

OFTEN BETTER THAN IN WEST GERMANY

One of the World's Most Modern Infrastructures under Construction in East Germany

MASSIVE support from federal reconstruction and assistance programmes, aid from Germany's western states, the involvement of western businesses, organisations and other private initiatives have all contributed to the substantial progress already achieved in the reconstruction and expansion of east Germany's infrastructure in the telecommunications, transport, environmental protection, housing, and research and development sectors. The Federal Government and its subordinate agencies and enterprises have provided funding and stimulated third party investment with an aggregate total of almost DM 200 billion to upgrade the infrastructure in eastern Germany. Construction measures for the new infrastructure in east Germany are already quite advanced in several areas such as telecommunications and transport. Since the new

infrastructure is being built with the latest technology and most modern materials, standards in some sectors are often better than in west Germany. In just a few years east Germany will boast one of the most advanced, if not the most modern infrastructure in the world.

The Telekom subsidiary of Germany's postal system has invested more than DM 29 billion in east Germany since unification. It has installed more than 2.3 million new telephone connections and built the accompanying network infrastructure in less than four years, more than was achieved in the territory of east Germany during the period since the invention of the telephone until German unification. The number of telephones in east Germany has already been doubled. Further investments of DM 9 billion for an additional one million telephone connections

will ensure that the current pace of construction continues beyond this year and that the telecommunications system in eastern Germany reaches west German standards by 1997 at the latest. Digital and fibre glass technologies are being used to construct the new telecommunications system in east Germany which in some areas is more advanced than the west German system.

The Federal Government has also invested DM 39 billion in the expansion and modernisation of east Germany's transport system, i.e. almost 45 per cent of the aggregate investment in this sector. More than half of this investment was allocated to the railway system: Approximately 3,000 kilometres of the core railway system were reconstructed and 800 kilometres converted to electricity. Some 7,000 kilometres of roads were resurfaced and an additional 190 kilometres of new roads have been built. Road construction measures focused not only on federal highways and autobahns, but also included bypass routes. When necessary, some projects were undertaken making use of legal options to accelerate the planning stage. Some DM 7 billion had already been invested in "German unity" transport projects by the end of 1993. These projects, which are targeted for completion by the start of the next decade, are vital for developing the transport system in structurally weak areas of east Germany and for connecting the two halves of the country.

Some 2.3 million homes — every third flat — in east Germany have been repaired or modernised with financial assistance from the Federal Government. In 1993 a total of 75,000 construction permits were issued for new housing, three times more than in the previous year. This increase will result in a marked rise in the number of construction completions from this year on.

In the area of environmental protection, federal programmes have provided partial or complete financing of investments totalling approximately DM 20 billion. DM 1.8 billion in funds from the Federal Ministry for the

Environment have stimulated the investments of approximately DM 3.8 billion in environmental protection measures since 1990. The environmental protection programme sponsored by the state-owned Deutsche Ausgleichsbank (German equalisation bank) and the Bank for Reconstruction and Development contributed DM 2.3 of the DM 7 billion total investment in environmental protection in the new states.

Environmental restoration measures, particularly in brown coal mining, the chemical industry and the metal, electrical and steel sectors, have made significant progress with the help of special job promotion funds for east Germany. Through this funding an average of more than 60,000 persons received employment last year. Project plans for this year foresee employment for an average of 80,000 persons. These programmes are not only an important contribution toward restoring heavily polluted areas and improving environmental conditions in the new states, but are an equally important factor in reducing unemployment.

In addition to investment stimulation, measures to promote innovative new production structures in east Germany are of vital importance. For this reason the Federal Government developed a package of measures to promote research and development directly following German unification. These measures aim at making east German businesses competitive, establishing and expanding an innovative small-business sector, supporting new businesses in technical fields, and establishing an R & D infrastructure in the public and, more importantly, the private sector. By the end of 1993, the Federal Government had already provided DM 1.6 billion for this purpose. This investment also helped slow the rate of the personnel shedding in R&D departments in the private business sector in east Germany. Since many businesses in east Germany are not yet able to finance necessary research and development projects themselves, the Federal Government will be providing up to DM 740 million in funding this year to assist them. The foundation for a research-friendly infrastructure has also been established with the creation of publicly financed research facilities in east Germany.

