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# Before Strauß: The East German Struggle to Avoid Bankruptcy During the Debt Crisis Revisited

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## ABSTRACT

Due to costly 'consumer socialism' and continuous trade deficits with the West, the East German balance of payments crisis was aggravated towards the end of the 1970s. Declining Soviet support, the tense international situation, rising interest rates and the financial turbulences of other Socialist states (Poland, Romania) made the situation even worse. Facing a Western 'credit boycott', in spring 1982 bankruptcy seemed unavoidable to many of the GDR's economic experts. However, after the adoption of several emergency measures, solvency was secured in the short-run and finally the loans negotiated by Bavarian Prime Minister Franz Josef Strauß in 1983/84 released the GDR from the acute debt crisis. This article revisits the East German struggle to avoid bankruptcy prior to the 'Strauß loans'. It sheds new light on the regime's reactions to the 'credit boycott' and examines the strategies pursued to secure solvency. Oil and other trade operations with the USSR and certain Western countries created the necessary financial leeway. Since the resulting short-term liquidity came at high costs, the search for new loans continued. Finally, the so-called 'Zurich model' and its failure is a good case in point to illustrate the GDR's aim of surviving the debt crisis without making any major concessions in return.

## KEYWORDS

Debt crisis; GDR; FRG; USSR; détente

## 1. Introduction

In the early 1980s, like most other Socialist countries, the German Democratic Republic (GDR) was caught in a debt trap. To the surprise of many Western and Eastern observers, the bankruptcy expected for 1982 was avoided. This article analyzes exactly how that was done. As the common narrative goes, it was West Germany 'that helped the GDR get out of its debt crisis' by providing billion Deutschmark (DM) loans.<sup>1</sup> Indeed, the two loans contrived by Bavarian Prime Minister Franz Josef Strauß in 1983 and 1984 contributed a lot to the financial survival of the East German regime – not least because they successfully restored its creditworthiness. In comparison to the substantial financial relief, East Berlin made only marginal humanitarian concessions in return. Nevertheless, some scholars claim that the Bonn 'administration utilized the money as a long-term investment to buy freer movement of people, information and ideas'.<sup>2</sup> Either way, the loans were an investment in détente and stabilized the financial situation of the GDR, but in the long-run they contributed to its demise as an independent state – not least because changes (however unlikely) in economic policy were avoided, and political concessions postponed.<sup>3</sup>

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The year 1982 has been identified as the major crisis year. Against the backdrop of an aggravating financial situation (enforced not least by a Western ‘credit boycott’ as a consequence of the ‘Polish crisis’) and growing dependence, the dilemmas between economic opening-up and freer movement come to the fore. This article revisits how the East German economic and political elites tried to avoid concessions and successfully secured solvency while balancing on a financial abyss in the years of the acute debt crisis and before the so-called ‘Strauß loans’. Recent research has shown that the road to this result was multifaceted. Several emergency measures secured the solvency of the GDR. They consisted of a massive turn in the country’s foreign trade policy and business deals with the Soviet Union as well as certain Western countries that created short-term liquidity.<sup>4</sup> While the increase of exports (of all kind of goods) to the West is proven by statistics, the rest of the complex story has to be revisited through in-depth investigation of archival sources. This approach makes it possible to clarify the interconnections between the multiple matters dealt with in this article. How did the evolution of internal assessments on the aggravating financial situation that in spring 1982 turned into a permanent state of emergency shape the decisions by the leadership? What solutions proposed by the various actors with their own agency were considered viable, while others were ruled out right from the start? How did the decision to stay solvent by all means evolve and how was this goal achieved? What additional short-term liquidity was secured by the financial apparatus? How did the Commercial Coordination division (*Bereich Kommerzielle Koordinierung*, KoKo) and the usually rather neglected foreign traders contribute to and interact in this endeavor? Which oil and other trade operations with the Soviet Union and Western countries (e.g. oil, grain, consumer goods) created the necessary foreign currency revenue to pay off the most pressing loan installments? How did intra-German trade facilitate this task? What role did the so-called ‘Zurich model’ (the project of a huge West German long-term loan in return for humanitarian concessions) play in the East German strategy, before the Strauß loans made it superfluous? By addressing these questions, the article touches not only on the most serious economic and financial issues of that time but also contributes to our understanding of the challenges the East German regime faced in its tightrope walk during the debt crisis. It shows how a rather immobile regime successfully managed to overcome the ‘credit boycott’ without making any major political concessions and points to the role Western money played in this endeavor. Thereby it opens up a set of questions about the Western (not only West German) actors (politicians, experts, bankers etc.), their perceptions of and way of dealing with the GDR in the early 1980s, which should become a subject of future research.

The proposed analysis of the GDR’s handling of the debt crisis is based on documents of the ruling *Sozialistische Einheitspartei Deutschlands* (SED), the East German State Planning Commission and KoKo, which played a crucial role in securing solvency. Additionally, sources of the Ministry of State Security (*Ministerium für Staatssicherheit*, *MfS* or *Stasi*) shed new light on the internal discussions in the crucial year of 1982 when the GDR stood at the abyss of bankruptcy.<sup>5</sup>

After a brief background on the genesis of the East German river of red ink, the article proceeds in three stages. First, it discusses the leadership’s reactions to the ‘credit boycott’ and the acute danger of bankruptcy in spring 1982. Second, it examines in detail the decisive but extremely expensive measures securing solvency throughout the year. Third, it reassesses the search for new loans. Against the peculiar background of facing bankruptcy, the evolution of the ‘Zurich model’ is a good case in point to show how desperate the situation was in early 1982, and its failure highlights the regime’s aim of surviving the debt crisis without opening-up.

## 2. Into the debt trap

The East German road into debt was closely related to the increasing share of imports from the West in the GDR’s foreign trade. Economic cooperation with the West always aimed at reducing

dependence on the West and especially West Germany in the long run. However, the strategy of import-led modernization did not work and debt levels increased from the late 1960s.<sup>6</sup> In 1971, after a quarrelsome power struggle over his policy toward West Germany and economic reforms, Walter Ulbricht was ousted from power. The politburo of the SED elected Erich Honecker as its new First Secretary.<sup>7</sup> The new leadership abolished the economic reforms of the 1960s, but the problematic tendencies of the East German economy continued to worsen. The VIII Party Congress of the SED later that year adopted the so-called 'Main Task', a socialist welfare policy concept that was labeled 'Unity of Economic and Social Policy' after the next party congress in 1976. This concept was expensive, since it included subsidized prices, a housing program and imports of consumer goods. The East German economy was never able to cover the costs. Immediately, the head of state planning commission Gerhard Schürer, central bankers and in later years also the MfS warned about the potential consequences of increasing debts. However, the domestic political rationale was to keep people satisfied (to the greatest possible extent), and in the age of easy access to cheap money the downside of this strategy seemed negligible or at least far away. Hence, the policy remained unchanged even when the situation dramatically worsened from the mid-1970s onwards. Towards the end of the decade, the GDR faced bankruptcy and even more Western loans were needed to keep it solvent.<sup>8</sup>

