Dissertation:

The Role of Germany in shaping European Policies

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Executive Summary

Germany has been an influential member state in the European Union, but how influential has Germany been in shaping EU-policies? What domestic policies did Germany upload to shape the EU-policies and what major EU policies did it download to shape domestic policies? This dissertation has researched Germany’s strategies towards policy- uploading and Europeanization of German policies. Three policies, environmental, monetary and competition policy, have been the focus of this research. The information for this dissertation has been conducted by literature- and desk research.

The German commitment to Europe is stated in Article 23 and 24 of the German constitution. The commitment of the German constitution to the EU, the economic strength and feeling of reconciliation between the two former states have provided a ground for influencing European policies and Europeanization. The unification in 1990, enlarged Germany greatly and with that gave it a new central position within the EU. Member states, but also Germany itself, have been committed to see Germany strongly connected to the European Union.

The economic welfare enabled Germany to focus on policies, such as the environmental policy. Germany successfully uploaded national environmental measures in the EU, for example the German drinking water approach in 1980. The European Drinking Water Directive was modelled mostly on German regulation.

The German monetary policy was based on price stability and a strong currency to support international competitiveness. Germany acted as a policy leader by uploading the concept of the stable *Deutsche Bundesbank* to the European Union, as the European Central Bank. Germany regained a dominant position during the financial crisis by striving for a safer monetary policy.

Germany successfully uploaded a clause in the merger regulation, striving for more control of mergers by national institutes. It also managed to move the European Commission to provide for regional aid in the East German federal states, although these regions do sometimes fall short of the regional aid criteria.

The German influencing strategy has changed since the post-war period. In the beginning the uploading of policies tend to be rather idealistic and for a higher purpose. Especially since the financial crisis, Germany has the tendency to upload national preferences and policies. Correspondingly it is a more economic-based strategy which has been based on protecting the euro and creating a stable monetary policy.

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Preface

The idea to write this dissertation came to me as a logical result of my focus on Germany and the EU during my degree in European Studies at The Hague University of Applied Sciences. This focus on Germany has stemmed from my family being half German and my many visits to Germany before and during my studies. The role of Germany, its history and its politics today, has been a point of discussion among friends and family in my personal environment and gave me the idea to write about Germany's role in shaping EU policy.

I would like to thank the German Institute in Amsterdam and the library of The Hague University for providing the literature. Additionally, I would like to thank Mr L. Tunderman and Mr P. Pijlman for organising the Zukunft Deutschland project. This has given me an insight in the political and economic relation between the Netherlands and Germany.

I would especially like to thank my supervisor Mr M. Lak for providing his professional opinion and critical overview on this dissertation.

1. Introduction and Methodology

"The new German power in Europe is not based as in former times on force," writes Beck in German Europe. "It has no need of weapons to impose its will on other states," he says. "It has no need to invade, and yet is ubiquitous."

("Stuart Jeffries, the Guardian, 2013")

Motivation

The discussion on Germany's power is intriguing and has been ongoing since the post-Second World War period. In an article in the Guardian, *Is Germany too Powerful,* the author has shown different opinions on Germany's role in Europe. Ulrich Beck, a German sociologist, argued that Germany has become a political *monster* created by the Euro zone. In the same article it is also argued that Germany's political drive is to increase competiveness in the European Union (EU) (Jeffries, the Guardian, 2013). This enduring discussion on Germany's political position in the EU has been leitmotiv in the field of European Studies. Another reason for researching this topic has stemmed from the fact that there is little European literature to be found regarding Germany's influence on EU-policies.

Central Questions

What has the role of Germany been in shaping EU-policies since 1990? The central question is made specific with the following question: What domestic policies did Germany upload to shape the EU-policies and what major EU policies did it download to shape domestic policies?

Scope of the research

This dissertation has focused on what effect Germany has on three specific EU-policies. Consequently the environmental-, monetary- and competition policy have been analysed. This starts by examining policy-shaping since the unification of Germany.

Since the 1990s, the EU and its member states have changed and increased rapidly and European States have questioned the renewed powerful Germany (Krol, 2014). The history of the EU since 1951 must be included in order to explain the attitude of Germany, other Member States and the European institutions towards European policies. The research has focused mainly on policies and policy-making to narrow down the research. It has aimed to give a clear and objective analysis of the German influence on European policies and vice versa. It is expected that Germany has played an important role in shaping EU policies, because it was one of the first six members of the Europe Coal and Steel Community (ESCS), the strong economy and commitment to the EU.

Research method

The information in this dissertation, based on desk research and literature, is used to write a clear and theoretic dissertation. Additionally, internet research has provided a survey of high-standard magazines: Der Spiegel, Financial Times and the Guardian. The internet gave a survey of the latest developments in German and European Union policies. Literature concerning this dissertation was found in The German Institute Amsterdam of the University of Amsterdam and the library of The Hague University of Applied Science. The online articles and magazines have been selected on relevancy and were published recently.

Most literature in the Europeanization theories has been predominantly dedicated to the manner of Europeanization that influences member states and not in the way member states influence the EU policies. It has been challenging to research which policies have been influenced by Germany, for the reason that strategies and influencing methods have not been clear. Additionally, theoretically all member states should be treated equally with the same amount of influence.

Policy areas

The reasons for choosing the environmental, monetary and competition policy areas are selected because of four reasons.

Firstly, Germany has been influential in these three policies. Germany has been a leader in promoting and shaping these European policy areas. In these policies areas, Germany has been one of the leaders in uploading national preferences in European policy.

Secondly, the policies vary from each other and were founded on different grounds. To research this topic objectively, different policy perspectives have been needed. For example, there is a difference in the supervision of these policies. The monetary policy is controlled by the European Central Bank, whereas the environmental policy is supervised by the European Commission.

Thirdly, focusing on three specific policy areas has specified the research field. The research of these specific policy areas has been partly based on the available literature regarding these particular areas. For example, environmental policy has represented a significant area of EU policy (Ladrech, 2010) and therefore this policy has been researched extensively.

Fourthly, the policies have been researched from different perspectives. The national preferences and policies Germany has uploaded into these policies have been researched, and oppositely the effects of Europeanization on German policies have been considered. This has provided an interesting overview on the interactive relation between Europeanization and German attempts to shape these EU-policies.

Dissertation outlined

The first chapter has included the explanation of Europeanization in the context of policy-making. It has given an overview on how the Europeanization process works and what strategies have been used in the policy-making process. The German influence on the European policies has been discussed generally and has been specified in the next three chapters.

The second chapter has focused with the European environmental policy. This policy area, policy making strategies, has been researched specifically by Tanja Börzel from the Humboldt University in Berlin, therefore providing a basis for the following researched policies.

The third chapter has focused mainly on the development of the monetary policy and the thereby important institute, the European Central Bank. The influence of Germany on the monetary policy and the European Central Bank has been significant due to Germany’s strong economy and currency.

The fourth chapter has focused with a complex European policy area, namely competition policy. Germany played an important role in the creation of the merger policy, which is part of the competition policy.

In the last chapter a conclusion is drawn on the most important findings in this research and finally it contains the answers on the central research questions.

2. Europeanization and Germanisation

This chapter outlines a theoretic framework and gives a general overview on Europeanization and Germanisation in European policies. Germany has been an influential member state in the European policy process, some media argued that it has been and is too influential (Jeffries, the Guardian, 2013). Oppositely, Germany has been shaped by the European policies and the Europeanization process.

Definitions

Europeanization

> "Europeanization can be defined as a complex interactive "top-down" and "bottom-up" process in which domestic polities, policies and politics are shaped by European integration and domestic actors use European integration to shape the domestic arena. Though this definition focuses on 'downloading' in order to distinguish Europeanization from concepts such as European integration process and political unification, the context of uploading cannot be ignored. The way in which European integration affects a state, is shaped by how effective it has been in uploading its institutional models, policy preferences and ways of doing things to the EU level"
>
> (Padgett, Paterson & Smith, 2003, p.166).

Policy Up and Downloading

Tanja Börzel, an academic from the Humboldt university, has written several articles and books on the roles of member states in the EU. She has elobarated her research on the definition of the uploading- and downloading process. In her article, *Pace-Setting, Foot-Dragging, and Fence-Sitting: Member State Response to Europeanization*, she has argued, just as Padgett, Paterson and Smith that "Europeanization is a two-way process (Börzel, 2002, p. 193)". First, downloading is the process of regulations and directives to be practically applied and enforced by national administrators. Downloading has often caused problems, because public administrators are not willing to bear implementation costs and blame national governments for the extra costs imposed by EU policies. At the same time, the European Commission has hold the member states responsible for the improper implementing of policies.

The European Commission and the European Parliament have played an important role in creating European legislation, but member states have hold the key position in the decision-making process and the implementation of European policies (Börzel, 2002). To reduce implementation costs, member states seek to shape European policy-making by uploading national policies, preferences and also institutional traditions into the EU policy-making process.

In general, responses to Europeanization have been shaped by policy preferences and capacity to interact. Highly industrialised countries generally have developed stricter regulations and industrial latecomers generally tend to either have less regulations or do not have the capacity for uploading national preferences (Börzel, 2002).

