

German Industry Has Eurasian Perspective

by Rainer Apel

The frictions between the anti-war alliance of France, Germany, Russia, and China and the Washington war party of Cheney, Rumsfeld, and Wolfowitz, are only the beginning of a much bigger confrontation—and the national economies play a central role in it. If the economies of the anti-war nations do not intensify their cooperation with each other, they won't be able to withstand the political or military blackmail from the United States. And if they do not prevail in crucial regions contested by the war party, they will not be able to protect themselves against the next round of economic collapse within the monetaristic system. The issue of the "post-war reconstruction of Iraq" (the war is still going on, though . . .) is just one aspect in this coming open conflict between the Anglo-American monetarists and those that want economic development on the Eurasian landmass.

It is interesting to see that economic trends in Europe and Germany—the biggest European economy—had already begun to look to non-European markets in Eurasia, before the Iraq conflict began escalating. The loss of longtime Western markets in the deepening depression, especially in the shrinking real economy of the United States, has forced German machine producers to compensate for the loss of jobs that went along with that decline. The compensation has been offered by Russia, India, and especially China, which now imports 54% of its machines and industrial equipment from Germany. The interest China's industries have in Germany and other crucial Western industrial nations, has been underlined with the prominent attendance of Chinese firms at the Hanover Industrial Fair in northern Germany, which for the past 50 years has been the biggest international event of this kind for industrial producers. The fair, which was opened on April 6, features 282 firms from China with information and presentation booths—117 more than last year.

The *Frankfurter Rundschau* reported in its preview of the fair on April 7 that China has seen a steep increase as the world's leading importer of German industrial goods. Exports to China jumped by 35% last year alone, and the Chinese market already ranks number four behind the U.S.A., France, and Italy for German exporters of machines and machine-tools. In construction of big industrial facilities, China has replaced the United States as the number-one market outside Europe for German exporters, and 25,000 jobs in the German machine-building sector that had depended on the U.S. market, were saved by increased exports to China last year.

According to official data available at the beginning of April, German exports show a marked increase since the beginning of the year: In January alone, exports to China increased by 28.9%, as compared to January 2002. Exports to the other 11 Eurozone countries only increased by 3%. Machines, industrial and automated facilities, chemical technology, and cars are cited as top categories on the list of exports to China. For many *Mittelstand* companies (small and medium-sized industry) of Germany, a share of 10% or more of their total sales going to China is not atypical any longer—a tendency increasing as other markets in the West shrink. For example, the Turck firm, a leading world producer of automated components for industrial assembly lines, in 2002 sold 15% of its total production to China, and is establishing a production site there to supply the increasing demands of developing Chinese industry.

China is also developing its own capabilities in refined products for exports: It has become the world's fourth-largest exporter of electronics and other electric equipment last year, after the U.S.A., Japan, and Germany. This implies that one day not so far away, China will also be able to produce and export crucial electronic components of the maglev train to other countries in North, Central, and South Asia, the Persian Gulf region, and Africa. Today, China largely still depends on Germany in that respect; but increased cooperation is envisaged through future joint ventures in the manufacturing of maglev train components in China.

All of that is going fine, generally, but the problem is that the free market alone is too much exposed to depression-related disruptions. What producers in Eurasia, in Germany as well as in China, need, is a state-guaranteed framework that allows longterm planning and developing of products and longterm employment strategies, and liberates managements from the market-induced pressure to hire and fire personnel according to "trends." It makes much more sense for a young engineering student to broaden his or her skills by the knowledge of important languages and historical cultural features of nations along the Eurasian landmass, if there is a secured perspective of employment in projects in those countries. German engineering experts have repeatedly addressed the need to develop such a longterm perspective, but governments have not done much to turn it into reality. The necessity to find specific solutions for technology applications in countries outside Germany, for example the mountainous regions between the Caucasus and the western parts of China, requires German engineers with some insight, rather than mere salesmen for German technologies. This is especially the case if one thinks of joint ventures, real partnerships with mutual technology sharing.

The deep frustration about the Iraq War may help German politicians usually very reluctant to open their minds to concepts, to become more active on Eurasian issues. The more Eurasian cooperation, the more options to contain the lethal virus of war.