118. 'It can't be all just about fiscal o~erations', warned the MIT chair, adding 'Rather than thinking only from ~e perspectlve of the state s finances, labom markets should be assigned the greatest significa~ce . Josef Schla~mann clted In *Focus,* 21 Oc!. 2005. Others cited in *Die Welt,* II Nov. 2005.
119. M~ller and Wullf clted In *Die Welt,* 5 Dec. 2005; *tagesschau.de,* 3 Dec. 2005.
120. Gelssler, CDA chief Kart-Josef Laumann and WR chair Kurt Lauk cited in *Die Welt* , 23 April2006 27 April 2006.
121. Ronald Pofalla, 'Neue Gerechtigkeit durch meht Freiheit', *Die politische Meinung* , 437 (April 2006) pp.5-8.
122. Thomas E. Schmidt, 'Freiheit plus SozialismusT *Die Zeit* 8, 16 Feb. 2006.
123. *Die Welt,* 26 Feb. 2006.
124. ;<ikolaus Piper, 'Das deutsche Model!', *Siiddeutsche Zeitung,* 12 Nov. 2005.
125. .No sooner does the Un,t0n get the reputation of forcing bold and socially unbalanced reforms, than íts mternal pow,er balan~e lS thtown mto disequi1ibrium and externally its voting base erodes', forcing the p~y to try preservmg ItS compasslOnate profile'. Jens Schneider, 'In einem Land vor unserer Zeit' , *Suddeutsche Zeltung,* 26 April 2005.
126. 'The Union had only experimented with r~form in the election campaign. But the response ofthe voters was so ttaumatIc that the party of the chancellor until today has refused to sort out its defeat and gain a new onental1On'. Matthias Geiss, 'Kleinmiitig', *Die Zeit* 29,13 July 2006.
127. Pad~ett, 'The Party Politics of Econouůc Reform', p.248; Cox 'The Socia1 Construction of an Imperatlve ,p.463.
128. Cox 'Th~ Social Construction of an Imperative', p.464. According to lnfratest-dirnap chief Richard Hllmer, [public,l confidence m the ablhty of parties to solve problerns c1early decreased [at'ter the Grand Coa11t~ons first few months]': the share of voters who felt that no party had effective solutions for Germany s problems rose from 32 per cent to 42 per cent - and this despite slightly rising optiuůsm about the overall economy. *Die Welt,* 6 May 2005.

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Economic Linkage and Willy Brandt's *Ostpolitik:* The Case of the Warsaw Treaty

RANDALL NEWNHAM

This articleJocuses on German-Polish relations at the time oJthe 1970 Warsaw Treaty, a pivotal moment in German diplomatic history. However, the study's relevance goes beyond this case. It illustrates an important source oj the Federal Republic's intemational injluence, past and present: its ability to use economic strength Jor political purposes. As this case shows, Germany has been particularly successJul in using economic incentives (positive linkage) to improve ties with its neighbours. This article illustrates the important role oj positive linkage both in German Ostpolitik and in intemational relations in general.

INTRODUCTION AND THEORY

On 7 Deeember 1970, Chaneellor Willy Brandt knelt before the memorial to the fighters of the Warsaw Ghetto, who had been massaered by the Germans in 1943. The historie *KnieJall* has eome to symbolise German-Polish reeoneiliation. However, at the time praetieal politieal and eeonomie eonsiderations seemed more important than symbolie gestures. This paper will foeus on the negotiations whieh made reeoneiliation possible. On that same day Brandt also signed the Warsaw Treaty, whieh allowed West Germany and Poland to normalise their relations after 25 years of hostility. This treaty, in tum, was a vital part of Brandt' s broader *Ostpolitik.* Indeed, it ean be argued that in the long term the treaty, and the German-Polish reeoneiliation whieh it helped promote, ultimately played a role in the reunifieation of Germany and Europe as a whole.[1]

Negotiating the Warsaw Treaty was not easy. Brandt's govemment had to persuade Poland' s eommunist leaders to agree to very unpalatable eoncessions. The treaty is often remembered today for 'Germany' s recognition of the Polish border'. However, in faet Poland had to aeeept a lirnited, *de Jacto* agreement to the border, far short of the *de jure* recognition it had demanded. Warsaw agreed to open diplomatie ties and perrnit normalisation to proceed, even though Germany did not fully aceept the Oder-Neisse line until20 years later.[2] Warsaw also agreed to recognise the existence of a German rninority in Poland and to allow some Germans to ernigrate. How was Poland persuaded to make these diffieult coneessions, which were instrumental in allowing Germany to accept the Warsaw Treaty? ln this article I will argue that German economic linkage played a signifieant role.

As this study wil1 show, at the same time that the two eountries were grappling with diffieult politiea! issues, Poland faced a gathering economie erisis - one which soon

erupted into rioting, bringing down the Polish leader, Wladyslaw Gomulka, only seven days after the signing of the treaty. Warsaw desperately needed Western trade, credits, and scientific and technical cooperation to try to stave off disaster. As Mieczyslaw Tomala, then the Polish leader's translator, recalls, immediately after Brandt's dramatic gesture at the memorial to the ghetto fighters: 'Gomulka did not even ask Brandt what the *Kniefall* meant. It was not an issue. He simply returned to the agenda and wanted to negotiate for a billion DM credit.,3 West Germany was well aware of the Polish leadership's needs, and persistently sought to use economic talks 'as the linchpin for initiating de-escalation' between the two countries.4 This was part of a pattern in German-Polish relations and, indeed, in German *Ostpolitik* and German foreign policy as a whole; economic power has long been one of Germany's most important sources of influence in world affairs, as many studies have shown.5

ln this article, the role of economics in the crucial 1970 German-Polish negotiations will be exarnined as follows. First we will briefly discuss theories of economic linkage. Next we will consider German and Polish goals at the time, showing how Bonn's political objectives and Warsaw's economic needs were related. Then the progress of the 1970 talks will be traced. Finally, we will conclude by briefly discussing the significance of this case. If economic generosity could help to bring Success here _ after centuries of German-Polish hostility, which was only deepened by decades of Cold War tension - it is clearly a powerful tool in world affairs.

A simple typology of economic sanctions and incentives lies at the root of this study. The main tactic used by West Germany during the Brandt period was *positive economic linkage.*[6] This involves encouraging economic ties for political purposes, using trade, credits, investment, technology and other inducements to influence a 'target' state. *Negative linkage,* often referred to as economic sanctions, involves cutting off trade, aid, or credits. While much work in the field of International Relations has focused on negative linkage, a newer literature has emerged which seeks to better understand the positive approach.[7]

A major contention of this paper is that in many circumstances positive linkage can work better than a negative approach. This is illustrated by Brandt's success in negotiating political agreements with the East. In contrast, earlier West German governments, following a negative policy of limiting economic and political ties under the Hallstein Doctrine, seemed to be less successful.

There are in fact several reasons to believe that economic incentives are potentially more effective than sanctions.[8] Economic 'carrots' seem less psychologically threatening than 'sticks'. Positi ve linkage also helps to deepen existing economic ties, thus making the target more vulnerable to future linkage, while negative sanctions limit ties, inducing the target to turn to other partners. Perhaps most importantly for a difficuIt case like German-Polish relations, economic incentives also help to build trust in the target state, convincing both government and people that the donor cares about their country. For all of these reasons, positive linkage may be more likely to bring success) than negative linkage.

