

ANALYSIS: The Changing Socialist World

Two Germanys on the Road to Unity

HONORABLE JOACHIM WITTWER (Ambassador, Embassy of the German Democratic Republic / GDR): At issue in the current changes in Eastern Europe is whether socialism has failed and is now being forsaken. If I may speak not only for East Germany but also for our neighbors, then I must say that *it is the Stalinist model of socialism that has miserably failed* and that the reforms being undertaken in these countries cannot be swiftly condemned as repugnant to socialist principles -- the situation in each country being too fluid to allow for a sound and fair judgement.

In the case of East Germany, what is underway is a socialist renewal. This process was set into motion not by the leadership of the Socialist Unity Party (SED), but by the democratic mass movement operating outside the traditional political system. It is this feature of our reform process that makes it unique and full of radical potential.

The necessity for socialist renewal in my country cannot be doubted. We confront today a deep crisis characterized by, among others, unrealistic national economic planning, lopsided investments, and continued borrowing from foreign capitalist banks.

Economic reforms are being instituted to address the above problems. These reforms are aimed at increasing efficiency by encouraging the autonomy of economic entities and limiting the scope of centralized economic planning and management; adopting the



principle of "pay according to performance"; re-examining price subsidies and controls; etc..

Political reforms, aimed at strengthening the rule of law, are also being undertaken. These are embodied in legislations that guarantee the rights to vote, speak, assemble, associate, and travel. Most of these legislations are still under discussion while a good number are already in force.

In undertaking all these changes, we hope to build a socialist society that is humanist and democratic -- an East Germany where there is not only job security, and free social services such as education, medical care and others, but also, more importantly, political and ideological pluralism.

The future of these reforms shall become more certain after our first democratic elections on 6 May 1990 (this has since been moved earlier to 18 March - Ed.). Already, existing structures and relations are being put to question, new political forces are emerging, and a new political landscape is taking shape. Violence has, so far, not marred these upheavals as everyone is careful not to give cause for right-wing extremism or neo-fascism.

The success of our reforms shall also be greatly influenced by developments in the rest of Eastern Europe. For one reason, it was the remarkable changes taking place in the other socialist countries that inspired us to initiate reforms. For another reason, we have strong economic relations with them. Seventy percent of our foreign trade is conducted with the socialist bloc (our trade with the Soviet Union already accounts for 40 percent).

In turn, the direction of our reforms, especially those that affect the stability of the country and its reliability as a partner in maintaining regional balance, concerns all of Europe. This is because we share with West Germany a responsibility for the maintenance of regional peace, stability, disarmament, and detente, especially in the context of the "contractual community" that we hope to build together in the current decade. This arrangement concretizes the good relations that we have nurtured according to the principles of mutual respect, sovereignty, territorial integrity, and equal rights as embodied in the Basic Treaty of December 1972 and the 1975 Final Act of Helsinki.

The strengthening of our ties with the German Federal Republic is assured in the press communique issued jointly by our Prime Minister Hans Modrow and West German Chancellor Helmut Kohl, following the latter's visit to my country last December. In this communique, the two leaders agreed to establish closer and long-term relations based upon a common responsibility for peace and a "contractual community". Underlying this statement is the view that good relations between us is of utmost importance to the stability of Europe.

The more controversial issue of German "unification" is altogether a different matter and is not treated in the communique. Neither is the issue included in our agenda (our national anthem, composed in 1949, speaks of a unified Germany but this line is hardly sung). This is quite understandable considering that the process of German "unification" necessitates several tough pre-conditions, foremost of which is the overcoming of the division of Europe into two economic and military blocs. The other pre-conditions include the mellowing of emotions on both sides of the Berlin Wall and dispelling our neighbors' fear of the great Germany of the past. Given these delicate points, we are compelled to treat the subject with extreme sensitivity, and several European leaders, such as newly-elected Czech President Vaclav Havel and French Prime Minister Francois Mitterand, appreciate this dilemma.

One may ask, of course, how the ordinary citizens of the two states view the question. I can only refer to a public opinion poll that was conducted in my country last December by four organizations equally representing the two states. In that poll, 73 percent came out against and 27 percent in favor of German "unification". It is quite possible,

however, that the outcome of that poll may not absolutely reflect the general sentiment. Further, public opinion may change overnight depending on the results of our democratic reforms, especially in the area of the economy.