Firstly, uploading can reduce costs for the uploading country. The more a member state succeeds in uploading national policy preferences in the European policies, the lower the adaption costs when a EU policy is implemented in the domestic context (Börzel, 2002).

Secondly, uploading has prevented competitive disadvantages for national industries (Börzel, 2002). Member states have maintained their competitive situation in higher-regulated countries when imposing strict standards to lower-regulating member states.

Thirdly, uploading has given national governments the opportunity to address problems which can no longer be solved at a domestic level. Thus, at a national level actors have pressured their national executives to emulate policies that have been favourable to their national preferences at the European level (Börzel, 2002). At the European level, the national governments have pushed for European policies to satisfy domestic pressures, while minimizing their disadvantageous consequences (and costs) at the domestic level. This two way process can be effective for member state governments to maximise the benefits and minimise to costs of downloading European policy (Börzel, 2002).

Influence

H.D. Lasswell, a founding father of the policy science said: "Just as politics is a constant struggle for power, it is at the same time also a constant struggle for more effective influence" (Zimmerling, 2005, p.3).

The concept of power and influence is seen as important concept in the political science (Zimmerling, 2005). Some scholars have used the words as synonyms whereas some scholars found that these are two different things. Harold Lasswell and Abraham Kaplan have studied these concepts in their famous work *Power and Society.*

They stated that: “all cases of power are cases of influence” (Zimmerling, 2005, p. 123). In this dissertation the definition from the Oxford dictionary is used: “The power to shape policy or ensure favourable treatment from someone, especially trough status, contacts or wealth” (Oxford dictionary, 2010). The word *power* in this definition is interpreted in the broadest sense: “the ability of capacity to do something or act in a particular way” (Oxford dictionary, 2010). For instance the uploading of ideas, national policy preferences but also blocking negotiations.

Policies can be influenced by acting as a promoter of ideas or policies, or oppositely, by either blocking a proposal or by not responding at all. The different strategies which have been used to influence policies are described below.

Influence strategies

Member states can use different strategies to influence European policies. Three strategies can be identified: pace-setting, foot-dragging and fence-sitting (Börzel, 2002). Pace-setters can also be called leaders, pioneers, forerunners and first comers. Pace-setters actively push and upload policies in the European area. This strategy reflects a member state’s policy preference and minimises implementation costs. For example, Germany is a highly industrialised country and is therefore more likely to take the pace-setter role, as opposed to Portugal which is less industrialised. Economic development or industrialisation can determine the strategy of member states. Less industrialised states are more likely to focus on their economic well-fare instead of for example, environmental policy development, because a healthy economy can produce money and new or more extensive environmental policies will probably cost money.

Foot-draggers block or delay EU policies. Foot-draggers block or slow down attempts of other member states to upload domestic policies to the EU. They have been foot-draggers in order to prevent or achieve at least some compensation for the implementation costs. Foot-draggers are likely to be less industrialised states or states that are not able to spend costs in certain policy areas, or have other priorities like for instance creating a stable economy and society.

Fence-sitters have combined both strategies and neither push nor try to block policies in the EU-policy area. They have tend to remain neutral and have anticipated fewer costs in downloading European policies (Börzel, 2002).

Policy modes and methods

Different policy methods or modes have determined the nature of policy integration in the EU. The beginning of the development of the European Union was mostly defined by the traditional Community Method. This form of policy-making was mostly supranational in which powers were transferred from the national level to the European Commission (Missiroli, June 2011).

Since the mid-1980s, the EU started operating to a different policy method, which is known as the Regulatory method of policy-making.

The method included that the Commission acted more as an architect and a defender of EU policies and included an important role for the European Court of Justice. The court controls whether the rules are applied reasonably. Competition- and environmental policy seem well fit for a more overarching set of regulations, created by the Regulatory policy method, whereas the monetary policy proposes a different approach.

Over the years the nature of the two way process changed from hard integration towards soft integration. Hard methods are mostly employed by the European Commission, and member states are obligated to implement agreed policies through directives and regulations (Ladrech, 2010). The shift to a soft policy approach makes member states more influential. Soft policy integration is promoted by the Open Method of Coordination (OMC). The OMC is argued to be a way of engaging member governments and other relevant stakeholders in benchmarking and coordination of policies. Soft methods are not obliged by the Commission, and can be formed by member states themselves to achieve EU goals. Also, soft methods help to shape behaviour of member states towards specific topics. The Commission takes a more advising and helping role (Ladrech, 2010).

Europeanization

In order to explain why Germany is committed to the European Union, the history of Germany has to be explained briefly. The German basic law, created in 1949, acknowledges the relationship between Germany and European integration. Two articles in particular emphasise the German participation in Europe and the rest of the world.

Article 24 from German basic law provides for transfer of sovereignty from the Federal Republic to international organisations, including those which organise international security (Bundeszentrale für politischen Bildung, Grundgesetz, 2011). The international organisations in this article, in EU context, are for example the European parliament or the European Commission.

The following article 23 is even more significant in understanding the interaction of Germany and the EU. Article 23 part 1 states: *“Zur Verwicklung eines vereinten Europas wirkt die Bundesrepublik Deutschland bei der Entwicklung der Europäischen Union mit, die demokratischen, rechtstaatlichen, sozialen und föderativen Grundsätzen und dem Grundsatz der Subsidiarität verpflichtet ist und einen diesen Grundgesetz im wesentlichen vergleichbaren Grundrechtsschutz gewährleistet“* (Bundeszentrale für politischen Bildung, Grundgesetz, 2011). This article provides Germany with a constitutional basis for membership of the EU.

This has included the right of the Bundestag to pass laws transferring sovereignty to the EU with the approval of the *Bundesrat* (Roberts, 2009). Germany has accommodated the collaboration with the EU in the German constitution. In 1990, Kohl promised that Germany was committed not to become a German Europe, but to become a European Germany (Krol, 2014). With this statement, he agreed to Europeanization. Another reason for Germany’s acceptance for Europeanization was mentioned by Roberts (2009) in his book *German Politics Today*. By being an enthusiastic player in creating the EU policies, Germany could protect its own interests and security without arousing the anxiety of other member states. This has been a consequence of Germany’s image since the Second World War. Since the Second World War, Germany suffered from the feeling that it has to try to make it up to the rest of the member states (Roberts, 2009).

Then again, the EU has also been willing to help providing the *Bundestag* and the *Bundesrat* with information on European policy developments. First, since 1994, the Committee for European Affairs was set up under Article 45 of the basic law of Germany (Roberts, 2009). The commission was set up to provide information on European policies at a national level. The *Bundesrat* also has its own Committee for European Affairs, which consists of *Länder* civil servants and informs them about European policies.

Second, the Lisbon treaty gave the national parliaments more power to challenge legislative proposals by the Commission. It slows down the process of developing environmental policy and the following process by the member states, because member states parliaments have the right to disagree and challenge proposals by submitting a reasoned opinion (Adelle & Jordan, 2013). By including another player in the process of agreeing on a proposal, the national parliament, the process tends to slow down. On the other hand, it gives member states more opportunity to shape policies.

The EU has gained a lot from the contribution for Europeanization of Germany. Europeanization of domestic policies has been a process that has been going on a for long time. Although it was a relative slow process with some obstacles, it has led to the current European Union. Europeanization does not only affect policies and polities, but also has wider effects on politics, interest groups and media (Padgett, Paterson & Smith, 2003) for example, interest groups that are focused on specific topics like the European Environmental Bureau. Overall, Germany has supported the transfer of responsibility to EU-institutions (Donald, Hancock & Krisch, 2009), and has played a leading role as EU policy developer, by promoting the policy ideas in Germany and other member states.

Germany has been a counterweight to France over the years, and a more enthusiastic, committed member than France (Roberts, 2009). In the last decade the French came to realise that it is more effective to work with Germany in order to seek influence in European policy processes. The strongest effects of Europeanization were demonstrated in public policies (Padgett, Paterson & Smith, 2003). For instance, Germany promoted ideas to improve for example the environmental policy in the EU to protect the entire environment of the EU. Examples of European environmental policy issues in which Germany has influenced, are for instance the larger combustion directive, car emission standards and eco-labelling (Padgett, Paterson & Smith, 2003). The government and most parties in the European Parliament agreed to take measures to improve the EU policies and try to implement these measures and national interests in EU-policy. Reasons for promoting policies differentiate in several policy areas.

Difficulties with Europeanization

Germany suffered from challenges in implementing these downloaded European policies (Padgett, Paterson & Smith, 2003). The downloading process of domestic adaption to European was fixed in Community Law, because the hard policies are obliged (Padgett, Paterson & Smith, 2003). The downloading of EU institutional models and policies has confronted national interests. For example, Germany defended the gas and electricity market, where key players preferred to negotiate the market regulation rather than accept an independent regulator (Padgett, Paterson & Smith, 2003). Germany lost an independent monetary system and independent exchange-rate policy. Additionally, the state aids to industries were prohibited because that distorted the completion of the single market. These are all examples of the direct effect of Europeanization on German domestic policies (and other member states) (Padgett, Paterson & Smith, 2003).