This article will attempt to add to the literature which stresses the power of positive linkage. The case examined here, German-Polish relations under Chancellor Brandt, was selected as a 'least-likely' case for the success of positive linkage.9 Relations between these two states had been frozen by a millennium of hostility,1O featuring

conflicts throughout the Middle Ages, the dissolution of the Polish state from 1795 to 1918, unremitting hatred in the inter-war years, the horrors of World War **II,** and 25 years of post-war hostility - in which the bilateral conflict was only deepened by the Cold War division of Europe. If the seemingly 'soft' weapon of positive linkage can have an impact in such a setting, it surely can be effective in many less polarised cases worldwide.

GERMAN AND POLISH GOALS

Willy Brandt came into office as German Chancellor in October 1969. His election marked a watershed in the country's politics. As the first socialist (SPD) leader of Germany since 1930, Brandt feIt he and his coalition partners, the liberal Free Democratic Party (FDP), urgently needed to pursue a 'new *Ostpolitik'* , a new approach to the communist East. For twenty years the Bonn government' s *Ostpolitik* had been largely hostile, featuring negative economic linkage - strict trade and investment limits on Eastern states. This policy fit well with the Hallstein Doctrine, which prevented West Germany from recognising any state - such as Poland - which had diplomatic ties with East Germany. In the early 1960s West Germany had begun to experiment cautiously with offering economic inducements (positive linkage) to states like Poland, in what was dubbed the 'Policy of Movement'. 11 However, the 'movement' was slight at best. Twenty-five years after the end ofWorld War **II,** Bonn's relationship with Warsaw was still in a deep freeze; the two states did not even have diplomatic relations.

Brandt sought a much larger breakthrough in bilateral ties with Poland, one which would achieve several key German goals. First, he wanted to finesse the delicate question of Poland's western border, the controversial Oder-Neisse line. This border had been drawn by the Allied powers at the end of World War II. It resulted in Germany losing over 100,000 square kilometres of land and millions of Germans losing their homes in the now-Polish territory. These *Vertriebene* ('Expellees') formed a powerful voting bloc in Germany, which Brandt could not ignore. Also, the German *Grundgesetz* (Constitution) specified that the 'German question' remained open. 12Reunification had to be kept as a possibility, and this demanded keeping open the possibility of peaceful border changes. The official West German position, held until1990, maintained that no final border decisions could be made except by a united German state, in cooperation with the four World War II occupying powers, when a final peace treaty was signed.13 Thus, for reasons both of law and domestic politics, Brandt could not offer Poland full legal recognition of its border. Yet Warsaw had long demanded such recognition as an absolute requirement for any diplomatic relations.[14] Brandt faced the difficuIt task of inducing Poland to agree to some lack of clarity about the status of its sensitive western border.

Second, the Chancellor had the delicate task of persuading Warsaw to acknow ledge that it still harboured a Germany minority - and that Bonn had the right to negotiate on its behalf. Given the history of German-Polish ties, both parts of this task were very difficult. In the inter-war years, both the Weimar Republic and Nazi Germany had openly manipulated the German minority, trying to use it as a 'Fifth Column' against Poland. At that time many in the minority had demanded extensive border

changes and even the end of the Polish state. German leaders had relentlessly harped on real and imagined mistreatment of the minority, using it to discredit Poland intemationally.15

After World War II, the Poles tried to expel all Germans, both the earlier minority and those living in lands acquired after 1945. Yet some Germans remained. By the late 1940s Warsaw claimed the deportation had been completed. Yet in 1956, Poland was forced to admit that about 100,000 Germans remained, who were then allowed to emigrate. 16Again, at that point, Poland declared that the minority was gone. Yet again, the authorities erred. While few 'true' Germans remained, there were a number of people of mixed backgrounds.[17] Many of these had stressed the Polish side of their identity after 1945 in order to avoid deportation, and had been granted Polish citizenship. To see some of these 'Poles' now declare themselves to be 'Germans' angered the communist leadership. Its uncompromising attempts to restrict any signs of German identity (for example, by insisting that only Polish first and last names be used) further angered the mixed population. By 1970, the German government claimed that there were some 300,000 persons of 'German identity' in Poland, many of whom wished to emigrate.[18] Poland saw these numbers as greatly exaggerated. Indeed, it feared that even admitting the existence of this group, and worse yet the German government's role as its protector, could retum it to the precarious situation of the inter-war years when the minority was used to challenge Poland' s very existence. Yet Brandt persisted, writing the Polish leader a clear letter demanding concessions on the issue.[19]

Finally, while inducing Poland to bend on the delicate issues of the border and the German minority, Brandt also sought to move forward on norma!isation, both with the Warsaw govemment and the Polish people. He wanted full diplomatic relations with Poland, but also wanted to win the trust of average Poles. In view of the long history of German-Polish hostility, especially the Third Reich's bruta! actions in World War II, those tasks would not be easy. As an old Polish saying put it, 'as long as the world exists, a German and a Pole will never be brothers'. Somehow, Brandt and his negotiators had to begin to bridge that gap. At the time, and still today, Germans often compared the challenge to that of German-French reconciliation. In fact, it was far more difficult.[20]

However, there was hope for Brandt' s agenda. In Poland, too, pressure was growing for an accommodation with the West Germans. Here the motivation was in large part economic, creating an opening for Germany to achieve its politica! goals through various forms of economic linkage.[21] A mutually beneficia! 'package deal' of economicjpoliticallinkage thus seemed possible.

Expectations were rising in Poland; a new generation was coming of age which could not remember the starvation and oppression of World War **II,** and which increasingly lacked the anti-German instincts of its elders. This generation was politically fru-~ strated. The 1968 Prague Spring in Czechoslovakia had been accompanied by student rioting in Poland, the first sign since 1956 that unrest was rising under the frozen surface of official politics. Serious political reform was obviously impossible in the post-1968 era, because of the strict limits imposed by the USSR' s Brezhnev Doctrine. Poland's leaders thus realised that their only hope for stability was 'goulash communism', the attempt to win popular legitimacy by delivering economic prosperity.

However, the Polish economy was poorly structured to deliver a rapid increase in the standard of living. The country faced a host of economic problems. Most of Poland's stock of capital equipment dated from the immediate post-war period, and some pre-war equipment was stili in operation, particularly in the formerly German regions. By the late 1960s, much of this equipment was in need of replacement; it was wearing out and was technologically outmoded.[22] As a result, Poland was able to increase productivity only very slowly.23 Thus output lagged and the living standards of the population could not rise rapidly. Additionally, Poland felt the need to create whole new industries in areas such as consumer electronics, both to meet growing domestic demand and to create products suitable for export. For too long, Poland had concentrated on building massive steel mills, cement plants, and shipyards; none of these industries produced the kind of quality consumer goods which were key to meeting popular demand.

ln short, Poland was facing, by the late 1960s, the same problem as the Soviet Union and the other Eastem bloc states - the cha!lenge of a transition from extensive to intensive industrialisation.[24] The systemic nature of these problems meant that none of Poland's Eastem allies were in a position to help Warsaw. Trade with such states brought Poland little of value (with the exception of Soviet raw materials, particularly oil and gas).25 Otherwise, the so-called 'socialist division of labour' which Moscow imposed on its partners through the Council for Mutual Economic Assistance (CMEA) offered meagre results. Poland was forced to buy undesirable Eastern goods, and when selling its products received only 'transferable roubles' - which were in fact transferable only within the closed CMEA market.

