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**Germany’s Leadership Role in the Eurozone Crisis and its
Implications for Turkey’s EU Bid: A Liberal Intergovernmentalist
Approach**

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Introduction

German power has long caught the interest of scholars, policy-makers, and the European public, in general, and shaped the sui generis nature of the European Union (EU). Germany played a central role in the launch of the supranational integration in Europe, in other words, the creation of the European Coal and Steel Community (ECSC).¹ In view of the rapid recovery of Germany following the World War II, European, and in particular, French efforts to benefit from the resurgent German power in a multilateral context and control it through political means, at the same time, gave birth to the initiation of the European integration process. As Morisse-Schilbach argues, “(...) the only way of taming post-World War II Germany was to link it as closely as possible to its European partners through the intermediary of international institutions. At the same time, it also became clear to European leaders that the only way to benefit from these close linkages to former enemy Germany was – paradoxically – to let it become strong and powerful once again (in economic terms).”²

¹ Simon Bulmer and William E. Paterson (2013), “Germany as the EU’s reluctant hegemon? Of economic strength and political constraints”, *Journal of European Public Policy*, Vol. 20, No. 10, p. 1387

² Melanie Morisse-Schilbach (2011), “Ach Deutschland! Greece, the Euro Crisis, and the Costs and Benefits of Being a Benign Hegemon”, *IPG 1/2011*, p. 27

Today, Germany’s economic strength constitutes an essential part of its “aggregate structural power”, which concerns “a state’s total amount of resources and capabilities.”³ Germany is the largest national economy in Europe, representing approximately 21 percent of the EU’s total gross domestic product (GDP).⁴ Over the last decade, Germany’s GDP per capita has increased faster than any other major industrialized country.⁵ It is the most populous Member State in the EU and enjoys a highly strategic location at the crossroads of Central Europe. According to the Governance Report 2014 prepared by the renowned Hertie School of Governance, Germany ranks among the top countries, in nearly all categories related to administrative capacity, both in an EU and worldwide evaluation.⁶ Its technological development may be inferred from the fact that technology-based exports represent approximately 90 percent of the country’s total exports.⁷ Such components of its aggregate structural power enable Germany to exert substantial influence on the EU institutions and decision-making processes through its European policy.

With the outbreak of the Eurozone crisis in late 2009, German influence in the EU took a new turn. Germany had been less affected by the Eurozone’s problems than most of the other Member States. Germany’s aggregate resources and capabilities accompanied by its net contributor status put the country into the epicenter of the debates over visions on the future architecture of the EU and possible solutions to rescue the Euro. The shifting balance of power in Europe since the onset of the Eurozone crisis has made Germany’s leadership in the EU widely desirable, if not inevitable. Since the onset of the crisis the country has been regarded as “the only economy that can keep Europe afloat”⁸ as “nothing can happen in the EU without the active support of Germany’s chancellor, Angela Merkel.”⁹

German leadership and aid came with hard conditions attached as well as willingness to undertake unilateral actions, if necessary; in other words, readiness for *Alleingang*. The crisis era for the European economies has also witnessed a German government that did not abstain from imposing its unilateral position pertaining to Turkey’s EU accession process on the rest of the EU. It first blocked the launch of accession talks on Chapter 22 related to

³ Jonas Tallberg (2008), “Bargaining Power in the European Council”, *Journal of Common Market Studies*, Vol. 46, No. 3, pp. 688-689

⁴ World Economic Outlook Database, October 2013

⁵ Alexander Reisenbichler and Kimberly J. Morgan (2013), “How Germany won the Euro crisis: And why its gains could be fleeting”, *Foreign Affairs*, 20 June 2013, <http://www.foreignaffairs.com/articles/139520/alexander-reisenbichler-and-kimberly-j-morgan/how-germany-won-the-euro-crisis>

⁶ The Governance Report 2014, Interactive Data Explorer, <http://www.governancereport.org/home/governance-indicators/indicators2014/interactive-data-explorer/>

⁷ Horst Siebert (2014), *The German Economy: Beyond the Social Market*, (Princeton: Princeton University Press), p. 5

⁸ Mark Hallerberg (2013), “Challenges for the German Welfare State Before and After the Global Financial Crisis”, *Cato Journal*, Vol. 33, No. 2, p. 263

⁹ “The reluctant hegemon”, *The Economist*, 15 June 2013, <http://www.economist.com/news/leaders/21579456-if-europes-economies-are-recover-germany-must-start-lead-reluctant-hegemon>

regional policy and the coordination of structural instruments in June 2013, as originally promised by the EU. The German veto was only supported by two Member States – Austria and the Netherlands¹⁰ – and led to a temporary yet strong deterioration in German-Turkish bilateral relations. The German government ultimately lifted its veto on the opening of this chapter in October 2013.

In the crisis era, Germany remained reluctant to make any concessions on its issue-specific preferences, which indicates the emergence of a new pattern in Germany’s European policy. This paper argues that Andrew Moravcsik’s theory of liberal intergovernmentalism¹¹ (LI) provides an adequate and useful framework in explaining the similarities between Germany’s approach to steering the Eurozone crisis and its attitude towards Turkey’s EU accession process since the onset of the crisis, by taking into account the implications of globalization-induced patterns of interdependence for the sequential processes of domestic preference formation and strategic interstate bargaining. The paper first explores the key premises of the liberal intergovernmentalist account for the analysis of national preference formation and intergovernmental strategic interaction in Germany during the Eurozone crisis. It then analyzes the metamorphosis of the German influence in the EU in line with the changing parameters of its European policy. The paper pays particular attention to whether the preferences and interests of the domestic constituents contributed to the formation of the character and content of Germany’s European policy. The next part constitutes the crux of this study and scrutinizes the implications of changing preferences and interests of German societal actors following the outbreak of the Eurozone crisis for German government’s position on Turkey’s EU accession process by tracing the process leading to the opening of Chapter 22.

