the Maastricht Treaty even suggests that its own Basic Law would not allow this solution. Moreover, increasing the authority of the European Parliament could exacerbate the "democratic deficit" as easily as it could ameliorate it. Insofar as the partisan composition of a governing coalition at a European level could very well differ from that of governing coalitions of individual states, majority governments at a national level could very well find themselves obligated to implement legislation supported by its domestic opposition. Thus, rather than reflect the will of their own national electorates, governments could find themselves in the position of carrying out the will of the electorate in other countries.

Another view of widening as a necessary condition of deepening focuses on Germany's central role in the European Union; this is a view that begins with the observation that no streamlining of procedures or expansion of European Union competences can occur without the assent of the Federal Republic. To the degree it is Germany that is most committed to enlargement to include the states of Eastern Europe, this point of view would support widening as a bargaining chip to gain German support for other measures that would constitute "deepening", typically measures that are not strongly endorsed by the Federal Republic.

An example of this kind of tradeoff may well have characterized the negotiations concerned with monetary union. Here, insofar as the Bundesbank already set the tone for monetary policy in Europe, it was quite unclear what Germany stood to gain from monetary union. As Eichengreen notes, "Other EU states have been attracted to monetary unification and the creation of European Central Bank precisely in order to regain influence of Europe's common monetary policy. Thus, Germany only stands to lose influence in the monetary sphere [with the advent of EMU]."²² But in the context of 1991, Germany was willing to go along with monetary unification in exchange for the agreement of France and other EU members to rapid German unification - in a effect, a "widening" of EU that was a necessary condition for "deepening."

The implication here is, of course, that to the degree extending EU eastward is a major priority for Germany, facilitating accession of the East European applicants could well be a part of other package deals. The likelihood of this scenario, however, depends heavily on just how important a priority inclusion of states like Poland, the Czech Republic, and Hungary is for Germany. All things being equal, "widening" EU is certainly a desired objective; but how many concessions Germany would be willing to make on other issues - from the budget to tax policy to changes in the CAP and the allocation of structural funds - to achieve it is quite uncertain. Significantly, public opinion surveys in Germany indicate the same gap between the political class and the wider electorate that has manifested itself in many other states regarding the pace at which both "widening" and "deepening" are pursued, with the broader public showing considerable recalcitrance about both. As a result, exactly how much

²² See Barry Eichengreen, "European Monetary Unification: The Challenges Ahead," paper presented at a conference on "Germany's Role in the Shaping of the New Europe," Berkeley, CA, May 1996 (mimeo), p. 23.

Germany would be willing to give in order to get enlargement is subject to some question. As we shall see, however, how determined Germany is likely to push for enlargement may ultimately depend on which aspects of policymaking are subject to "deepening."

Deepening to Widen?

This brings us to a final possible relationship between "widening" and "deepening," namely, one which sees deepening as the necessary condition for widening. In this view, far from creating barriers to entry, deepening would actually have the effect of facilitating enlargement. There are several versions of this position, depending on how deepening is defined. One version stresses integration via increased resort to the "subsidiarity" principle, by which policy would be made and implemented at the lowest level of government possible. It is a position near and dear to the hearts of regional and municipal authorities, whose clout was enhanced by the Maastricht Accords.²³

In this view, "deepening" and "devolution" are closely linked, especially where the impact of increased European trade has been to create new economic complementarities in regions that span national frontiers. Such regions are, nor surprisingly, underrepresented in national governments, and they are joined by others who, for whatever reason, see local priorities given short shrift by the central state. In some cases - such as the German *lander* in regard to telecommunications policy²⁴ - regional authorities see national governments as all too willing to compromise when it is a question of local powers being curtailed; in others - like Catalonia - local nationalisms see more of a future for themselves in a multinational Europe in which no single nation dominates than in a nation-state in which they are inevitably a small minority. To the degree policy is devolved to a plethora of regions characterized by a bewildering array of different arrangements reflecting local conditions, diversity ceases to become an obstacle to enlargement, and the way is paved for the regions of the East to join with those of the west.