Thus, gradually, the Polish leadership was seduced by a seemingly logical idea - Poland should simply follow a 'strategy of imported growth': tuming to the West, and West Germany in particular.[26] Warsaw noted that other Eastem bloc states were themselves hurrying t'o cut deals with Westem nations.[27] This helped push Poland to do the same. Warsaw decided that some consumer goods should be imported directly from the West, to satisfy the population temporarily. Yet more importantly, imports of Westem capital goods should rise even further. This would enable Poland to build its own modem industrial base, matching Westem quality with its domestic production. Best of all, ran the argument, there was no need to worry about the debt which would be incurred by these purchases; it would all be paid off by exporting some of the production of the new, modem factories back to the West. The result would be an export-led boom, the same phenomenon which would later catapult lapan and other East Asian countries to prosperity.

All of these plans were predicated on finding a suitable Western partner, especially since Poland increasingly desired economic cooperation which extended beyond simple trade. First, Poland hoped for some loosening of the Western embargo on high technology, which would allow Poland to purchase products that it had previously been denied. Second, Poland's leaders hoped to profit from a variety of joint ventures and other cooperative agreements with Westem firms. They hoped to be able to obtain Westem 'know-how', not just Westem machinery. For this a whole range of new agreements would be necessary, covering such matters as the licensing of technology. Furthermore, Polish leaders hoped that by signing agreements in such areas as scientific cooperation they would be able to obtain

some 'know-how' free of charge. Another important way to obtain technology without cost would be to allow some Westem investment, for example in jointly-operated factories which would pay for themselves by exporting part of their production to the West. These plans for increased trade, increased credits, and increased economic cooperation depended upon a political accommodation with the West, most prominently with West Germany.

Indeed, even before Brandt came to power in 1969, signs of this change in Polish attitudes could already be seen. Poland was beginning to become dependent on trade with West Germany. Overall trade tumover topped DMI billion for the first time in 1968. Poland's purchases in West Germany had begun to accelerate rapidly, rising from DM375.5 million in 1966 to DM6l1.6 million in 1969, an increase of 62.9 per cent. 28 Since Poland remained, unable to produce many export-quality products, and was stil1 restrained to some extent by West German quotas and import restrictions, its exports could not keep pace. Thus Poland began to run trade deficits with West Germany, reaching DM1l4.3 million in 1968, at that point a record high.[29] At this time the deficits were stil1 manageable. Nonetheless, since Poland lacked a hard currency, even moderate deficits would have to be financed through foreign credits - another reason to make concessions to Bonn.[30] Poland's economic needs were driving it to closer ties with Bonn, even before Brandt took office and began to offer political and economic concessions. Importantly, this rise in trade in no way meant that Germany was dependent on the Polish market; Poland was clearly the dependent partner. Already in 1970 Germany controlled almost ten times as much of the world export market as Poland.[31] While West Germany was rapidly becoming Warsaw's number one Westem trading partner, Poland ranked only 24th among West Germany's partners, absorbing a negligible 0.5 per cent of German exports.[32] The Brandt era would see a dramatic acceleration in Poland's economic reliance on Germany.

ln all, then, the potential for economic linkage was clear. While Bonn faced difficult political challenges, including the border and minority issues, Poland's economic needs helped to open the door to compromise. Clearly, Brandt and his colleagues were aware that economic ties were their strongest weapon in winning concessions from the East, and they employed that weapon quite consciously. As Brandt wrote at the time: 'The interest of the East European states in cooperation with us rests to a large extent on a desire to make economic progress and to participate in westem technology. Economics, therefore, remains for the foreseeable future an especially important element of our policy in Eastem Europe ..33 Similarly, in a confidential study written shortly before Brandt took office, his confidante Egon Bahr confirmed that the *Ausniitzung* (exploitation) of the East's need for Westem economic contacts would be a crucial element of the new govemment' s " *Ostp~litik.* 34

The Brandt govemment soon decided to open negotiations with Warsaw on a 'package deal' of economic and political agreements - the Warsaw Treaty, which opened diplomatic ties between the states, was thus effectively linked to a long-term trade and economic cooperation agreement. As the noted German expert on Poland Dieter Bingen put it: 'The normalization treaty of 7 December 1970 and the economic treaty belong together. They must be understood as one unit.,35

THE W ARSA W TREA TY AND ECONOMIC L1NKAGE

ln this section the negotiations on the economic treaty and the Warsaw Treaty wil1 be briefiy traced. We wil1 see that these talks ran in parallel and were often linked, although both sides sometimes downplayed such linkages. Next the results of the talks wil1 be considered. As we shall see, they essentially amounted to a 'package deal', allowing both sides to meet the objectives sketched out in the previous section.

ln late 1969 and 1970, negotiations on the economic agreement and the Warsaw Treaty proceeded in tandem. Economic discussions were opened in October 1969, immediately after Brandt took power, signalling their important role for both sides in smoothing the way for political talkS.[36] Less than two weeks after the start of economic negotiations, Poland finally agreed to accept Bonn's long-standing offer for political talks.[37] On 22-24 January 1970, the first visit ever by a Polish cabinet member to Bonn took place. Not surprisingly, the visitor was the Foreign Trade Minister, Janusz Burakiewicz.[38] The political negotiations began barely a week later, on 5 February, with the arrival of State Secretary Georg Duckwitz of the German foreign ministry in Warsaw. Over the following months, rounds of both talks proceeded regularly, seemingly in tandem.

The political talks appeared to be stalemated at first. As Davis notes, though, real progress began in the summer - when Germany's economics minister, Karl Schiller, arrived in Poland to initial the newly-completed trade and economic cooperation pact. As she puts it, 'the magnitude of goodwil1 that the treaty brought cannot be overstated ... resolving the "mortgage of unsettled economic issues" cleared the way for political negotiations' .39 On 15 October, with the final wording of the Warsaw Treaty stil1 in dispute, the economic treaty was formally signed. In early November, Foreign Ministers Scheel and Jedrychowski met for ten days of talks and finally finished the political agreement. Again, the timing seemed to show that the economic pact was an important 'carrot' which helped to smooth the difficult road to the political treaty.

The linkage between the two treaties was confirmed by observers at the time and by later authors. The Poles themselves showed an acute awareness of the potential strength of German economic linkage - by repeatedly waming that they were on guard against the 'openly blackmailing argument in certain West German circles that economic talks with Poland should be used to achieve political goals'. 40 As one author notes, 'the Poles felt themselves under political pressure, inasmuch as they perceived political demands as tacitly linked with the hard West German bargaining position [on the economic agreement]'.41 German economist Georg Strobel wrote in 1973 that the political controversies 'were closely connected' to economic ties.[42] Similarly, Davis believes that 'economic incentives in the form of promised increased trade and technology transfer to Poland smoothed the way for the difficult political negotiations that ensued between the two countries'. 43

The terms of the two treaties clearly show the outlines of a 'package deal' , in which Germany achieved many of its important political objectives while Poland was able to meet its economic goals. As we shall see, Germany made progress on the border issue, minority emigration, and the issue of Berlin, while Poland gained a number of economic benefits, including increased trade and credits as well as technical cooperation and investment agreements.

The economic agreement between Bonn and Warsaw included several provisions which were of great interest to the Polish regime.[44] These included trade benetits, increased German govemment credits, industrial and scientitic cooperation, and German efforts to help Poland's ties to the rest of Westem Europe.