However, in the end the degree of smooth domestic adaption is determined by the extent to which Germany has been successful in uploading national institutional models and policy preferences.

The two-way process has especially been visible in case of the environmental, monetary and competition policy. In all areas Germany has played a leading role in promoting and uploading domestic preferences to EU-policies and blocking or delaying the uploading of policies. Germany ran against some problems implementing them. It can be argued that Germany has used the European Union when the policies where suitable for its national preferences, but eventually followed their own ideas. For example Germany, together with the Netherlands, was one of the founders of the stability and growth pact, which was created to protect the euro and depths. A few years after the implementation Germany was one of the countries who broke the pact. The next part elaborates on Germany's uploading process.

Germanisation

Germanisation has been the term mostly used in the expansion of the German language and culture. In general the term Germanisation has a negative association with the Nazi-regime, forcing other countries to adjust to the German language and culture. However, in this context it describes the expansion of the Germany domestic preferences, institutions and policies to a European level. In some way this can also be associated with Germany forcing the EU to play by their rules. On the other hand, Germany helped shape and influence the political structures of the EU, because of the experience it has with multi-level government and provisions for regional autonomy. It is obvious that the federal structure of Germany has not been equal to the EU and its members, but it has given Germany a certain advantage in understanding the structure of the EU.

Germany has attempted to influence EU-policies by uploading national policy and institutional preferences. For example, Germany has been one of the leaders in creating and shaping environmental policy, monetary and competition policy by promoting European policy. Another effective way of injecting national preferences into the European policy process has been offering expertise and information to the European Commission. Likewise, bilateral relations between member states has created more influence possibilities, because two players are stronger together than one player. Germany also played an important role in shaping the Treaty on the European Union (TEU).

The co-operation between France and Germany has been important since the beginning of the EU, but got more intense in the early 1990s when Germany and France stepped up their bilateral meetings.

Both member states had major roles in shaping the negotiations on the Treaty on European Union (Treaty of Maastricht) which came into force 1993 (Green, Hough & Miskimmon, 2008).

Germany made a statement with the TEU, by showing its commitment to the European integration project. The TEU was a visible sign from the newly united Germany that it would remain committed to the European integration project (Green, Hough & Miskimmon, 2008). The government of Helmut Kohl was committed to an ever closer union. “It involved restating Germany’s belief to European integration in order to eliminate fears that united Germany would use its increased relative power to pursue its national interests more overtly” (Green, Hough & Miskimmon, 2012, p.181).

Germany’s position changed by prominent developments in the EU, such as the expansion of the member states and the common single currency, the Euro (Green, Hough & Miskimmon). More member states’ interests have made it harder for Germany to shape outcomes in its favour. “Germany’s European policy has developed from being characterised as that of a model pupil (*Muskerknabe*) to something more akin to a frustrated and, at times, arrogant instructor (*Lehrmeister*) as it seeks to influence the policies and direction of the enlarged EU” (Green, Hough, Miskimmon, 2012, p. 176). However, regarding the commitment of Germany to the EU, Germany has a tendency to stand up even more for domestic interest instead of the general European interests during the last 15 years (Krop, 2014). The changed position of Germany is visible in the three policies: environmental policy, monetary policy and the competition policy.

Environmental policy

Germany was a leader in European environmental policy. Germany, together with the Netherlands and Denmark, strived for a more regulated environmental policy to create a better environment within the European Union. One of the reasons for a more extensive European environmental policy, was the pollution of the Rhine in the early 1980s and the rising of the Green party in Germany. This policy area is researched in the next part.

Fiscal Policy

Germany exported its model for an independent central bank directly to the EU, in the form of the European Central Bank (ECB). The ECB was established 1 July 1990, and completed the freedom for capital transactions and increased the co-operation of central banks of member states. On 1 January 1999 the ECB management took over monetary policy upon the introduction of the Euro (Green, Hough & Miskimmon, 2008).

Despite of the change to a more supranational monetary policy, Germany still remains an important player in shaping and reshaping the current monetary policy. The ECB replaced the *Bundesbank.* The fiscal policy is explained in the third chapter.

Competition policy

The competition policy area is one area which is particularly complex, because of the many aspects. Germany has been a policy leader, promoting the idea of a strong rules-based approach to mergers (Padgett, Paterson & Smith, 2003). The impact of competition policy on national competition policies caused institutional change or adaption in most EU countries. For example, the creation of national competition authorities to monitor the aspects of mergers which is a consequence of the EU competition policy. Automatically, the institutions and polity of a country changes with it. The competition policy is explained in the fourth chapter.

3. Environmental policy

History

The environmental policy area is one of the policy areas which has been actively developed since the mid-1980s (Ladrech, 2010). The ratification of the Single European Act (SEA) in 1987 created a formal treaty basis on environmental issues. From this time on, the environmental policy was established as an official task of the European Economic Community(EEC). Before 1987, the EEC followed some incidental policy-making in the environmental field. According to Wallace, Pollack and Young (2010), the SEA initiated the next phase of the evolution of the European environmental policy. At the end of the 1980s there were 200 regulations and directives issued by the EEC, covering almost every aspect of environmental policy, even though this policy was not mentioned in the Treaty of Rome (Glachant, 2000).

The finalising phase of the European environmental policy began with the Maastricht Treaty with the European Union coming into force in 1993. Due to the Treaty of Maastricht, the European Parliament gained co-decision powers and introduced Quality Majority Voting (QMV) for almost all aspects of environmental policy. Since the adoption of the Treaty of Amsterdam in 1999, most environmental policy decisions are taken by the Council of Ministers by QMV. Since that period the European environmental policy grew from slightly important to one of the most active areas of EU policy-making (Pollack, Wallace & Young, 2010). During this time the policy activities in the environmental area increased the most out of all the European institutions. Since the 1970s the European Commission began the practise of periodically issuing European Action Programmes (EAP). These programmes set out proposals and discussed broader perspectives on EU environmental policy. The programmes intend to set out future goals. The first five programmes were political statements of intent which strived for more action towards the environment in the Community. The fifth EAP , covering the period 1993 to 2000, emphasized the need for greater participation of all member-states which is noted as a beginning of more prioritised areas in most literature. The sixth EAP was jointly adapted by the Council of Ministers and the European Parliament and follows the spirit for more improved regulatory policy and collaboration between with industry and the EU citizens (Pollack, Wallace & Young, 2010).

Europeanization

The environmental policy can be categorised in the regulatory policy mode of policy-making in the EU. This meant a more overarching regulatory framework that could combine general standards with member states differences.

The beginning of the environmental policy was relatively unstructured. Over time the EU adopted environmental framework directives and started initiatives to improve implementation of environmental policies. In contemporary EU policies, the environmental policy is highly regulated, but the policy-making is still in some way subjected by the economic occupations which can water down the environmental policy integration.

After the Lisbon Treaty, the pre-existing environmental powers remained unchanged, apart from an obligation on EU-institutions to promote environmental measures at an international level in order to deal with environmental problems regional and worldwide, in particular combating climate change (Adelle & Jordan, 2013). The Lisbon Treaty focussed more on sustainable development which is recorded in article 11 of the Lisbon Treaty "Environmental protection requirements must be integrated into the definition and implementation of the Union policies and activities, in particular with a view to promoting sustainable development" (Adelle & Jordan, 2013, p.37).

A shift to a more global approach can be caused by the global attention for environmental improvements at several levels. The Fukushima disaster changed the perspective on nuclear power plants for example. Some of the treaty's innovations have strengthened EU-environmental policy. For instance the Lisbon treaty, although, since the financial crisis, the environmental policy-making process slowed down, because the priorities shifted towards economic recovery (Pollack, Walllace, Young, 2010). Due to the crisis the priorities may have shifted, but the environmental policy area still affects the member states. The most notable step in creating the environmental policy was created by SEA. The SEA provided an explicit legal basis for environmental regulation. Another reason for this being the more important period is the impact of the environmental policy (Adelle & Jordan, 2013). The impact of the environmental policy was comprehensive at that time, because the implementation in member states meant new policy development and institutional change to implement the new environmental policy.

European Commission

Part of the development of a European environmental policy was its institutionalisation as a sector, with its own legal basis (after the SEA) and a dedicated Director General (DG) within the Commission (Pollack, Wallace & Young, 2010).

The Commission was no longer required to link proposals for environmental measures to the completion of the Common Market (Adelle & Jordan, 2013). The European Commission sought to balance the needs of the Germans against the concerns of other EC members. Since the unification of Germany, the differences between Eastern and Western firms have been significant. Other member states were reluctant to see East German firms gaining competitive advantage thanks to the lack of environmental regulations (Anderson, 1999). “The Commission, sensitive to Germany’s position, signalled that a decision on the existing package of exceptions by no means precluded consideration of a request for more flexible treatment further down the road, and the environmental derogations, which ranged from December 31, 1993 for certain categories of water quality to January 1, 1996 for various emissions standards, were approved by the Council of Ministers” (Anderson, 1999, p.88). Although Germany was seen as a leading country in developing EU environmental policy, they could not always adhere to the imposed emission standards.