In 1977, East Germany's export earnings did not suffice to service its debts. At the end of 1978 the balance of payments showed a deficit of 17.8 billion *Valutamark* (VM)<sup>9</sup> in convertible currencies. Ninety percent of the imports from the West were loan-financed. Interest payments and amortizations required 2.5 billion VM in new loans. In 1979, the total balance of payments deficit was expected to reach 19 billion VM, including an unresolved hard currency deficit of 0.9 billion VM. As always, the East German leadership intended to solve this problem by reducing imports, increasing exports and adopting other measures that, however, throughout the 1970s, had constantly failed to materialize according to the plan. Yet, not everything was a direct result of the state planning system's failure. Global developments were beyond the SED's control. The rise of world market prices 1971–1978 had increased the deficit by 3.1 billion VM and the unplanned (but due to crop shortfalls in the GDR and the USSR) essential imports of grain added another 3.8 billion VM. Interest payments for the 1971–1978 loans amounted to 5.1 billion VM. The overall outlook was dismal: Since the annual hard currency spending for interest payments and amortizations exceeded the export earnings, the deficit was growing year after year. An analysis of the GDR's balance of payments in 1978 stated the obvious: 'This spiral cannot be prolonged'. It was entirely clear that 'without the willingness of foreign, and especially capitalist banks to provide further loans in the amount needed, the planned imports and the due payment obligations cannot be realized'. Without a fundamental turnaround in the GDR's trade balance with the West, debt was expected to skyrocket until the mid-1980s.<sup>10</sup>

The rise of KoKo, operating outside the plan, is maybe the best proof of the leadership's acknowledgement that the economic policy was not working. Founded in 1966, KoKo was formally part of the Ministry of Foreign Trade, but in fact closely connected to the MfS and under control of the leading economic functionaries of the party. The purpose of this remarkable innovation, directed by Alexander Schalck-Golodkowski, was to earn convertible currencies, make Western trade more flexible and solve recurrent crisis situations. It gained importance throughout the 1970s when the need to generate foreign currency revenue increased. Among other things, like the nontrade related influx of West German money, KoKo organized large parts of Western and intra-German trade. In the years 1980–1984, the share of KoKo in East Germany's foreign trade rose to 44.8%. Nevertheless, it acted within the same economic policy decreed by the party leadership, which was not put into question. In the end, despite its merits in keeping the GDR solvent, it contributed to the same results as the rest.<sup>11</sup>

At the end of the 1970s, rising interest rates in the West made new loans more expensive and thus the refinancing of debt increasingly difficult. Within the East German economic elites, there was a distinct awareness of this fact and the potential scenario evolving in the early 1980s

was envisioned like a self-fulfilling prophecy.<sup>12</sup> Additionally, the international climate worsened. Détente was in crisis and so was the East German neighbor Poland. With the rise of the independent trade union Solidarity, the regime there was on the verge of collapse. To the East German leadership, the developments in Poland were ‘counterrevolutionary’ and joint action by the Warsaw Pact seemed necessary.<sup>13</sup> Moreover, the ‘Polish crisis’ had a severe economic dimension. With productivity in further decline, the highly indebted state faced bankruptcy. In March 1981, Poland was not able to service its debts and aimed at their rescheduling. Decreasing deliveries from and economic aid to Poland caused an additional burden for the GDR. If all this was not enough, in summer 1981, the Soviet Union announced that it had to cut crude oil deliveries to the GDR by two million tons. This was another massive blow, because the refined oil was sold for hard currency on the world market. Continuation of this profitable business required the purchase of additional quantities of crude oil at world market prices.<sup>14</sup> Finally, after the imposition of martial law in Poland on 13 December 1981 a Western ‘credit boycott’ ultimately unfolded. On 24 December, Schalck warned the almost omnipotent economic secretary of the SED Günter Mittag and Honecker of potential consequences: Since the East Germans had long since started to service their debts by taking up new loans, the ‘credit boycott’ brought the GDR to the verge of bankruptcy.<sup>15</sup>

### 3. A tightrope walk at the abyss of bankruptcy

It is reported that Foreign Trade Minister Gerhard Beil sarcastically stated in one of the meetings of the SED working group on the balance of payments: ‘Yesterday, we were standing at an abyss, but today we are already one step further.’<sup>16</sup> Although, this remark stems from the second half of the 1980s, it reveals how East German economic experts must have felt throughout the year 1982, which was characterized by a permanent struggle for solvency. Like Schalck, Beil was a key figure in this endeavor. As deputy foreign trade minister at the time, he handled the day-to-day business in economic relations with the West. Beil was also among those economic experts – like Gerhard Schürer and others from the state planning commission, the head of the party’s department of planning and finance Günter Ehrensperger, the chief statistician Arno Donda, and the president of the East German Foreign Trade Bank (DABA) Werner Polze – who confidentially informed the MfS or were skimmed by other Stasi informers about the economic problems of the GDR. Through its informers and privileged access to documents, the economic division of the MfS gained deep insights. The resulting picture had drastically worsened at the turn of the 1970s, but it was not communicated to the leadership – at least not uncensored.<sup>17</sup>

In early 1982, the Stasi analysts stated a sentiment of ‘resignation and indifference’ among the GDR’s economic functionaries, of whom some even thought about resignation. They felt powerless because any change of the economic policy pursued by the SED leadership seemed impossible. Some hoped for new loans, others regarded bankruptcy as unavoidable and longed for preparations to minimize its negative effects. The aims to cut foreign debts in half until 1985 and to solve the problems resulting from the reduced oil supply were considered ‘self-delusion’. The East German leadership opted for a going-out-of-business sale at the expense of domestic reserves and supplies as well as the very foundations of the country’s economy. In 1981 (and for the first time since 1968), the GDR generated a trade surplus with the West. Facing the ‘credit boycott’ a further massive increase of exports were deemed to be part of the solution. However, terms of trade and sales conditions on Western markets continued to worsen. Prices for certain export products (for a short period even oil) plummeted and thus even more goods had to be exported to earn the desired convertible currencies. Given this strategy, shortages in domestic supply were unavoidable.<sup>18</sup> The 1981 decision on the replacement of oil with coal for domestic heating use in favor of increasing exports created problems and impaired industrial and private

needs.<sup>19</sup> Nevertheless, the financial situation of the GDR required an even further increase of heating oil exports until the end of 1982.<sup>20</sup>

Facing the Western 'credit boycott' and aiming to secure East German solvency, on 19 January 1982, the SED politburo decided on several emergency measures. Due to worse than expected export revenues, the deficit in convertible currencies had risen again. In order to secure solvency, goods worth at least 350 million VM had to be made available for immediate sale to the West. The list included several emergency reserve holdings of the state and agricultural products.<sup>21</sup> According to information collected by the Stasi, the list was passed by the politburo without any real discussions and only minor objections regarding several export positions were raised. During the meeting Honecker remarked that 'the lack of loans requires changes in our economic order. The current situation mirrors our possibilities'.<sup>22</sup> The MfS read the politburo decision as a result of the GDR's aggravating financial dependence on the West since the end of 1981. The measures taken were considered suitable to secure solvency in the short-run but not to prevent the 'latent danger of bankruptcy' throughout the year 1982.<sup>23</sup>