First, in Article 2 of the treaty Germany agreed to give Poland Most Favoured Nation (MFN) treatment in trade relations.[45] Germany specitically agreed to dismantle its system of quotas on Polish products *(Kontingentierung)* which had been in place since the found-ing of West Germany. These provisions were a clear signal that such trade limitation (negative linkage) tactics had been abandoned in favour of positive linkage.

The effect of these trade provisions could be seen dramatically over the next four years. As a result of Poland's domestic problems and of the 1970 political and econ-omic agreements, Polish imports trom West Germany exploded from DM652.4 million in 1970 to DM3.615 *billion* in 1974, a jump of almost six times in only four years. The 1974 imports alone were equivalent to the *total* amount imported from West Germany in the sixteen years from 1950 to 1966.[46] As we shall see below, the wave of imports was, by and large, tinanced by govemment and private credits from the Federal Republic. The annual Polish trade deticit with West Germany, which had been inching upward since 1966, shot up to over DM2 billion by 1974, the last year of Brandt's chancellorship. In these years, West Germany passed the GDR and Czechoslovakia to climb to second place among all exporters to Poland, a remarkable achievement considering the huge systemic obstacles hindering East- West trade. As Cziomer shows (see Table 1), West Germany's role in Polish foreign trade had been slowly increasing for some time, while Poland' s position in German trade remained unimportant. It played a smaller role than such countries as South Africa, Brazil and Yugoslavia.[47]

TABLE1
RELATIVEPOSITIONOFGERMANYANDPOLANDIN BILATERAITRADE.1950-74
&262#(SHARES»

	Poland's role in West German trade				West Gennany's role in Polish trade			
	ln German exports:		ln Gennan imports:		ln Polish exports:		ln Polish imports:	
Year	Share	Rank	Share	Rank	Share	RaRk	Share	Rank
1950 .	0.79	20	0.60	18	2.2	11	2.5	9
1955	0.45	24	0.48	22	3.1	8	2.5	9
1960	0.63	24	0.75	20	5.2	5	4.5	6 ~
1965	0.51	24	0.68	23	4.5	5	3.5	6
1970	0.53	24	0.68	22	5.1	4	4.0	5
1974	1.57	16	0.79	24	6.7	4	12.2	2

Notes: 1950-70 data adapted fmm Erhard Cziomer, 'Die Wirtschaftsbeziehungen zwischen der Volksrepu-blik Polen und der Bundesrepublik Deutschland 1949-1975', in Ernst Hinrichs (ed.), *Die Beziehungen zwischen der Bundesrepublik Deutschland und der Volksrepublik Polen bis zur KSZE* (Braunschweig: Selbstverlag des Georg-Eckert-Instituts rur Internationale Schulbuchforschung, 1987), p.139; 1974 figures added fmm *Rocznik Statystyczny [Statistical Handbook]* (Warsaw: Glowny Vnad Statystyczny), *Statistisches lahrbuch fiir die Bundesrepublik Deutschland* (Bonn, later Berlin: Statistisches Bundesamt), and author's caJculations.

Remarkably, in 1974 fully 51.7 per cent of Poland's imports came from the capi-talist West, and only 44.4 per cent from the socialist states ofthe East. This represented a huge shifl from 1970, when the West provided only 25.8 per cent of Polish imports and the East 68.6 per cent.[48] Importantly, as was predicted at the start of this study, economic incentives had helped to make Poland more dependent on the West - and Germany in particular - in tum increasing the potential for future econornic linkage. Indeed, it can be argued that this dependence led Poland into a spiral of foreign debt, which in tum helped to bring down the communist govemment in the 1980s.

ln addition to trade provisions, the econornic treaty also calIed for substantial German govemment credits to Poland (Article 5). While a direct German govemment loan was not included in the 1970 economic pact, Bonn did agree to discuss such a loan - discussions which would eventually lead to DMI billion 'jumbo credit' in 1975. However, generous tinancial backing from Bonn did flow in another, less direct formo The large increase in Polish imports from West Germany was greatly facilitated by export credit guarantees granted by the Hermes programme.[49] This programme guaranteed repayment of private trade credits to Poland. In theory, if Poland paid in a timely manner, the German taxpayer would owe nothing. In reality, given the large economic and political risks inherent in loans to Poland, the economic benefit of this backing was enormous. Most German banks and businesses were reluctant to selI on credit to Warsaw without this backing; thus Poland had previously been restricted to Iirnited 'cash and carry' purchases. As Strobel put it, the Hermes financing had a major 'security and encouragement effect' on private trade.[50] While earlier German administrations had allowed a few smalI Hermes guarantees for Poland, Brandt's govemment was the tirst to permit them on a large scale. In 1976, for example, fulIy DM13.8 billion of the DM16.2 billion in total German exports to the East were covered by Hermes.[51] Clearly, then, German generosity to Poland was only part of a larger push to use aid to influence the East. Such generosity can only be explained by the fact that the credit guarantees had great *poUtical* importance to Bonn, as part of an overall policy of positive political-econornic linkage which lay at the heart of the new *Ostpolitik.*

ln addition to their direct effect, the credits from Bonn had another advantage; they helped to encourage private banks, both in West Germany and abroad, and other Westem govemments to lend to Poland to support trade, investment, and other types of credit. For example, joint ventures like the 1975 deal between Poland and the Italian company Fiat, which remained for twenty years the largest single foreign invest-ment in Poland,[52] would not have been possible without the economic and political 'thaw' between Poland and Westem Europe which the German-Polish treaties helped to initiate.

The Fiat deal was a good example of the third kind of benefit which Poland hoped to gain from the econornic agreement - industrial and scientitic cooperation. The treaty calIed for expanded German - Polish economic and technical cooperation in the folIow-ing areas: industry, construction, agriculture, transport, technology, and applied sciences. Agreements were signed between the Polish Academy of Sciences and the German Academic Exchange Service (DAAD) and Humboldt Foundation to boost scientitic contacts.[53] Licensing of high-tech products and R&D 'exchanges' - which would clearly be very one-sided - were to be promoted. Poland also hoped to set up

an arrangement similar to the later US-Mexican *maquiladora* concept. Polish and German firms would cooperate in building manufacturing plants along Poland's Westem border, which would import parts from Germany and re-export finished products. Thus Poland would benefit from advanced technology and also improve its dangerously weak balance of payments. At the time, plans called for such cooperative deals to make up 15-20 per cent of bilateral trade within a few years. While 157 German companies did sign agreements with Poland by 1971 - including giants such as Krupp, Hoechst, and Bayer - they in fact never made up more than 2-2.5 per cent of trade. 54Nonetheless, the high hopes that Poland placed on these agreements did boost political ties at the time.

ln order to better draw German companies into the various forms of cooperation, a supervisory Mixed Comrnission was set up, composed of representatives of govern-, ment, corporations, and industrial and trade associations from both countries. The signing of the treaty was followed within a few months by the creation of a Polish section in the influential OstausschuB der deutschen Wirtschaft (the Eastem Committee of German Industry), which symbolised the eagemess of German business to profit from the new *Ostpolitik.*[55]