Decentralization via 'subsidiarity' might make EU enlargement easier for a number of reasons. First, to the degree it diminished the "democratic deficit" by bringing policymaking closer to the population affected by it, popular support for what is now an extremely distant and obscure group of offices in Brussels might increase. With legitimacy enhanced among the population of member states, enlargement to include others would enjoy enhanced support. Second, by allowing the detailed elaboration of policy decisions to go on at compact, subnational units of government and leaving only highly generalized policy principles subject to cross-national consensus, concrete decisions could be made more rapidly and layers of red tape eliminated.

²³ See Neill Nugent, *The Government and Politics of the European Union* (Durham: Duke University Press, 1994), pp. 242-4.

²⁴ See Reinhard Ellger, "Telecommunication in Europe: Law and policy of the European Community in a Key Industrial Sector," in W. Adams, ed., *op. cit.*, pp. 203-51.

Central EU organs could thus include more states because they would have fewer direct responsibilities.

Nevertheless, the obstacles to the subsidiarity scenario are many. There is first the paradox between centralization and decentralization to resolve. That is, in order for authority to be devolved, the center must first have it; before subnational units can gain additional powers and discretion, the supranational center must assume those powers itself. Further, increased devolution may make decisions even less transparent than they are at present, just the opposite of what its protagonists claim. The complexity of the various package deals concluded between national governments in the course of "pooling sovereignty" already staggers the mind; bringing regional and subnational actors into the process is likely to complicate the picture further. Finally, the current situation is one in which regional authorities in EU are most likely to feed from the trough of structural funds. To the degree access to such funds would be diluted by enlargement, it is unclear exactly how serious the connection between devolution and enlargement would turn out to be.

Another variant of deepening-as-a-prelude to widening defines deepening not so much as devolution but as harmonization of economic policy and regulation among the different countries making up the KU. This is a view stressing the need to create an institutional structure that will create incentives for greater economic coordination by accommodating a "variable geometry" at least initially. The basic scenario here is that all members of EU can agree on the goals to be attained, but different states will reach them at different speeds, depending on their economic capacities. Moving ahead with the proposed EMU is a central concern here and, it is argued, the timely launching of single currency would actually facilitate enlargement to include East European applicants.²⁵

The argument here recognizes that not all states currently in EU will satisfy the conditions for entrance into EMU in 1998. Nevertheless, as long as the establishment of a single currency is accepted as a goal by most states, a common framework can be created for both participating and non-participating states. In this way, the potential problems created by the presence of "insiders" and "outsiders" initially could be dealt with as long as the distinction would simply be a transitional phenomenon.

For example, one of the dangers of an insider/outsider EMU is that outsiders would be unable to hold their currencies within relatively narrow fluctuation bands. In effect, markets would be tempted to test such currencies precisely because they are outside the EMU. There are, however, ways of averting this dilemma. One proposal calls for retaining EMS, making stabilization against the EMU currency a prerequisite for entrance, and creating a regional "coinsurance fund" that would be accessible to EMS as well as EMU participants. Thus, Eichengreen suggests, should states outside EMU be forced to raise interest rates to stabilize their currencies, they "would be entitled to additional fiscal transfers if those higher rates aggravated unemployment. Knowledge of this offset would diminish political opposition

²⁵ See "EMU and enlargement," in *Together in Europe: European Union Newsletter for Central Europe*, Number 81 (January 15, 1996), available on-line.

to...austerity. Hence, the markets would have less incentive to test weak EMS currencies" as well.²⁶

The basic idea here is to augment EMU with policies and institutions that create the equivalent of an economic "escalator," moving in a direction all wish to go but which only a subset of economies is capable of attaining at the start. Similar principles, it is argued, should characterize agricultural policy, social guarantees, and the allocation of structural/cohesion funds, ultimately moving towards a form of fiscal federalism. Once the framework for such an escalator was created, the path would be open for weaker economies to rise to the level of the stronger. East European states would then be able to jump on the escalator at the appropriate step in the queue.

