 by Rainer Apel

No 'Triangle' yet, but a new approach

The economic crisis is provoking strikes and unrest, and pragmatic adjustments in policy for eastern Germany.

After the Gulf war, Bonn politics are again focused on the domestic economic situation. The rapid disintegration of the CMEA, the former Soviet trade bloc, has halted most of eastern Germany's traditional exports, such as ships, trains, and special machines, to the Soviet Union.

The rate of collapse was unexpected. Most experts thought that billions of deutschemarks of Western investments in eastern Germany would compensate for losses in CMEA trade volumes. They thought that the Treuhand, the state agency overseeing the reprivatization of 7,900 firms of East Germany's previous state-sector industry and agriculture with about 6 million workers, would not be faced with major problems. As of a few weeks ago, it was widely believed that eastern Germany would, after initial hardships, achieve a "Second German Economic Miracle" within a period of three to five years.

Instead, the jobless rate is rapidly approaching 40%, there are warning strikes and protest marches of embittered workers, and the rate of Western investments is far below that required. The "miracle" seems to be far away. Some 150,000 workers have moved from eastern to western Germany since last autumn, and another 250,000 still live in the east but work in the west.

The broadening labor unrest in eastern Germany, especially the revival of the traditional Monday afternoon protests in Leipzig under a labor banner, has had an impact on Bonn cabinet discussions.

"We took to the streets before [1989] to bring the SED regime down," a factory councilman said at the Leipzig rally March 11, "and we are taking to the streets now again to fight for jobs and social security."

These developments have destroyed illusions that the "free market" would solve all problems. "It was a very big miscalculation," a senior official of the Treuhand told *EIR* in Berlin March 2, to hope "that the free market would automatically create a productive boom in East Germany. East Germany's production should have been shielded against the strong competition from the West by protective tariffs, with the start of the German Currency Union" in July 1990.

"What has happened, instead," he said, "is that not only the former CMEA trade collapsed, killing most of the exports, but also the production for domestic supply dropped as well. Eastern products were thrown off the market by Western ones."

"There can't be a free market approach in the situation we are faced with here. The state must intervene to stabilize production. Exports to the East and the supply of the domestic market need state support until real private sector conditions are reached."

The Feb. 13 decision by Bonn to give a DM 9 billion credit guarantee for eastern German exports to the Soviet Union, pointed in the right direction, the Treuhand man said. But total exports to the Soviet Union were DM 36 billion in 1990. More guarantees were needed, therefore, to stabilize exports.

Indeed, a long-delayed contract was signed March 12 between the Soviet State Railways and the eastern German Waggons Manufactures for the delivery of 1,022 passenger railcars and 1,400 refrigeration railcars. With Bonn export credit guarantees over DM 1.4 billion, the contract secures 15,000 jobs in the manufacturing sector and about the same number in the supply industry of eastern Germany for this year.

On March 7, Bonn passed a two-year emergency fund of DM 24 billion for projects in eastern Germany—DM 5.6 billion for the transport infrastructure, DM 5 billion for public and social projects in municipalities, DM 5.5 for job qualification programs, DM 2.2 billion for maintenance and restoration of homes, and DM 830 million for the shipyards.

The Treuhand agency mandate was modified, shifting the emphasis toward reorganization-consolidation, away from liquidation-privatization. Maintaining industrial employment at a high level, instead of rapid job rationalization, is the new task of the Treuhand.

In addition, the Frankfurt-based KFW, the former Marshall Plan Bank, issued a DM 10 billion credit at slightly reduced interest rates, for new middle-sized enterprises in eastern Germany. Credits, a maximum DM 10 million for new enterprises, are granted over 10 years, with a grace period of five years.

Bonn also announced its intent to speed up transport and energy infrastructure and other urgent projects of public need. This decision is overdue. Environmentalism in western Germany has led to absurd planning periods of up to 15 years for projects like highways, railroads, nuclear power and sewage plants, and even anti-pollution projects. In need of rapid economic recovery and the creation of millions of new jobs within a few years, eastern Germany can't wait that long.