

Russians tease Bonn with trade promises

by William Engdahl

A press propaganda campaign emerged in West German mass media over the first two weeks of 1986, building the expectation of tens of billions of deutschmarks of future trade orders for German industry with the Soviet and East European economies. This is not the first time certain media and industry spokesmen in the Federal Republic have beat the drums for *Osthandel*. What is special and dangerous about the present campaign is that it is a Soviet ploy orchestrated with the intent of forcing weakening of the Kohl coalition's support for participation in development of an advanced laser defense system, known as the Strategic Defense Initiative (SDI).

On the eve of the departure of Bonn Economics Minister Martin Bangemann to Washington to discuss details of possible German participation in the SDI program, the spokesman for the German Congress of Trade and Industry (DIHT), Herr Schoser, emphasized that trade with the East does not mean a military strengthening of the Soviet military state. This is a direct refutation of Washington claims, especially from Defense Secretary Weinberger and the COCOM regulations for restriction of sensitive technologies signed by 15 Western industrial nations. Schoser is widely known to be an echo of Otto Wolff von Amerongen, longstanding president of DIHT, who is in Moscow talking up East trade deals so often that some suspect he is subsidizing East-West air traffic.

The latest round of media propaganda revolves around the prospects for West German industry to land two major export orders under the yet-to-be-finalized Soviet Five Year Plan, 1986-90. The first involves the construction of what could become the first fully-turnkey factory built by German industry in the Soviet Union, by UHDE, a Dortmund-based subsidiary of the giant West German chemical firm, Hoechst. The project, reported in a recent *Der Spiegel* "leak," could total a value of as much as 10 billion marks. It would be for construction of a polyester fiber factory west of the Urals. Within days of the *Der Spiegel* leak regarding the UHDE project possibility, the mass circulation Sunday tabloid *Bild am Sonntag* leaked a similar story in its Jan. 5 edition, that the giant German auto maker, VW, which is 20% owned by the Bonn government and 20% by the Lower Saxony govern-

ment, was also negotiating in Moscow to share in a possible 5 billion DM project to make auto engines near Moscow. Salzgitter and Liebherr construction equipment firms were also mentioned as possible contractors. On Monday, Jan. 6, the *Financial Times* of London, the most influential financial paper in that city, picked up the VW rumor. Within hours, share trading in VW began soaring to record one-day highs on the Frankfurt Bourse, fueled by the international rumors of the pending Moscow deal.

The reality behind the propaganda

The economics minister, Herr Bangemann, is evidently in a potential conflict of interest. Part of the bad compromise made in December by the Kohl government to resolve the coalition battle on German participation in the SDI was to allow the Free Democratic Economics Minister Bangemann, rather than the Defense Ministry, to head Bonn's negotiations with Washington on SDI participation. Bangemann's ties to East bloc business are a matter of public record and are considerable. But the question which nobody has yet seriously taken up is to what extent the new Soviet Five-Year Plan will provide the billions in needed export orders for German industry. Promise is one thing, reality, quite another.

Secretary Gorbachov's revised 1986-90 plan has yet to be finalized. This will occur at the February Party Congress in Moscow. What is starkly clear in public pronouncements in the Soviet press since Gorbachov took power, however, is the commitment of the new Soviet leader to *reduce*, not increase, Warsaw Pact dependence on Western technology. Simply put, the Soviet leadership views all trade questions with the eyes of strict and rigorous military-strategic priorities. In this sense, the present press propaganda, launched first in the pages of the uncommonly Moscow-friendly *Der Spiegel*, is part of an orchestrated *political game* between Moscow and Bonn. The stakes have nothing to do with a few pennings of export orders.

According to statistics from the Federal Association of German Industry (BDI) in Cologne, West German exports to the U.S.S.R. in the first 10 months of 1985 were down in DM terms from 1984 by 2.5%, to 8.7 billion DM. Total export trade from the Federal Republic with the Warsaw Pact countries, including East Germany, amounted to some 24 billion DM for the first 10 months of 1985, an estimated 29 billion DM through December. To put this figure in perspective, this trade represents some 5% of the entire industrial export from the Federal Republic.