A Liberal-Intergovernmentalist Approach to German Policy-Making in View of the Eurozone Crisis

Neoliberals had already moved the academic debate on international politics to the next level within rationalist circles by shifting the attention away from the existence of a self-help system striving for survival towards the presence of economic interdependence between

¹⁰ “Ankara hails EU decision to unfreeze accession talks”, *Euractiv*, 26 June 2013, <http://www.euractiv.com/enlargement/ankara-reacts-positively-eu-deci-news-528868>

¹¹ Andrew Moravcsik (1993), “Preferences and Power in the European Community: A Liberal Intergovernmentalist Approach”, *Journal of Common Market Studies*, Vol. 31, No. 4; Andrew Moravcsik (1997), “Taking Preferences Seriously: A Liberal Theory of International Politics”, *International Organization*, Vol. 51, No. 4

the units of a system.¹² In this way they adopt a rather optimistic view of interstate cooperation. Neoliberalism argues that the extraordinary growth in international trade, transactions, price sensitivity and foreign direct investments decreases the effectiveness of most national economic policies and restricts the autonomy of the states. Consequently, interstate cooperation, i.e. the creation of common policies and coordination of actions, becomes a necessity.¹³ Neoliberalism conveys the impression to be particularly interested in the interaction of state preferences. Some neoliberalist scholars acknowledge the need to understand how domestic politics affects national preference formation and pointed out the deficiency of neoliberalist thought in applying a complete system-level analysis of international relations.¹⁴

The central role of domestic context in the formation of state preferences, and consequently, state behavior in the international fora has been at the crux of Andrew Moravcsik’s theory of LI, which provided the study of international politics and European integration with a fresh “bottom-up” approach. By offering a sequential analysis of a liberal theory of national preference formation and an intergovernmental approach to strategic interstate bargaining, Moravcsik shifts the focus on supply and demand functions necessary for international cooperation. Whereas a process of domestic preference formation shapes the perceptions of national governments with regard to benefits of potential policy coordination (the demand side), the interstate bargaining process sets out the possible cooperation outcomes (the supply side).¹⁵ On the demand side, LI emphasizes the central role of the interests and preferences of domestic constituents in the formation of state preferences due to governments’ primary interest in staying in power. State preferences are not fixed – as realists argue – but emerge from “dynamic political processes in the domestic polity.”¹⁶ As Moravcsik puts it, “states (or rather political institutions) represent some subset of domestic society, on the basis of whose interests state officials define state preferences and act purposively in world politics”.¹⁷ Governments acquire in particular little room for maneuver at times when the preferences of the dominant domestic groups are precisely defined. The preferences, interests and influence of the societal groups vary across country, time and

¹²See on this Robert O. Keohane and Joseph S. Nye (1989) 1st Edition 1977, *Power and Interdependence: World politics in transition*, (New York: Harper Collins Publishers), pp. 25-29; Kenneth A. Oye (1995), “Explaining Cooperation under Anarchy: Hypotheses and Strategies”, *World Politics*, Vol. 38, No. 1, pp. 1-24

¹³Richard N. Cooper (1972), “Economic Interdependence and Foreign Policy in the Seventies”, *World Politics*, Vol. 24, No. 2, pp. 177-179

¹⁴Robert O. Keohane and Joseph S. Nye (1987), “Power and Interdependence Revisited”, *International Organization*, Vol. 41, No. 4, p. 748

¹⁵Moravcsik (1993), op.cit., p. 481

¹⁶Ben Rosamond (2000), *Theories of European Integration*, (Hampshire: Palgrave Macmillan), p. 137

¹⁷Moravcsik (1997), op.cit., p. 518

relevant issue-area.¹⁸ On the supply side, states enter the phase of intergovernmental strategic bargaining, where they pay particular attention to the distributional consequences of the cooperation outcome. Moravcsik refers to this mechanism as “the process of collective choice through which conflicting interests are reconciled.”¹⁹ This process is realized on the basis of the principle of *asymmetrical interdependence*. Those who gain the most from policy coordination, compromise the most on the margin to realize the coordination. On the other hand, the states, which are less dependent on the relevant issue of interaction, may be able to manipulate the interaction to achieve their intentions not only in the area of issue, but in the form of side-payments in other issue areas, as well.²⁰

Globalization-induced patterns of interdependence play a crucial role in the sequential processes of domestic preference formation and strategic interstate bargaining. In the global world order, the pursuit of a state’s preferences driven from the interests of the most dominant domestic actors may influence the domestic goals of foreign states. States’ national policies become interdependent and *policy externalities* may occur; in other words, policies of a state may impose costs or benefits on other states.²¹ Neoliberalist and liberal intergovernmentalist emphasis on economic interdependence might easily lead to the common misunderstanding that economic interests primarily define the limits of cooperation. However, liberal theories of international relations do not only highlight interdependence in economic issues, but also in other issue areas such as security, foreign policy and ecology. “(...) the key here is the term ‘issue-specific’(...) It is that state preferences are driven by issue-specific preference functions about how to manage globalization, not linkage to general policy concerns (...) Geopolitical interests (even more than ideology) also had an important impact on European integration.”²² In situations where state preferences impose significant costs (known as negative externalities) on dominant domestic constituents in foreign states and prevent them from realizing their goals, interstate conflicts may arise making cooperation difficult.

In transferring the core premises of LI to the study of the character of Germany’s European policies since the outbreak of the Eurozone crisis, with particular focus on German policy-making pertaining to Turkey’s EU accession process, the following hypotheses are detracted:

¹⁸ Moravcsik (1993), op.cit., p. 483

¹⁹ Ibid, p. 481

²⁰ Robert O. Keohane (1989), *International Institutions and State Power: Essays in International Relations Theory*, (Boulder: Westview Press), p. 26

²¹ Ibid., p. 520; Andrew Moravcsik (1999), *The Choice for Europe. Social Purpose and State Power from Messina to Maastricht*, (London: UCL Press), p. 35

²² Andrew Moravcsik and Frank Schimmelfennig (2009), “Liberal Intergovernmentalism”, in Antje Wiener and Thomas Diez (eds.), *European Integration Theory*, (Oxford: Oxford University Press), p. 70

[H1] In view of policy externalities stemming from the Eurozone crisis, German domestic constituents are likely to pay increased attention to the key parameters of the German federal government’s European policy, including those related to Turkey’s EU bid. Societal actors are likely to precisely define their preferences, which would constrain federal government’s policy maneuverability.

[H2] German government’s preferences pertaining to Turkey’s EU accession process are not fixed or preordained, but significantly shaped by the interests, preferences and relative influence of domestic constituencies, which are prone to change over time.

