Designing One Nation

Schreiter, Katrin

Published by Oxford University Press

Schreiter, Katrin.
Designing One Nation: The Politics of Economic Culture and Trade in Divided Germany, 1945-1990.

Project MUSE. muse.jhu.edu/book/77722.

For additional information about this book
https://muse.jhu.edu/book/77722
Intra-German Trade and the Aesthetic Dialectic of European Integration

At the 1963 Leipzig Trade Fair, West German industrial designer Friedrich Koslowsky approached leading East German politicians and economic planners with his idea for a “House of Life” in East Berlin. His proposed furniture store project would offer East German producers the possibility of presenting their products to West German buyers. Based on the hope that trade across the border, and thus a shared material culture, would overcome Germany’s physical partition, he sought to build bridges between the GDR and the Federal Republic that went beyond mere economic contacts. Koslowsky’s plan never came to fruition, but his concept of cultural rapprochement through trade was one of many contemporary efforts to combine progress and German politics to preserve the notion of a common economic culture.

Moreover, intra-German economic contacts proved to be equally important for the efforts by the two German states to rebuild themselves as internationally significant export nations. With the immediate postwar needs for housing and furnishings fulfilled, both German states shifted their attention to export industries, which included the intra-German trade. Exploring how this trade “preserved rudimentary structures of all-German economic unity” and how the two Germanys instrumentalized it for strategic and tactical goals in the German-German relationship can offer insight into their respective stance on national unity.

The change of economic policy from reconstruction to trade pitted the two economic systems directly against each other in a competition for economic superiority, while at the same time the interconnected economic infrastructure glossed over the Cold War division. The latter was aided by the pan-German principles firmly anchored in West Germany’s Basic Law and Germany Policy (Deutschlandpolitik) that claimed the territory of the GDR as part of the postwar German state. Bonn’s position in the German Question relied on two principles:
the Federal Republic’s policy of nonrecognition (Nichtanerkennungspolitik) and its claim to sole representation (Alleinvertretungsanspruch) vis-à-vis the GDR, which the Hallstein Doctrine implemented globally. The Federal Republic welcomed economic interactions with East Germany precisely because they offered an opportunity for East-West dialogue that did not necessitate official political recognition of the GDR. Like Koslowsky, Bonn regarded trade not only as a way to maintain ties but also as a way to transfer cultural ideas. In terms of trade and economic development, East Germany often looked toward the West in later decades, playing into West German policies when it served their own economic interest. In spite of very different motivations, intra-German trade emerged as a lifeline for a shared German economic culture and shaped broader European economic foreign policy.

Limiting the analysis of cultural-economic transfer to the two German states, however, would not account for the increasing complexity of economic policy after the Federal Republic entered the European Economic Community (EEC) in 1957. Commitment to a future of Western European unity held the potential for conflict with German attempts to uphold connections between its two parts. The contested territorial situation and the special nature of intra-German trade made the GDR practically an unofficial member of the Common Market, which caused tensions between the Federal Republic and the other EEC member states. The fact that intra-German trade permeated the Iron Curtain places any discussion of it squarely in the context of economic exchange between the Cold War blocs in Europe, rendering exports a fundamental element of economic foreign relations. Therefore, this chapter examines how export trade shaped East and West Germany’s national brands as they used it to project their reformed post-war image abroad. At the same time, European economic integration brought with it cultural change that culminated in a convergence of German aesthetics in the 1980s. This process ultimately led both to adapt their aesthetics to changing economic and political climates on the international markets and connected them to broader European ideas of modern culture.

An examination of West German attempts at balancing European integration with the German Question brings into focus aesthetic convergence of East and West German design in the Mittelstand furniture industry. Friedrich Koslowsky never built his House of Life, but his vision to erect cultural bridges via product exchange was realized through the intra-German trade and the European Common Market. The Federal Republic’s economic foreign policy with pan-German interests at its core not only created economic dependencies in the East but also facilitated German-German economic cooperation that undermined the Cold
War division of Europe. It presents the GDR as an early example of Europeanization that reached beyond the Iron Curtain, and thus beyond the borders of the Common Market.5

Traditionally, historians have discussed Europeanization as the colonial impact of European values and technology on other regions of the globe.6 But with the increasing interest in the structural and political growth of the European Union, debates about supranational policymaking and its effects on member states relocated the concept within the borders of the European Union with a focus on institutionalization and policy implementation.7 Although the following analysis explores identity formation through industrial design from a standpoint closely tied to European economic integration, it looks beyond the borders of the EEC. It extends the analysis of processes of Europeanization to consider the mutual transfer of cultural values in economic interactions with the GDR by understanding Europe as a social and cultural community in constant flux that is constructed through discourse and social practice.8 In the realm of industrial design, this approach examines how European economic integration affected material culture as an expression of national identity.9 While the two German states maintained their special relationship in intra-German trade and used it to influence the population on the other side of the border, they also changed their cultural outlook through interactions with Western Europe. At the end of this process, both Germanys contributed to a modern European aesthetic that did not follow one dogmatic style but rather produced stylistic diversity.

When East Meets West:
Encounters at the Leipzig and Cologne Fairs

It was no coincidence that Koslowsky proposed his plan for the House of Life at the Leipzig fair. Ever since the German partition, trade fairs had functioned as sites of East-West encounters. In the competitive Cold War climate, the fairs also gained political significance as places for comparison between the two Germanys’ alternative visions of modern material identity and technological advancement. At the same time, the countries used the fair to keep the transfer of ideas open. For the furniture industry, the Leipzig Fall Fair and the International Furniture Fair in Cologne evolved into important arenas for the promotion of East and West German Wohnkultur, on which both countries based claims to political legitimacy and economic preeminence. The interplay between aesthetics and ideology instills material markers of economic culture, in this case interior design products, with the ability to communicate cultural values and social
relations that go beyond the mere exchange value of the objects in question. In this way, purely economic transactions gain cultural and political significance.

As a locus of concentrated encounters between consumer products and the general public, fair displays could thus achieve a visual effect that combined economic and representative interests. In the early twentieth century, fairs had transitioned from sale fairs (*Warenmesse*) to sample fairs (*Mustermesse*). Whereas trade remained the main incentive for holding a fair, producers increasingly limited themselves to exhibiting samples instead of selling on site. As a result, exhibitors paid more attention to the composition of their product displays, which showcased advances in design and technology. Appealing displays certainly advertised the exhibited goods, but they also represented the political order that had produced them. Accordingly, producers became ambassadors of either East or West German cultural identity and values, which placed their products and the messages they conveyed to the public at large under scrutiny. Both German states were fully aware of the larger issues at stake. For example, while attending the 1960 Cologne Furniture Fair, West German intra-zonal trade representatives noticed displays of GDR system furniture, which were priced well below West German furniture of similar quality and aesthetics. This caused surprise and unease among Bonn’s trade specialists. Without the pressure for high profit margins, the GDR pricing policy made commodities affordable to the low-income strata of the population, thus threatening to convince West German consumers of the GDR’s socialist-egalitarian promises.

Hosting a commercial event that advanced market principles became an ideological challenge for the Soviet zone of occupation early on. To circumvent this problem, the Leipzig Fair reinvented itself as a political event. The administration claimed that the fair was of paramount importance in bringing about German economic unity (*deutsche Wirtschaftseinheit*) and presenting German goods to the world. In a pamphlet published in 1947, the fair administration spoke of a “compulsion for export” should reconstruction efforts and the revival of economic life in Germany become a success. To reach this goal, the two German states needed to work together. Preproduction for export products on the other side of the zone border tied the two economies together. If fair activities and economic promotion continued to be hindered by occupation zone borders, the pamphlet argued, it would inadvertently hurt “the German product” and contradict pan-German interests.

The 1947 Leipzig Fair pamphlet offers early evidence of eastern pragmatism in navigating the different economic orders emerging in occupied Germany. It should be seen against the backdrop of the American reconstruction aid plan for Europe
that resulted in the Marshall Plan in 1948. The eastern zone held the position that only a unified economic policy could secure Germany’s survival and reemergence as a global brand. To drive the point home, the brochure related anecdotes about the Soviet occupation zone’s true efforts for German economic unity from the prior fair: “Passengers on special trains from all parts of Germany understood their unhindered passing at the zone borders as a symbolic act: a dividing line was crossed and, finally, there was space for dealings and action once again.” Similar spatial analogies connecting East and West Germany appeared throughout the pamphlet, culminating in the exclamation “Contemplation of the whole!” (“Besinnung auf’s Ganze!”) that paid lip-service to the East’s purported commitment to German unity. Likewise, economic representatives of the western zones welcomed Leipzig’s all-German activity as a way to improve intra-zonal trade. Leipzig complemented similar efforts to preserve economic ties at western trade fairs, such as Hanover or Cologne. Nevertheless, both German economic systems mutually depended on each other for the rebuilding of viable economies during the reconstruction. Relatively poor in natural resources, they developed strong export industries whose success was based on finishing processes that added product value. With the focus on the fairs as places for encounter, both sides acknowledged the initial interdependence of the occupation zones for economic recovery.