As far as Germany is concerned, while its current leadership is not opposed to this variant of "deepening," it does not appear that this is the definition Germany has in mind for its first order preference. Rather, German hopes of deepening concern less economic processes than political integration, and in particular, increased coordination in foreign policy and defense. That is, as we have seen, Germany's position in European political affairs is, in a certain sense, the mirror image of the position of other states in EU with respect to economic affairs. Just as other states find themselves limited in their ability to make economic policy without Germany, Germany finds itself constrained in its ability to conduct foreign policy without Europe - especially in areas and on issues where the ability to project force is a condition of exerting influence.

The collapse of socialism and the Warsaw Pact - allowing the Federal Republic to achieve its preeminent postwar foreign policy goal of a unified Germany - is exemplary here. It occurred not because of the narrow German-Soviet relationship, but rather due to the strains created by the broader East-West bloc competition. That Germany was a prime beneficiary of a general alliance it never dominated is not a lesson lost on the current generation of German leaders. Arguably, the acrimony and antagonism stirred up by the unilateral recognition in Croatia and the subsequent ineffectiveness of European policy in ex-Yugoslavia reinforced the same conclusion. It follows that for Germany to play an active role in international affairs more generally, some vehicle through which the European Union as a whole can exercise influence must be created. The consequence would be to allow Germany to achieve its objectives by acting in concert with other states.

In principle, there is general agreement among most of the continental European states as to the desirability of foreign policy and defense coordination. France, for example, has been particularly anxious to create a European presence on the international scene; Italy and Spain have also been supportive of such efforts. Britain, of course, is another story, as it hesitates to bind itself to continental priorities likely to depart substantially from its own interests and long-standing commitments to Commonwealth members. Nevertheless, even leaving the United Kingdom aside, there remain many obstacles to formulating a unified European foreign policy in practice.

²⁶ Eichengreen, *op. cit.*, p. 36

That is, whatever consensus may exist on the principle of conducting a common European foreign policy, disagreements over what the substance of that policy should be are profound. For example, where France tends to see a common foreign policy as a way of balancing and even diminishing American influence, for Germany it would be part of a renewed trans-Atlantic partnership. Traditionally neutral states like Sweden, Austria and Finland are reluctant to precommit themselves to a role in conflicts from which they have always remained aloof, while for those searching to put teeth into the WEU, a coordinated security policy would be a means of intervening (diplomatically, if not militarily) in conflicts to ensure a satisfactory resolution. To take yet another example, how judiciously and fairly a European Union with Greece inside it could deal with Turkey is an open question, despite the latter's strategic position in the Near East. Equally important, both geography and history have created a situation in which different EU members have cultivated very different ties with states outside of Europe itself. That Britain would reject a modification of its commitment to the Commonwealth is one matter, but other states are also disproportionately concerned with areas outside EU: France with northern and central Africa, Spain with Latin America, Italy with the Mediterranean area, Sweden and Finland with the Baltic Sea states. Is a crisis in one state's "special" sphere to become a threat to all?

In Germany's case, of course, the area of concern is Eastern Europe, and an important motivation for its desire for greater foreign policy coordination in general is precisely the hope of "Europeanizing" its security dilemma in the East. Indeed, it is here, in the security area, that the scenario of a joint deepening and widening of EU originates.²⁷

That is, one can assume that a key element of any common foreign policy on the part of the European Union would deal with relations with Eastern Europe and the post-Soviet states. The biggest open question is, of course, how Russia will evolve in the immediate future, and it is in both the economic and the political interest of EU as a whole to see Russia make a successful transition to an open economic and political order, enjoying peaceful and stable relations with states to its west. From Germany's perspective, the proverbial carrot-and-stick policy has much to recommend it. On the one hand, Russia should be rewarded with political and especially economic support for continued reform; on the other, expansionistic impulses should be deterred by definitively taking the East European states formerly in the Soviet bloc out of Russia's sphere of influence. The latter would presumably involve facilitating their admission to EU itself, resolving a foreign policy issue into a "domestic" EU affair.

