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I would like to thank the Taiwan Thinktank very much for the invitation to come to your beautiful country and especially for the opportunity to speak before you about our experience in overcoming a communist dictatorship.

Sir Lord Dahrendorf, a renowned German-British historian, once said the following sentence: “Germany is a country of failed revolutions.” I am proud of the fact that we East Germans have proved to the contrary. In the autumn of 1989 we overcame a communist, dictatorial, to some extent criminal regime in the course of a peaceful revolution. In all places of the former GDR (German Democratic Republic) there were demonstrations. Especially the pictures from the Monday demonstrations in Leipzig went around the world and in the end it was these demonstrations that forced the dictators to open the detested Berlin Wall and finally relinquish power.

The people themselves took over power.

Citizens’ committees were formed in all cities that secured the files in the town halls, but especially in the headquarters of the Ministry for State Security, and could in such a way largely prevent their destruction.

Following the example of Poland, in all places, but especially in Berlin, so-called “round tables” were formed.

These “round tables“ fulfilled two functions: on the one hand they served to keep the local state organs under surveillance while the central round table watched over the actions of the transitional government. On the other hand the round tables worked out the basis for the democratic transformation of the country. I took part in the central round table myself and participated in preparing important acts, such as the electoral act for the first free elections to the “People’s Chamber” (Volkskammer), as the East German parliament was called.

During the first meeting of the central round table there was a lot of confusion or even chaos.

I thought about how to structure such a process and during a short break I drafted rules of procedure for the round table.

Even today my daughters like to tease me, saying: “a whole republic was busy with making revolution and our Dad wrote the rules of procedure for it.”

The central round table forced the transitional government headed by Prime Minister Hans Modrow, to dissolve the Ministry for State Security.

The number of people employed full-time by this Ministry for State Security by far exceeded 100,000. Alone 8000 full-time staff were being kept constantly busy to monitor all telephone

lines of the GDR and to record phone calls. During the 40 years of its existence this Ministry amassed 220 km of shelved files that are today administered by a specialised authority.

About two thirds of these files included surveillance protocols of their own population, while another third was mainly concerned with questions of foreign espionage and military intelligence.

On March 18<sup>th</sup>, 1990 the first free elections in the GDR were held. These were the first free elections since 1932. This means, that for nearly all citizens of the GDR these were the first free elections in their life. Voter turnout reached 93.4%. This percentage shows, how highly politicised the situation was at the time. Everyone wanted to take part in the future development of the country.

The election was won by the „Alliance for Germany“ (Allianz für Deutschland). The “Alliance for Germany” was an alliance of political parties consisting of the “Christian-Democratic Union” (Christlich-Demokratische Union, CDU), the “Democratic Awakening” (Demokratischer Aufbruch, DA) and the “German Social Union” (Deutsche Soziale Union, DSU).

The “Democratic Awakening” gained only 1% of the votes, the DSU 6%, while the CDU gained more than 40%, whose Chairman I had been since the autumn of 1989.

As a result, I was elected Prime Minister by the first freely elected “People’s Chamber” of the GDR on April 12<sup>th</sup>, 1990.

The „People's Chamber“ was the GDR's parliament with over 400 members. It reflected a rather exact cross-section of the professions of the citizens of the German Democratic Republic. It included scientists, engineers, technicians, doctors, pastors, lawyers, employees but also workers; in short: the population felt represented by this People's Chamber.

The government that I was to preside over faced an incredibly complicated task.

In order to give you a picture of the dimensions of this government’s task, I will cite a few figures.

In the period from April 1990 to unification, ie to October 3<sup>rd</sup> 1990, the cabinet headed by myself prepared 759 cabinet bills, including 143 decrees, 96 law bills and 3 major international treaties.

The government faced five major tasks that I would like to sum up first before going into further detail during my speech.

- 1.

The government had to speed up the process of democratisation. This meant firstly to break up the dictatorial structures in order to strip the old rulers of their structural but also of their material power.

2.

The government had to pave the way for the economic transformation process from a state controlled planned economy towards a market economy with private enterprises.

3.

The government had to provide for the structural and legal conditions for realising the unification of Germany.

4.

