



# The Day of German Unity

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## Germany has been United for Four Years

by Hermann Horstkotte from Berlin

IN the Spring of 1994, Weimer, the town closely associated with Goethe and Schiller, was elected 1999 Cultural Capital of Europe. Four years ago, on the occasion of the unification of Germany on 3 October 1990, no one had thought of candidature of this nature. The New York Philharmonic guested in Leipzig, the home of its conductor, Kurt Masur. In 1989, when discontent with SED leadership developed into a popular movement, the civil-rights campaigner was among the leading minds of the Monday Demonstrations which became the quintessence of a peaceful revolution. Just two dates, yet they throw light on the changes in the new Bundeslander (federal states) after being sealed off for forty years from Western Europe and the whole of Western culture.

The building boom in all the regions attest most clearly to the re-awakening in the new Bundeslander. New buildings are going up everywhere. Historical city centres in Schwerin, Erfurt or Dresden are being restored. The state is providing extensive assistance in this respect.

Whereas, after unification, several thousand skilled staff from all parts of the federal

area were needed to build up public administration in the new Lander once more. Land Sachsen is now in a position to cover its personnel requirements in this particular sector from local sources.

Reorganization of higher education in the natural science and cultural study faculties has been completed. With fourteen universities, East Germany has a greater higher education density than the old Bundeslander — a location advantage not least for economic development.

Some 14,000 firms and 16,000 properties have been sold for more than DM 40 billion to domestic and foreign customers in the last four years. 30,000 hectares (1 hectare = 2.47 acres) of farmland have been sold, 1 million hectares leased, 1.5 million jobs and investments amounting to DM 180 billion have been pledged.

Because of the speed and extent of the new start, the relatively unfavourable initial circumstances for the reorganization process have almost been forgotten. Even in February 1990, just one month before the first free elections, the then GDR prime minister, Willi Stoph, put the national wealth at DM 1.3 trillion; on

the other hand, the Treuhand, the agency set up to register and privatize former state enterprises and properties, established that the actual figure was less than half of this sum. Only bit by bit did it become clear that, in view of the desolate state of their production facilities and lack of environmental protection measures, the rehabilitation of many enterprises was not of the question.

Both in East and West Germany, the population and politicians were frequently mistaken about the time required for the reorganization process and its overall dimension. Very soon, however, the first effects of the Federal Government's efforts became evident — the state alone transferred more than DM 100 billion (annually) to the new Bundeslander. Today (according to surveys), 60% of the Germans in the new Bundeslander describe their situation as "good", 5% even "very good". Only 7% describe their situation as "poor".