Deepening in the foreign policy sphere and widening in the economic sphere would thus clearly be a win-win strategy as far as the current Germany leadership is concerned; whether its allies - especially France - are equally committed to a scenario that would move the European Union's center of gravity eastward to a significant degree, however, is open to some question. Equally important, public

²⁷ See Helmut Kohl's recent speech to the Third Conference on Security, Munich, February 1996 (available on-line, courtesy of the Language Acquisition Center, University of Texas).

opinion surveys raise major doubts as to whether the German public shares its leadership's perception of Germany's "responsibilities" in the international system.

In addition to the external and domestic political obstacles to a the closely connected deepening and widening scenario Germany appears to prefer, one must also mention the economic obstacles. The round of enlargement that brought Greece, Spain and Portugal into the European Community occurred gradually, and significant quantities of economic aid both preceded and followed enlargement in order to allow the less developed states to implement treaty requirements. Similar aid and investment flows would presumably be required in the East European cases. Given the difficulty EU members have presently meeting the budgetary requirements for EMU, an increase in the size of contributions to the EU budget for this purpose is difficult to imagine. Moreover, while aid can be specifically earmarked for Eastern Europe as long as the states in the region are outside KU, once they enter as members, they would presumably be subject to the same rules as others. But since accession of East European states would lower the average income level of KU, it would mean that if the current formula for allocating structural funds is maintained, many areas in western Europe currently receiving aid would no longer be eligible. Hence, one can expect considerably pressure from these areas to delay admission considerably.

Finally, one must mention the economic situation among the East European applicants themselves. While the increased access to western markets would certainly aid development efforts there, the increased burdens membership would entail would be highly problematic. The result is a kind of "Catch 22" as far as the post-socialist states are concerned: accelerating economic growth requires the access to European markets, investment, and assistance only membership in EU could bring, but entrance to EU itself is conditional on achieving economic growth and raising per capita incomes. Hence, the lack of "readiness" itself may in the end be one of the biggest obstacles to enlarging EU to the East.

CORNELIUS EBERHARDT

The Influence of East European Jewish Music on European Composers

There are many connections between Jewish music and Western music; but what is Western music, and don't we have many Jewish composers who belong to this Western musical tradition? By this, I am referring to the influence of authentic Hebrew and Jewish music on composers from the 19th and 20th Centuries, who lived and composed in Europe or later also in the United States. By "Hebrew music," I am referring to the music of ancient Israel until the destruction of the second temple in 70 C.E. Jewish music is the music which was composed or developed during the Diaspora. The term "classical music" refers to European and American composers of art music of the 19th and 20th Centuries. Although this definition is not really correct, it is clearer and simpler than using phrases such as music of the 19th Century in Middle Europe or music of the romantic and neoromantic period.

The resurrection or establishment of independent states in Southeast Europe after the decline of the Turkish occupation and the progressive weakening of the Austro-Hungarian empire triggered new national and even nationalistic pride. This caused a return to the roots of national culture, discovering or rediscovering folk music and old church music. It also meant that composers of these old peoples, but young states, became aware of these treasures and were inspired by them, writing in their spirit, possibly using melodies or rhythms from folk tunes or at least composing in a style which reminded the performers and listeners of national music, even if the melodies were not literal quotes from folk music. The ethnomusicologist might refer to this as "composing in the spirit of folk music." This phenomenon will be a reoccurring theme throughout this discussion. The peoples in Southeast Europe might have been oppressed, might have had to hide their national identity, but they could stay where they had lived for centuries and the new music in the "spirit of national folk music" was written by local composers, who had studied, often also edited the old music of their home country.