MR. ULRICH KLOECKNER (Second Political Attache, Embassy of the Federal Republic of Germany / FDR): For several years, many of my people took the division of Germany for granted. It was not very difficult for us to live with this reality as, since the administration of Willy Brandt, "cracks on the Wall" have been made to allow our divided people to have links with each other. This was done under the policy of taking "small steps" which involved painstaking negotiations with East Germany. With the fall of the Berlin Wall in November last year and the spread of a "new thinking" in Europe, our relations are expected to improve considerably.

Following the fall of the Berlin Wall, two immediate challenges confront my country:

First, 300 thousand people from GDR came to my country last year and have decided to settle there. They have to their advantage that fiction in West German laws which makes the Federal Republic of Germany the legal successor of the defeated German Reich. Under this legal fiction, the *people of the GDR are German citizens* who are entitled to all the rights and privileges a German citizenship carries. Thus, my government is duty-bound to provide them with jobs and other social services. The Federal government can easily fulfill this duty under a normal situation when only a few hundreds would resettle every year. But at the current rate of influx, my government has found the situation increasingly difficult to manage. Matters may grow worse if the East German economy does not improve significantly.

And second, nationalist movements on both sides of the Wall are gaining strength. The issue of German "re-unification" pre-occupies everyone and cannot be easily shelved in the elections in GDR this year and in FDR next year. If these nationalist movements grow out of control, the existing European "architecture" and balance of power will collapse.

In late November last year, Federal Chancellor Helmut Kohl addressed the Bundestag and issued the following program that shall serve as the basis for any discussion on the outstanding issue of East-West German relations:

First, to immediately assist the GDR in coping with the losses it suffered last year from the influx of East Germans to the West.

Second, to deepen our existing cooperation specifically in the fields of communication, transportation, and environment. Perhaps, this is similar to the proposal made by East German Prime Minister Modrow for the establishment of a "contractual community". It seems that a "contractual community" refers to an expanded network of arrangements that will bring the relationship between our two countries beyond the current level.

Third and most controversial, to develop confederate structures in the two states with the goal of creating a German federation. As a prerequisite to this, a legitimate and democratic government in GDR must first be elected. Following thus, several institutions will be formed such as a common government commission for permanent consultation and political harmonization, and a common parliamentary committee.

The last item found enthusiastic support in the two states but gave our neighbors and allies cause for concern. They ask: what shall happen now to the European Community (EC)? Is "re-unification" possible at all given that West Germany is a member of NATO while East Germany belongs to the Warsaw Pact? Would not a "re-united" Germany become too powerful in Europe?

In answer to these questions, Chancellor Kohl, in the same message to the Bundestag, reiterated the following points:

First, that the FDR is a member of the EC and remains committed to this political and economic union in which member-states give part of their sovereignty to the Common Council of the EC with the goal of forming something like a United States of Europe. A unified democratic Germany is not, in our view, entirely precluded in the framework of a European community. Neither shall it constitute a threat to our neighbors.

And second, that German "re-unification" must take place within the Helsinki process or the Conference of Security and Cooperation in Europe. This Conference provides the best forum for discussing common European security issues, shaping the future landscape of the region, and building the cooperative structures that would perhaps replace the existing military alliances.

We can only hope that time will allow us to resolve deliberately this singular question of "re-unification". But will there be unity at all? In the same address to the Bundestag, Chancellor Kohl expressed confidence that unity will come if the German nation demands it. And on the historic evening of the fall of the Berlin Wall, former Chancellor Willy Brandt, architect of German *ospolitik*, observed that what belongs together is growing together again.

MS. ANNE SEYFFERTH (Friedrich Ebert Foundation): Many people welcome the fall of the Berlin Wall. As many people, too, fear its uncertain implications. The latter is a valid reaction for the new border situation affects not only East Germany, but also the economy and politics of West Germany. Insecurity lies in our being unprepared to deal with the inevitable changes.

Germany, notwithstanding the fall of the Berlin Wall, remains divided. Our division, however, is now without evident hostility, and its final breach may still be possible. But at the moment, both states must be given space to determine their own political and economic direction. More importantly, they must be allowed to decide freely whether, in the first place, they should come together at all.

DR. WERNE PFENNIG (Friedrich Naumann Foundation): The following views should not be taken to represent the position of the Friedrich Nauman Foundation on the issue at hand. Otherwise, the Foundation might get in trouble.

