

Contents

Preface.....	5
Executive Summary	7
I. External Challenges	12
1. The Transformation of Central and Eastern Europe	12
a. Trends in Central and Eastern Europe's Emerging Market Economies (EMEs).....	12
b. The Impact on Germany	14
c. Political Consequences.....	14
2. Migration Pressures	16
a. The European Perspective	16
b. The German Perspective.....	18
c. Some Policy Issues.....	21
3. The Multilateral Trading System	22
a. Rising Tide of Protectionism.....	22
b. The German Trade Policy Stance	23
c. Perspectives	24
4. Industrial Policy.....	25
a. The Recent Controversy	25
b. The Record of Interventions	27
c. Future Prospects.....	28
5. The Adjustment of Agriculture	29
a. Global Prospects	29
b. The Reform of the Common Agricultural Policy (CAP)	30
6. European Integration.....	32
a. Monetary Union	32
b. Financial Markets.....	34
c. EC Initiatives on Social Policy	36
II. Internal Challenges	40
1. German Unification	40
a. The Rising Fiscal Burden	40
b. Economic Dualization	41
c. Digression: The "Treuhand" Record and Prospects.....	42
d. New Regional Growth Patterns	43
e. Political Pragmatism	45
2. Demography and the Welfare State	46
a. Facts and Forecasts	46
b. Implications for the Welfare State	50

3. Labour Markets and Collective Bargaining.....	52
a. Trends and Developments	52
b. The Future of Unionism	53
III. Resources and Infrastructure.....	55
 1. Energy and the Environment.....	55
a. Energy and Environmental Policy in the EC and in Germany	55
b. The Eastern German Energy Market and Environmental Targets	57
 2. Transport.....	57
a. General Trends in Europe	57
b. The German Situation.....	59
c. Policy: Consensus and Controversies.....	60
d. Supranational Matter: The Role of the EC	61