
West Germany

Scandal aimed at Schmidt's labor base

by Susan Welsh

The Chairman and two other board members of West Germany's trade union-owned construction firm Neue Heimat were dismissed Feb. 13, the result of a Brilab-style scandal launched by *Der Spiegel* magazine. The other board members of the firm—Europe's largest construction company—have been suspended pending the results of an investigation into alleged unethical financial manipulations.

Albert Vieter, who has headed Neue Heimat since 1963, is accused of using his position to promote private business interests. *Der Spiegel* alleges that Vieter and other highly placed officials invested in property development and real-estate speculation in West Berlin, where such investments can be claimed as tax allowances. The magazine states that trade-union federation chief Heinz-Oskar Vetter, his designated successor Alois Pfeiffer, IG Metall union head Eugen Loderer, and Bonn Defense Minister Hans Apel were also involved.

Organized-labor sources in West Germany told *EIR* that the scandal is aimed against the trade unions in general, Chancellor Helmut Schmidt's principal base of support. The intent is to put the traditionalist, trade-union-based wing of the Social Democratic Party on the defensive and to box in Pfeiffer, the designated new chief of the German Trade Union Federation (DGB), these sources believe.

Current DGB chairman Vetter hinted at such a plot when he said Feb. 15 that "other things" appear to be involved here. Vetter also responded to recent statements denouncing the trade unions as "too powerful" by Geunter Verheugen, general manager of the Free Democratic Party (FDP) and a friend of *Der Spiegel* editor Rudolf Augstein. The two assaults on organized labor seem "strangely timed," said Vetter, in what a spokesman for the DGB told *EIR* was a "warning shot" to signal that the unions intend to fight back.

Der Spiegel is one of the most unscrupulous muck-raking publications in the world; among other things, it played a crucial role in toppling the conservative government of Chancellor Konrad Adenauer in the early 1960s. The magazine is particularly hostile to Helmut Schmidt.

Der Spiegel based part of its two-part exposé on material received from the McKinsey consulting firm,

based in New York City and London, which conducted a financial reorganization of Neue Heimat last year.

Effect on Bonn coalition?

The "Neue Heimat" scandal hits at a time of extraordinary political sensitivity in West Germany, when Chancellor Schmidt is being threatened with assassination by terrorists, and a powerful faction in Washington has vowed to topple him by any means. His party faces crucial state elections upcoming in Hesse, Lower Saxony and Hamburg, as well as a national congress in April at which the left wing is promising to make a major show of force against Schmidt.

After a bitter fight within the ruling coalition, the government announced a program to cope with unemployment Feb. 3. The union federation chiefs agreed to support Schmidt's program, even though some of them thought it did not go far enough in creating jobs.

The program provides that industries which increase their investments over the level of the last three years can get an investment grant of 10 percent from the government—a provision of 4 billion deutschemarks from federal funds. Federal funds will also subsidize low-interest credits for environmental investments that will make possible an expansion of industrial production. The program will be financed by an 11 percent increase in Value Added Tax by July 1983, providing DM 5 billion in additional revenue in 1983 and DM 8 billion in 1984. Other savings will be made through austerity measures.

The program, as far as it goes, provides a basis for stimulating investment and thereby employment, although as Schmidt has repeatedly stressed, Germany's economic problem cannot be solved domestically, but require in particular a shift in U.S. interest-rate policies.

While the Bonn coalition weathered the fight over the employment program, FDP Chairman and Foreign Minister Hans Dietrich Genscher has indicated that he will tolerate no further concessions to the unions. Schmidt relies on the FDP for his parliamentary majority, and U.S. anti-Schmidt forces are looking to Genscher to "take a walk"—break with Schmidt and ally with the Christian Union parties instead, toppling the Schmidt government. Genscher has indicated, according to the current issue of *Der Spiegel*, that if any of the government employment program's provisions are altered, the FDP would split.

But Genscher is constrained, according to a high-level conservative trade-union source, by the fact that the FDP itself is divided, and cannot risk a public image as anti-labor. The FDP faces four state elections this year, and if its vote goes below 5 percent it will be excluded from state parliaments, weakening its national bargaining power substantially.