While the Leipzig fair was immediately invested with political significance during the occupation years, the fair in Cologne seemed to emerge in a less contentious context. When Cologne reopened its doors to visitors for the first postwar fair in the fall of 1947, it not only competed with the Leipzig fair but also with other fairs in the western zones of occupation, such as Frankfurt or Hanover. In contrast to the Soviet funding for the Leipzig fair, Cologne received no financial support from the occupation authorities. The necessity to be self-sustaining and profitable eventually led to the discovery that specialized fairs brought in more revenue for Cologne. Therefore, cities in the West German zones of occupation divided up these special-interest fair events among them in order to ensure sufficient attendance by the general public as well as industry and retail experts. One such event was the International Furniture Fair (Internationale Möbelmesse, IMM), introduced in the spring of 1949. The early years of German division thus saw activities on both sides of the border that intended to maintain economic ties and to create spaces for East-West encounters.

Glossing over the emerging division ended with the institution of the Deutsche Mark. The West German currency reform in 1948 de facto foreclosed economic unity and further politicized German-German trade. The Soviet Union reacted to what they understood as a separatist policy by American and British
occupation authorities with a blockade of western access to the eastern zone including West Berlin, which brought intra-zonal trade to a complete halt in June 1948. In response, the economic administration of the western occupation zones decided to withdraw its representatives from the Leipzig fair, although they feared that this might cause the fair to lose the status of an all-German trade institution. This was exactly what happened. By the time the Berlin blockade ended in 1949, eastern efforts at an all-German economic recovery had ceased. In successive years, the fair implemented barriers that limited participation of western companies. Subsequently, Leipzig developed an exposition-like character, providing the Eastern Bloc with a platform for self-representation. Contemporaries described Leipzig as a “GDR performance show.”

Once hopes for German unity were dashed by separate state foundations in 1949, the GDR joined the Council for Mutual Economic Assistance (CMEA) in 1950 and built its own national economy independent of West Germany. East Germany financed industrial development mostly through trade in the Eastern Bloc, a political process that often denied economic rationality. The government held a monopoly over foreign trade, which meant that the VEBs, VVBs, and combines had little or no control over import and export decisions. Trade became closely connected to the GDR’s quest for international political recognition. Accordingly, fair organizers aggressively internationalized the event again in the mid-1950s. In the late 1950s and early 1960s, the GDR increasingly used it to display the reputed superiority of the socialist order, not least in contrast to the commodities of the West German economic miracle. This deliberate politicization of Leipzig raised questions about the political symbolism of West German fair participation in the context of its nonrecognition policy vis-à-vis the GDR. Trading with the GDR could be interpreted as West Germany’s unofficial recognition of the other German state. Furthermore, trade relations could potentially stabilize the weaker East German economy. On the contrary, the Federal Republic supported these economic interactions precisely because they offered an opportunity for East-West dialogue that did not necessitate official political recognition. Throughout the Cold War the Federal Republic considered intra-German trade relations as a political rather than an economic interest. In the early years of this trade, its volume and revenue remained relatively low. Yet intra-German trade grew over the course of the 1960s and 1970s as it became an increasingly important tool in the German Question.

The Federal Republic’s refusal to acknowledge the GDR remained the guiding principle in its dealings with the eastern part of Germany. To reinforce its
position, the Ministry of Economic Affairs (BMWi) handled intra-German trade through an extra body, the Trust for Intra-Zonal Trade (Treuhandstelle für Interzonenhandel, TSI), rather than the foreign trade administration. Meanwhile, the GDR, denying the FRG’s claim to sole representation and asserting its own nationhood, handled intra-German trade through the Ministry for Domestic and Foreign Trade (Ministerium für Innen-und Außenhandel, MIA). These structural demonstrations of diametrically opposed politics in regard to German economic and political unity proved an ongoing bone of contention but did not prevent the two German states from trading with each other. In the West German case, the disagreement even spurred Bonn’s commitment to this economic cooperation as Bonn hoped to use it to undermine East Germany’s demarcation policy. In fact, the negotiations between the TSI and the MIA were the only nearly consistently intact channel for communication between the two German governments across forty years of division.

The Berlin Agreement of 1951 established the basis for intra-German trade. The United States at first rejected the idea, requesting guarantees for the free movement of goods between the Federal Republic and West Berlin and the end of Soviet interference with West Berlin traffic. Ludwig Erhard, however, insisted that the negotiations should be conducted by German authorities and aimed for a quick resolution to reestablish economic ties that the Berlin blockade had severed. The 1951 agreement fixed the exchange rate between the Ostmark and the D-Mark at equivalency, and so-called Swing credits served as a financial instrument to overcome the economic oddities of German division. These credits were interest-free, short-term intergovernmental loans intended to stabilize trade between the two German states that remained relatively insignificant until the 1970s. The Ostmark was only a domestic currency, purposely restricted by geography and backed by the Wall, and the GDR had a fictional currency for international trade, the Valutamark. Every year or two, the TSI and the MIA negotiated stock lists of goods and services that were traded according to their exchange value under three different accounts. To facilitate East German requests for goods and services not listed on the stock lists, the additional account “Sonderkonto S” arranged cash payment in D-Mark. In theory, the principle of reciprocity regulated German-German economic affairs, such as fair-based trade. American concerns about East Germany and the Soviet Union taking advantage of West German desires to rekindle East-West trade were not unfounded, however. Whenever possible, the GDR did not uphold reciprocity and used the economic agreement as a lever in negotiations with the West. In
In practice, East German protectionist behavior limited the stock lists and shaped strategic decisions about which West German industries received permission to participate in the Leipzig fair throughout the 1950s. The trade fairs served as the stage for a constant behind-the-scenes wrangling between the states over economic relations, and West German industry entered into an uneven relationship. To protect the domestic furniture industry, at the time a vibrant crafts industry on the verge of mechanization, from the dominant western competition, the SED denied western furniture producers access to the Leipzig fair. By 1960, only one West German furniture company had gained permission to exhibit its products in Leipzig, allegedly thanks to its low price range. Meanwhile, West German officials did not take similar actions to protect domestic industrial interest against GDR competition at the Cologne fair. Constituents of the National Lumber Industry Association (Hauptverband der Deutschen Holzindustrie und verwandter Industriezweige e.V.) complained about the large presence of East German furniture businesses at the 1960 IMM. In a letter posted to the BMWi after the event, the association pointed out a lack of state-implemented regulations for East German exhibitors in Cologne, while the GDR government systematically excluded virtually all West German producers from the Leipzig fair. They urged the BMWi to intervene on their behalf by similarly restricting East German fair participation in Cologne. The ministry responded that the state chose to refrain from regulating the private enterprise that organized the fair, invoking the liberal principles of the social market economy. Up to that point, the ministry explained, it had only advised the organizers to admit exhibitors from the “Soviet zone” in the interest of expanding inter-zonal trade, provided that eastern traders did not abuse the event with provocative political demonstrations. It quickly became evident that these imbalances in trade and fair representation signaled as much Bonn’s economic decision-making as its political strategy in the context of the German Question. It also revealed a fundamental problem for West German companies: in trading with the East, they subjected themselves to dealing more or less directly with the middle and upper echelons of the GDR economic planning apparatus, not their firm counterparts, without having matching support from their own government.

Indeed, corporative attempts to balance out intra-German trade on a macro-economic level had failed before. In February 1960, representatives of the furniture industry and the BMWi had met at the Cologne furniture fair to discuss
intra-German trade. The furniture industry delegates blamed the mismatch between East and West German furniture exports on the fact that the ministry did not press the case of furniture in trade agreements with the GDR. The BMWi offered to solve the problem by listing furniture separately in the next trade agreement and by insisting on the principle of reciprocity at upcoming intra-German trade negotiations.38 This was a well-meaning attempt to appease national industry, but separate negotiations between the West German furniture industry and the GDR foreign trade representatives revealed that solving the matter to the satisfaction of all parties involved would be difficult.39

In a meeting with the industry-specific Nationalized Organization for German Domestic and Foreign Furniture Trade (Volkseigene Handelsunternehmen Deutscher Innen- und Außenhandel Möbel, VEH-DIA Möbel) the following day, West German furniture industry representatives learned that the GDR furniture industry was incapable of covering its own domestic demand. Theoretically, the VEH-DIA Möbel claimed, imports from the West should close the gap. Unfortunately for industry in the Federal Republic, the GDR chose to prioritize heavy industry. In fact, until 1971, the GDR avoided imports of finished and consumer products, such as furniture that could be produced by East German companies, to save scarce foreign currency for much-needed raw materials.40 Instead, the GDR pushed exports to the West to earn foreign currency. By 1958, East German furniture exports totaled 835,000 accounting units, which increased steadily over the 1960s.41 Such fast growth of GDR furniture export can be traced back to the industrial concentration and collectivization that started in 1958, which created enormous production capacities.42 Hiding behind the mechanisms of the planned economy and putting their national interest first, the East German delegates exploited the differences between the two economic systems to complicate the principle of reciprocity in intra-German trade. The VEH-DIA Möbel delegation ironically advised the West German furniture industry to participate more frequently at the Leipzig fair to resolve the imbalance. A collective display with West German products “of average pricing and average taste” would surely help create demand, and only such demand might make possible a budget allocation for furniture in the next economic plan. However, the VEH-DIA Möbel qualified, it would take at least a year of negotiations and planning to win this privilege at the Leipzig fair for the West German furniture industry.43 As puzzling as this contradictory behavior of fair officials and the VEH-DIA Möbel may seem, the West German furniture industry eventually did gain greater access to the Leipzig fair via these intra-German trade negotiations. Whereas the need to protect domestic industry remained a priority, the
GDR could not risk losing the economic exchange with the West and thereby access to western currency.

