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(Caption)



# WEST BERLIN



## Looking for a future

**After 40 years as the symbol of the east-west division of Europe, West Berlin is trying to find a new role for itself under a city government anxious to encourage the democratic half of Germany's former capital to stand more on its own feet. Jonathan Fenby, our Bonn correspondent, assesses its chances**

West Berlin is an abnormal place. Sitting on Europe's east-west divide, it cannot hope to be anything else. But physical division, epitomised by the wall that carves through the centre of Germany's former capital, is only the most immediately visible of the problems that have built up in West Berlin.

By the beginning of the 1980s, the most easterly European outpost of western democracy appeared to be in danger of losing the will to govern itself or to plan a prosperous economic future. This year, the Berlin air has been fouled by scandals and the resignation of three members of the city government after press allegations of malpractices. Despite the damage

this has done to the city's reputation and self-confidence, it is clear that West Berlin's spirits have taken a turn for the better under an administration which has a clear and basically sound idea of where West Germany's biggest city should be heading. The right idea is, however, not enough on its own; West Berlin has a long way to go in showing that it can develop a more self-reliant role within the limits of geopolitics, over which it has no control, and of an internal political and economic inheritance which even the brisk young managers at the Schöneberg city hall find hard to master.

Unlike West Germany's more provincial urban centres, West Berlin still has

the feel of a great city about it. Once a capital, always a capital, say the Berliners. The cabarets are supposed to be that much more daring and witty than elsewhere. The Berlin film festival is the most important in West Germany and usually manages to distinguish itself with controversial awards. Life in West Berlin goes on after other German cities have rolled up the pavements for the night. And when the attractions of the west run out, there is always the prospect of a trip through the wall to visit the Berliner Ensemble or the Pergamon museum.

Even so, some died-in-the-wool West Berliners admit that the thrill of their city is not quite what it used to be. As for West Germans, they now tell pollsters that they regard Munich as more exciting. Despite the bomb attack which killed two people and injured 230 others in a discotheque frequented by American servicemen on April 5th, West Berlin seems a safer place than during the years of post-war crisis. As a rule it grabs few big headlines, even in German newspapers. The foreign press corps, always a rough

## WEST BERLIN

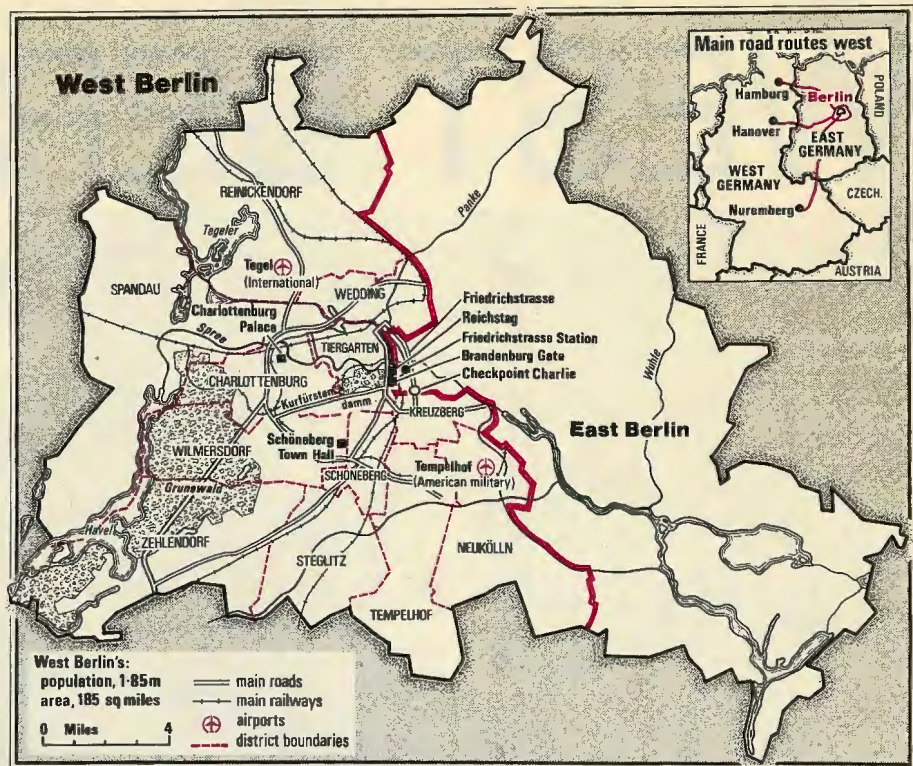
measure of international attention, has dwindled to a handful of journalists, mostly stringers. The Berlin confrontations of the 1950s and 1960s have become the stuff of history. The student demonstrations and the political violence that rocked the city in the 1960s and 1970s are now simply part of the far left's folk memory and the right's demonology though that spirit surfaced again, in a more restrained manner, in a demonstration against the American raid on Libya, itself provoked by the bomb attack in West Berlin.

Those who live in West Berlin nowadays find it easy to ignore the existence of the other half of the city across the wall. West Berliners prefer to look west. A quarter of a century after it was built, the wall has become a physical part of the cocoon enfolding West Berlin, deplored but virtually taken for granted so long as air, road and rail access to the west remains uninterrupted.

This does not mean that West Berliners can escape from the special position of their city, or the fact that they are still under the occupation, or "protection", as the current phrase has it, of 6,000 American, 3,500 British and 2,800 French troops. But they no longer seem to feel that they live in the eye of east-west confrontation.

Some politicians speak optimistically of making Berlin an east-west meeting place from which to "wage peace". The realities of contacts between the two halves of the city are more mundane, involving things like the improvement of West Berlin's telephone links with East Germany, the operation of the urban railway system between east and west, the disposal of western rubbish in the east and the operation of bus tours taking western tourists to the great museums of the east and eastern old age pensioners down the west's glittering thoroughfare of conspicuous consumption, the Kurfürstendamm. The row over the deployment of American medium-range missiles in West Germany raised few ripples in West Berlin. After talking to East German leaders at the spring trade fair in Leipzig in March, the governing mayor of West Berlin, Mr Eberhard Diepgen, spoke of the need to concentrate on "practical things" in contacts with the east.

In theory, West Berlin has no guaranteed immunity from the communist pressures which provoked recurrent crises between the 1948-49 airlift and the 1971-72 four-power agreements that regularised access to the city and its relationship with West Germany. The motorways, railway lines and waterways on which the bulk of West Berlin's supplies move still run through East Germany. Russian troops are still camped within rifle shot of



the autobahns which West Germany pays to maintain between Berlin and the Federal Republic. But it is difficult to envisage circumstances in which it would be in Russia's interest to provoke a crisis over Berlin.

