Europe looks to cooperation with Third World, Soviet Union

by Volker Hassmann

Two days after the Sept. 12 signing in Moscow of the historic treaty on German reunification, West German Chancellor Helmut Kohl joined French Prime Minister Michel Rocard and high-ranking Soviet representatives at a podium in Wolfsburg, West Germany, to call for the extension of Europe's new unity to benefit the Third World.

"We are proud and full of hope about the developments here in Germany and in Europe," Kohl said, "but we have to be aware that other regions of the world are equally important—for example the developing sector, which has to be integrated into the world economy. The industrial countries have to open up their markets to the developing sector." Europe will not become a protectionist fortress, he said, stressing that "the big task of the 1990s" is to help the poorest countries, especially in Africa, and to solve the debt problem.

"The inalienable rights of man have to be realized," Kohl declared, pointing to the revolutionary upheavals of the past year that led so rapidly to the reunification of his nation.

The chancellor was addressing some 500 top industrial managers and scientists from 36 countries at a conference of the newly founded International Partnership Initiative (IPI).

French Prime Minister Rocard spoke next. "I want to thank German Chancellor Helmut Kohl explicitly for his courageous statement, that there should be no decoupling between the industrialized nations and the developing sector," he said. Rocard went on to demand a change in Western financial policies toward the developing sector, which are strangling some 100 nations. "How did the indebtedness of the Third World come about?" he asked, and gave the following answer: "Because they used *our* methods of financing. This has to stop. There has to be a methodological change in this respect."

In reference to the tasks of economic development in the Third World and Eastern Europe, Rocard spoke of two different approaches ("two money zones") taken by the industrialized countries—one represented by "the United States, but also by Great Britain, Canada, and the big international cartels," the other by the "German-Japanese productivity zone." While the first is oriented toward short-term capital gains rather than investments for the future, and sees investments in the future as a drain on current profits, "the most effective industries exist in Germany and Japan, where banks grant credits in a different way to the entrepreneur." It is the second, productive approach, that must be applied to the developing sector, said Rocard.

Development of the Soviet economy

Both Kohl and Rocard pledged increased German-French cooperation toward the economic development of Eastern Europe and the Soviet Union, which is now considered a strategic necessity. A Soviet delegation to the conference, led by Oleg Bogomolov, member of the Soviet Academy of Sciences and adviser to Russian Republic President Boris Yeltsin, made clear that they in turn have adopted economic security as their primary foreign policy interest. Soviet President Gorbachov sent a personal message to the conference, praising Chancellor Kohl for his achievements in the process of German unification and offering broad cooperation.

Bogomolov offered a great opening to the West: "In the next 10 years, the Soviet Union and the whole of Eastern Europe have to be integrated into Europe. It is in the West's own interest to develop the Soviet Union. After 70 years of separation, we are now coming back to European civilization." The challenge is gigantic, as Bogomolov's report about the abysmal state of the Soviet economy showed. To avert a total breakdown, with its obvious destabilizing political ramifications, Moscow needs low-interest credits, modern technology, and transfer of know-how.

He was echoed by the deputy president of the Russian Republic, Gennadi Filshin, who called on German industrialists to help set up a new structure of small and medium-sized enterprises in the Soviet Union, based on Western technology.

Agreements at the Leipzig fair

A consensus between the Bonn government and German industry on Soviet economic aid had been demonstrated one week earlier at the Leipzig trade fair, where the Eastern Trades division of the German Industrial Association had assembled 200 managers from both parts of Germany and the Soviet Union on Sept. 7. The Soviets sent a high-ranking delegation, including Foreign Trade Minister Katushev, an economic adviser to Gorbachov, the chairman of the Moscow Foreign Trade Bank, and the deputy ministers for trade and the chemical industry. The German head of the Eastern Trades division, Otto Wolff von Amerongen, endorsed the draft for the German-Soviet economic treaty, which had just been negotiated between West German Economics Minister Helmut Haussmann and Katushev in Bonn.