The most famous of these composers were Béla Bartók and Zoltán Kodály in Hungary. Composers such as Brahms or Liszt, in this context "*foreign*" composers, are exceptions. Brahms, coming from North Germany and spending most of his life in Vienna, had a unique affinity to Hungarian music; and Liszt, born in Hungary from German parents, wrote the Hungarian Rhapsodies. When he was in Germany, he pretended to be an Hungarian because it sounded so exotic, but when he was in Hungary he called himself a German. This was probably better since he didn't speak Hungarian all that well. These cross-cultural connections happened within a limited area, within one more or less homogeneous culture.

The Jewish people and their culture had spread out over the whole of Europe and major parts of Asia minor. Therefore, they were confronted with all kinds of influences and the never ending conflict - to adjust, to partially adjust, or to withdraw completely, isolating themselves from the cultures which surrounded them. Even

when looking at the ancient history and the time of the exile, we can imagine that there has always been some cultural pressure. Also, during the Hellenistic period, basically the time of Alexander the Great, a strong influence towards a more secular approach in the arts and also in the execution of ritual music could be felt. This created an obvious division between the traditional Hebrew understanding of music as an ethical instrument and the more secular and sensuous sounds in the theater, in drinking songs, and in love poetry. This conflict between Hellenism and Judaism which went on for centuries, led to an anti-Hellenism and to the opposition of the Pharisees to the use of instruments in worship. Even St. Paul, who called himself a Pharisee and a son of a Pharisee, speaks of musical instruments in a degrading way. In his opinion, they have no life and do not participate in life, as opposed to the human voice which represents the human soul. This conflict had a long-lasting and strong influence for centuries to come and spawned a characteristic trait of Hebrew and Jewish music.

The imprinting power of such an attitude or such a decision should not be underestimated. Imagine what would have happened to the European history of art, if in 787 C.E., the Council of Nicaea would have decided differently, the famous iconoclastic controversy and had forbidden the portrayal of holy persons. This reservation against instrumental music - in spite of the importance of instrumental occasions in the Temple until its destruction by the Romans - has shifted the main interest to vocal music. No matter how many transformations the Hebrew and Jewish music had to undergo during the following two millennia we must never forget that the roots are oriental and oriental means dominance of the vocal line even in basically instrumental music which is composed and performed as if it were focal. That means that the melody which extends in time is the important thing, as it reveals the soul of the individual human being also in the dialogue with the Lord.

In classical music, with its dominance of instruments, the time has to be organized tightly for the sake of precision and ensemble playing. Since the invention of polyphonic writing in the Middle Ages, techniques and details had to be developed which made this strict organization of time possible: the meter, the barline, the precisely defined duration of each single note, the clear harmonic progression. It is interesting to see and to hear that music and musicians around the Mediterranean Sea, including Italy, have gone in another direction than those from Middle and Northern Europe. Even now, one can feel the stunning difference when comparing an opera by Verdi with a musical drama by Wagner. Italian opera is for singers, accompanied by an orchestra; whereas a Wagner opera is for the orchestra, accompanied by singers. With Wagner one can even perform major portions of his scores on the concert stage without the singers and nothing seems to be missing. Try this with a Verdi aria.

The dominance of the vocal line as the language of the human soul, which we just have demonstrated by taking an extreme example, was and is typical for oriental music and in a special sense for Hebrew and Jewish music. This has not changed during the many years of the Diaspora and several new exiles which were to come after the second destruction of the Temple in Jerusalem. In spite of the conquest of huge areas including the Iberian peninsula by the Arabs, cultural continuity at first

was secured for the Jewish settlements in Spain and Portugal, the Sephardim (named after the old Hebrew name for Spain actually because of the misunderstanding of verse 20 of the book of Obadiah). But this peaceful coexistence ended when the Arabs were finally expelled from the peninsula and the time of the Jewish people ended in Spain in 1492 and in Portugal in 1497. Many of them then settled in Italy, thus, for example, creating an important musical center with a strong Jewish influence at the court of the Gonzaga family in Mantua until this ducal line died out in 1629. The leading musician of this period was the composer Solomone Rossi, called Ebreo the Hebrew. The West Ashkenazim - their name being derived from the name of a son of Japheth - who settled in Middle Europe were to leave after the death of Emperor Maximilian I in 1519 and wander to the East. The East Ashkenazim had to suffer from the Russian and Cossack wars, 1648-1658, which caused many of them to turn westwards.

