

Former Chancellor Helmut Kohl faces criminal investigation

What lies behind the German Christian Democrats' financial scandal?

Ulrich Rippert
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Hardly a day passes without new headlines appearing about the financial machinations of the former German Chancellor and long-serving Christian Democratic Union (CDU) Chairman Helmut Kohl. The man who was, until recently, celebrated as one of the greatest European statesmen and "Chancellor of German unity" has now become the focal point of fierce criticism.

"We learn something new each day," Senior Public Prosecutor Bernd König told the press in Bonn, saying he did not exclude the possibility of a preliminary criminal investigation against the ex-chancellor. König said there were "initial suspicions of embezzlement," and added that "fraud, and possibly money laundering come into consideration".

Kohl has admitted accepting illicit contributions to the CDU's party finances, but has refused to reveal the sources of these donations.

In the *Bundestag* (federal parliament) a committee of inquiry was set up in order to investigate the CDU's financial schemes. Committee chairman Volker Neumann (Social Democrats—SPD) spoke of the consequences should Kohl refuse to testify. He made clear that the committee could not only impose a fine, but could also impose coercive detention for witnesses who failed to prove they had legal grounds for refusing to make a statement.

The process was set in motion by the Public Prosecutor's office in Augsburg. Four years ago they investigated a large arms deal with Saudi Arabia and uncovered the fact that several hundred million marks in bribes had flowed into dubious channels. Investigators now allege that at least 1 million marks landed in the accounts of the CDU.

Descriptions of the transactions read like a seedy crime novel. In the parking lot of a Swiss supermarket close to the German border in the summer of 1991, the weapons dealer Karlheinz Schreiber handed over a suitcase stuffed with cash—1 million in thousand mark bank notes—to the then-CDU treasurer Walther Leisler Kiep and Kohl's confidante Horst Weyrauch.

At first, questions were asked only about the taxes due on these funds. But very quickly the far more explosive question emerged concerning the political services demanded from the CDU (at that time the governing party) in return for these payments. Moreover, at that time any shipment of arms to areas of tension required agreement by the federal security committee.

Kohl called a press conference at the end of November to rebut accusations of corruption on the part of his government. He admitted that, as CDU chairman, he controlled various illicit accounts, from which, at his own discretion, individual party representatives and bodies could receive large sums of money, bypassing current laws and avoiding scrutiny by responsible committees.

Kohl said he regretted any possible violations of laws dealing with the conduct of political parties and the lack of transparency and control over

these transactions, for which he took personal and political responsibility. He denied that the payments had ever influenced his government's political decisions.

Instead of defusing the scandal, Kohl's admissions exacerbated the controversy. Kohl's system of conspiratorial bookkeeping came under increased scrutiny. Press reports pointed to several private accounts in Switzerland, Liechtenstein and Luxembourg.

Some million-mark donations apparently took a tortuous route via other accounts in Germany and abroad, having been deposited temporarily in diverse funds, some of which carried names such as "stand-by", "noble place" or "reptile funds". These circuitous transactions were apparently intended to launder the funds and cover up any connection between the donors and the government.

The more Kohl expressed outrage at accusations that his government could be bought, the more intensively the newspapers pursued the investigation. New details and surprising connections were uncovered. In its Christmas edition, the weekly *der Spiegel* reported on "two cases, one pattern", revealing striking parallels not only between the bank accounts used, but also the mediators employed in the sale of tanks to the Saudis and the sale of the East German Leuna refinery, including the lucrative Minol petrol station chain, to the French oil company Elf Aquitaine.

Some time ago, French and Swiss examining magistrates had already uncovered the fact that the sale of the Leuna refinery and Minol petrol stations was accompanied by bribes and the payment of dubious commissions of at least 100 million marks. Rumours that a part of the cash had found its way into the CDU's coffers had circulated for a long time. Now they were carefully examined.

Half of the 100 million marks was said to have been temporarily deposited in the Luxembourg account of a Liechtenstein company Delta International. This firm was directed by Dieter Holzer, a close acquaintance of Walther Leisler Kiep, a former CDU treasurer. Beginning in the summer of 1992, Holzer became active in the affairs of the French company and was seen several times at the German Chancellery.