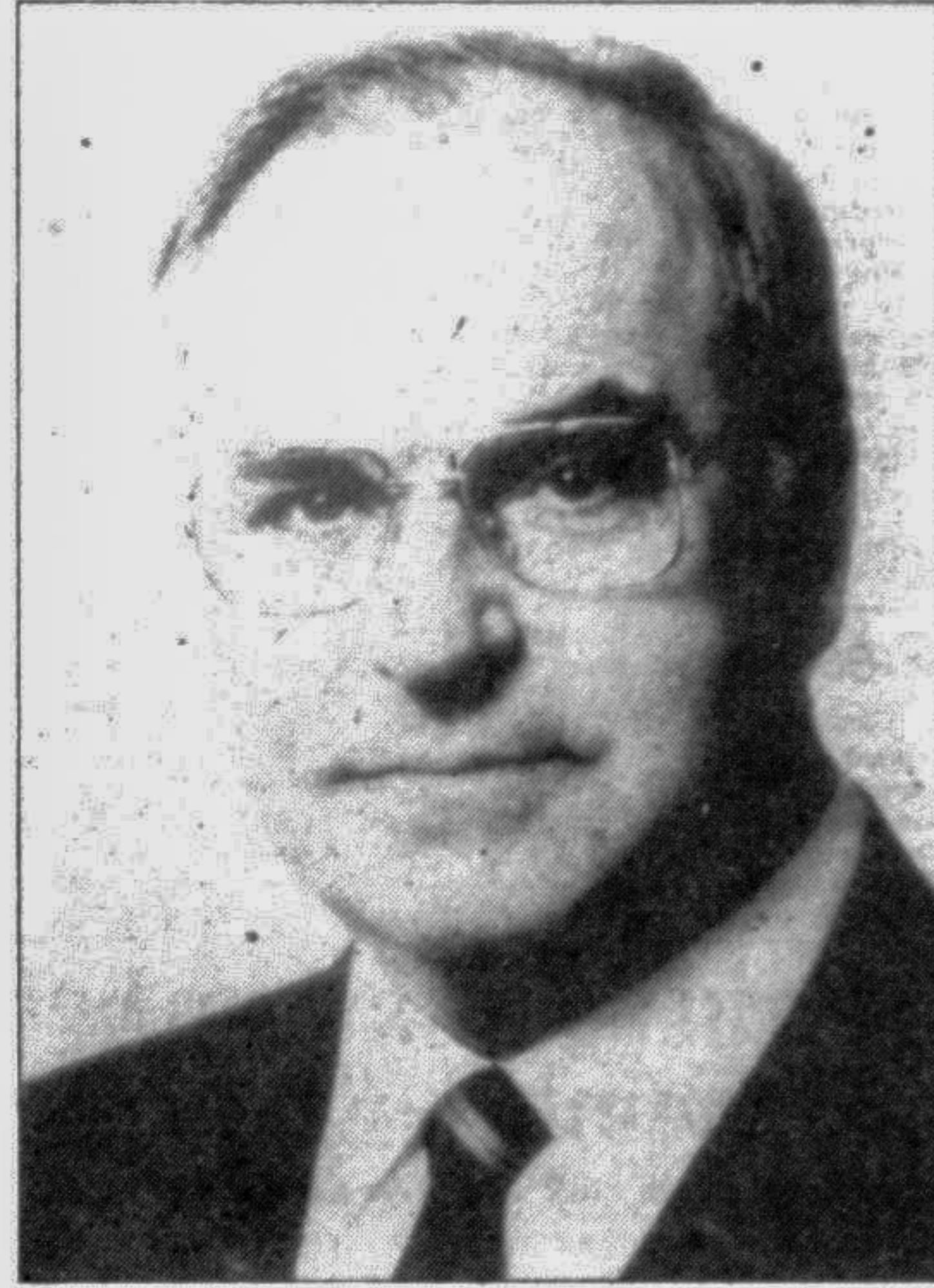
The main engine in the economic rehabilitation of the new Bundeslander are the small and medium-sized businesses. Able to make decisions unambiguously, they can react very quickly and flexibly

to market requirements. It is for this reason that the Treuhand privatization projects gave preference wherever possible to solutions involving medium-sized firms. As is only to be expected, the latter have very little starting capital of their own. On the basis of the "Solidarity Pact" between the Federal Government and leading economic and social organizations, however, banks and savings banks declared themselves willing to provide credit on generous terms. By early 1994, the state Reconstruction Loan Corporation had made loans available to the tune of DM 30 billion for some 60,000 investments, particularly in the small business sector. Despite extensive investment, however, there were still 1.3 million unemployed in the new Bundeslander at the beginning of 1994. At 17%, the level of unemployment in the new Bundeslander was almost twice as high as it was in the old ones (8.8%). In the meantime, positive economic developments in East Germany have also resulted in a turnaround in the labour market there. The new Lander have become the strongest growth region in Europe.