The government had to strive for releasing the GDR from the Soviet empire, ie from the membership in the Warsaw Pact and the Council for Mutual Economic Assistance (COMECON).

5.

And lastly, it had to work with the Federal Republic of Germany and the four Allied powers for the termination of the Allied prerogatives.

### **ref. to 1.**

In order to make it easier for you to understand the process of democratisation, it is necessary to give you a brief outline of the history of the GDR.

The so-called second SED (“Sozialistische Einheitspartei Deutschlands”: Socialist Unity Party of Germany) party conference was held in Berlin in July 1952.

During this party conference it was decided to build the foundations for socialism in the GDR and it was also decided that it was necessary to enforce Lenin’s principle of democratic socialism on all levels of the country.

This principle meant that all power was to be concentrated in one single centre of power, which was the Politburo of the Central Committee of the SED, ie the top administrative organ of this dictatorial communist party.

As a result of this decision, local self-government that had been common in Germany, especially in Prussia, since the early 19<sup>th</sup> century, was shattered. The local communities and

municipalities became purely executive organs and had no competence of their own any more. There was virtually no possibility any more for the citizens to participate and where it formally existed it was merely of a declamatory nature.

Against this backdrop, the historic structures of the GDR, ie the provinces (“Länder”) of Mecklenburg-Western Pomerania, Sachsen-Anhalt, Brandenburg, Thuringia and Saxony were abolished and 15 administrative districts were created that merely served the task of transmitting instructions from the top leadership down to the municipalities and counties.

The so far existing “Länder” had had a legislative competence of their own in various fields, such as in police legislation, education legislation, legislation concerning the administration of forests, roads and waterways. This was now all attached to the centre. The new districts did not cater in any way for the feeling of warmth and attachment to one’s own native soil.

The five “Länder” that I mentioned had developed historically and thus embodied a certain historical and especially cultural identity that the people should now be stripped of. The communist party, the SED, aimed at forming a new human being that should only feel loyal to the GDR, its “socialist fatherland”.

The task was now to reverse this process.

Soon after the People’s Chamber became established it passed a new communal act, a communal constitution and an act on communal assets, so that as early as May 6<sup>th</sup>, 1990 the first free local elections in the GDR were held.

Through these elections we enabled thousands and thousands of people to assume political responsibility who had never had such responsibility in all their life.

These people set to work with great enthusiasm.

However, often enthusiasm was greater than the competence that these tasks required.

In many cases we were able to count on administrative assistance from West German cities and municipalities that assumed the role of sponsors for their East German counterparts.

Quick implementation of local elections was essential to strip the old cadres of their power and of the possibility to extend their power again from the grassroots level.

At the time I had a conversation with the Polish Prime Minister Tadeusz Mazowiecki who had started the process of democratisation in Poland one year earlier. He urgently warned me not to allow the local governments to continue to exist as they were, because according to his experience, the old cadres on the grassroots level refused to implement the new course as instructed by the new government.

Up to this day, I am grateful to Tadeusz Mazowiecki for his advice.

For the time being, we let the districts formally continue to exist in order to prepare the reestablishment of the provinces (or “Länder”) as described above from the level of these districts during the course of the year.

In the summer, in July 1990, the People’s Chamber passed the so-called “Act for Establishing the Provinces” (Ländereinführungsgesetz) that reestablished the traditional provinces and thus created the prerequisite for the East German provinces to vigorously voice their interests after reunification in the “Federal Council” (Bundesrat), the upper house of Parliament.

The task to transform the judiciary proved particularly difficult.

The staff working in the judiciary were nearly without exception cadres who were members of the SED, the few exceptions were not sufficient to reconstruct the judicial system.

Therefore we decided to set up committees to be guided by the People’s Chamber for scrutinising the judges. They should closely examine every single judge within the GDR, check his work record as a judge, especially judgements he had passed and judgements he had consulted for his decisions in order to determine whether he could continue to serve as a judge or whether he was to be dismissed from judicial service.

The result was that only approx. 50% of all judges were allowed to remain in office. The result with the public prosecutors was even worse, so that we faced the issue how we were going to keep the judicial apparatus working at all.