While East German companies were able to promote their products at the IMM in Cologne without limitation, they focused their promotional efforts domestically on the semiannual Leipzig fairs, which slowly grew in importance for East-West trade. In 1964, the GDR Council of Ministers decided to award gold medals to further “heighten the political prestige of the Leipzig Fair and to underpin its significance as an international trading node.”\textsuperscript{44} The national industry could set higher prices for winning products for domestic retail as well as for exports.\textsuperscript{45} Nonetheless, the award system benefitted most directly the state, by furthering its international reputation as a leading industrial nation. In fact, the SED instituted a ratio for medals awarded, distributing awards between the GDR, other socialist countries, and the nonsocialist countries, with the goal of presenting East German industry in a favorable light.\textsuperscript{46} At the 1970 Leipzig Fall Fair, the GDR awarded its own industry thirty-five gold medals for outstanding and technologically progressive products. The Soviet Union received the second highest number with twelve gold medals.\textsuperscript{47} That year’s official (and hence confidential) fair report on the state of research and innovation in East German domestic industries, however, contradicted outright this show of socialist economic superiority: “The number of new and enhanced designs is completely insufficient, and their quality is at best equivalent to world standard.”\textsuperscript{48} By overemphasizing its achievements, the GDR attempted to convince the international community that the East German planned economy could keep up with the innovations in design and technology displayed by Western competitors. To that extent, the Leipzig fair fulfilled its diplomatic function.\textsuperscript{49}

Dealing with the Devil: German-German Trade

BMWi hesitance to become involved in enforcing the principle of reciprocity attests to the political nature of West Germany’s trade with the East. Western strategy for maintaining relations with the GDR was based on three official aims: helping the population in the East, maintaining a degree of German economic unity, and safeguarding the uninterrupted traffic between West Berlin and the Federal Republic.\textsuperscript{50} In reality, Bonn also used this strategy to regulate East German contacts to other Western nations and leveraged it when the GDR leadership behaved uncooperatively. At the height of the Berlin Crisis in 1960, for instance, the Federal Republic unilaterally terminated the Berlin Agreement after the GDR restricted West Germans’ passage into East Berlin. However,
the dispute was resolved and the agreement reinstated subject to renegotiation before the new trade year began by 1 January 1961.\textsuperscript{51}

The GDR meanwhile perceived West German economic policy as “economic warfare,” pointing to early trade embargos on raw materials for the military industrial sector in the 1950s and the discouragement of West German firms from fair participation in Leipzig during the Berlin Crisis in 1960 and after the building of the Berlin Wall in 1961. In general, the East German Ministry for Foreign Affairs (Ministerium für Auswärtige Angelegenheiten, MfAA) complained, the West continued to dictate the terms of economic engagement and interfered in GDR trade relations with third states.\textsuperscript{52} These trends were only exacerbated with the renegotiation of the Berlin Agreement later in 1961, which abolished the limits on stock lists, simplified the accounts structure, and increased the flexibility of Swing credits.\textsuperscript{53} In the process, the GDR economy grew dependent on West German trade in order to support struggling consumption-oriented industries. Because it was the GDR’s second-largest trade partner after the Soviet Union, goods and loans from the FRG became a crutch to a planned economy that failed to fulfill the consumer promises of the Fifth Party Congress and Ulbricht’s NES on its own. While the Federal Republic perhaps had not counted on this particular dependency of the GDR as the outcome, it was surely not an unwelcome one.

Intra-German trade then became an increasingly important tool in the German Question over the course of the 1960s. Nonetheless, the way in which it helped stabilize the East German regime contradicted the CDU-led “policy of strength” position vis-à-vis the GDR throughout the conservatives’ rule in the Federal Republic. Foreign observers, such as US senator Hubert Humphrey, speculated about how Bonn reconciled eastern trade relations with its critique of the Limited Test Ban Treaty in 1963, a Soviet-American agreement that limited nuclear tests to relax tensions caused by the arms race.\textsuperscript{54} To him the subsidized West German trade with East Germany showed similar political motivations for relaxation in the German Cold War, which rendered the critique of American global détente efforts hypocritical. The handling and implementation of the intra-German trade on either side of the border thus tells a story of a paradoxical western Deutschlandpolitik in the early 1960s and steady political antagonism that occurred alongside growing economic interdependence.\textsuperscript{55} Once the social democrats entered the government in 1966, some of these contradictions were resolved. Foreign minister Willy Brandt’s New Eastern Policy (Neue Ostpolitik) of the late 1960s eventually ushered in a period of détente and aligned economic exchanges across the inner-German border with national politics. Based on a
new foundational premise of “two states in one German nation,” it ended the isolationist policy of the Hallstein Doctrine. Thus changing course from the conservative Adenauer government’s isolation of the GDR to cooperation and accord, the Federal Republic instrumentalized German-German exchange in the realm of culture, economy, and humanitarian aid for rapprochement in the German Cold War.56

The Swing credits went from being almost insignificant to being an instrument of political bartering once Honecker introduced his Unity of Economic and Social Policy at the Eighth Party Congress in 1971. The program attempted to increase the East German living standard by ameliorating decades of under-development in consumer goods production through investments financed with foreign credit. A couple of years into this new policy, economic planners realized that the early emphasis on heavy industry had compromised the light industry structures beyond recovery. Western goods and money started to seep into the East German economy to fill the gaps.57 West German furniture became a staple at the Leipzig Fall Fair, thanks to three specialized product shows—the Interscola for school furniture, the Intacta for interior home design, and the Expovita for sports and leisure-time activities (Freizeitgestaltung)—that served as venues for western products.58 Already in the fall of 1971 the combined display area of all represented industries from the Federal Republic and West Berlin made the FRG the second-largest participating nation, second only to the GDR.59 Overall, the atmosphere at the fair that year was described as “thoroughly friendly.”60 For the first time since 1946, politicians refrained from the traditional polemics against the Federal Republic in official speeches, and GDR minister of foreign trade Horst Sölle invited for the first time the West German state secretary to his reception at the Leipzig city hall.61 This change in tone developed against the background of German-German talks over a new footing for their relationship, which culminated in a “treaty concerning the basis of relations between the Federal Republic of Germany and the German Democratic Republic” (Basic Treaty) in 1972.

In preparation for the Basic Treaty negotiations, the Federal Republic reviewed the effectiveness of its trade policy toward the GDR. Trade by credit had become the law of the land, which created mostly one-sided dependencies: The GDR depended on West German money to finance its imports, and the Federal Republic required the GDR to use the credits to procure exclusively West German products. Accounting units usually documented the exchange, which eliminated most of the actual money flow. In this way, the GDR received DM 2.5 billion worth of raw materials, preproduction and subassembly parts,
and services from the FRG in 1970 alone. However, to maintain this level of trade the following year, the TSI estimated that the GDR had to raise its debts by another 500 million accounting units, because it had received 418 million units more than it delivered to the FRG in the previous year. East German short stockage, the incapability to deliver certain in-demand products due to ill-guided Five-Year Plans, partially caused the trade imbalance.

Moreover, the GDR followed a calculated import-export strategy. The GDR exported finished products to profit from high added value, while it mostly imported semifinished products and raw materials such as steel (32.4 percent of the annual imports) and subassemblies (34.6 percent of the annual imports) from the FRG that contained less or no added value. Finished products only constituted 6.3 percent of the GDR’s annual imports in 1971. Had the West German business community at large known this statistic, the BMWi would likely have faced complaints from domestic industrial associations again. Bonn instead masked the imbalance by utilizing separate statistical methods for German-German trade and foreign trade. Trade statistics on the GDR offered information about the industrial origins of products, yet they did not specify the degree of finishing. Although the ministry claimed that this method was to politically contrast the two kinds of export on paper, the practice obscured the fact that the West German side delivered goods of lesser value, and thus more of them, to East Germany, while the GDR delivered mostly finished products of higher worth and fewer of them.

