

## **Finance as a First Step – West Germany’s Use of Credit in Diplomacy**

### **Source:**

Erklärung zur Entwicklung der innerdeutschen Beziehungen von Staatsminister Dr. Philipp Jenninger [Declaration on the Development of Intra-German Relations by Minister of State Philipp Jenninger], Press Release [the Federal Press and Information Office], Bonn, July 25, 1984. [https://germanhistorydocs.ghidc.org/print\\_document.cfm?document\\_id=1145](https://germanhistorydocs.ghidc.org/print_document.cfm?document_id=1145)

*From German History in Documents and Images*

### **Headnote:**

This declaration was first released as a press release by the Federal Press and Information Office on July 25, 1984 (I know this as given by the sourcing information from GHDI). This source was translated from German to English by Allison Brown. The permalink is above and background info can be found in the narrative below. Note: West Germany (Federal Republic of Germany) will be referred to as the ‘FRG’ and East Germany (German Democratic Republic) will be referred to as ‘GDR’.

### **Narrative:**

Philipp Jenninger [1932 – 2018] was a German politician, serving as a member of the Bundestag from 1969-1990. He occupied high ranking positions within the Federal Republic including Minister of State between 1982 and 1984 and President of the Bundestag between

1984 and 1988.<sup>1</sup> Jenninger was part of the CDU, and a close ally to Helmut Kohl (Chancellor of FRG 1982-1990 and United Germany 1990-1998). Jenninger was tapped by Kohl significantly as a key aide for relations with the GDR.<sup>2</sup> Kohl sought to strengthen the relationship between East and West Germany, and expand upon the Basic Treaty<sup>3</sup>, which prior CDU/CSU politicians had opposed.<sup>4</sup> Jenninger eventually resigned as President of the Bundestag following a controversial speech on November 9, 1988 (the anniversary of Kristallnacht) about Germany under the Nazis which was viewed as insensitive by many.

Against the backdrop of an West German government increasingly open to dialogue was an economically struggling East, which needed access to financing. Western countries (notably the U.S.) had begun what was called a ‘credit boycott’ of eastern bloc governments following Poland’s 1980-1981 debt crisis.<sup>5</sup> This situation was made worse by the Soviet Union’s reduction of oil exports to the GDR in 1981. This significantly reduced the GDR’s access to hard currencies as it prevented the GDR from refining and selling Soviet sourced oil in international markets.

In this declaration, Jenninger starts by reiterating the importance of Helmut Kohl’s policy of ‘*Deutschlandpolitik*’. This policy focused on maintaining the fundamental differences between the FRG and GDR while seeking ways to benefit all German people. He then references the loan package issued in the summer of 1983 as a measure the FRG has taken to improve intra-German relations. Jenninger also announces a 950 million DM Deutsche Bank loan made to East Germany that was approved by the federal government, again supporting this decision with the idea that such loans would improve relations with the GDR. Both loan packages were not

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<sup>1</sup> Wikipedia contributors, "Philipp Jenninger," *Wikipedia, The Free Encyclopedia*, [https://en.wikipedia.org/w/index.php?title=Philipp\\_Jenninger&oldid=1191915261](https://en.wikipedia.org/w/index.php?title=Philipp_Jenninger&oldid=1191915261) (accessed November 20, 2024).

<sup>2</sup> Markham, James. "HONECKER DROPS HIS PLAN TO VISIT WEST GERMANY." *The New York Times*, 5 Sept. 1984, pp. 1–1. <https://www.nytimes.com/1984/09/05/world/honecker-drops-his-plan-to-visit-west-germany.html>

<sup>3</sup> Bericht von Bundeskanzler Dr. Helmut Kohl zur Lage der Nation im geteilten Deutschland [Report by Federal Chancellor Dr. Helmut Kohl on the State of the Nation in Divided Germany], March 15, 1984, in Bulletin (Press and Information Office of the Federal Government), no. 30, March 16, 1984, pp. 261-68.