Investment Rate Distinctly Higher

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the president of the Federal Statistical Office, income levels in the new states rose rapidly in 1991 and 1992 in particular, which greatly reduced the gap between East and West Germany. During the second half of 1993, monthly disposable income reached DM 1,450 per capita, or 62 per cent of the West German level. During the same period three years earlier, monthly private disposable income in East Germany was only DM 860 per capita or 41 per cent of the West German level.

Productivity in the new states has also increased considerably during the last two years. The construction branch in particular has experienced strong growth. During the second half of 1993, the net production index for the building industry proper, which is adjusted for price changes, was 58 per cent higher than during the same period in 1990.

The downswing in mining and industry was stopped last year when output increased by 5.3 per cent. Toward the end of 1993, the number of new orders was 16.9 per cent higher than one year before. This large increase in productivity was buoyed primarily by investments which, calculated on the basis of constant prices, increased by 15.6 per cent over the previous year. The government makes extensive use of incentives to foster investment, the most effective being investment subsidies for the industry and trade sectors.

The number of new businesses registered provides an indication of potential development trends. From early 1990 until the end of 1993, 9,78,000 new businesses were registered in the new states. During the same period, 368,000 existing businesses cancelled their registration, for a net increase of 608,000 businesses. The new small and medium-sized business sector is booming.

The list of the industrial branches in East Germany which have benefitted from the radical structural changes is headed by the plastics processing industry which was able to double its output during the last three years. Production in the steel and light-metal construction branches, drawing mills, cold-rolling mills and the stone and clay industries increased by more than 50 per cent. The printing branch and petroleum