It took only days until the weaknesses of the strategy came to the fore. Right after the decision on additional quantities of meat exports, it turned out that in January the slaughtered pigs weighed a couple kilos less than expected whereupon the quotas were unfulfillable right from the start.<sup>24</sup> Additionally, the export decisions of winter 1982 impaired the supply of the population to such an extent that some countermeasures had to be taken. While instantaneous price hikes (like in 1979) were out of the question (not least because of the situation such action had caused in Poland), the SED's department of planning and finance envisioned 'small steps with great effect'. The effects on the supply of the population were foreseeable and people with 'low incomes' would be affected most.<sup>25</sup> Indeed, throughout the year a 'meat crisis' (caused by the additional exports and malnutrition of livestock due to import cuts) and other shortages affected the population.<sup>26</sup> Despite the hardships imposed on the population, the measures decreed did not suffice by far to solve the balance of payments crisis. Already in January, the nonfulfillment of the additional export quotas for agricultural products and especially meat 'severely endangered the solvency of the GDR'.<sup>27</sup>

The State Security considered the exports of reserves and the margins provided from special funds on the initiative of Honecker problematic, since they constituted ad hoc solutions only, not halting the increasing amount of debt. From the vantage point of the Stasi, Soviet help was the only solution. The verdict was clear: 'We have to act on the assumption that the GDR does not possess the economic means to fundamentally change the situation and to solve the problems of the balance of payments permanently'. Hence, the idea was to propose a strict austerity policy. The exports required to reach this goal should be redirected to the USSR. This was considered feasible since the East German exports to the West corresponded to the Soviet import needs. In return, the USSR should immediately take over East German debts in an amount of 20 billion VM. It seems that the Stasi (like many Western banks and politicians) believed in the now falsified 'umbrella theory', implying that the USSR would bail any of its satellites out rather than let it go bankrupt. Temporary setbacks in trade relations with the West (like the loss of market positions) had to be accepted in favor of a future balanced trade, which would focus much more on socialist integration and economic relations with developing countries (export of industrial complexes in return for secure raw material supply).<sup>28</sup> However, the leadership acted differently. When Honecker met with Soviet Foreign Minister Andrei Gromyko in late January 1982, he declared that the GDR (unlike other Socialist countries) had no reason to join the International Monetary Fund (IMF) or the World Bank.<sup>29</sup> After portraying the economic development of the GDR as stable and dynamic, he nevertheless admitted that 1982 would become a tough year: 'In our back, we have the counterrevolution in Poland and in front of us, in the West, the revanchism of the FRG'. Although, he pointed to the negative effects of the reduced crude oil supply, he did not explicitly ask for Soviet help.<sup>30</sup>

Early in 1982, East Berlin still had some financial leeway, namely, 2 billion VM loans were still available. However, their full use in the first half of the year would have resulted in the GDR's insolvency in the second half of 1982.<sup>31</sup> Indeed, the maturity structure of the East German loans at Western banks was fatal, with a peak in summer 1982 and another one looming on the horizon in January 1983.<sup>32</sup> Since the DABA had no idea how to discharge all its payment obligations,<sup>33</sup> the solvency of the GDR was 'seriously endangered'. The Ministry of Finance, the State Bank and the DABA expected insolvency for the third quarter of the year. Facing this desperate outlook, an emergency meeting was convened at Schürer's office. Three possibilities to avert bankruptcy were discussed: The first option was a continuation and extension of additional exports to secure immediate hard currency earnings. This would have meant the export of consumer goods, meat, butter, potash, nitrogen and chemical base materials at the expense of the population and national industries. The second option envisaged seeking emergency help from the USSR, namely, a short-term loan of 1 billion VM to be compensated by exports of consumer goods. Many of the economic experts regarded such a request as the most viable path to solve the problem. The third option was to prepare a declaration of insolvency and rescheduling of debts.<sup>34</sup>

In fact, many economic experts of the GDR, like Deputy Minister of Finance Herta König, Polze and Schürer believed that bankruptcy was unavoidable and favored a conversion of debts. A declaration of insolvency was drafted and envisaged for May.<sup>35</sup> Related documents were forwarded to Mittag and it was clear that such a far-reaching decision could only be taken by Honecker. To the disappointment of the MfS the option of a request for aid to the Soviet Union was not included in the politburo template.<sup>36</sup> Given Schürer's experience of desperate attempts to avoid oil cuts in negotiations with his Soviet counterpart Nikolai Baibakov (who in 1981 emphatically lamented the external burdens of and the low living standard in the USSR), one can assume that he had no hope for help from Moscow.<sup>37</sup> Additionally, throughout the year it turned out that also the banks of the Council of Mutual Economic Assistance (the International Bank for Economic Co-operation and the International Investment Bank) were securing liquidity on a day-to-day basis only.<sup>38</sup> Although, new Soviet loans or even a bail out can be considered wishful thinking, this – as we will see – did not mean that the USSR let its East German ally down entirely.

On 10 March, the SED politburo once again denounced the US policy of 'confrontation' and the resulting 'total credit boycott' regarded as a concerted action to force the GDR into insolvency quickly. To counteract the aggravating crisis, the politburo decided to continue its going-out-of-business sale on even greater scale.<sup>39</sup> Throughout spring 1982, criticism of this survival strategy increased. According to the Stasi, experts pointed to the long-term effects of these measures that in many fields affected the East German production. For example, the export of rolled steel (which in fact was a constant scarce commodity in the GDR's industries) delayed or even halted the production of goods contracted for export to the West (thus causing more foreign currency losses). The industrial production as well as the supply of the population had been subordinated to the aim of remaining solvent.<sup>40</sup>

Obviously, bankruptcy was not an option for Honecker, who still possessed secret funds (account no. 628 where the money earned from trading East German political prisoners was saved)<sup>41</sup> and knew about the operative reserves of KoKo. Out of these resources a 400 million loan for the DABA was provided to bridge the acute gaps in March.<sup>42</sup> Additionally, the terms of the Polish debt rescheduling agreement with its Western creditors concluded in early April 1982 are likely to have influenced the East German stance. Polze warned Mittag: 'The agreement makes possible the exertion of pressure and coercion on the debtor by legal means and limits its political and economic room of maneuver'.<sup>43</sup> Even though the situation worsened throughout spring 1982, declaring insolvency and rescheduling debts seemed politically not viable, not least because the consequences would have led to even more severe problems supplying the population (and in further consequence for the potential stability of the regime). At the same time, the

measures taken by the politburo were deemed insufficient.<sup>44</sup> Within a few weeks it turned out that little more than half of the requested commodity funds were made available by the responsible ministries. The main problem was the lack of goods marketable in the West.<sup>45</sup> Thus, it comes as no surprise that the task of producing lists of goods including the date on which they would be sold for convertible currency caused the general directors of the East German state combines ‘severe “headaches”’.<sup>46</sup>

Despite the problems in fulfilling planned and additional exports to the West, the use of special funds and additional measures by KoKo<sup>47</sup> amounting to 800 million VM secured solvency for the first half of the year 1982.<sup>48</sup> However, the next hard currency shortage loomed on the horizon and the outlook for 1983 was even worse.<sup>49</sup> With export earnings still lagging behind even the most pessimistic estimations, for the months of July and August 1982 a severe hard currency problem of more than a billion VM persisted. KoKo was able to offer interim financing solutions for 450 million VM. However, for the unresolved problem of 561 million VM only 500 million in loans were left.<sup>50</sup> Thus, everything possible had to be mobilized. On a special directive by Honecker, Schalck envisioned the export of weaponry worth 300 million VM.<sup>51</sup> It earned 122 million VM until the end of September<sup>52</sup> and only 239.8 million VM until the end of the year.<sup>53</sup> KoKo and the foreign traders constantly pushed for increasing exports and production.<sup>54</sup> Margins out of Honecker’s reserves and short-term loans by KoKo were intended to close the most urgent gaps.<sup>55</sup> Besides the various measures increasing in value, the major operations to secure additional short-term liquidity were carried out by the KoKo company Intrac (in cooperation with other state trade activities). They consisted of major crude oil deals and trade operations aiming at the conversion of export loans and goods purchased in West Germany into hard currency on short call.<sup>56</sup> By mid-1982, the planned influx of hard currency from special funds (like the Honecker account) and from KoKo’s oil and other trade operations until the end of the year amounted to another 815 million VM.<sup>57</sup>

