

Gerhard Schröder, Gazprom and German foreign policy

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A controversy has erupted in Germany over the links between the former Social Democratic chancellor Gerhard Schröder and Russian energy giant Gazprom.

In September of last year, just ten days before Germany's general election, Schröder met with Russian President Vladimir Putin in Berlin. The two men were witnesses to a \$6 billion contract signed between representatives of the Russian state gas monopoly Gazprom and the German companies E.ON and BASF to build a gas pipeline under the Baltic Sea linking Germany and Russia.

It has now emerged that shortly before stepping down from office, Schröder proposed that the German government underwrite a loan of one billion euros to Gazprom from two German banks for the construction of part of the pipeline. In the event that Gazprom was unable to repay the loan, Schröder's government agreed to pay much of the Russian company's debt. Gazprom recently declared it would not take up the offer.

On December 9, just weeks after the formation of a new grand coalition (Christian Democratic Union-Social Democratic Party) government in Germany, the new economics minister, Michael Glos, and the head of Gazprom, Alexei Miller, publicly celebrated the launching of the pipeline project. On the same day, ex-chancellor Schröder accepted an offer from his friend Putin to take up the post of chairman of the supervisory committee of the North European Gas Pipeline Company (NEGPC), which is to have overall responsibility for the building of the new pipeline. The majority shareholder in NEGPC is Gazprom, with 51 percent, while the German energy companies E.ON and BASF each own 24.5 percent. Schröder will receive a salary of €250,000 in his new post.

Schröder has subsequently been accused from a number of sides of cronyism and a conflict of interests. In response, Schröder has maintained that he knew nothing of the agreement to underwrite a loan to Gazprom and that the initiative was taken by officials in his government without his knowledge.

Bearing in mind the importance for Schröder of the gasline project, which his government had been pursuing over a number of years, and whose progress Schröder followed with the closest attention, his claims of ignorance about the loan are hardly credible. But, as one newspaper commentary remarked, as long as no written evidence emerges of his direct

involvement in the agreement, he remains, on this particular issue, off the hook.

Whether Schröder was aware of the loan or not, the entire affair is symptomatic of political relations in Germany in two important respects. First, it makes absolutely clear the extent to which the modern Social Democratic Party (SPD) functions as a direct arm of big business, with leading party members switching from top political positions to the boardrooms of multinational companies and banks as if they were changing hats.

In his role as chancellor, Schröder imposed drastic cuts in the German welfare state. Now, after condemning millions to a life of poverty, he has gone on to take over a leading and highly lucrative management post without blinking an eye.

Second, involved in the controversy over Schröder's role in Gazprom is a dispute over the future of German foreign policy that is being played out against a background of growing conflicts over international energy supplies.

The haste with which the outgoing SPD-Green government finalized and financed the German-Russian pipeline can be explained only on the basis of its determination to "create facts" that would require a new conservative government to adopt a pro-Russian policy similar to that pursued by the SPD-Green coalition. What is at stake in the Gazprom issue is nothing less than the axis of Germany's foreign policy.

It is worth recalling the broader political background to Schröder's departure as German chancellor. In May of last year, following a string of local election defeats and widespread public opposition to his plans for unprecedented cuts in the German welfare state, Schröder announced that he was dissolving parliament and calling new elections.

Schröder made his decision without consulting his own party, or his coalition partner the Green Party, and in clear contravention of the German constitution, which prohibits a chancellor with a parliamentary majority from summarily calling new elections. Under conditions where support for his government and party was plummeting, it was to be anticipated that new elections would bring to power the conservative opposition.

In taking this initiative, Schröder was responding primarily to economic and business lobbies which were intent on ensuring

that the SPD-Green Party's package of social cuts was carried through in the face of all opposition.