The city would certainly be affected by any major deterioration in east-west relations, but it no longer seems likely to be the immediate cause of such a deterioration. Old phrases about West Berlin standing on the battlements of freedom, though no less true than during Stalin's attempted blockade of the city, are hardly in tune with the atmosphere of the mid-1980s. "We are having to get used to no longer being heroes," as one of West Berlin's leading politicians put it.

## Protective presence

In these less heroic circumstances, what do West Berliners think of their protectors and of the allies' sovereignty over the city? There are periodic pinpricks. Residents of the suburb of Gatow have protested about a British firing range running along the bottom of their gardens. Ecologists object to sites chosen for American military housing. A recent opinion poll reported that 60% of West Berliners thought that allied soldiers accused of breaking German laws in the city should be tried by German courts rather than by their own military tribunals, as has been the practice since 1945. Rape cases involving allied soldiers are a sensitive

issue. So, from time to time, is the exclusion of Lufthansa from the West Berlin air routes, which are monopolised by American, British and French carriers.

The city's main broadcasting organisation, SFB, asked West Berliners last autumn what they thought of the allied presence in terms of their own security. Four out of five replied that their city could not have survived as a free entity for 40 years without allied protection. Almost as many thought the allied presence was still required. Only 30% believed that treaties with Russia and East Germany could replace the physical presence of western troops as a guarantee of their security. But when the question of the allied presence being scaled down was raised, 37% said they would favour only a symbolic allied presence. Among people under 30, the proportion jumped to 66%.

Not surprisingly, support for a reduced allied presence was much the strongest among members of the anti-establishment, ecological Alternative List movement, of whom 84% favoured only the symbolic presence of American, British and French troops. About the same percentage of Mr Diepgen's Christian Democrats opposed a cut to such a token force. Most striking was the near-even split among the Social Democrats, who have ruled West Berlin for most of the postwar decades. While 53% were against a reduced allied presence, 47% of the Social Democrats thought West Berlin did not need so many foreign soldiers to ensure its safety.

Despite being an occupied city, most of

West Berlin is seemingly bereft of allied troops. American, British and French soldiers are rarely to be seen, in uniform at least. But the city's basic legal status remains as in 1945, despite the breakdown of co-operation with the Russians, except for air safety and freedom of movement for occupying troops. West Berlin is a city under military government in which the allies exercise supreme authority.

Beneath this 40-year-old umbrella, the day-to-day business of running the city has been progressively devolved to the West Berlin authorities. Although Mr Diepgen, as governing mayor, enjoys broad freedom in running the city, the allies still keep a watch over such sensitive matters as his administration's contacts with the east. When West Berlin decided it wanted to be linked to the Soviet natural gas pipeline to the west, the allies made sure that the city provided itself with a big underground reservoir to stock enough gas to stop the Russians being able to apply political pressure by cutting off supplies.

As for the relationship with West Germany, the Federal Republic's Basic Law of 1949 includes among the territories to which it applies "Greater Berlin", the metropolis formed in 1920, which made Germany's capital the second largest city in Europe and the continent's greatest manufacturing centre. While the western military governors insisted in 1949 that Berlin should not be governed by the Federal Republic, the western half of the city sends members to the two houses of parliament in Bonn. But they have no voting rights on statutory legislation or in the election of the federal chancellor, though they can sit on legislative committees and vote for the Bundestag

## The social structure

	1965	1975	1984
Inhabitants	2,197,000	1,985,000	1,849,000
Of which			
Women	1,253,000	1,107,000	999,000
Men	944,000	877,000	849,000
<b>1984</b>			
	<i>Of total female population</i>	<i>Of total male population</i>	
Single	32.5%	45.0%	
Married	39.5%	45.6%	
Widowed or divorced	28.0%	9.4%	
Religious affiliations			<i>Age groups of population*</i>
Catholic	1,117,000		Under 15—258,000
Evangelical	277,000		15-25—267,000
			25-45—545,000
			45-65—415,000
			65-80—277,000
			over 80—92,000

\*The total number in this table is slightly more than the total population given for 1984 above because of a different counting method. Sources: City government, Berlin Information Centre.

president.

The East Germans have long sought to encourage the idea that West Berlin should constitute a "third German entity", dissociated from the Federal Republic. Nothing of the kind will happen. But neither is West Berlin likely to be able to move much closer to West Germany in terms of status and formal relationships. And, within the enclosed city, the western allies have probably gone about as far as they can in devolving authority to the mayor and his colleagues without jeopardising their own status as protecting powers.

## Somewhere special

Locked into the status quo, West Berlin has had to shed the notion of being the western half of a city waiting to become a capital again. As the idea of German reunification becomes more and more of a pipe dream, there is less talk of Berlin as a city in search of a country big enough for it. That does not

mean that West Berliners are ready to regard themselves as the inhabitants of just another big German city. They remember scornfully the way in which their Social Democratic rulers a dozen years ago spoke of West Berlin becoming a model for a normal metropolis after the four-power agreements.

West Berliners do not want to be normal. They think they live somewhere special, which should be celebrated as such. They pride themselves on belonging to a city that breeds extremes of behaviour, which has Mr Herbert von Karajan in charge of its Philharmonic orchestra and enough pop groups to merit the appointment of a city commissioner for rock music.

West Berlin produced West Germany's first punks. Its "alternative" community is so extensive that its members can spend months without moving outside the network of communes producing everything from organically approved bread to musical instruments. Even conservative politicians speak with some fondness of the alternatives, if not of the 10,000 or so young men who move to Berlin each year to escape the West German draft, which does not apply there. The centre-right city government uses alternative groups for social work among drug users, prostitutes and AIDS victims. By their nature, the alternatives set firm limits on their integration into mainstream society, but with their communes, avant-garde theatres, cafés and street colour, they add an essential element to West Berlin's sense of being something special.

"Superlatives on the Spree" ran a headline in the West German newspaper, *Welt am Sonntag*, in March. The story under that headline listed the kind of statistics that West Berlin taxi drivers reel off if given half a chance. West Berlin has more bridges than Venice, more than 6,000 bars and cafés and more trees and railway stations than any other West German city. It has one dog for every 20



Passing by, staying put

## WEST BERLIN

inhabitants. There are 10,910 people called Schultz listed in its telephone directory.