Finally, the Germans also committed themselves to help further Polish ties with the West as a whole, in two key areas. First, they offered to help the Poles to market their products in the West. This was an attempt to address Warsaw's looming balance of payments problems, caused in large part by Poland' s inability to compete in hard-currency markets.[56] Second, Bonn offered to intercede with the European Economic Community on Poland's behalf. Poland was worried since, on 1 January 1975, the EEC was to assume sole power to regulate trade between its members and the outside world. Special bilateral trade deals between Bonn and Warsaw would no longer be possible. The Germans thus offered to work in Brussels to increase Poland's trade access to the whole community, particularly in the sensitive area of agricultural productS.[57] This action was a first foretaste of Germany's later extensive efforts to help Poland join the European Union.[58]

ln retum for Germany's generosity, Poland proved willing to make some important political concessions. It should be carefully noted, for example, that the Warsaw Treaty's provisions on the Oder-Neisse border fell far short of the unconditional and etemal recognition demanded by Poland.[59] First, although the Federal Republic comrnitted *itself* to respect Poland's Westem border, and also promised to raise no territorial claims in the future, Bonn took great care to ensure that the declaration was not binding on a future, unified Germany.60 Accepting this interpretation was, in fact, a large concession by Poland. After all, West Germany was not a real threat to Poland's border. It was restrained by its membership in NATO and by the existence of the Soviet garrison state of the GDR. A real threat to the Oder-Neisse line could only come from a united Germany, which would border on Poland, would no longer have to face the GDR, and which might feel safe enough to drop NATO membership. This was especially true since, as German conservatives often noted, a united Germany could probably result only when the Soviet Union, the main power guaranteeing Poland' s westem border, was weakened to the point that it could no longer prevent reunification. Indeed, this was essentially what happened in 1989-90, and at that time the Warsaw government, in a state of near-panic, quickly demanded a true

border treaty with the reunified Germany.61 This clearly shows that it was well aware of how partial and limited the border provisions of 1970 had been.

Similarly, two small but important items in the wording ofthe treaty further diluted the border guarantee. The treaty seemed to perrnit future border changes which were voluntary in nature. In negotiating the treaty, Polish diplomats tried valiantly to persuade Germany to accept wording which would describe the border as unchangeable. German negotiators, however, successfully insisted on the word 'inviolable' *(unverletzlich).62* This clearly implied that, although the frontiers were not subject to being violated (i.e., attacked by military force), they were *not* necessarily unchangeable; if Poland voluntarily allowed Germany to reclaim some or all of the lands east of the Oder-Neisse line, this would be perrnitted. Thus Poland might still, in theory, be persuaded to do what France had in 1957, when it allowed the occupied Saarland to revert to West Germany. Additionally, another deficit in the border guarantee was that Germany refused to use the word 'recognition' *(Anerkennung)* in connection with the border, despite great Polish pressure. When the Germans managed to insert similar wording into their 1970 political treaty with the USSR, Soviet Foreign Minister Andrei Gromyko grumbled, 'you can repeat "inviolable" ten times, but it doesn't add up to "recognition"'. 63This principle would later prove quite important; if Bonn had bowed to the demand that all its borders be seen as 'unchangeable' or 'recognised', it might not have been able to unite with East Germany in 1990.

ln short, a sceptic could argue that the Warsaw Treaty represented a *de facto* rather than *de jure* recognition of the border. As Bingen puts it, it was a *'modus vivendi* agreement,.64 This was especially true since the various 'loopholes' in the wording were not accidental; they were created deliberately by the West German govemment. This wording not only served the longer-term interests of German unification; it also was instrumental in serving Brandt's shorter-term goals, such as placating the influential German 'expellees' *(Vertriebenen)* and some moderates in the opposition CDU party - thus making it possible for the German legislature to ratify the Warsaw Treaty.65

However, the careful wording on the border was not entirely one-sided. While it gave Poland only *de facto* recognition of the Oder-Neisse line, this was still much better than the outright revisionism which had prevailed in Bonn until 1970. The threat of German invasion was a key factor in the legitimacy of Poland's ruling communist party, the PUWP (Polish United Workers' Party). By reducing this perceived threat, Brandt may have helped to undercut the party's already weak public support. He also helped to plant the seeds in the minds of some Poles that Germany could indeed be trusted to reunify. These seeds would grow slowly; but by the late 1970s some Polish opposition figures had already begun to write favourably about reunification, and in the 1980s many more began to share that view.[66] Indeed, even in 1970, some hard-liners in the PUWP believed that Brandt was acting as a far-seeing nationalist, doing more to advance German goals with his flexible *Ostpolitik* than conservatives like Chancellor Adenauer had ever done.[67]

A second area of Polish political concessions concemed the controversial issue of the German minority. As noted above, West Germany maintained that there were some 300,000 Germans in Poland. Warsaw, however, often loudly disagreed, as in this commentary in *Zycie Warszawy* (10 November 1970): 'In Poland the problem of a German

minority has not existed in the past and will never exist in the future, and we will not allow such a problem to be artificially created.' 68In the end, though, Poland reluctantly gave in. Simultaneously with the signature of the Warsaw Treaty, Poland released a 'unilatera!' statement on the German minority, which it disingenuously suggested was not linked to the accompanying treaty.69 Warsaw was forced to acknowledge the existence of a German minority in Poland. It stated that 'a certain number of people of indisputably German nationality' still remained in the country. For 'humanitarian' reasons, the Poles stated, 'several tens of thousands' of persons would be allowed to join their relatives in Germany.70

The issue was not fully resolved; other members of the minority were not allowed to leave, and they continued to be denied the right to organise openly in Poland. Still, the concession was important. And the linkage to economic considerations was clear. In the Warsaw Treaty, economic cooperation was linked to success in 'other issues', which both sides understood to mean Polish compliance on the emigration question.[71] As Brandt himself noted in his memoirs, the question involved two linked issues: 'For one, the possibility for ethnic Germans to resettle in the Federal Republic. For another, the Polish wish for material compensation, either directly or in the form of a large subsidised state credit.,72 This linkage continued after 1970; as Bingen and Dean note, talks on a subsidised West German credit to Poland, which lasted until 1975, were linked to emigration as well.[73]

Poland also gave way on a third, seemingly minor matter. It agreed that the treaties would be valid for West Berlin as well as the rest ofWest Germany.74 At the time, this was an important issue. The East Bloc had argued for years that West Berlin was separate from the Federal Republic, and thus should not be included in its treaties. Many Germans feared that this interpretation could eventually justify another Berlin Blockade, or other efforts to intimidate or even occupy West Berlin. However, when it came to economic agreements, countries such as Poland and the USSR were willing to be more accommodating, reluctantly allowing the inclusion of West Berlin - and thus undercutting their own claims about its 'special status' .75

In sum, both sides had achieved their key goals in the 'package dea!' of economic and political treaties signed in 1970. Poland received economic benefits and a *de facto* border guarantee. Germany received important concessions on the nature of that guarantee, and also in the areas of minority rights and the status of West Berlin. Perhaps most importantly, with these obstacles resolved, the way was open for diplomatic ties and for a broader process of reconciliation. Here we can see the real importance of Brandt's successful economic linkage strategy.

CONCLUSION

In the end, the very fact that an agreement was reached with Warsaw was a major breakthrough for the Federal Republic. Diplomatic relations between the two countries officially began on 14 September 1972, over 27 years after the end of World War II. The process of 'normalisation' between the two states and their people could also begin. As Brandt had hoped, by making concessions Germany had scored a major moral victory. The image of Brandt kneeling before the memorial to the Warsaw Ghetto fighters has become perhaps the defining image of post-war German foreign

policy. Germany's moral rehabilitation was made dramatically clear when Brandt was awarded the 1971 Nobel Peace Prize. In the long run, Germany's improved moral standing in the East European region, symbolised by its reconciliation with Poland, would be of great importance in legitimising its demand to be considered a 'norma!' state - and eventually its demand for reunification.

