

German Chancellor Schröder's business trip to the Gulf States

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10 March 2005

US President George W. Bush had hardly finished his four-day European tour when German Chancellor Gerhard Schröder began a seven-day tour of the Arabian peninsula. He travelled to seven Gulf States, five of which had never before received a visit from a German head of government.

Schröder's journey casts into sharp relief the reasons for the increasing tensions between the US and Germany, which were barely concealed during Bush's stop in Mainz. At stake are naked economic and strategic interests—not peace, stability, liberty or democracy, as the official propaganda of both sides would have one believe.

The Gulf possesses the world's largest supplies of oil, the most important strategic raw material for the economy of the twenty-first century. Moreover, thanks to the billions of dollars that flow into their coffers as a result of the high price of oil, those in power in the Gulf States are among the biggest international investors and purchasers of Western products.

Schröder's journey was aimed at cashing in on German reservations towards the Iraq war and US policy in the Middle East. To some extent, the German chancellor was acting as a poacher in what is usually considered Washington's preserve—a region that the US endeavours to keep firmly under its influence economically and politically. The billion-dollar contracts for the reconstruction of war-torn Iraq went nearly exclusively to American companies and, to a lesser degree, British firms.

Schröder was shameless in the open way he discussed the goals of his Gulf tour. He made no effort to conceal the real purpose of his journey with the usual diplomatic niceties. With 70 leading representatives of the German economy in tow, he went “galloping through the desert,” as one of the executives accompanying him put it, ingratiating himself with the ruling despots, opening factories “made in Germany,” scouting for investments, signing sales contracts, and hawking German products and services for sale—from the Transrapid magnetic levitation (maglev) rail system, to factory and airport construction, to an assortment of the most modern weaponry.

A journalist accompanying the chancellor compared him to a “travelling salesman, who wants you to buy his indestructible vacuum cleaner.” According to Ulrich Schäfer, writing in the *Sueddeutsche Zeitung*, Schröder's message read: “Our vacuum cleaner can do everything. The German economy sucks up everything.”

America's aggressive actions in the region have unsettled many Arab regimes. They fear the loss of their power if the US further destabilises the region or brings about further “regime changes”—as is presently being attempted in Lebanon, Syria and Iran. Washington's close collaboration with Israel is also a cause of constant tension.

Schröder's offering of German products, investment in German

companies and the redenomination of foreign currency holdings out of dollars and into euros represents an attempt to lure the Gulf States with an alternative strategic orientation—away from the US and towards Germany.

The German government attaches “great strategic significance” to the region, according to the correspondent of Germany's leading financial daily, the *Handelsblatt*, who accompanied the chancellor on his journey.

A comment in the *Sueddeutsche Zeitung* makes this even clearer. “The chancellor is using the economic power of German enterprises for a second mission,” the newspaper writes. “He wants to entrench the Federal Republic of Germany as a central power in world politics. Schröder derives political strength and aspirations from the economic strength of the country, its mantle as export world champion and the reputation of German enterprises. This is why he dares to formulate German interests more loudly and more clearly than all of his predecessors.”

However, the results of the chancellor's journey were mixed. In Saudi Arabia, the first stop on his journey, Schröder achieved little apart from a few verbal promises. The despotic and corrupt royal house of Saud fears the consequences of American policy, but knows that without Washington's grace and favour it could not maintain itself in power, and that neither Germany nor any other European power is in a position to replace the US.

Although this country, with the world's largest oil reserves, is Germany's most important trading partner in the Middle East, economic collaboration between the two has declined since the 9/11 terrorist attacks. The chancellor sought to solicit enhanced Saudi engagement in Germany. He called on the Saudi princes to invest their capital in German enterprises. “We want capital from the Gulf States to flow to Germany,” he said.

Such investment is particularly attractive, *Handelsblatt* noted, because these states “do not usually interfere in the business policies of enterprises” in which they invest “as long as the profits keep flowing.” The newspaper referred to “German government circles” that regretted that the industrial conglomerate Thyssen-Krupp had separated from its financial backers in Iran, under pressure from America.

The German government is not about to interfere in the domestic policies of the Saudi royal family, which occupies all the key positions in politics and the economy and governs the country with an iron hand. Schröder remained silent on the calls from Amnesty International that he question the country's abuse of human rights and urge that it abolish the death penalty. He merely expressed concern that rising social tensions in the country could endanger German

investments.

Despite increasing oil revenues, the social situation of the Saudi population is worsening appreciably. Unemployment is between 20 and 25 percent, and an increasing number of Saudis now live in slum areas, where the slogans of Islamic extremists fall on fertile soil.

