

Überseehafen Rostock: East Germany's Window to the World under Stasi Watch, 1961-1989

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Dear colleagues,

Thank you for your interest in my dissertation chapter. Please see my dissertation outline to get a sense of how it is going to fit within the larger project, which also includes Poland and the Soviet Union, if you're curious. This is of course early work in progress. I apologize in advance for the chapter's messy character, sloppy editing, typos, errors, provisional footnotes, etc.. Still, I hope I've managed to reanimate my prose to an edible condition. I am looking forward to hearing your thoughts.

Tomasz

I. Introduction

Alexander Schalck-Golodkowski, a Stasi *Oberst in besonderen Einsatz*, a colonel in special capacity, passed away on June 21, 2015. He was 83 years old. Schalck -- as he was usually called by his subordinates -- spent most of the last quarter-century in an insulated Bavarian mountain retreat, his career being all over three weeks after the fall of the Wall. But his death did not pass unnoticed. All major German evening TV news services marked his death, most with a few minutes of extended commentary. The most popular one, *Tagesschau*, painted a picture of his life in colors appropriately dark for one of the most influential and enigmatic figures of the Honecker regime. True, Mielke or Honecker usually had the last word, yet Schalck's aura of power appears unparalleled precisely because the strings he pulled remained almost always behind the scenes. "One never saw his face at the time. His role only became known after *die Wende*."¹ It was only in late October 1989 that the broader East German audience was served the first glimpse into who Schalck was and what he did. In a short documentary prepared by a student studio, he was introduced as "a thoroughly competent foreign trade expert".² As Schalck was to learn soon, that still appropriately sycophantic material was already the first step in the new leadership's campaign to present the East German public with an

¹ Band III, IMS Oskar Vorbeck, 02/09/80, BSTU Rostock 0419, 12.

² Schulz Interview, *Die Welt*, 3 January, 1990.

appropriate "scapegoat responsible for the failed policies of the Party and State leadership".³ A month later, under cover of a dark December night, Schalck crossed the border to West Berlin. By mid-December, he was in the hands of the BND, the West German intelligence agency.

Schalck will be immortalized as the boss of the covert East German foreign trade agency named *Kommerzielle Koordinierung* [KoKo]. It was created by the Stasi and designed to obtain *devisen* (hard currency, usually D-Marks or US dollars) to finance the regime's needs. To achieve that objective, there were not too many things that KoKo was not allowed to do. In the 1990s, in re-unified Germany, several 'parliamentary investigation committees' examined KoKo's operations. The massive evidence unearthed by the investigations, especially with respect to the connections between the KoKo and West Germany, was the origin of many a political scandal that shook the newly unified Republic. They also constituted the main source base of several rigorous scholarly publications.⁴ One of the recent ones, Matthias Judt's *Bereich Kommerzielle Koordinierung*, was published in 2013. It has been reviewed as a definitive statement on the subject by several experts. Such an impression is indeed hard to resist given the scope and depth of Judt's book. To be sure, the German-language scholarship on the topic is very extensive. Given the exhaustive scrutiny with which the KoKo has been examined on all levels, from academia to talk shows, it is unlikely that a consensus-challenging evidence is yet to emerge. The new evidence presented in this chapter adds new details to what is already generally known in Germany. All the more surprising however -- given its fundamental importance for understanding the entangled histories of both Germanies -- is the fact that merely a few English-language publications mentioning KoKo's very existence have appeared so far. To my knowledge, no analysis more serious than a few paragraphs exists in English. The value of my contribution lies thus both in archival discoveries, but even more so in presenting this thread of German history to the English-speaking audience for the first time.

The second part of the chapter is about Rostock, with emphasis on its maritime and tourist infrastructure. It casts a new light on how the GDR's foreign trade was run by the Koko in alliance with the Stasi and examines how the operations of those two secret services were influenced by new developments in Cold War relations, West German policy, intra-Soviet Bloc

³ Matthias Judt, *Der Bereich Kommerzielle Koordinierung Das DDR-Wirtschaftsimperium des Alexander Schalck-Golodkowski, Mythos und Realität*, 2013, p. 11.

⁴ See: Bahrmann and Fritsch, *Sumpf. Privilegien, Amtsmissbrauch, Schiebengeschäfte*, 1990; Peter Koch, *Schalck Imperium lebt*, 1992; Peter Przybylski, *Tatort Politbüro*, 1991; Klaus Behling, *Hightech-Schmuggler im Wirtschaftskrieg: Wie die DDR das Embargo des Westens unterlief*, 2007.

politics, international tourism and multiple other major factors that all came to a confluence in the strategic sector of GDR's maritime economy. In order to begin to understand the role played by Rostock in East Germany history, one has to first gain some sense of what the KoKo was what it did [I think there will have to be two separate chapters on KoKo and Rostock, I apologize in advance if these two parts of the chapter seem disjointed in this draft, but the histories of both certainly are not]. Studying the KoKo and the Stasi's surveillance of the East German 'window to the world' allows for an insight on how unique the city was and, more generally, how and why the East German coast differed from other communist-controlled sectors of the Baltic. The operations of the Koko count as the single biggest factor explaining the divergent trajectories of the East German and all other communist-controlled sectors of the region. But there are surprising parallels as well. [A point that I will develop in the concluding part of my dissertation...] The process of operational *ausarbeitung* [study] of the underground sector of the economy via secret police agents was a common denominator across the Bloc. However, the process of the state crowding out the pre-existing black market actors, actors that the state was ideologically committed to liquidate, not replace, was pioneered by the East German regime. It was with some success copied in Poland and ultimately (and with more success) in the Soviet Union or to be more precise: in post-1991 Russia

It has become common wisdom to think of Leipzig and Dresden, with the Monday-demonstrations and other mass protest events of 1989, as the main hotspots of opposition in the GDR outside of Berlin. Rostock and the entire northern region has suffered from general of lack of domestic, but especially foreign, attention. In Germany, the region has earned an overall reputation of being effectively subdued, in 1953 and in 1989. This unfair image might well as be a continuation of the perennially peripheral, backward reputation and (admittedly) reality of Mecklenburg-Vorpommern ever since the demise of the Hanseatic League. Otto von Bismarck was fond of thinking that when the world was coming to an end, one could always go to Mecklenburg, as it will end fifty years later there, which he ultimately did.⁵ This backward and subdued image has recently been questioned by several German scholars. But not only scholars. In 2009, in a book entitled "Quiet in Rostock? No way. A retired Stasi colonel reports", the last Stasi commander of the Rostock Province (Bezirk) paints an entirely different picture. The main thesis put forward by colonel Artur Amthor is that the relative and transitory peace and quiet in

⁵ Christian Halbrock, *Freiheit heisst die Angst Verlieren*, 51

the north was not associated with any particular characteristic of the local residents, certainly not with their alleged backwardness, but with the singular strength of the Stasi apparatus in the region, which was a direct function of the maritime (and thus much more cosmopolitan) character of the region. A glimpse into the specificity of the Baltic coast is also cast by a dissertation written by a Stasi officer Detlef Wallasch in 1986. He singled out West German sailors, especially those frequenting East German ports on a regular basis, as one of the most dangerous subversive groups threatening the stability of the regime.⁶ In 1980 alone, 246 coaster vessels (just one among many other categories of vessels anchoring at Rostock) from the FRG visited East German ports 1630 times. Many of the thousands of sailors who came onboard were West German spies, if the dissertation is to be believed. One of them was captured in Poland in 1980, together with the ten reports he had written about the Warsaw Pact's military secrets. The captain was in service of the BND at least since 1976. He went through training in West Germany and was equipped with advanced communications technology when arrested. But by the mid-1980s, the Stasi was taking non-military threats equally seriously. What worried them in particular was that the West German seamen often arrived with barely disguised "marriage intentions". The number of *Übersiedlung* [re-settlement] requests stemming from the contacts they had developed with East German female citizens was on a constant rise. This circumstance gave birth to a phenomenon of East German women moving to Rostock and other port cities solely with the purpose of finding a West German husband.⁷

In 1980, the GDR was the world's tenth largest industrial power. The Republic boasted one of the largest ratios of export volume per capita, according to the World Bank. Consequently, the East German maritime sector had no choice but to "maintain diverse commercial contacts with the capitalist overseas, also in the FRG." *VEB Deutfracht*, for example, had developed a number of international business contacts and established its own branches "in the most significant centers of maritime traffic" worldwide.⁸ Proportionally to the East German export successes, the Stasi's workload grew respectively, yet the focus remained centered on West Germany. Below are a few strategies, suggested by officer Wallasch, for selecting potential informers who could help to secure the maritime sector of the economy:

⁶ MfS JHS 20527, Vertrauliche Verschlussache VVS-0001 MfS JHS-Nr: 277/86, Zur weiteren Qualifizierung der Erarbeitung von operativ-bedeutsamen Informationen in Richtung Spionage im Rahmen der politisch-operativen Abwehrarbeit zu Schiffsoffizieren der BRD- Küstenmotorschiffs bei ihren Aufenthalten in den Seehafen der DDR

⁷ MfS JHS 20527, Vertrauliche Verschlussache VVS-0001 MfS JHS-Nr.: 277/86, 12-13

⁸ MfS JHS 20527, Vertrauliche Verschlussache VVS-0001 MfS JHS-Nr.: 277/86, 43

"We must concentrate on those who retain frequent contacts with the FRG seamen. This milieu is of significant importance for the realization of the interests of the secret services due the unique kind of knowledge that it possesses, which is especially useful for counterintelligence purposes. [Particularly targeted were those GDR citizens who were able to] "establish long-term contacts with the FRG sailors and take them into the non-professional sphere [Freizeitbereich]." Other than that: the usual suspects were to be interrogated: barmen, taxi drivers, dock workers and others who were in frequent touch with the FRG sailors on land. Other "operative possibilities": those among GDR citizens who have submitted an *Übersiedlung Antrag*, "but only those who have moved to North Germany and those who occupied themselves with maritime professions in West Germany. "Diese Personenkategorie stellt aber besonders hohe Anforderungen an die Aufklärung und Überprüfung."⁹

The most reliable strategy of obtaining information was to catch a West German seaman red-handed, either while he was committing a legal violation or at any other "objectively useful circumstances". The most frequently violated category was by far the *Zoll- und Devisenbestimmungen* [customs and hard currency regulations]. Another common category: trespassing the internationally sanctioned *Landgangsbereich*, the officially recognized minimum zone of mobility within port grounds. Needless to say, *Neigungen* (penchants) and *Liebesverbindungen* (romantic relationships) of the sailors were to be exploited for the sake of recruitment.¹⁰ The most productive source of information, in officer Wallasch's evaluation, were the "unofficial capacities [i.e. secret informers] of the Abteilung Hafen", a special Stasi-run department charged exclusively with monitoring the *Überseehafen Rostock*.¹¹

In general, the northern shores of East Germany were exposed to many kinds of unique kinds of 'hostile influences' that were non- or barely- existent in other parts of the Republic. To give just one example: the Baltic coast was exposed to a peculiar kind of information war - balloon bombings incoming from Schleswig Holstein and Scandinavia. On April 14, 1964, for example, 12.050 flyers were found in vicinity of Bad Doberan (near Rostock), all dropped from special balloons, the removal of which necessitated "special efforts of the state security [forces]". Other materials dropped included "falsified [copies] of Neues Deutschland"¹². Western propaganda reached the region also by means of floating red rubber balls. 1.750 of them were found near Warnemünde in the summer of 1964. "More vacation for the NVA [the East German Army], more beach for the vacationers" was the message".¹³ In general, the Baltic shore, due to

⁹ JHS 20527, Vertrauliche Verschlusssache VVS-0001 MfS JHS-Nr.: 277/86, 22, 24

¹⁰ JHS 20527, Vertrauliche Verschlusssache VVS-0001 MfS JHS-Nr.: 277/86, 37

¹¹ JHS 20527, Vertrauliche Verschlusssache VVS-0001 MfS JHS-Nr.: 277/86, 43

¹² BStU, MfS, BV Rostock, Delikterblockkartei, 'schriftliche Hetze Unbekannt', M-MN, 191.

¹³ BStU, MfS, BV Rostock, Delikterblockkartei, 'schriftliche Hetze Unbekannt', M-MN, 191.

its very geography, was the only semi-open border of the Republic while its foreign trade could not have been serviced without some form of contact with foreign sailors, an inherently problematic situation. This chapter begins to explore this hitherto neglected episode of the Cold War East (and West) German history.