Of course, these consistently changing cultural surroundings not only influenced the lifestyle of the Jews but also their music. Interestingly enough, however, modern research proves that in the music of the synagogue and especially in the cantillation - a rezitativ-like style, reserved for readings from the bible - there is only slight deviation. As these melodies were not written down but transferred orally, we can only go back to 1518 when the German humanist Reuchlin wrote down many examples of synagogue music. The changes up to now, nearly 500 years later, are minimal, the statistical comparison showed changes of 12% to 13% in the Ashkenazic tradition and even less in the Sephardic. This could be interpreted as a complete segregation from the rest of the world. Most music history, however, teaches differently; new spiritual movements such as Chassidism, a mystical sensuous movement of the 18th Century with a strong emphasis on singing and music-making, have influenced and inspired Jewish sacred music. Even European Folk music and its harmonical system entered the music of the synagogue. So we have both, the energy to resist imposed influences especially as far as ritual melodies are concerned and the readiness to give way to new ideas.

It took a long time until instrumental music was completely accepted. In the early days, during the time of the Second Temple, the *ugab*, a reed pipe, for example, was excluded from the music of the Temple as it was regarded as ritually unclean and unsuitable for worship. The *halil*, a primitive clarinet and also etymologically related to the Greek *aulos*, was considered secular and its use in the temple was therefore strictly limited to certain occasions. The *shofar*, the ram's horn, survived in the synagogue due to the fact that because of its bad intonation, it was not considered a musical instrument. Later, very often Christian, or in Spain, Islamic musicians were hired to play at festivities. But from the 16th and especially the 17th Century onwards, we know of Jewish Musicians Guilds, for example in Frankfurt and Prague. Their repertoire was mixed Jewish-German, and Jewish-Spanish among others. It must have sounded strange to non-Jews, for pieces like the "Augsburger Tafelkonfekt," a collection of entertaining music from 1733, contains parodies, imitating this unusual style. This continued until 1900, as is evident in Mussorgsky's "Pictures at an Exhibition," or in the Quintet of Jews in "Salome" by Richard Strauss.

After the French Revolution, and through the new liberal spirit, the emancipation of the Jewish population again caused major changes in their lifestyle. Having been restricted to living in ghettos for centuries they quickly gained very high reputations in urban professions such as doctors, lawyers, philosophers, and artists. This even led to a certain distance between West and East Ashkenazim. The more traditionally oriented East Ashkenazim felt that their brethren in the West had become faithless. Nonetheless, Jews in Middle Europe played an important role in society. Mozart was supported by wealthy Jewish citizens. Beethoven was asked to compose a cantata for the consecration of a new synagogue in Vienna. This plan could not be realized, but that does not mean that Beethoven did not like the idea. Unfortunately, it was his habit to always start too late and nearly never complete anything on time.

Cantor Salomon Sulzer of the synagogue in the Seitenstettengasse in Vienna was admired very much by his musician colleagues such as Schubert and Liszt. Sulzer once sang the Lied "Der Wanderer" by Schubert and the composer was so impressed by this performance that he composed for him the 92nd Psalm in an outspoken Schubert style. Even Archbishop Pyrker occasionally asked Sulzer to sing for him because this would "move him into a deeply devotional mood." This example shows us how expressive and emotional the singing - and by the way violin playing, a kind of signing too - of Jewish artists can be.