In the subsequent election campaign, the SPD leadership resorted to its more habitual forms of social democratic demagoguery, declaring its opposition to cuts in living standards and posing as the advocate of the ordinary working man. At one point, SPD Party Chairmen Franz Münterfering went so far as to publicly criticize international financial speculators and hedge fund operators as "locusts". The main aim of all this was to undermine electoral support for the newly formed "Left Party," while ensuring a right-wing majority to carry through the cuts demanded by big business.

Following the election, the SPD entered into a grand coalition with the conservative opposition (Christian Democratic Union and Christian Social Union). In the new government, leading SPD members occupy all of those posts that are crucial for the implementation of the cuts demanded by German and international finance capital. At the same time, as the revelations over the Gazprom affair demonstrate, the SPD was eager in the final days of the SPD-Green government to wind up unfinished business which would have broad implications for Germany's future foreign policy.

Schröder did not lose time lining up a series of lucrative posts to secure his own future. Not content with his post as chairman of the NEGPC board and his considerable annual compensation as outgoing chancellor, Schröder used his political connections to secure other well-paid positions. He was the main speaker, at an undisclosed fee, at a recent function of a major hedge fund operator.

Two days later, Schröder was hired by the Swiss Ringier publishing house, which puts out the tabloid *Blick* as well as numerous magazines, and which plays a similar role in Switzerland as the Springer publishing house and *Bild* newspaper in Germany.

Schröder is not the only former SPD-Green government politician to cash in on his political links and make the shift from cabinet to boardroom. Wolfgang Clement, the former economics minister, obtained a leading position with the German energy giant RWE. Rezzo Schlauch, a former state secretary for the supposedly anti-nuclear power Green Party, has been appointed advisor to the nuclear energy concern EnBW. Bela Anda, the press speaker for Chancellor Schröder, has taken up a leading post with the financial service company AWD.

While Schröder has denied personal knowledge of the loan pledge to Gazprom, a state secretary in his finance ministry, Caio Kochweser, has acknowledged giving his sanction for the loan. Following the dissolution of the Schröder government, Kochweser took up a lucrative post with Germany's biggest bank, Deutsche Bank, which is heavily involved in the Gazprom pipeline deal.

Schröder's former economics minister, Werner Müller, is also active in North Rhine Westphalia as chairman of the

energy and chemical concern RAG, which is a subsidiary of E.ON.

The close relationship between Schröder and Putin during the former's chancellorship was frequently the subject of criticism by the conservative opposition, which, for its part, was intent on improving relations with Washington. In the course of these disputes, the issue was raised of the danger of Germany becoming too dependent on Russian energy supplies. However, as the situation in the Middle East becomes increasingly unstable as a result of the US-led Iraq war, the Russian energy option becomes increasingly attractive.

Even before the new pipeline comes into operation, Russia is already providing 35 percent of Germany's oil requirements and 40 percent of its gas. In addition, Russia is amongst the top ten most important trading partners of Germany.

German exports to Russia rose by 15.4 percent last year and total trade volume rose by 25 percent compared to 2004. With the completion of the pipeline deal and his own nomination as chairman of the pipeline consortium, Schröder has been able to secure long-term energy and trade ties between Germany and Russia.

At the same time, the nature of the Gazprom concern means that the former German chancellor may be able to exert some influence over Russian foreign policy. According to the *Spiegel* magazine, "Schröder's new employer is much more than a company with profit interests. It is Putin's sharpest weapon in the struggle for power and influence. The president uses it to secure his position domestically and to increase Russia's influence abroad."

Support for Schröder in the Gazprom controversy has come from his close friend Wolfgang Clement, who spoke out in defense of the loan guarantee. "Underwriting this loan was the most sensible thing we could have done," said Clement.

Schröder has also won the backing of prominent business circles. Klaus Mangold, the chairman of the Eastern Committee for German business, said that while Schröder could have handled the affair more deftly, "I would much prefer a former German chancellor than a Swiss lawyer or somebody from Timbuktu or Lichtenstein" occupying the top post at NEGPC.



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