An Overview of the Metamorphosis of German Influence in the EU

Germany’s European vocation and the metamorphosis of German influence in the EU have been subject to intense debate in academic, political and public spheres. This is not surprising since “one of the key determinants of the future character and functioning of the EU is German *Europapolitik* (European policy).”²³ Thus, a strong link exists between Germany’s European policy and the scope of its influence in the EU. The transformation of German influence in the EU on the basis of changing key parameters and premises of its European policy has evolved in four historical stages: the foundation of the Federal Republic of Germany; German reunification; the end of the Helmut Kohl era accompanied by the acceleration of the EU’s widening process; and the outbreak of the Eurozone crisis.

In the post-World War II era, the newly established Federal Republic was obliged to operate under unusual internal and external constraints. Its post-war occupation by the Allied powers accompanied by its highly decentralized institutional engineering led to Germany’s characterization as a “semi-sovereign”²⁴ or “pre sovereign”²⁵ state. Germany’s limited external and internal sovereignty gave rise to its “foundational commitment to European integration.”²⁶ That commitment was an attempt to lay the foundations of a German “actorness” in Europe and bring solutions to domestic problems. Germany acted in concert within a multilateral framework, and particularly, in close cooperation with France. In this bilateral dialogue Germany had given France the upper hand. This approach also provided the

²³ Adrian Hyde-Price and Charlie Jeffery (2001), “Germany in the European Union: Constructing Normality”, *Journal of Common Market Studies*, Vol. 39, No. 4, p. 690

²⁴ Peter J. Katzenstein (1987), *Policy and Politics in West Germany: The Growth of a Semi-sovereign State*, (Philadelphia: Temple University Press)

²⁵ William E. Paterson (2005), “European Policy-making: Between Associated Sovereignty and Semisovereignty”, in Simon Green and William E. Paterson (eds.), *Governance in Contemporary Germany: The Semisovereign State Revisited*, (Cambridge University Press: Cambridge), p. 262

²⁶ Simon Bulmer, Charlie Jeffery and Stephen Padgett (2010), “Democracy and Diplomacy, Germany and Europe”, in Simon Bulmer, Charlie Jeffery and Stephen Padgett (eds.), *Rethinking Germany and Europe: Democracy and Diplomacy in a Semi-Sovereign State*, (Hampshire: Palgrave Macmillan), p. 3

EU with institutional solutions derived from the German model. In Paterson’s words, “In the founding years (...) the Federal Republic developed a culture of “reflexive multilateralism” (...) As the Federal Republic consolidated itself it began to feel confident enough to launch initiatives and eventually to export its own institutional models to the European level (...)”.²⁷

Following the German reunification the additional population, new economic potentials and strategic proximity to the European periphery enhanced Germany’s aggregate structural capabilities. However, key parameters of Germany’s European policy did not undergo gradual changes. To put it in Anderson’s words, “Unified Germany has not gone “back to the future.”²⁸ Germany rather preferred to become a “tamed power.”²⁹ In doing so, it maintained its commitment to multilateralism and European integration, and the traditional pattern of Franco-German alliance continued. However, this era also signaled the emergence of a new trend in German political landscape: the domestication of Germany’s European policy. The 1992 Maastricht Treaty transferred many competences of the Member States to the EU institutions. The advanced steps in the process of European integration warned societal actors about the negative externalities which were likely to arise from enhanced policy coordination at the EU level. Accordingly, domestic constituents started to demand stronger participation and co-decision rights in the formulation of Germany’s European policy. Due to increasing pressure from German *Bundesländer*, the Article 23 of the Basic Law was revised to ensure *Länder*’s participation in EU policy-making in areas which fall within their legislative competence.³⁰

Gerhard Schröder’s stint as Chancellor, from 1998 to 2005, bolstered the domestication of Germany’s European policy. Schröder proclaimed a “new normality” in Germany’s dialogue with the world - a motto he used during and after the 1998 election campaign.³¹ His concept of “new normality” grounded Germany’s foreign policy parameters predominantly on the pursuit of national interests. The strategic dimension of this new foreign policy paradigm was also reflected in Schröder’s strong support for Turkey’s EU membership. The speech he made at the German Bundestag a few days prior to the Helsinki European Council meeting, which confirmed Turkey’s EU candidacy, indicates the German Chancellor’s interest-oriented European policy: “We cannot on the one hand keep stressing

²⁷ William E. Paterson (2006), “Does Germany Still Have a European Vocation?”, *ERI Working Paper Series*, No. 15, September 2006, p. 5

²⁸ Jeffrey Anderson (1999), *German Unification and the Union of Europe*, (Cambridge: Cambridge University Press), p. 20

²⁹ Peter J. Katzenstein (1997), “United Germany in an Integrating Europe”, in Peter J. Katzenstein (ed.), *Tamed Power: Germany in Europe*, (New York: Cornell University Press), pp. 1-48

³⁰ Tanja A. Börzel (2006), *States and Regions in the European Union: Institutional Adaptation in Germany and Spain*, (Cambridge: Cambridge University Press), p. 71

³¹ Christian Engel (2006), “Germany: A Story of Saving Face”, in Finn Laursen (ed.), *The Treaty of Nice: Actor Preferences, Bargaining and Institutional Choice*, (Leiden: Koninklijke Brill NV), p. 95

Turkey’s strategic significance for Europe, placing great burdens on it within NATO, flatter it as an important regional power (...), if on the other hand we are not also ready to offer it a clear European perspective going beyond the simple customs union.”³²

The Eurozone Crisis and Germany’s Constrained Leadership

The Eurozone crisis has increased the already existing asymmetrical interdependence between Germany and the rest of Europe, creating a window of opportunity for Germany to increase its influence in the EU. Germany has been less affected by the Eurozone’s problems than most of the other Member States. Rather than trade deficits, the country has maintained huge trade surpluses.³³ Between 2005 and 2012, Germany’s unemployment rate gradually decreased from 11.1 percent in 2005 to 6.7 percent in 2012³⁴, while its economy grew between 2010 and 2013 on average by 2.1 percent.³⁵ Accordingly, many in Europe expected a German leadership that would not abstain from “responsibilities of political leadership commensurate with its economic heft”³⁶ and agree to “transfers of resources – and, if necessary, of power – required to sustain the long-term viability of the European integration project.”³⁷ The German government, under the leadership of Chancellor Merkel, failed to meet these expectations by attaching hard conditions to German help and steering the Eurozone crisis with a readiness for *Alleingang*, if necessary. German readiness for *Alleingang* has been evident in unilateral actions such as the rejection of Eurobonds and policies that bolster domestic spending; the initial reluctance to contribute to a € 750 billion aid package in order to set strict rules for financial aid and include the International Monetary Fund (IMF) in the troika of creditors; and unilateral statements like “Greece shouldn’t have been allowed into the Euro.”³⁸ Germany’s controversial role in the crisis culminated in its portrayal as a “reluctant hegemon” that gives precedence to domestic considerations over unconditional dedication to the European project³⁹, or a power that has started to lose its “benign hegemon” status.⁴⁰