2. Koko: the Essentials

The most important strategic task carried out by the KoKo was exporting weapons and importing the high-tech banned under various NATO embargos dating back to 1949. The economic role of the weapons export rose markedly as the GDR's financial position worsened and so did the significance of the *Überseehafen Rostock*, through which all covert weapons shipments passed. Schalck's thinking on this issue was expressed succinctly in his letter to Günter Mittag on 11 November, 1981, in which he reported on the talks held with KoKo's partners in France, Belgium and West Berlin. Trade with companies located in those countries could be continued only "under strict conspiracy", which only Rostock guaranteed, and after "the preparation of special operative contacts was ready". In that particular case, the talks concerned importing high-tech components for producing weapons in the Kombinat Spezialtechnik Dresden and the Spreewerk Lübben. The application of that technology, Schalck wrote, would lead to a "new generation of small arms"¹⁴ which could lead to export profits up to 40 million VM [Valuta Mark] by 1983. Other correspondence between Mittag, Honecker and Schalck concerned topics such as: deals with third world countries in tanks, artillery, armored personnel carriers, anti-aircraft guns, grenade launchers, laser rangefinders¹⁵, massive oil trade with Iran or covert export of antiques from the GDR's museums.¹⁶ The first Gulf War (1980-1988) led to "a particularly striking boost in export revenues of 500 million [East] M".¹⁷ The KoKo delivered weapons both to Iran and Iraq, mostly modified AK-47s and T-55s.¹⁸ To prevent a mistake, perhaps due to a typo, the weapons to Iran were supplied separately by the company named IMES (*Import-Export GmbH*) and to Iraq - by the ITA (*Ingenieur-Technische Aussenhandel GmbH*).¹⁹ Schalck tried to

¹⁴ BArch, DL 226/1434, Schalck an Mittag, 11.11.1981.

¹⁵ BArch, DL 226/1434, Inhaltsbeschreibung.

¹⁶ BArch, DL 226 / 1436, Inhaltsbeschreibung.

¹⁷ Uwe Markus, *Waffenschmiede DDR*, 2010, p. 15.

¹⁸ BArch, DN 1 38899, Bericht vom 12. März 1990, l. 146.

¹⁹ Siegfried Köhler, *Der Überseehafen Rostock unter Kontrolle der Staatssicherheit*, 2012, p. 151.

take advantage of the Falklands War of 1982 as well -- covert talks with Argentinean delegates were underway -- but that deal never came to fruition, perhaps because the war was too brief.²⁰ On the import side, the KoKo served as the main supplier of espionage equipment used by the Stasi, especially of advanced technology in violation of the CoCom embargo.²¹

The flagship business run by the KoKo domestically was the Interhotel, a network of exclusive luxury hotels hosting western tourists and VIPs. The IHs normally required hard currency payment to gain access. The regime's craving for that currency showed through the diligence with which the IH managers chased after every single D-Mark or dollar handed to Interhotel waiters as tips. Each restaurant had its own *Trinkgeldbuch* [tips registry] that helped to make sure everything was in good order. "[E]very worker [of the IH network] was obliged to enter the amount of the tip obtained immediately after its reception." Those who failed to comply were subject to *taschenkontrolle* [pocket control] which often exposed sums such as 4 or 10 DM smuggled inside.²² Some controls, however, failed to expose the underhand dealings mostly because "the auditors participated in the misappropriation of the tips" themselves. Occasionally, however, "collective tip money manipulations of great dimension" were exposed by the controllers. In one of the GDR's most prestigious establishments, the Palasthotel in Berlin, the embezzlements were big enough to force Schalck's reaction. He wrote an angry letter to Office of the Attorney General (*Generalstaatsanwalt*) in June 1987 requesting a firmer control over one of KoKo's key businesses.²³ Rostock's main Interhotel was the Hotel Neptun [more about it later], established in 1971. The retail trade equivalent of the Interhotel was the Intershop network.

Another lucrative business run by the KoKo was the import of waste from the FRG. Initially, only West Berlin was serviced, but after 1979, a KoKo company named Intrac took care of other West German cities too, with Hamburg among its first and principal customers.²⁴ A huge dump just across the border from Lübeck, was set aside to take advantage of "the lucrative perspective" offered by the *Sondermüll*, the special waste. It was named *VEB Deponie Schöneberg*. In the 1980s, it became the largest waste dump in Europe. On 30 January 1979, at a Politburo meeting, "a long term contract" was signed that regulated "the disposal of garbage from the FRG (Lübeck and Hamburg areas) on the territory of the GDR" in return for natural gas

²⁰ BArch, DL 226/1287, Information, telegraph, Berlin 28.04.1982, I. 775

²¹ Matthias Judt, p. 12.

²² BArch, DN 1 39142, Revisionsprotokoll, Palasthotel 1020 Berlin, VD /97/96/8585, I. 1.

²³ BArch, Berlin, DL2/KOKO/1108, Brief von 11.6.1987 an den Generalstaatsanwalt der DDR Günter Wendland.

²⁴ Matthias Judt, 32.

deliveries.²⁵ The first garbage from Hamburg arrived on July 1979, 10.000 tons followed that year and double that amount in 1980.²⁶ Apart from "the special businesses with the big [organized] churches and the buy-out of political prisoners",²⁷ the garbage business was among the most profitable, according to KoKo's own books. In the 1980s, Intrac's range of operations expanded beyond Germany. In 1986, 80 percent of garbage arrived from the FRG, 15 percent from the Netherlands and the remaining loads from: Austria, France, Switzerland and Italy.²⁸ In sum, between 1975 and 1989, the Intrac made a gross profit of 1.2 billion DM.²⁹ For comparison, the business of selling political prisoners to West Germany brought in a total income of 3.44 billion DM between 1962-1990, with 2.79 billion DM transferred to Honecker's private Konto no. 0628.³⁰

The key to KoKo's special status was its exclusion from regular customs controls, logistical costs and regulations, all extremely strenuous in and around the GDR.³¹ Both exports and imports run by the KoKo, most of them through the Überseehafen Rostock, were often beyond the Stasi's reach, not to mention the ordinary customs officers.³² This policy applied both to "legal business" such as the GENEX [gift service, delivered from the West] and to "the secret businesses, such as dealing in Embargo goods", for which complete secrecy was the sine qua non. "The preferential treatment of KoKo's western business partners at border and customs control of the GDR, including uncontrolled import and export of goods, improved the business climate between the partners in general", wrote Matthias Judt.³³ Schalck had "the full power to

²⁵ Protokoll Nr. 5 der Sitzung des Politbüros des ZK der SED von 30. Januar 1979, Anlage 4, 'Betreff: Vorbereitung eines langfristigen Vertrages über die Beseitigung von Abfallstoffen aus der BRD (Lübecker und Hamburger Raum) auf dem Territorium der DDR sowie die weitere Vorbereitung von Kieslieferungen in die BRD aus Vorkommen im unmittelbaren Grenzbereich der DDR' in Bundestag 1994, I. 1621.

²⁶ Beschluss des Rates des Bezirks Rostock Nr. 76 von 13. Juni 1983 über die Bildung des VEB Deponie Schönberg, [in:] Beschlussempfehlung und Abschlussbericht des 1. parlamentarischen Untersuchungsausschusses nach Artikel 34 der Verfassung des Landes Mecklenburg-Vorpommern gemäß Beschluss des Landtages vom 09. Dezember 1994 (vom 10. Juni 1998), 34.

²⁷ Matthias Judt, p. 32.

²⁸ BStU, MfS, AG BKK, Nr. 55; Hautabteilung XVIII, Information zu eingeleiteten Maßnahmen und Vorkehrungen bezüglich der Gewährleistung der Sicherheit der Deponie Schönberg" (vom 12. März 1986), I. 124.

²⁹ Zusammengestellt und berechnet nach Bundestag 1994 b [Second Volume of the Investigative Report], s. 216.

³⁰ Matthias Judt, *Kompensationsgeschäfte der DDR — Instrumente einer europäischen Ost—West—Wirtschaftsintegration*, 2007, p. 435.

In 1988, it was 11 million DM. Schalck personally wrote to Honecker to inform him about KoKo's financial results and how much of the revenue made it into the party's "disposable accounts." See: Schreiben Schalck-Golodkowskis an Generalsekretar des Zentralkomitees des SED E. Honecker, 9 December 1988.

³¹ See: Verfügung Nr 87/71 vom 25 Juni 1971 - KoKo's director, Schalck, had the right to "circumvent" all "disruptions" in the border-crossing goods flow, if they interfered with the KoKO business.

³² Siegfried Koehler, p. 143.

³³ Matthias Judt, p. 27.

More on the embargo avoidance: Befehl Nr. 2/87 über die Koordinierung der Aufgaben und Maßnahmen zur Beschaffung von embargowaren aus nichtsozialistischen Staaten und Westberlin, Geheime Verschlussache GVS-o008, 12.3.1987

arrange the relationship between the KoKo and the customs and other control organs of the foreign trade sector as he saw fit. [...] The prerogatives of KoKo's enterprises went so far as to partially or completely free its Western business partners from border controls" and set up customized customs clearance procedures. The former were meant to "provide security for the contraband-business and thus improve the business climate between KoKo's companies and their western partners in general." Such arrangements were "difficult to obtain", to understate it, for regular foreign trade companies of East Germany and the Soviet Bloc.³⁴ In other words, the East German state willingly limited some of its full foreign trade monopoly to grant privileges for hand-picked, Stasi-run businesses. In return, those businesses provided the regime with the hard currency needed to cover unforeseen, extra-plan expenses. Analogously, the KoKo could count on "a zero-rate credit line to obtain disposable capital for extra-plan export and import needs" from the State Bank.³⁵

Between 1969 and 1980, the GDR run a constant trade balance deficit with the NSW [capitalist countries].³⁶ Between 1971 and 1981, the total hard currency debt incurred reached nearly 40 billion VM [Valuta Mark] with the total amounts due of 25.3 billion VM in 1980: the peak value of the country's existence. Already in May 1973, Honecker warned his comrades at a CC meeting that the issue of western import-dependence had to be addressed by a much more serious export effort. On the other hand, one of the first decisions that he took as the GenSec was to increase the import of bananas into the country.³⁷ In that context, KoKo's role as a reliable provider of hard currency increased in proportion to the growing figures of GDR's foreign debt and its increasing reliance on imports to mollify dissent.³⁸ The credit crunch finally knocked on Honecker's door in 1983. As the leading CSU politician Franz Joseph Strauss told his party colleague Gerold Tandler, by then "the GDR had become as dependent on the D-Mark as a drug addict on heroine".³⁹ What is interesting is that the East Germans were very much aware of the dangers posed by the D-Mark debt trap. The Willy Brandt inaugurated *Ostpolitik* and *Wandel durch Annäherung* was read by the East German Foreign Ministry as "aggression in felt

³⁴ Matthias Judt, p. 246.

³⁵ BArch, DN 1 38899, l. 21.

³⁶ BArch, DN 10, Nr. 3492, Handschriftliche Ausarbeitung des damaligen stellvertretenden DDR-Finanzministers Siegfried Böhm vom 19. November 1974, l. 7.

³⁷ Schalck, *Deutsch-deutsche Erinnerungen*, 2001, page 180.

³⁸ BArch, DY 30, Büro Günter Mittag, Nr. 2652, l. 68.

³⁹ Manfred Kittel, 'Franz Josef Strauss und der Milliardenkredit für die DDR', *Deutschland Archiv* 40 (2007) 4, p. 655.

slippers"⁴⁰ and for a good reason. Despite being aware of the enemy's plotting, the GDR indulged in the consumption of the seemingly cheap money offered by the West, perhaps hoping to outsmart the rich and thus decadent *Wessies*. As they neared bankruptcy in 1983, it was Schalck who came to the rescue. He used his KoKo business contacts in West Germany, that he had been developing for nearly two decades, to reach Franz Joseph Strauss, who generously agreed to facilitate the one billion DM loan. In fact, the regime never came nowhere near the dire financial crisis of 1983 again. Some economic historians have even speculated that the overall financial health of the East German state in 1989 was not as bad as the common wisdom has it.⁴¹ At the same time, thanks to the *Milliarden-Deal*, the level of GDR's dependence on the wealthier cousin reached a whole new level and was now out to be admired in broad daylight.