Despite all of these favorable conditions for the East, by 1971 the GDR had accumulated a debt of 1565.9 million accounting units, or DM 1565.9 million. West German officials privately welcomed these debts as a political guarantee for the persistence of German-German relations. This dire picture already existed before the industrial investment strategy of the Unity of Economic and Social Policy program faltered. Bonn knew that the GDR would not have the funds to buy the machines necessary to continue building up its capital equipment industry to further develop the consumer goods program. A FRG economist analyzing the situation looked skeptically at alternative solutions to East Berlin’s dilemma, pointing to the traditional interconnectedness of the two German economies and the GDR’s dependency on West German spare parts and fittings. Consumer goods production relied heavily on machinery originally built in the Federal Republic. Without natural resources to sell for foreign currency, the GDR faced the dilemma of financing increased consumer goods production with the export of finished products, thus sending abroad the very items that its own population needed.
Yet in the end, the funds from consumer goods exports were needed to finance imports of steel and other construction materials for Honecker’s second ambitious project: the housing program. These simultaneous and contradictory investment projects for 1972 precluded the option of a significant reduction of iron and steel purchases in order to avoid further debts. From a West German perspective this would have been prudent policy if GDR economic planners wanted to have the means to import western consumer products in quantities that would even come close to covering the demand for commodities among the East German population. And above all, buying on credit changed the focus of the GDR economic policy from long-term growth through investments to the short-term policy of borrowing and, subsequently, to the “immediate exigency of debt reduction” by the 1980s. As a consequence, the Federal Republic in fact partially financed Honecker’s economic reform program. Western trading partners, first and foremost West Germany, continued to grant the GDR loans and credits until the entire system came close to collapse under enormous debts in 1988–89.

In reaction to the Basic Treaty signed in 1972, the GDR fell back into a pattern of deep distrust and paranoia in its relationship to the Federal Republic and Western influence at large. Representations of Western culture and affluence were again perceived as threatening by the mid-1970s, when it became clear that Honecker’s economic policy failed to produce the desired results. Fearing that displays of the West German lifestyle would threaten the GDR’s precarious economic and political stability, the East German government explicitly prohibited fairgoers from exploring western stands in Leipzig in 1974. Only industry specialists, with the express permission of their companies or combine director, and accompanied by their colleagues, could visit exhibitions of western companies. In confidential talks with the West German GDR Trade Board, the SED admitted to taking such measures, explaining that East Germany’s general foreign currency shortage warranted tight control over consumer demand. Evidently, complex relationships between political aesthetics, economic policy, and everyday consumption had developed within the realm of intra-German trade.

The latter point was especially evident to the GDR’s industrial designers. Maintaining business on the export market required a certain degree of adaptation to Western tastes. Coinciding with both Honecker’s plans to increase consumer goods production and relaxed German-German relations in the context of Basic Treaty negotiations, the Federal Republic experienced a “furnishing wave,” caused by a general rise in wages during full employment in the 1960s and early 1970s. Large buyers, such as the Kaufhof department stores and
the Neckermann mail order business, increasingly relied on large production capacities in East German industries to meet the demand. Although the mail order businesses had direct connections to East German furniture combines, the BMWi oversaw these trade relations and monitored their progress closely. Noting that in the past the GDR had seldom fulfilled special orders, Kaufhof representatives remarked in a meeting with the ministry that this attitude was changing in the early 1970s, when the GDR became more receptive to western taste. East German bedroom furniture of the lower-to-middle price range that met the necessary quality standards especially attracted West German consumers. Kaufhof would also have ordered sofas, armchairs, and desks, but the Plan proved inflexible in responding to specific requests. In addition to East German industrial inflexibility, the GDR transportation system proved unreliable. For example, Deutrans, the GDR’s state-owned cargo company, delayed deliveries to the FRG in 1971 because, allegedly, their trucks were needed during the fall harvest to transport potatoes from the fields to the towns. Under such unreliable circumstances, standardized, easily transportable storage furniture turned out to be the most consistent export product.

Notwithstanding logistic challenges, furniture exports to the West continued to increase, with the Federal Republic as the main receiving market. In the first quarter of 1972 alone, trade with West Germany grew by 18 percent over the same time period in the previous year. But the domestic shortage of consumer products was not the only unwarranted effect of Honecker’s ambitions. The export-oriented nature of East Germany’s furniture production eventually came at the expense of national aesthetics. Increasingly, western preferences seeped into the guidelines for industrial designers as the GDR economy opened up to export markets in the West. As a result of the interplay between demand and subsequent reorientation of production design, what I call the dialectic aesthetic of intra-German trade, East German industrial designers found their vision of socialist product culture jeopardized by the aesthetic requirements of export. In a 1975 interview, designer Horst Michel pinned what he perceived as the demise of German socialist materiality on West Germany’s mail order giants, such as Neckermann or Quelle. Their buyers, he was convinced, undermined his and his disciples’ efforts to create a morally responsible product culture in the GDR. With this observation, he indirectly criticized the cultural and economic leadership for turning the GDR production system into a magnet for western bulk buyers. Collectivization and regional concentration of industry had created large industrial clusters and combines whose raison d’être was large series mass production. This production order, ironically, matched ideally the supply needs of
western retail chains. Michel complained that large businesses like Neckermann pushed prices down and thus forced East German industry to use low-quality materials, which also compromised the functionality of the products. Michel seems to have forgotten, however, that it was first the lack of capital investments and subsequent backward production standards in the East German furniture industry that resulted in attracting these West German large retailers serving the low-income population. High-end furniture producers and retailers usually refrained from cooperation with East German combines because their customers demanded expensive woods and state-of-the-art production methods, neither of which the GDR economy could offer. Even Deutsche Werkstätten Hellerau (DWH) could not keep up with western standards. In the 1980s, it mass-produced wooden chair designs for the West German luxury brand Interlübke, but it could only produce one design, because it did not own the machinery necessary for details on bent parts that the other designs required. While Michel astutely spoke to the creative potential of industrial designers and the skills of the furniture workers, the interplay between East German technological backwardness, scarce materials, and the resulting focus on low-end furniture ended in the mass production of low-quality goods.

The global economic downturn of 1973 further complicated German-German trade. The crisis hit the West German economy hard, particularly industries that relied on oil and the chemicals derived from it, such as cushion foam for upholstery furniture. In the autumn of 1974 the Bavarian Upholstery Association complained to West German minister of economic affairs Hans Friderichs about a new set of imbalances in intra-German furniture trade. Specifically, the association demanded to be granted the same 6 percent tax reduction that the federal government gave to East German companies. In its response, the BMWi attributed this competitive advantage for East German products to the “special quality of the intra-German trade.” The turnover tax reduction served as a means to create incentives for western buyers to order eastern products and was intended by the ministry as a measure to level the playing field for GDR export industries. Because of “budget concerns, the tax system, and European Community agreements,” Friderichs explained, such a turnover tax reduction could not be applied to domestic industries, even if they were in financial distress. He furthermore pointed out that the East German exports of upholstery products corresponded to only 1.8 percent of domestic production, which, he assumed, would not affect the market noticeably.

Nevertheless, West German industry, especially in federal states neighboring the GDR, such as Bavaria, did have cause for concern. The erratic nature of
By the 1960s large furniture industry clusters developed in the GDR and the FRG. The competition from Thuringian and Saxon furniture clusters close to the inner-German border with Bavaria caused particular concern for the local furniture industry.
Intra-German Trade and the Aesthetic Dialectic of European Integration

Trade between the GDR and the FRG by the early 1980s shows how Friderichs’s generalizations about upholstery import amounted to misinformation or only momentary truths. In any case, the furniture sector was in the fastest-growing position in the lumber product trade between East and West Germany.

Tables 3.1 and 3.2 offer a glimpse into the flexibility required on the part of West German buyers in dealing with the fluctuating GDR planned economy. Bulk production and differing Plan priorities could result in the overproduction of certain furniture in any given year. In 1981, this happened to be sofas, which resulted in a 97.3 percent growth of sofa exports to the Federal Republic. The following year the pattern changed to armchairs, with an increase of 15.4 percent, while sofa export returned to the 1980 level. Giant furniture retailers such as Ikea and RKL Möbel found themselves confronted with these wild fluctuations in their East German product supply. The West German competition, small-and medium-sized furniture producers such as the members of the Bavarian Upholstery Association, suffered when GDR furniture erratically flooded the West German market. The fact that Bonn did not take action on behalf of this industry and tolerated the GDR inconsistencies further confirmed West Germany’s political interest in the intra-German trade.