³² “Germany wants Turkey to become EU candidate”, *Agence France Presse*, 3 December 1999

³³ “German trade surplus hits record level”, *The Local*, 7 February 2014, <http://www.thelocal.de/20140207/german-exports-set-new-record>

³⁴ Statistisches Bundesamt (2014), *Arbeitsmarkt. Arbeitslosenquote*, <https://www.destatis.de/DE/ZahlenFakten/Indikatoren/Konjunkturindikatoren/Arbeitsmarkt/arb210.html>

³⁵ Eurostat (2014), Real GDP Growth Rate Volume, <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tec00115&plugin=1>

³⁶ Guerot, op.cit., p. 1

³⁷ *Ibid.*, p. 1

³⁸ “Angela Merkel: Greece should never have been allowed in the euro”, *The Telegraph*, 27 August 2013

³⁹ William E. Paterson (2011), “The Reluctant Hegemon? Germany moves to center stage in the European Union”, *Journal of Common Market Studies*, Vol. 49, pp. 57-75

⁴⁰ Morisse-Schilbach, op.cit.

A closer look at the domestic politics of Germany’s leadership role in the Eurozone crisis reveals important insight into the key determinants of Germany’s conditional European vocation since the outbreak of the crisis. Germany is the biggest net donor with a current contribution of €190 billion (amounts roughly to two-thirds of Germany’s budget) to the capital of the European Stability Mechanism (ESM), which has been financing bailouts of Member States since September 2012, acting as the successor of the European Financial Stability Facility (EFSF) set up in 2010. Germany’s responsibility for the lion’s share of the bailout money accompanied by the questions related to the legitimacy of the funds due to the no-bailout clause⁴¹ of the Lisbon Treaty and many Member States’ call for policies that would encourage domestic spending for the vitalization of struggling economies - an approach contrary to German vision of budget consolidation through less government spending and increased taxes⁴² - alarmed German various societal groups about the possible negative policy externalities, which were likely to arise from German commitment to saving the Euro project.

With the outbreak of the Eurozone crisis the FCC emerged as a leading actor in monitoring the compatibility of policy coordination at the EU level with the German Basic Law and national sovereignty. The court had already addressed these issues and reinforced the role of the German *Bundestag* in the management of European affairs with its 1993 and 2009 decisions regarding the treaties of Maastricht and Lisbon. Since the onset of the Eurozone crisis, the FCC gave similar decisions in 2011, 2012 and 2014 regarding to the EFSF and the ESM. These rulings upheld the legitimacy of these mechanisms, while ordering the German government to get approval from the parliamentary budget committee for Germany’s participation in the bailout funds and limiting the volume of national liabilities to €190 billion. The possibility of negative rulings by the FCC over the legitimacy of bailout mechanisms created great concern not only in European public and political spheres⁴³ but also within German government.

These concerns have been reinforced by German public opinion’s increasing distrust in the EU and its vision of how to solve the crisis. According to the Spring 2012 Eurobarometer survey, 61 percent of Germans mistrust the EU⁴⁴, whereas the comprehensive 2013 survey of the PEW Research Center points out that for the majority of Germans (67

⁴¹ Due to increasing criticism from Member States, and in particular from German government, the Article 136 of the Lisbon Treaty has been amended to allow the establishment and functioning of the ESM under the EU law.

⁴² Sebastian Dullien and Ulrike Guerot (2012), “The Shadow of Ordoliberalism: Germany’s Approach to the Euro Crisis”, *ECFR Policy Brief*, September 2012, p. 3

⁴³ See for example “German Constitutional Court hearing will be day of judgement for the euro”, *Telegraph*, 8 September 2012

⁴⁴ European Commission (2012), *Standard Barometer 77*, Spring 2012, p. 92

percent) the best way to solve economic problems is the reduction of the public debt.⁴⁵ Increasing public hostility towards the EU and discomfort from Germany’s role as Europe’s cash dispenser was also reflected in the success of the Eurosceptic political party Alternative for Germany (AfD) at the 2013 federal elections. AfD was formed only seven months prior to the elections. The party surprisingly won 4.7 percent of the vote and just fell short of holding parliamentary seats by a very slight margin. The decline in the general level of support for the EU accompanied by the rise of Euroscepticism ahead of the upcoming European elections and concerns over the constitutionality of the bailout mechanism constrained the policy options of the Merkel government at the EU level.

With that being said, a constrained German European policy driven by the preferences of domestic constituents boosted Chancellor Merkel’s popularity in the eyes of the German public opinion⁴⁶ and business world. When German media seized on a report in October 2013 that Germany’s wealthy Quandt family, a major shareholder in BMW, had donated €690,000 to Merkel’s party, the Christian Democratic Union of Germany (CDU), a family spokesperson explained this donation with “the very successful effort of the chancellor in resolving the Eurozone crisis.”⁴⁷ Indeed, German government’s stance towards the crisis has been in line with the demands of the German business world. Markus Kerber, Chief Executive of the Federation of German Industries (BDI), stated in an interview, “The Federal government should stick to its philosophy: no service without service in return.”⁴⁸ In a similar vein, the Association of German Chambers of Commerce and Industry (DIHK) argued in a position paper that the crisis could only be solved, if the Eurozone members were to reduce their debt levels and enhance their competitiveness⁴⁹ - an argument that has also been wholeheartedly endorsed by the German government.

In view negative policy externalities that were likely to arise from enhanced policy coordination at the EU level in response to the Eurozone crisis, societal actors such as the FCC, public opinion and the business interest groups defined their preferences and interests precisely. The crisis provided a window of opportunity for domestic constituencies to determine the content and boundaries of Germany’s European policy, making Germany and Chancellor Merkel a “constrained hegemon” in the EU.