— IN Visitors Information



Dr Roman Herzog  
Federal President of the Federal Republic of Germany



Dr Helmut Kohl  
Federal Chancellor of the Federal Republic of Germany



Klaus Kinkel  
German Federal Minister of Foreign Affairs

## Germany has Assumed Council Presidency of the European Union

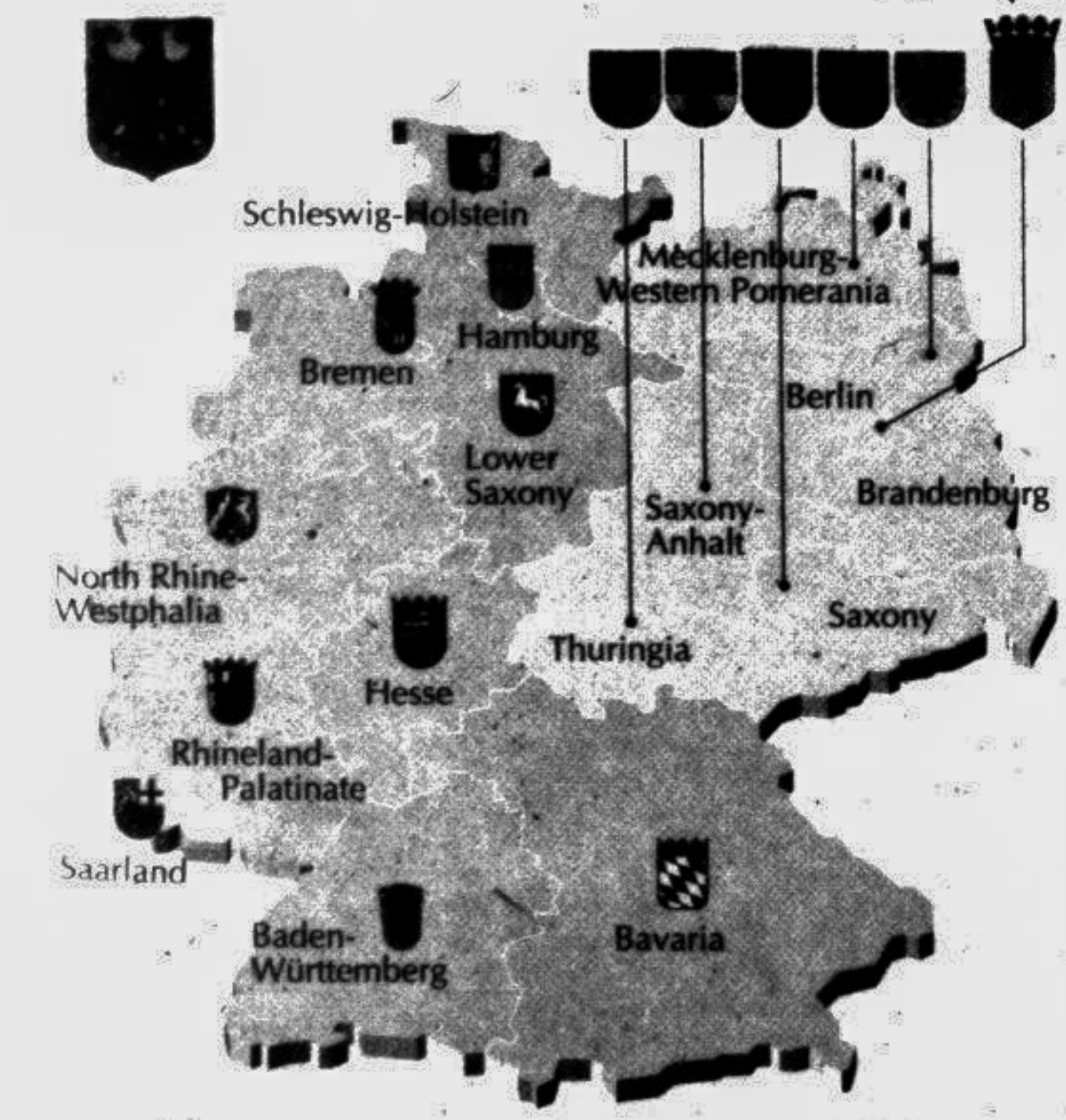
ON July 1, 1994, the Federal Republic of Germany has taken its turn at the helm of the European Union and assumed the six-month tenure of the Presidency of the Council of the European Union (EU). The Germany Presidency is the first since the country's reunification. It is also its first leadership role since the Treaty on European Union — the Maastricht Treaty — went into effect on November 1, 1993.

The Federal Government views the processes of re-establishing domestic unity in Germany and that of growing together in Europe as integrally intertwined. Together with the Transatlantic partnership, European unity represents one of the cornerstones of its policies.

### Priorities: 1 — Europe as an industrial location

At a time of difficult structural adjustment in all industries...