There are at least two considerations that must be made in any debate on German "unification" (since 1949, GDR and FDR have been two independent states; hence, the term "unification" is preferred over "re-unification"):

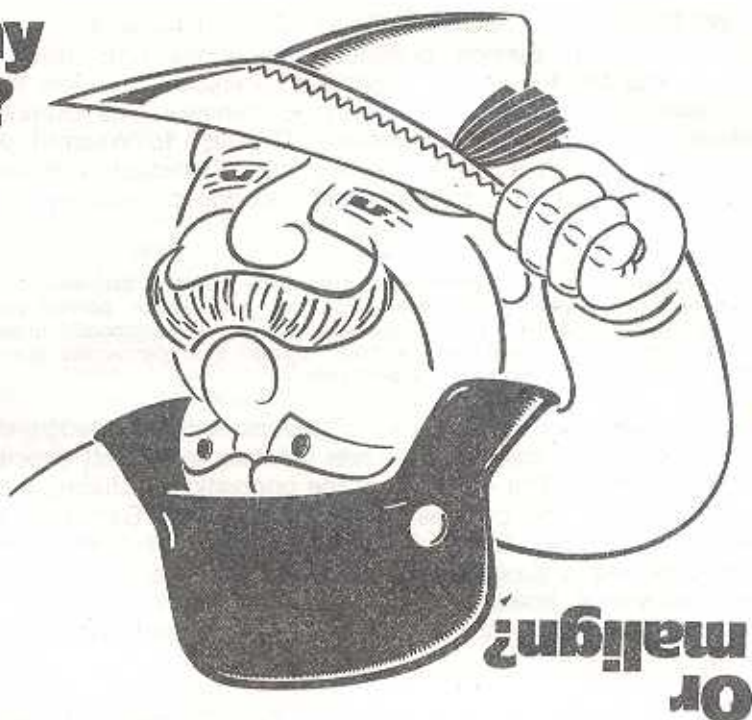
The first consideration is that, it is the international aspect of the debate that is most crucial for its resolution ultimately lies not in our people but in our powerful "allies".

The issue of German "unification" involves two countries that cannot be properly called sovereign. The Allied Powers still have the last word on any major question affecting us. In West Berlin, for instance, authority rests not in our elected city government, but in the three Western allies.

This international dimension of the debate is made even more significant by two other factors. One is the central location of Germany, making GDR and FDR the two countries in Europe with the most number of neighbors. And the other is the decisive influence on GDR of developments in the rest of Eastern Europe. It was the struggles of the Poles, Hungarians, etc., that inspired East Germans to demonstrate (although they have this peculiar habit of demonstrating only at night or on weekends, and never during working hours). To go back even further, it was the vision and courage of Mikhail Gorbachev that made these remarkable changes happen in our time.

The second consideration is that, unlike the divided people of Korea, Cyprus, Ireland, etc., the Germans have adequate knowledge about one another. Our division is painful but not brutal. Media made this possible. The West German media, for instance, always have a full

Germany benign?



THE ECONOMIST JANUARY 27, 1990

coverage of events in the East, and the people from both sides can easily hook up with them. East German dissidents can always have their works published in West Germany. It is this open media, therefore, that have made us well-informed enough to understand and realistically compare our separate systems.

The opening of the border made us even more aware of each other's situation. East Germans, for example, know that some of the privileges they enjoy are not available in the West. This knowledge convinced a good number of those who crossed to the West to return to their country. Whether they shall remain there will depend on the results of the reform process, which I view as, simultaneously, an *advance towards the socialist ideal and a departure from the socialist dogma*. This makes the elections in March crucial, as the Socialist Unity Party (SED), although utterly discredited, stands a good chance of winning 30 percent of the votes. The SED is better organized and run by professional politicians while the other smaller groups are composed of clergymen, artists, journalists, and other "nice people" who can only campaign between working hours. Further, Germans have this peculiar habit of choosing that party which, although disliked, is already tested.

A united German nation-state in Europe, in my view, always spells trouble. We have only to recall the two world wars and the unpleasant experiences our neighbors went through (the Soviets for instance, lost more than 20 million lives in the last war, and this tragedy remains vivid to them). Our "allies" and neighbors are, therefore, justified in being nervous about the prospect of a united Germany.

A loose German federation, on the one hand, is preferred. Historically, this model ensures peace in Europe. The relationship between West Germany and Austria provides a concrete example.

Under the present circumstances, therefore, the GDR and FRG governments should concentrate on improving their cooperation. A mutual desire for stability and a growing feeling of family provide a firm basis for this. After some years, they may decide on the issue... "in consultation", of course, with their "allies".