As the 1970s and 1980s progressed, Poland's economic crisis - and thus its vulnerability to economic linkage - would only increase. The fragile nature of Poland' s internal order was demonstrated immediately after the signing of the Warsaw Treaty. Hoping to use the foreign policy success as political cover, Gomulka announced a number of wage cuts and price hikes on basic food items, which effectively amounted to a 25 per cent cut in income for workers.[76] On 14 December 1970, only one week after the signing of the treaty, rioting and strikes broke out in several Polish cities. In Gdansk, later the cradle of the Solidarity movement, a number of workers were killed in clashes with security forces. On 20 December Gomulka was forced to resign. His successor, Edward Gierek, immediately promised the workers that living standards would rise. Thus the new Gierek team was even more desperate than Gomulka had been to rapidly 'import' prosperity from the West, specifically from West Germany. Soon imports would soar, and Poland would find itself trapped in a spiral of debt, which crippled the communist leadership until its eventual collapse in the 1980s.

In 1970, as at other times before and since, the Germans demonstrated that economic linkage can work. As this study shows, positive linkage can be a particularly effective too!. Even in cases where a state faces a highly polarised situation, with difficult historical baggage, economic incentives can help to bridge the gap. As authors such as Baldwin and Knorr would predict, economic aid can both win political concessions and build trust. 77

This conclusion is important in two ways. First, it suggests that Brandt' s strategy of enveloping the East in a web of economic ties, as epitomised by the Polish case outlined here, may have played a longer-term role in helping to change to Cold War dynamics in Europe. Second; this conclusion is also an important one for world affairs in genera!. It suggests that positive economic linkage might help to resolve other difficult disputes in our present-day world, for example helping to bring 'pariah' states such as lran and North Korea back into the world community.78 In all, then, as the old folk saying reminds us, 'you catch more flies with honey than with vinegar'.

NOTES

1. The question of the contribution of Brandt' s policies to the end of the Cold War is a controversial one. For a good overview, see Noel Cary, 'Reassessing Germany's *Ostpolitik.* Part I: From Détente to Refreeze', *Central European History* 33/2 (2000), pp.235-62, and 'Reassessing Germany's *Ostpolitik.* Part II: From Refreeze to Reunification', *Central European History* 33/3 (2000), pp.269-390. For a broader view of Polish-German relations throughout the Cold War era, see Dieter Bingen, *Die Polenpolitik der Bonner Republik von Adenauer bis Koh11949-1991* (Baden-Baden: Nomos, 1998).
2. A German-Polish border treaty which recognised the Oder-Neisse line was signed only in autumn 1990, just after German reunification.
3. Claus Ma1zahn, 'lm Schatten einer Geste', *Der Spiegel,* 11 Dec. 2000, pp.200-201. In addition, the now-famous *Kniefall* was not reported in the Polish press at the time.

4. Patricia Davis, *The AI1 o[Economic Persuasion: Positive Incentives and German Economic Diplomacy* (Ann Arbor: University of Michigan Press, 1999), p.72.
5. See for example ibid.; Angela Stent, *From Embargo to Ostpolitik: The Political Economy o[West German- Soviet Relations, 1955- 1980* (Cambridge: Cambridge University Press, 1981); Robert Spaulding, 'German Trade Policy in Eastern Europe', *Intemational Organization* 45/3 (1991), pp.343-68; James Sperling, 'German Foreign Policy after Reunification: The End of Cheque Book Diplomacy?', *West European Politics* 17/1 (1994), pp.73-97; Robert Spaulding, *Osthandel and Ostpolitik: German Foreign Trade Policies in Eastem Europe [rom Bismarck to Adenauer* (Providence, RI: Berghahn, 1997); Peter Loedel, *Deutsche Mark Politics: Germany in the European Monetary System* (Boulder, CO: Lynne Rienner, 1999); and Randall Newnham, *Deutsche Mark Diplomacy: Positive Economic Sanctions in German-Russian Relations* (University Park, PA: Penn State Press, 2(02).
6. Some authors refer to 'positive sanctions' (David Baldwin, 'The Power of Positive Sanctions', *World Politics* 24/1 (1971), pp.19-39, and *Economic Statecra[t* (Princeton, NJ: Princeton University Press, 1985); Klaus Knorr, *The Power o[Nations: The Political Economy o[International Relations* (New York: Basic Books, 1975). Others speak of 'economic inducements' or 'incentives' (William Long, 'Trade and Technology Incentives>and Bilateral Cooperation', *Intemational Studies Qual1erly* 40/1 (1996), pp.77-106; Thomas Bernauer and Dieter Ruloff, *The Politics o[Positive Incentives in Anns Control* (Columbia: University of South Carolina Press, 1999).
7. In addition to the worksjust mentioned, see forexample Richard Haass and Meghan O'Su1livan (eds.), *Honey and Vinegar: Incentives, Sanctions, and Foreign Policy* (Washington, DC: Brooklngs Institution Press, 2000) and the classic work by Albert Hirschman, *National Power and the Structure o[Foreign Trade* (Berkeley: University of California Press, 1945). For an overview see the review article by Michael Mastanduno, 'Economic Statecraft, Interdependence and National Security: Agendas for Research', *Security Studies* 9/2 (1999-2000), pp.288-316.
8. On the virtues of positive linkage, see the discussion in Newnham, *Deutsche Mark Diplomacy,* pp.22-8.
9. Alexander George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences* (Cambridge, MA: MIT Press, 2(05).
10. The term millennium was not chosen arbitrarily. Some Polish and German authors, groping for a glimmer of friendship in the history of bilateral ties, are forced to go back to the year 1000 AD, when Emperor Otto III made a friendly visit to the Polish King Boleslaw n. See for example Alfred Schickel, *Deutsche und Polen: Ein lahl1ausend gemeinsamer Geschichte* (Bergisch Gladbach: Gustav Liibbe, 1984), pp.12-14.
II. For more detail on this period see Franz Eibl, *Politik der Bewegung: Gerhard Schroder als Aussenminister, 1961-1966* (Munich: Oldenbourg, 2(01).
12. Davis, *The AI1 o[Economic Persuasion,* p.72.
13. See the comments by Brandt's foreign minister, Walter Scheel of the FOP, as citOOin Bingen, *Die Polenpolitik,* pp.132-3.
14. This demand was reinforced by the entire Eastern bloc in ajoint decision ofthe Warsaw Pact, made in December 1969. See Boris Meissner (ed.), *Die Beziehungen z:wischen der Sowjetunion und der Bundesrepublick Deutschland,* 1955-1973: *Dokumentation* (Cologne: Verlag Wissenschaft und Politik, 1975), p.300.
15. On the inter-war period, see for example Harald von Rieckhoff, *German-Polish Relations, 1918-33* •• (Baltimore, MD: Johns Hopklns University Press, 1971); Mieczyslaw Tomala, 'Deutsch-polnische Wirtschaftsbeziehungen seit 1919', in Hans-Henning Hahn *et a/.* (eds.), *Polen und Deutschland: Nachbam in Europa* (Hannover: Schernerd'ruck, 1995), pp.45-57; and Randall Newnham, 'Polsko-Niemieckle Zaleznosci Gospod'arcze w Okresie Mi~zywojennym' [Interwar Poland and German Economic Linkage], *przeglQd Zachodni* [Polish Journal of Western Affairs] 60/4 (2004), pp.33-51.
16. Bingen, *Die Polenpolitik,* pp.38-9.
17. These people, often referred to as 'autochthons' in bath Polish and German literature, are particularly concentrated in Upper Silesia, a region which was on the frontier of Polish and German settlement for centuries. honically, many of them sided with Poland in the 1918-20 fighting between the two countries over the region. Historically, their mixed identity has left them feeling alienated from whichever of the two countries ruled their region at the time. For more on the minority, see for example Jacek Kosiarskl, 'The Problem of the German Minority in Poland', *Polish Qual1erly o[International AjJairs* 1/1-2 (1992), pp.47-68, and Karl Cordell, 'Poland's German Minority', in Stefan Wolff (ed.), *German Minorities in Europe: Ethnic Identity and Cultural Belonging* (New York: Berghahn, 2000), pp.75-96.
18. The German Red Cross reportOO283,000 such persons. Davis, *The AI1 o[Economic Persuasion,* p.71.
19. On the overall demands, see Robert Dean, *West German Trade with the East: The Political Dimension* (New York: Praeger, 1974), p.236, and Bingen, *Die Polenpolitik,* pp.1I7-18. On the letter, written on 27 October 1970, at a crucial moment in the talks with Warsaw, see Bingen, *Die Polenpolitik,* p.141.