To justify its actions, the GDR turned the western trade partners’ concern about eastern reliability on its head. At a conference on the “situation of the global economy” in the fall of 1981 in Hamburg, Jürgen Nitz, a representative of

### Table 3.1. West German imports of East German furniture, 1980–1981

<table>
<thead>
<tr>
<th>January–June</th>
<th>1980 in m AU</th>
<th>1981 in m AU</th>
<th>Real increase in m AU</th>
<th>In percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sofas and divan beds</td>
<td>14.7</td>
<td>29.0</td>
<td>+14.3</td>
<td>97.3</td>
</tr>
<tr>
<td>Wardrobes</td>
<td>0.3</td>
<td>4.4</td>
<td>+4.1</td>
<td>–</td>
</tr>
<tr>
<td>Chests of drawers</td>
<td>1.9</td>
<td>4.6</td>
<td>+2.7</td>
<td>142.1</td>
</tr>
<tr>
<td>Living room furniture systems</td>
<td>5.3</td>
<td>6.4</td>
<td>+1.1</td>
<td>20.8</td>
</tr>
<tr>
<td>Kitchen chairs</td>
<td>5.4</td>
<td>6.0</td>
<td>+0.6</td>
<td>11.1</td>
</tr>
<tr>
<td>Armchairs</td>
<td>20.8</td>
<td>12.4</td>
<td>-8.4</td>
<td>40.0</td>
</tr>
</tbody>
</table>

Note: m=millions; AU=accounting units.
the East Berlin Research Institute for Politics and Economy (Institut für Politik und Wirtschaft), explained to a bemused western audience how the capitalist path in the global economy continued to disappoint the socialist nations. The disconcerting results, he explained, threatened GDR trading interests: the slowing-down of industrial growth; the relatively slow accumulation of capital after the oil crises; chronic inflation in capitalist countries that was detrimental to socialist economies; stagnant wages that throttled demand for import products from socialist countries; and the increasing instability of capitalist currency, which made credit negotiations difficult for the GDR. These crises, Nitz contended, negatively affected global trade between East and West; and East Germany, as well as other socialist countries, would not accept the blame for the consequences. While pointing to the shortcomings of capitalism, the GDR displayed little concern about the structural quirks in the planned economy and its focus on political goals, rather than mutually beneficial trade, that negatively affected the Western European countries.

Moreover, to gain political advantage in trade negotiations, the GDR did not shy away from manipulating Plan statistics to conceal the real state of its economy from Western countries. The BMWi and the Federal Ministry for Intra-German Relations (Bundesministerium für Innerdeutsche Beziehungen, BMB) usually looked to the Plan, in combination with GDR foreign and intra-German trade statistics, to leverage West German trade policy diplomatically. However, the Plan often reflected political aims rather than economic probabilities, leaving the ministries to rely on GDR trade policy patterns to

---

**Table 3.2. West German imports of East German furniture, 1981–1982**

<table>
<thead>
<tr>
<th>January–June</th>
<th>1981 in m AU</th>
<th>1982 in m AU</th>
<th>Real increase in m AU</th>
<th>In percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armchairs</td>
<td>12.4</td>
<td>31.5</td>
<td>+19.1</td>
<td>+154</td>
</tr>
<tr>
<td>Add-on furniture</td>
<td>–</td>
<td>23.8</td>
<td>+23.8</td>
<td>–</td>
</tr>
<tr>
<td>Kitchen tables</td>
<td>–</td>
<td>11.9</td>
<td>+11.9</td>
<td>–</td>
</tr>
<tr>
<td>Wooden bed rests</td>
<td>8.1</td>
<td>11.5</td>
<td>+3.4</td>
<td>+42</td>
</tr>
<tr>
<td>Sofas and divan beds</td>
<td>29.0</td>
<td>14.9</td>
<td>-14.1</td>
<td>-49</td>
</tr>
</tbody>
</table>

**Source:** Schaefer, Ergebnisse des IdH im 1. Halbjahr 1982, 23 August 1982.

**Note:** m=millions; AU=accounting units.
estimate real outcomes. For example, in the 1981 Plan directive, the Planning Commission estimated impossible growth in the production sector, which, western economists realized, was a statistical trick on paper to balance and conceal the import purchases necessary to uphold the current standard of living in the GDR.\textsuperscript{90}

By the 1970s, West German money and consumer products increasingly seeped into a socialist Germany that desperately tried to gain popular support by raising the standard of living. While this created deepening dependencies, the GDR won a reliable source of credit, which funded the economic policies of the SED leadership and created the illusion of a flourishing socialist consumer society. In addition to the political significance of the financial and economic cooperation between the two German states, their collaboration clearly undermined the division of Europe between the Eastern Bloc and the partners of the transatlantic alliance.

Creating the Common Market

The specific characteristics of intra-German trade, such as the high degree of interdependence in production industries and special tax cuts, differed greatly from international norms of foreign trade. When the Federal Republic joined the EEC, intra-German trade carried high potential for problems in the Common Market. A triangular relationship joining East and West Germany and the EEC member states spun a complex web of economic and political interests dominated by the German Question. The 1957 Protocol on Intra-German Trade formed the basis on which the two German states engaged in the most profit-oriented manner with other European nations and shaped a Europe that from the very beginning accommodated German special interests. Therefore, examining political goals in conjunction with the economic interests that were carried out over the German division also helps in understanding the economic culture of this export-import triangle and the aesthetic market incentives which resulted from it.

The European market has been critical to West Germany’s economic foreign relations. France, Italy, Belgium, the Netherlands, and Luxembourg took about 35 percent of Germany’s exports in the 1950s, but the vibrant economies of these nations also presented competition.\textsuperscript{91} In 1955, the Federal Republic identified Italy, Belgium, Norway, and Sweden as its main competitors in the furniture export market. A BMWi market analysis found that the rate of export orders
for furniture slowly accelerated, mainly from Western Europe, but from overseas as well, where the demand for seating furniture was particularly high. Rising packaging and shipping costs made trading goods overseas less lucrative, which kept the number of successful competitive contracts low. In Western Europe, however, the postwar demand for all kinds of furniture was high. Nevertheless, economic analysts worried about the German furniture industry’s inability to “jump over the tariff wall” within Europe. The fact that the German industry had cut itself off from the international market from 1933 to 1945 had encouraged other nations to build their own industries. As a byproduct of this process, the report stated, these countries had developed strong national tastes that rendered any mention of “a global furniture market situation” that corresponded to distinctive aesthetics pointless. Italy and Belgium emerged as the main competitors; while their technical production costs were not lower, they had lower labor costs. Analysts saw the only chance to overcome these hurdles in “exporting especially high-quality products that neither the national industry of the target markets could produce nor Italy, Belgium, Norway or Sweden could export there at the same qualitative level and with the same design aesthetic.”

This export strategy developed alongside the FRG’s early attempts to create a national aesthetic in industrial design.

The early 1950s also offered an opportunity to employ economic relations in the service of reconciliation in Western Europe. France’s fear of West Germany’s reemergence as a dominant power was replaced by trust in the stabilizing effects of cooperation and multilateralism. Paris hoped to steer West German foreign policy away from national interest toward European integration. The Franco-German rapprochement implemented in the realm of coal and steel eventually included Italy and the Benelux. These first steps toward a shared European economic sphere enabled West Germany’s success as an export nation that excelled with the establishment of the EEC on January 1 January 1958. The integration into the Common Market solved most of West Germany’s furniture export problems by abolishing tariffs between EEC members, leveling the playing field among German, Italian, and Belgian furniture producers in the European market, and rendering the Scandinavian countries less competitive. The open Common Market accelerated industrial modernization with the support of American investments and technology, which was one reason for the Federal Republic’s later superiority in the EEC. Social stability under the conservative, welfare-oriented Adenauer governments promised foreign investors safe profits and offered them a gateway into the Common Market. The West German infrastructure offered a dense network of railways and highways, an
outstanding communication system, and the most efficient inland waterway in Europe. These favorable conditions turned the Federal Republic into a true competitor in the EEC, compelling German industry to acquire more capital and to accelerate its peaceful expansion.

From the very inception of the EEC, the German Question stood at the center of Bonn’s relations to other member states. The FRG demanded special stipulations for intra-German trade, which other members feared could adversely affect the community. Accordingly, the 1957 Treaty of Rome contained a “Protocol on intra-German trade and related issues” stipulating that German-German trade remained unaltered by the EEC agreements. However, paragraph 2 of the protocol required all EEC states to relate any trade with “German territories outside of the territory of the Basic Law,” that is to say the GDR, to the other members, and to take precautions that any agreements with the GDR would not contradict the principles of the Common Market. Furthermore, paragraph 3 of the agreement stated that each member state was allowed to take action against injurious interaction between another member state and East Berlin.