⁴⁵ PEW Research Center (2013), *The New Sick Man of Europe: The European Union*, p. 11, <http://www.pewglobal.org/files/2013/05/Pew-Research-Center-Global-Attitudes-Project-European-Union-Report-FINAL-FOR-PRINT-May-13-2013.pdf>

⁴⁶ “Why Germans love the enigmatic Merkel”, *The Guardian*, 15 August 2012

⁴⁷ “Anger over German stance on auto CO2 emissions”, *AFD*, 15 October 2013

⁴⁸ „Industrie beklagt „Kakophonie“ der Euro-Retter“, *Handelsblatt*, 3 July 2012

⁴⁹ DIHK (2012), “Mehr Wettbewerbsfähigkeit, weniger Schulden”, *Wirtschaftliche Positionen 2012 der IHK-Organisation*, pp. 6-7, http://www.ihk-kassel.de/solva_docs/wirtschaftspolitische_positionen_2012.pdf

A Constrained Leader’s Turkey Policy

What are the implications of Germany’s central role in the Eurozone crisis and its constrained European policy for its official position on Turkish accession to the EU? Has the German government’s Turkey policy become more contingent on domestic factors since the onset of the Eurozone crisis? In an attempt to answer these questions, this paper focuses on German government’s unsteady support for the opening of negotiations on Chapter 22, which concerns issues related to regional policy and coordination of structural instruments. The chapter had previously been blocked by France since 2007, along with four additional chapters⁵⁰, as they were considered directly related to full membership, which was not favored by the then French President Nicolas Sarkozy. Following François Hollande’s presidential victory in May 2012, the French government lifted its veto on Chapter 22 on 12 February 2013. An analysis of German position on the opening of Chapter 22 is highly relevant for the study of German-Turkish relations within the context of the Eurozone crisis due to two main reasons. Firstly, after a three and a half-year hiatus in accession talks with Turkey, the EU agreed in November 2013 to launch talks on Chapter 22 and resume membership negotiations. Thus, the opening of talks on this chapter has actually been almost the only positive development in Turkey’s EU accession process since the escalation of EU-wide debates over the Eurozone crisis and the EU’s future architecture. Secondly, during the process leading up to the opening of this chapter, the German government changed its position on this matter several times: It first backed the opening of Chapter 22 in EU-Turkey talks, then voiced its objection to the relaunch of talks in June 2013, as originally promised by the EU, and ultimately, in October 2013, gave its green light to open this chapter. Accordingly, the study of the process leading up to the opening of talks on Chapter 22 with particular focus on Germany’s fluctuating attitude towards the matter is likely to give some important and useful hints on the key determinants of Germany’s Turkey policy during the Eurozone crisis.

Chancellor Merkel’s Visit to Turkey: Call for a Fresh Impetus in Turkey-EU Negotiations

During 24-25 February 2013, German Chancellor Merkel visited Turkey, accompanied by an exceptionally high-level business delegation, comprising 15 top leaders of

⁵⁰ 11-Agriculture and Rural Development”, “17-Economic and Monetary Policy”, “33-Financial and Budgetary Provisions” and “34-Institutions”

the German business world.⁵¹ One day ahead of her departure to Turkey, Merkel talked in her weekly video podcast about her visit to Turkey and declared her support for the opening of a new chapter in Turkey’s accession negotiations with the EU, regardless of her personal doubts about the matter: “I think a long negotiation path lies ahead of us. Although I am skeptical, I have agreed with the continuation of membership discussions. We are conducting these negotiations open-ended. Recently, they have become stuck, and I am in favor of opening a new chapter in these negotiations in order to move forward.”⁵² Merkel re-confirmed during her visit in Ankara her support for the opening of a new chapter related to regional policy.⁵³

Chancellor’s backing for the revitalization of Turkey’s dormant EU accession process after a three and a half-year freeze came at a time, when the business delegation that accompanied Merkel during her visit to Turkey intended to further enhance and deepen bilateral economic relations with the Turkish business world, and initiate new partnerships and investments. The economic dimension and significance of the trip was also reflected in the realization of the second Turkish-German CEO Forum on 25 February 2013, with the attendance of Chancellor Merkel. The forum that was jointly organized by the Association of Turkish Industry and Business (TÜSIAD) and its German counterpart BDI brought together top CEOs from both countries to discuss the present and future of German-Turkish economic partnership with special emphasis on energy and innovation sectors.⁵⁴ Chancellor Merkel participated in the forum although her Turkish counterpart Prime Minister Recep Tayyip Erdoğan had cancelled his attendance at very short notice.⁵⁵ Speaking at the forum, Merkel praised Turkey’s economic boom of recent years and called for enhanced bilateral cooperation in the fields of energy and infrastructure.⁵⁶ During his talk at the forum, BDI President Ulrich Grillo demanded a quick decision with regard to Turkish membership in the EU pointing out that the future architecture of the EU and the development of the Eurozone might “offer the opportunity for a new European geometry.”⁵⁷ In previous years, key

⁵¹ The delegation included heads of the executive boards of leading German companies such as E.ON, EnBW, Siemens, Deutsche Bank, Deutsche Lufthansa, Fraport, ALBA Group and the President of DIHK, Hans Heinrich Driftmann.

⁵² Bundesregierung (2013a), *Video-Podcast der Bundeskanzlerin*, No. 7/2013, 23 February 2013, http://www.bundeskanzlerin.de/Content/DE/Podcast/2013/2013-02-23-Video-Podcast/links/download-PDF-barrierefrei.pdf?jsessionid=507811CF802B018CCC17FD204A34BD95.s4t2?_blob=publicationFile&v=1

⁵³ Bundesregierung (2013b), *Report of Turkey-Visit: Germany/Turkey: The people are a bridge between our two countries*, <http://www.bundesregierung.de/ContentArchiv/EN/Archiv17/Reiseberichte/2013/2013-02-25-merkel-tuerkei.html>

⁵⁴ “Turkish, German CEOs call for more cooperation on energy and innovation”, *Hürriyet Daily News*, 25 February 2013, <http://www.hurriyetaidailynews.com/turkish-german-ceos-call-for-more-cooperation-on-energy-and-innovation.aspx?pageID=238&nID=41870&NewsCatID=345>

⁵⁵ KAS (2013), *Der Türkei-besuch von Bundeskanzlerin Angela Merkel: Eine Nachlese aus türkischer Sicht*, 21 March 2013, http://www.kas.de/wf/doc/kas_33899-1522-1-30.pdf?130322122438

⁵⁶ “Merkel’s difficult dialogue with Erdogan”, *Deutsche Welle*, 25 February 2013, <http://www.dw.de/merkels-difficult-dialogue-with-erdogan/a-16628079>

⁵⁷ BDI (2013), *Grillo: German industry supports continuation of negotiations on membership*, 25 February 2013, http://www.bdi.eu/BDI_english/568_959.htm

bilateral economic ties makes it easy for German business actors to exert pressure on the German government in accordance with their preferences and interests. The BDI’s call for a quick decision pertaining to Turkish membership in the EU and the continuation of negotiations on membership precisely during the second Turkish-German CEO Forum and under Merkel’s watchful eyes can be interpreted in this vein.