Here are some other, less boosterish aspects to the city. West Berlin has a disproportionate number of old people: 20% of its inhabitants are aged over 65, compared with 15% in West Germany as a whole. The population, now 1.85m, has been falling since 1957. It is likely to go down to 1.7m by the end of the century. A lot of the old workers' tenements that survived the war are still in poor repair and lack modern facilities. Smog regularly blankets the city. A survey published by a West Berlin university last year reported that 9% of schoolchildren in the city were regular alcohol drinkers and that almost the same proportion had attempted suicide at some point in their lives.

Many of West Berlin's problems can, inevitably, be blamed on the division of the city and the postwar disappearance of the economic hinterland that had helped to sustain the capital of Imperial, Weimar and Nazi Germany. But, at least until recently, West Berlin has had an unfortunate tendency to aggravate its difficulties by harping on its "specialness" and taking what looked like the easy way out of

mundane problems. It made poor economic choices. Its public sector became bloated. After the heroic years of the first postwar governing mayors, the then dominant Social Democrats ran short of ideas and fell victim to stultifying cronyism.

Decline was facilitated and, for a time, hidden by the city's special status in the world. However West Berlin ran its affairs, the western allies and Bonn would be there to bail it out. The life-support machine would go on pumping, even if West German taxpayers began to grouse about the way they were expected to shell out for a city that kept making news with its student riots, squatters and corruption.

Ten years after the four-power agreements gave West Berlin a less precarious existence, a new government took power in the city dedicated to changing the atmosphere and laying the foundations for a future more in tune with the Berliners' self-esteem. The going has been slow since 1981. Now, the results are starting to show. Psychologically, the city has revived from its low point in the early 1980s. But West Berlin still has a lot of work ahead of it to add some more substantial superlatives to all those bridges and Schultzes.

smart shopping streets, a rash of squatter occupations of empty houses and a series of scandals involving city employees tarnished the reputation of West Berlin and of the party which was so closely identified with it. By 1981, when a building finance scandal forced the Social Democratic governing mayor to resign (though he was never accused of being personally involved), West Berlin was overdue for a political change.

The extent of the shift in voters' loyalties in the past five years has taken the Social Democrats aback and even seems to have been underestimated by leading Christian Democrats. The first electoral sea-change, in 1981, was master-minded by one of West Germany's most impressive political figures, Mr Richard von Weizsäcker, who led the Christian Democrats to a 48-38% win over the Social Democrats, with the other votes going to the small Free Democratic party and to the Alternative List party.

The patriarchal Mr von Weizsäcker benefited from the disillusion with the Social Democrats. But he also had something positive to offer. As well as clearing up the squatter problem by a mixture of force and negotiation and keeping a lid on the city's wilder elements, the von Weizsäcker administration set about trying to put new life into the city's industry and business and to chip away at the effects of the subsidy mentality that had taken hold of West Berlin. The Christian Democrats put a new accent on attracting tourists to West Berlin and boosting the city as a centre for international trade fairs. Mr von Weizsäcker called in an energetic businessman from the Rhineland, Mr Elmar Pieroth, as economics senator. Mr Pieroth, whose previous preoccupation had been to build up his family wine business into the biggest in Germany, is an unabashed free marketeer. He thinks that the city government should cut down its involvement in the economy and tells visitors, "I said to the Berliners, make as

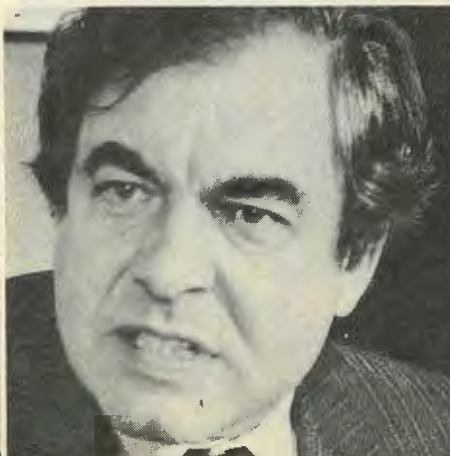
## Politics of change

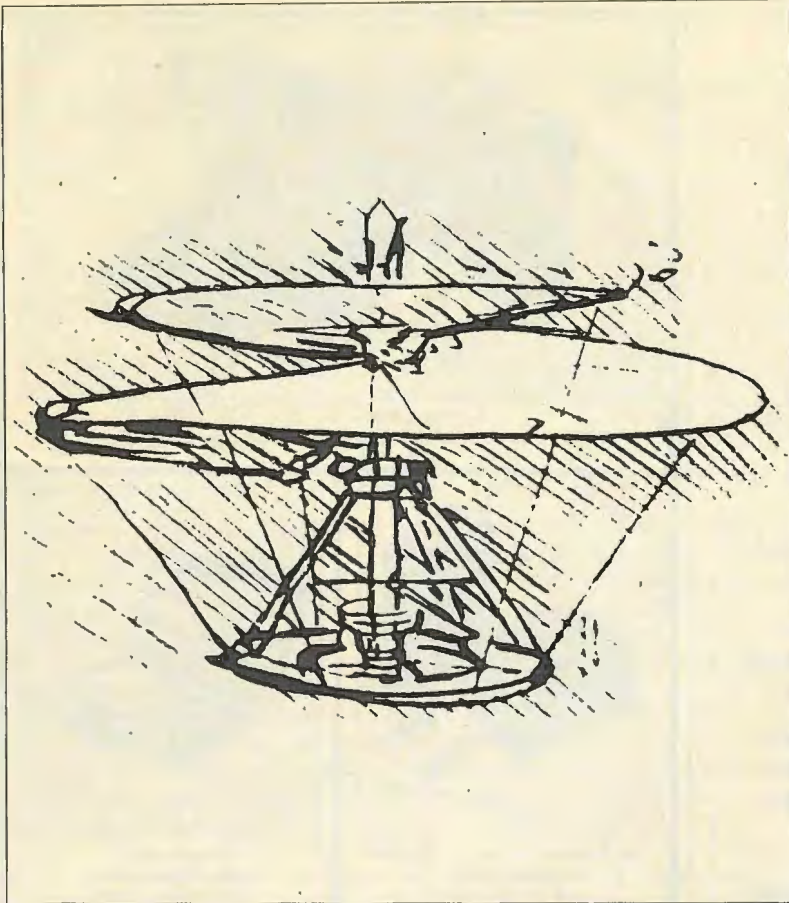
How the city fell out of love with the left but cannot shake off scandal

Historically, Berlin has stood on the left. Hitler felt more at home in Bavaria than in his Reich capital. In the first postwar city election in 1946, the Social Democrats established a political mastery which lasted for 35 years. Leadership of West Berlin made Mr Willy Brandt an international figure and propelled him towards becoming West Germany's first postwar Social Democratic federal chancellor. In Mr Brandt's last election in West Berlin, in 1963, his party won 61.9% of the vote,

more than twice as much as the Christian Democrats, the main opposition party.