DR. WILFRIDO VILLACORTA (De La Salle University): In discussing the upheavals in Eastern Europe, premature pronouncements have been made of the "death of socialism and the triumph of capitalism". Personally, I view these upheavals as proof of the dynamism of socialism, of its capacity for renewal. The clamor in Eastern Europe is not for capitalism but for greater democracy. Contrary to Western propaganda, capitalism and democracy are not identical. In making this distinction, I base myself on Lyman Tower Sargeant's discussion of political and economic systems in *Contemporary Political Ideologies*:

Both capitalism and socialism are economic systems that can be combined with different political systems. Capitalism fits well with both authoritarian political systems and democratic ones. Socialism seems to go well with authoritarian regimes and democratic ones. One should recognize that there are many more authoritarian capitalist regimes than democratic ones, and far more authoritarian socialist regimes than democratic socialist ones.

While there seem to be calls for a "free market", the people of GDR are more interested in a "people-led" basic democracy. Their protests are mainly directed against monolithic party politics and militarism. The demands of the opposition, including the New Forum, are somehow similar to those of the progressive parties in West Germany, such as the Green Party. Embodied in their calls for an "independent socialist system" are egalitarian and humane measures designed to cushion the harshness of either a centralized or a market economy. (Whatever economic liberalization will find its way in GDR will not necessarily create a free-wheeling market economy. Western European capitalism is not exactly of the American type.)

There is no basis for expecting the East Germans to switch to capitalism overnight. They fully appreciate the benefits they have under a socialist society, however imperfect it may be. Now that there is hope for reform, they would be even more motivated to stay on and rebuild their society.

This attitude has a significant bearing on the issue of "re-unification". Apparently, the East Germans still have confidence in their system and fear being gobbled up by West Germany whose population is more than thrice their own. They fear being transformed into a less-developed sector of the West German economy whose GNP is 10 times the East's. (But with an infusion of needed capital and technology into the GDR, and given its highly-skilled, hardworking, and disciplined population, it could become this decade's economic miracle -- much like West Germany immediately after World War II.)

The neighbors and allies of GDR and FDR are also anxious about a "re-emergent German nationalism". France prefers instead a strengthened European Community. The Soviet Union has made no secret of its opposition to "re-unification". The United States has yet to revise its (Henry) Morgenthau policy of keeping Germany permanently divided.

PROF. ALEXANDER MAGNO (UP Political Science Department): There is very little value in the observation that what is underway in Eastern Europe is a socialist rejuvenation. It is more meaningful to view the events as proof of the decline of the socialist version of the statist model of development.

The statist model, in both its capitalist and socialist versions, is a product of an earlier technological period when the drive for heavy industrialization, being state-directed, required political consolidation or centralization.

In the current post-industrial period, this model of social organization has become dysfunctional. Throughout the Third World -- from Latin America, Africa, to Asia -- this model has been discredited. In Eastern Europe, this model is now in crisis as the immense economic failure of central planning has become apparent, and the political repression implicit in statism has generated annoyance among the intelligentsia.

The stagnation of the societies of Eastern Europe is seen as an outcome of the regimentation of all productive organizations and social life by a directive state. In this process of regimentation, cultural and technological innovativeness was sacrificed so that society

tended to degenerate. Under the circumstances, economic and political liberalization became necessary to end stagnation and release the creative potential of all civil and productive organizations.

Filipinos of my generation and general political inclination find in these events the following ideological and political significance:

First, there is now a blurred distinction between the socialist and social democratic traditions in Europe. Most political scientists observing the events in Eastern Europe refer to these as the "social democratization of Eastern European societies".

And second, a new political hegemony based on pluralism is likely to replace the Leninist orthodoxy that has long rationalized the existence of a directive state in turn being directed by an ideological party. There is now an increasing doubt in the viability of any revolutionary program that puts emphasis on the role of the vanguard party and the forcible seizure of state power. To reiterate, it is state power that is eroding not only in Eastern Europe but also in the Third World.

For too long, the idea that the empowerment of the people requires the empowerment of the state held sway. The popular upheavals in Eastern Europe and in the Third World have exploded this myth. It will do well for Filipinos who hope for an alternative future to take serious note of this.

DISCUSSION

COMMENT: I reject the idea that in all these popular upheavals it is the nation-state that is the main casualty. I hold the alternative view that these upheavals manifest the collapse of nation-empires -- the United States and the Soviet Union -- and their weakening control over their respective network of surrogate nation-states.

I further disagree that industrialization alone spurs nation-state building. Nation-states are also built around such goals as national liberation or bourgeois revolution.