While trade with the GDR theoretically counted as foreign trade, the country could not be treated like any other third party. Its special status due to the open German Question and West German nonrecognition required bilateral agreements signed at the level of nonstate actors, such as foreign trade associations. Its special status foreclosed a common EEC trade policy toward East Germany by definition. In theory, the principles of protocol paragraphs 2 and 3 applied to the Federal Republic as well, but Bonn exempted itself, claiming as its guiding foreign policy the notion that “in all of its actions, the government of the Federal Republic assumes the political and economic unity of Germany, whose realization is only obstructed by factual, but not legal reasons.” For the Federal Republic, the protocol regulated all trade between East Germany and the European partners, interpreting it to mean equal treatment for all German territories. From this point of view, trade between the GDR and any of the EEC members did not constitute foreign trade. When in 1961 the European Council of Ministers attempted to include EEC-GDR trade relations under Article 111 of the Rome Treaty, which regulated foreign trade, Bonn demanded a clause exempting the Federal Republic from all of the council’s decisions vis-à-vis the GDR.

Not surprisingly then, one of the first foreign trade disagreements in the EEC came about in relation to the Eastern Bloc and European trade credits. The Berne Union had implemented the limit of state-backed credit to five years with a gentleman’s agreement between Western countries to create fair trading conditions across the Iron Curtain. In accordance with Western containment
policy, this agreement strove to prevent the Soviet-led bloc from playing Western trade partners against each other for political or financial gain. Together with the United States, the Federal Republic had been timid about overstepping the Berne Union rules. Admittedly because of its geographic situation, among Western countries West Germany already consistently ranked first in trade statistics with the Eastern Bloc generally and the GDR specifically as table 3.3 shows. Bonn looked confidently toward the future, reassuring itself that the kinds of goods the GDR required and the kinds of goods it produced made West Germany a unique and essential trading partner for years to come. By 1964, however, a number of Western countries, among them Japan, the UK, Italy, and France, broke the Berne agreement and granted the East European socialist countries credits ranging from seven to fifteen years. Worried about keeping its prominent status in trade with the East and its leverage over East Berlin, the Federal Republic started an initiative to streamline EEC foreign trade policy toward the Eastern Bloc. At the same time, the BMWi defended its own generous credits for the GDR, stating explicitly that “intra-zonal trade is an instrument of reunification policy,” reemphasizing the political nature of German-German trade. While Bonn felt no need to further justify its special interest in these trade relations, the government feared that the GDR could find financial support elsewhere, thus jeopardizing the carefully crafted interconnections between the two German economies. At a conference with other EEC members, West Germany proposed two options that would apply to all members: extending the limit to state-backed credits by two years or upholding the original Berne Union agreement. Bonn’s attempts to shape Europe’s global trade policies to protect its own special relationship to East Berlin were stopped by Italy, which preferred to debate these matters at the Berne Union or the OECD in order to come to a binding agreement for all Western nations.

While Bonn protected its political goals regarding intra-German trade against rival European interests, the East German economy greatly benefited from its de facto integration into the European market. By trading with Western Europe through West German middlemen, the GDR benefitted, like EEC members, from the removal of internal tariffs on certain products in 1968. A German-German exchange of blows in 1970 brought to light how much the GDR profited from West Germany’s EEC membership. The minister for intra-German relations Egon Franke estimated publicly that the GDR earned DM 400 to 500 million per year because of its economic relationship to West Germany. With Franke’s statement, the Federal Republic reminded the GDR of its economic dependence on West Germany. Moreover, his remarks implied
### Table 3.3: Trade results between NATO states and the GDR (in million US $)

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports/Deliveries to the GDR</th>
<th>Imports/Deliveries from the GDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>12.36</td>
<td>21.84</td>
</tr>
<tr>
<td>France</td>
<td>21.48</td>
<td>15.96</td>
</tr>
<tr>
<td>Greece</td>
<td>6.48</td>
<td>4.56</td>
</tr>
<tr>
<td>Iceland</td>
<td>0.96</td>
<td>0.72</td>
</tr>
<tr>
<td>Italy</td>
<td>10.80</td>
<td>7.92</td>
</tr>
<tr>
<td>Netherlands</td>
<td>16.08</td>
<td>9.24</td>
</tr>
<tr>
<td>Norway</td>
<td>6.0</td>
<td>6.12</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.36</td>
<td>0.36</td>
</tr>
<tr>
<td>Turkey</td>
<td>4.68</td>
<td>1.32</td>
</tr>
<tr>
<td>Great Britain</td>
<td>27.48</td>
<td>27.00</td>
</tr>
<tr>
<td>NATO Europe (w/o FRG)</td>
<td>118.20</td>
<td>108.72</td>
</tr>
<tr>
<td>Canada</td>
<td>1.56</td>
<td>0.12</td>
</tr>
<tr>
<td>USA</td>
<td>2.76</td>
<td>1.68</td>
</tr>
<tr>
<td>FRG (intra-zonal)</td>
<td>216.75</td>
<td>213.53</td>
</tr>
<tr>
<td>NATO total</td>
<td>339.27</td>
<td>324.05</td>
</tr>
</tbody>
</table>

Source: BArch, B 102/1.45208, Results of Trade between NATO States and the GDR (in Mio US $).
that it would be prudent for East Germany to stop pushing for recognition as a separate state under international law, a goal that the GDR fervidly pursued in the 1960s and early 1970s.

Not surprisingly, the depiction of East German economic growth as an outcome of West German European integration politics offended the GDR government. In a public message, the Council of Ministers defended the socialist economy against the “capitalist imperialism” of the Federal Republic by pointing to its trade relations with the Soviet Union and other socialist countries. The Soviet Union was East Germany’s biggest trade partner. Member countries of the Eastern Bloc’s COMECON usually traded roughly three-fourths of their exports within the COMECON area. In 1962, for instance, only 11 percent of GDR exports went to the Federal Republic, and 14 percent to other Western nations. The lagging domestic potential of smaller members such as the GDR or the Čechoslovak Socialist Republic (ČSSR) made them heavily dependent on Eastern Bloc trade. Yet the principle of sovereign planning meant that national Five-Year Plans remained uncoordinated among member states, which often caused supply shortages. This in turn necessitated short-term covering of purchases from the more flexible nonsocialist economies. Furthermore, commodities within the COMECON were exchanged for kind, not money. Accordingly, no hard currency found its way into the GDR via this trade. For foreign currency, East Germany depended on credits and trade with the West.

The GDR was not the only Eastern Bloc country that had realized this. In the early 1970s, the Soviet satellites pressured the Soviet Union into establishing official contacts between the COMECON and the EEC. The Soviet Union gave in to these demands spearheaded by Hungary and Poland in 1973 to maintain cohesion and “reduce[s] some centrifugal tendencies” in the COMECON. Just like the GDR, these countries already entertained trade relations with the EEC and had a vested interest in deepening these contacts. This policy change aligned with contemporary Soviet détente efforts and ensured a level of coordination that left the Soviet Union in control of Eastern Bloc trade with the West. On the other hand, EEC-COMECON contacts played also into Western détente efforts, showing that European integration was compatible with other institutional solutions in the 1970s, such as the Conference for Security and Cooperation in Europe (CSCE), for overcoming the Cold War divide in Europe. Just as Minister for Intra-German Relations Franke had foreseen, the Eastern Treaties (Ostverträge) the Federal Republic signed with the Soviet Union, Poland, and later the ČSSR, and the Basic Treaty with the GDR threatened East Germany’s special status in the European statutes. The question of a unified
Intra-German Trade and the Aesthetic Dialectic of European Integration

EEC eastern trade policy resurfaced immediately in 1970 with the signing of the Moscow and Warsaw treaties. The EEC thought that if the Soviet bloc recognized European cooperation not only de facto but also de jure, a more cohesive and effective European economic policy would be viable, which could possibly contribute to the extension of the EEC to other Western European countries. With East-West détente and the GDR’s international recognition on the horizon, West Germany’s European partners wanted to renegotiate the status of intra-German trade. Once the Basic Treaty was signed in 1972, the other member states grew increasingly impatient with the Federal Republic.\(^{117}\) Pushing for the complete abolition of the 1957 Protocol on Intra-German Trade, the European Commission acknowledged the new political reality of two German states and insisted that the GDR was a third country.\(^ {118}\) West Germany meanwhile maintained that the Basic Treaty had not further deepened the German-German division. The question of German unification remained open, Bonn argued, because the two German states still did not consider each other foreign territory and thus intra-German trade would remain an important bond between them.\(^ {119}\) In order to ease European concerns, however, Bonn pointed to trade statistics. The percentage of intra-German trade in contrast to West German EEC trade was small, while the trade between the EEC partners and the GDR had decisively increased in recent years. Intra-German trade, as it had developed over the 1960s, was unlikely to grow given the GDR’s difficulties in reciprocating, and the danger of GDR price-dumping practices was negligible for the Common Market, since East Berlin at this point kept prices high to reap larger profits.\(^ {120}\) Accordingly, from the West German point of view, there was no reason to nullify the protocol.