In their heyday, the Social Democrats were never particularly radical. Anti-communism and social welfare were their main campaign planks, together with the personal appeal of their governing mayors. After Mr Brandt went to Bonn and after the four-power agreements on Berlin, the Social Democrats looked without much success for new policies and leaders. Student riots, the periodic trashing of





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„Ich bin ein Berliner“

John F. Kennedy, 1963

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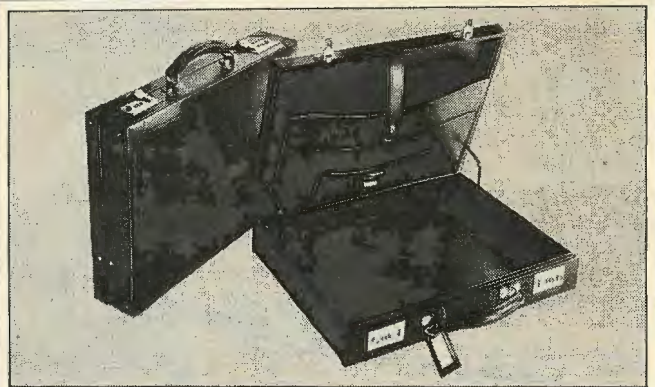
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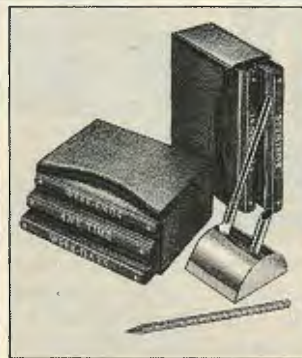
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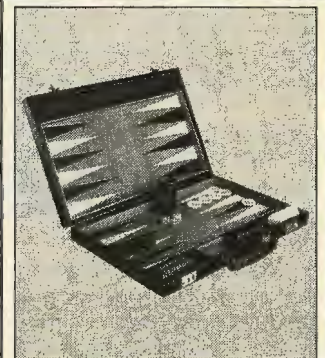
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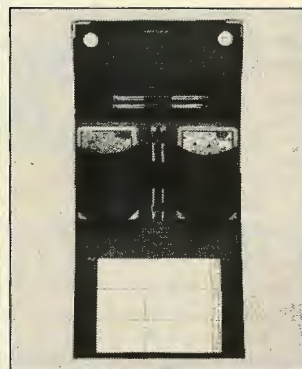
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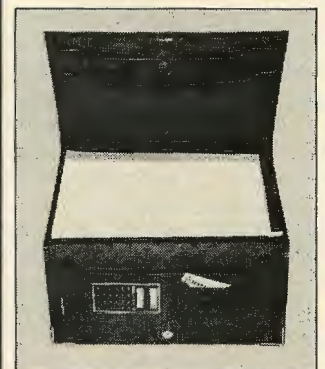
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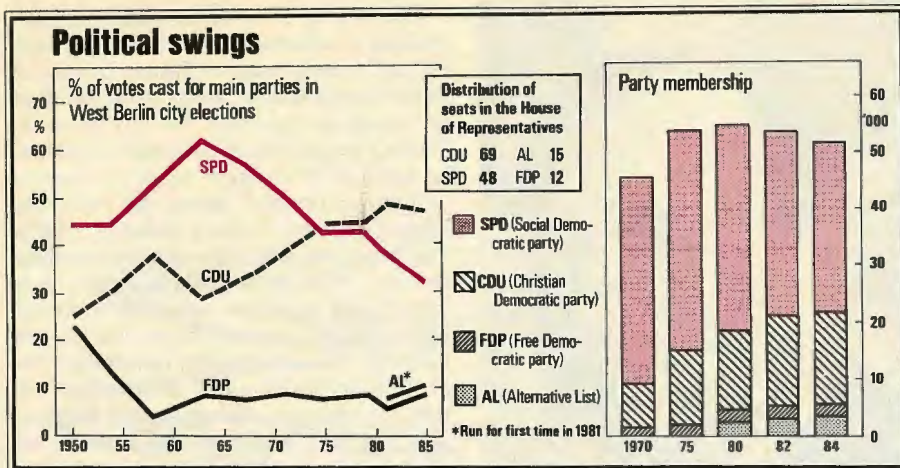


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much money as you can. The more you make, the more I love you."

Mr von Weizsäcker established himself and his party as West Berlin's new governing force. Then he was off, to become federal president of West Germany in the summer of 1984. His departure, like his arrival in West Berlin to lead the Christian Democrats, was part of a familiar pattern. West Berliners have grown used to seeing politicians coming in from outside to run the city, or to try to do so. Nearly half the members of the current House of Representatives were born outside Berlin. In the depths of their troubles in the early 1980s, the Social Democrats sent in one of their leading national ministers, Mr Hans-Jochen Vogel, to run for mayor. After he lost, Mr Vogel went back to Bonn to stand as his party's candidate for federal chancellor in 1983. To head their attempt to regain power in West Berlin in the latest elections for the city's House of Representatives (*Abgeordnetenhaus*) in March 1985, the Social Democrats again picked an outsider, Mr Hans Apel. He had served with Mr Vogel as a minister in Mr Helmut Schmidt's federal government. This did not make Mr Apel a popular choice in Berlin. Many voters saw him as a carpet-bagger who had come to Berlin because he had nothing better to do. The Berlin Social Democratic party itself was unenthusiastic. Its strong left-wing faction disliked Mr Apel as a former defence minister who had supported the deployment of American medium-range missiles. Worst of all, Mr Apel was seen as a loser from the moment he arrived in West Berlin.

Election day 1985 showed how right that perception was. The Social Democrats went down to their worst defeat with 32.4% of the vote, only marginally more than half their score under Mr Brandt in 1963. West Berliners have two votes—one for a constituency representative elected directly and the other for party lists organised on a district basis. The

Social Democrats managed to win just two of the 71 constituency seats, both in the suburb of Spandau, which prides itself on its independent ways. Traditional blue-collar workers' districts shifted to the centre-right for their directly elected representatives. Years of infighting between left and right had made too many Social Democratic militants more concerned about internal party struggles and their places on the district electoral lists than about winning over voters.

