Report from Bonn by Rainer Apel

Cutthroats 'investing' in Germany

The real estate boom in unified Germany is benefiting mafia money-laundering interests.

Two years ago, before the peaceful revolution in the former East Germany, senior police officials and politicians strictly denied the existence of anything like mafia-style "organized" crime. Now, the media are filled with warnings against advances which criminal organizations are making, especially in east Germany. Warnings about laundering of dirty money through real estate purchases, and corruption of state and local administrations, also emerged from speeches at events celebrating the 40th birthday of the BKA, Germany's anti-crime agency, in late November.

Contrary to what some have claimed, organized crime existed in Germany way before 1989. It has only become more influential, and is acting more ruthlessly. Organized crime groups have been able to capitalize on the collapse of the postwar security policy with the fall of the Iron Curtain, and on the collapse, specifically, of the police state of former East Germany.

The big cities in east Germany have become to speculators, prostitution rings, and dope-peddlers what California was for the gold-diggers of 1849. The East is considered an ideal target for exploitation, as the people there are not yet sufficiently wary of, western gangster methods.

The boom of the underworld side of economics, in which the fight over the control of real estate is key, is most visible in Berlin. After unification on Oct. 3, 1990, the city now has 3.5 million inhabitants and is experiencing a boom. Billions of marks' worth of properties that were occupied by the former regime are up for privatization. This has developed into one of the world's biggest speculative real estate markets. The struggle to control it is fought with cutthroat methods—literally.

In spring 1991, gangsters broke the legs of a homeowner in east Berlin who had been able, apparently through connections to the old regime, to secure more than 20 pieces of real estate in the city. (The incident never broke into the press.) The man had refused to sell to a western speculators' group for the price they wanted to pay, and instead tried to bargain the price up.

On June 12, a letter bomb killed Hanno Klein, a Berlin city clerk in charge of redistributing real estate. This was not the *modus operandi* of terrorist assassinations. Neither was the assassination April 1 of Detlev Rohwedder, the boss of the Treuhand agency that is handling the transfer of former state property into private hands. Rohwedder, with whose agency Klein cooperated, was killed by a shotgun fired through the window of his home.

In late November, another story about contract killers dating from earlier that month broke in the Berlin press. A rival had tried to hire someone to kill Klaus Groehnke, a construction tycoon from west Berlin, whose Klingbeil group had just bought 28 of the former East German regime's 34 Inter Hotels.

The assassination plan—prepared less professionally than the hit against Klein—was spoiled, because police accidentally arrested another man who tried to earn the money for the operation through the bulk sale of 1.5 kilograms of heroin, which had been provided by the aforementioned rival.

In an article on the real estate boom in Berlin, the daily *Tageszeitung* mooted certain overlaps of former regime interests in the East with western interests from the United States, Canada, and Japan. As the daily wrote, Klein was negotiating on huge investment projects in Berlin with, among others, Mark Palmer's Central European Development Corp. (CEDC); Peter Munk's Canadian oil and gold sales firm, Horsham Corp.; and the New York firm Tischman and Speyer. One may add another key collaborator of Palmer's: Ronald S. Lauder, son of the Estée Lauder perfume empire and former U.S. ambassador, under Reagan, to Vienna.

Negotiations among the various real estate interests proceeded in cutthroat fashion, with Klein standing in the way of someone at a critical point of the negotiations. Klein's death on June 12 occurred the day before he wanted to go public with a $800 million Horsham project in Berlin. Was Klein killed by a rival group?

Peter Munk's Horsham got its contract for a huge office and recreation complex four months after Klein's death. Before the end of 1991, Ronald Lauder and Palmer are expecting the Treuhand green light for another $1.3 billion of real estate development projects in Berlin.

According to the Nov. 27 Berlin daily *Tagesspiegel,* Mark Palmer's CEDC, whose office is on the Kurfürstendamm, Berlin's prestigious central boulevard, has forecast a Hong Kong-style investment boom for the German capital. One of Palmer's favorite projects is to turn the world-famous Checkpoint Charlie, the historic former transit point between divided West and East Berlin, into an "American business center."