Since Western businesses and their representatives have repeatedly been the target of recent terrorist attacks, Schröder appealed to the Saudi government to create better legal security for German investors. “The better the ability to calculate,” he said, “the better the investment climate.” While calling for a continuation of the “reform process,” he said he understood that social conditions that had developed over centuries could not be changed overnight.

Nevertheless, the business representatives accompanying the German chancellor signed only three contracts, totalling 18 million euros. There are, however, still some projects “in the pipeline,” according to those close to the chancellor.

Saudi Arabia wants to invest approximately 250 billion euros over the next 15 years, the greatest part in infrastructure. At present, there is only one railway line in the whole country linking the capital Riyadh and Damman in the east. German industry is hopeful that it can benefit from the planned development of the railway system.

Business was better in the smaller Arab sheikdoms that Schröder visited—Kuwait, Qatar, Bahrain, Oman and the United Arab Emirates (UAE)—as well as in Yemen. This poor country on the tip of the Arabian Peninsula is set to purchase 10 patrol boats from a Bremen shipyard, worth 100 million euros.

The UAE ordered a military communications system from Rohde & Schwarz, worth 100 million euros, and 32 Fuchs tanks from Rheinmetall, worth a further 160 million euros. The supply of the tanks, however, requires the permission of Germany’s Federal Security Council.

Berlin regards the UAE as a “strategic partner,” and German security forces are presently training some 420 Iraqi soldiers there, primarily in logistics. The training of specialists in mine clearance is also being considered. In addition to economic and military cooperation, the Emirates are looking to intensify the country’s tourist trade and already expect some 500,000 Germans to visit the region this year.

In Kuwait, which has maintained close relations with the US since the first Gulf War, Schröder opened a gas turbine power station built by Siemens, which produces 10 percent of the country’s energy. While the chancellor was praising German-Kuwaiti cooperation, Siemens sealed another contract for the supply of transformers and switchgear for an electrical sub-station, worth 70 million euros.

Of greater political significance than the trade deals that were signed is the intention of Germany’s state-run international broadcaster *Deutsche Welle* to start transmitting an Arab-language television programme from Kuwait City, which will be on the air for three hours a day and accessible in 20 countries. Schröder spoke of a “new stage in German-Arab relations.”

In Kuwait, Qatar and Bahrain, talks about building new transport links played a large role. Kuwaiti Industry Minister Abdullah Thaweed raised the possibility of constructing a railway line from Kuwait to Iran, via Iraq, which could be built by German enterprises.

In Qatar and Bahrain, there were discussions about a possible “Transrapid Gulf” system, which could connect the two countries, along with the UAE. Schröder wants to be personally involved in efforts to realise the project and bring together the three countries involved. The German government also hopes it can now make the

Transrapid maglev transportation system a reality at home. The system was developed with billions in state subsidies, but was never realised due to its high costs, environmental problems and competition from the existing ICE high-speed rail network. So far, the only functioning Transrapid system is a short stretch between the airport and the outskirts of Shanghai in China.

Thyssen-Krupp, which operates the Transrapid project together with Siemens, agreed to establish its own offices in Doha, the capital of Qatar. A maglev link between Bahrain and Qatar is under consideration, costing an estimated 4.4 billion euros, and the two countries have already agreed to build a 45-kilometre bridge over the Persian Gulf, linking Bahrain and Qatar.

According to the German consortium, a Qatari government feasibility study is to look at building some 800 kilometres of maglev track through to the United Arab Emirates. A link of this length would cost an estimated 10 billion euros. There are also considerations of constructing a 2,000-kilometre track linking Kuwait in the north and Oman in the south.

There are historical precedents, should German companies gain a foothold in the region with railway construction. One hundred years ago (between 1900 and 1908), the famous “Hedjaz” line was built. The single-track railway line connected Damascus with the holy city of Medina. Financed from the donations of many pilgrims to Mecca, the line primarily supplied Turkish troops on the west coast of the Arabian Peninsula and in the city of Medina. It was destroyed in the First World War.

One decade earlier, the last German emperor, Wilhelm II, had built the Baghdad railway. This was not only a prestige project of German foreign policy, but also, by securing access to the oil resources of the Middle East, a component of the German Empire’s plans for imperialist expansion. It was the cause of violent tensions with Germany’s rivals at the time—France and Britain—tensions that ultimately exploded in the First World War. Companies such as Siemens, Krupp and the Deutsche Bank played an important role in these projects.

Schröder’s journey to the Gulf States makes clear that his demands for more power and influence for Germany, which he aired at the Munich Security Conference last month, were meant seriously. History does not simply repeat itself. However, the growing rivalry between the great powers in the struggle for markets and economic influence must inevitably lead to increasing international tensions and the growth of military conflicts.



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