The situation changed considerably, however, after Honecker’s consumer turn of 1971 gained momentum, normalizing the use of Swing credits in intra-German trade, which radically transformed the size of German-German trade.\(^ {121}\) At the same time, EEC skepticism about West Germany’s claim to a special relationship between Bonn and East Berlin grew. In 1974, Belgium demanded that the community should implement measures to monitor intra-German trade.\(^ {122}\) The same year, the Netherlands complained that the Federal Republic interrupted the free-trade zone, stopping imports of GDR products sent through other EEC countries into West Germany.\(^ {123}\) Bonn reacted strongly, insisting on upholding the regulations of paragraph 1 of the protocol on intra-German trade. The federal government justified this stance with the continued political interest in keeping German-German economic exchanges as direct and as frequent as possible in order to thicken contacts between East and West Germany.\(^ {124}\) When
bilateral negotiations failed to produce agreement, the Benelux countries began a grievance procedure.

While the Benelux countries rightfully questioned Bonn’s loyalties, the real bone of contention was the tariff exemption for East German products. The European Court of Justice had declared these to be products “not of German origin” for the purpose of EEC trade policies after the GDR’s formal recognition by EEC members had made it a third country in 1974.¹²⁵ Yet, due to the special nature of intra-German trade, the GDR paid no tariffs for products crossing the border into the Federal Republic.¹²⁶ Once inside the EEC zone, East German goods could continue to move around the EEC without further taxation, skewing the principles of the Common Market and hurting national industries as well as wholesale networks. Consequently, the West German position that connected the German Question to intra-German trade came under close scrutiny by the EEC. The Benelux countries furthermore hinted at West German economic profiteering from intra-German trade as a transit hub for distribution of eastern products. Because of the customs and other tax exemptions as well as established dealership networks, West Germany could sell East German goods to other member states with higher margins. Moreover, the system of intra-German trade through product bartering tied to exclusive credit agreements necessarily conflicted with the free trade principles of the Common Market.¹²⁷ Had the products entered under the usual tariff laws through other EEC member states, they would not have enjoyed this competitive advantage. In order to avoid legal action while guaranteeing the uninterrupted political priority of intra-German trade, the Federal Republic proposed a compromise: a license agreement that allowed for DM 10 million worth of GDR products to be brought into West Germany through other EEC countries. This proposal represented a maximum amount that, so Bonn hoped, would neither enable East Berlin to supply West German demand exclusively through third countries nor possibly create a political lever for the GDR.¹²⁸ In the end, the 1951 Berlin Agreement principles of intra-German trade, revised for greater flexibility in 1961, remained in place until German-German economic and monetary unity on 1 July 1990.

Despite the risk of disagreement in the EEC, time and again Bonn prioritized the well-being of German-German relations over European agreements. Yet this rapprochement policy triggered widespread domestic critique from liberals and conservatives. In a public hearing before the parliament in 1977, sociologist Ralf Dahrendorf described the lack of clarity in Bonn’s Deutschlandpolitik in combination with European integration as “explosive.”¹²⁹ Active pursuit of European political unity would necessarily preclude German unification, Dahrendorf
maintained, because none of West Germany’s neighbors had a strong political or economic interest in seeing Germany reunite. Similarly, political scientist Hans-Peter Schwarz criticized the policy of rapprochement, noting that the Basic Treaty had taken the German Question out of the East-West conflict and German policies had fallen by the wayside. On the contrary, this analysis of intra-German trade in relation to the EEC integration explicitly reveals the political power and economic significance of the unresolved German Question for West Germany’s European politics, and how it reinvigorated German-German economic and cultural ties well beyond 1972.

Aesthetic Convergence in the Common Market

The integration of the EEC increased the interaction of East and West German import and export economies through the loophole of intra-German trade, permeating the Iron Curtain with capitalist market principles and Western aesthetic styles. West German stubbornness thus not only worked to uphold bonds between Germans, but also contributed to a convergence of aesthetics between East Germany, the Federal Republic, and EEC countries. Although both German states had striven for their own national identity in design aesthetics during the reconstruction years, other countries’ styles and tastes affected German material culture alongside growing trade.

German furniture, with its legacy grounded in interwar modernism, remained a contender on the global market and, after initial struggles, continued to be an important export good for both the GDR and the FRG after the Second World War. It is thus not surprising that the annual IMM fair in Cologne became the most important furniture marketplace in the world. Within intra-German trade, the furniture traveled mostly from East to West, but on the global market, both countries gained important positions as furniture export nations. Already in the early 1960s, the GDR proclaimed itself the world’s largest furniture export nation, if only in percentage of total annual production rather than real profits. It exported 40 percent of its furniture production to twenty countries, at a time when the standardization and mechanization of the GDR furniture industry had only begun to gain momentum. If nothing else, this high percentage of export furniture underscores East Germany’s chronic domestic underprovisioning in the realm of household goods and domestic culture. In comparison, West Germany reached the status of the world’s largest furniture exporter in absolute numbers alongside Italy by the early 1980s, with DM 3 billion in sales, which was about 17 percent of its annual furniture production.
As the Federal Republic imported the same amount of furniture from other countries, its market was saturated.

In the GDR, the aesthetic incentives of the Common Market worked mostly through export goods production, slowly undermining socialist material ideals. To the East German office for quality control, the DAMW, the fact that exports to the West increasingly determined the appearance of commodities in East Germany was even more disturbing than the obvious gap between the claims and the realities of its production. East Germany’s inflexible planning mechanisms made the production of export furniture and domestic design inseparable. Once set on a furniture model, the regional industry structured the distribution of raw materials and ordered the machines needed to realize only these designs. Changing the design meant a halt in production until necessary material and technological changes were made. These impediments crippled innovation to the degree that industry reports after 1970 regularly included remarks on the old-fashioned look of GDR furniture. While these products should not have been awarded the official seal of quality “Good Design,” exceptions were made for poorly designed furniture in the export business. The DAMW’s realistic assessment that earning foreign currency was more important “because we cannot force our design principles on the foreign buyer” exemplifies how economic necessities suppressed socialist fervor, designers’ creativity, and innovation.

The furniture at the 1970 Leipzig Fall Fair, in particular, failed to live up to the DAMW’s expectations. “The requirements of a socialist living culture cannot be met with these [export] models,” the fair’s report declared. While the East German upholstery section at the fair did display “joy of experimentation,” it was often a result of West European customers’ requests. Indeed, archival evidence suggests that the GDR actively pursued West European customers. For example, by the 1960s the ZfF had sent its staff to trade fairs in the West to report on the technological quality and design of the capitalist competition. The new travel agreements of the Basic Treaty facilitated this. Short trips to West Berlin to visit exhibitions at the newly opened International Design Center (IDZ) or to view the range of products at West German furniture stores increased exponentially after 1972. Most of the documented visits to the IMM in Cologne fall into this time period as well and include representatives from the furniture industry. Such observational activity entailed a certain degree of adaptation to Western aesthetics. Indeed, West German producers feared the eastern economic competition on the European market. In 1974, the Bavarian Upholstery Association accused East German combines of “slavishly” imitating West German designs and selling their furniture on Western markets at cut-rate
prices. The federal government, however, saw this transfer of cultural ideas as a way to impress western aesthetics upon the East German population and to increase the GDR’s western economic dependency, thereby taking another step toward a shared economic culture.

The ZfF’s successor institution, the Amt für industrielle Formgestaltung (AiF), institutionalized the practice with a product card index in 1974. The index cataloged furniture systems predominately from Scandinavia, the Federal Republic, Switzerland, and Italy, with an occasional Russian model thrown in to inspire the export models that headed east. The firms in the card index were producers of extreme examples of classy, high-priced designer furniture like Interlübke, nothing one would expect in a “workers’ and peasants’ state.” In the process of cataloging the Western furniture, GDR industrial designers compared their products with those of the West, which, ultimately, hindered the development of a distinct East German aesthetic. The tendency toward comparison sharply contrasted with the GDR’s goal of convincing the West of the East’s superior quality and comfort of life. The GDR intelligentsia incorporated this Westernization of style into the socialist framework of the state without hesitation. Cultural critic Karin Hirdina hurried to make the form fit the ideology, claiming in 1975 that “functionalism represents a Utopian vision of a non-capitalist order of relationships between Man and his environment.” Results remained substandard nonetheless. All too often GDR production mashed together the natural look of Sweden, the functionalist purism of West Germany and Switzerland, and the playful avant-gardism of Italy in the cheap export furniture offered in West German mail order catalogs like Neckermann.