The environmental policy is a horizontal policy, which means that it affects economic sectors from a varied range. This often gives conflicted relationships among different Directorate Generals within the Commission (Pollack, Wallace & Young, 2010, p. 312). For instance the automobile emissions were an area of conflict between the DG Environment and DG Industry. In 1990s the problems led to an experiment in the car industry. The DG Environment, DG TREN (responsible for energy) and the opposed DG Industry invited the car and oil industry to think commonly about effective solutions for tackling air pollution caused by cars. The combined measures were improvement of fuel quality and promotion of motor technologies. Even though this was a good attempt to diminish the problems, the experiment proved to have limited success while each industry hoped to shift the burden to the other (Pollack, Wallace & Young, 2010)

Council of Ministers

A specialised Environment Council within the Council of Ministers was already set up by the founding Treaties of the EU in 1958. However, the inaugural Environment Council meeting took place in 1973, because the environment was already an important issue in the coal and steel industry before the 1970s. Germany took the role of leader, together with Denmark and the Netherlands. In 1995 Austria, Sweden and Finland joined this trio. The six countries are industrial states and have highly differentiated legal regulations of environmental policies. It is difficult to harmonise their different policies at a European level, because of the different ministers and priorities (Börzel, 2002). The gap in the Council is between the northern, richer states and the poorer south states.

The poorer southern states like Greece, Spain and Portugal and latest member states mostly have other investment priorities and then environmental policy. The leaders Germany, Denmark and the Netherlands formed a force for strengthening the European-level environmental policies.

During the period between 1992 and 1995 the Commission was overly optimistic with the willingness of some member states to contribute to European environmental policy. Germany, as the golden boy, blocked attempts of member states to renationalise environmental policy in the name of subsidiarity (Andersen, 1999). Although due to the reunification of Germany, the modernisation of environmental policy stood still, whereas the economic problems and high employment of the unification were of a more primary concern. In general it is arguable that environmental policy is not a policy area in which countries should use their subsidiarity as an excuse, because the environment affects all citizens in EU-member states. The Lisbon Treaty determined that the Council and the European Parliament can co-decide measures on environmental policy equally. Also, the Lisbon Treaty posed some uncertainties in the environmental policy area. According to the Lisbon Treaty, the environmental council for example, is chaired by a combination of ministers from three member states for a fixed period. This reduces the range of environmental entrepreneurs to shape the policy process (Adelle & Jordan, 2013). Then again, when a less committed member was chair of the Council in the past, the policy process tended to drop in this particular area.

The European Parliament

The European Parliament (EP) has been the greenest institution regarding the three main policy-making bodies, because the EP can shape the content and direction of national environmental policies and is the only directly chosen body. Although this claim is criticised by environmental groups, because this claim has never been scrutinised (Adelle, & Jordan, 2013). An argument for the EP not being the greenest institute is for instance the travelling of the Members of the European Parliament from Brussels to Strasbourg. The costs and the pollution of travelling are not at green and neither is it good for the environment. In the 1990s, the EP brought the issue of implementation to the Commission. The EP pushed the Commission to engage more systematically with actors who are involved in improving the environmental policy (Pollack, Wallace & Young, 2010, 315). Since the elections of 2004, the seats of the Greens/European Free Alliance (EFA) dropped from 7.7 to 5.4 percent. The reason for the percentage drop was the expansion of the EU to the central and eastern European member states, which were more focused on the economy.

In 2007 however, the EP sent 146 petitions involving environmental issues to the Secretariat General of the Commission. This number of petitions was 25 percent of all petitions sent by the EP. It is peculiar to notice that even when the percentage of the seats of the green dropped, the amount of petitions on environmental issues were so high.

Germanisation

As told before, Germany was one of the leading countries in shaping and pushing environmental policy. During the 1990s Germany held a key position in the world-wide environmental engineering, providing 680.000 jobs (Skou Andersen & Liefferink, 1997). In 2008, approximately 2 million people in Germany worked in environmental economy (see figure 1), this is almost 1 out of 20 jobs (Umwelt Bundesamt, 2013).

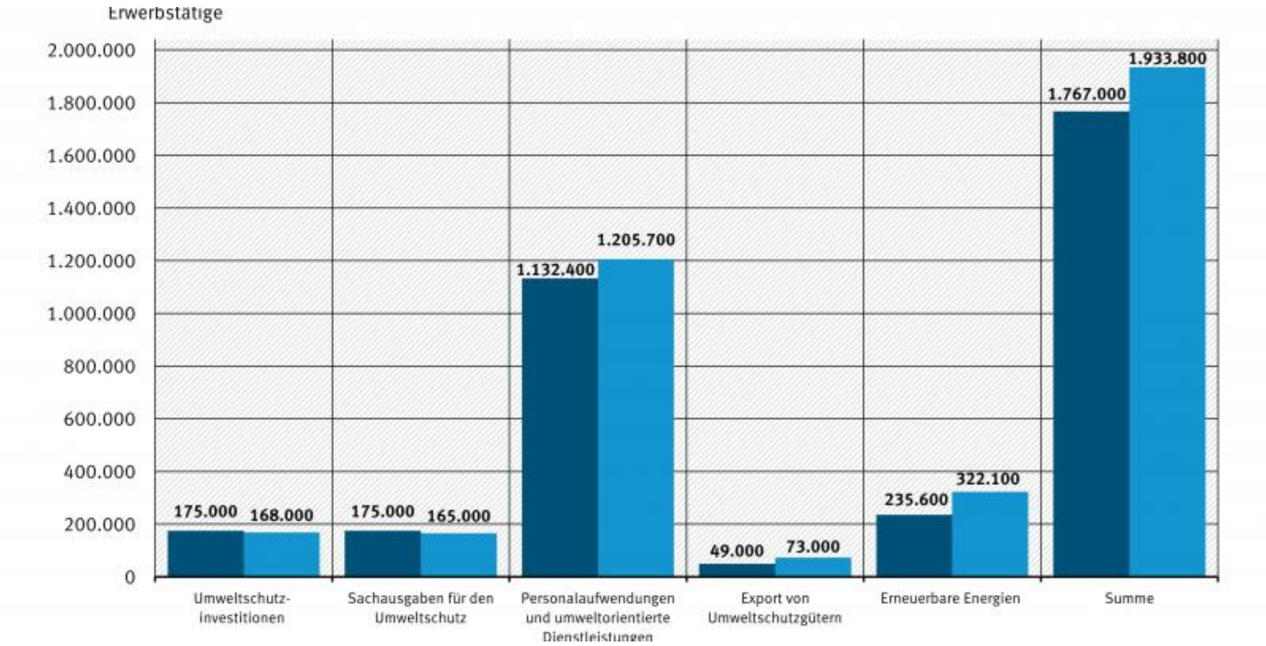

Figure 1. Beschäftigte in Umwelschutz, Retrieved at Umwelt Bundesamt

Germany's role as golden boy in shaping environmental policy stemmed from multiple sources. Some environmental issues affected the political and general view of the public in Germany. The Chernobyl disaster, on 29 April 1986, affected not only Russia but also the rest of the world and especially Europe. In the same year, the Sandoz chemical spills were caused by a fire in the Sandoz agrochemical warehouse in Switzerland. The fire caused a chemical spill in the Rhine and turned the Rhine red. The *Waldsterben* (dying of the forests) in the Harz was another situation which occurred in Germany (Bulmer & Lequesne, 2005). This resulted in the massive death of animals and wildlife in and around the Rhine. For the German population this was a painfully clear reason for the environment to be protected across the borders. These disasters and the unification of Germany eventually led to creating an environmental policy. An answer from the citizens of Germany and politics was the rise of the Green party in 1980 in West Germany which gathered with the Grünen of the German Democratic Republic. The rise of the Green party was a cause and a symptom of the presence of these environmental issues.

The German industry repeatedly disagreed with the EU, complaining that it must invest more in environmental measures and policies than any of the member states. “Chemical firms have pressed the German government to spread their higher costs of compliance with environmental standards by means of stricter European laws across the other member states” (Börzel, 2002, p. 197). However, the German car industries argued against the setting of speed limits to fight air pollution, they supported the obliged idea of catalytic converters throughout Europe, in which they had invested in order to export to the American market. Germany was able to play a leading role as the Community expanded its competence with regards to for instance; the larger combustion directive, car emission standards and eco-labelling (Padgett, Paterson & Smith, 2003). The role of Germany in uploading policies can be categorised into various reasons / motivations. The environmental problems could no longer be solved at a national level, for example in the case of the chemical spills in the Rhine. On the other hand, the German car industry attempted to work closely together with the environmental groups in order to retain their competitiveness and reduce the costs of new policies.