German business world has attached great importance to the maintainance of Turkey’s EU perspective since 2004. Germany’s economic relations with Turkey profited from Turkey’s accession negotiations with the EU, which consolidated Turkey’s political and economic stability due to Turkish efforts to implement Copenhagen economic and political criteria. Turkish commitment to the implementation of EU standards culminated in increased foreign direct investment in the country, steady economic growth and significant increase in German exports to Turkey due to Turkish domestic demand growth. In the wake of the December 2004 European Council decision to start accession negotiations with Turkey in October 2005, the BDI pointed out the economic dimension of Turkey’s EU accession process for Germany by emphasizing that “business could benefit greatly from the further European integration of Turkey.”⁶⁶ Indeed, following the 2004 European Council decision to start accession negotiations with Turkey in October 2005, net transfers from Germany to Turkey increased from €391 million in 2005⁶⁷ to around €1.2 billion in 2008⁶⁸, while the number of German companies operating in Turkey rose from 1084 in June 2003⁶⁹ to 5651 by the end of 2013.⁷⁰ In a similar vein, due to growth-led domestic demand imports from Germany to Turkey increased from €11.8 billion in 2004 to €21.5 billion in 2013.⁷¹

Since the onset of the Eurozone crisis, good relations with Turkey and preservation of political and economic stability in Turkey with the help of the accession process has become even more important for the German business world in its fight against the negative externalities arising from the Eurozone crisis. In view of new policy externalities and Turkey’s possible contribution to the elimination of these externalities, German business communities defined their preferences regarding German government’s Turkey policy very precisely and constrained their government’s policy maneuverability.

⁶⁶ http://www.tusiad.org/_rsc/shared/file/basin-bulteni-2004-41-eng.pdf

⁶⁷ Başbakanlık Hazine Müsteşarlığı (2007), *Uluslararası Doğrudan Yatırım Verileri Bülteni*, Ocak 2007, http://www.ekonomi.gov.tr/upload/F847D4C4-D8D3-8566-4520B4BCCBE03668/2006_kasim.pdf

⁶⁸ Central Bank of the Republic of Turkey Electronic Data Delivery System (2014), *Foreign Direct Investments in Turkey by Countries (Monthly, Million USD)*, <http://evds.tcmb.gov.tr/yeni/cbt-uk.html>

⁶⁹ Türkiye Cumhuriyeti Ekonomi Bakanlığı (2003), *Türkiye’de bulunan yabancı sermaye kuruluşların ülkelere göre dağılımı*, <http://www.ekonomi.gov.tr/index.cfm?sayfa=EF9E6B78-D8D3-8566-4520B75308F4457B>

⁷⁰ Türkiye Cumhuriyeti Ekonomi Bakanlığı (2014), *Uluslararası Doğrudan Yatırım Verileri Bülteni* Şubat 2014, p. 9, <http://www.ekonomi.gov.tr/upload/13601A4F-E5AC-3480-01A2DFE52EB8C2DF/%C5%9Eubat2014web.pdf>

⁷¹ Destatis Statistisches Bundesamt, op.cit.

German Christian Democrats Discover Turkey: Increasing Party-political Consensus in Favor of Turkey’s EU Accession Process

On the eve of Chancellor Merkel’s visit to Turkey some changes in party-political climate have been observed. Various critical voices within the CDU emerged, who called for the acceleration of Turkey’s EU accession process and questioned the CDU’s “privileged partnership” strategy. Günther Oettinger, top CDU politician and European Commissioner for Energy, criticized the sluggish progress of Turkey’s EU accession process and pointed to the drastic changes in the pattern of interdependence between Turkey and the EU in view of the Eurozone crisis: “I would like to bet that one day in the next decade a German chancellor and his or her counterpart in Paris will have to crawl to Ankara on their knees to beg the Turks, ‘Friends, come to us.’”⁷² Ruprecht Polenz, the then Chairman of the Foreign Affairs Committee in the German *Bundestag* and a very close observer of Turkey-EU relations, hinted at some upcoming changes in his party’s Turkey policy, one day prior to Chancellor Merkel’s visit to Turkey: “It is clear to most people in my party that the idea of ‘privileged partnership’ is defunct. In Turkey, the concept has a negative connotation. We should not use it, anymore.”⁷³ Polenz furthermore grounded his support for Turkish accession process on Turkey’s economic success as well as its geostrategic importance for the European security, and the possible implications of Turkey’s *Alleingang* for Europe. “A Turkey that would act against European interests in the region would undoubtedly aggravate our problems.”⁷⁴ Likewise, Hans-Georg Pöttering, former President of the European Parliament (EP) and the recent Chairman of the CDU-near Konrad Adenauer Foundation (KAS), emphasized in an interview, just two days ahead of Merkel’s Turkey trip, common ground for German-Turkish cooperation in various areas including the preservation of economic and political stability in Europe and the Middle East, the resolution of the conflict in Syria and the implementation of joint development policies towards Africa. He also declared that two new chapters in Turkey’s accession talks with the EU might be opened during the Irish Presidency.⁷⁵

Such statements pointed out some changes in the attitude of Germany’s major Turkey-sceptic party: If Germany wanted to eliminate the negative economic and security-related externalities arising from the Eurozone crisis, the instability in the broader Middle East and Africa and other global challenges such as the supply of energy security in Europe, it needed to consider to deepen its cooperation with countries like Turkey. The country had seen