It is fascinating how, just a few years after the beginning of the emancipation, a long line of great Jewish composers starts: Mendelssohn, Meyerbeer, Rubinstein, Offenbach, Joachim, Dukas, Mahler, Bloch, Schoenberg, Gershwin, Weill, Copland, Dessau, Bernstein, Millhaud, Korngold - all of them great inventors of melodies. It is not possible to find a common denominator for Mendelssohn and Schoenberg as far as Jewish elements in their music are concerned, but it is impossible also to find a common denominator for Mozart and Bruckner concerning their Austrian heritage. We will have to study each composer individually.

An history of Jewish music means an history of Jewish composers and their followers. Mendelssohn who had left the Jewish faith and adopted the double name Mendelssohn Bartholdy to discriminate between the Jewish and the Christian branches of the family, was adopted entirely into German musical history. He even chose to compose the oratorio "Elijah" for dramatic and musical reasons, not for religious ones, which we can deduct from the fact that for some time he was undecided if he should compose "Elijah" or an oratorio about St. Peter.

With Gustav Mahler, it is quite different. The writer and musician Max Brod once said that Mahler's music is not Austrian and not German, it is Jewish. The musicologist and specialist for Jewish music Heinrich Berl feels that the slow movement of Mahler's First Symphony is the epitomy of Jewish feelings: "There is sadness, parody, folk tunes, melodic richness, colorful instrumentation, marches, sometimes overlapping each other."¹

We have been taught that Mahler grew up in the vicinity of military barracks and that the marches in his symphonies are a reminiscence of these young years. Max

¹ Heinrich Berl, "Das Judentum in der Musik," Stuttgart 1926, pp. 150-157; Berl purposefully uses the same title Wagner used for his infamous treatise.

Brod contradicts this view. He argues that Mahler listened to Galician refugees in a synagogue in Prague during the First World War. Their songs are strongly reminiscent of the march-like tunes in Mahler's symphonies.² The latter point can be made even more strongly. Several times, the importance of the vocal line has been alluded to in this discussion. For Jewish music, the melody is an expression of the human soul. When you listen to a Jewish cantor, it is a very personal and immediate expression, the same way that Schubert and archbishop Pyrker felt when they listened to Salomon Sulzer in Vienna. In Mahler's symphonies we sometimes feel short spaces between his melodies, as if he were running out of sound for a fraction of a second. The explanation is simple. He never uses any decoration or any tissue to glue melodies together. There is no rustling tremolo in the strings or a mysterious roll in the tympani, which keeps the sound going in a Bruckner symphony. There is nothing which does not immediately contribute to the melodic structure. And if there is a special effect in a Mahler Symphony which is not melody related, then it has a meaning of its own. When Richard Strauss uses cow bells in his *Alpine-Symphony*, he really means cows and their bells, he is depicting the actual sound. When Mahler uses cow bells, however, they have a sublime meaning. They mark the borderline between the world and eternity, as they are the last sound from a living being that the mountain climber hears before he climbs higher, until he is alone with his god, in the silence of the mountains.

Two great Jewish composers had an enormous influence on the music of their time and the future development of music: Mahler by creating a new reality through transforming and sublimating the sound; and Schoenberg by creating the twelve tone technique, which means absolute dominance of the melodic lines even if these melodic lines should sound unmelodic to our ears. This dominance of the melodic line and the deep expressiveness always have been a hallmark of Jewish music, and we encounter these traits very explicitly in the music of Mahler and Schoenberg.³ Of course, the more difficult and demanding the music gets, the more difficult it gets to analyze it. It is understood that much has to be left to personal interpretation and intuition.

The German composer Max Bruch (1838-1920) once said, "Although I am a Protestant, I always have been deeply moved by the extraordinary beauty of Jewish melodies." On a commission from the Jewish community of Liverpool, where he was music director for three years, he composed in 1880 a work for violoncello and orchestra, based on "Kol nidre," which means "all vows," a prayer in Aramaic, which is chanted in the synagogue on the evening of Yom Kippur. The melody is traditional and quite uniform in the Ashkenazic tradition. Bruch uses the melody or parts of it several times but develops it farther in a very romantic manner.

