

Report from Bonn by Rainer Apel

Time to get back to production

Overtures from the Russians and increased German attention to Russia signal new economic potentials.

The development of relations between Germany and Russia after German reunification three years ago has been generally disappointing. The traditional Russian export market for East German machine-tool and machinery sectors, railway technology producers, and shipbuilders has not been preserved, and output has collapsed. Nor has there been significant progress in talks about new joint industrial, aerospace, and infrastructure projects.

For a long time, there haven't been positive overtures in either direction: Germany joined other western creditors in telling Moscow to pay its old debt, while Russia joined other western governments in telling Germany to "behave" and stay out of the Balkans. But a potential shift in relations is indicated by a report by Karl-Heinz Hornhues, the vice chairman of the Christian Democrats in the German Parliament, who met with senior Russian officials in Moscow in early February.

Hornhues, who met Russian Deputy Foreign Minister Anatoly Adamishin and National Security Council member Yuri Skokov, among others, said that "only Germany still has the reputation of not having forgotten Russia entirely. Washington didn't inform the Russian government until immediately before the U.S. air raids on Iraq started, which has enhanced the feeling: They don't even ask us." Expectations are running high in Moscow that Germany will do more and work with, rather than against, Russia, Hornhues reported.

The situation in Russia is dangerous and must be given priority consid-

eration, Hornhues said. He added that it is up to Germany to win Russia over to cooperation with Europe before it again turns into an anti-western (and anti-German) power.

Repeated statements over the past weeks by Arkadi Volsky, the chairman of the industrial association of Russia, point in this direction. When Kohl met with Russian President Boris Yeltsin in Moscow in mid-December, Volsky said on Germany's Channel 2 TV program that "the most important partner of Russia is the industry of Germany."

A good part of Russia's present crisis is due to a government policy in Moscow that has almost exclusively been determined by the Americans—an absurdity, because Germany's industry, with its geographical proximity, is a natural partner of Russian industry, while the United States is far away and uninterested in helping Russia, Volsky declared. Volsky and Russian Prime Minister Viktor Chernomyrdin met with 20 German industrial managers and afterward spoke of "new and promising perspectives for economic cooperation."

During his visit, Kohl granted Russia a virtual debt moratorium, offering an eight-year grace period on repayment of its foreign debt to Germany, a step not welcomed by the International Monetary Fund (IMF), whose experts are trying to extract more concessions from Moscow, using the debt issue as blackmail.

In turn, Yeltsin handed Kohl German diplomatic files that had been buried in Kremlin archives for decades: the private notes and diplomatic correspondence of the 1920s Wei-

mar Republic Chancellor Josef Wirth, who was in office when the far-reaching 1922 Rapallo cooperation agreements were signed between Germany and the U.S.S.R.

In the six weeks since these talks, nothing spectacular has occurred that would raise expectations of a new Rapallo. But there were interesting comments by Wolfgang Kartte, the former head of the German Anti-Cartel Agency who has worked as an investment consultant to the Russian government since mid-1992. In a Jan. 4 interview with the Bonn daily *Die Welt*, Kartte warned that any effort to impose free market competition upon Russia means certain catastrophe for the country's industry.

Kartte, a defender of the free market, said that Russia should be spared the shock treatment forced on the east Germans (at the insistence of the IMF) two years ago, with crash privatization and industrial foreclosures on a mass scale. Russia, Kartte said, should prevent that by imposing protective import tariffs.

Kartte is now working on a program in Vladimir, a region 200 kilometers east of Moscow, to transform the former state sector industry into modern, efficient production in stages. Half the size of east Germany and with a population of 1.6 million, Vladimir has industrial combines in textiles, machine tools, telecommunication, and collective farming. Some 15,000 skilled workers are involved in the first phase.

But what is required is a number of joint great projects that could employ the millions idled since 1989: 3.5 million in Germany (mostly in the east), and two or three times as many in Russia. It can be done, if the political commitment is there. Building a modern high-speed rail link from Berlin to Moscow would, for example, create 1 million new jobs in one stroke.