<sup>4</sup> Wikipedia contributors, "Ostpolitik," *Wikipedia, The Free Encyclopedia*, <https://en.wikipedia.org/w/index.php?title=Ostpolitik&oldid=1248043058> (accessed November 21, 2024).

<sup>5</sup> Graf, M. (2019). Before Strauß: The East German Struggle to Avoid Bankruptcy During the Debt Crisis Revisited. *The International History Review*, 42(4), 737–754.

provided by the federal government directly, but were approved and guaranteed by the FRG, which was crucial given doubts over the creditworthiness of eastern bloc countries.

Jenninger describes this policy as “trust in return for trust”. This was unique as it spins the extension of credit to the East as part of the ‘*Deutschlandpolitik*’ policy framework. Jenninger cites ‘countersignals’ in GDR actions which indicate that this policy is working, most importantly, talks between the two governments about allowing for family reunions and relocations of thousands of Germans from East to West. This source, as well as the content of the sources in the annotated bibliography is most closely related to the EIEIO/CI categories of International Situation (loans as an aspect of East-West Diplomacy), Economics (Economic backdrop of East Germany being the cause for credit needs), and Elites & Leaders (Much of the coverage is on various leaders such as Jenninger, Kohl, Honecker, and Franz Josef Strauß’s role in negotiating these loan packages).

### **Annotated Bibliography in Chronological Order:**

Tagliabue, John. “EAST GERMANY SEEKING \$371 MILLION BONN LOAN.” *The New York Times*, 3 Dec. 1983, pp. 29–29. <https://www.nytimes.com/1983/12/03/business/east-germany-seeking-371-million-bonn-loan.html>

This article covers a request by the East German government for approval by Bonn (using the capital as shorthand to refer to the West German government) for a loan package. The article describes some of the leaders’ attitudes towards the loan package in the context of the political situation at the time (Ex. Kohl is concerned over how such action would be viewed by Western allies, Strauss sees an opportunity to ease tensions following the stationing of U.S. missiles on West German territory). As a note: \$317 million = 915 million DM

William Drozdiak "E. Germany Defends Policy of Closer Ties with Bonn: East Germany Defends its Moves to Improve Relations with Bonn." *The Washington Post* Aug 02, 1984. <https://www.proquest.com/historical-newspapers/e-germany-defends-policy-closer-ties-with-bonn/docview/138211051/se-2>.

This article explicitly claims what Jenninger hinted at during his declaration: that the 915 million DM loan package was negotiated with loosened travel restrictions as a deal sweetener for the FRG. It also describes a Pravda (Soviet state newspaper) article which accuses the FRG of using loans as a lever to “break the postwar peaceful setup in Europe” and “disturb the stability” of East Germany (I was unable to find the original source of this and would have cited it if I did).

Author Redacted. East Germany’s Economic Links to West Germany. An Intelligence Assessment. CIA. August 1984. <https://www.cia.gov/readingroom/docs/CIA-RDP85S00316R000200100006-3.pdf>

This source is a CIA report detailing the economic ties both in terms of credit and trade between East and West Germany. It lays out both a summary of these relationships and the CIA’s perspective on them, principally that the Soviet Union would constrain East Germany’s economic dependency on West Germany in an effort to keep East Germany as a satellite state.

**WORLD**

## Taking down the walls



East German refugees arriving at a West German reception centre: compromising its standing as a member of the Warsaw Pact

By Peter Lewis

A heated exchange that erupted last week between the Soviet Union and East Germany was in some ways a typical family quarrel. For one thing, it broke out without warning. For another, both countries avoided the use of inflammatory language. Still, the dispute caught the attention of Western diplomats charged with assessing its significance. At issue: a series of economic and social accords between East and West Germany.