QUESTION: What aspects of socialism shall the reforms in GDR preserve?

HON. JOACHIM WITTE: The process underway in GDR is a socialist renewal. In the concept "socialist renewal" are implied the following: first, that socialism remains a valid model of development; and second, that it has unjust features that must now be removed.

At the base of our reforms is a system of social ownership (of the majority of the means of production) and distribution (through social security). This system, however, has certain absurd features such that, under central planning, unnecessary waste is incurred, or, under the old social security practice, new forms of inequality emerge (e.g., individuals belonging to different wage-categories pay the same price for the same kind of bread, or the same rent for the same amount of space). In undertaking reforms, we hope to maintain this socialist base and remove its absurd features, but with caution. We are aware of the social repercussions that such reforms, if imprudently carried out, can trigger.

QUESTION: Do you believe that the SED will dominate the elections?

HON. JOACHIM WITTE: Under our multi-party system, there exist some 14 parties and democratic organizations. (Some of these groups -- such as the New Forum, Democratic Awakening, Christian Democratic Union, and Liberal Democratic Party -- have officially stated that they do not see any future for the socialist model and would prefer a middle-way.) In the elections, the Socialist Unity Party is expected to make a good showing. It is still the biggest party in East Germany, with its 1.7-million membership (half a million members, however, have left the Party). More important, it has made sincere efforts at instituting internal reforms. The party leadership has undergone a recomposition. Majority in the new leadership

-- from the central committee and political bureau to the district committees -- are fresh recruits from the rank-and-file. Only four of its members come from the old leadership.

QUESTION: How can one presume that the SED will participate in the elections when there is much speculation that it will be dissolved in the next party congress?

HON. JOACHIM WITTMER: At the extraordinary party congress last December, 86 percent of the members present decided to remain in the SED and continue its work. At the normal party congress scheduled in March this year, what will be at issue is not whether the SED should be dissolved but whether it should be *rebuilt*. (This is altogether different from the question of dissolving the Party without a new one being built, which, I believe, should not even be raised.) One argument in favor of this is that the innocent majority should not allow the other 200,000 corrupt members to bring down the whole Party, although their mistakes should give cause for reform.

QUESTION: How exactly can the events in Eastern Europe be considered as upheavals against statism?

PROF. ALEXANDER MAGNO: It is best to focus the discussion of this issue on the concrete problem concerning state subsidies.

The state raises the resources with which to subsidize welfare either by controlling the means of production and directly extracting surplus from the production process, or by allowing private production and taxing the income generated. A shift from the first state-centered model is underway in Eastern Europe. This is consistent with the general trend towards economic liberalization.

QUESTION: Is the FDR willing to break its military and political alliance with the United States for the sake of a unified German nation?

MR. ULRICH KLOECKNER: My earlier comment adequately covers this subject. To reiterate, the "re-unification" of Germany could entail the dissolution of the existing political and military alliances in Europe. The latter step, however, cannot be rushed. It involves a slow process of building confidence in Europe, initiating discussions on common security issues (the Helsinki Conference is the best forum for this), and reducing the military presence of both the United States and the Soviet Union in West Germany and East Germany, respectively.

DR. WERNE PFENNIG: The new Secretary General of the SED has suggested that East and West Germany reduce their military forces by 50 percent, and request all foreign military personnel to leave German soil by 1999.

In similar approaches to the problem of disengaging the two Germanys from their respective military alliances to facilitate their unification, one significant complication emerges: the city-state of West Berlin. West Berlin is not a constitutional part of West Germany and is located right at the center of East Germany. Its highest authorities are the Allied Powers. If the military alliances in Europe are dismantled, under which authority should this city-state then fall?

The dissolution of the military alliances appears extremely difficult to imagine at the moment. Perhaps it is more realistic to speculate on their transformation into economic and political alliances.

QUESTION: Does East German migrant labor, being highly-skilled, constitute a threat to West German labor? Why did those who crossed to West Germany return to the East?

MR. ULRICH KLOECKNER: A good number of East German workers who crossed the border found employment in West German industries. The FDR government will not and cannot prevent them from doing this. But the employment situation may not be as easy if

the influx of East Germans becomes unmanageable. Thus, it is to our interest that the economy of GDR stabilizes.

One must distinguish between those who crossed to the West with the intention of settling there but did not, and those who only went to the West to buy some bananas and then, of course, returned to the East. As far as I know, there were only a few of the first category.

HON. JOACHIM WITTE: To my knowledge, of those East Germans who crossed the border, eight million were mere tourists while 300,000 already intended to settle in the West. So far, 14,000 of the latter group have returned to the East. West Germans, too, are welcome to the East without having to get a visa. In December last year, 1.6 million of them went to the East for a visit.

I can imagine the difficult employment situation now in the West. Its unemployed has reached two million. To this number have been added those East Germans who decided to settle there and the 800,000 ethnic Germans from the other parts of Europe who also went there last year.

QUESTION: Is there a collaborative effort among Eastern European countries to build a more humanist and democratic socialism? To what extent shall the GDR be reliant on Western economic assistance to carry out its reforms? How do you propose to reconcile your seemingly contradictory aims of maintaining social control over the means of production and attracting bilateral aid and investments from the West?

HON. JOACHIM WITTE: Much of the recent developments in GDR were influenced by events in Soviet Union, Poland, etc.. But I cannot tell definitively the form in which collaboration for reforms, if any, can take place. The COMECON can serve as a forum for this, but it must first undergo parallel reforms.

There is no escaping assistance from the Western countries, especially in the field of high technology. Our economic relations with them, however, shall be strictly defined by certain principles. To mention two: First, we shall not limit ourselves to only one source of economic assistance. We realize 70 percent of our trade earnings with the other members of the Council for Mutual Economic Assistance (COMECON/CMEA). And through the COMECON, we are able to enter into economic agreements with the EEC. And second, we view grants or gifts with deep suspicion. The experience of other countries has taught us that getting too much (conditional) aid from the West is not useful.

Foreign investment in GDR can take the form of joint ventures. Attempts at this form of investment activities have now been initiated (e.g., Phillips has recently entered into such a venture with our Robotron company in the manufacture and export of compact discs).

QUESTION: If an ordinary German on either side of the Wall is asked the question of "unification", what would be his likely answer?

MR. ULRICH KLOECKNER: I have no idea. No popular survey has been conducted on this.

DR. WERNE PFENNIG: At the time when the prospect for "unification" was still dim, there was no harm in our readily agreeing to unify. Now that the Wall is down, we treat the issue more cautiously. We cannot now risk a direct answer without first resolving some prior issues. As mentioned earlier, one such issue is whether the international environment favors unification. Another is the specific form of a unified Germany.

QUESTION: How exactly must German unification occur in the context of the unification of Europe?

MR. ULRICH KLOECKNER: The European Community was first conceived as a forum for economic integration. Now, it has clear political goals - its members are trying to evolve

some common policies concerning foreign relations, the environment, etc.. At the top of its agenda today is the question of whether to invite the other non-member countries of Western and Eastern Europe. Perhaps this process can be useful to those who hope for German unification.

HON. JOACHIM WITTWER: The division of Germany resulted from the division of Europe into two military coalitions and economic systems. Its unification, therefore, cannot occur without the prior breach of the greater division of Europe. And in my view, the fulfillment of this pre-condition must be one that ensures peace and neutrality. We cannot agree, for instance, to strengthen NATO by joining the FDR for this will only increase tension in the region.

QUESTION: Were the revolutionary events in Eastern Europe really inspired by the Edsa revolution, as Pres. Aquino has claimed?

HON. JOACHIM WITTWER: I am inclined to hold the other view, that the process of socialist renewal in Eastern Europe principally drew inspiration from perestroika and glasnost rather than from events elsewhere. Further, the basis of our reforms is socialism so that its direction absolutely differs from the direction that the changes in this country is now taking.

QUESTION: Had there been no mass demonstrations, would the SED now be initiating national and party reforms? As a member of the SED, do you still subscribe to the Leninist concept of a vanguard party?

HON. JOACHIM WITTWER: There were many party members among the demonstrators. Thus, while it is true that the initiative for reforms came from outside the party and state leadership, this should not be taken to mean that the Party entirely abstained from the initial phase of the reform.

The first sentence in Article 1 of our Constitution, which states that the SED is the leading party in GDR, has been deleted. As to which party shall lead the country, the people alone shall choose.

QUESTION: Will the GDR now stop sending moral and material support to the Communist Party of the Philippines?

HON. JOACHIM WITTWER: The Socialist Unity Party has relations with the Partido Komunista ng Pilipinas (the *old and legal* Communist Party of the Philippines). But it has no relations -- moral or material, past, present or future -- with the *new* Communist Party of the Philippines, the New People's Army, and the National Democratic Front. We have been maintaining good relations with the Philippine government since 1973. We are neither for the export of revolution nor the import of counter-revolution.