III. KoKo: the origins

In 1969, Schalck received, a gold (first class) Patriotic Order of Merit. A year later, in May, his dissertation was ready for defense. His advisor was Erich Mielke, co-author: Heinz Volpert, a Stasi colonel, expert reader: Generalmajor Rudi Mittag. The full title: "On avoiding economic losses and generating additional [hard] foreign currency in the Department of Commercial Coordination of the Ministry of Foreign Economic Affairs of the German Democratic Republic"⁴². The title granted by the Potsdam Stasi Academy: Doctor of Jurisprudence. The dissertation's origin was "rooted in the requirements of the Party" and its main thrust was to "submit proposals that would facilitate the generation of additional sources of foreign currency through targeted, official and unofficial, measures."⁴³

Schalck's dissertation (1970) was in many ways a blueprint for what unfolded in the 1970s and 1980s. The dissertation, in turn, had its roots in the postwar black market vibrancy of pre-Wall Berlin. Koko's two important forerunners were *Simon Industrievertretungen* and *F.C Gerlach*, run by Simon Goldenberger and Gerschel Libermann, both established under Mielke's personal patronage. Both of them thrived on the lucrative (yet cutthroat) distribution circuit of

⁴⁰ Ulrich Mählert, *Kleine Geschichte der DDR*, 1996, p. 124.

⁴¹ See: Veranstaltungsnachlese 2014, "Der Milliarden-Deal – Strauß und die DDR"
<http://www.bundesstiftung-aufarbeitung.de/veranstaltungsnachlese-2014-4470.html?id=2469>

⁴² " Zur Vermeidung ökonomischer Verluste und zur Erwirtschaftung zusätzlicher Devisen im Bereich "Kommerzielle Koordinierung" des Ministeriums für Außenwirtschaft der Deutschen Demokratischen Republik

⁴³ Schalck Dissertation, page 5

coffee and cigarettes between the four Berlin sectors.⁴⁴ Gerschel Libermann, born as Michał Wiśniewski in Russian Poland (1914), climbed to the very top of Berlin's criminal world by the mid-1950s, a boss of a major racketeer gang. Notwithstanding a few prison sentences, including the infamous Moabit and a three-year sentence from West-Berlin authorities in 1957, which forced him to settle permanently in the East, he emerged as the "practical founding father" of KoKo's business in the 1960s.⁴⁵ Goldenberger and Libermann's main trump card -- according to the BND -- were "good contacts with the economic leadership in Berlin/West", which allowed them to deal in duty-free American cigarettes and coffee from the army depots. Consequently, Libermann quickly raised the Stasi's eyebrows and -- Schalck admitted later to the Bundeskriminalamt -- was personally recruited by Hans Fruck, the deputy director of the HVA [Hauptverwaltung Aufklärung, counterintelligence] and the man in charge of preparing the *Leipziger Messe*, the GDR's main international trade fair. As Schalck confessed in his memoir, both Goldenberger and Libermann were his true "mentors, who taught him the dirty tricks of the underground economy, applying which could hurt the class enemy of the West."⁴⁶

The first trace of Schalck's attempts to establish an official entity that would formalize the black market operations already well-underway was a letter he wrote on 29 December, 1965 to Hermann Matern, a senior Politburo member. It was a report on the black-market earned cash transferred to the Party in 1965 and a "plan of for new operations" in 1966. The profit that could be transferred directly to the party's account was estimated to reach 4 million DM in 1966. The key part of operations - coordinated personally by Schalck, were the so-called "trusted companies of the MfS" - the Fa. Simon and Fa. Gerlach mentioned above. "The close cooperation with the MfS" was necessary because operations "such as illegal transports, insurance frauds and other strictly secret measures [...] known to a [...] narrow circle of only two or three individuals" were risky and thus had to be protected by the Stasi.⁴⁷

The official establishment of the KoKo took place on April 1, 1966, as specified in the Decree 61/66 issued by the Chairman of the Council of Ministers, Willy Stoph. KoKo's founding firms were: Zentralkommerz, Intrac, Transinter, GENEX, Intershop and Rostock's Interbasar (a part of VEB Schiffsversorgung Rostock). The objective was stated unambiguously: "maximum

⁴⁴ BND Protokoll 4

⁴⁵ Egmont R. Koch, *Geheime Kartell*, 46

⁴⁶ *Geheime Kartell*, 43-45

⁴⁷ Fischer, *DOKU 1*, Brief von Alexander Schalck-Golodkowski and das Politbüro-Mitglied Hermann Matern vom 29.12.1965, 1-3

generation of capitalist hard currency outside of the state-plan."⁴⁸ "Implementation of commercial relations with religious communities", i.e. officially recognized churches, was certainly a novelty.⁴⁹ "Provision of a unified political-legal framework for the [two] recognized private foreign trade companies of the GDR - F.C. Gerlach and G. Simon." - was merely a formalization of the operations already underway for many years.⁵⁰ All those measures were aimed at "utilizing the business cycle fluctuations of the global market" in a more systematic way.⁵¹ The document was also signed by the minister of Foreign and Intra-German Trade and the minister of State Security Erich Mielke.

On 8 September 1969, the official establishment of GDR's foreign currency and gold reserve took place.⁵² A reserve of twenty tones of gold was to be deposited in western banks to provide a "*schnelle reaktionsmöglichkeit*" [a quickly disposable operational reserve] to respond "and utilize price fluctuations and arbitrage on the global gold market."⁵³ There were three main accounts - general, West Berlin and West Germany. "When economic advantages can be achieved, funds should be moved in-between the three accounts."⁵⁴ "The highest possible utilization rate was to be achieved by exploiting the following capabilities:

- Investment in [currently] favorable foreign currencies
- Utilization of *warenschwitzgeschäfte* [import-export, re-export]
- Gold purchases that take advantage of the price arbitrage on the [East-West] divided gold market
- "Utilization of the highly efficient units of the national economy with the goal of increasing exports of those products that bring the highest hard currency return"
- "Temporary use [...] of foreign exchange reserves predicted by the plan [...] to exploit [unforeseen] favorable market [...] conditions"

⁴⁸ DOKU 2 - Verfügung Nr. 61/66 Vom April 1966, Vertrauliche Verschlusssache B-2-56/66, p. 1

⁴⁹ DOKU 2 - Verfügung Nr. 61/66 Vom April 1966, Vertrauliche Verschlusssache B-2-56/66, p. 1

⁵⁰ DOKU 2 - Verfügung Nr. 61/66 Vom April 1966, Vertrauliche Verschlusssache B-2-56/66, p. 2

⁵¹ DOKU 2 - Verfügung Nr. 61/66 Vom April 1966, Vertrauliche Verschlusssache B-2-56/66, p. 2

⁵² DOKU 6, Vorlage für das Politbüro des Zentralkomitees der SED zum Beschluss über die Ordnung der Staatsdevisenreserve in Gold und konvertierbaren Devisen vom 08.09.1969 (Geheime Verschlusssache)

⁵³ DOKU 8, Vorsitzender des Ministerrates/ Verfügung Nr 16/70 über die Ordnung, über die Planung, Bildung, Verwaltung, Verwendung und Abrechnung der Staatsdevisenreserven vom 02.01.1970 (Geheime Verschlusssache B 8-65/70), page 2

⁵⁴ DOKU 8, Vorsitzender des Ministerrates/ Verfügung Nr 16/70 über die Ordnung, über die Planung, Bildung, Verwaltung, Verwendung und Abrechnung der Staatsdevisenreserven vom 02.01.1970 (Geheime Verschlusssache B 8-65/70), page 5

- "Temporary substitution of loans offered the Deutsche Aussenhandelsbank AG or the Ministry of Foreign Trade by foreign commercial or state loans, [especially] if the interest rate on foreign loans is more opportune than on the domestic market"⁵⁵

Schalck devoted the first part of his 1970 dissertation to exposing what he saw as an unmitigated West German economic warfare against his country. As particularly dangerous he considered "the small shell companies established by the BND [the intelligence agency] to conduct sabotage and diversion" by all available means. One particularly problematic case was the Hamburg-based company *Oelmess Latinsky* which threatened the GDR's shipping industry by corrupting both foreign-bound rank-and-file sailors and top managers. Those companies, Schalck held, were only nominally separated from the large West German industrial combines to misguide the Stasi's vigilance. The combined registered losses inflicted upon the East German economy amounted to 742.7 million Marks between 1955 and 1967, on average: 57 million Marks per year.⁵⁶

When writing about "the most aggrieved imperialist country in Europe", the Bundesrepublik, Schalck considered it appropriate to quote Franz Joseph Strauss, with whom he later negotiated the billion DM loan in 1983. He chose Strauss's 1968 book *Herausforderung und Antwort: Ein Programm für Europa* [Challenge and Response: A Program for Europe] in which the Bavarian politician spoke of "united Europe" united under democratic, not communist, principles.⁵⁷ The election of the SPD-FPD Brandt-Schell coalition cabinet in 1969 should give rise to no illusions, he argued, full "liquidation" of the GDR was still the number one priority, now to be achieved with "different methods and tactics".⁵⁸ The West German economic objective was to "separate" the GDR from its socialist allies and the Comecon trade system, establish a "monopolist position among NATO nations" and thus create a position of industrial dependency on the West German suppliers, which could be then used to destabilize the country politically.⁵⁹

Following Lenin's logic, the main issue that the science and practice of economics occupied itself with, according to Schalck, was addressing the perennial 'who [dominates] whom' [*kto kovo, wer wen*] question. "The West German imperialism is deploying all methods and all

⁵⁵ DOKU 8, Vorsitzender des Ministerrates/ Verfügung Nr 16/70 über die Ordnung, über die Planung, Bildung, Verwaltung, Verwendung und Abrechnung der Staatsdevisenreserven vom 02.01.1970 (Geheime Verschlussache B 8-65/70), page 5-6

⁵⁶ Schalck Dissertation 41

⁵⁷ Dissertation 12

⁵⁸ Dissertation 15

⁵⁹ Dissertation 25

means, including criminal, to compete economically with the GDR and to decide the question 'who whom' by increasing its industrial growth rate." Those "refined methods" included using GDR's cheaper costs of production to boost their own competitiveness. The end goal was of course "to re-establish the imperialist order" in East Germany and beyond. To avoid that, the GDR's security organs, Schalck argued, should learn from the enemy and respond with methods even more refined.⁶⁰

A disturbing trend that Schalck saw emerging already in 1970 was signaled by the fact the Soviet Union and other socialist countries were "no longer capable of satisfying" the growing East German needs for "cutting edge technology" and energy sources, crude oil in particular. Therefore, "a temporary change" in the fundamental NSW-SW [capitalist-socialist] trade denominator was advisable in favor of the NSW.⁶¹ The political risks of such an increased dependency on the West could be taken care of by the increased Stasi vigilance and Schalck's own initiatives.⁶² Another reason why the GDR was falling behind was because its financing options were limited and the party's approach to finance - too conservative. The example of Japan should be followed, Schalck argued. The country "successfully utilized" loans with interest rates reaching 16 percent to grow out of its debt obligations.⁶³ In the East German context, it was critically important to purchase cutting edge technology to replace labor, which had always been in short supply, if not actively fleeing en masse after 1961.⁶⁴ The conclusions of the first part of the dissertation were clear: the Soviet Union was no longer able to sustain the growing East German economy while the imperialist West Germany was ever more encroaching in its economic sabotage.