The most important lesson learned from trips to the West pertained to materials rather than design. Upon his return from the 1979 IMM in Cologne, Gert Großpietzsch, the head of the Dresden-Hellerau combine’s product development department, recommended that the combine should refocus on producing expensive furniture to maximize its revenues and to target these unexplored parts of the western market. In terms of materials, he reported, the trend was toward natural looks with a high demand for solid woods and wooden veneers, which were the exact materials that the Chemical Program had abolished in the GDR. Instead, the synthetic alternative to veneers, so-called decorative foil, which went through multiple varnishing and polishing processes after its application on chipboard, compromised the overall aesthetic of the East German furniture production. With the shortfall of Honecker’s Unity of Economic and Social Policy, the material dreams of Großpietzsch and his designer colleagues remained out of reach, leaving East Germany to continue its low-end quality
production strategy. By 1985, only about 8 percent of the Federal Republic’s furniture imports came from the GDR.\textsuperscript{143}

In the case of the Federal Republic, trade and a nascent collective vision of Europe as a cultural space brought European trends into West German designs. The Federal Republic’s accession to the status of the world’s largest furniture exporter, grossing DM 3 billion in 1981, developed in parallel to its place as an equally high importer of foreign-made furniture.\textsuperscript{144} Consequently, domestic producers followed the lead of the European market demand in order to maximize sales. Foreign influences thus found their way into the department stores and homes of the FRG, slowly affecting the overall national aesthetic. While consumption shaped and reproduced dominant ideas about the appearance of material culture, artistic influences brought new ideas into the Common Market. West German domination of the international furniture market coincided with the “designer decade” of the 1980s, which brought the aesthetic qualities of material culture, alongside a renewed appreciation for ornamentation, back to the forefront.\textsuperscript{145} Cultural events, such as the Venice Biennale of 1980, greatly impacted industrial furniture design once more to a degree that had last been seen in 1958 at the Brussels world exposition. The Venice Biennale marked the arrival of postmodernism in Europe. Although postmodernism mostly developed in architecture, many of its participants were engaged in interior design as well. As lifestyle design stores mushroomed, design reentered public discourse on consumption. Moreover, design infiltrated all areas of public and private life via collaborations between traditional brands, such as Alessi or WMF, and the most creative minds in the applied arts, turning everyday utility objects into design objects.

A radical design movement from Italy illustrates the playfulness of this postmodern decade and its implications for West German furniture design.\textsuperscript{146} Inspired by art deco and pop art, the virtuoso movement Memphis (1981) entered the design scene under the leadership of Ettore Sottsass. While the extreme shapes were not enthusiastically received by the population due to their limited functionality, their influence can be seen in German museums. Wolfgang Flatz’ lightning chair and table (1982), displayed at Hamburg’s Arts and Crafts Museum, drew inspiration from the movement. Furniture mass production referenced these exaggerated shapes, for example emulating urban skylines in top pieces of wardrobes and shelves. Especially in West Germany, this playful movement broke down into geometric forms exemplified by Peter Maly’s Zyklus furniture (1984), pieces that have become German classics. In the GDR, similar shapes emerged with Herbert Pohl’s Metropol furniture for the East Berlin
furniture combine, which the AiF approved and recognized with the “Good Design” prize at the Leipzig fair in 1988. The Metropol program never entered mass production, because the GDR collapsed before the model could be integrated into the next Plan. Nevertheless, opening up to European influences further increased aesthetic similarities between the two German states as well as between them and the rest of Western Europe.

Germany’s own original take on postmodernism drew markedly on historical elements. In contrast to the architectural deconstruction movements elsewhere in Europe, East and West Germans rehabilitated urban apartment buildings dating back to the nineteenth century. The rediscovery of the classic architecture of an aesthetically untainted German past came alongside a postmodernist critique that aimed at the core of postwar German national design. In this rejection of modern aesthetics, which encompassed the Werkbund, the Bauhaus, the HfG Ulm, and the late functionalism of large-scale housing programs
and city transportation systems, the strong sense of aesthetic continuity since the 1920s that they represented came under attack again.\textsuperscript{149} Such critique of functionalist modernism affected German furniture designers as well. In 1982, an East German report from the Cologne fair explained that the Spartan aesthetics and rigid lines of West German functionalism had gone out of fashion in the West. Instead, “lines of emphasized elegance with a tendency to individualism” attracted the consumer.\textsuperscript{150} Successful West German furniture producers such as Interlübke and Hülsta recovered elements that evoked the mass appeal of art nouveau. Within Europe, this furniture style was historically one of the most successful aesthetic concepts that straddled the divide between crafts and mass production. Its many international names alone indicate the vibrancy of style in the fields of architecture, art, and decorative arts as well as the scope of its circulation: \textit{Jugendstil}, \textit{Stile Liberty}, \textit{le style moderne}, \textit{arte nova}, \textit{arte joven}, and
Intra-German Trade and the Aesthetic Dialectic of European Integration

It is important to note that design as an economic factor also received attention at the European level. For the first time in its comparatively short history, the EEC awarded an industrial design prize in 1988. The award recognized small- and medium-sized companies that excelled in the categories of quality design and corporate identity. This prize illustrated, first, that design had become by the late 1980s a critical factor in the success of European products of Mittelstand businesses that still constitute the backbone of European national economies. The design prize marked, second, the culmination of cultural-economic competition for markets within the European Community that encouraged the acceptance of other national aesthetic concepts. In the call for submissions to

*Nieuwe Kunst,* to name but a few. The return to historical styles did not constitute a novelty but rather brought the postmodernist and the style enthusiast in Germany closer together, while simultaneously creating bridges to more opulent French and Italian styles. In the process of European economic integration, then, awareness of a European culture and identity began to emerge.

**Figure 3.4.** Hülsta furniture with art nouveau influences at the IMM in Cologne, 1982. Bundesarchiv DF7/1072. Photograph: Gerhard Wetzig.
the 1988 EEC design prize, organizers underscored the pan-European nature of this event. In particular, the competition’s three objectives emphasized the concept of a shared European design culture: (i) to stimulate interest in design in European/EEC industries; (2) to illustrate the nature of the design process and how it can be used as a tool for industrial innovation; and (3) to promote European/EEC design outside of Europe.151

The 1980s thus were a turning point in the effort to forge a European cultural space. As plans for a cultural television event demonstrate, industrial design served as a building block for European identity. The pan-European project *La Casa Europea—European Design Day on European TV* aired on the same day in all EC member countries. It consisted of discussions, lectures about objects, interviews, and design presentations. Organizers pushed for a cohesive European aesthetic that communicated the “growing together” of the Western European countries. Among other things, they used the event “to offer design as a European identity.”152 Aiming to prove to a European audience that Europe had grown into a tight-knit network of different locations and activities, the television program proposed Europe as an open space. Industrial design helped to create this European public sphere, serving as a framework for European innovation to explain “Europe as a real and artificial world.”153 This conception of Europe as a cultural space and its integrative force even brought about deliberations for a communal EC cultural policy vis-à-vis the GDR.154

Not everybody shared in the excitement about the concept of a European design. In 1989, the West German design council RfF restructured itself under new leadership. Dieter Rams, known as the mind behind the rebranding of Braun and its evolution into one of the leading technological design companies worldwide, volunteered to serve as president of the disorganized design council. In an effort to bring the RfF back to its rightful place at the core of West German industrial design policy, he started a fundraising campaign among industrialists and entrepreneurs. In a letter asking for financial support, Rams pointed to other countries’ design activities and the integration of the European market as motivation for rejuvenating the West German brand. The goal was to heighten awareness of German design by expanding its presence abroad, thus giving German design its rightful recognition as an important export.155 Rams intended to continue the RfF’s quest for a national identity predicated on its industrial design.

The preoccupation with a national brand, informed by the tense German-German relationship even in the context of European economic integration,
suggests that the Federal Republic could only commit fully to Europe after the resolution of the German Question in 1989. This point is further supported by the sequence of subsequent events leading up to reunification and the manner in which this process was negotiated with Germany’s European neighbors in 1990.156 Yet this is not to say that the EEC was of no significance to the German-German rapprochement process. To the contrary, European economic integration and European cultural trends paved the way for convergence between East and West Germany. Dahrendorf’s description of Bonn’s pursuit of European integration as “explosive” for its Deutschlandpolitik reverberates in historical accounts that present Adenauer’s policy decisions about German unity and Western integration in the 1950s and 1960s as highly contradictory, if not mutually exclusive. However, with the long-term perspective of the economic culture approach it seems that EEC trade agreements reinforced the special nature of intra-German trade, and in a roundabout way helped to deepen German-German economic interaction and interdependencies. The initial moments of German aesthetic development toward a shared design aesthetic can similarly be found in the integration of the Common Market and the incentives it gave to pursue “modern” tastes and styles, no matter how diverse.