#### 4. Bankruptcy avoided: swing, deposits and trade operations

With a lot of the KoKo operations still in the making and the summer payments peak unresolved, the SED politburo on 22 June 1982 lamented the frustratingly slow replacement of heating oil for domestic use, the unfulfilled export plan and the resulting rise of the convertible currency problem. Once again additional exports of potash, nitrogen and agricultural products were decreed. Beil, Schalck, Polze, König as well as Schürer and Karl Grünheid from the state planning commission were entrusted with permanently securing solvency during the summer months. Emergency measures continued. However, one major relief had been achieved. The successful conclusion of negotiations with West Germany on the prolongation of the ‘swing’ increased the room for maneuver.<sup>58</sup>

The ‘swing’ was an essential feature of intra-German trade. Since 1949, the exchange of goods between the two German states was operated and deducted in ‘clearing units’ (*Verrechnungseinheiten*, VE). West Germany provided an interest-free technical loan covering the (anything but temporary) imbalances of the clearing account, the so-called ‘swing’. In 1974, after lengthy and quarrelsome negotiations, the East German regime accepted some easements of the travel regime in order to get a prolongation of the ‘swing’, which in 1976 was capped at a maximum of 850 million VE. Concessions to maintain the favorable conditions of intra-German trade were unavoidable, however, formal linkage was not accepted.<sup>59</sup> In autumn 1980, the climate in German–German relations worsened: Honecker issued his ‘Gera demands’ aiming at basic political concessions (i.e. the West German recognition of East German citizenship) and increased the minimum exchange rates for Western visitors to the GDR. Bonn regarded this step as a moral breach of the 1974 compromise and the expiration of the ‘swing’ agreement in place at the end of 1981 gave it a lever over the ailing GDR. Although, Schmidt during his visit to the GDR in

December 1981 granted an interim six months prolongation of the 'swing', he repeatedly pointed out that a future agreement would be psychologically linked to the minimum exchange rates for West German visitors to the GDR.<sup>60</sup> In April 1982, Schalck once again told a West German interlocutor that there was no leeway in this regard. The GDR would somehow survive a reduction of the 'swing', however, this would certainly strengthen those in the East German leadership who already advocate economic isolation and closed borders.<sup>61</sup>

The potential reduction of the 'swing' to 200 million VM by mid-1982 would have resulted in interest payments of at least 60 million VM. Additionally, imports via intra-German trade would have become less beneficial.<sup>62</sup> Hence, the East German leadership insisted on the prolongation of the 'swing'. In a farewell meeting with the West German representative at the GDR, Klaus Bölling, Honecker remarked that a 'reduction of the swing would come at the least appropriate moment'.<sup>63</sup> In a message to Schmidt, Honecker warned about the potential effects of any 'signs of economic boycott'. While a reduction of the minimum exchange rate for visitors was out of the question, Honecker pointed to improvements already realized by the GDR regarding travels in urgent family affairs and offered the prolongation of the expiring agreement on transfers of assets in return for a long-term solution for the 'swing'.<sup>64</sup> The agreement signed on 18 June 1982, stipulated the 'swing' at 850 million VE until the end of the year, followed by a reduction to 770 million VE until the end of 1983, and further steps down to 600 million VE in 1985 when a new agreement had to be negotiated.<sup>65</sup>

Immediately after the conclusion of the 'swing' agreement, the SED politburo decreed to make full use of the 'swing' in the second half of 1982. Several essential imports were shifted to intra-German trade. Additionally, VE imports were turned into hard currency by reselling West German products or equivalents out of the East German production on the world market.<sup>66</sup> Thereby the GDR earned 412 million DM in 1982.<sup>67</sup> Temporarily even an overuse of the 'swing' to 919 million VE was estimated. On average, throughout the second half of the year 1982 the 'swing' was used to a capacity of 800 million VE. However, due to increased exports towards the end of the year and some import reductions the 'swing' balance at the end of the year was 700 million VE.<sup>68</sup> The 'swing' prolongation eased the task of staying solvent, but solvency dangled on a string and had to be secured day by day.

Probably the most telling example of the East German financial drama was the regime's risky use of deposits to secure solvency. Deposits are a matter of trust in international banking. Interacting banks mutually place hard currency deposits. If one bank withdraws its deposits, usually the other bank reciprocates. In early 1982, trust in the stability of East German banks was eroding. Only two thirds of Western deposits at the DABA were renewed. The total remaining deposits valued 2.7 billion VM and by the end of March, almost the entire sum was used as a contribution margin to the balance of payments. Hence, a further withdrawal of deposits on short-notice would have inevitably meant the insolvency of the GDR.<sup>69</sup> KoKo's house bank – *Deutsche Handelsbank* – was also facing difficulties to mobilize deposits of Western banks,<sup>70</sup> but it managed to secure the preexisting volume of 950.0 million VM which was handed out as loans to Infrac and constituted the financial basis of trade operations.<sup>71</sup>

Facing problems to bridge the foreign currency shortage in July and August, the GDR opted for a risky gamble. Polze was authorized to withdraw East German deposits up to 500 million VM from the DABA's Western partner banks and to use them to secure solvency. The withdrawals of East German deposits had to be organized in such ways that the Western banks (whose deposits were still bound at the DABA for some more weeks) had no chance to reciprocate immediately. Deposits had then to be reinvested at those banks before they reciprocated. However, there was no guarantee that Western banks would not react.<sup>72</sup> With this all-or-nothing gamble going well and no further deposits withdrawn from East German banks, solvency was guaranteed over the summer. In September Mittag decreed the reduction of the planned financing of debt through deposits to 700 million VM – most probably to regain independence of

potential withdrawals and to have a backup option for urgent needs. Additionally, KoKo was able to provide enough emergency money in the most pressing moments.<sup>73</sup>

At that time, the major challenges in securing solvency had shifted to the months of October and November.<sup>74</sup> Throughout the summer, KoKo and the foreign traders had been busy in transforming existing credit lines or VE into convertible currencies by buying and selling (sometimes reselling) products. Additional imports of metallurgical and coal products from West Germany were portrayed as proof for the East German willingness to expand intra-German trade according to Bonn's desires,<sup>75</sup> actually, they were part of multiple East German trade operations. The immediate conversion of export loans (secured by Beil in bilateral negotiations)<sup>76</sup> into convertible currency became a major task of Intrac. In May 1982, France offered a state secured 220 million VM (350 million francs) export loan with a credit period of two years. Intrac was given the task of making full use of this money by purchasing French goods and reselling equivalents (out of the East German production) for immediate foreign currency revenue.<sup>77</sup> Already before the loan agreement was signed, KoKo made detailed import and export plans.<sup>78</sup> All positions had to be negotiated according to the available East German export goods.<sup>79</sup> Several goods (not least because of their delayed availability) created revenue only in spring 1983, but Intrac was able to credit the delayed influx of hard currency for the balance of payments.<sup>80</sup> Similar trade operations were pursued with neutral Austria. Despite the 'credit boycott', the Alpine republic had continued to provide export loans for metallurgical products, grain and consumer goods.<sup>81</sup>