The second-vote list system came to the second-ranking party's aid, as it is meant to, and gave the Social Democrats 48 of the 144 seats in the House of Representatives. An opinion poll this spring showed the party edging up to 36% support. But it knows that it faces a long trek back towards power, unless the recent scandals broaden out even further to undermine Mr Diepgen's government. Party membership, while still much bigger than that of its rivals, has fallen by a quarter in the past ten years. The Social Democrats' leader in the city parliament, Mr Walter Momper, is engaging and quick-witted, but does not seem to have the personal appeal to woo back tens of thousands of voters. Instead, the Social Democrats may turn to a leader from outside conventional politics, such as the leading local trade union figure, Mr Michael Pagels. Short of a major upset, the once-dominant force in West Berlin politics appears resigned to waiting until the election after next, in 1993, before mounting a serious challenge to return to office.

## At last, a Berliner

For chauvinistic Berliners, the outcome of the 1985 election could be taken as the proper triumph of natural justice. Mr von Weizsäcker's successor as the head of the Christian Democrats is that rare bird, a party leader who was actually born in Berlin. Still only 44, Mr Eberhard Diepgen is not the most instantly impressive

political figure. He lacks Mr von Weizsäcker's white-haired, aristocratic superiority or the international standing which Mr Brandt acquired while running the city. But Mr Diepgen fits the West Berlin of the mid-1980s pretty well. He has won a reputation as an efficient, problem-solving administrator. If he has a fault as a city manager, it is that he gets too involved in details, sometimes knowing more about departmental dossiers than his senators.

Mr Diepgen is an accomplished party boss who is now reaping the rewards for his nuts-and-bolts work in the 1970s and early 1980s in turning the Christian Democrats from a perpetual minority party, tarred with outdated cold-war rhetoric, into a movement with a steadily expanding membership and the ability to bite into areas of traditional Social Democratic strength. The Christian Democrats reckon they won 52% of the votes of skilled workers in 1985. The new industries they are trying to attract to West Berlin will bring more centre-right voters and non-socialist young professionals with them.

With opinion-poll support of up to 60%, the governing mayor has had, until recently, little to worry about. Indeed, some of his aides think that Mr Diepgen did not bank sufficiently on the popularity of his party and himself last year. Until a couple of weeks before the election, polls showed the Free Democratic party, which plays a junior role in the city government, in danger of falling below the 5% of the vote needed to qualify for parliamentary seats on the district party lists. Then the Free Democrats, who command support among businessmen and social liberals, staged an expensive last-ditch campaign, presenting themselves as essential bulwarks against the threat of a coalition between the Social Democrats and the Alternatives. Some of the mayor's advisers urged him to distance himself from the Free Democrats and to let them fall under 5% in the expectation that this would give the Christian Democrats an overall majority. Defecting Free Democrats were, after all, unlikely to switch all the way to the left when the Christian Democrats stood poised in the centre ready to scoop up their votes.

Mr Diepgen refused to do anything to hurt his coalition partner. This helped to give the Free Democrats a better-than-expected result, 8.4% of the vote and 12 seats in the House of Representatives. It kept the Christian Democrats down to 46.6%, which gave them just under half the seats in the *Abgeordnetenhaus* but, with the addition of Free Democratic support, a comfortable working majority. In his pragmatic way, Mr Diepgen calculated that going for an absolute majority



## WEST BERLIN

was too risky, particularly since German voters traditionally like the idea of a small party acting as a brake on the big battalions of left and right. Equally, the mayor himself probably welcomes the presence of the Free Democrats in the House of Representatives and the governing Senate both for the stimulus they give to free-market economic policies and for the brake they can put on the more right-wing Christian Democrats.

### Alternative voice

The idea of a Social Democratic-Alternative coalition running West Berlin was never more than a piece of election rhetoric. What force it had in scaring voters derived from the strength of the Alternatives. Pre-election polls credited them with up to 14% of the vote. The outcome of the election was less dramatic. Still, a score of 10.6% was well ahead of what the similarly minded Greens can hope to achieve in the Federal Republic. Because of its strong counter-culture and its thousands of draft-dodgers, West Berlin is a natural setting for anti-establishment politics. The snag is that, like the Greens, the Alternatives have a hard time deciding how far they should work with the system from which they are trying to escape.

Fundamentalists among the Alternatives want to keep involvement in the city machinery to a minimum. Some say that, having run in elections and made their protests apparent through the ballot box, the Alternatives should immediately turn their backs on the House of Representatives, refusing to take up their seats or to play any part in helping bourgeois politics to function. Less isolationist Alternatives, like the *realo* (realist) Greens, think they should use their platform in the city parliament to press their ideas and harry Mr Diepgen's administration.

Outside parliament, the Alternatives can count on the support of a counter-culture which tends to pay little attention to the debates and committee wrangling in the Schöneberg city hall. They pick up support from the remnants of West Berlin's far-left students of the 1960s, giving some parts of the Alternative movement a more Marxist tinge than is the case among the Greens. Environmental protection is a regular rallying cry that attracts backing from people other than Alternative bedrock supporters. The spreading of salt on icy roads is, for example, severely limited in West Berlin because of fears raised by ecologists about the damage it might do to trees and plants.

Growth has brought problems for the Alternatives. Their system of rotating members of the House of Representa-



Lummer leaves under a cloud

tives at two-yearly intervals reduces their impact and expertise. Above all, despite rising membership, the party does not have enough capable people to fill all the political posts it has been winning. Still, it is a safe bet that, so long as West Berlin's social structure remains tilted towards the unconventional, the Alternatives will continue to play a significant political role, irritating conventional Christian Democrats by their irreverence but causing more substantial pain to the Social Democrats by attracting votes that previously would have gone automatically to the orthodox left.

### The sour smell of scandal

The Christian Democrats took office in 1981 pledged to clean up a city administration in which politicians, civil servants and businessmen had grown altogether too pally. Mr Diepgen's youthful looks and earnest manner well fitted him for the role of a stable-sweeper. But familiar old demons have come back to haunt his administration.

The shortage of building sites, extensive building controls and subsidies have made West Berlin particularly susceptible to building scandals. Anybody with advance information on the city government's development plans can cash in by buying the land cheaply before the news is generally known. The heavy subsidies available for building in West Berlin mean that possession of a construction permit virtually ensures profits. Once work actually gets underway, developers have worked out a variety of schemes to take more-than-legal advantage of the city's fiscal and grants system.