It is interesting to see that these composers often used instruments which approach the sound and the range of the human voice and can also give an impression of its expressiveness. Bruch uses violoncello; Joseph Joachim, the famous violinist and composer, wrote *Jewish Melodies* for viola and Piano; so did Prokofiev. The Swiss-

² Max Brod, "Gustav Mahler," Frankfurt, 1961, pp. 19-20.

³ Max Brod, "Sternenhimmel," Prag, 1923, p. 94.

born American Jewish composer Ernest Bloch (1880-1959) intended to write a cantata on words from the Bible, the "Shelomo Rhapsody" and then decided that the expressiveness of a vocal line played by the violoncello would do even more justice to the spirit behind the words. He once said, "I can feel the Jewish soul through the words of the bible," and we can feel the Jewish soul through his music. Characteristic traits are again asymmetric melodies, rhapsodic lyricism, formal variety, exotic colors. These things were mentioned before when talking about Mahler's First Symphony. It would be difficult, if not impossible to find a work of a non-Jewish composer with the same characteristic traits.

Interesting also is that Bloch does not use authentic Hebrew or Jewish melodies. He even noted, "I am not an archeologist." Great composers do not have to copy in order to express the character of a people. "Iberia" by Debussy is one of the orchestral works which depict the character of the Spanish people and this country perfectly, but Debussy was never in Spain. The most beautiful poem about Italy is Goethe's "Kennst du das Land," but he wrote it long before his first journey to Italy. The creative artist needs the imagination, the inspiration and hard work, but he doesn't have to copy.

You may recall that it was suggested above that Mendelssohn's music does not exhibit any Jewish features. Considering the fact that Bloch and Bruch use the violoncello as a singing instrument with a sound that carries also the spirit of the words, perhaps we should reconsider Mendelssohn's position. He created a new musical form, the "lied ohne Worte," the "Song without Words." for piano, where the melody transmits the meaning of words which are not sung but will reach the heart of the listener through the beauty of the melodic line. Perhaps this is a Jewish feature, thusfar overlooked, in Mendelssohn's music.

We have said before that a real creative artist doesn't have to copy. This is also true for Maurice Ravel, His orchestration of "Pictures at an Exhibition" by Mussorgsky uses all the refinement of his brilliant technique; at the same time, it is as Russian as it can be. In publications of the "Russian Society of Jewish Folkmusic" founded in 1908 by Joel Engel, Ravel discovered melodies and composed accompaniments to them. This is a more complicated process than it seems. The music reflects Ravel's personality, while at the same time the authentic character of the melodies must not be endangered. Many editions of folk music - also Jewish folk music - in the 19th Century have violated this rule by, for example, adding romantic harmonies to an archaic melody.

Ravel's accompaniment is the work of a genius. It is simple and refined while supporting the melodies without interfering with them. The first part is a "Kaddish" - meaning "sacred" - a prayer which is in general considered a mourner's prayer for the deceased, but it also has different functions. The Kaddish Ravel uses is the Rosh Hashonah Kaddish, Rosh Hashonah being the beginning of a religious festival which ends with Yom Kippur, the Day of Atonement. The melody is very melismatic, embellished, decorated, of oriental character. It could come from a Sephardic source. The second song is clearly more of a folk tune resembling Ashkenazic tradition. Kaddish is in the Aramaic language; the second song, "The Eternal Question," is in Yiddish. Ravel had both texts translated literally and then adjusted them to the given

melodies. I have tried to demonstrate traits of Jewish music such as expressiveness, lyric freedom, depth, sadness, and rhythms changing between being free or slowly marching. Great European and American composers have been influenced by this wealth and have created music in which two cultures blend.

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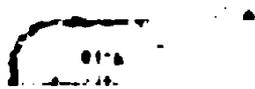
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