⁷²“They Will Give In’: Turkey Pressures Germany on EU Accession”, *Spiegel Online International*, 21 February 2013, <http://www.spiegel.de/international/world/turkey-pressures-germany-to-accept-eu-accession-a-884824.html>

⁷³ Daniela Vates, “Polenz will die Türkei an die EU binden”, *Frankfurter Rundschau*, 23 February 2013

⁷⁴ *Ibid.*

⁷⁵ “Die Türkei erlebt eine außergewöhnliche Phase der politischen Stabilität“, *DTJ*, 22 February 2013

economic growth amid the Eurozone crisis and enjoyed relatively stable economic, political, and cultural relations with parties affected by changing political landscapes in the Middle East and the surrounding regions. With a small shift in their Turkey policy, the CDU elites aimed at preventing the political differences between the two countries from affecting the future of economic and foreign policy-related bilateral dialogue. The CDU’s call for the acceleration of Turkey’s EU accession process has also been supported by other major German political parties.⁷⁶ For the first time after many years, there was a party-political consensus in the German *Bundestag* in favor of Turkey’s EU accession process. The good vibes between Turkey and Germany culminated in the establishment of the German-Turkish Strategic Dialogue Mechanism in May 2013. The mechanism aims to strengthen the close bilateral partnership between the two governments in strategic matters such as foreign and security policy, the fight against terrorism and extremism, energy, regional and international issues.⁷⁷ The joint declaration released on behalf of the initiation of the mechanism described Turkey’s EU accession process as “beneficial for both sides.”⁷⁸

German Veto on Chapter 22: A Matter of Domestic Political Constraints?

After almost ten years, the CDU together with its Bavarian sister party, Christian Social Union of Germany (CSU), dropped the use of the concept “privileged partnership” in their joint 2013 election program, while reiterating their preferred relationship between Turkey and the EU: “We want strong cooperation between the European Union and Turkey, as well as close strategic collaboration on foreign and security questions.”⁷⁹ Taking into account the rapprochement between Germany and Turkey in the recent months, both Turkish and European political circles expected the opening of Chapter 22 on 26 June 2013 during the EU-Turkey Intergovernmental Conference, as originally promised by the EU. However, in late June 2013, the German government emphasized its strong objection to a quick relaunch of accession talks between Turkey and the EU. The German government grounded its veto on Chapter 22 inexplicitly on Turkish government’s handling of the Gezi Park demonstrations, which started in late May 2013 to protest the urban development plans for Istanbul’s Taksim Square and the Gezi Park. A spokesperson of German Foreign Affairs Minister Guido

⁷⁶ See on this the statements of Rainer Brüderle, Chairman of the parliamentary faction of the Free Democratic Party, <http://www.presseportal.de/pm/2790/2421566/der-tagesspiegel-fdp-fraktionschef-rainer-bruederle-fordert-mehr-tempo-bei-eu>; Sigmar Gabriel, Leader of the SPD, <http://www.welt.de/newsticker/news3/article114011728/Gabriel-dringt-auf-schnellere-EU-Beitrittsverhandlungen-mit-der-Tuerkei.html>

⁷⁷ Auswärtiges Amt (2013), *Joint Declaration between the Federal Foreign Office of the Federal Republic of Germany and the Ministry of Foreign Affairs of the Republic of Turkey on the establishment of a Strategic Dialogue Mechanism*, 12 May 2013, Berlin.

⁷⁸ Ibid.

⁷⁹ CDU/CSU (2013), *Gemeinsam erfolgreich für Deutschland: Regierungsprogramm 2013-2017*, p. 119

Westerwelle told German newspaper *Frankfurter Allgemeine Zeitung* (FAZ) that the timing of this chapter’s opening was a “technical issue” and not directly related to the demonstrations in Turkey. However, he added, “There is of course an overall political context, and as is always the case in life, everything is ultimately connected with everything else.”⁸⁰ In line with this statement, the German media referred to the Gezi Park events as an important dynamic behind German government’s veto on Chapter 22.⁸¹

When looking at the overall mood in the other EU Member States, a different picture emerges. The German call for delay of talks on Chapter 22 has only been supported by two the Member States: the Netherlands and Austria.⁸² Germany, the Netherlands and Austria share a host of characteristics: Firstly, these are three Member States with high Turkish migrant populations, where the “Turkish issue” plays an important role in the formation of domestic politics. Secondly, these are more well-off Eurozone countries that act together in the construction of policies at the EU level towards Eurozone crisis. Lastly, and perhaps most importantly, two of these three countries - Germany along with Austria - were in pre-election mode (the general elections took place on 22 September and 29 September in Germany and Austria, respectively). On the eve of the elections, Eurosceptic and anti-immigration parties were gaining strength in both countries. According to the public opinion polls conducted ahead of the elections, in Germany, the recently established AfD was on its way to pass the 5 percent threshold and hold parliamentary seats⁸³, whereas in Austria, the Freedom Party of Austria (FPÖ) was competing with the centre-right coalition partner Austrian People’s Party (ÖVP) for the position of second most powerful party in the Austrian parliament.⁸⁴ Thus, centre-right parties could have easily lost some votes to the far-right and Eurosceptic parties if their voter bases had noticed a drift from the parties’ traditional Turkey policies. Particularly in Germany, Eurosceptic attitudes were accompanied by strong opposition to further enlargement of the EU. According to the Eurobarometer Spring 2013 survey, 75 percent of Germans were reluctant to the further widening of the EU.⁸⁵ Merkel’s support for the opening of Chapter 22 ahead of the elections could have been a risky gamble in view of the success of the AfD, and her coalition partner FDP’s unsuccessful election campaign and struggle to pass the five percent threshold. The German veto attracted heavy criticism from European leaders.