While the first part of the dissertation was a pretty standard Marxist-Leninist takedown of capitalism, with some interesting operational details supplied by the Stasi and related organs, the second part certainly ventured far beyond the broadest definition of the politically correct orthodoxy. It focused on outlining measures that would help to cope with the alarming trends and phenomena sketched above and as such was presented as a necessary response to what had already been initiated by West German provocations. Fortunately, East Germany did not have to start from scratch. The success of KoKo's companies in 1968 and 1969 was unquestionable. On

⁶⁰ Dissertation 95

⁶¹ Dissertation 110

⁶² Dissertation 109

⁶³ Dissertation 108

⁶⁴ Dissertation 108

average, they earned a net hard currency profit per employee that was forty times higher than his or her annual salary, ca. 1.200 M per capita.⁶⁵ The reasons behind those successes were as follows:

- implementation of underutilized production capacity thanks to the changes in wage policy and extra-plan energy imports from the NSW [capitalist countries]
- extension of production in mixed-ownership [i.e. non-state] enterprises
- import of goods from socialist countries, processing and re-export to the NSW
- "Switch" and other financial transactions

And last but not least: "Implementation of risky businesses, mostly through goods, securities and currency speculation."⁶⁶ Firm support of the party and state organs was needed to make sure the high profitability of those enterprises remained unthreatened in the future. Additional legal adjustments requested by Schalck included:

- *Devisenausländer* [foreign currency resident] status for the KoKo companies
- The right of the directors of the KoKo enterprises, in agreement with Schalck, to establish official and covert companies in the NSW
- An audit *sondergruppe* for KoKo - a special audit group separate from the existing state organs
- The prerogative of ordering goods from abroad, bypassing the state-plan, particularly with respect to energy sources
- Enlargement of the fraction of capital held in cash⁶⁷

Among the more creative financing methods, Schalck recommended speculation with the GDR's allocation of *Verrechnungsrubel* [Transfer Ruble] on the forex market.⁶⁸ Cuba, North Korea, China and India were mentioned as areas of special interest as sources of cheap energy, but not only. Schalck also proposed establishing "covert production facilities" in those "countries of low wages" to achieve "commercial advantages". He pointed to the examples of the US, the FRG and France and their industrial expansion in Spain, Italy, Romania and other "countries of large unused labor reserves" and "their high profits reaped" in consequence.⁶⁹

⁶⁵ Dissertation 112

⁶⁶ Dissertation 112-113

⁶⁷ Dissertation 114-115

⁶⁸ Dissertation 116

⁶⁹ Dissertation 117

IV. Rostock

A particularly unorthodox idea outlined in Schalck's dissertation was the free trade zone [*Freihandelszone*] in *Überseehafen Rostock*, where KoKo's companies would be able to conduct their businesses undisturbed. Most importantly, it would help to establish companies that could be "completely" formally separate from the GDR on legal grounds. This was particularly important for the "covert re-export" operations, that could not be officially conducted by the GDR due to many potential problems, not least with the Soviets. As an example of such an operation already underway, Schalck mentioned the "highly-profitable" trade with Rhodesia, which could be rendered more convenient at the free trade zone in Rostock. The zone could serve both domestic and foreign companies, as an assembly depot for GDR's semi-processed goods and as a depot for Western companies to deliver their goods "(e.g. alcohol and cigarettes)" that could be "handled by East German fiduciaries" upon arrival to Rostock.⁷⁰ A detailed proposal to establish the free trade zone had already been submitted to the provincial authorities, they now had to be confirmed by Berlin. Schalck promised to deliver up to 150 million VM by 1975 thanks to this measure. "It has to be emphasized very strongly" - he wrote - "that this plan could only succeed if it had a special support from [...] the CC and the central state organs in the selection [process] of ca. 80 loyal party members with special experience in the Intrac (50) and Zentral-Kommerz (30) enterprises."⁷¹

The establishment of the duty-free port in Rostock was second on the list of Schalck's ideas that he considered necessary to guarantee the security of KoKo's operations, preceded only by exclusive control of the *Intercontrol*, the internal foreign trade surveillance unit, that runs customs clearance, tariffs and related operations. The customs protection organs had to be moved more firmly in the area of operations administered by the Stasi, not by the Ministry of Foreign Trade, Schalck advised.⁷²

The Rostock blueprint had never been fully implemented. Secret logistical centers in the vicinity of Rostock (such as the arms depot in Kavelisdorf, uncovered by civil rights activists in December 1989, a few days before Schalck's escape West) were established, but a genuine free-trade zone in the middle of a large city was perhaps too much for, after all, a model communist regime. There also were numerous duty-free shops in Rostock, especially in its hotels and port

⁷⁰ Dissertation, 117

⁷¹ Dissertation, 118

⁷² Dissertation 7

grounds. They are not to be mistaken with Intershops, which were more expensive, but less exclusive.⁷³ On the other hand, however, KoKo's customs privileges and secrecy clauses provided it with a "virtual free-trade zone" - as expressed by Matthias Judt - much more comprehensive and sophisticated than a piece of physical space on port grounds.⁷⁴ In other words, the KoKo as a whole might be understood as a kind of free-trade institutional framework within GDR's centrally planned economy. Its success was secured by methods much more subtle than Schalck's original idea envisioned. This setup facilitated what Egon Krenz aptly described as "the island of market economy inside of the GDR"⁷⁵. While the geographic metaphor is evocative, one of the keys to understanding KoKo's largely unperturbed operations for a quarter century is precisely its secrecy and the lack of precise physical, legal or administrative ascription or definition.

Another insight into the significance of the *Überseehafen Rostock* can be gained from reading the correspondence between Schalck, Mittag and Honecker. Schalck often complained that the port was too small to service KoKo's growing business operations. In a letter to Mittag from February 1982, he warned that "the situation in the port had become pretty tense" and apparently required intervention from Honecker himself to ensure that the business run smoothly. Among the most frequent export directions of 1982 were Mozambique and Angola,⁷⁶ other destinations included: Syria, Libya,⁷⁷ Algeria, Uganda, Ethiopia, Yemen, Nicaragua, India, Botswana and Zaire.⁷⁸ Altogether: 66 countries around the globe were in some ways in touch with the *Überseehafen* in the 1980s. The hardware delivered by the ITA included: ammunition, hand grenades, rocket launchers, field kitchens, tents, communication equipment, binoculars, bridging equipment, field printing stations, uniforms.⁷⁹ Czechoslovakia was dependent virtually completely on Rostock as an outlet for her own considerable military complex.⁸⁰ In the 1980s, the port was the gateway for many *Sonderaktionen* (special actions, weapons export) under codenames such as: *Schild*, *Drittland* or *Welt*.⁸¹

⁷³ Case Hamster (79)

⁷⁴ Matthias Judt, p. 28.

⁷⁵ Handelsblatt, 24. 06. 1993., p 4.

⁷⁶ BArch, DL 226 / 1436, Berlin 03.02.1982, Brief Schalck um Mittag, 1.

⁷⁷ Libya already under Muammar Gaddafi. See: HA XVIII/7, IM »Henry« an Major Höfner, vom 12.3.1979: Bericht über die Teilnahme an der Reise der Partei- und Regierungsdelegation in die Länder Libyen, Angola, Sambia [und] Mozambique«, gegeben am 7.3.1979; BStU, ZA, AIM 7735/91, Teil II, Bd. 4, I. 3.

⁷⁸ Uwe Markus, Waffenschmiede..., p. 241.

⁷⁹ Uwe Markus, Waffenschmiede, p. 241

⁸⁰ Siegfried Koehler, p. 141.

⁸¹ Siegfried Koehler, p. 139.

In 1980, the *Überseehafen* celebrated its twentieth birthday. During the first two decades, the port had transshipped 180 million tons of goods, serviced 45.500 ships from 63 countries with 95 percent of the cargo dispatched in and out by railway.⁸² In a normal year, a third of GDR's foreign trade exchange was covered by the *Überseehafen*. Approx. 40 percent of that fraction arrived by maritime channels.⁸³ The port's operations were subject to a comprehensive system of control jointly run by various state organs: Zolldienst, Volkspolizei, Volksarmee, Volksmarine, Stasi, Grenztruppen. Furthermore, an additional unit within the Stasi, the *Arbeitsgruppe Bereich Kommerzielle Koordinierung* (AG BKK) was created to make sure KoKo's rank-and-file behaved properly. The AG BKK was run by a Stasi general Rudi Mittag, second in command after Erich Mielke.⁸⁴ Their job was to make sure the *Sonderlieferungen*, such as the simultaneous weapon shipments to Iran and Iraq, proceeded smoothly. On top of all these institutions, another special-purpose Stasi department codenamed *Abteilung Hafen* was brought to life to supervise the tens of thousands of employees working in the port.

The number of IMs (*Inoffizieller Mitarbeiter*, Stasi informers) who kept the eyes and ears of the Stasi open on the port oscillated around 800 during the Honecker era. It was the highest number of snitches that the Stasi boasted in the entire Rostock Province and one of the greatest single deployments in the country.⁸⁵ The basic purpose was to prevent both local and foreign seamen from misbehaving, but there was also an objective of higher order. As expressed by a leading historian of the *Überseehafen*, Siegfried Köhler, "close cooperation took place between [the relevant state organs] in monitoring the port and the sea-bound crews in order to 'protect' the secret special businesses [*Sondergeschäfte*] of the Bereich Kommerzielle Koordinierung (KoKo) of Schalck Golodkowski [...]."⁸⁶ While up to 90 percent of GDR's exports passed through the *Überseehafen* on their way out to the NSW, this figure approached 100 percent with respect to KoKo's exports and imports, weapons in particular,⁸⁷ "naturally all under strict secrecy."⁸⁸ The AG BKK was thus instrumental in enabling "the contraband of the Embargo-goods".⁸⁹ The

⁸² Broschur 1960-1980

⁸³ Zwanzig Jahre Überseehafen Rostock, 1960-1980

⁸⁴ Siegfried Koehler, 142-143.

⁸⁵ BStU, MfS BV Rostock, HA XIX, Archivsignature 2450, Entwicklung des IM/GMS-Systems der Abt. Hafen im Jahr 1972, Bl. 280. MfS BV Rostock, ZAIG, Archivsignature 27250, IM-Gesamtbestand 31.3.1989, Bl. 62; Siegfried Koehler, p. 28.

⁸⁶ Siegfried Koehler, p. 29.

⁸⁷ Peter Przybylski, Tatort Politbüro, Volume 2, 1992, p. 305.

⁸⁸ Siegfried Koehler, p. 7.

⁸⁹ Siegfried Koehler, p. 7.

overarching purpose was to make the GDR independent from the West German ports⁹⁰ and enable a smooth passage for the Soviet military goods and personnel, bypassing the land route through the increasingly undependable Poland.⁹¹ Considering that all those top-priority and top-secret operations took place on a relatively small physical space of several square miles, it is not hard to imagine that the vigilance regime on the grounds of the *Überseehafen* neared the levels analogical to those at and nearby the Berlin Wall.

The *Überseehafen Rostock* was thus a vital element in the entire KoKo scheme. It is far from accidental that the city of Rostock was the home of the first hard currency booth [*Lade*] in the GDR. It was established in 1955 and was a precursor to the future Intershop chain.⁹² The first full-scale Intershop was opened in Rostock in 1962. Together with a similar outlet in Leipzig, which serviced the westerners visiting the *Leipziger Messe* (the largest annual international trade exhibition), it was a pioneering establishment of its kind.⁹³ Rostock's resort town of Warnemünde housed the GDR's most famous Interhotel: the five-star seaside Neptun. All of those establishments were aimed to capture the hard currency from foreign tourists, sailors, diplomats and other visitors. The Neptun hotel was the largest and most luxurious seaside establishment in the Republic. In Schalck's words, the Neptun's construction, sponsored by the KoKo, "marked the GDR's entry into the international tourist business arena".⁹⁴ Schalck was a frequent guest at the hotel, where he played skat with its director Klaus Wenzel and negotiated deals with prominent socialist and capitalist partners, including Fidel Casto, Muammar Gaddafi and Franz Josef Strauss.⁹⁵

In 1959, the (at the time) biggest Stasi regional office was established in Rostock alongside a very large prison complex.⁹⁶ The surveillance process became particularly strict after 1974. A new decree on "Enhancing Security and Order" significantly increased the degree of control that the Stasi held over all aspects of maritime international traffic.⁹⁷ It was that decree that eventually made it possible for every single East German seagoing vessel to be "occupied"

⁹⁰ BArch, DL 226/1287, Gunter Mittag, undated but certainly from 1978, Vorläge für das Politbüro des ZK der SED, Reduzierung des NSW-Fremd Hafen Umschlags durch den zusätzlichen Ausbau der Hafen Rostock und Wismar, p. 1-3.

⁹¹ Siegfried Koehler, p. 137.

⁹² Bundestag Bericht des 1. Untersuchungsausschusses des 12. Deutschen Bundestages..., 34.

⁹³ Stefan Wolle, *Die heile Welt der Diktatur. Alltag und Herrschaft in der DDR, 1971-1989*, 1998, p. 75.

⁹⁴ Schalck: *Erinnerungen*, p 181.