The key to most of the illicit money-making is collusion between the developers and money-hungry officials. In view of the profits available, shady property men are ready to pay well for any favours. While a purge of such officials is obviously needed, it is likely to prove only a temporary remedy, given the recurrent nature of West Berlin's scandals. For a long-term solution, the city government needs to look at its building policy as a whole and examine whether a broad relaxation of controls might not be the best way of undermining corruption. Its elimination could not be the sole motivation for changing the city's building system, but Mr Diepgen and his senators are already moving towards deregulation. Rent controls will be relaxed later this year. This should encourage renovation and bring more residential property onto the market.

Any such long-term planning has been drowned for the moment by the city's latest scandal. This began with appropriate melodrama when an unknown gunman shot and wounded a building promoter in an underground garage last October. The subsequent police investigation turned up a letter addressed to a Christian Democratic councillor in the Charlottenburg district of Berlin which the police said reminded him that favours with building permits were expected in return for past payments.

While the newspapers raked over earlier, unproven allegations against the official, the case set the police looking into a web of contacts between businessmen, shadowy figures on the edge of the construction industry, civil servants and the city's political parties. In all, almost 40 people were investigated or detained. The Christian Democrats admitted to having received about DM250,000 (\$100,000) from one of the city's best known property developers. Mr Diepgen acknowledged that he had personally handled DM75,000 of the developer's money before he became governing mayor, but he said he had passed it straight into party funds. In keeping with their small size, the Free Democrats received a mere DM10,000 from the property tycoon. At the end of January, the Alternatives in the city parliament put down a censure motion against Mr Diepgen, which was defeated by 80 votes to 62.

The mayor's problems did not end there. In February and March, the West German press and television came up with a string of allegations against three members of the city government. The environment senator, a Free Democrat, was said to have accepted illicit political contributions. The Christian Democratic senator responsible for building was alleged to have received irregular payments

from a property man. Most serious of all, the deputy mayor and internal affairs senator, Mr Heinrich Lummer, was accused of having introduced a property dealer to a city official and of having paid money to an extreme right-wing party.

Like his two fellow senators, Mr Lummer denied any wrongdoing. Still, on April 7th, all three resigned after a meeting of the city's Christian Democratic leaders. Mr Diepgen handled the enforced reshuffle smoothly enough, but his government is now very much on trial. The departure of Mr Lummer, a hard-line law-and-order advocate, may cost the mayor support among conservatives. The new deputy mayor, Mrs Hanna-Renate

Laurien, has been a rival to Mr Diepgen in the past. Any fresh scandal would mean that the mayor would find himself fighting for his political life.

As it is, and whatever the legal outcome of the string of cases bred by the city's latest scandals, a lot of prejudices against West Berlin have been reinforced. In February, a mass-circulation West German magazine dedicated to the values of home and hearth printed a full-page cartoon entitled "Berlin air". It showed a prostitute lolling on a street corner, crooks with rolls of banknotes emerging from sewers, Mr Diepgen looking worried and, over it all, West Berlin's symbol of a bear, wearing a gas mask.

though all West Berlin workers get a wage bonus simply for working in the city. Despite the east-west relaxations of the 1970s, West German companies were put off considering a move to West Berlin by the city's poor image as a place in which to do really serious business. Between 1960 and 1983, 150,000 manufacturing jobs disappeared in West Berlin, while the public sector expanded steadily to become the city's biggest employer. In 1985, the city and local government provided 205,000 jobs, compared with 193,000 in manufacturing and processing, 171,000 in services and 112,000 in trade and commerce.

How, then, has West Berlin been able to maintain growth rates equal to, or higher than, those of the Federal Republic as a whole? In 1984 the city's GDP increased by 2.8% and in 1985 by 3%. The key lies in the heavy subsidies West Berlin receives from West Germany.

These subsidies take a number of forms, among them straight payments, tax breaks, the wages bonus, the underwriting of maintenance of motorways between West Germany and West Berlin, and subsidies for air fares to and from the city. The West Berlin finance senator, Mr Günter Rexrodt, says direct subsidies rose by 20% between 1982 and 1985 and reached DM8.1 billion (\$3.3 billion) last year. This may be an underestimate. On any calculation, a bit over half West Berlin's budget is provided by West German subsidies.

The city's location makes some subsidies inevitable. The high number of pensioners and manual workers at the bottom end of the tax scale depresses municipal revenues. As a western showplace, West Berlin has grown used to enjoying a high level of services and an efficient, modern urban infrastructure. The city payroll expanded steadily under the Social Democrats and is politically difficult to cut back at a time of high unemployment. Trickiest of all, perhaps, for the Christian Democrats and their Free Democratic partners is the price of attracting the new industries West Berlin needs for a brighter future, and the time it takes for such industries to shake up the city's manufacturing structure.

## Almost too good to be true

A brightly coloured brochure put out by the Berlin Economic Development Corporation lists the attractions of what it calls "The BERLIN Effect". One wonders, on first reading it, why businesses are not falling over themselves to set up in the city. Company tax is 22.5% lower than in the Federal Republic. Personal



## Subsidy city

### Can West Berlin shake itself free of featherbedding?

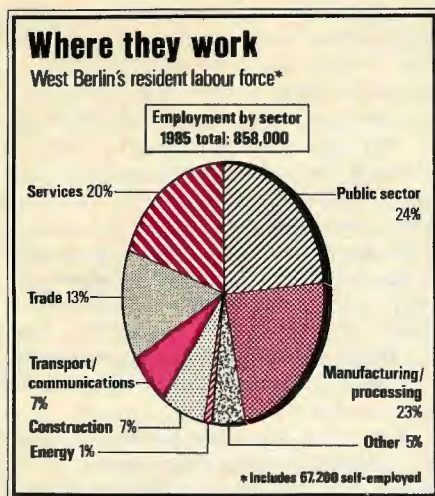
West Berlin boasts of being the biggest manufacturing centre between Moscow and Paris. The fast-growing industrial areas round Stuttgart and Munich, not to mention the Ruhr, might quibble. But, even if West Berlin's boast is justified, size is not everything. Indeed, the kind of manufacturing that West Berlin has attracted since 1945 has not brought it the prosperity it needs, now or for the future. Quantity took precedence over quality, and eventually even the quantity provided fewer jobs.