⁸⁰ “Berlin erobert über Kritik Ankaras an Merkel”, *FAZ*, 21 June 2013

⁸¹ See for example “Türkei: EU-Einigung auf Eröffnung von Beitrittskapitel”, *Stern*, 25 June 2013; “Debatte über EU-Beitritt der Türkei: Westerwelle verwundert über scharfe Reaktion aus Ankara”, *Spiegel Online*, 20 June 2013

⁸² Günter Seufert (2013), “Türkei”, in Werner Weidenfeld and Wolfgang Wessels (eds.), *Jahrbuch der europäischen Integration*, (Baden-Baden: Nomos), p. 136

⁸³ <http://www.wahlrecht.de/umfragen/allensbach.htm> Allensbachumfrage, 19 June 2013

⁸⁴ <http://neuwahl.com/index.php/2013/06/23/wahlumfrage-osterreich-spo-28-ovp-25-fpo-18-grune-14-ts-9-bzo-2-kpo-1-pirat-1-sonst-2-galluposterreich-n4004-90-23-06-2013-sonntagsfrage/>

⁸⁵ European Commission (2013), *Standard Eurobarometer*, 79/Spring 2013, p. 125, http://ec.europa.eu/public_opinion/archives/eb/eb79/eb79_publ_en.pdf

Carl Bildt, Sweden’s Foreign Minister stated: “German elections are a good thing, but it cannot be an excuse to postpone everything else in Europe.”⁸⁶ Carl Bildt’s statement seemed to regard the role of Turkey’s EU accession process in the German elections and German government’s business-like attitude towards Turkey-EU relations. Although most Member States did not favor the delay of talks on Chapter 22, they agreed to the German proposal to postpone talks with Turkey until after the presentation of the progress report on Turkey. The release of the report was conveniently scheduled for after the German elections.

Following the elections, the German government not only dropped its veto on Chapter 22, but also called for talks on Chapters 23 and 24. These chapters concern issues related to the judiciary, fundamental rights, justice, freedom and security. They are at the crux of Turkey’s democratization process and the maintenance of a stable political environment in the country, which is of outmost importance for German economic and foreign-policy related interests. The political turmoil during the Gezi Park events demonstrated the strong link between political and economic stability when the Turkish stock market witnessed the biggest daily drop in a decade and the Turkish lira decreased. Such incidents affected German companies’ business performance in Turkey, as well. Consequently, the BDI warned the Turkish government in a written statement about the economic implications of political instability.⁸⁷ German government’s call to open chapters 23 and 24 can thus be evaluated in view of the direct effects of the instability in Turkey for the preferences and interests of German dominant domestic constituents in the post-election atmosphere.

Conclusion: A Constrained Leader’s Inconsistent Turkey Policy

The above analysis suggests that Moravcsik’s LI constitutes an adequate and useful framework in explaining the similarities between Germany’s approach to steering the Eurozone crisis and its Turkey policy - particularly pertaining to Turkey’s EU accession process - since the onset of the Eurozone crisis. In both matters, the German government formed its preferences based on issue-specific concerns of dominant domestic actors. The analysis elucidated the key characteristic of Germany’s European policy in the crisis era: It is a policy that has been greatly constrained by domestic constituencies, who have started to pay increased attention to the particularities of the European project and the management of the

⁸⁶ Bruno Waterfield, “EU delays Turkish membership talks amid protests”, *The Telegraph*, 25 June 2013

⁸⁷ “Gewaltsame Proteste: Deutsche Wirtschaft sorgt sich um Stabilität in der Türkei”, *Spiegel Online*, 18 June 2013”

Eurozone crisis through enhanced policy coordination at the EU-level, in view of possible negative externalities.

Germany’s overall capabilities and resources help the German government exert significant influence in the EU institutions and decision-making processes through its European policy. In that sense, changes in Germany’s European policy and German power in the EU are two sides of the same coin. The paper scrutinized the metamorphosis of German power in the EU by elucidating the changes in the key parameters and premises of its European policy. It has revealed that the steady progress of European integration and competence transfer from the national to the EU level culminated in the domestication of Germany’s European policy; in other words, various societal actors started to pay increased attention to the negative implications of EU-level policy coordination for the realization of domestic goals, and emerged as co-shapers of Germany’s European policy by defining their preferences very precisely and constraining the actions of the German government. The Eurozone crisis and the substantial gap between European expectations from Germany and the preferences of German domestic groups such as business interest groups, the FCC and public opinion reinforced this trend. Since strong German domestic groups had so far been less affected by the Eurozone’s problems than those in most other Member States, they have been extremely reluctant to a policy-coordination and cooperation at the EU level, which was going to primarily serve to the interests of Member States in dire need for aid and impose significant costs on German societal actors. Accordingly, German domestic constituents defined their interests and preferences very precisely since the onset of the crisis, and put pressure on the German government for the formation of national preferences in line with their interests. The analysis has demonstrated that the German government adopted policies consistent with the demands of the above mentioned actors. The Eurozone crisis provided a window of opportunity for domestic constituency to set the pattern and boundaries of Germany’s European policy, making Germany and Chancellor Merkel a “constrained leader” in the EU.

With the outbreak of the Eurozone crisis, a constrained leader’s Turkey policy has also become increasingly dependent on societal actors’ preferences. An interesting point is that following the outbreak of the Eurozone crisis, the policy externalities that were likely to arise from the acceleration of Turkey’s EU accession process have been perceived by different societal actors in strikingly different ways. Domestic constituents like representatives of the German business world, the Foreign Office or German political elite (including CDU politicians) saw the opening of a new chapter in talks with Turkey, and consequently the

enhancement of EU/German-Turkish relations as a way to eliminate the negative economic and security-related externalities arising from the Eurozone crisis, the instability in the broader Middle East and Africa and other global challenges. On the other hand, since the outbreak of the crisis, Eurosceptic and anti-enlargement attitudes had been gaining strength within the German public opinion due to discomfort from Germany’s role as Europe’s cash dispenser. Thus, following the onset of the Eurozone crisis, economic and security-related interests and preferences of various social actors have been confronted with public distrust in the EU and its further widening, which led to inconsistency in German policy-making vis-à-vis Turkey. Merkel’s government first backed the opening of Chapter 22 in EU-Turkey talks, then voiced its objection to the relaunch of talks few months prior to German federal elections, and ultimately, in October 2013, gave its green light to open the chapter in the post-election atmosphere. As LI argues, the relative influence of societal actors varies across time, and during the election campaign, public opinion, in other words, voters became the most powerful domestic actors whose preferences predominantly influenced national preference formation. In the absence of election atmosphere, the German government rather took into account the preferences of the German business world and political elite, who demanded the enhancement of the cooperation between Turkey and Germany / the EU in security and economic matters with the creation of a fresh momentum in Turkey’s accession talks. The analysis has shown that a closer look at Germany’s fluctuating attitude towards the opening of Chapter 22 reveals the LI’s usefulness in explaining the complex and multidimensional nature of national preference formation.