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### MESSAGE

Today we celebrate the Day of German Unity. German unification was completed four years ago. Since then Germany has been in a process of transition which was completed in August 1994 when all foreign troops left our country. Germany has now regained its full sovereignty and will face new challenges and assume new responsibilities.

The basic conditions of German foreign policy, however, have not changed. Germany's commitment to assist the developing countries has remained the same. The economic cooperation between our two countries continues at the same level as before.

German development aid to Bangladesh in 1993 amounted to 112 million German Marks or 280 crore Taka on grant basis and not subject to repayment. Our development cooperation programme in Bangladesh is one of the most important worldwide. It covers a large variety of sectors: Railways, for instance rehabilitation of passenger coaches, Energy including the rehabilitation of the Ashuganj Power Plant, Rural Infrastructure with focus on roads and markets, Health and Population with our NIPORT partnership projects, just to mention a few.

Furthermore, a considerable number of German non-governmental organizations are helping to improve the living conditions of many millions of the down-trodden. This cooperation is based on the traditional social and cultural values of the people. The German Red Cross and the Bangla-German Sompreei are constructing cyclone shelters in the coastal areas and on the islands. German charities raise considerable funds for Partner NGOs in Bangladesh. This successful cooperation shall continue.

Future cooperation between our two countries will concentrate on invigorating the private sector, and poverty alleviation. The potentials of small and medium-sized enterprises will be strengthened and self-help groups in rural areas will receive increased support.

Trade between Bangladesh and Germany continues to intensify and is still very much to the advantage of Bangladesh. The bilateral trade flows between our two countries are nearing the 250-million-US\$ mark — a remarkable volume indeed.

As to the cultural relations 1994 has seen an increasing number of successful visits by Bangladeshi artists to Germany. As a result of this we are encouraged to remain active in this field as well.

The German Cultural Centre in Dhaka has

been an ideal venue for cultural exchange programmes between our two countries for many years. German and Bangladeshi cultures are equally represented and promoted. Each year more than 300 students enrol for German language classes.

Another relevant field of cultural activity is academic and vocational exchange programmes. In 1994 50 Bangladeshi technicians and engineers went to Germany to attend courses there while, in the academic field, about 30 scientists and scholars from Bangladesh have received research fellowships in Germany.

On behalf of my fellow countrymen living in Bangladesh, and on my own behalf, let me conclude by saying that we all enjoy your hospitality, your goodwill and genuine kindness. All of us share the conviction that, working together, we can further improve our relationship.

Khodahafez, Bangladesh Zindabad.



Dr Jurgen Gehl  
Ambassador of the Federal Republic of Germany in Bangladesh.

### EAST GERMAN ECONOMY CATCHING UP

## Investment Rate Distinctly Higher than in West Germany

THANKS to the substantial transfer payments from West Germany, the per capita investment rate in East Germany exceeded the West German rate for the first time last year. According to a report to economic development in the new federal states and east Berlin presented in Berlin by Hans Gunter Mark, president of the Federal Statistical Office, some DM 342 billion were invested in the eastern section of Germany from early 1991 until the end of 1993. Private businesses invested DM 288 billion of this amount, public funds comprised the remaining DM 54 billion. Net per capita investment was 140 per cent higher than in West Germany, reducing the difference between capitalisation levels in East and West Germany. Mark calculates that current differences in living standards exist-

ing between East and West Germany could be eliminated within four or five years when transfer payments and investment levels remain at their current levels. During his presentation in Berlin of a report on the Federal Government's activities in the new federal states, Friedrich Bohl, head of the Federal Chancellery, emphasised that the anticipated "strong upswing" is already underway. According to Bohl, some DM 175 billion will be transferred from West to East Germany this year, approximately the same amount as last year. The Federal Government expects the economy in the new states to grow by 7 per cent this year. One of the world's most modern infrastructures will emerge within a comparatively short period according to Minister Bohl. Telekom, the

postal system's telecommunications subsidiary, installs one million telephone connections a year; by 1997, 95 percent of all East German households will have a telephone. By the year 2002, some DM 33 billion will have been invested in repairing and restoring the railway system. In addition, the federal budget for 1994 has allocated DM 4.2 billion to build roads in East Germany, half of its total allocation for highway construction. East Germany experienced a deep economic slump during the initial phases of the unification process as a result the transition from the former state-planned economy to a social market economy. Recently, however, the East German gross domestic product grew by 9.7 per cent in real terms in 1992 and 7.1 per cent in 1993. As reported by

