Objectives and Priorities

**General Economy**

- Reduce unemployment
- Promote favorable conditions for economic growth
- Strengthen East German economy
- Reconcile economic and ecological goals

**Automotive Industry**

- Maintain technological edge and competence
- Increase productivity
- Increase exports
GDP Statistics—break up by industry

GDP and its Sector-wise Distribution

Employment Trends
Productivity Statistics

**Manufacturing & Labor Cost Indices**

![Graph showing manufacturing output index and labor cost index from 1990 to 1998.]

**Employment in Auto and related Industries**

- **Steel Industry**: 29,750 jobs
- **Automotive Industry**: 350,000+ jobs
- **Plastics Industry**: 4,800 jobs

5 million vehicles/year
Jobs & Material Substitution

Labor Elasticity

Supplementary Environmental Analysis

<table>
<thead>
<tr>
<th></th>
<th>kg CO2 emitted</th>
<th>ELUs</th>
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<tbody>
<tr>
<td>Steel Intensive</td>
<td>52,188</td>
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<tr>
<td>Aluminum Intensive</td>
<td>37,955</td>
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<tr>
<td>Difference</td>
<td>14,233</td>
<td>5,000</td>
</tr>
</tbody>
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- 1995 German vehicle "population" = 44 million cars
- 1990-1995 per capita kilometers driven increased by 12%
Index of CO2 Emissions

Summation

- Competitiveness of many German industries has eroded during the past decade.
- The economy is increasingly dependent on its automobile industry.
- Auto use is resulting in the overuse of fossil fuel resources at high cost to private consumers and to society.
Auto Cost Analysis, In Perspective

- German consumers pay some $2000 more in fuel costs over the life of a steel-intensive vehicle.
- Unemployment is estimated to cost Germany ~ $40 billion per year, in direct expenditures to the unemployed plus lost tax revenues.
- German taxpayers spend additional billions to shield inefficient industries from competition.

Policy Proposals

Auto Industry

- Gradual implementation of fuel efficiency standards for passenger cars (akin to US CAFÉ standards).
- Tax benefits according to recycled content of cars.
- Consumer education at point of purchase.
Expected Results

- Enhanced competitiveness of auto industry
- Expansion of aluminum forming and recycling industries
- German consumers save money, use less fuel, less harm to environment
- Reduce dependence on foreign oil

Policy Proposals

**General Economic Reform**

- Gradual restructuring of tax system to reduce non-wage labor costs
- Easement of restrictions on hiring and firing employees
- Gradual elimination of state subsidies to non-competitive industries
- Retraining and job placement for displaced workers
Expected Results

• Improved competitiveness of auto and other industries
• Net positive effect on employment
• Elimination of subsidies to non-competitive industries will improve competitiveness of substitute industries (like renewable energy)
• (continued)

Expected Results

• Job losses are expected to occur in certain sectors. Assistance to displaced workers will be provided in two phases:
  1. Retraining in technical fields in demand in Germany.
  2. Apprenticeship positions with industry sponsors.
Conclusion

A stable and prosperous future for Germany will require compromise and cooperation from industry, labor, and citizens.

We invite their participation in developing the specifics of our proposed policies.