At the same time it suffered from the unification with the German Democratic Republic’s (GDR). Not only the economic problems but also the environment came into the spotlight. “The forty years of GDR had not made this country an industrial or technological leader, but a world-class polluter” (Anderson, 1999, p. 86). East Germany’s environment created significant disincentives to the European environmental policies, which were initiated, among others, by West-Germany. For example, Germany successfully uploaded the drinking water policy for the EU in 1980, but somehow the European standards became stricter than the German regulation and it took Germany 12 years and a conviction to comply with the directive (Roberts, 2009). The 1990’s were therefore complicated times, with Germany being a golden boy in shaping environmental policy and at the same time struggling with domestic environmental issues. In spite of being a golden boy world-wide, not even half of the measures relating to environmental policy were taken into account in the coalition agreements during Kohl’s fifth period of Chancellorship. (Skou Andersen & Liefferink, 1997).

As argued before, the objectives of the European Commission (EC) were not sufficiently ambitious for the German government (Anderson, 1999). The EC was convinced that Germany should lead the charge against less enthusiastic members on various policy issues. The environmental standards of Germany should be an example to the rest of the EC on how environmental standards and industrial competitiveness could be combined.

Some differences appeared between Germany and the EU in areas such as energy, climate, and waste disposal. The complexity of environmental policy concerns all member states differently.

Firstly, member states face different environmental problems, highly industrialised countries are likely to be more concerned with air pollution and waste treatment, while countries with a larger rural sector are more concerned about the soil quality and quantities of water (Pollack, Wallace & Young, 2010).

Secondly, member state governments change their position over time, due to economic of financial crisis or due to a new government with different policy values and priorities. Germany for example, changed their perspective on using nuclear power plants since the Fukushima disaster. Ironically 6 months before the Fukushima disaster the German government published a key document in the Energiewende in Germany, this contains aspects of long term green and sustainable energy transitions. After the Fukushima disaster in 2011, however, Germany shut down all nuclear power plants and invested more money in the short term plan, in the building of sustainable energy forms.

The European environmental policy involved new requirements on Germany, for example to introduce the principle of shared responsibility. This shared responsibility meant more attention for cost-effectiveness of regulation and strengthened procedural measures. As mentioned before, Germany fought for the shared responsibility in order to block the attempt to renationalise the environmental policy, although this policy area was relatively new. Another change in Germany is the reduced power of environmental policy-making. Since 2004, mostly because the new Central and Eastern European member states, the influence of Germany and the other five leaders diminished, while these countries gave higher priority to economic development (Adelle & Jordan, 2013).

Länder

German institutions had difficulties implementing the environmental policy. In Germany the *Länder* are mainly responsible for the implementation of European environmental policy.

The federal government downloads the policy, but the *Länder* have the responsibility to put them into practise. Tanja Börzel argues in her article, *Member State Response to Europeanization: Pace-setters, Foot-draggers and Fence-Setters,* that the EU appears to be suffering from an implementation deficit in environmental policy, compared to other policy areas. The infringement cases opened by the Commission against Member States are higher in environmental policy than in other policy areas (Pollack, Wallace & Young, 2010).

Germany's desire to continue to play the golden boy in the environmental policy area became complicated due to the fact that although the new *Länder* would be able to meet the majority of the deadlines, several derogations were about to expire were overly ambitious. "The *Länder* had a veto position consequent on their key competence in water management and were resistant to the EU's approach and any idea of a national environmental law (Padgett, Patterson & Miskimmon, 2008, p. 176). For example, the water quality in the new *Länder* was supposed to have improved by 1993, because the derogations expired in 1993, and the government in Bonn requested and received a two-year extension from Brussels. Since the Lisbon Treaty, the European policy-making in Germany changed significantly, because of the formal inclusion of the *Lände*r in Europapolitik. The *Länder* lobbied for the right to represent Germany in decisions taken by the council of ministers which directly influence regional competences within Germany (Green, Hough & Miskimmon, 2008, p. 187). The Länder established its own embassies in Brussels. From this point on, the federal government has to co-ordinate European policy with the *Bundesrat*, while also trying to convince its EU partners of its policy initiatives, thus greatly complicating the policy-making process.

The EU environmental policy emerged since the creation of the policy from a peripheral status towards an important EU policy area. Germany has played the role as golden boy to create the EU policy as it is today. However, Germany did not always manage to implement the self-introduced policy, which caused friction between the Commission and Germany. In general, Börzel and Jordan argue that the implementation deficit is higher in the environmental policy area, compared to other policy areas. Although the many attempts of member states and EU institutions the environmental policy area uploads policies to member states, but the member states are sometimes unable to download them within the given time. The costs for changing these policies are high and the government structures of the EU member states are different, which makes the implementation more complicated.

4. European Economic and Monetary Union

History of the Monetary Union

Before explaining the European Monetary Union as it is today, the history of monetary cooperation should be explained. It started with the Bretton Woods System in 1944. This system connected the currencies of 44 states with the most important currency of the time, the dollar, which was connected to gold. This system led to rapid economic growth in the post-war period between 1944 and 1964, because the currencies were stable during this period. In the following years the system seemed to be failing because of an instable dollar. The instable dollar was a consequence of the expensive Vietnam War and led to a change in the European monetary cooperation. In 1971 the Bretton Woods System ended, partly because of the rise of military spending caused by the Vietnam war and an increase of domestic spending in America (International Monetary Fund, The End of the Bretton Woods System).

In 1972, a European system called *The Snake* came into existence. The Snake aimed at limiting the fluctuations of European currencies. Eventually, this system seemed unstable and the idea was abandoned. This resulted in the European Monetary System in 1979, with more extensive arrangement controlling the exchange rates mechanism and the foreign exchange rate between agreed bands. The German Mark and the Bundesbank emerged at the centre of the system, because of the strong Mark and low inflation (Hamori & Hamori, 2010). In 1983, the French government followed a monetary policy which closely watched the German government. During the 1980s, Europe was relatively stable partly due to the success of the Bundesbank in taming inflation and strong economic growth. Other governments, encouraged by this success, followed its example (Hamori & Hamori, 2010). “Central Bankers in particular can be considered to have formed a type of epistemic community in Europe advocating German-style monetary policy” (Chang, 2009, p. 37). The German policy style is based on stability of prices and a strong currency to support international competitiveness and thus its economic strength (Houben, 2000). A strong currency decreases inflation and investors have greater confidence in the future of a currency value. The strong German monetary policy stood in contrast to countries with weaker currencies, such as the *lira* in Italy. The German policy was successful and provided Germany with even greater influence in European monetary policy. Not only its economic and political muscle was important, but also the wide acceptance of German economic ideas by member states (Chang, 2009).

However, in 1990, the rapid German unification caused a weaker domestic economy and by extension European integration (Chang, 2009). Member states and European partners, such as America, suddenly became more eager to bind a united Germany more closely to Europe (Krol, 2014). Especially France was determined to bind Germany to the EU policies and a European currency, for the reason that it was scared of history repeating itself. Member states were scared of the power that a united Germany could bring economically and politically.

Stage one 1990 - 1994

The EU Commission's *One Market, One Money* report in 1990 outlined economic advantages of monetary union: lower transaction costs, greater price transparency, economies of scale for financial instruments, greater credibility and greater visibility (European Commission, 1990). The completion of the single market was the first stage in the development of the European Economic and Monetary Union (EMU). The Maastricht Treaty, which planned the single market, was signed by the end of 1992. The problems started when the Danish voters voted 'no' to a single currency. The member states began to rethink their view on the foreign exchange rate arrangements. The speculation on the exchange rate continued and turned into a problem when the Lira in Italy was under constant attack. In August 1992, Italy requested an interest rate reduction from Germany, but Germany refused. The German economy was under threat of inflation, and the Bundesbank organised the monetary policy towards German economic conditions and not European conditions, which led to friction between Germany and the other member states (Chang, 2009). Later in the 1990s, the German Bundesbank argued that it required strict criteria to prepare for the European Economic and Monetary Union (EMU). The Bundesbank demanded that the ECB should be modelled on itself as an independent central bank and that it was committed to price stability and not obliged to support the government's economic policy. These criteria and demands were not suggestions but conditions for the Bundesbank compliance to the monetary union. In other countries such as France and Italy the central banks were historically connected to and dependent on the government. The institutional changes caused by a new monetary policy in these countries were sufficiently greater compared to Germany and the Netherlands, where the central bank was already independent. After the problems and disagreements the Treaty of Maastricht eventually was ratified on 1 November 1993.

Stage two 1994 - 1998

Stage two started with the creation of the European Monetary Institute (EMI) on 1 January 1994. The EMI was a forerunner of the European Central Bank and had two main tasks: to strengthen central bank cooperation and monetary policy cooperation, and make preparations for the ECB (ECB, 2004). It was also the phase during which the national central banks became independent from governments. In 1994 none of the EU states, not even Germany, achieved the criteria which were set in order to complete the third stage. Nevertheless, the start of stage three on 1 January 1999 was confirmed in 1995 by the Cannes European Council as the starting date for the EMU.

Stage three 1999 - onwards

The third stage started on 1 January 1999 with the introduction of the single currency, the euro, and the ECB taking the responsibility for conducting the single monetary policy. A three year transition period gave the member states the freedom to introduce the euro, although obligated, at a domestic level. All 12 member states were able to convert to the euro on 1 January 2002 through preparations in the first and second stage. In the early days, the euro was relatively stable in an economically prosperous time. Stage three distinguished the national currencies and national central banks from the ECB and the euro by their supranational status within the community of sovereign states. In the contemporary EMU, 17 countries introduced the euro as the currency and in 2014 Latvia will follow.