⁹⁵ <http://www.stern.de/panorama/neptun-warnemuende-das-hotel-der-spione-654968.html>

⁹⁶ Anne Kaminsky (Hg.): *Orte des Erinnerns. Gedenkzeichen, Gedenkstätten und Museen zur Diktatur in SBZ und DDR*, Bonn 2007, S. 263–266

⁹⁷ Brigitte Goetz Harry Wenzel, *DSR Rostock*, 7

by at least one Stasi informer.⁹⁸ Among the Neptun's personnel, for example, it was commonplace to think of every second employee of the DSR [Deutsche Seereederei] as an informer.⁹⁹ Stasi's internal instruction no. 3/75 (1975) specified the role that the Customs Service was to play in helping to secure the flow of goods, people and ideas crossing GDR's borders. Department VI of the Stasi was dedicated specifically to monitoring the cross-border tourist traffic and the Interhotels. Its regional branch in Rostock was particularly well-staffed. It was Department VI that was responsible for equipping the Neptun with audiovisual surveillance equipment.¹⁰⁰

Stasi's regional branch in Rostock had another special subdivision: the already mentioned *Abteilung Hafen*. The number of IMs [secret informers] working for the AH reached almost 1000: 799 in 1972, 842 in 1989. It was nearly 15 percent of all IMs recruited by the Stasi in the entire Bezirk Rostock.¹⁰¹ The AH cooperated closely with the Second Department (Abteilung II, counterespionage), the HVA (counterintelligence) as well as with regular police and military units, all to "protects KoKo's special [foreign trade] businesses", most of which sooner or later had to pass through Rostock.¹⁰² At least five directors of the *Überseehafen* worked as secret informers for the Stasi in the 1980s.¹⁰³ Additionally, Rostock's Stasi Department VIII was responsible specifically for 'prophylactic monitoring' of the trans-border traffic, including all diplomats and journalists, not to mention the OPKs - *Operative Personenkontrollen*, enhanced surveillance of targeted, suspicious individuals.¹⁰⁴ Department VIII had one of its operative quarters in a room in a *Kurhaus* [spa house] located right across the street from the Neptun, where the Stasi made sure that "all important hotel guests" could be "documented upon arrival through extensive photographic evidence."¹⁰⁵

In the 1960s, some of the best customers of the "Duty-free shop Ostseebad Warnemünde", the first establishment of its kind in the country, were "Danish professional

⁹⁸ Brigitte Goetz Harry Wenzel, DSR Rostock, 26

⁹⁹ Quelle IMS Wera, Hauptmann Bohnhoff, 19.1.1988, Rostock, 28 Januar 1988, 162-163

¹⁰⁰ Auskunftsbericht über geplante Maßnahmen zur inneren und abwehrmassigen Sicherung im Verteidigungszustand. Objekt: Hotel 'Netpun' Warnemünde. Bezirksverwaltung für Staatsicherheit Rostock Abteilung VI, 10.11.1982. BStU, MfS, BV Rostock, Archivsignatur: 189 VI.

¹⁰¹ BStU, MfS BV Rostock, HA XIX, Archivsignature 2450, Entwicklung des IM/GMS-Systems der Abt. Hafen im Jahr 1972, Bl. 280. MfS BV Rostock, ZIAG, Archivsignature 27250, IM-Gesamtbestand 31.3.1989, Bl. 62

¹⁰² Brigitte Goetz Harry Wenzel, DSR Rostock 29

¹⁰³ Brigitte Goetz Harry Wenzel DSR Rostock, 63

¹⁰⁴ Einschätzung zur Gesamtsituation der ständigen Beobachtungstutzpunkte, deren Funktion und Abdeckung, BStU, MfS, BV Rostock, Abt. VIII, Nr. 61

¹⁰⁵ FROM: Einschätzung zur Gesamtsituation der ständigen Beobachtungstutzpunkte, deren Funktion und Abdeckung, BStU, MfS, BV Rostock, Abt. VIII, Nr. 61

contrabandists", who bought up to 400.000 American cigarettes per visit and smuggled them back to Denmark. A trip with "the fastest motorboat of Scandinavia", if *der Spiegel* is to be believed, took only two hours both ways. The Danes placed 20.000 Danish Crowns into Walter Ulbricht's hard currency coffers and received three or four times the amount back at home. "The quantity and methods of contraband suggest the existence of well-organized, financially strong organized criminal groups". The Danish military counterintelligence entered the scene after some "rumors spread around that the Danish smugglers could be connected with GDR's intelligence services. These rumors were exacerbated when the "contraband flotilla was photographed parked [...] under the noses of the East German policemen" with one of the ships actually named "Smuggler" [sic.]. The "Smuggler" travelled with a speed of over 100 km/h, three times faster than the fastest boat of the Danish customs administration fleet. "So far the police have arrested 17 smugglers and black market kings, confiscated one million cigarettes and six speed-boats".¹⁰⁶ The persistence of the Danish smuggling operations right until 1989 is confirmed by the Stasi's own reports¹⁰⁷. The Danes were just one among over seventy nations visiting Rostock per year.

While some of the details of the *Spiegel* stories cannot be fully trusted, the strategic importance of the hard-currency economy in Rostock is demonstrated in the following table, which comes from KoKo's own sources:

Number of Intershop Outlets in the GDR, 1977¹⁰⁸

District	Number of Outlets
Berlin	26
Rostock	36
Schwerin	19
Neubrandenburg	7
Potsdam	17
Frankfurt/Oder	15
Cottbus	5

¹⁰⁶ SPIEGEL 38/1967, Bilder aus Warnemünde

¹⁰⁷ 1970 CASE Hamster, CASE DDR-flagge

¹⁰⁸ BArch, DL2/KoKo/1108, Brief 16.2.1977

Magdeburg	25
Halle	17
Erfurt	27
Gera	17
Suhl	12
Dresden	14
Leipzig	20
Karl-Marx-Stadt	13
Total	271



Bezirk Rostock was the pioneer in and the leader of the Intershop business despite its population being much lower than in the southern provinces. The Intershop network normally provided ca. one third of KoKo's total revenue. Under Honecker it was 14.3 billion DM, with a rate of return

reaching 70 percent. The number of outlets increased from 271 in 1977 to 470 in 1989.¹⁰⁹ Starting in 1974, a GDR citizen could purchase items in an Intershop with hard currency. But only until 1979, when a special Forum-check was introduced and made into the only means of payments in an Intershop. But the resistance was too strong and the idea was abandoned a few months later.¹¹⁰

The regime was chasing after every single D-Mark, but so were its citizens. With limited supply, some competition was unavoidable. Consequently, the Neptun became the first hotel in East Germany to introduce its own printing press. Special *Neptun-Geld*, Neptun-bills, exchangeable one-to-one with D-Marks, were introduced to limit the black market exchanges inside the establishment.¹¹¹ Klaus Wenzel, the director, used his prior experience as a chief steward on the GDR's only oceanic cruiser at the time: *MS Volkerfreundschaft*, the Friendship of the Peoples. Otherwise, the hotel guests were likely to engage in currency exchange operations with ratios of even 1:10 instead of the nominal 1:1, he recollected. Those who did successfully exchange their D-Marks in such a ratio sometimes could not refrain from displaying their joy upon experiencing their currency's purchasing power abroad. They threw their numerous one-hundred Mark bills into the air: "blue rain", as it was known among the locals.¹¹² The introduction of the internal house money was rationalized as a way to equalize all guests. Now, since everybody had to pay with the same currency, it was impossible to say whether the guest came from the East or the West.¹¹³

What rendered the Neptun a highly attractive prospect for the *Wessies* was its combination of West German standards and East German prices. Organized groups could obtain bargain deals through the Hamburg-based *Hansatourist* travel agency that negotiated wholesale bookings directly with the KoKo.¹¹⁴ The Stasi was pleased with the *Hansatourist* as they rendered "the political-operative counter-intelligence easy". The travel agency not only shared information about their customers who were interested in travelling east, but also pre-selected,

¹⁰⁹ MATTHIAS JUDT INTERVIEW: „Ökonomie siegt über Prinzipien“

¹¹⁰ Zatlin, *Currency of Socialism*.

¹¹¹ <http://www.spiegel.de/reise/deutschland/hotel-neptun-mit-castro-in-der-sauna-a-646391-2.html>

¹¹² Tourismus, Hotelwesen, Events und Lifestyle in der DDR. Interview mit Klaus Wenzel, Generaldirektor des Hotels 'Neptun' in Warnemünde und Mitglied des Vorstandes der Arcona Hotel Ag. In: *Zeitgeschichte regional. Mitteilungen aus Mecklenburg-Vorpommern*. 6 Jg Heft 1/2002, s. 109

¹¹³ Tourismus, Hotelwesen, Events und Lifestyle in der DDR. Interview mit Klaus Wenzel, Generaldirektor des Hotels 'Neptun' in Warnemünde und Mitglied des Vorstandes der Arcona Hotel AG. In: *Zeitgeschichte regional. Mitteilungen aus Mecklenburg-Vorpommern*. 6. Jg, Heft1/2002, s.109

¹¹⁴ *Hotel der Spione*, 99

according to their own data, the individuals who could be of "operational interest" and informed the Stasi of their arrival.¹¹⁵ But what made vacations in Warnemünde even more cost-effective were the local *schwarz-devisengeschäfte* [black market currency exchanges], "secretly made in the toilets and corridors."¹¹⁶ For example, a group from West Germany visiting Warnemünde in the 1980s developed a habit of exchanging D-Marks to Marks 1:5. Such an exchange rate made the vacations there "attractive, as they could prowl through all the best hotels, restaurants and bars".¹¹⁷

Barely a year after the Neptun's inauguration, on September 21, 1971, the Politburo ruled that 80 percent of the hotel's capacity should be permanently booked for the FDGB, the state-controlled trade union. This decision infuriated Klaus Wenzel and KoKo's management: "[h]ow could a five star beachfront hotel remain profitable if it was to host the trade unions, which paid in the domestic currency" - they argued. Quite convincingly, as it turned out. The share of the rooms occupied by the unions diminished steadily with time, even if it had never disappeared completely.¹¹⁸ Beginning in 1977, the Neptun delivered an annual profit of over 1 million D-Marks and the sums kept on increasing right until 1989 and beyond.¹¹⁹

The first union workers arrived in 1972. Each paid 310 Marks and received special bills to pay with at bars and restaurants, which, among other factors, made the *Ossies* immediately recognizable to the hotel staff.¹²⁰ Most *Ossies* could only obtain access to the Neptun through the FDGB,¹²¹ and the number of spots that was earmarked for the working class vacations was steadily declining. The demand for hard currency was too high making it impossible for an ordinary citizen room to simply book a room in the Neptun, regardless of how many Marks he or she possessed. The exceptions to this rule were the sky bar and the ground floor with the milk-mocha-ice bar, the broiler bar and the disco, which were open to the public, given one was willing to wait in hour-long queues. The sky-bar, located on the top nineteenth floor, boasted a deck that could be closed or opened on demand, hosted the first modern disco in East Germany,

¹¹⁵ Operativer Auskunftsbericht zum Reisebüro unternehmen Hansa-Tourist GmbH. HA VI Abteilung Objektsicherung und Tourismus, Berlin, 29.12.1979, BStU, ZA, MfS-HA II Nr. 30371, Bl. 76

Hansatourist was in fact covertly financed by the KoKo. See: Schreiben Schalck-Golodkowskis an Generalsekretar des Zentralkomitees des SED E. Honecker, 9 December 1988, Fisher DOKU 25

¹¹⁶ Zahlen mit "Neptungeld"

¹¹⁷ Wera II, 137

¹¹⁸ Hotel der Spione 73

¹¹⁹ "Zeugenvernehmung von Klaus Wenzel vor dem Bundestags-Untersuchungsausschuss, s 215.