Industrially, West Berlin slipped steadily backwards in the 1960s and 1970s. The city's GDP, naturally enough, has zoomed up from its blockade-era nadir of DM3.9 billion in 1950 to DM66.9 billion (\$22.7 billion) last year. But, after Hitler's defeat, big companies that had traditionally been based in Berlin moved elsewhere. Siemens was typical. It kept manufacturing plants in Berlin but shifted its head office to Munich. West Berlin

produced run-of-the-mill parts while Siemens's advanced technology and research and development branches blossomed in Bavaria.

To replace those that were departing, West Berlin offered subsidies to companies ready to move east from West Germany. The subsidy system favoured low-skilled, labour-intensive outfits. West Berlin became a centre for confectionery and textiles. Half the cigarettes smoked in West Germany are made in West Berlin. Coffee refining and packing, which belonged more logically in a sea port, were lured to Berlin by financial incentives. Goods of which only a small part was made in West Berlin qualified for lucrative tax advantages. Nothing was simpler than to buy nearly finished garments from Asia, add a few buttons and bows in Berlin and then claim subsidies on the whole price of the "Berlin product" when it was sold to West Germany.

The jobs created were low-grade ones,



income tax is 30% lower. Local business taxes are half the level of most West German cities. Income earned from shareholdings in West German or foreign companies is taxed at West Berlin rates. Goods made in West Berlin and sold in West Germany qualify for a turnover bonus of between 3% and 10% of their invoice value. West German customers get an additional 4.2% bonus when they buy products from West Berlin.

On top of such perks, West Berlin is awash with cash waiting to be invested. One of the city's main banks, the Berliner Industriebank, provides low-interest loans under the West German counterpart to the postwar Marshall Plan in the European Recovery Programme. The bank has been offering eight- to ten-year loans at 4%. It reckons that it provides 70% of the industrial investment loans in the city. No wonder some of West Berlin's commercial bankers find it hard to place money with borrowers.

In an attempt to find new customers, the West Berlin branch of Deutsche Bank began lending specially to high-technology groups before its Frankfurt parents got going in the same area. In 1983, Deutsche Bank Berlin joined with two investment banks to launch the city's first substantial venture-capital outfit. Some high-technology promoters still complain that the bankers are too conservative, but another of the major West German banks, Dresdner, calculated last year that West Berlin was the most important German venture-capital centre.

Subsidies and cheap loans may be needed to attract new industry. But they punch a hole in the city's finances, both by their direct cost and by depressing tax revenues. This, in turn, throws the city government back on subsidies from West Germany to balance its budget. The longer-term hope is, of course, that enough industry will be attracted to make up, in

large part at least, for the cost of getting

to come to West Berlin. In the 1960s and 1970s, this did not happen. The cost of getting low value-added businesses to West Berlin was as great as the revenue they brought with them. Now the city managers think they are turning the corner. Last year, taxes covered 25% of the city's spending, compared with 24% the year before. The slice of West Berlin's budget provided by West Germany is due to fall from 55% in 1985 to 53.5% this year.

Such figures underlie the more optimistic spirit that has infused West Berlin's politicians and businessmen in the past two years or so. Even some leading Social Democrats admit that things appear to be looking up. The economics senator, Mr Pieroth, says West Berlin's exports rose by 25% in nominal terms last year, more than double the increase in 1984 and more than double the West German average. Unemployment in 1985, at 10%, was one percentage point above the West German national level. But Mr Pieroth, who is also responsible for employment policy, says the jobless rate is falling and that there was a net increase of 28,000 jobs in 1983-85. As everywhere else in West Germany, the construction industry is in the doldrums, but capital goods investment rose by 7% in real terms in both 1984 and 1985.

The city government's hopes of maintaining and speeding up this improvement are based primarily on high technology. In particular, Mr Diepgen and his senators point to the alluring prospects of synergy between West Berlin's big Technical University and the industries of the future. The city has opened an industrial development and technical centre in a huge brick plant in the suburb of Wedding formerly owned by the AEG electrical

group, one of those old Berlin companies that moved their headquarters away after the second world war. The centre is gradually filling up with robot makers, software writers and electronic processing and measuring firms. Promoters of a Silicon Valley on the river Spree report that 300 high-technology companies have been set up in West Berlin since the present city government started its drive. Many have grown out of work started at the Technical University. For others, easy credit has been the more important motive: one robot-maker in the new technical centre said that he got a cool welcome from the authorities in Munich and north Germany but received instant pledges of financial backing when he went prospecting in West Berlin.

For the moment, and despite its importance for the future, the immediate effects of West Berlin's high-technology start-up company drive are limited. The Wedding technical centre, known by the somewhat unfortunate (to English speakers) acronym of BIG-TIP, provides only a few hundred jobs. An excellent scheme to introduce engineering and technical graduates into small companies has been limited to 260 graduates over the past three years. Analysing Mr Pieroth's figures on the increase in jobs, local economists have worked out that most of them still occur in the old manufacturing sectors.

The most positive impact on the West Berlin economy would be a reversal of the postwar exodus from the city of the advanced technology and research and development branches of large companies. There are some hopeful signs in this direction. Siemens is setting up plants in West Berlin to make electronic control systems and fibre optics components. Schering, one of West Germany's big



Not much delight for these young Turks



The good life

... and the bad

pharmaceuticals and chemicals groups which, exceptionally, kept its headquarters in Berlin, enjoyed record profits in 1985 and is investing in a new genetic technology institute in its home city. In 1981, Ford gave West Berlin a boost by opening a big new plant making plastic car parts.

One of the groups of which West Berlin is proudest is Nixdorf, the successful West German computer and data processing concern. Its founder, the late Mr Heinz Nixdorf, first identified West Berlin's Technical University as a promising source of talent in 1966. Today, the group employs 1,500 people in Berlin, 250 of them young apprentices. This summer, Nixdorf will open a new plant in the old AEG complex in Wedding. This will boost Berlin's share of Nixdorf's total production to 20%. Nixdorf's boss in Berlin, Mr Hartmut Fetzer, is just the kind of man West Berlin planners like to point to. He was working on automatization research at the Technical University when Nixdorf hired him, with a bunch of his students. Within two years, Mr Fetzer's team grew from 15 to 150. Now, Nixdorf's West Berlin research and development team numbers 400 and Mr Fetzer sits on the company's management board. Staff travel between Berlin and Nixdorf's headquarters in the West German town of Paderborn so frequently that the company encouraged a fledgling American-registered airline to start a Berlin-Paderborn service. Nixdorf automatically takes half the seats.