In this respect, West Germany was a great help to us, as they provided us with recently retired judges or young judges by – so to speak – “lending” them to us. Every Monday they travelled from their home towns to the GDR and returned home on Thursday or Friday evening. They received a bonus to their salary from the Federal Government that soon became colloquially known as the “jungle bonus”.

At the same time, the People’s Chamber began to review the criminal law of the GDR by cancelling several regulations that had been expressly designed to suppress the people and we began to make the criminal law conform to international standards.

In some parts civil law also needed to be revised. This was especially necessary to make the civil law conform to the requirements of a modern market economy. And lastly we had to create from scratch laws for the reviewing of administrative decisions.

In the GDR during the SED era there was no way to have administrative decisions reviewed by public courts. The only legal remedy that existed was to appeal. In these cases not the organ that citizens appealed to decided but the higher-level organ it was subordinated to. In most cases, however, the decision of the subordinate organ was upheld.

Also the penal system required complete restructuring. It was especially necessary to review the sentences of all prisoners in order to make sure whether their sentences would have also been passed according to constitutional standards.

Thousands of sentences needed to be reviewed. Many wrongfully imprisoned were released, in many cases the sentences were mitigated because they did not conform to constitutional standards. Only with a certain proportion of cases the judgements passed by the GDR judges remained unchanged.

The police force required reorganisation, too. Apart from their daily work, the policemen had to attend training courses nearly every evening in order to be prepared for their tasks as representatives of the law in a democracy.

It proved particularly difficult to strip the SED, ie the Communist Party, of the material basis of its existence.

During the election campaign we had already noticed that the SED disposed of considerably higher financial means compared to the other parties and could therefore run a much more professional and expensive election campaign that led to the result that they could still get more than 10% of the seats in parliament.

As early as the transitional period, ie during the government led by the new SED party chief Modrow, the SED had already paid over 3 billion GDR marks (taking the later official rate of 2 East German marks to 1 West German Deutschmark as a basis, this amounts to approx. 33.75 billion NT / 1.05 billion USD) to the GDR treasury. They believed, in such a way they could buy a clear conscience in order to keep their remaining assets.

These 3 billion Marks were transferred to the treasury and at the same time the SED expected that the treasury would pay for purposes decided upon by the SED by using these funds. For instance, organisations and facilities closely associated with the SED were to be sponsored, publishing houses that printed their publications were to be financed etc.

It required the efforts of all democratic forces in the transitional government, including myself, to prevent the assets from being used in this way and to virtually freeze them so they could be used in a purposeful way after the first free elections.

In January 1990 the SED party convention was convened, where a large number of delegates demanded the dissolution of the party and the founding of a new party. They believed that in such a way they could get rid of the Communist Party's image of a party of oppressors and present themselves as a new party of the left.

The party leadership, however, prevented the dissolution of the party because they rightly assumed that in such a case the party's assets would go to the GDR treasury and they would thus be stripped of an important basis of their power.

The SED possessed a considerable amount of assets on bank accounts. For this purpose the SED had built a conglomerate of companies in the GDR that was summed up by the name of "Zentrag" (approx. meaning: "Central Corporation"). The SED also had companies in foreign countries that were assigned to a certain department known as "Commercial Coordination" (Kommerzielle Koordinierung).

This department's main task was to provide the GDR with foreign exchange, ie foreign trade business, including embargo trading, arms trade and the sort.

Head of this department was a man particularly detested by the people of the GDR, called Alexander Schalck-Golodkowski, who, fearing the wrath of the people, had made off for West Germany as early as December 1989 and placed himself under the protection of the West German Federal Intelligence Service (Bundesnachrichtendienst, BND).

Apart from the department "Commercial Coordination", the SED maintained further companies abroad that were often camouflaged as being the property of third parties. For instance, it was alleged for a long time that a company with the name of "Novum" was in fact property of the Austrian communist party.

It could later be proved that this company had been founded in the GDR and that it had received financial funding from the GDR.

The SED altogether possessed a large portfolio of real estate property, holiday homes, training centres, but also government residences and hunting grounds.

Regarding this issue, Mr Fischer will be able to give you further detailed information.

