

German Economy's Chance That Won't Come Again

by Rainer Apel

Like the German economy in general, the national government in Berlin looks like a fortress being so heavily pounded from all sides, that it seems only a question of time until it falls. Three or four protest rallies in the capital every day, the threat of a national strike by public sector workers (with 2.7 million members, the biggest labor union), increasing attacks from the labor movement on the government's budget-cutting policies—these are handwriting on the wall. And mass unemployment is steadily rising: from 4 million in October to 4.3 million now, and headed to 4.5 million by late January. If the government cannot turn around the economic and political situation, it will likely not survive past February, and the final catalyst may be the loss of the state of Lower Saxony to the opposition in the Feb. 2 state elections there.

But none of this is inevitable. Social Democratic Chancellor Gerhard Schröder's government can turn the situation around, if it responds positively to the recent overtures from countries such as Poland, Russia, and China, to embark on a grand cooperation agreement on the development of transport infrastructures between Western Europe and East Asia—the chance the LaRouche movement has told all Germany about.

A Crucial Ride on a Maglev Train

Russian Deputy Railway Minister Vladimir Yakunin asked, in a late-November speech in Hamburg, for German assistance in realizing the great project of the Trans-Siberian/Trans-Korean railway link—to make that a main artery for transporting commodities between Europe and Asia. The Chinese development perspective encompasses the crucial state visit of Chancellor Schröder to Beijing and Shanghai at the end of the year, crowned by an inaugural ceremony for the first fully commercial magnetic levitation railroad in the world, between the city of Shanghai and its airport at Pudong.

On Dec. 31, the German Chancellor, Chinese Prime Minister Zhu Rongji, and several hundred other leaders from China and Germany will ride on the maglev train—a joint project of German and Chinese engineers—from Shanghai to Pudong. It is possible that in the context of that historic maglev ride, China and Germany will announce a statement of intent to construct more such maglev routes in China, meaning a lot more employment for engineers and highly skilled German railway workers. This is just the kind of announcement to convey technological optimism and economic hope to a Germany that otherwise sees no way out of a deepening economic depression.

Indicative of what can be done, was also an event in Berlin, organized by the German Industrial Association (BDI) and the embassy of Poland, on Dec. 11. Marek Pol, transport minister and vice premier of Poland, stressed the enormous importance of accelerating, and vastly increasing funding for the modernization of Poland's transport infrastructure. Raising the railway, highway, seaport, and inland shipping infrastructure to modern standards, is important for the Polish economy, as it prepares to enter the European Union as a full member in May 2004, Pol said. Further, Poland had its last upgrade of national infrastructure in the 1960s and 1970s, and is in urgent need of reconstruction. But it is also important, Pol stressed, for the rest of Europe, because Poland and Germany are the essential transit countries for everything that goes on between Europe and Asia. The chance to link and develop all the economies along this route is offered now by the project of upgrading the Trans-Siberian Railroad, and establishing the Trans-Korean Railroad.

More must be done, the Polish minister insisted; more money must be invested than ever before, and more must come from sources outside the restricted national budgets of the respective states—although the Polish government is taking a great step by allocating 3 billion euros from its budget for the next three years, for such infrastructure projects. Pol, who is also Poland's housing minister, urged that along with the infrastructure development, a policy of home-building be implemented.

When *EIR* presented him with the idea of long-term infrastructure loans based on the German Kreditanstalt für Wiederaufbau (KfW) national bank model, Pol discussed connecting the wide Russian railway gauge with the more narrow European one in Slawkow, in southern Poland. A week earlier, he had held talks in Moscow with the Russian Railway Minister Gennady Fadeyev, during which there was a Polish proposal to host an international conference of transport ministers, on infrastructure development, in two months, which won Russian support.

The Polish official acknowledged, that to develop Europe's transport infrastructure, much more funding was required, and that Poland is discussing state-guaranteed loans. Several hours after Pol's remarkable Berlin speech, Schröder declared that an expansion of the EU toward the East only made sense, if Poland played an important role in that process. To make that happen, the Chancellor said, Germany must create financial resources, which currently do not exist in the narrow framework of existing austerity budgets: that is, long-term infrastructure loans, at low interest and with long grace periods for repayment.

What Germany already has, is the KfW, a state-owned bank for reconstruction projects and investments into the *Mittelstand* (small and medium-size, high-end industries) under just such conditions. Its expansion, by having the government take an increased role as guarantor of such productive credit, can meet these job- and wealth-creating requests from the East—a chance that will not come again.