Europeanization

Helmut Kohl, together with the French President at the time, Francois Mitterand, played an important role in the Europeanization process of the EMU (Quintana, 2009). The dedication of the EU for a common monetary policy has both political and economic reasons. The euro was created to prove the dedication to further political integration and to ease the economical trade (Krol, 2014). The European Central Bank (ECB) was the supranational institution which was designed to control the EMU, according to the traditional community method. The ECB, like the European Commission (EC), has a legal personality and the right to deliver recommendations, and make regulations on certain policy areas that fall within the competences of the ECB. On the other hand, at some levels the monetary policy is very different from the traditional Community method, because the ECB is a different kind of supranational actor than the Commission. Additionally, the dedicated institutional powers to the ECB only apply to the monetary part of the policy and not its economic strand (Pollack, Wallace & Young, 2010).

The role of the EC to further integrate the economic collaboration varied over time depending on the willingness of the member states and especially Germany. Member States had, and still have, the possibility to block proposals and with that slow down the integration process.

Member states gave up their monetary sovereignty to a supranational level under the terms and conditions of the Treaty on the European Union (Treaty of Maastricht). The EMU shifted in macroeconomic policy-making. Member states have retained control over the other aspects of macroeconomic policy, although they have agreed to coordinate these policies within the Council of Ministers for Economic and Financial affairs (Ecofin).

Over the last years the Commission gained rights to intervene with a national budget. The euro members have to submit national budget policies to the Commission. If the Commission does not agree with the conditions of the national policy it can advise each member individually on how they have to reduce national debts (Krol, 2014). Germany also wants member states to conclude a contract with the Commission in which it obliges member states to economic reforms. In this case Germany is a leader in introducing more Europeanization in this policy, because the member states are more responsible and Germany less responsible to solve their problems (Krol, 2014). The financial crisis revealed the weaknesses of the EMU, and the EU responded with the creation of the Banking Union. The financial supervision stepped up to ensure that banks, for example, act responsibly.

Germanisation

As seen in the history of the development of European fiscal policy, Germany has a strong influence on the monetary policy. It started right after the establishment of the Treaty of Rome. The German Bundesbank was established in 1957, and was the first independent bank, which provided Germany with an advantage in creating independent fiscal policies. Two specific areas of the monetary union after the unification were significantly influenced by either the German government or the German Bundesbank. First, Germany was an initial player in creating a stable and safe monetary union by creating the European Stability and Growth Pact (SGP). Second, the European Central Bank was created partly by strand demands of the Bundesbank.

Stability and Growth Pact (SGP)

The need for the founders of the EMU to secure the fiscal policy led to the creation of criteria to which member states had to comply. The base of the SGP was founded in the Maastricht Treaty.

Germany, furthermore a founder of the monetary union, was a prime mover behind the adoption of the EU's Stability and Growth Pact (Green, Hough & Miskimmon, 2008). The SGP was eventually adopted by the European Council in June 1997. "It was intended to stop individual member states from offloading the destabilising effects of large budget deficits on to the other countries in the Euro zone by limiting normal annual government deficit to 3 per cent of GDP, including the prospect of fines against persistent infringers"(Green, Hough & Miskimmon, 2008, p. 149-150).The preventive arm required member states to achieve budgets. The budgets were close to the balance or had an oversupply in order to place debt on a sustainable path and create room to help stabilise demand in times of weak economic activity (Moutot, Rother, Schuknecht & Stark, 2011). The corrective arm was created to quickly correct the above 3% of gross domestic product through a sequence of graduated steps involving tighter surveillance and eventually sanctions (Moutot, Rother, Schuknecht & Stark, 2011). It is a rules-based framework which co-ordinates the national fiscal policies in the EU.

Germany proved to have a strong economy with the Deutsche Mark as a strong currency. However, after the transition to the euro, some Euro zone countries breached the 3% threshold for deficits. During the period of 2002 and 2005, Germany broke the Pact as well as Greece, Portugal, Italy and France. The first test of the SGP seemed to be failing, because more Euro zone countries suffered from high deficits. Ironically, the six founders that initiated SGP, to ensure financial security, were the ones to breach it. In autumn 2003, Germany, in combination with France, blocked a recommendation of the Commission to move a step further in sanctions with regards to the excessive deficits. Eventually, the Commission could not use binding measures to obligate Germany and France to implement stricter sanctions, because these two members were strong economies and it would not solve the deficits by sanctions. The SGP, since that time, has been broken for approximately 60 times without any consequences for the member states (Krol, 2014).

The Council of Finance Ministers suspended the proceedings against Germany, after political pressure was exerted by Germany. The significant power of Germany, in this case together with France, to block policy implementation by the rules of the SGP, was present. The Commission eventually responded by proposing a reform to the Stability and Growth Pact. The reform aimed at increasing countries' ownership to the process of defining their own medium-term objectives for fiscal balances (Moutot, Rother, Schuknecht, Stark, 2011).

European Central Bank

The ECB is a model directly exported from the German Bundesbank into the EU and is seated in Frankfurt am Main (Green, Hough & Miskimmon, 2008). An ironic fact is that the European Central Bank is based in Germany, but the president of Central Bank has not been German thus far(Green, Hough & Miskimmon, 2008). However, the ECB replaced not only the Bundesbank, but also all the other central banks in the Euro zone. Their national central banks lost the control over national interest rates, because the ECB set interest rates for all the member states combined. Before the euro was launched, monetary policy in the EU was determined by national central banks. With the creation of the European Economic and Monetary Union and eventually the European Central Bank in June 1998, the monetary policy has since then been formulated by the Governing Council and the ECB. The Governing Council includes members of the ECB Executive board and the National Central Banks governors or the euro-area member states (Pollack, Wallace & Young, 2010).

In the beginning, the uploading of the *Bundesbank* directly to the ECB was seen as a victory and a success for Germany. The previous Monetary System was supposed to take all the currencies into account; however, the German Mark and Bundesbank had the most power and influence. In the EMU the Bundesbank had to abandon the strong Deutsche Mark and some amount of power. However, it required its demand for complete independence from national governments and European institutions in order to maintain the stable price level (Green, Hough & Miskimmon, 2008).

Before the introduction of the European Central Bank, the *Bundesbank* made monetary policy with only the German economy in mind. Whereas the Bundesbank only set interest rates solely according to German needs, the European Central Bank has to control inflation in all Euro zone states. Up until the financial crisis, the inflation had been higher in other member states than in Germany. This was negative for Germany’s economic well-being, which restricted investment and growth (Green, Hough & Miskimmon, 2008). For the other member states, the creation of the single currency meant greater monetary sovereignty, not taking only the German needs into account (Chang, 2009). In a sense Germany had lost power to initiate European monetary policy by the introduction of stage three in the monetary Union. On the other hand, the process of the Europeanization of monetary policy was also initiated and promoted by Germany.

Financial crisis

Since the financial crisis, the view of the German *Bundesbank* towards the European Central Bank changed. *Der Süddeutsche Zeitung* in 2011 argued that the president of the central bank in Malta has the same vote as the *Bundespräsident* Jenz Weidman, which is unfair in their opinion. This is called the *one man, one vote* principle, which states that all votes of national central bank governors is to be weighted equally (Chang, 2009). It is, however, agreeable that these votes are equal, because the *Bundesbank* has an effect on all Euro zone and EU-member state countries. On the other hand, Germany is one of the countries which bear a lot of costs and responsibilities compared to other member states. Germany also argues that, the European Central Bank had to buy certain states properties since the financial crisis, arguing that this keeps the Euro above water artificially (Hulverscheidt & Braun, Süddeutsche Zeitung, 2011). This article is an example of the need for Germany to interfere and influence the European Central Bank, while in a way it suffers from the consequences. The latest financial crisis has reduced Germany's ability to adjust interest rates to cope with short-term challenges, because more member states want to influence the outcome. However, the willingness of national governments to upload interests in European policies has increased.

European Banking Union

Another interesting development in the European Monetary Union is the European Banking Union. Germany strived for a greater role in a council of national supervisors at the expense of the influence of the European Commission. Germany's reasons for creating the Banking Union arose from the financial crisis. This means that national banks, under supervision of an independent supervisor, are responsible for their own problem banks. Currently around 130 larger banks are supervised by the ECB (Krol, 2014). Germany hopes that, with these measures, the chance of a new financial bank crisis will be reduced. Another point was that Germany strived for a quicker introduction of the Bail-in rules. In the future, the shareholders and unprotected savers bear, the costs for saving a bank, instead of the bail-out when governments save the bank (Trouw, 2013). The recent developments in ECB and EMU area make Germany more eager to push national interests.

German influence in the fiscal policy both led to bank-sitting and pace-setting. In some cases Germany was determined, to develop and promote the common fiscal policy, especially in the beginning of the development of the banking union. However, with Germany later breaking the 3% rule and the financial crisis, Germany seemed more reluctant to invest more than it already did.