Grain and consumer goods were intended to be traded with the USSR for additional imports of oil. Despite the 1981 cuts in oil supply (2 million tons), effective in 1982, the GDR hoped for Soviet assistance in this field. In spring 1982, Schalck managed to negotiate additional deliveries of 600 kt of crude oil. This increase was declared a pre-drawing of future deliveries. To make full use of the capacities of GDR refineries, more crude oil had to be imported for hard currency. Since Moscow was against a further increase of the East German dependency on the West, it agreed to additional deliveries. In summer 1982, another 850 kt were provided. In total, the GDR received additional 2.1 million tons of oil from the USSR for which it paid in hard currency (circa 520 million USD). Since the Soviet Union offered longer credit periods, the GDR was able to sell refined oil products with shorter payment targets and thus created additional financial liquidity to service its debts. Combined with East German deliveries of consumer goods, grain, meat and other foodstuffs to the Soviet Union, in the best-case scenario the resulting liquidity was prolonged to 450 days. The GDR bought goods on Western markets with a payment target of 360 days (or even longer) and then immediately resold them or comparable quantities from the domestic market to the USSR, who accepted much shorter credit periods. In the absence of regular financial loans, those Western export loans were the only way to secure liquidity in hard currency. In the end, not the Soviet Union, but the Western vendors of the GDR's imports became the real creditors, although, without knowing what was going on. In addition to the Soviet oil deliveries, the Intrac engaged in oil deals with the *Intertrading* (the trading house of Austria's nationalized industries largest enterprise VÖEST), and the Swedish company Axel Johnson.<sup>82</sup>

To secure solvency in January 1983 oil worth 600 million VM had to be bought, refined and marketed between November and January.<sup>83</sup> The breakthrough with Austria was reached during a top-level meeting in Vienna in early October 1982. Beil, Mittag and Schalck engaged in tough negotiations with chancellor Bruno Kreisky and his entourage and managed to secure the desired oil imports with favorable payment targets. In 'return' (but in fact also serving the East German trade operations strategy), the GDR agreed on several other significant imports from Austria which were also credited via export loans. The 'package' concluded for a period of several years secured quantities of crude oil indispensable for the future solvency of the GDR. In 1983, they valued circa 500 million DM.<sup>84</sup> In December 1982, the USSR agreed on further additional deliveries worth 750 million DM which finally created the basis for securing solvency in January and February 1983.<sup>85</sup>

In 1983 a total of 13 billion VM loans were due<sup>86</sup> and already in the first quarter of the year 3.1 billion VM in hard currency were needed.<sup>87</sup> Despite the oil deals and the high risks taken over by KoKo, the Ministry of Finance and the DABA all other parameters of the balance of payments had to be fulfilled to avoid bankruptcy.<sup>88</sup> Hence, the plan for the first half of 1983 envisioned a usage of the 'swing' to its full capacity of now 770 million VE and aimed at transforming VE into hard currency.<sup>89</sup> Hardly any imports for convertible currency were possible, hence, KoKo and the foreign traders shifted all possible imports from the West to intra-German trade.<sup>90</sup> Beyond that export loans were the only viable solution.<sup>91</sup> The GDR hoped to be granted payment targets of 360 days by Austria, France and Japan, thus, shifting some of the payments for 1983 to 1984.<sup>92</sup> An indefinite prolongation of the going-out-of-business sale (increasingly suffering from price losses up to 20% on the sales markets)<sup>93</sup> as well as the trade and oil operations with credit costs of 25–60% of their volume seemed unreasonable. A loan would have been much cheaper. In early 1983, a DABA functionary informed the Stasi that a West German loan of 3–4 billion DM loan would require political concessions but have the potential to replace the extremely expensive business constructions of Intrac.<sup>94</sup> Where did this rather concrete idea for a loan in the age of the 'credit boycott' come from?

## 5. The failure of the 'Zurich model' and the restoration of credibility

Facing the constant worsening of the balance of payments a concrete East German desire for a West German loan was a matter of records since early 1980. The last financial loan for East Germany was secured by Intrac in October 1981. The signing of this credit line also marked the beginning of another financing scheme, the so-called 'Zurich model'. The genesis and validity of this mystified business model following the principle of 'freer movement in return for cash' has been heatedly discussed by the actors involved and in the academic debate. We now know that both German states seriously considered the 'Zurich model' an option in 1982/83, whereas it is highly unlikely that its offspring, the so-called '*Länderspiel*' was considered throughout the 1980s. Be that as it may, the 'Zurich model' is a good case in point to show how the East German leadership aimed at avoiding bankruptcy without making far-reaching concessions in return.<sup>95</sup>

After the failure of desperate attempts to receive a 40–50 million USD loan by Austrian banks, the last financial loan was provided by the *Bank für Kredit und Außenhandel AG*, based in Zurich. This bank was directed by the a relatively young and extremely ambitious West German banker Holger Bahl who had gained a lot of experience in financing trade with the GDR since the early 1970s. In light of the declining credit standing of the GDR, the loan secured in Zurich was regarded a huge success but what Bahl told the Intrac representatives general director Horst Steinebach and chief of finance Günter Grötzinger seemed even more interesting. Confidentially, he mentioned that he had just met with the former member of parliament and leading functionary of the West German Social democrats Karl Wienand who had a close relationship to Helmut Schmidt and Herbert Wehner. Wienand had vaguely confided to Bahl that upon an East German request the West German government would be willing to negotiate about a 2–3 billion DM loan.<sup>96</sup> With Schmidt's visit to the GDR in December 1981 approaching, Bahl specified the information in the following terms: The Social democrats need a success in relations to the GDR and, thus, would be willing to provide a long-term loan in return for a reduction of the travel age by five years. No direct link between those two measures should be visible and the money would be freely usable. As vague as Bahl remained about the details, one can already see his own agency in pushing the issue forward.<sup>97</sup> Before Schmidt's arrival in the GDR on 11 December 1981, Bahl met three more times with East German representatives and indicated that the West German chancellor would appreciate a mention of the proposed deal.<sup>98</sup> Whether this was true is questionable. In a conversation with the East German lawyer and one of the SED's German-

German mediators Wolfgang Vogel the West German chancellor had qualified such deliberations as a 'chimera'. Schmidt was unwilling to actively address the issue.<sup>99</sup>

Given those diverging views, it is not surprising that Honecker did not touch upon this issue during his conversations with Schmidt at the Werbellinsee. The dominating economic matters were the 'swing' prolongation and a possible economic framework agreement between the two German states. For Schmidt a link between the development of economic and humanitarian relations was obviously in place.<sup>100</sup> Regarding the situation at the border and the travel regime Schmidt confronted Honecker with the much more relaxed and cooperative realities at the Austrian–Hungarian border. The West German mention of the Austrian–Hungarian 'role model' of détente was ignored by the East German leadership and in fact its application to German–German relations was never considered an option.<sup>101</sup> Nevertheless, it became the major idea behind the 'Länderspiel',<sup>102</sup> which regardless of various deliberations in East and West definitely remained a 'chimera' for the East German leadership. On the contrary, at least in its initial stages, the 'Zurich model' was subject to actual considerations.