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## DM 3 Billion for Financial Development Aid in 1993

THE Bank for Reconstruction and Development committed some DM 3 billion in federal funds for financial co-operation with developing countries in 1993, maintaining its 1992 commitment level. Two-thirds of these commitments were for loans with an average interest rate of 1.4 per cent. The remaining third comprised non-repayable grants. Project-tied commitments totalled DM 2.8 billion, a substantial increase over 1992's DM 2.3 billion. In comparison, project-tied aid, primarily assistance to adjust economic structures, was only DM 200 million, compared to DM 700 million in 1992. However, financing requirements for structural adjustment programmes which were still being planned — often in conjunction with the World Bank and the International Monetary Fund — indicate that commitments for measures supporting economic reform in developing countries will increase in the future.

The Bank for Reconstruction and Development is a public corporation located in Frankfurt. The Federation holds DM 800 million and the federal states jointly hold DM 200 million of the Bank's nominal capital of one billion Marks. The Bank for Reconstruction and Development was established to carry out economic-political tasks. It grants, for example, loans and subsidies to promote German trade at home and abroad. The Bank functions as the Federation's development bank in the area of financial co-operation with developing countries. The Bank reviews the development policy aspects of projects to determine whether they deserve support and assists in their preparation. Not only does the review include technical criteria and the economic aspects

in terms of the countries and businesses involved, but it also considers the ecological, socio-economic and socio-cultural impact of each project. Once a financing agreement has been signed with the partners in the recipient developing country, the Bank for Reconstruction and Development monitors and guides the project's realisation and then handles the final banking transactions.

These loans and grants help finance investment projects for building or expanding economic and social infrastructure, projects for the agricultural and commercial sectors, environmental protection and resource conservation. The Bank for Reconstruction and Development finances small and medium-sized investment projects through local development banks, using funds from the Federal Government's development aid budget. Funding commitments which are not tied to a specific project are granted to help cover the ongoing import needs of the respective civilian population and to support economic and sector-related structural reform in developing countries.

Of the total commitments granted last year, developing countries in Asia received some 53 per cent, followed by Africa with approximately 31 per cent, Central and South America with 14 per cent and developing nations in southern Europe with one per cent. Infrastructure measures to promote economic development comprised the largest item of all project aid, representing 53 per cent of total expenditures. Investments in economic infrastructure, foremostly the electricity supply industry, establish a foundation for economic growth and, subsequently, development. Social infrastructure

measures — mainly projects for water supply and sewage systems, health care and education — ranked second with a 19 per cent share. Commitments for environmental protection and resource conservation projects — another focal point of the Federal Government's development policy efforts — doubled over 1992 for a total of DM 400 million and comprised 14 per cent of total expenditures. Projects in 16 developing countries received financial assistance, particularly for the protection of tropical rain forests, reforestation measures and waste disposal.

The Bank for Reconstruction and Development committed DM 1.1 billion in mixed financing last year, DM 600 million in federal funds for financial co-operation and DM 500 million of its own funds at capital market conditions. The electricity supply industry received three fourths of all loans granted. The remaining 25 per cent were invested in telecommunications projects.

The Organisation for Economic Co-operation and Development's (OECD) new rules of consensus stipulate that projects which will yield a return must, as a rule, be financed at market conditions. This new provision will reduce the volume of mixed financing commitments in the future. Germany spent a total of DM 2.8 billion in government development aid funds last year, DM 100 million more than in 1992. Amortisation payments for existing development loans comprised DM 900 million of the aggregate total, leaving DM 1.9 billion to be granted as new aid payments. African nations received the largest share, 50 per cent, of this amount, followed by Asian nations which received 36 per cent.



The European Monetary Institute (EMI) (left) on the banks of the Main in Frankfurt