Another friend of Holzer cannot be found at present: the former state secretary for defence and ex-head of the secret service, Holger Pfahl. An international warrant for Pfahl's arrest has been issued in connection with the Saudi tank affair. Underscoring the close links between Holzer and Pfahl, *der Spiegel* has reported that some of Holzer's letters bear Pfahl's private Bonn fax number.

In the middle of December, French businessman André Guelfi spoke out, claiming that 85 million marks had been paid out "as commission" to a "German party" via his company in Lausanne on behalf of Elf Aquitaine. The 80-year-old Guelfi said through his lawyer that he was ready to testify before the Bonn committee of inquiry if he were assured "safe conduct" and promised a "magnificent spectacle".

A further financial affair under investigation occurred one-and-a-half years ago. At that time the CDU received the largest private donation on record, valued at 2.4 million marks in cheques, plus an interest-free loan of 2.5 million marks. Some newspapers speak of a 6 million mark donation, paid by Hamburg real estate dealer Karl Ehlerding.

In June 1998 the government sold 112,000 apartments belonging to the state-owned railway company to a consortium of firms under the direction of Ehlerding's real estate firm, WCM. Ehlerding's firm won out despite the fact that a Japanese company had made an offer worth around a billion marks more, raising suspicions of a corrupt connection between Ehlerding's donation to the CDU and his firm's lucrative real estate deal with Kohl's government.

In a television interview, Kohl justified the decision to grant the contract to Ehlerding by pointing out that housing privatisations were "always very complicated". He further asserted that, from the standpoint of the tenants' interests, selling the apartments to the Japanese would have been impossible. In the same interview, Kohl admitted receiving up to 2 million marks in cash from anonymous donors between 1993 and 1998, which were not listed as donations as prescribed by law. These funds were said to have subsequently found their way into the official finances of the party.

The next day, the CDU head office contradicted this claim, saying the 2 million cited by Kohl had not been registered at the party treasurer's office. To dispel suspicions of corruption, CDU General Secretary Angela Merkel requested that Kohl, the party's honorary chairman, reveal the names of the donors, but Kohl has so far refused, saying he gave his word of honour to the donors not to name them.

The finance scandal has unleashed a profound political crisis that is assuming ever-broader dimensions. In the past few days, Chancellor Gerhard Schröder and Bundestag President Wolfgang Thierse (both SPD) have warned of the dangers for the political system as a whole. Both politicians declared to the media that the impression that leading politicians could be bought would reinforce already widespread political apathy.

They fear the disclosure of the real political relations that exist behind the facade of democratic institutions and official phrases about the "people as the commanding sovereign force in politics" and people's representatives "responsible only to their consciences".

The illicit accounts and financial manipulations of the CDU throw existing political relations into sharp relief. One can clearly see how the chancellor who for 16 years steered the ship of state accepted sums of money from industry and business in the chancellor's office and cut various deals, and how he used these illicit accounts to finance his political dealings and secure his parliamentary majority. Meanwhile, Kohl's replacement as leader of the CDU, Wolfgang Schäuble, a man who for 20 years was active in the party centre, declares he had no idea of what was going on.

It is not often that the daily corruption that pervades bourgeois politics becomes so evident, and the saying "money makes the world go round" takes on such a tangible form. The social democrats want to draw a veil over the whole business as soon as possible. The parliamentary commission of inquiry they have set up is primarily aimed at damage control and cover-up. That is why it is headed by someone with limited legal experience.

Kohl has already indicated that the SPD also voted for the sale of the railway company housing to Karl Ehlerding's company, knowing full well that the Japanese firm had tended a considerably higher bid. Did a donation from Ehlerding also go to SPD headquarters?

Kohl's system of conspiratorial accounts must be viewed in a broader political context. Such a system is bound up with political conceptions that dominated Germany in the five decades after the Second World War, and which now come into conflict with the changing needs of big

business.

The CDU that arose on the rubble left by fascism and war was not a party in the classical sense, with clear programmatic conceptions and a sharply defined potential electorate. It was, as its name implies, a union, a gathering point for various parties and political currents. It appealed to the most varied social layers—small farmers and craftsmen as well as workers and industrialists, salesmen and small businessmen, state officials and intellectuals, students and housewives, teachers and pensioners.