20. A few of the reasons for this greater difficulty are as folio ws. First, France and Germany are much more similar in all measures of national power; thus France feels relatively less threatened by the Germans. Second, Poland' s treatrnent at the hands of Germany has been far worse. It helped to totally dismember Poland both in the 1700s and in World War II, and of course its treatrnent of the Poles in that war was far worse than the treatrnent of France. Third, until the signing of a final border treaty in 1990 West Germany still expres sed some ambiguity about Poland's western border, while it had settlOO its border with France by the 1950s (when the Saar issue was resolved). Fourth, France and Germany were united after WWlI by their common membership in NATO and the EU, while the Cold War divide only deepened German-Polish hostility.
21. Dean, *West German Trade,* p.235. Recent analysis based on newly-opened Polish government archives has dramatically confirmed Poland's economic motivations. See Douglas Selvage, 'The Treaty of Warsaw: The Warsaw Pact Context', *German Historical Institute Bulletin* 34/Supplement I (2004), pp.67-79.
22. Even an official Polish government journal had estimatOO in 1969 that 70 per cent of the country's machinery was outmoded in most industries. At the current rate of replacement it would have taken 90 years to replace that machinery. Cited in Georg Strobel, 'Von der WirtschaftIichen Konfrontation zur Industriellen Kooperation', *Berichte des Bundesinstituts fiir Ostwissenschaftliche und Intemationale Studien* 34 (1973), p.20.
23. In 1970 West German productivity per worker was estimated at $12,847, while Polish workers averaged only $3,186, four times lower. Josef Misala, *Deutsch-polnische Wil1schaftsbeziehungen* im *20. lahrhundel1: Tendenzen und Faktoren* (Warsaw: Friedrlch Ebert Stiftung, 1992), p.58. When one considers that West Germany had almost double Poland' s population, the overall economic difference is even clearer.
24. This problem was identifiOOby many authors in the years before the final collapse of the Eastern bloc. See for example Marshall Goldman, *Gorbachev's Challenge: Economic Re[onn in the Age o[High Technology* (New York: W.W. Norton, 1987).
25. Michael Marrese and Jan Vanous, *Soviet Subsidization o[Trade with Eastem Europe: A Soviet Perspective* (Berkeley: Institute of International Studies, University of California, 1983).
26. Georg Strobel, 'Die polnisch-bundesdeutschen Wirtschaftsbeziehungen und deren politische Aspekte', in Ernst Hinrichs (00.), *Die Beziehungen zwischen der Bundesrepublik Deutschland und der Volksrepublik Polen bis zur KSZE* (Braunschweig: Selbstverlag des Georg-Eckert-Instituts fiit Internationale Schulbuchforschung, 1987), pp.151-70, here, p.161.
27. Selvage shows that a major factor in Poland' s willingness to deal with West Germany was the failure of its efforts to negotiate better economic ties with East Germany. The GDR rejectOOWarsaw's overtures. This reportedly led to a tense exchange during a 1967 meeting in Moscow, when Gomulka accused the GDR of treating Poland as an economic colony *(Hinterland),* and Ulbricht snapped back that Polish goods were nothing but 'sh-t' (Selvage, 'The Treaty of Warsaw', p.7!). Instead, both the GDR and USSR began to expand trade with Bonn, leaving Poland feeling pressured to follow suit or be cut out of the benefits. Bingen's research, also based on Polish archival sources, agrees with this analysis (Bingen, *Die Polenpolitik,* p.108ff).
28. Figures from *Statistisches lahrbuch fiir die Bundesrepublik Deutschland* (Bonn, later Berlin: Statistisches Bundesamt) and *Rocznik Statystyczny* [Statistical Handbook] (Warsaw: Glowny Urzad Statystyczny), various years.
29. Ibid.
30. As Dean notes *(West German Trade,* p.235), Poland's first demand when trade talks were planned in 1969 was for a subsidised West German credit of at least DM500 mi1lion. This demand was repeated relentlessly, with figures reaching into the tens of billions, until Germany finally agreed in 1975 to a DMI billion credit.
31. Misala, *Deutsch-polnische Wil1schaftsbeziehungen,* p.81. At the time Poland accountOO for 1.1 per cent of world exports and West Germany for 9.9 per cent. By 1989 the discrepancy had risen to over 20: I, with Poland at 0.4 per cent and West Germany at 11.3 per cent, a powerful statement of the countries' relative economic strengtb.
32. Erhard Cziomer, 'Die Wirtschaftsbeziehungen zwischen der Volksrepublik Polen und der Bundesrepublik Deutschland 1949-1975', in Hinrichs, *Die Beziehungen,* p.139.
33. Willy Brandt,*A Peace Policy[or Europe* (New York: Holt, Rinehart, and Winston, 1969), pp.llIO-l1. See also the extensive discussion of the motives behind the new *Ostpolitik* in Arnulf Baring, *Machtwechsel: Die Ara Brandt-Scheel* (Stuttgart: Deutsche Verlags-Anstalt, 1982), and Willy Brandt, *Erinnerungen* (Berlin: Ullstein, 1989).
34. Cited in Timothy Garton Ash, *ln Europe's Name: Germany and the Divided Continent* (New York: Random House, 1993), p.l04.
35. Bingen, *Die Polenpolitik,* p.133.
36. For a good description of the various rounds of talks, see ibid., pp.122-34.