However, Germany still continues to push national preferences in order to keep the costs as low as possible and to prevent Germany from paying for a financial crisis again in the future. The ironic part of the EMU is that some member states, in the time of the unification, wanted Germany's commitment to the EMU and the euro to take away the fear of a German Europe which is currently the basis for a new fear for a German Europe (Krol, 2014). The fear is based on Germany's firm hand in repairing the damage of the financial crisis and creating a stronger controlled euro.

5. Competition policy

History

The first competition rules were started by the European Coal and Steel Community (ECSC) Treaty into the coal and steel sectors. Article 65 and 66 underpinned the restrictive coal and steel agreements, which regulated the use of coal and steel, to achieve political and economic stability. By the end of the 1950s, the European Economic Community was not ready to apply these regulatory structures to other European markets, but the beginning of the common competition policy was established. However, the Treaty of Rome created a basis for European competition policy based on article 3, which seeks to ensure that competition in the Common Market is not to be disturbed (Cini & McGowan, 2009). During the introduction of the European competition policy, most member states had hardly any competition rules, except for Germany and the Netherlands.

Germany had a strong competition policy due to the influences of the United States in the post-war period. The United States assumed that there was a direct link between cartelisation and National Socialism (Cini & McGowan, 2009). The Decartelisation was therefore, one of the main strands of the United States in Germany, with support of the German ordo-liberal school which supported the social market economy (Cini & McGowan, 2009). Ordo-liberalism is based on political and economic liberalism, which is based on rules of law and respect for individual liberties (Warlouzet, 2010). The common policy also established institutional building and the establishment of the Competition Director General, and the first cases of the European Court of Justice (ECJ). In the first 15 years of the European competition policy, measures were implemented step by step and were mostly shaped by internal procedures, which were created by the institutions. After 1973, developments were affected more by external economic factors, such as the world oil-crisis. Since the 1980s, Competition Commissioners were determined to place competition policy at the top of the Commission agenda (Cini & McGowan, 2009). In 1985, the Commission wrote an essential paper stating that it was necessary to ensure anti-competitive practises (Cini & McGowan, 2009). In 1992, the EU adopted 280 separate items of legislation to complete the single market. At that time 12 member states adopted a common competition policy which reduces the complications and costs for businesses trading in Europe. EU governments also saw the importance of state aid control, because governments could be tempted to grant subsidies to advantage their national firms at the expense of their EU competitors. The completion of the single market became reality in 1993, but it has been adjusted and modernized since then.

Eventually, after a long development process, the European Competition policy has been one of the success stories of the European integration process (Cini & McGowan, 2009) and it is perhaps the most supranational of all EU policies. Competition among firms is central to the effective functioning of the market economies and the EU is the institution that ensures the regulation of the competitive area. Competition policies provide a regulatory framework in which governments encourage and maintain competition. There are negative and positive policies, in the sense that negative policies seek to prevent rather than to promote certain, positive policies to encourage competition. However, just as the ECB guarantees a stable currency, the EU competition policy guarantees a free market and economic efficiency. The current competition policy consists of five components: the regulation of cartels, the monopoly policy (which is directed towards the prevention of the abuse of a dominant position by firms), mergers policy and the state aid policy (which deals with the potentially anti-competitive effects of national subsidies to industries in the EU's single market) (Cini & McGowan, 2009). The fifth component is the liberalisation of measures by member states to favour domestic utilities and infrastructure industries (Pollack, Wallace & Young, 2010). This chapter focuses mainly on control of state aid, merger control and the liberalisation (of utilities).

Europeanization

Competition policy displays two policy modes, namely the regulatory policy and the Community method. The Europeanization of national policies is not just an increasing number of policies carried out by the EU, it can also be viewed as a result of a process that is more market driven (Bulmer, Radaelli, 2004). This process can be linked to the competition policy and the pattern of regulatory competition. Europeanization of competition policy can be seen as a process where national competition policy adapts to EU regulation to seek competitive advantage (Bulmer & Radaelli, 2004). However, Germany played a role in shaping some parts of the competition policy. Competition policy shows great resemblance to that of the regulatory mode of policy-making (Pollack, Wallace & Young, 2010), because the competition policy area is highly regulated.

The Community method is expressed in the strong role played by the European Commission in designing and enforcing competition policy. The Commission has control over mergers of big firms in the EU, for instance. The goal of the Community method is mostly positive integration and this is shown in the competition policy by creating a market without borders (Pollack, Wallace & Young, 2010). In his book about *Europeanization*, Ladrech and in their book *Policy-making in the European Union*, Pollack, Wallace and Young do not agree on the integration of competition policy.

Whereas Pollack, Wallace and Young argue that competition policy is mostly dominated by positive integration, Ladrech, argues that the competition policy can be seen as an example of negative integration, because constraints on economic and firm competition have been removed and this promotes market liberalisation (Ladrech, 2010).

Germanisation

Merger policy (Merger Regulation)

Merger policy was not taken into account at the Treaty of Rome, for the reason that mergers were not seen as a threat, because big European firms could compete with other worldwide firms. Later, mergers were a threat because it threatened the competition within the EU. Moreover, it was easier to agree on a policy governing a specific industrial sector than it was to establish more general regulation (Cini & McGowan, 2009). After the Second World War the founders of the EU thought it was necessary to prevent any revival of German ambitions by merger control. The coal and steel industry were significant components and therefore necessarily controlled. Other economical areas were not included, because the necessity of merger control was not noticed. The attitude changed in the 1960s as damaging effects were noticed and concerns grew over the economic power of big businesses, as for example the power of Phillip Morris in the tobacco industry. The competitor, British American Tobacco fought against the acquisition of Rothmans by Phillip Morris (Warlouzet, 2010). British American Tobacco was afraid that it could not compete with Phillip Morris anymore, because of its powerful position. Eventually, the European Merger Regulation came into effect in September 1990. In contemporary EU, this component of competition policy is often seen as the most controversial and dramatic strand, because it mainly affects big firms which attracts huge media attention and affect thousands of jobs (Pollack, Wallace & Young, 2010). However, companies are in favour of the EU process towards mergers, because it is rapid, transparent and avoids seeking approval from every member state.

West-Germany became the first member state to adopt a merger policy in 1973. Germany played an important role in determining the direction of the merger policy. For example, a German clause is included in the merger policy in the form of article 9 (Cambrige University Press, Merger Policy, p. 15). With article 9, the German government insisted on the provision that allows national authorities to request that mergers be assessed at a national level when the merger affects the requesting countries, instead of the Commission.

Germany was determined on this provision, because it had one of the developed systems for merger controls. Additionally, Germany feared that the Commission would fail to protect the German market. The Commission refused the first four requests from Germany. Some suggested that when the first merger was referred back to Germany, this was a somewhat unsuccessful attempt of the Commission to conciliate with the German merger authorities (Cambridge University Press, Merger Policy, p. 15). Another concern of Germany about the EU competition policy was the unseparated competition and industrial policy areas (Graham & Richardson, 1997). An EU-merger directive addresses industrial concerns, whereas Germany pressed for a separation of these areas under the security of an independent cartel office.

The reason Germany pressed for an independent Cartel Office was because Germany had such an institution since 1958. Germany promoted the idea of a rule-based approach to mergers. The rules-based approach meant that mergers were strictly subjected to rules. This approach functioned in Germany and the idea was institutionalised in the Federal Cartel Office. The Federal Cartel Office is the German national competition regulator which was established before the introduction of the merger policy, in 1958. Currently, the Office falls under the authority of the Federal Ministry of Economics and Energy. "The European Commission shifted to a more evolutionary, economics-based approach to merger, which the Cartel Office saw as the abandonment of a rules-based approach" (Padgett, Paterson & Smith, 2003, p.177). A more economic-based approach was not necessarily subjected strictly to rules, but focussed on economic advantages and possibilities. The Federal Cartel Office failed to upload the model of an independent European Cartel Office, but article 9, as described above, secured some cases to the national cartel office. "The competition policy also changed from the German to the more US style. The typical German style meant that difficulties were checked before it was about to occur and the US-style was based on control after events occurred (Padgett, Paterson & Smith, 2003). This means that the usual control Germany had over competition law now changed into a subsequent approach.

State Aid (art. 107 TFEU)

State aid control is probably the most unusual part of the competition policy, because it involves governments instead of firms and companies (Cini & McGowan, 2009). It is designed to restrict the capacity of governments to intervene with their national economies, for instance by giving companies subsidies and state aid. The Commission decided that firms with government support could gain an unfair advantage compared with the competitors.