¹²⁰ Hotel der Spione 74

¹²¹ Although a secondary market of (sometimes falsified or stolen) FDGB passes quickly developed around the Warnemünde train station. <http://www.spiegel.de/reise/deutschland/hotel-neptun-mit-castro-in-der-sauna-a-646391-2.html>

also available under a clear night sky.¹²² Other coveted spots, especially the legendary Seaman's Pitcher bar, were restricted to insiders.¹²³ One could certainly smell the West inside ("Fa and Bac aromas in the bar, Colombian coffee in one of the three intershops"), and almost see it. Or to be more geographically precise: see the north. The Danish shores and the city of Gedser remained hidden behind the horizon line even when looking from the Sky bar on top, the misleadingly short 50 km beeline. The impression made by the Neptun on the contemporaries has been captured well by the popular singer Hartmut Schulze-Gerlach: "when the entire country is gray and you suddenly come here and have a look, you think that an oil sheik cannot have it better."¹²⁴ Another unique feature of the Neptun was the common restaurant hall for East and West Germans. It was perhaps the only place in the entire country where strangers from both sides of the Curtain were given a chance to mingle (relatively) freely.¹²⁵

Still, the Neptun was among the most rigorously surveilled places of the entire Republic. Neptun's reception, bar and disco were the *schwerpunkte* [focal points] of "political-operative counterintelligence measures. [...] It was in those areas that [our] employees are vulnerable to hostile PiD and Kontaktpolitik /-tätigkeit [political-ideological diversion, foreign contacts]. It is here that intensive contacts that [eventually] lead to re-settlement requests [due to marriage] start." As a countermeasure, the Stasi was responsible for comprehensive provision of security through "preventive measures, detection and treatment of subversive attacks of the enemy within the structure [i.e. the hotel and its surroundings] under any political conditions."¹²⁶

The number of surviving files of the IMs who were in some way connected with the hotel exceeds one hundred. The Stasi informants ranged from the cleaning staff up to the very director - Klaus Wenzel, alias IM Wimpel.¹²⁷ The Stasi had their own operational headquarters: room

¹²² Hotel der Spione 9

¹²³ MfS BV Rst 30/93, 4 Bände, Berichterstattungen und Beobachtungen zu Hotelgästen und Hotelangestellten des Hotelrestaurants "Seemannskrug" im Interhotels "Neptun" in Warnemünde und des Spezialitätenrestaurants "Riga" im Interhotel "Warnow" in Rostock durch einen Kellner als Inoffizieller Mitarbeiter Sicherheit (IMS) "Pedro" des MfS, Abteilung VI

¹²⁴ Hotel der Spione 59

¹²⁵ Hotel der Spione 60

¹²⁶ BStU, MfS BV Rostock, Abt. VI, Nr 989, Auskunftsbericht über geplante Maßnahmen zur inneren und abwehrmassigen Sicherung im Verteidigungszustand, Objekt: Hotel "Neptun" Warnemünde, Autor Oltn. Schwarz, 30.10.1982, Geheime Verschlussache GVS-004, BVsS Rst-Nr: 405/82, 7.

The same was true of Interhotel Warnow, a small version of Neptun: See: 26. MfS BV Rst 57/93, 3 Bände Aufklärung und Absicherung des Personalbestandes sowie der Gäste aus dem Nichtsozialistische Wirtschaftssystem (NSW) des Interhotels "Warnow" durch einen Mitarbeiter der Direktionsebene als Inoffizieller Mitarbeiter Sicherheit (IMS) "Koch" des MfS, Abteilung VI (Enthalt: Kontakte von NSW-Gästen zu DDR-Bürgern, illegaler Aufenthalt von weiblichen Personen im Hotel - Konzentration von homosexuellen Personen in der Bar Stubbenkammer - Meinungen zum Besuch Erich Honecker in der BRD, 1987 - Leichtathletikmeisterschaften 1988 - Tagung der Grenzkommission DDR/BRD 0 Schwarzgeschäfte/Geldumtausch)

¹²⁷ INTERVIEW MIT POHLMANN

1719.¹²⁸ While IM Wimpel was quick to inform on his subordinates, so were they, in the reverse direction. This was the essence of the system - a mutually assured denunciation. Certain IM Karli, one of the top managers at the Neptun, expressed it in the following words: "He [the director] is considered to be a fraud by the entire personnel. When one compares his life experiences to his stories - sailor's yarn, nothing more. He is of extremely boastful inclination, too. He thought it was necessary to let everyone know that a Volvo was his new company car or to explain how much his new necktie pin, made of gold and real pearl, was worth, a random purchase, after all."¹²⁹

Filling the Neptun with a sufficiently high number of IMs was a top priority for the regime. This issue remained problematic, however, because - as elsewhere - the informants were quickly ostracized by the rest, certainly upon disclosure, and likely upon suspicion. The solution was to recruit outsiders who also happened to be frequent guests at the hotel. The title of a dissertation defended at the Stasi academy says it all: "Provision of enhanced safety and order in the [Interhotels] through the utilization of external IMs for the sake of political and operational control of the hotel staff as well as obtaining important political-operation information from the guests milieu."¹³⁰ The content of the dissertation was equally straightforward: "Based on the fact that most of the operationally significant hotel guests are male, it is desirable when the [external] IMs happen to be attractive, young female GDR citizens, who nonetheless do not belong to the HWG [Häufig Wechselndem Geschlechtsverkehr, a Stasi term for what the KGB called 'ladies of easy virtue'] category. The practical experiences obtained so far suggest that such IMs often succeed in establishing and developing relationships, since many hotel guests from the NSA [capitalist countries] arrive unaccompanied and thus are interested in contacting attractive women."¹³¹ The author of the dissertation acknowledged, however, that the deployment of such women as IMs was not without its inherent costs - "they could become victims of the PiD [*Politisch-ideologische Diversion*] performed by the class enemy."¹³²

The lack of experience of the "recently recorded [*in erscheinung tretenden*] attractive female persons" was not necessarily seen as an obstacle by the Stasi. They had to be "constantly

¹²⁸ INTERVIEW MIT POHLMANN

¹²⁹ Information zu Klaus Wenzel, Direktor Interhotel 'Neptun' Persönlichkeit, Charakteristik, politische und materielle Einstellung. Badabschrift, Berlin 20. Mai 1981, BStU, ZA, IM-Akte 'Karli', Bd. II, Bd. Nr 3, A 209/80, Bl. 137

¹³⁰ Hochschule des MfS, MfS JHS 21437

¹³¹ Hochschule des MfS, MfS JHS 21437, 124

¹³² Hochschule des MfS, MfS JHS 21437, 44

educated and influenced", however, "to secure operational goals successfully and to prevent them from utilizing the cooperation for their personal benefit. The goal of our educational work must be to prevent the intimate contacts from playing a leading role, but to nudge them in such a way that the contacts are as closely linked to the operatively-interesting hotel guests as possible, for the interests of the MfS [Stasi]."¹³³ The main aim of recruitment was an attempt to "secure an even more effective level of control of the NSA persons, in particular from the FRG/West Berlin" who visited the Neptun's several bars. "Thanks to the recruitment of such persons, it is also possible to assume that operational control of the NSA [capitalist] persons will also be possible outside of the hotel."¹³⁴

The Stasi were particularly concerned with the problem of "individuals, which through frequent visits to the Hotel hoped to build relationships with the Valuta-paying guests [...] Among them are many young, attractive female GDR citizens, who are interested in initiating intimate contacts with the hotel guests in order to gain access to the freely-convertible hard currency. Most of them are already known as HWG persons in all the hotels of the capital of the GDR, Berlin. Many of those citizens are disposable, however, as they do not possess the intellect that would be necessary to utilize them as external IMs effectively."¹³⁵ The East German regime kept an eye on virtually all sex workers in the country and acted only under two sets of circumstances: either to induce a person to cooperate if such cooperation was seen as desirable or to scare them away from a particular location.¹³⁶ Those persons who did seem of potential use for the Stasi were invited to cooperate. The candidates were made aware that they could be asked to "maintain contact with operatively-interesting persons", "all the way the intimate sphere".¹³⁷

One of the most fruitful -- in terms of amounts of information passed over to the Stasi -- sex-workers employed in the Neptun was IM-Wera. Her real name was Ute. She was actively engaged in organizing disco-parties for fellow students already as a FDJ activist.¹³⁸ She was then hired as a waitress in the Neptun at the age of 18, also thanks to her excellent command of English and Swedish.¹³⁹ Ute was a member of the SED and remained very active as an IM from

¹³³ Hochschule des MfS, MfS JHS 21437, 44

¹³⁴ Plan zur Aufklärung des IM Kandidaten, 77

¹³⁵ Hochschule des MfS, MfS JHS 21437, 44

¹³⁶ Hotel der Spione, 12

¹³⁷ Einschätzung des IMS-Kandidaten (...) Barmixer Hotel Neptun, Objekt Schillerstrasse 14. BStU, MfS, BV Rostock, IM-Akte 'Wera', AIM 3962/90, Teil. I, Bl. 118.

¹³⁸ Rostock den 12.06.79, Abteilung VI, Referat 1, bestätigt Stellv. für op. Aufgaben, Major Luebke

¹³⁹ Rostock, den 14.04.79, Abteilung VI, Referat 1

1978 until 1989.¹⁴⁰ Born and raised in Rostock, even before being recruited -- according to the Stasi -- Ute had developed "extensive contacts" with foreigners, "including the intimate sphere"¹⁴¹. This was perhaps the main reason why the Stasi paid attention to her, on top of her "intelligence", "articulate, attractive, sociable"¹⁴² character and "a cute sporty physique that speaks to all men."¹⁴³ According to her Netpun colleague, IMS Helga, IM Wera "was not to be discouraged from bringing her bodily attractions into play, particularly with regard to the acquisition of *Devisen*."¹⁴⁴ Even more importantly, she had already been receiving regular "telephone calls from Hamburg" that happened to be "directly in the area of operations" of Rostock's Stasi counterintelligence unit.¹⁴⁵

Before she could be picked in a Mercedes or other limousines on a regular basis as an IM, she travelled in a Trabant.¹⁴⁶ In return for the money, protection and other perks, IM Wera provided sensitive information on those among her colleagues who were in touch with friends or family in the FRG.¹⁴⁷ Those in West Germany who helped to organize *republikfluchts* were known among the Stasi under the collective heading of KMHB - *kriminelle Menschenhändlerbande*, human trafficking gangs. IM Wera also served as a tour-guide in and around Warnemünde, supervising the organized group tours supplied by Hamburg's *Hansatourist* and kept an eye on the Berlin milieu of smugglers.¹⁴⁸ One of them ended up being reported after he offered IM Wera a "business partnership in automobiles, leather-goods, whiskey, caviar, jewelry, etc". This particular case was taken seriously by the Stasi because of an alleged "connections to an embassy in Switzerland."¹⁴⁹

In April 1988, IM-Wera celebrated the tenth anniversary of her cooperation with the Stasi and received a few hundred Marks upon the occasion. Before that could happen however, a month earlier, the Stasi requested one more favor. They were interested in learning the

¹⁴⁰ Beschluss über das Anlegen einer IM-Vorlaufakte, Rostock, 14.04.79, Reg-Nr I/496/79, 1

¹⁴¹ Beschluss über das Anlegen einer IM-Vorlaufakte, Rostock, 14.04.79, Reg-Nr I/496/79, 2

¹⁴² Beurteilung über IMS "Wera", 13.8.1987, 79

¹⁴³ "IMV "Vera Meyer", 76

¹⁴⁴ Rostock den 12.06.79, Abteilung VI, Referat 1, bestätigt Stellv. für op. Aufgaben, Major Luebke, 110

¹⁴⁵ Rostock den 12.06.79, Abteilung VI, Referat 1, bestätigt Stellv. für op. Aufgaben, Major Luebke, 111

For an analogous case, see: IM Akte Helene, Beginn 28.6.73, Beginn, Archiv-Nr 2746, 85, Rostock AIM 2746/85, Band I

¹⁴⁶ Rostock, den 14.04.79, Abteilung VI, Referat 1, 21

See: DOKU: IMS "Venus" Oltn. Hoeter, Rostock, 2.7.1975, BStU, 000127, Bericht über der Barfrau Elke Vergin zu Bürgern aus der BRD: "Seit 1-2 Jährens offensichtlich zu bemerken, dass Fräulein Vergin Verbindungen zu jüngeren Bürgern aus der BRD unterhält. Das ist so offensichtlich, dass sie sich mit PKW westlicher Produktion bis zur Wohnung vorfahren lässt und diese BRD-Bürger sie auch in der elterlichen Wohnung besuchen." (127)