37. Volkmar Kellermann, *Briicken nach Polen* (Borm: Aktuell, 1973), p.146.
38. Ibid., p.148.
39. Davis, *The Art of Economic Persuasion*, p.77.
40. *Polityka*, 21 March 1970, cited in Dean, *West German Trade*, p.235. Similar comments were made by the Polish Minister of Foreign Trade, Burakiewicz, in *Zycie Warszawy*, 8 March 1970.
41. Dean, *West German Trade*, p.235.
42. Strobel, 'Von der Wirtschaftlichen Konfrontation', p.16.
43. Davis, *The Art of Economic Persuasion*, p.68.
44. The provisions of the treaty are discussed in Cziomer, 'Die Wirtschaftsbeziehungen', pp.137-8. The full text of the treaty can be found in Hans-Adolf Jacobsen and Miesczyslaw Tomala (eds.), *Die deutsch-polnische Beziehungen: Analyse und Dokumentation* (Cologne: Verlag Wissenschaft und Politik, 1992), pp.203-6.
45. Germany's decision to grant unconditional MFN status to Poland is especially noteworthy when one compares it to the tortuous process which the United States used in deciding whether to extend MFN rights to communist states. The US attell\pted to use MFN to extract specific politicaJ concessions from the Eastem bloc, as for example in the 1975 Jackson- Vanik amendment, which froze MFN status for the Soviet Union until emigration rights for Jews were granted. In the end, the US was willing to grant MFN status only to Romania, as a reward for that state' s defiance of Moscow on several politicaJ issues.
46. Prices in current DM. *Statistisches lahrbuch*, various issues.
47. Of course, there were some sectors of the German economy which were more reliant on trade with the East, particularly some lower-technology 'sunset' industries. Overall, though, the direction of dependence was clear.
48. *Rocznik Statystyczny*, 1974, p.4l1.
49. For a brief description of the nature of this programme, see 'Ausfuhrgewiihrleistungen des Bundes: Grundziige', available at *http://www.agaportaLde/pages/* agal grundzuege.htrn1.
50. Strobel, 'Die polnisch-bundesdeutschen Wirtschaftsbeziehungen', p.160.
51. *Ausfuhrburgschaften der Bundesrepublik: Berichte* 1971-1976 (Bonn: FederaJ Ministry of Economics, 1977), p.16.
52. 'Lista Wazniejszych Inwestorow Zagranicznych w Polsce' [List of Important Foreign Investors in Poland], Warsaw: Polish Ministry of Foreign Trade, 1994, mimeo.
53. As noted in Strobel, 'Die polnisch-bundesdeutschen Wirtschaftsbeziehungen', p.161, and Wsala, *Deutsch-polnische Wirtschaftsbeziehungen*, p.72.
54. Strobel, 'Von der Wirtschaftlichen Konfrontation', pp.14-16 and 23; Strobel, 'Die polnisch-bundesdeutschen Wirtschaftsbeziehungen', pp.162 and 164. There were many reasons for the relative failure of industriaJ cooperation, most notably the extreme differences between the two countries' economic systems. German companies were constantly frustrated by bureaucracy, low production quaJity, and other problems endemic to communist systems.
55. The OstausschuB operates under the auspices of the BDI (Bundesverband der Deutschen Industrie), the leading association of major German companies. The OstausschuB has long formed a key nexus between govemment and industry on issues of East-West trade, simultaneously lobbying the govemment on behalf of the large firms and passing on the govemment's wishes to private industry.
56. For a complete discussion of this problem see Petra Pissula *et al., Die Wettbewerbsposition Polens auf dem Markt der Bundesrepublik Deutschland in der 7Ver lahre* (Hamburg: Verlag Weltarchiv, 1981).
57. Bingen, *Die Polenpolitik*, p.134, and Strobel, 'Die polnisch-bundesdeutschen Wirtschaftsbeziehungen', p.162.
58. See Randall Newnham, 'Germany and Poland in the EU Enlargement Process', *Canadian-American Slavic Studies 39/4* (2005), pp.469-88.
59. lronically, Polish scholars showed their doubts about the border provisions by spending the next thirty years trying to reinterpret them in a way favourable to Poland. See for example the article by Krzysztof Skubiszewski (later Poland's first foreign minister after the faJI of communism), 'Poland's Westem Frontier and the 1970 Treaties', *The American loumal of 1ntemational Law 6711* (1973), pp.23-43.
60. It could be argued that Bonn could not speak for a unified Germany, especially since the four aJlied powers which had occupied Germany in 1945 retained the right to approve any finaJ settlement of the 'German question.'
61. The Poles repeatedly tried to delay German unification until their border demands were met, greatly complicating the 1990 '2+4' talks on unification. For details see Randall Newnham, 'Poland and Germany, 1989-1991: The Role of Economic Factors in Foreign Policy', *The Donald W. Treadgold Papers in Russian, East European, and Central Asian Studies* 26 (2000).
62. See Article I Section 2 of the Warsaw Treaty, as reproduced in Jacobsen and Tomala, *Die deutsch-polnische Beúehungen*, pp.222-23.

63. Valentin Falin, *Politische Errinerungen* (Munich: Droemer Knauer, 1993), p.94.
64. Bingen, *Die Polenpolitik*, p.140.
65. As Davis notes *(The Art of Economic Persuasion*, p.79), the treaty was not ratified until17 May 1972, after over a year of debate. Since the opposition then had the same number of votes in the German Bundestag as Brandt's coalition, delicate negotiations were required to persuade them to allow the treaty to pass. In the end, the provisional nature of the border guarantee was important in winning the CDU' s agreement to abstain on the crucial vote, allowing passage with exactly half of the Bundestag' s votes (248 in favour, 231 abstaining, and 17 opposed).
66. Dieter Bingen, 'Deutsche und Polen: Paradigmenwechsel in Warschau, 1985-1989', *Berichte des Bundesinstitutes fUr ostwissenschaftliche und internationale Studien*, 31 (1989); Dieter Bingen and Janusz Wec, *Die Deutschlandpolitik Polens* 1945-1991 (Krakow: Uniwersytet Jagiellonski, 1993), p.132. See also the public opinion data in Newnham ('Poland and Germany, 1989-1991', pp.12-13), which shows that by the 1980s more Poles were beginning to see Germany in a positive or at least neutrallight.
67. Bingen and Wec, *Die Deutschlandpolitik Polens*, pp.134-5.
68. Cited in Kellermann, *Briicken nach Polen*, p.157.
69. The text of the statement of the Polish govemment can be found in Jacobsen and Tomala, *Die deutsch-polnische Beziehungen*, pp.223 -4, and *Bulletin* of the German Federal Press and Information Agency, 8 Dec. 1970, p.1817. The sensitivity of this statement is further shown by the fact that it was not published in Poland at the time. Poland was careful to preserve the fiction of 'unilateraJ' action in order to be able to claim that the German minority was not a matter to be dealt with between the German and Polish govemments, but was solely a matter of Warsaw's domestic policies. Stili, it was obvious to aJI that the Polish concession was part of the bilateral 'package deal'. See Baring, *Machtwechsel*, pp.482-4.
70. In the two years following the accord, some 38,500 members of the German minority were permitted to emigrate. Following this, emigration again slowed dramatically. Ash, *In Europe's Name*, p.237.
71. Davis, *The Art of Economic Persuasion*, p.78. See also Baring, *Machtwechsel*, pp.485- 7.
72. Brandt, *Erinnerungen*, p.217.
73. See Bingen, *Die Polenpolitik*, pp.141-5 and 156, as well as Dean, *West German Trade*, p.236.
74. Davis, *The Art of Economic Persuasion*, p.76.
75. See Newnham, *Deutsche Mark Diplomacy*, pp.130-32 and 162-3, on similar German efforts to use economic incentives to persuade Moscow to include West Berlin in German-Soviet treaties.
76. Kellermann, *Briicken nach Polen*, pp.162-3.
77. Baldwin, 'The Power of Positive Sanctions'; Knorr, *The Power of Nations.*
78. See for example Bemauer and Ruloff, *The Politics of Positive lncentives in Arms Control*, for a discussion of how incentives can help to persuade such hostile nations to disarm.