How seriously the 'Zurich model' was taken by the GDR can be seen in one of the first proposals with regard to securing the balance of payments in 1982: 'The offer by a Swiss banking group to found a mixed finance house has to be negotiated immediately with the goal to rapidly found the finance house and enable the drawing of financial loans'.<sup>103</sup> Regarding the financial situation of the GDR this commitment was anything but surprising.

In February 1982, Bahl drafted a concept for a German–German *Finanzierungsgesellschaft* (finance house) on Swiss soil and passed it on to Steinebach and Wienand.<sup>104</sup> Bahl's proposal envisaged the founding of a finance house with a capital stock of 200 million Swiss francs jointly financed by East and West Germany. Bahl's plan foresaw that this institution would provide a 4 billion DM loan with a credit period of twenty years. According to his operating schedule, the money would have been available until October 1982.<sup>105</sup>

If bankruptcy was not an option, the West German willingness to provide a large-scale loan linked to corresponding political concessions had to be tested. Stasi sources reveal that the offer was taken seriously and that it must have been discussed rather widely by the economic elites of the GDR. As in case of the question of rescheduling debts a political decision by Honecker seemed necessary.<sup>106</sup> KoKo regarded the proposal as legally and technically feasible and thus acceptable the way it was. For Schalck negotiations could have started right away. Given the pressing financial problems of the GDR, the Intrac negotiators were instructed to insist on a realization of the financing model until 30 June 1982. The explanatory statement read: 'This is necessary because of the unresolved problems in the balance of payments and the current state of the export plan realization, latest with the beginning of the second half of 1982, the due payments for interest and amortization cannot be fully remitted and this will result in the bankruptcy of the GDR'.<sup>107</sup> Schalck informed Mittag in this sense and asked for his immediate approval.<sup>108</sup>

Obviously, there was a decision to negotiate about the finance house, but none about potential concessions. At the next meeting between Bahl, Wienand, Steinebach and Grötzingler on 10 March 1982 in Zurich everything seemed much less concrete than expected. The high sum, the question of the bank getting involved and certain legal aspects resulting from the unresolved German question were undeniable obstacles. Finally, Wienand made clear that a humanitarian aspect (travel age) had to be included or at least be synchronized with the negotiations.<sup>109</sup> After further clarification, Schalck's deputy Manfred Seidel declared the Bahl paper to be considered 'non-existent'.<sup>110</sup> This resulted in a temporary standstill.

Bahl later claimed that it was Bavarian Prime Minister Strauß who talked down the 'Zurich model', not least by insinuating potential intelligence machinations.<sup>111</sup> However, this connection had evolved earlier, precisely during the seeming deadlock of negotiations. When Grötzingler traveled again to Zurich in early May, unknown persons approached him and questioned him about his affiliation with the MfS. Schalck immediately reported to Mielke about this occurrence.

This was the moment when the 'Zurich model' – at least in the eyes of the Stasi – became to some (not measurable) degree affiliated with Western intelligence. Nevertheless, the 'Zurich model' continued to pop up in various German-German encounters. According to Bahl, the West Germans thought that the negotiations in March failed because some members of the SED politburo had been against the 'Zurich model'. Additionally, he created the impression that Bonn was even ready for concessions related to the 'Gera demands'.<sup>112</sup> The West German position cannot be discussed in detail here, but it is certainly questionable whether Bonn would have gone as far as the various East German documents related to the 'Zurich model' suggest.<sup>113</sup> Be that as it may, in summer it seemed that the problems of the early stages of the talks were overcome.<sup>114</sup> Although, documentation is scarce, the negotiations made progress until September 1982 and even a loan volume of 5 billion VM was planned, but then on 1 October 1982 the Schmidt government fell over a vote of nonconfidence and Helmut Kohl became the new chancellor. However, also the Kohl government showed interest in the 'Zurich model' and people on both sides kept talking about it. When the model was mentioned to Honecker's special emissary in (semi-official) contacts to West Germany Herbert Häber, who had no knowledge about it, the general secretary simply told him: 'Do it, but keep your mouth shut!'<sup>115</sup> Another proof for the uninterrupted relevance of the 'Zurich model' after the government change in Bonn is that Mittag on 8 October used the argument of a forthcoming West German 5 billion DM loan to convince the Austrian chancellor Kreisky to grant the loans needed to finance the oil deal.<sup>116</sup>

The 'Zurich model' remained in limbo. Yet, in order to replace KoKo's costly emergency measures, Schalck was permanently searching for other credit facilities and suddenly found them in Bavaria. Already in December 1982, Kohl had sanctioned Strauß' ambitions to start negotiations, however, in a telephone conversation with Honecker on 24 January 1983, he insisted on a link between potential loans and humanitarian concessions. It remains disputed whether Kohl still meant the 'Zurich model' or had the negotiations with Strauß in his mind only (which is more likely). Anyhow, for Honecker this was precisely what he did not want, because it would have meant the same conditions as with the 'Zurich model'.<sup>117</sup>

In spring 1983, negotiations with Strauß sped-up and finally made the 'Zurich model' obsolete. Given that prospect, Schalck repeatedly denounced the far-reaching concessions Bonn would have expected in return.<sup>118</sup> Despite setbacks on the way, the first billion DM loan was concluded and publicized on 29 June. The East German concessions were of atmospheric nature (regarding the border crossing procedure) or as we now know entirely made-up (regarding the dismantling of spring guns at the border on which Honecker had decided some time before the loan was granted). In September children under the age of 16 were exempted from the minimum exchange rate.<sup>119</sup> Regardless of the financial relief achieved, even Schalck, who deserved the laurels for the loan, internally stated that it was not primarily the loan, but KoKo's trade operations that had secured solvency.<sup>120</sup> Indeed, the GDR was not yet on the safe side. In the first quarter of 1984, it was again facing a peak in due payments of which 2.1 billion VM were still unfunded.<sup>121</sup>

In September 1983, Schmidt asked Honecker in a private conversation if he was still interested in the 'Swiss model' as he called it. The general secretary replied: 'No, this is not going to be necessary anymore'.<sup>122</sup> In fact, the 'Zurich model' was never realized, but it also did not disappear immediately. Internally, the GDR was already expecting a second billion DM 'Strauß loan' which had not yet materialized. Speculations about another loan were also frequent in West German media, always pointing to East German concessions in return. Against this background Bahl once again promoted his 'Zurich model' and complained about the East German 'mistake' of relying on Strauß.<sup>123</sup> A meanwhile distrustful Bahl was convinced that Mittag and Kohl would talk about the 'Zurich model' at the Hannover fair in spring 1984, however, this time there is no evidence that the East German regime seriously considered his ideas.<sup>124</sup> Instead another 'Strauß loan' was already underway. On 25 July 1984 a 950 million loan was announced, and this time West Germany publicized detailed information about East German concessions (among them a

reduction of the minimum exchange for retirees). Even though the GDR's image as a reliable debtor had certainly improved, the situation on the international financial and credit markets had not entirely changed. Western creditors remained cautious. It seemed that financial loans for socialist countries would remain scarce in the future.<sup>125</sup> Preference was seemingly given to the much more important USSR and much more flexible Hungary. However, the DABA had at least secured its first financial loan since 1981 with an amount of 75 million USD.<sup>126</sup>