The Federal Economics Ministry and the Chancellor were concerned about securing a strong German presence in a growing European market (Padgett, Paterson & Smith, 2003), whereas the European Commission interferences increased excessively according to the federal government. Public saving banks and telecommunications were a point of conflict between the German Ministries and the European Commission. For instance Germany lost the privileges of public sector savings banks, the subsidies for coal were phased out faster and the Commission terminated the exclusivity of car distribution schemes. The aid to the steel and shipbuilding industry in East Germany was also ended by the commission (Padgett, Paterson & Smith, 2003). Although the EC has prohibited state aid privileges which give competitive advantages, Germany holds on to several privileges which undermine the liberalisation strategy of the EU (see below). An example of Germany's persuasiveness can be seen in an approval of the Commission. The Commission approved a proposal by Germany on the regional state aids. In 1990 Schröder complained to the Commission that Germany's industrial interests were not taken into account in its policies (Padgett, Paterson & Smith, 2003). However, the Commission had poured almost a trillion dollars into the economic reconstruction of the five new eastern states by 1998. The current regional guidelines state that regions with a GDP per capita below the 75% of the EU average are eligible for regional investment aid (European Commission, 2014). For the period of 2007 – 2013 almost the entire territory of the new *Länder* fell within this category and it received this regional aid. However, for the period for 2014 – 2020 none of the *Länder* qualify for the regional aid and the Commission decided that, in order to ensure a smooth transition the *Länder* are still able to achieve regional aid with the phasing out in 2017 (European Commission, 2014). It seems that Germany is still able to bend the rules, although in this case on a smaller scale to ensure their funding to regional areas. Thus, since 1990 Germany has ensured the state aid funding for the five new states until 2020. In seems that Germany accepted the Europeanization of the state aid control, but somehow manages to move the Commission to their hand and shape the rules within this policy.

Liberalisation

Germany tries to shield national companies from EU competition, particularly in the energy market (Green, Hough & Miskimmon, 2008). The German Cartel Office tried to set the pace for the deregulation in the energy sector by challenging arrangements between an electricity company and municipalities. Another point of discussion was the public saving banks in Germany.

Germany continues to let public saving banks operate under favourable national conditions, although this is not allowed by the European Commission. Germany attempted to water down further directives that would undermine the German competitiveness, by blocking attempts to further liberalise competition policy. Also, the telecommunication market caused difficulties between Germany and the EU competition policy. In 2003, the Commission initiated an investigation in the Deutsche Telekom AG. The EC discovered that Deutsche Telekom, the former monopoly abused their dominant position by charging higher prices for the supply of local access to its fixed telecommunication network (Baskoy, 2008) Eventually, the competition in the telecommunications was pushed by users who wanted lower costs. Germany in this case was successful in setting the pace to domestic difficulties of adjustments. The strategic direction of Siemens and Deutsche Telekom had to be shifted to a more European and global goal. Both companies who had been veto players recognised that liberalisation was necessary, although they lost their monopoly position in Germany. In a sense, Germany was still able to influence the pace, but realised that the shift to a broader approach of competition eventually could lead to a stronger position in the EU. Thus, Germany influenced the European competition policy and with that contributed to Europeanization of the policy, in order to remain influential in the future.

In an article of the *Financial Times* the writer argues that Angela Merkel refused the liberalisation changes until now, arguing that the financial crisis was not the best time for change (Barber, Financial times, 2013). In a way the unwillingness to change to a more liberalised economy can be seen as the power that it has in the EU. An argument used to explain the German stubbornness rests on the notion that Greece, Ireland and Portugal sinned to spend money without having it (Barber, Financial times, 2013). However, these sins arise from a different areas, Germany still retained their public national services.

6. Conclusion

The expectation of this dissertation stated that Germany has played an important role in shaping EU policies. The reasons for this expectation are: Germany was one of the founders of the EU, it has a strong economy and it is commitment to the EU. The central question has been answered according to research on specific policy areas. *What has the role of Germany been in shaping EU-policies since 1990? What domestic policies did Germany upload to shape the EU-policies and what major EU policies did it download to shape domestic policies?*

Articles 23 and 24 of the German constitution, designed in 1949, have provided commitment and bind the German government to the development of the European Union. During the post-war period, Germany regained economic strength with help from America and other member states, France in particular. The commitment to the German constitution, the economic strength and feeling of reconciliation have provided opportunities to motivate other member states. This commitment to Europeanization has given Germany the chance to shape European policies.

However, during the unification of West- and East Germany, the need for economic rebuilding and recovery took a lot effort from the German government. The unification in 1990, enlarged Germany greatly and with that gave it a new central position within the EU. This resulted in other reasons for integrating Germany into the European Union. Firstly, European member states, for instance France, but also Germany itself, has navigated Germany to remain closely tied to the European institutions. Secondly, the reunited Germany has proved to itself and to member states that it would not become a dominating power again by means of its commitment to Europeanization. This has greatly contributed to the important role, or even dominant role, Germany has displayed in shaping the EU policies and institutions. There are many EU-policies, however environmental, monetary and competition policies have been researched in order to explain the uploading- and downloading process.

Environmental policy

The economic welfare enabled Germany to focus on policies, such as the environmental policy. Germany acted as a leader in creating a European environmental policy, as a result of the awareness created by several environmental disasters and the creation of the Green party in German politics in 1980. Germany's motivation has stemmed from unsuccessfully solving these environmental disasters, because they have affected more member states.

Germany successfully uploaded national environmental measures in the EU, for example the German drinking water approach in 1980. The European Drinking Water Directive was modelled mostly on German regulation. By uploading these national regulations and preferences, Germany acted as an example for other member states supported by the European Commission. However, it has found itself struggling with implementing EU environmental policies, because the heavily polluted East-Germany was unified with West-Germany.

Monetary Policy

Furthermore, before the unification, the Deutsche Mark and independent German *Bundesbank* had a leading role in creating a stable European Community. The German monetary policy was based on price stability and a strong currency to support international competitiveness. This led to economic growth in all member states. A report by the Commission in 1990 stated that one currency would bring economic advantages, such as lower transaction costs. Eventually, the Maastricht treaty led to the creation of one common currency which was created to support the single market. Germany supported the creation of a single currency, with the demand that the European central bank should become an independent institution. The independence should have secured the currency stability from political influences and political instability. Germany has acted as a leader by uploading of the concept of the stable *Deutsche Bundesbank* to the European Union, as the European Central Bank. Nevertheless, the export of the institutionalised monetarism has resulted in a significant constraint in German influence, because the ECB has been responsible for formulating monetary policies instead of the *Bundesbank.* However, Germany has regained some influence since the financial crisis, by acting as a leader for the creation of a safer monetary policy and by striving for the European Banking Union. Thus, Germany has been a leader in uploading national preferences, policies and even an important institution, with the consequence that this Europeanised monetary policy is less exposed to influence.

Competition Policy

In the competition policy, Germany has acted as an uploader of policy ideas. It was the first member with a national merger policy created in 1973. This has given Germany an advantage to shape the European merger policy, which came into effect in 1990. Oppositely, Germany, protective of its own competitiveness, added a clause in the Merger regulation, known as article 9. This article stated that mergers affecting Germany should be controlled in Germany under the national merger authority.

It also managed to receive regional aid from the Commission for the new states, even when these states did not qualify for this aid. Germany has requested this aid to secure a smooth transition to no aid in 2017. As for the liberalisation of national companies, such as Deutsche Telekom, Germany has acted as a foot-dragger by charging higher prices to suppliers of the fixed network. Eventually, the German public convinced the German government that the telecommunications industry had to be liberalised by demanding lower costs. In the EU, Germany still has influenced the pace of the Europeanization of competition policy, by uploading national preferences, but it realised that liberalisation of national companies could eventually lead to a better position in the EU. Thus, Germany has influenced the European competition policy, by uploading national preferences and acting as foot-dragger. Eventually, Germany has realised that Europeanization of competition has been inevitable and it should therefore keep up with the EU competition policy-shaping, in order to remain influential.

Final conclusion

Since the post-war period many national policies have been Europeanized, especially the monetary policy. The ECB took over the role of the national central banks and the monetary policy is formulated by the ECB.

Generally, it can be stated that when a member state succeeds in uploading national policy into European policy, this member state has the advantage in the downloading process, for example by reducing implementation costs. In the history of the EU, Germany managed to greatly influence EU-policies, especially the environmental, monetary and competition policy.

Incidentally, Germany has used the foot-dragging strategy role to influence the policy-shaping outcome to their desires. The motivation of Germany’s contributions to EU policies have changed over the years from an idealistic strategy to an economic strategy. The European environmental policy for example, was created during a period of economic stability and the awareness of environmental problems, which could not be solved nationally. During the periods of economic stability, Germany has acted as a positive uploader of national policies. However, Germany has tried to upload their high standards into many European policy areas. In some cases Germany even had to encounter challenges on a national level, which were caused by its own input on the European level.

The economic based strategy was caused by different reasons. First, Germany struggled to comply with Europeanised competition policies. Second, the financial crisis has changed the focus of Germany's influence strategy. Also, the financial crisis created a turning point in the leadership role of Germany (Krol, 2014). The leading role was created by German initiative to save the euro, a stable monetary union and the European Banking Union. The European Banking Union was created to control the larger European banks in the future (Krol, 2014), Germany regained a more dominant position in the EU.

Whereas, in the beginning of the European integration of policies Germany was a positive uploader, it later became a protector of national policies by pushing for national interests in EU policies that (solely) protect its national policies.

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