

Report from Bonn by Rainer Apel

Re-educating the Russians

Germany will provide financial and investment aid, and also know-how to help the Soviets develop their economy.

The Soviet Union not only needs the capital of the Germans, their highly developed industries, refined consumer goods, and ecologically clean food products; most of all, we need them here in person among us, so they can help us through their living example to master the severe economic agenda."

This commentary in the Moscow journal *Moskovskye Novosti*, is typical of the recent change in Soviet coverage of German relations and of the German-Soviet talks West German Chancellor Helmut Kohl and President Mikhail Gorbachov held in Moscow and Stavropol July 15-16.

According to several sources, Gorbachov told Kohl he prefers the German, "social democratic form of capitalism, rather than the Manchester capitalism of Margaret Thatcher or the Chicago Boys." The term "social democratic" in this context relates to the German tradition of a strong industrial economy, plus strong but cooperative labor unions.

Gorbachov repeated his rejection of International Monetary Fund (IMF)-type conditionalities on Western aid to the U.S.S.R. in talks with Jacques Delors, the president of the European Commission, in Moscow shortly after Kohl's visit. Back in Brussels July 23, Delors declared that his talks in Moscow confirmed his view that a short-term, European Community (EC) aid package to the U.S.S.R. is "even more urgent, as long as the IMF maintains that political conditions for sizable credits are not met by the Soviets."

The fact that Delors said so in a special briefing to the West German

delegation at the EC headquarters in Brussels, indicates that the German aid will play a crucial role in the European aid package.

While riding with Kohl on a Soviet harvester near Stavropol July 16, Gorbachov told Kohl that with German assistance in the bottleneck areas of transport and storage, where 30% of every year's harvest is lost, he expects the productivity of the Soviet farm sector to double.

While concrete projects that will improve the productivity of Soviet agriculture and industry are still under discussion and may not be signed before September-October, Kohl gave Gorbachov firm assurances on a couple of economic issues of immediate importance for Moscow:

The DM5 billion credit granted to the U.S.S.R. is only the first economic assistance. Kohl reiterated to Gorbachov his plan he proposed at the Houston Group of Seven summit for a \$15-20 billion aid package, where Germany would be the main donor.

The flow of East German exports to the Soviet Union will be maintained and subsidized by Bonn to a tune of DM2.5 billion each this year and next. German payments for the cost of stationing Soviet troops will be DM1.25 billion this year and DM2.5 billion in 1991. Beyond that, Kohl promised technical assistance in the rapid withdrawal of the 380,000 Soviet troops plus 120,000 family members from East Germany, which requires several billion deutschmarks for housing them in their homeland, and for the re-education of some 50,000 officers to civilian industrial skills.

Thousands of Soviet economic

and enterprise managers and technicians are already being trained in West Germany, and the industrial expertise of some 100,000 Russian-speaking East Germans will be used to advise and help build up the U.S.S.R. economy. At Zheleznovodsk, Gorbachov said this cadre pool is the "bridge" for helping the U.S.S.R. In return, Moscow, otherwise cutting down deliveries to other East European clients, is re-prioritizing the allocation of energy and raw material exports to heavily increase the amounts being shipped to Germany.

This aid goes far beyond the sporadic, but recurrent emergency shipments from the West—butter, beef, or pork. In the longer perspective, German-Soviet relations are back to the period before World War I, when German firms like Siemens Corp. made huge direct investments in the Czarist Russian electricity supply and industrial machine park.

Indicative was a presentation given by Leonid Abalkin at a meeting of 120 German bankers and industry managers in Düsseldorf July 24, which was sponsored by the office of Axel Lebahn, the longtime head of the Deutsche Bank office in Moscow. Abalkin assured them that the planned September date for economic reform legislation, including permits and guarantees for 100% Western ownership of firms in the U.S.S.R. and freedom of corporate revenue transfer, will be kept by the Soviet government.

Abalkin declared the Soviets will not repeat the mistakes of the disastrous Polish and Hungarian deregulation campaigns (which were recommended and overseen by the IMF). As Abalkin put it, in the "re-education of the Soviet population from the old economic model to the new of market economy," his government wants assistance especially from the West Germans.