Several mass organisations were closely associated with the SED and were to a considerable extent also controlled by the SED.

These mass organisations also possessed considerable assets. This included for instance the "Free German Trade Union Federation" (Freier Deutscher Gewerkschaftsbund (FDGB)), the "People's Solidarity" (Volkssolidarität; ie the main social charity organisation in the GDR) and the "Pioneers' Association" ("Pionierverband" or "Junge Pioniere" (JP); ie the communist children's association).

After the parliamentary elections and the formation of the new government we discovered that the SED tried to hide certain assets, to camouflage them, transfer them to foreign countries and the sort.

So I began thinking about how they could be most effectively prevented from doing this.

Under absolute secrecy I drafted a law bill together with my cousin, Dr. Thomas de Maizière – today head of the Federal Chancellery, at the time assigned to me by the Federal Government as an assistant – to prevent this. In the night before May 31<sup>st</sup>, 1990 we drafted the “Act for the revision of the Act on parties and other political associations – Party Act – of February 21<sup>st</sup> 1990” (Law Gazette, I, No.9, p.66 of the German Democratic Republic of May 31<sup>st</sup>, 1990). In the early morning of May 31<sup>st</sup>, 1990 we went to see the President of the People’s Chamber, Mrs Dr Sabine Bergmann-Pohl, and submitted this law bill to her, including the necessary number of 400 copies for the members of Parliament. We asked her to get this law bill through the People’s Chamber in two readings and to issue it on the same day so that it could come into effect the following day.

This act placed all assets of the parties and mass organisations under the trusteeship of an independent commission to be formed by the Prime Minister.

From that moment, the parties and mass organisations were prohibited to dispose of their assets or rather they could only dispose of them after prior consent of the commission and the head of the commission. The commission was given far reaching competences. These were competences as stipulated in the code of criminal procedure of the GDR, eg the right to the hearing of evidence, to question witnesses, to carry out house searches etc and also including the right to confiscate property.

Initially, we assumed that the parties and mass organisations would for the most part voluntarily comply with the new law. This was generally the case with the moderate parties, whereas the SED persistently refused to reveal its assets. The SED furthermore tried to conceal them with the consequence that considerable efforts were required during the years to come to expose its assets.

The first major difficulty was to find suitable personalities as members of this commission, especially finding a chairman for the commission.

Among the lawyers in Berlin there was the highly renowned lawyer Georg Reinicke who was a specialist in the fields of tax and financial law.

He was moreover highly respected and popular among all other lawyers and had been a trainer for young lawyers for many years. I myself had attended his courses on tax law, but also the then chairman of the SED, lawyer Dr Gregor Gysi, was one of his students and admired him for his correctness.

I asked lawyer Reinicke to become the chairman of this commission. At first, he didn’t show much willingness to do so as he had only recently retired and planned to visit his sister in Venezuela.



I said to him on the phone: “Dear Georg, the fatherland now needs you. You must chair this commission, especially because the chairman of the SED, Gregor Gysi, will not dare to attack you personally in the course of your work.”

It exactly turned out this way and during a later conversation, Gregor Gysi confirmed to me that at first he had been very upset about the fact that I had asked lawyer Reinicke to assume this task. But later on he, Gysi, recognised that this had probably been the best way from a tactical point of view.

Lawyer Reinicke faced a task that was nearly impossible to solve. He had to tediously set up an apparatus and find suitable staff. The People’s Chamber decided that MP’s from all parties should be members of the commission. Due to lacking expertise, they were, however, at first more of a hindrance rather than being helpful. In short: lawyer Reinicke had assumed a task that no one would envy him for.

I don’t want to go into any more detail now, as I assume that Mr Fischer will be able to give much more detailed information about the work of this commission than I can.

Furthermore the setting up of this commission was only one of many tasks at the time that I had to fulfill.

### **ref. to 2.**

The People’s Chamber and the government it had elected had to pave the way for the economic transformation process from a state controlled planned economy towards a market economy with private enterprises.

There were hundreds of textbooks in the GDR explaining how to transform a market economy into a planned economy. Unfortunately, there was not one single textbook explaining the opposite way, so we had to proceed according to trial and error.

