

Report from Bonn by Rainer Apel

Credit extended to new republics

New perspectives for economic development with the East have emerged after the defeat of the Moscow coup.

After three days of shock and paralysis over the coup attempt in Moscow, Bonn and industry circles adjusted relatively quickly to the victory of the anti-Kremlin forces. Germany now sees a renewed chance for economic and political development in the former U.S.S.R.

On Aug. 22, a senior official of the Ministry of Economics said that the state's Hermes export credit guarantee would be made available to the former Soviet republics—on condition that a reliable institution in each step in as a partner for the guarantee. The state central banks of Russia, Ukraine, Byelorussia, and Kazakhstan that are being built up now, could serve as partners, he said. Economics Minister Jürgen Möllemann made a similar statement the next day.

This means that exporters in Germany's five eastern states, where the Hermes facility provides 100% insurance even on previous contracts with firms in the former U.S.S.R., no longer depend on a guarantee by the Soviet Foreign Trade Bank in Moscow, but can operate freely with independent new banks in Kiev, Minsk, Vilnius, or Riga, as well as regional banks in Moscow, Leningrad, or Kemerovo, the center of the big Kuzbass mining region.

If the new scheme works, Hermes guarantees for east German exports of about DM 12 billion (\$6.7 billion) to the U.S.S.R. envisaged for 1991, may be surpassed because, when the German and Soviet governments signed the agreements this spring, the Germans offered a guarantee for all contracts signed by the end of this

year. It is now up to the republics to take up that offer.

After its proclamation of independence, Ukraine has the potential to develop increased economic relations with Germany. This can benefit Ukrainians and Russians alike.

A report by Deutsche Bank last March rated Ukraine as the republic with the best economic perspective. Compared to other republics which have to struggle with transportation grids inherited from the Czarist and Soviet empires, which extend over several thousand kilometers, Ukraine is in a much better situation.

Ukraine has a unique density of heavy and light industry, road and rail infrastructure (though in need of repair), agricultural production, and direct access to the Black Sea within an area of 500-1,000 kilometers. This, and its population of about 55 million, makes Ukraine comparable to the big industrial states in western Europe.

There are concepts being worked on at the German Congress of Industry and Commerce (DIHT) to modernize and develop Odessa, the Ukrainian port on the Black Sea. Adding a modernization program for the rail and road infrastructure from Odessa to the rail pivot of Kharkov, to the southwestern Ukrainian mining and industry region of Krivoi Rog, and to the capital of Kiev, would turn the republic into the central door to the West for Russia and other republics, especially those in the south.

The DIHT sub-branches of Munich and Mannheim have already opened offices in Kiev; others will follow soon. Phase One of German-

Ukrainian economic relations will necessarily be dominated by developing contacts and a basic structure for extended trade. Phase Two will begin with the opening of the Rhine-Main-Danube Canal in late 1992, which will establish a 3,500-kilometer connection between the Dutch North Sea coast and the Romanian Black Sea coast. Ukraine will then have a direct waterway link to the big industrial regions of central and western Europe.

The big oil and gas reserves of Russia, on the other hand, all reach the West through the huge grid of pipelines that has been built in Ukraine. After Ukraine's declaration of independence, instead of Russia's building a new pipeline grid to the Baltic coast or the Arctic coast, it makes more sense for Russia to work out an agreement with Ukraine to continue joint operation of the old pipeline system (which needs repair and modernization).

Russia must work out similar trade agreements with the three Baltic states and with Byelorussia—all of which have proclaimed their independence. If that is done within the months ahead, the perspective of a transformation of the ailing former U.S.S.R. into a modern "community of industrial nations" like the European Community—in the time-frame of about 20-30 years which the experts at the DIHT, Deutsche Bank, and other German institutions envisage—is secured.

Signed agreements among the newborn individual republics on joint projects for the development of the road and rail infrastructure are required. From the viewpoint of Russia, cooperation with Byelorussia is vital because the key rail links to Europe run through that western-most republic—at the two big Byelorussian transit stations of Grodno and Brest-Litovsk.