¹⁴⁷ Beurteilung über IMS "Wera", 13.8.1987, 86

¹⁴⁸ Wera I, Leaf 104

¹⁴⁹ Wera II, 3

whereabouts of a former Neptun employee who had recently escaped West. It so happened that by 1988, a certain bowling club from the town of Hagen (North-Rhine Westphalia) had established a tradition of organized-group-vacation visits in Warnemünde. The Stasi suspected they might know something about the missing person. Since IM Wera had by then developed "intimate contacts" with a member of the West German bowling club, she was asked to approach him. The Stasi had by then secured appropriate incriminating evidence of the bowler. It was both "violations of the GDR customs and hard currency regulations" and "extramarital intimate contacts with GDR citizens." IM Wera was advised to use that evidence to obtain the needed information.¹⁵⁰ Furthermore, quoting the recently "closer relations between the two German states", the Stasi indicated it was now possible to "share information with the respective FRG organs" and consequently inform the wife and family of both kinds of violations. After "a kind of a shock" suffered by the blackmail's victim, following "many minutes until he could answer the questions", he eventually agreed to cooperate. He did threaten, however, that he was going to spend his next vacations in Bulgaria.¹⁵¹ Later in the conversation, the victim confirmed his prior awareness "that quite a few marriages had already been destroyed [by this kind of tourism] in the GDR."¹⁵²

This tactics -- simultaneous registration and tolerance of financial, customs and other violations across the Iron Curtain and their selective usage for political purposes -- eventually turned into a standard procedure, not only in the GDR, but also across the entire Bloc. In this particular case: the Stasi used the fact that virtually all guests visiting the Neptun engaged in currency exchanges under the table. By the late 1980s, the hotel was being extensively video-surveilled. In a peculiar kind of a closed loop, a considerable part of the hard currency earned by KoKo's own covert operations was in turn used to purchase ever more sophisticated surveillance equipment to make the blackmailing process less labor-intensive. By 1988, the fraction of D-Marks held by East German citizens had reached 62 percent of the entire stock of cash in circulation.¹⁵³ Despite the ubiquitous nature of this undesirable phenomenon, throughout Honecker's entire reign, only two articles in the *Neues Deutschland* were ever written with a passing reference to that reality. This paradox is illustrative of the kind of use that was made of

¹⁵⁰ Wera II, Plan der Kontaktaufnahme, 123

¹⁵¹ Wera II, 128, 130

¹⁵² Wera II, 132

¹⁵³ Andre Stein, Zwischen Konsumversprechen und Innovationszwang, s. 168

law under late socialism. *De jure*, roughly one in two East German citizens were constantly violating the law. In the 1950s, this particular crime was punished with all seriousness of the Stalinist state apparatus. Even though it was an open secret that such a state of affairs was prevalent, the topic remained a taboo in public. The state preferred to use the law against the citizens only when it was necessary to punish them for other deeds, which -- as freedom of movement, for example -- were nominally legal, but which at a given moment seemed more threatening for the regime's stability.

Perhaps the most well-known and still murky event associated with Hotel Neptun is the death of the Minister-President of Schleswig Holstein, Uwe Barschel. Barschel, the youngest (38 years-old) Minister-President in German history at the time of his election, was found dead by two journalists in a hotel room in Geneva in October 11, 1987. It appeared to be a suicide. Much ink has been spilled over this case since then with no consensus and no notable legal consequences. According to the leading expert on the Neptun's communist history, Friederike Pohlmann, "allegedly, there did exist evidence that Barschel's death was associated with transactions which he had negotiated in Warnemünde." "The irresistible mix of rumors and newspaper reports on sex parties and weapons deals" enticed the *Spiegel* to send its best team of investigative journalists to search for traces in 1990. To some, but not much avail.¹⁵⁴ While there exist specific Stasi files pertaining to Barschel's visits in the Neptun, they do not reveal much besides several facts: he always requested "the Italian room with a round bed"¹⁵⁵, he exchanged kisses with female GDR citizens in public and danced with them in Neptun's disco, if Stasi informers are to be believed. "Rumors were rife that the Stasi filmed Barschel's sexual intercourse in his hotel room to blackmail him."¹⁵⁶ What is known is that Barschel did spend many weekends in Warnemünde, especially shortly before his death, travelling to East Germany at least nineteen times in his last year of life, with the East German seaside resort being his most frequent destination. What is also certain is that Uwe Barschel, the Hanseatic *Kommunistenfresser* [communist-eater] was at least as (and probably more) involved in the

¹⁵⁴ <http://www.stern.de/panorama/neptun-warnemuende-das-hotel-der-spione-654968.html>, a few documentaries, many newspaper articles, two court cases, one book, etc

¹⁵⁵ *Spiegel*, 41/2007, page 57

¹⁵⁶ <http://www.stern.de/panorama/neptun-warnemuende-das-hotel-der-spione-654968.html>

While no hard evidence exists to support this claim, it is clear that such practices were standard in the 1980s, as the IM-Wera files demonstrate beyond doubt.

covert East-West business as his even more rhetorically flamboyant Bavarian counterpart Franz Josef Strauss.

Stasi's surveillance, extensive as it was, was not flawless. Furthermore, the focus on single strategic *schwerpunkte* [focal points] such as the Neptun began to backfire badly in the 1980s. According to the reports of their own informers, it was the less strictly monitored Interhotel Warnow that had achieved "a monopolist position" in "covert hard currency operations". The Warnow was especially popular among Scandinavian seamen while its bar *Stubbenkammer* - among persons of homosexual orientation.¹⁵⁷ Its specialty restaurant *Riga* was watched, among others, by the IMS (Inoffizieller Mitarbeiter Sicherheit, a variation on the regular IM theme) Pedro, a reliable informer for over two decades. Already in 1967, he reported on foreign guests engaging in "big hard currency business" with the waiters. The hard currency was needed to buy Intershop goods and "re-sell them with a big margin" further down the supply chain. The waiters bought Intershop goods claiming they were buying them for various foreign guests, while the purchases were in fact ordered by a narrow circle of customers who dealt in the Intershop goods as a way of life.¹⁵⁸ Needless to say, Pedro reported on those among his colleagues who did not report (nor surrender) the "generous hard currency tips" received from foreign guests to state organs. He also expressed his belief that this situation was tolerated by the director of the restaurant, who run the scheme in agreement with the senior waiters.¹⁵⁹ The situation continued well into the 1980s. "Those who did not participate, were seen as outsiders and caution was advised towards those colleagues in private conversations. But it did not automatically mean that that an outsider must have also been an *Anscheisser* [mildly put: an informer], quite to the contrary - he was probably simply unwilling to break the law." More dangerous were those who did participate in the procedure and knew each other very well: a higher probability and more severe consequences of a potential denunciation.¹⁶⁰ In sum, by the 1980s it was clear that, even with all of its resources and cooperation with multiple other state organs, the Stasi was either unable or unwilling to eradicate the black-market phenomena, which

¹⁵⁷ MfS BV Rst Abt II 3, OPK der Abt. VI, eingeleitet am: 24.08.1988, Deckname: "Tourist", 63

¹⁵⁸ DOKU: "Abteilung VIII/4, Rostock am 8 Dez 1967, 116

¹⁵⁹ DOKU: Quelle: IMS "Pedro", FIM "Vitte" am: 13.10.1976, Rostock den 6 Dez 1976, "Tonbandabschrift, Valutatrinkgelder für Restaurantleiter", 106; For a detailed breakdown of how this business worked, see: DOKU: Varianten für die Möglichkeit Valuten zu Unterschlagen, Anlage zu treffbericht IMS Pedro 12.11.85

¹⁶⁰ Varianten für die Möglichkeit Valuten zu Unterschlagen, Anlage zu treffbericht IMS Pedro 12.11.85, page 85

were especially marked on the Baltic coast due to its tourist infrastructure and a never ceasing flow of seamen from around the world.

To obtain valuable information about establishments such as the *Riga* restaurant, the Stasi had no choice but to encourage its agents to engage in the kinds of operations they were subsequently expected to denounce and liquidate. Otherwise, it was too obvious too quickly that a 'clean' member of the collective was either an informer or suspect in other inexplicable ways. This fact also applied to foreign intelligence gathering. A case in point is the story of a KP [*Kontakt Person*, a loose form of cooperation with the Stasi of a foreign citizen] Hamster. Hamster was an alias, the agent's real name was Jan Aage Jeppesen. He was a citizen of Denmark, a member of the Danish Conservative Party and an IT worker at a Ford Motors factory in Copenhagen. Hamster cooperated with the Stasi for at least five years (1981-1986) during which he received a full positive sanction for all kinds of smuggling operations that he conducted in and between Poland, both Germanies and Scandinavia.¹⁶¹ The case of KP Hamster is worth a few more words because it is representative of the kind of a shift that affected the Stasi along its transformation from a political secret police to an underground economy enterprise emulating the KoKo blueprint.

Hamster's first contact with the Stasi came on 24 October, 1981. He was found smuggling 209 cartons [ca. 2000 packs] of cigarettes and 4 bottles of alcohol across the Polish-GDR border checkpoint in Pomellen [near Szczecin], travelling Germany-bound. When Hamster was captured red-handed, the quantities of goods he smuggled easily qualified his deeds for the organized crime [*Gewerbsmäßiger, gewaltsamer und bandenmäßiger Schmuggel*] paragraph and consequently: for prison time. But he was not even arrested. A Stasi Oberleutnant Horst Fischer, initially disguised as a customs officer, appeared at the checkpoint to ask a few questions. Hamster was happy and quick to tell him all about his extensive "previous and current activity freely and openly". Fisher was clearly impressed by Hamster's feats, especially his cigarette and fox-skins contraband from Poland to Denmark through the GDR.¹⁶² Not less impressive was Hamster's car: AMC Matador (GM), purpose-built to smuggle cigarettes by a body shop in Copenhagen specializing just in this procedure. The Danish citizen was offered cooperation. He did not remain ungrateful and "expressed his willingness to respect GDR's laws on multiple

¹⁶¹ BStU, MfS BV Rostock, AIM 47/93, Bd 1, IM Akte Apollo, BV Rostock, Abt VI/4, 77

¹⁶² In just one among many escapades in 1980, Hamster acquired 35 fox skins in Poland and smuggled them illegally to Denmark.

occasions."¹⁶³ "In den Gesprächen äusserte er mehrfach seine Bereitschaft, die 'Staatlichen Organe der DDR' zu unterstützen."¹⁶⁴

The Stasi was also impressed with the extent of Hamster's Polish connections. Crucial was the fact that the father of his (first) Polish wife was a member of *Solidarność*.¹⁶⁵ Hamster spoke fluent Polish and had many friends and business partners in Poland.¹⁶⁶ His Polish wife moved and stayed in Copenhagen illegally. "She reported to him" [sic] after she read the following newspaper advertisement: "Wohnung mit Telefon ist frei für eine stabile Frau" in the Danish daily *Ekstra Bladet*. Hamster's task was thus to learn whether she and her friends or family were supporting *Solidarność* and if yes - in what capacity. Occasionally, he was also asked to conduct surveys about particular events such as Honecker's state visit to Poland in 1983.¹⁶⁷

The introduction of the Martial Law in Poland complicated Hamster's operations. In response, he was reassigned to a different front by the GDR's "central authorities": now his job was reconaissance work against a Hamburg company named *Ost-West-Transfer GMBH*, which Stasi considered to be BND's cover for a KMHD, *kriminelle Menschenhändlerbande*, i.e. an organization that helped the GDR citizens arrange a *Republikflucht*. The price was 16.000 DM for adults, 8.000 DM for children, the service was provided within 4-8 weeks after application. KP Hamster had extensive contacts both among the Polish opposition, in Poland and abroad, and among the GDR's own diaspora. For a single report on the *Ost-West-Transfer GMBH*, which was apparently considered extremely useful by the Stasi, Hamster received a payment of 2.500 DM in cash.

Hamster's efficiency and knowledge was appreciated and he was asked to service other fronts as well. He regularly provided detailed information on the changing customs clearance regulations and practices on the other side of the Iron Curtain. While in East Germany, he normally stayed either in the Neptun or the Warnow hotels. While on the road, he would rent out his apartment to a Danish sex worker for 200 DKR per day to supplement his budget. In return for Hamster's services, Stasi would promise to engage in a "discussion about the kind of support

¹⁶³ Case Hamster, CH, 6

¹⁶⁴ CH, 56

¹⁶⁵ CH, 77

¹⁶⁶ CH, 239

¹⁶⁷ Informationen zu Stimmungen/Meinungen poln. Bürger über den gegenwärtigen Staatsbesuch des Gen. Erich Honecker zu erarbeiten, CH, 273

to be received by the customs administration"¹⁶⁸ He received anywhere between 50 to 2.500 DM in cash for each single report.¹⁶⁹ In return for their generosity, the Stasi were requesting more information about "the spots, streets, bars and other localities where narcotics were traded" (and at what prices) as well as about the individual Danish "Grosshandler" [wholesalers, i.e. drug lords].