Despite Nixdorf's apprentices, the Technical University's graduates and a "technical qualifications offensive" launched by the city government, West Berlin is still short of skilled workers and has to attract them from outside. Migration of bright, skilled and ambitious West Germans to West Berlin can only be a good thing in lessening the city's isolation

and in binding it that much more closely to the Federal Republic. But, if the city is to develop as a forward-looking industrial centre, it urgently needs to develop the skills of its resident population, be they Germans or immigrants (who make up 13% of the population). Unemployment among the biggest foreign group, the Turks, runs at double the level among Germans. The number of young Turks taking vocational training courses has doubled in the past three years but still totals only 3,200.

## Still something to celebrate

The city needs determination—and patience

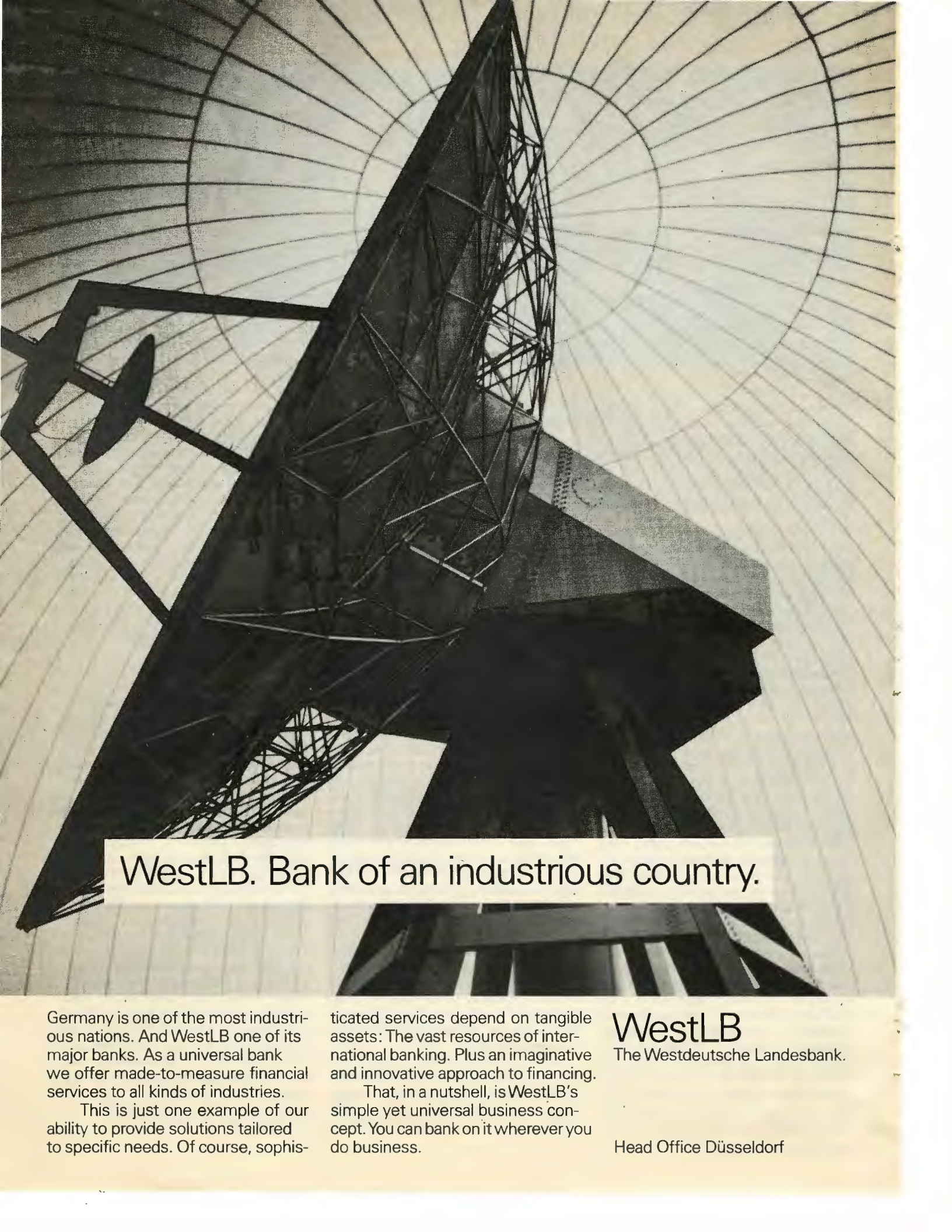
In 1987 the two Berlins will celebrate, separately, the city's 750th anniversary. The East Berlin authorities have already started brushing up their external image in a massive renovation programme of buildings and monuments and even in the installation of new control posts that look like motorway toll booths at the Checkpoint Charlie crossing point. In the west, there is talk of developing the area round the old Reichstag as a new government quarter. A building exhibition is providing West Berlin with some interesting housing in the post-modern style. Renovation grants are encouraging West Berliners to smarten up the façades of old buildings. The impending removal of many rent controls should encourage a further brightening up of old apartment blocks. Deutsche Bank takes pride in paying for the reconstruction of fine nineteenth-century buildings that have been allowed to go to ruin.

A smarter West Berlin would be an added boost to the new mood which Mr Diepgen and his colleagues are trying so hard to propagate. The view of West Berlin businessmen is that, while there

The danger for West Berlin is that it will find itself with an uncomfortably large lumpenproletariat acting as a drag on its dreams of attracting the best and brightest. The city government thinks it can win the battle to raise levels of skill to the equivalent of West Germany's booming southern states. It has quite a fight on its hands. One of the biggest employers in the BIG-TIP centre has had a 60% staff turnover in the past two years simply because he has found it hard to get the right kind of skilled workers.

has been an unmistakable change of atmosphere since 1981, it still remains largely a matter of atmospherics. Mr Pieroth has given himself another five years in which to establish West Berlin as part of the electronics and high-technology revolution. In the future, as in the past four decades, West Berlin is going to have to manoeuvre within the abnormal constraints created by German history and the division of Europe. This may mean that even a ten-year stretch since the beginning of 1981 may not be long enough to bring about a qualitative re-birth of the city's economy.

Provided his position is not undermined by fresh scandals, Mr Diepgen is the right kind of sensible, capable politician to lead West Berlin into a more self-reliant future. But, given the city's past and present peculiarities and the unlikelihood that its special status will alter in the foreseeable future, the mayor would be well advised not to set his sights too high. West Berlin's people deserve to have their morale boosted. But they have to be resolved to take a more positive role themselves in the city's future.



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