

Report from Bonn by Rainer Apel

'Real' crisis sends out shock waves

Germans fear that with the Brazil crisis, the last wall protecting their exports has collapsed.

The German political elite does not have (not yet, at least) any senior figure of the stature of former Mexican President José López Portillo or former Brazilian President João Baptista Figueiredo, who have not only addressed the global economic crisis, but also have openly sided with Lyndon H. LaRouche and his proposals for an alternative. But even lethargic German politicians are sometimes forced to comment on developments.

On Jan. 15, for example, Finance Minister Oskar Lafontaine called for "steps against speculation and for production," at the meeting of 25 finance ministers of the Asia-Europe Meeting (ASEM), in Frankfurt. Certainly, promonetarist Lafontaine is by no means close to LaRouche, although his remarks echoed the campaign slogan of the LaRouche movement in Germany, "Against Speculation, For Production!" But Lafontaine has a nose for situations that require unusual statements, and the latest Brazil crisis has created such a situation.

It is difficult to determine whether the government or Lafontaine is deeply concerned about Brazil, but industry and labor are, because Brazil is an important export and investment market for Germany. And, both industry and labor have their traditional channels into the Social Democrats, of which Lafontaine and Chancellor Gerhard Schröder are leading members. Some bankers are also getting worried about the developments in Ibero-America. They fear the financial crisis, but even more, they fear that it may give rise to a fundamental change of rules for banking and other financial operations.

In a discussion with this author on Jan. 18, a senior analyst at Dresdner Bank's Hamburg-based Ibero-American branch illustrated that fear. Trying to play down the scope of the Brazil crisis, and to support the alleged "success potential" of the policies of promonetarist Brazilian President Fernando Henrique Cardoso, the banker admitted that a devaluation of Brazil's currency, the real, by 30% or more, would not guarantee any significant revenue from whatever "export incentives," if any, this devaluation might create.

Furthermore, the devaluation makes Brazil's foreign debt burden even bigger, the expert admitted. Whatever Cardoso tries, he will run a high risk, and he will lose in popularity, because the population is certain to identify him more and more with the economic crisis, the banker said. And, because Brazil's Minas Gerais state Gov. Itamar Franco, who has Presidential ambitions of his own, is addressing these issues, his freeze on debt payments is very political, particularly because it puts the term "moratorium" on the agenda.

"The situation is so tense these days, that everybody who calls for debt moratorium provokes shocks on the markets," the banker said. He added that only a few months ago, he and his banking colleagues would have paid no attention to what a "regional figure" like Franco did, and everybody would have had confidence in Cardoso. But meanwhile, Cardoso's position among creditors abroad is being undermined, because he has Franco on his back, and everybody knows that.

Now, what is true for Brazil, is true also for Germany: So far, none of the heads of the 16 German states has said anything close to what Franco is saying, but whenever somebody mentions taxing speculators, the public debate turns into outright hysteria. Therefore, the good thing about Lafontaine's "against speculation, for production" remark, vague as it was (as is usually the case with Lafontaine), is that it recalls the ongoing political campaign of the LaRouche movement.

Both industry and labor are worried about the impact of the Brazil crisis on Germany's economy, because Brazil, after the outbreak of the Asian crisis, has been viewed as a "fire wall" against the collapse of all the "emerging markets." Now, all of the "emerging markets" are affected, and this is felt immediately in countries like Poland, the Czech Republic, and Hungary, which are important export markets for German industry, and serve as the land-bridge to Russia and to Asia. It has been noted in the German press that the eastern European stock markets dropped between 12% (Prague) and 17% (Budapest) during the week that the Brazil crisis broke out. The trigger for these losses was "panic sales of foreign funds that needed cash to compensate for their heavy losses in Brazil," according to press reports.

German industry has reported the biggest growth rates in recent years in the "emerging markets." Now, investments in the range of billions of Deutschmarks have been made void overnight, and a new round of mass layoffs in the employment-intensive machine-building and automotive branches must be feared. The German metal workers union is warning that the Brazil crisis will be the catalyst for the loss of 200,000 jobs in the German automotive industry alone. The "real" crisis in Brazil is turning into a real crisis in Germany.