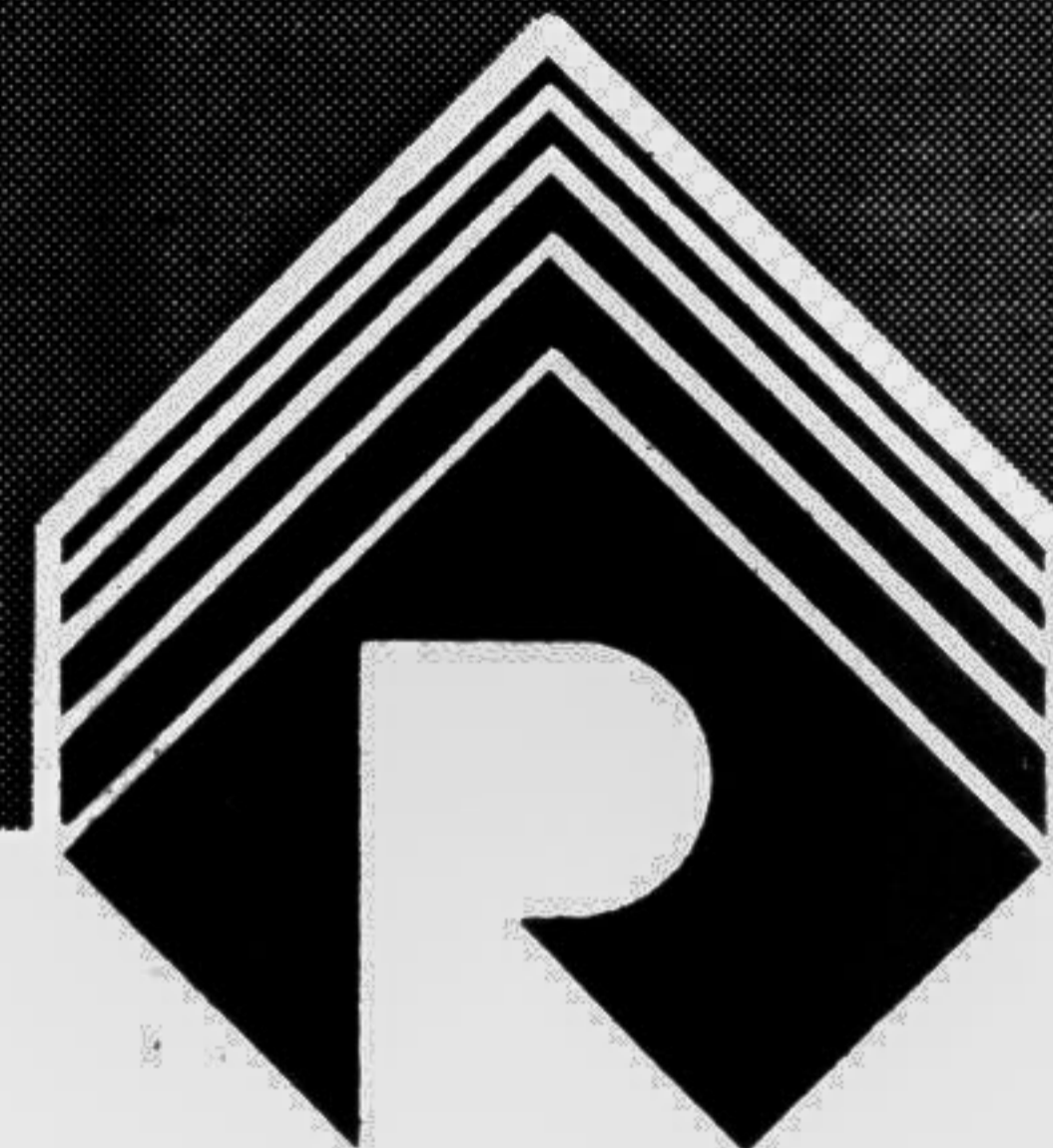
processing sector reported a 40 per cent increase in production. As a whole, East German industry is in the

middle of a strong upward trend: During the second half of 1993, 25 of the 32 most important branches were ex-

panding. Although the construction industry and consumption-related branches provided the main stimulus for this upswing, the capital goods sector is an increasingly important factor.

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Presidency of the European Union

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trialized nations, the European Commission has issued a white book on growth, competitiveness, and employment. The report contains a strategy to secure Europe's position as an industrial location and to combat unemployment in the European Union.

Implementing the objectives of the white book, approved by the EU summit in Brussels at the end of 1993, represents an endeavor of the highest priority for the Federal Government.

By means of a concerted programme of action, the EU member nations will seek independently to remove domestic obstacles to employment and growth without at the same time endangering the foundations of socially-oriented free enterprise and with it the social security of its citizens.

The ability to reduce unacceptably high levels of unemployment throughout the EU—total unemployed in the EU today number 17.8 million—by the end of the century is predicated on the success of these measures.

The white book also contains proposals for structural improvements to hone the competitive edge of European industries. It calls for the in-

tensification of economic links between the member nations of the Union through a coherent expansion of infrastructures in the transport and energy sectors.

The white book is the latest in a series of initiatives taken by the EU to improve the growth prospects of the European economy. Already at its gatherings in Edinburgh and Copenhagen in December 1992 and June 1993, respectively, the European Council allotted a total 8,000 million ECU in the form of lending facilities by the European Investment Bank. It also approved a new Investment Fund with a volume of 2,000 million ECU.

The German Council Presidency will strongly emphasize the task of bringing about prerequisites for establishing the Economic and Monetary Union.

The establishment of the European Monetary Institute in Frankfurt am Main, the precursor of the European Central Bank, lays the institutional groundwork for closer cooperation among the central banks of the member nations — keyed to monetary stability — with the Monetary Union the ultimate goal.

Warmest Felicitations to the Government of the Federal Republic of Germany on the occasion of the 'Day of German Unity'

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