The first evidence of Moscow's displeasure with the increasing indications of accord between the two Germans became evident when the Soviets unleashed a series of veiled but scathing denunciations of its ally. Moscow stopped short of directly chastising East German leader Erich Honecker. Instead, the Kremlin launched an unusually caustic attack on West Germany. The official Soviet newspaper, *Pravda*, accused the West Germans of "trying more vigorously than ever before to implement their plans of undermining the [East German] state." But the message was clear, and in a similarly indirect but unmistakable retort, the official East German media reprinted an article from a state-controlled Hungarian newspaper praising Honecker. These exchanges, in which Moscow enjoyed the support of its other Eastern Bloc allies,

were the latest consequence of an extraordinary attempt by the two Germans to improve their ties despite the continuing hostility between NATO and the Warsaw Pact. In addition, Honecker has said that he will make a first-ever official visit to West Germany next month.

For months, officials of the two Germans worked to prepare the ground for an unprecedented series of accords. Then, on July 25, officials of West German Chancellor Helmut Kohl's government announced that Bonn would approve a private bank loan of \$30 million to help the financially troubled Eastern Bloc nation. In exchange, Bonn won guarantees of enhanced freedoms for each country's citizens when they are visiting the other nation. The improvements include an extension of the limit on West German visits to the East from 30 to 45 days and a reduction in the amount West Germans are obliged to exchange for East German currency each day from 55 deutsch marks (DM) to 40 (1 DM = 1.36 Cdn.). One

major result of the changes will be that families divided by the border will be able to visit each other more frequently. As well, East Berlin accepted a request from Bonn to allow 5,000 more East Germans to emigrate to the West before the end of 1984. They will join almost 20,000 citizens who have already crossed into the West this year. But the most welcome concession by the Honecker regime is its agreement to continue dismantling lethal automatic firing devices that are designed to kill or maim would-be refugees who venture near the East German border.

Still, Western analysts said that West Germany's new loan, which followed a similar \$396.8-million credit last year, subtly compromises East Germany's long-standing reputation as one of the most loyal member states in the Warsaw Pact. Increasingly, East Germany is becoming dependent on the West for funds. With a steadily declining standard of living due to mounting bills for imported oil, coupled with a sluggish economy, the Honecker regime has



Honecker: a journey

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"Taking Down the Walls." *Maclean's*, Aug 13, 1984, 22,  
<https://www.proquest.com/magazines/world/docview/1437820467/se-2>.

This article stands as one of the earlier claims that East Germany was becoming 'economically dependent' on the West for credit. It also details the exact terms of East German travel rule changes that were made as a result of the 1983 loan package.



"October 29, 1984 (Page 43 of 82)." *Detroit Free Press (1923-)*, Oct 29, 1984, General edition.  
<https://www.proquest.com/historical-newspapers/october-29-1984-page-43-82/docview/1822527130/se-2>.

This article offers additional context on Pravda's coverage of the loan package. It points out the Soviet Union's hypocrisy for its state newspaper's coverage of the events when the Soviets have accepted loans from Western countries and the FRG specifically.

Hanhardt, Arthur M. "The Prospects for German-German Détente." *Current History* 83, no. 496 (Nov. 1984): 380–88. <http://www.jstor.org/stable/45315393>.

This journal article gives coverage on the reaction of Western and Eastern bloc countries on the loans package, again citing Pravda's coverage and U.S. leaders' hesitance about reconciliation between East and West Germany.

Łisiecki, Jerzy. "Financial and Material Transfers between East and West Germany." *Soviet Studies* 42, no. 3 (1990): 513–34. <http://www.jstor.org/stable/152048>.

This journal article gives a later (1990) perspective on loans from West to East Germany, with debt during that period being far higher than in the initial 1982-1984 period.

Graf, M. (2019). "Before Strauß: The East German Struggle to Avoid Bankruptcy During the Debt Crisis Revisited" *The International History Review*, 42(4), 737–754.

<https://doi.org/10.1080/07075332.2019.1641542>

This source describes many of the economic circumstances that led up to East Germany's need for credit in the early 1980s, primarily the increasing cost of the 'consumer socialism' model. It cites the efforts of Bavarian Prime Minister Franz Josef Strauß (also referred to as Strauss) as key to the loan packages in 1983 and 1984 which eased the GDR's debt crisis.