As a first step we restored those companies to the original owners that had been taken away from them during the last expropriation frenzy in 1972.

This was rather easy to accomplish as in 1972 in most cases where companies had been turned into “people’s property”, the original owners had remained in their positions as company directors in order to benefit from their experience.

In this way we at least managed to create a nucleus of privately managed enterprises.

We also worked out incentive measures for crafts and trades. Even the craftsmen and tradesmen had at the time been forced to join so-called “production cooperatives” (Produktionsgenossenschaft).

These cooperatives were now dissolved and either turned into genuine cooperatives or those working within the production cooperatives were given the possibility to work again as individual craftsmen or tradesmen. The main job, however, was to privatise the great mass of the so-called “people’s owned” companies (volkseigene Betriebe).

This was accomplished by setting up the so-called “Trust Agency” (Treuhandanstalt). The new Trust Act, finally passed by the People's Chamber on June 17<sup>th</sup>, 1990, stipulated that the Trust Agency was supposed to restructure the companies, ie transforming them into a structure that was suitable for a market economy and furthermore to privatise them.

Partly foreign investors were found who bought these companies, partly they were bought by West German companies. To some extent we found ways to let the workforce as a whole take over the company who would then elect one person out of their midst to become their general manager and to try to survive in the market.

Here I must add that the productivity of the economy of the GDR was only about 40% of the West German economy. This means that in terms of productivity, nearly all companies were hopelessly inferior to West German companies.

In the economy of the GDR, we needed about three times as much human labour to produce a product comparable to West Germany; in agriculture we even needed 3 1/2 times more people to produce the same amount of products.

In the course of restructuring, the necessity arose to create a unified economic and currency area with West Germany. This was done by concluding the Treaty on the Creation of a Monetary, Economical and Social Union that was signed in Bonn on May 17<sup>th</sup>, 1990.

With this treaty, the currency of the GDR was transformed from the GDR “Mark” to the West German “Deutsche Mark”.

The general ratio for conversion was 2:1. A basic amount of 4000 Marks per person could be converted at a rate of 1:1.

With this treaty the legal framework was created for all businesses and all “people’s owned” companies were turned into corporations, either private limited or public limited companies. They became owners of the real estate they were standing on, which they hadn’t been so far, so they would now have a basis to use as loan capital.

A study carried out by researchers that was submitted to me at the time, stated that by introducing the West German DM-currency a third of all businesses would go bankrupt immediately because they would not meet up to market standards; a further third could only be restructured with great difficulties and that only one third of all business was actually capable of surviving under market conditions.

According to the opinion of these experts, all in all only one half of the current workforce would remain employed.

This process of restructuring the economy was incredibly rigorous and drove many people into unemployment.

Even today, unemployment in the Eastern part of Germany is twice as high compared to the Western part of the country. From among 10 people employed nowadays, only one of them is still working in the same profession and in the same company he worked in during 1989/90.

The transformation process thus forced the people of the GDR to accomplish an incredible feat.

The **third** major task was to create the structural and legal conditions for the unification of Germany.

During the course of history, the legal system of the GDR had gradually drifted apart from the legal system of West Germany. By the mid 1970s the process of forming a legal system of its own in the GDR was completed. This legal system conformed to the ideas of communist dictators but not to constitutional principles.

Nevertheless, this legal system was the basis of civil life in the GDR. It was therefore not possible to transfer the West German legal system to the GDR without any kind of adjustment. The Federal Republic of Germany and the government led by myself therefore decided to conclude a special treaty by which the GDR and the GDR legal system would be transformed step-by-step to the West German legal system. This treaty went down in history as the so-called unification treaty (Einigungsvertrag).

The basic principle of this treaty was: Federal German [ie West German] law applies. The treaty nonetheless describes certain exceptions whereby GDR law continued to be valid, in some cases as Federal law [ie nationwide law], in some cases as provincial law or communal law within the area of former East Germany. This was valid either indefinitely or for a transitional period of two to five years.

This treaty is a legal masterpiece and unique in history.

There had never been an example for the transition of the legal system of a socialist country to the legal system of a democracy.

Basically, this treaty proved a success and made sure that the people in the GDR would retain important rights and that they wouldn't have the feeling to be the losers in the process of unification.