## 6. Conclusion

The East German authorities had succeeded in breaking the 'credit boycott', yet the counter-measures they adopted to do so had severely harmed the economic basis of the GDR and its capacity to supply the population. Standing on the edge of the abyss of bankruptcy, the East German leadership opted for a fatal going-out-of-business sale which alone would not have prevented insolvency. A close examination of internal discussions reveals a multitude of positions and potential solutions. Some of the GDR's economic experts and the Stasi (pursuing its own agency) would have preferred a solution through Soviet help, others regarded bankruptcy unavoidable. While a bail out by the ailing USSR was unlikely, bankruptcy as well was not considered an option. It potentially would have undermined the SED's rule already in the short-run. Additionally, the 'Polish crisis' and the terms the neighboring country had to accept for rescheduling its debts frightened the regime. Hence, the leadership unconditionally aimed at keeping the GDR solvent. Together with KoKo and the foreign traders it provided the necessary financial means to reach this goal on a day-to-day basis. Besides the full use of available loan money, many ad hoc measures, a risky deposit gamble and the 'swing' prolongation, it took the expensive trade operations of KoKo to create the needed liquidity. The conversion of export loans (secured by foreign traders like Beil) and VE in hard currency and especially the large-scale oil deals with the Soviet Union and Austria finally secured solvency in 1982/83. Indeed, the USSR contributed a lot to this result, but on the basis of world market prices and corresponding conditions. However, without the trade operations with the West (beyond the special case of West Germany) the East German strategy would not have worked. Ironically, it was still Western money that saved the GDR from bankruptcy. The Western vendors providing export loans to foster their own economies in times of crisis became the real creditors. The GDR had found a way of surviving the debt crisis without joining the IMF, opening up and far-reaching concessions. This raises questions about the Western economic and political intentions for complying with the East German strategy. Regarding financial loans and deposits, it would be interesting to see research investigating how and to what extent Western banks communicated about the East German activities during the debt crisis.

In the meantime, the GDR had constantly aimed at overcoming the Western 'credit boycott'. While export loans were still provided by countries like Austria and France, financial loans were out of reach. In this regard, West Germany remained the only hope. Thus, it comes as no surprise that the 'Zurich model' was initially considered as a potential 'sheet anchor'. We do not know if the GDR would have made political concessions – and which ones – in return for such a huge loan; however, it is obvious that preference was given to a solution that required less compromising. Hence, the regime opted for the 'Strauß loans'. Avoiding bankruptcy also meant staying in power and securing the existence of the GDR. In the SED's rationale there was no alternative to the strategy pursued. However, the bottom line is, that despite all other efforts, this was only achievable by closer cooperation with West Germany resulting in growing dependency in the long-run. This remained the unresolved paradox of the SED's rule until its collapse. Although, the debt crisis was endured without any major concessions, the strategy adopted to reach this goal had further weakened the economic foundations of the East German state. Economic reform and some opening-up were delayed until it finally was too late. In the end, the GDR's success in

avoiding bankruptcy was a 'Pyrrhic victory' that made its dissolution even more likely.<sup>127</sup>

## Notes

1. André Steiner, *The Plans that Failed. An Economic History of the GDR* (New York: Berghahn, 2010), 172.
2. On the loans, see Stephan Kieninger, 'Freer Movement in Return for Cash. Franz Josef Strauß, Alexander Schalck-Golodkowski, and the Milliardenkredit for the GDR, 1983–1984' in Bernhard Blumenau, Jussi M. Hanhimäki, Barbara Zanchetta (eds), *New Perspectives on the End of the Cold War. Unexpected Transformations?* (London: Routledge, 2018), 117–37, here 117.
3. Jonathan R. Zatin, *The Currency of Socialism. Money and Political Culture in East Germany* (Cambridge: Cambridge University Press, 2007), 125–48.
4. For a first account, see Matthias Judt, *Der Bereich Kommerzielle Koordinierung. Das DDR-Wirtschaftsimperium des Alexander Schalck-Golodkowski – Mythos und Realität* (Berlin: Ch. Links, 2013), 142–74.
5. For a first in-depth study of these sources (though with a different focus than in this article), see Andreas Malycha, *Die SED in der Ära Honecker. Machtstrukturen, Entscheidungsmechanismen und Konfliktfelder in der Staatspartei 1971–1989* (Munich: Oldenbourg, 2014), 276–89.
6. Ralf Ahrens, *Gegenseitige Wirtschaftshilfe? Die DDR im RGW. Strukturen und handelspolitische Strategien 1963–1976* (Cologne: Böhlau, 2000).
7. André Steiner, *Die DDR-Wirtschaftsreform der sechziger Jahre. Konflikt zwischen Effizienz- und Machtkalkül* (Berlin: Akademie Verlag, 1999).
8. Most of the issues discussed in this article have been dealt with in previous studies, yet, none of them analyzed how exactly bankruptcy was avoided before the 'Strauß loans.' Among the most important studies on the economic history of the GDR, see Steiner, *The Plans that Failed*; Zatin, *The Currency of Socialism*; Judt, *Der Bereich Kommerzielle Koordinierung*; Malycha, *Die SED in der Ära Honecker*, 177–322; Hermann Hertle, 'Die Diskussion der ökonomischen Krisen in der Führungsspitze der SED', in Theo Pirker, M. Rainer Lepsius, Rainer Weinert, Hans-Hermann Hertle (eds), *Der Plan als Befehl und Fiktion. Wirtschaftsführung in der DDR. Gespräche und Analysen* (Opalden: Westdeutscher Verlag, 1995), 309–45; Hartmut Berghoff, Uta Andrea Balbier (eds), *The East German Economy, 1945–2010. Falling Behind or Catching Up?* (New York: Cambridge University Press, 2013); Dierk Hoffmann (ed), *Die zentrale Wirtschaftsverwaltung in der SBZ/DDR. Akteure, Strukturen, Verwaltungspraxis* (Berlin: De Gruyter, 2016).
9. In this article, I use the figures on which internal assessments and decisions were based upon. In 1982, the internal exchange rate for 1 USD was 2.4 VM. Since 65% of the GDR's foreign currency payments were in USD this seems to be the most important benchmark for measuring the East German financial situation in a comparative way. On the problem of the actual value of the 'divided' VM and the recalculations of East German debt, see Armin Volze, 'Zur Devisenverschuldung der DDR – Entstehung, Bewältigung und Folgen', in Eberhard Kuhrt (ed), *Die Endzeit der DDR-Wirtschaft – Analysen zur Wirtschafts-, Sozial- und Umweltpolitik* (Opalden: Leske + Budrich, 1999), 151–83. The best recalculations have established the 'least bad figures,' clearly showing a larger share of the West in the overall East German trade volume. Cf. Ralf Ahrens, 'Debt, Cooperation, and Collapse. East German Foreign Trade in the Honecker Years', in Hartmut Berghoff, Uta Andrea Balbier (eds), *The East German Economy, 1945–2010. Falling Behind or Catching Up?* (New York: Cambridge University Press, 2013), 161–76, here 164–5.
10. Current status of the GDR's balance of payments with the West in 1978/79, Berlin, 1. 2. 1979, [Berlin,] B[undes]arch[iv], DL 226/1248, Bl. 220–38.
11. Judt, *Der Bereich Kommerzielle Koordinierung*.
12. [Assessment on the Western credit policy towards the GDR], Berlin, 29. September 1978, [Berlin, Archiv des] B[undes]beauftragten für die St[asi]-U[nterlagen], M[inisterium] f[ür] S[taats]sicherheit, H[aupt]A[bteilung] XVIII, Nr. 16067, Bl. 23–9.
13. Michael Kubina, Manfred Wilke, 'Hart und kompromisslos durchgreifen.' *Die SED contra Polen 1980/81. Geheimakten der SED-Führung über die Unterdrückung der polnischen Demokratiebewegung* (Berlin: Akademie Verlag, 1995).
14. For the records of the meeting between Brezhnev and Honecker in Crimea on 3 August 1981, see Hans-Hermann Hertle, Konrad H. Jarausch (eds), *Risse im Bruderbund. Die Gespräche Honecker – Breshnew 1974 bis 1982* (Berlin: Ch. Links, 2006), 198–231. For details on the 'oil factor,' see André Steiner, "'Common Sense is Necessary:' East German Reactions to the Oil Crises of the 1970s', *Historical Social Research*, 39 (2014), 231–50; Ray Stokes, 'From Schadenfreude to Going-Out-of-Business Sale: East Germany and the Oil Crises of the 1970s', in Hartmut Berghoff, Uta Andrea Balbier (eds), *The East German Economy, 1945–2010. Falling Behind or Catching Up?* (New York: Cambridge University Press, 2013), 131–43.
15. Judt, *Der Bereich Kommerzielle Koordinierung*, 136, 138.