This broad social orientation corresponded to a programme devoid of any clear statement of policy, whose nebulous formulations could be accepted by virtually everybody. In essence it encompassed two ideological attributes: Christian conservatism and fanatical anticommunism.

The very varied interests of the different social groups that formed the CDU's popular base often led to endless and paralysing conflicts, political disputes and tensions within the party. During his 25 years as party chairman, Kohl sought to shorten the line of command by establishing a network of middlemen and personal confidantes whom he financed from his illicit accounts. He used the money to balance different social and regional interests and strike compromises with divergent factions.

This form of "clientele-politics" was the basis for the often cited "formula for success" of the CDU as a so-called *Volkspartei* (People's Party). Up until the elections in September last year, CDU candidates had occupied the chancellery for 37 of the 50 years of the Federal Republic of Germany. On just one occasion, in the 1972 federal elections, the CDU failed to emerge as the single strongest party.

Ironically, it was the process of German reunification 10 years ago—something that Kohl is especially proud of—that undermined the basis for this type of politics. On the one hand, the collaboration between government and industry over the billions involved in buying out the old East German industries led to a vast growth of corruption. On the other hand, the reunited Germany developed stronger interests in the world economy and influential business forces regarded any attempts at isolation to be counter-productive.

Above all, the traditional policy of social equilibrium came into sharp conflict with the demands of the international capital markets, which regarded any form of welfare policy as harmful to profits and opposed an orientation toward social compromise.

In post-war Germany, corporatist relations dominated and were institutionalised. At every level of politics and society the prevailing principle was: "You scratch my back, I'll scratch yours". Every party and grouping—above all, the trade unions—was drawn into the decision-making process through the mechanism of *Mitbestimmung* (joint union-management participation) and social partnership.

This form of corporatism has become an obstacle to the intervention of the international capital markets. Its representatives are not prepared to accept a state of affairs in Germany where every change in business relations, working conditions and redundancies has to be cleared with the appropriate *Betriebsrat* (works council). They are demanding decision-making powers that the rest of the population must then obey.

Since the change of government in the autumn of last year, attempts have been made to reform or "revitalise" the CDU. The pressure for reform of the CDU increased as Schröder and the SPD stumbled from one election defeat and crisis to the next.

At the start of the year Wolfgang Schäuble attempted to mobilise right-wing forces with a demagogic campaign against dual citizenship laws for immigrants, hoping in this way to establish his own leadership. A large section of the party refused to back him. Entire regional party groups were opposed.

Following the Kosovo war, the SPD put forward its austerity budget, involving drastic attacks on the weakest and most impoverished sections of the population. The CDU's social subcommittee went on the offensive,

attacked the government from the left and postured as the guardian of pensioners.

It became clear that the transformation of the CDU into a party that ruthlessly and unscrupulously defends the interests of a rich elite against all opposition was not possible without breaking up the “Kohl system”. This is why political events and facts that had been broadly known for some time now assumed such a prominent place in the media, and the pressure increased on Kohl.

Kohl, however, refused to give way, and within a short space of time the financial scandal began to develop a dynamic of its own, spiralling out of control. Searching for new headlines and sensational reports, a veritable army of journalists began to uncover a broader and broader web of interconnections.

The CDU is already profoundly split between Kohl's supporters and opponents, and leading representatives warn of a possible break-up of the party. A look across Germany's borders demonstrates that such a development is entirely possible.

In a number of countries, both in Europe and world-wide, the influence of Christian Democratic and conservative parties has declined considerably. In Great Britain, the Conservative Party is deeply split and has been all but consigned to the political fringes by the electorate. The Gaullists in France are equally affected and the *Democrazia Christiana* in Italy lost nearly 20 percent of the vote before splitting apart in all directions.

Especially hard hit were the Dutch Christian Democrats, who had governed the country for more than seven decades and were often able to win over 50 percent of the vote. Last year they could only scrape together 18.4 percent and the party is fighting for its life.

As has so often been the case in German history, such developments come later, but when they break it is with redoubled force.



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