The **fourth** major task was to break the GDR out of the Soviet empire.

During the conferences of Yalta and Potsdam, the four Allied powers, ie the USA, Great Britain, France and the Soviet Union, had decided to divide Germany up into four zones.

The American, British and French zone were later combined to form the nucleus of the Federal Republic of Germany, whereas the Soviet occupied zone was turned into the GDR in 1949.

The founding day of the GDR was October 7<sup>th</sup>, 1949.

On that day, the Soviet administration essentially handed the administration of East Germany over to German authorities, of course – communist authorities.

During all these years, the GDR was integrated into various alliances, including the Warsaw Pact. This was a defence alliance of the socialist camp and was founded in 1955 after the formation of NATO in Western Europe.

This Warsaw Pact alliance was fully controlled by the Soviet Union. The Soviet Union alone decided on strategy and arming of the alliance. This included the stationing of up to 400,000 Soviet soldiers on GDR soil until the end. Partly, officers lived there with their families, it can therefore be assumed that roughly 3/4 million Soviet citizens lived in the GDR. They had stored an incredible amount of arms and ammunition in the GDR.

During the entire existence of the GDR, the costs for this occupation army had to a large part be borne by the East German population, a fact that increasingly worsened the economic situation in the GDR. The GDR was also member of the Council for Mutual Economic Assistance (COMECON). This council was an economic alliance of the socialist countries in which also the wishes of the Soviet Union dominated.

Nearly all countries that were members of COMECON were in this way forced to make tributary contributions to the Soviet Union.

Just to cite one example: the GDR built the entire fishing fleet of the Soviet Union but usually only received approx. 66 to 67% of its own costs as a price for these ships. This means that over 30% were in fact hidden reparations paid to the Soviet Union, although the payment of reparations had officially been terminated in 1953.

This situation had to be stopped. But this turned out to be rather difficult due to the fact that many of these relations in the Eastern camp were also beneficial to the GDR, even though often incurring financial losses. The GDR was an export industry by 60%, exports that nearly totally went to these countries.

With the disintegration of COMECON and the introduction of prices that conformed to international practice and that were based on convertible currencies, trade with the East totally collapsed. This had disastrous consequences for the East German economy.

**ref. to 5.**

The four Allied powers had reserved the right to determine the future of Germany as a whole in several treaties, especially in the Four Power Agreement on Berlin.

In February 1990 the so-called “Open Sky Conference” was convened in Ottawa, Canada. This conference decided to create the general conditions for the unification of Germany.

Negotiations should be held between the four Allied powers and the two German states. This circle was initially called “4+2”.

The Federal Republic as well as ourselves went to great pains to turn this designation around to “2+4”.

We wanted to leave no doubt that the two German states were exercising their right to self-determination to achieve the unification of Germany and we wanted to involve the four Allied powers only in as much existing treaties required us to do so.

It was no longer the question whether Germany would unite, but only a question in what way Germany was going to unite.

This “2+4” treaty was essentially a peace treaty and included the main elements for a peaceful order in Central Europe and for the status of a unified Germany within this peaceful order.

The foreign ministers of the four Allied powers, the foreign minister of the Federal Republic of Germany, Hans-Dietrich Genscher, and myself representing the GDR signed this treaty on September 12<sup>th</sup>, 1990 in Moscow.

Apart from the signature given in the registry office in Berlin during the marriage ceremony with me beloved wife, the signature under the “2+4” treaty was certainly the most important one in my lifetime.

After completing all these tasks, the unification of Germany could finally take place.

During a speech held on October 2<sup>nd</sup>, 1990 in the Schinkel Theatre in Berlin I bade a historic farewell to the GDR. After my speech, the internationally renowned conductor, Kurt Masur, together with the Leipzig Gewandhaus Orchestra and the combined radio choirs of the GDR performed Beethoven’s 9<sup>th</sup> symphony and the unification of Germany was finally accomplished in the night before October 3<sup>rd</sup> in front of the historic Parliament building, the Reichstag, in Berlin.

Ladies and Gentlemen, I thank you for your attention and I would be happy to answer any questions you may have.