The "agreement on the establishment of broad cooperation in the field of economics, industry, science, and technology" supersedes the existing treaties between the Soviet Union and East Germany and West Germany, respectively. Besides guarantees for goods deliveries from the eastern part of Germany to the Soviets after unification, it includes the small and medium-sized companies in production cooperation, removal of trade barriers, promotion of joint industrial exports and technology to third markets, best possible conditions for the exchange of experts, pilot projects to modernize agriculture, and cooperation in the fields of space research, shipbuilding, high-speed rail systems, and nuclear energy. Also, the structure of the German-Soviet Economic Commission will be changed to add representatives of different Soviet republics.

While infrastructure development in the East was repeatedly named as "strategic priority" by the tycoons of West German industry, they left no doubt that this requires a "change in the method of thinking," as the head of the Association of German Industry, Dr. Tyll Necker, put it. The traditional instruments of finance credits, going into the bottomless pit of a socialist planned economy, are outdated, said Necker: "We have to be more creative." The economic structures in the U.S.S.R. have to be strengthened, so as to allow higher productivity. "It is not enough to deliver rail cars. The question is whether they will be used effectively. We know that the Soviets lose more food per year than they import. A functioning infrastructure to prevent catastrophic bottlenecks in transport and storage facilities will save the Soviets billions in foreign currency."

East German industry: gateway to the East

In presenting the German-Soviet economic treaty in Leipzig, Economics Minister Haussmann made clear that there can be no economic development in Eastern Europe without development of the Soviet economy. The transmission belt in his "trilateral" West German-East German-Soviet cooperation is the industry of the former German Democratic Republic (G.D.R.), with its numerous economic links to the Soviet Union. Industrial growth and modernization after unification will increase this crucial potential, even if it is now blocked by an inevitable liquidity crunch for companies in the East after the currency union was introduced in July. But the close links to the Soviet and other East European economies are key to the integration of East Germany into the European market, as they are decisive for the required structural changes in the Soviet Union.

The G.D.R. and the U.S.S.R. are strong foreign trade partners. The Soviets conduct 10-12% of their foreign trade business with the G.D.R., which in turn conducts 23-25% of all its foreign trade with the Soviets. This mutual dependency shows in the importance of the U.S.S.R. as a supplier of energy and raw materials to the East German economy. The G.D.R. imports all of its natural gas from the Soviets, 97% of its oil, and 75% of its coal. These energy imports covered 30.5% of its energy consumption in 1987. More than one-half of its imported trucks and tractors come from the Soviet Union.

Almost two-thirds of all G.D.R. exports to the Soviets are in the categories of machine tools, equipment, and transport vehicles. This underlines how important the Soviet market is for these East German economic sectors. Within this category, the biggest portion are vehicles and spare parts, followed by agricultural machinery, equipment for the chemical and timber industries, as well as machines for the metal-working industry. According to the East German Economics Ministry, 25% of all jobs depend directly or indirectly on the close interlink between these two economies. More than two-thirds of the total industrial exports to the U.S.S.R. (in 1988 this was DM30.2 billion) have been produced by 38 state companies employing 935,000 workers. These companies will play a crucial role in the future economic relations between a united Germany and Eastern Europe.

At a Franco-German industry panel held in Vittel, France, in mid-September, West German Economics Minister Haussmann particularly urged French industry and banks to invest in what used to be East Germany, and denounced propaganda to the effect that East Germany would become "the Mezzogiorno of Germany"—a reference to the poorer and more backward regions of southern Italy.

He pointed to the opportunity for every French company and investor that cooperated with a German firm to receive special tax rebates and subsidies on Eastern investments. Haussmann said that close economic cooperation between France and Germany shall play the role of a catalyst for developing an "economic zone from the Atlantic to the Urals."

French Foreign Trade Minister Jean-Marie Rausch responded positively to Haussmann's remarks, emphasizing that there is good reason to be confident that France, being West Germany's number-one trade partner in the West, will keep that position also with the united Germany.

Chancellor Helmut Kohl, too, at the close of Franco-German consultations in Munich on Sept. 19, issued a special appeal to the industrialists of France to invest in East Germany. Following a meeting with French President François Mitterrand, the two leaders pledged to pursue economic cooperation in such areas as nuclear power, the high-speed train projects ICE and TGV, space enterprises, and investments in what used to be East Germany, as well as the rest of Eastern Europe.