

## French, Germans, Czechs ally for development

by Rainer Apel

At the diplomatic level, perspectives for concrete steps for the economic reconstruction of Eastern Europe at last became visible during the last week of April after a long interlude of debates and countermoves on proposals, plans, and projects for development.

There was, first of all, the decisive meeting April 24 in Bonn between the heads of the two German governments, Chancellor Helmut Kohl and his East German colleague, Prime Minister Lothar de Maiziere. Also the two foreign ministers, Hans-Dietrich Genscher and his East German colleague, Markus Meckel, met that day—five weeks after the March 18 elections were held for the new parliament in East Germany.

### German unity advances rapidly

The German-German meetings in Bonn achieved agreement on the following key aspects: 1) A process of tuning in the policy, projects, and consultations would begin, working toward a common government of the reunified Germany of the future. 2) For the next sessions at the foreign minister level of the “2 plus 4” conferences, the first of these taking place in Bonn May 5, the two German governments would increasingly act as if they already were one government. 3) At the upcoming autumn sessions of the 35-nation Conference on Security and Cooperation in Europe (CSCE) panel on German unity and the future of Eastern Europe, the two German foreign ministers would speak with one voice. 4) The difficult job of renegotiating agreements on economic cooperation and exchange between the two Germans and the Soviet Union over the next weeks, while at the same time reorganizing the ailing East German economy within the German Monetary Union (GMU) between East and West Germany, would be taken on jointly by the two German governments.

So, on the German-German level, the prognosis *EIR* made recently that in a matter of a few weeks the “2 plus 4” talks would basically be transformed into “1 plus 4,” has been borne out by the April 24 meetings in Bonn. This helps to create a stable core of the “productive triangle of economic reconstruction” that is to be installed between Paris, Vienna,

and Berlin over the coming few weeks and months.

The Franco-German angle, which was somewhat problematic over the past weeks due to an embargo of the respective state bureaucracies on all production-oriented policy initiatives, has improved considerably since President François Mitterrand and Chancellor Helmut Kohl issued a surprising joint declaration April 19. They endorsed moving up the entire timetable for talks about the economic, monetary, and political integration of the 12 European Community (EC) nations, as well as the integration and association of the East European nations into the EC.

Political union of the EC, Kohl and Mitterrand declared, shall be achieved parallel to the start of the economic-monetary union in January 1993. Concrete steps shall be taken to prepare all relevant treaties by summer 1991, in order to leave time for the 12 national members parliaments to ratify the documents in the course of 1992, so that by Jan. 1, 1993, the entire package can go into effect.

The integration of the European Community and the unification of Germany shall be synchronized, Kohl and Mitterrand resolved at another meeting in Paris one week after this joint declaration.

Granted that the big diplomacy is still moving very slowly, these two initiatives, the German-German and the Franco-German, create favorable conditions for industry and banks to launch investments in what is to become that “productive triangle of economic reconstruction” between Paris, Vienna, and Berlin.

### Production initiatives flourish

Two examples show the potential created by the diplomatic activity. First, right before the joint Franco-German declaration of April 19, the magistrate of Strasbourg, the capital of the French province of Alsace, published a report projecting a boom of industrial and commercial activities in that province, along with an overall expansion of East-West trade.

Currently, the industry and trade companies of Alsace have a share of 20% of France’s trade with Czechoslovakia, 16.6% with East Germany, and 12.6% with Hungary.

Strasbourg is, therefore, very interested in improving transport infrastructure and has teamed up with the four West German cities of Karlsruhe, Stuttgart, Ulm, and Munich for a joint initiative for the construction of a high-speed rail route connecting these cities. The initiative calls for close coordination of respective plans for completion of the French TGV and German ICE high-speed railway projects by 1996-97, and the proposal has already been presented to the governments in Paris and Bonn at the end of March.

Second, this has advanced the perspectives for economic reconstruction in East Germany and Czechoslovakia. The Bavarian state government in Munich just passed a special fund of 1.3 billion deutschemarks over the next three years for projects of transport infrastructure development and low-

interest credit for small and mid-size enterprises. The program is addressed, primarily, to the two East German regions of Thuringia and Saxony, which borders on the state of Bavaria. Both regions comprise the center of industrial production in East Germany, along with cities like Erfurt, Dresden, Jena, Leipzig, and Chemnitz.

Moreover, the magistrate of Strasbourg just signed a sister-city partnership agreement with Dresden, which includes the establishment of an Alsacian chamber of industry and commerce in that East German city.

But interrelations are also very close between Thuringia, Saxony, and the western part of Czechoslovakia, which is, again, the center of Czech industry with cities like Pilsen, Karlovy Vary, and Prague.

While discussion has begun, no concrete projects have yet been decided upon between the Czech government and the state government of Bavaria. Projects such as a four-lane highway from Nuremberg to Pilsen and Prague, and the modernization (doubling of tracks and electrification) of the two existing rail routes between Eisenstein and Pilsen, and Fürth-Pilsen-Prague are on the priority list of cross-border infrastructure projects.

### Germany to become primary trade partner

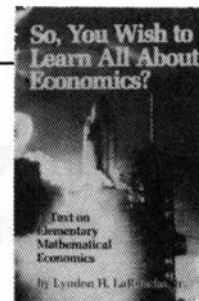
The Czechs, aware of the immense challenge of rapid modernization posed for their outmoded industries, see the positive aspect of German unification, which offers them a chance to reduce their dependency upon the Soviet Union and the Soviet-dominated East European economic bloc, the Comecon.

At a meeting of Comecon economic ministers and experts in Prague April 22, Czechoslovakian Vice Premier Vladimir Dlouhy said that a unified Germany will definitely become his country's number-one trade partner, "far more important than the Soviet Union is for us today."

The Dlouhy remarks reflect a debate in Czechoslovakia about where to concentrate investments in the intended reorientation of the Czech industry towards the West. This reorientation is encouraged by the dramatic collapse of Soviet deliveries and orders over the past two to three years. Soviet energy supplies to Czechoslovakia dropped by 30% in 1989, and over the past years, Soviet iron ore supplies to the Czech steel sector have deteriorated in quality. This has created an additional burden on the country's coal-mining sector because more coal has had to be used in the steel mills to turn bad iron ore into a somewhat acceptable quality of steel.

The Czech machine-building sector, largely dependent on orders from Moscow, and the power-technology sector most of all, has also seen a drastic drop of Soviet orders after the 1986 Chernobyl disaster.

Apart from the domestic need for improvements in the energy sector, the Czechs are looking for new export opportunities which could also assist in the modernization of the collapsing lignite-based energy sector of East Germany.



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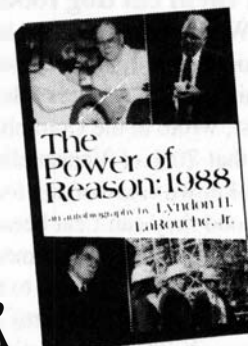
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