If the details of the pending deals between Hoechst/UHDE and the Russians are examined further, the impressive 10 billion DM is also put into a different perspective. A spokesman for UHDE told this writer that, until now, UHDE has only submitted a bid, with counter bids from Kobe of Japan and Davy McGee of the U.K. competing. While the company has just completed a baby-food factory in the western Ural region for 150 million DM, the polyester fiber factory would

be a six-year project, of which UHDE would directly get "perhaps 7-800 million DM for engineering and design work." The rest would go to yet-unnamed subcontractors. Spread over six years, this would mean an average of 1.7 billion DM per annum, or 0.3% of total worldwide export in 1985. Even for Hoechst itself, it would amount to some 1/3 of one percent of annual worldwide sales. Put into the frame of the UHDE subsidiary, which in recent years averages some 1 billion/year DM turnover, the polyester fiber factory project would, however, dwarf all other projects, representing the company's largest contract to date, perhaps a 15% increase in annual turnover.

A spokesman for the industry association BDI clarified that in the past two years, German industry has secured "not one single major contract with the Soviet Union." "Every Western country is waiting for the final Five-Year Plan, but from preliminary information, it appears that it will not emphasize great industrial projects for the West as previously. The emphasis appears to be on investment in increasing productivity of present plant and equipment, modernizing factories." This may translate into orders for machine tools and certain equipment from Germany, until now Russia's largest source of Western industrial goods. The industry association spokesman concluded, "We and the businessmen involved in this [Soviet] trade business, have no big hopes regarding East bloc trade. We only hope to get a fair share of the orders, but we are competing with every major industrial nation. We are more realistic, I think, than some of the press or politicians."

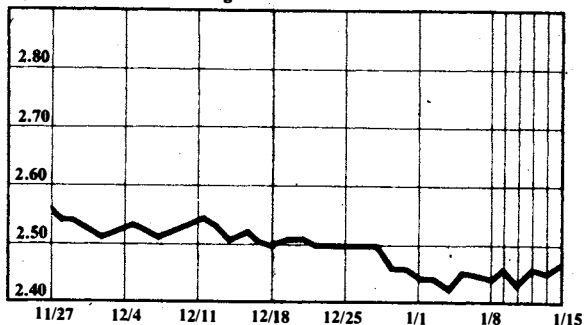
The real target: SDI cooperation

The timing of the latest propaganda barrage on behalf of expanded German-East bloc trade is calculated to inflict maximum political damage on the potential Bonn-Washington cooperation on the SDI, a major strategic objective of the U.S.S.R., as part of a broader process of decoupling West Germany from the NATO alliance. The game was exposed in the cited *Der Spiegel* article. The article on German-East trade concludes, "German industry needs a framework agreement to proceed with the American SDI project. The trade deals with the Soviet Union can proceed without any such restrictive agreements. With East trade lie potentially contracts of billions in value, while the SDI dealing with the USA to date promises only \$900,000." While the argument is a willful fraud designed to obscure the civilian argument behind SDI cooperation, namely the access to the most advanced frontiers of laser and space technologies, essential for the future of West German as well as world industry, it is clearly influencing Bonn policy. Already the government is reported discussing revising the 1982 ceiling on limiting Germany's Soviet trade dependence to no more than 10% of total state Hermes credit guarantees. If the UHDE deal is secured, this limit will be exceeded. If this is done at the expense of serious SDI collaboration, the results for the future of the Federal Republic will be incalculable.

Currency Rates

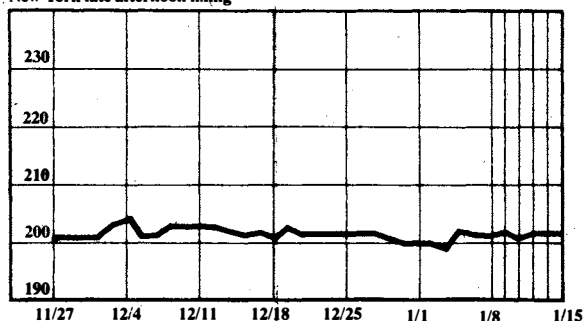
The dollar in deutschmarks

New York late afternoon fixing



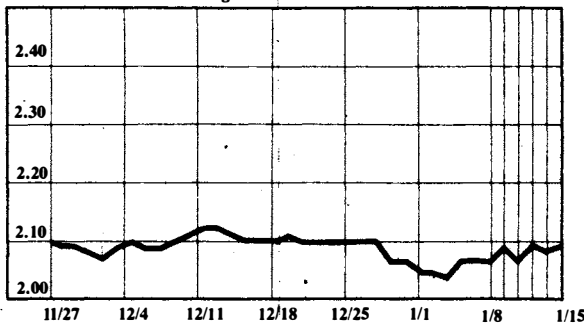
The dollar in yen

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing

