

German-Russian Energy Tie: Revive 1989 Lost Opportunity

by William Engdahl

One of the most significant aspects of the four-hour talks in Moscow on Sept. 25 between German Chancellor Gerhard Schröder and Russian President Vladimir Putin, was among those things least discussed in the media afterward: long-term government-to-government oil trade, amidst an energy-price crisis in Europe caused by runaway speculation in private petroleum markets. The German leader introduced the proposal, for a 20-year "strategic agreement" on energy-for-technology trade between Russia, one of the world's richest sources of untapped oil and natural gas, and the European Union (EU).

The idea is one that was needed in 1989, in the revolutionary period which brought down the Soviet communist regimes, and was part of the policy put forward at that time by Lyndon LaRouche and his co-thinkers. Then, the opportunity for a German-Russian reconstruction partnership was lost, and the speculative looting of Russia followed.

"This is essentially a political commitment by the European Union," a spokesman for EU Energy and Transport Commissioner Silvio de Palacio emphasized to *EIR*. "We want to deepen relations with Russia in the energy field. There are structural problems and other questions which, of course, must first be settled, but the fact is clear that the EU needs more extensive ties with Russia on oil and gas. For their side, the Russians need better commercial relations with the EU. Take the case of the Russian [partially state-owned natural gas monopoly] Gazprom. Their Russian and CIS [Commonwealth of Independent States] customers do not pay, so Gazprom has unpaid receivables of almost \$6 billion from those quarters. So they need to expand exports to the EU, where they are being paid in a timely way. This brings up the issue of new pipelines. Russia is eager to develop a pipeline which does not pass through Ukraine, where too much gas is lost."

Some features of what Schröder put on the table in his

meeting with Putin have emerged. First, Schröder's proposals were made not on behalf of Germany alone, but as an EU initiative for a strategic energy partnership. The idea was suggested to Schröder by EU Commission President Romano Prodi in Hanover in September. Germany is a logical mediator for the EU proposal, being Russia's largest European trading partner, its largest customer for natural gas, and a significant buyer of Russian oil.

Infrastructure To Move the Oil

On Oct. 4, in Brussels, the EU Commission adopted a policy statement on oil supplies which included the significant, if brief point, under proposals for "More open relations with oil-producing countries," that the EU should "increase cooperation with Russia, in particular over the rehabilitation of production and transport installations for oil and gas."

The EU spokesman confirmed, that, in fact, the EU proposal presented by Schröder is being tied to EU encouragement of a role by Putin to broker a transition to a post-Milosevic Yugoslavia. "The problem is, where to route new pipelines from Russia to the EU? The Poles do not want Russian gas running through their territory. This makes the Balkans interesting as one route, but the EU has no interest in putting forth financial or economic aid to build such infrastructure in a Milosevic Serbia. But I can tell you that there is much discussion right now in the EU about how the Balkans could become interesting for these pipeline routes if the political situation could be changed."

The EU spokesman also confirmed that the German Chancellor was representing not simply German national interests, but rather the EU's interest in greater Russian energy cooperation. "I should stress that this is not a German affair, but an EU-wide initiative. There are no more 'national' concerns, but we are attempting to forge a common EU energy policy

which today is lacking,” he said. At present, some 20% of EU natural gas supply and 16% of its oil come from Russia. Poor pipeline maintenance and major leaks in the Russia oil sector have been a terrible constraint on increasing Russian oil exports, thus far.

The next talks between Russia and the EU are slated for Oct. 12 in Moscow, in a meeting of the EU-Russia Cooperation Council. The EU delegation will be led by Chris Patten, EU Commissioner for External Relations. The talks will be technical, according to the EU, but as there are no regularly scheduled meetings of that group, it signals that some inside the EU are eager to move the energy cooperation agenda forward.

This could be a chance to recapture the missed opportunity, urged by LaRouche in the 1989 revolutions, to use western European infrastructure technology, focussed around Germany’s leading role in machine tools and steel, in exchange for Russia’s oil and gas, as the basis to rebuild Russia’s rotted economic base. Time will make this opportunity clearer. The initiative at this point at least seems promising for the first time in ten years.

Germany on the Eve of a New Russia Policy

by Rainer Apel

The four-hour visit of German Chancellor Gerhard Schröder to Moscow on Sept. 25, was highly unusual, indeed: He and Russian President Vladimir Putin spent their entire time talking at the Kremlin in German, which the Russian President speaks fluently. There were no translators present, and hence, only the two leaders know exactly what they discussed. This is not to say there is some dark conspiracy between Berlin and Moscow, which the two leaders wish to withhold from the other Western powers. But, afterward, Chancellor Schröder told journalists jokingly that there was “no new Rapallo” in the making—an allusion to the 1922 exclusive treaty between the young Soviet Union and Germany, which was a strategic response by two states, which wished, respectively, to survive the anti-communist economic embargo and the destructive conditions of the 1919 Versailles Treaty. Most of the design of that Rapallo Treaty went under, in the political turmoil after the assassination, several months later, of Walther Rathenau, the German Foreign Minister who signed it, and with the hyperinflation that flailed Germany in 1923, making any calculable economic policy impossible.

“Rapallo” is past history, but it is a similarly acute economic crisis, that gave birth to the Schröder-Putin talks in Moscow on Sept. 25: The date was arranged at the peak of

the combined crises in Europe, with speculation sending fuel prices soaring, and capital flight sending the European Union’s single currency, the euro, plunging. The Chancellor conveyed an EU emergency policy initiative to the Russian President: a plan for a long-term “strategic energy partnership” between the EU and Russia (see accompanying article).

Schröder also discussed bilateral German-Russian issues, such as the proposal for a new, regular conference, involving politicians, industrial managers, bankers, and experts. They agreed that the conference shall be held at least once, in St. Petersburg, each year. And, the German state export credit guarantee facility, Hermes, shall be expanded, so that more German firms, notably middle-sized ones, can pre-finance exports to, and investments in Russia. Having come under immense political and economic pressure from rising fuel prices and the euro collapse, the German interest in intensifying economic relations to Russia is evident. The Russians, too, are voicing a new interest in building relations with Germany—relations that return to the basics of industrial and technological cooperation, unknitting the monetarist strait-jacket of neo-liberal “reforms” that have undermined any serious cooperation, during the past decade.

What Was at Stake in Reunification

Several prominent former Soviet individuals who were in office in 1990, when the reunification treaties for Germany were signed, are among those voices favoring cooperation with Germany. And as Germany celebrated the tenth anniversary of its reunification on Oct. 3, these people have spoken out, again, on what direction German-Russian relations should take.

Former Soviet Foreign Minister Eduard Shevardnadze, now the President of Georgia, appeared on a German talk-show on ARD TV, on Oct. 1, along with many of the *dramatis personae* of the 1989-90 events: former Foreign Ministers of France (Roland Dumas), Britain (Sir Douglas Hurd), and the United States (James Baker III), as well as former German Foreign Minister Hans-Dietrich Genscher and the transition Prime Minister of East Germany between March and October 1990, Lothar de Maiziere. Shevardnadze stirred up the discussion by stating that in 1989 and 1990, there had been no alternative, but to respond positively when East Germans took to the streets, calling for the dismissal of their much-hated socialist regime. The alternative, to throw up any institutional obstacle to German reunification, he continued, would have led to uncontrollable tensions throughout Europe, and the threat of a Third World War. The Soviets and Americans agreed not to let a war break out, Shevardnadze said, which Baker confirmed.

Neither these two, nor the other talk-show guests, addressed the conditions that were imposed on the Germans before they were allowed to reunify. Unfortunately, Shevardnadze did not address that, although he is naturally aware of the destructive impact these conditions have had on the development of industrial-technological relations between