16. Gerhard Schürer, *Gewagt und verloren. Eine deutsche Biografie*, 4th ed. (Berlin: Frankfurt Oder Editionen, 1998), 184.
17. Malycha, *Die SED in der Ära Honecker*, 257–89.
18. Kleine to Mielke, Berlin, 1. 1. 1982, BStU, MfS, HA XVIII, Nr. 4693, Bl. 3–5; appendix Bl. 6–29.
19. Information on the relation between crude oil imports, export of refinery products and domestic supply, Berlin, 25. 1. 1982, BStU, MfS, HA XVIII, Nr. 4693, Bl. 99–100.
20. Information on the development of the balance of payments in convertible currencies in 1982, Secret, Berlin, 21. 5. 1982, BArch, DL 226/1444, Bl. 130–36.
21. Meeting of the SED politburo, 19. 1. 1982, S[tiftung] A[rchiv der] P[arteien und] M[assen]O[rganisationen im Bundesarchiv, Berlin, S[tiftung] ... Bundesarchiv], DY 30/J IV 2/2A/2454, Bl. 1–12.
22. Kleine to Carlssohn, Berlin, 19. 1. 1982, BStU, MfS, HA XVIII, Nr. 4693, Bl. 54.
23. Statement on the relation between oil deliveries from the USSR, guaranteeing solvency, and controlling the domestic economic situation, Berlin, 22. 1. 1982, BStU, MfS, HA XVIII, Nr. 4693, Bl. 55–62.
24. Information, Berlin, 20. 1. 1982, BArch, DL 226/1445, Bl. 333–7.
25. Information on the development of the supply of the population in 1982, Berlin, 25. 3. 1982, BStU, MfS, HA XVIII, Nr. 19204, Bl. 22–5.
26. Zatlin, *The Currency of Socialism*, 125–36; Judt, *Der Bereich Kommerzielle Koordinierung*, 166–71.
27. Schalck to Mittag, Berlin 26. 1. 1982, BArch, DL 226/1444, Bl. 201–4.
28. [Memorandum], Berlin, 25. 1. 1982, BStU, MfS, HA XVIII, Nr. 4693, Bl. 63–98. For a first analysis of this document, see Hans-Hermann Hertle, 'Die DDR an die Sowjetunion verkaufen? Stasi-Analysen zum ökonomischen Niedergang der DDR', *Deutschland Archiv* 42 (2009), 476–87. Also, see Malycha, *Die SED in der Ära Honecker*, 267–73.
29. For details on this issue in a comparative perspective, see André Steiner, 'The globalisation process and the Eastern Bloc countries in the 1970s and 1980s' *European Review of History* 21 (2014), 165–81, 172–6.
30. Report on the visit by Soviet Foreign Minister Gromyko to the GDR (27.–28. 1. 1982), SAPMO, DY 30/J IV 2/2A/2457, Bl. 2–21.
31. Schalck to Mittag, Berlin, 4. 3. 1982, BArch, DL 226/1444, Bl. 192–5.
32. Information, Berlin, 23. 3. 1982, BArch, DL 226/1444, Bl. 51–9.
33. Information on the maturity structure of bank loans, Berlin, 2. 4. 1982, BStU, MfS, HA XVIII, Nr. 19204, Bl. 26–7.
34. Information on the development of the GDR's balance of payments with the West, Berlin, 4. 3. 1982, BStU, MfS, HA XVIII, Nr. 13329, Bl. 16–8.
35. Memorandum by Schürer and Polze on a potential rescheduling of the GDR's debts, Top secret!, BArch, DL 226/1248, Bl. 215–8. Also, see Malycha, *Die SED in der Ära Honecker*, 276–89; Judt, *Der Bereich Kommerzielle Koordinierung*, 138.
36. Information on the development of the GDR's balance of payments with the West and the positions of the state and economic organs on this issue, Berlin, 6. 3. 1982 (document 136) in *Dokumente zur Deutschlandpolitik (DzD) VI. Reihe/Bd. 7: 1. Januar 1981 bis 1. Oktober 1982* (Berlin: De Gruyter, 2016); on debt conversion see documents 136A and 136B in *ibid.*
37. Memcon Schürer – Baibakov, Moscow, 15. 9. 1981, BArch, DE 1/58719, Bl. 240–58.
38. Kaminsky to Mittag, Berlin, 31. 8. 1982, Secret, BArch, DL 226/1445, Bl. 360–7.
39. Meeting of the SED politburo, 10. 3. 1982, SAPMO, DY 30/J IV 2/2A/2462, Bl. 18–195.
40. Information on the economic consequences of additional exports, Berlin, 21. 5. 1982, BStU, MfS, HA XVIII, Nr. 19204, Bl. 44–9.
41. In 1982, the GDR earned 177 million DM from this source. Originally, 200 million DM were planned as a contribution margin to the balance of payments. See Jan Philipp Wölbern, *Der Häftlingsfreikauf aus der DDR 1962/63–1989. Zwischen Menschenhandel und humanitären Aktionen* (Göttingen: Vandenhoeck & Ruprecht, 2014), 296, 313–4, 442–6.
42. Schalck to Mittag, Berlin, 26. 3. 1982, BArch, DL 226/1444, Bl. 191.
43. Polze to Mittag, Berlin, 7. 4. 1982, BStU, MfS, HA XVIII, Nr. 13329, Bl. 30–2.
44. Information on the current state of the balance of payments with the West, Berlin, 27. 5. 1982, BStU, MfS, HA XVIII, Nr. 19204, Bl. 54–8.
45. Current state of additional exports to the West, [end of March], BArch, DL 226/1445, Bl. 303–4.
46. Information on the seminar in Leipzig (5.–8. 4. 1982), BStU, MfS, HA XVIII, Nr. 19204, Bl. 32–6.
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