With Poland closed off, Hamster's alternative was stopping by at a "bar in Hamburg, St. Pauli"¹⁷⁰ and selling the GDR-purchased cigarettes there, which he did for over a year. In order to compensate for his losses after the Martial Law, Hamster was allowed to purchase cigarettes in GDR's own Duty-Free Shop in Warnemünde (paying with DMs) with "Unterstützung" from the Stasi. After the Martial Law had been lifted, he began travelling to Poland twice a month again. Despite, or perhaps because of her chronic economic ailments, Poland's black market still offered more competitive conditions than the GDR's Intershops or even the duty free shops of Warnemünde. Stasi's cooperation remained essential as it secured a safe passage through GDR's territory and border checkpoints. A brief (few-hours long) ferry cruise from Copenhagen to Warnemünde, then a two-hour drive to Pomellen (near Szczecin), border crossing, quick purchases in Poland's second major international seaport and then a drive back to Lübeck's Hotel International was the default, "cheapest, most convenient arrangement."¹⁷¹ Hamburg was by far the biggest market in the region with inexhaustible demand for the kinds of goods supplied by Hamster, but it was also very competitive as "the occupying soldiers (American, English) purchased cigarettes at their bases and sold them for less than "we" [the Stasi] did" to the local population.¹⁷² Consequently, he usually sold the cheaply purchased cigarettes in his home country. Other smuggling activity of KP Hamster included pornographic materials, which the Stasi grew more interested in with time, but Hamster disliked as was not nearly as profitable as cigarettes or alcohol.¹⁷³

A typical visit to Poland run as follows: 100 cartons of cigarettes were purchased for 550 DKR (ca. 14 USD) and then resold in Denmark for 8.500 DKR (ca. 212 USD). Travel, visa and other logistical costs did not exceed 20 USD, i.e. 7.300 DKR of pure profit was left in Hamster's

¹⁶⁸ CH 94

¹⁶⁹ CH 92

¹⁷⁰ CH, 199

¹⁷¹ CH, 239

¹⁷² CH, 153

¹⁷³ CH, 77

pocket. A rate of return of over 1000 percent. Hamster's monthly salary was ca. 12.000 DKR (ca. 8.000 net), meaning that a single trip to Poland could equal and sometimes surpass it (his record purchase was 300 cartons of cigarettes, i.e. ca. triple his monthly salary). It was at least double the monthly car installment he had to pay. While living just on his base salary as an IT worker at Ford, "he could not afford very much"¹⁷⁴, especially considering the high living cost, taxation and other burdens of the Danish welfare state. During the most severe phase of the Polish Martial Law, "he was left practically without financial means and it was thus objectively impossible for him to get by without the smuggling business or other illegal sources of cash"¹⁷⁵ The fact that he had taken loans "in ten different banks and credit institutions" (adding up to 10.000 DM and 300.000 DKR)¹⁷⁶ or changed cars often (since August 1981 he drove a modified, smuggling-adapted Ford Taurus)¹⁷⁷ did not help.

A typical duty-free shop visit in East Germany, 3 March 1983:

- 138 cartons of "Prince" cigarettes [over 2000 packs]
- 2 cartons of "Cecil" cigarettes
- 4 bottles of vodka
- 2 bottles of whiskey
- 1 bottle of cognac

Thanks to all this additional income, Hamster was slowly "improving his financial situation"¹⁷⁸ In 1982, however, he divorced his first wife and married a second one, also from Poland. The costs of divorce and the lost lawsuit unexpectedly worsened his financial situation. Furthermore, the East-German duty-free business was not as profitable as the earlier Polish escapades. In Poland, he could buy up to 300 cartons of cigarettes per visit at much lower prices, a quantity the Stasi was unwilling to tolerate and a price that was below KoKo's import costs.

The Stasi did try to make business easier for Hamster, though. After a successful visit to the Warnemünde duty free shop in late 1982 (estimated 3.600 DM in profit), he "thanked us for the support and said: "Zollorgane sind die letzte Hoffnung für ihn, da durch die Maßnahmen und

¹⁷⁴ CH, 10

¹⁷⁵ CH, 77

¹⁷⁶ CH, 91

¹⁷⁷ CH, 4

¹⁷⁸ CH 199

der derzeitigen Lage in der VR Polen keine Möglichkeiten vorhanden sind, dort Zigaretten zu kaufen."¹⁷⁹ [the GDR's customs administration is the last hope for him due to the fact that the measures of the Martial Law in Poland temporarily made the purchase of cigarettes in Poland impossible]. In other words, the Stasi were exploiting the Martial Law in Poland to 1) sell the KoKo-imported Western duty-free cigarettes 2) while at it, they recruited capitalist citizens to obtain information and work against *Solidarność*. It was a self-propelling kind of virtuous circle, and perhaps an explanation behind Hamster's alias (spinning in a wheel).

After consultation with the Stasi in the spring 1983, the business was now "to be conducted in Poland" again, since the Martial Law had already been lifted. Besides, Hamster's Inter- and Duty-Free-Shop purchases "had become widely known" and were attracting unnecessary attention "of other [GDR] organs".¹⁸⁰ After October 1983, Hamster could be reassigned to his original mission. He began a reconnaissance operation against the Polish Solidarity Support Committee, based in Copenhagen. Uncovering foreign support for *Solidarność* became his principal task again. After 1985, due to his accumulated experience and verified loyalty, he was also assigned to the strategic task of invigilating West German seamen travelling to the GDR.

Overall, cooperation with the Stasi clearly suited Hamster, who, by 1986, became emboldened and wealthy enough to suggest smuggling hashish from the Netherlands. He claimed to have recently purchased 110 kg, "medium quality", 1200 DM per kg. "But this had to be transported in volumes of 10 kg or less, to make it through Denmark without any risk." In Stasi's estimation, Hamster was hoping to make a 300.000 DM profit from this transaction. But this plan did not come to a fruition. Hamster was arrested in Lübeck on 3 June, 1986 for smuggling over 200 cartons of Polish-purchased cigarettes out of East Germany. He was sentenced to seven months in prison and four years of probation.¹⁸¹ What happened next is impossible to tell from his Stasi files.

In general, Hamster was just another incarnation of the business that had been flourishing at least since the early 1960s, described earlier in this chapter [Danish speed motorboats]. The Stasi knew that Hamster was in touch with at least two Danish citizens who "had visited GDR's

¹⁷⁹ CH, 55

¹⁸⁰ CH, 229

¹⁸¹ DOKU: 848/83, Reg Nr I, BStU; Beurteilung über IMB "Apollo", 6-8

ports in the past on a speed motorboat."¹⁸² Now, especially in the early 1980s, the maritime channels were more problematic due to the NATO-Warsaw Pact naval standoff in the Baltic and the increasing resources needed for that section of intelligence work. As visible in the Schalck-Mittag letter exchanges mentioned earlier, Rostock's port capacity was already unable to fully service the regular traffic and Koko's own business, including the time-sensitive exports to Iran and Iraq of 1982, thus the Stasi was very happy to rely on the agent's personal means of locomotion.

Between 1981 and 1986, there were at least eleven Stasi-registered smuggling journeys of KP Hamster to East Germany (not including Poland, where the respective number was in the dozens) and eighteen "operational meetings" during which "operatively sensitive" information was exchanged. How could this operation run smoothly for so long? According to Hamster, Western border control organs "were conducting detailed searches only when they were looking for terrorists".¹⁸³ But there was more to it than just terrorism. More generally, there was not much new the GDR could offer for the Westerners other than price advantage. Logically, the Western customs officials were usually busy checking the traffic flowing in the other direction, especially because their control on the way out followed the prior East German control. Needless to say, it was hard to find another country in the 1980s that controlled its citizens on their way out more thoroughly than East Germany. Another trick was to file for a *Verwandtenbesuch* [family visit] while crossing the Polish border, which happened to be true in Hamster's case. An official certificate from the Danish tourist agency (*Hansa-Tourist-Kopenhagen*) which "legalized the transit status" his trips through the GDR-FRG territory also helped, especially when entering West Germany.¹⁸⁴

V. Conclusion [very much work in progress, apologies for its messy character]

Despite the best efforts of the Stasi and related services, Rostock and other East German port cities offered a degree of freedom that could not be entirely eliminated and thus control remained "often imperfect," as a Stasi officer conceded in an internal report.¹⁸⁵ According to

¹⁸² CH, 56

¹⁸³ 56

¹⁸⁴ 58

¹⁸⁵ MfS, HA IX, Rapportmeldung/Lagefilm vom 23.8.1968: BStU, MfS, HA XI, Mf-1239, Bd. I, Bl. 30

international conventions signed by the GDR and other countries of the Soviet Bloc, crews of international-faring vessels had the right to go ashore in communist ports. Furthermore, the host countries were obliged to offer food, lodging, medical and any other services necessary at a given moment. On paper, nothing could escape the Stasi's attention, but sometimes the "messy bustle" proved to be too much even for them. This was true especially during the high summer season or the *Ostseewoche* festival.¹⁸⁶ While regular sailors and citizens of the Soviet Bloc often had to wait for hours if not days to pass border or customs control, others barely noticed when they passed the border checkpoints. The Neptun director Klaus Wenzel, the politicians and businessmen such as Uwe Barschel or Peter Lüdemann or the likes of KP Hamster often "greeted the officers and border patrol quite jovially" and carried onwards without even reaching for their passports.¹⁸⁷

"I wanted to go to the sea, which was also against the wishes of my family, because it was only in the high seas that a GDR citizen could achieve a degree of freedom" - wrote an East German sailor who served in the DSR for over thirty years. However, even there, "the surveillance system has been refined to perfection". Virtually all captains were SED-members and they were assisted by political officers. "The profiteers of this system were often the lackeys and informers of the captain and they made a career out of it."¹⁸⁸ "As the Iron Curtain divided the world into East and West for over four decades, the only possibility to travel West was when one's employer possessed [some form of] economic relations with capitalist firms" - wrote another DSR [*Deutsche Seereederei*] sailor Peter Treu in his memoir.¹⁸⁹ Many used the connections they gained in port cities to organize a successful *Republikflucht*. A faculty member of the Jena University was a classic case in point: she met her partner in 1963, who happened to be a West German sailor. Rostock was then subsequently appointed by the couple as a meeting point right until 1969, when the Jena professor escaped West across the Berlin Wall.¹⁹⁰ In 1978 alone, the East German regime arrested 89 persons upon their return home from foreign trips (mostly sailors) after receiving some kind of information that those persons were planning to abandon the GDR.¹⁹¹

¹⁸⁶ Freiheit heisst, 459

¹⁸⁷ Tonbandabschrift von 9.10.1969, IM-Vorgang "Wimpel", BStU, MfS, BV Rostock, AIM 306/83, Band I, Bl. 140

¹⁸⁸ Klaus-Peter Stielow, Auf allen Weltmeeren zu Hause, 7.

¹⁸⁹ Peter Treu, Weltreisender für die Handelsflotte, Auslandsgeschäfte im Auftrag der DDR-Staatsreederei, Intro

¹⁹⁰ MfS, HA IX, Rapportmeldung/Lagefilm vom 23.8.1968: BStU, MfS, HA XI, Mf-1239, Bd. I, Bl. 30. (p. 459)

¹⁹¹ 29.11.1978: BStU, MfS, BV Rostock, AKG, Nr. 173, Bd. I, Bl. 14-17

Domestically, while KoKo's own existence remained secret, the GDR's affair with the capitalist enemy eventually became plainly visible to its citizens, who were quick to follow suit. The Intershop and Interhotel networks and the black markets that developed around them are the most prominent cases in this context. Gerhard Schürer, the Chairman of the State Planning Commission, held that "there was no [hard-currency denominated] shadow economy in the GDR that would undermine the working of the planned economy."¹⁹² But that self-reassuring statement could not be further from reality. The East German citizens were quick to learn from their state and even the omnipresent Stasi could not register all of their activities. Those activities that were registered were vibrant enough to force the Stasi to write reports that painted the situation in more realistic colors, e.g.: "[t]he [economic] damage inflicted upon the GDR took place not primarily through the illegal currency exchange itself, but more importantly, through a chain reaction, in the consequence of which the state plans for sales and price-fixing were distorted. The planned incomes from, e.g. the Intershop stores, were distorted as well. According to [one] estimate, 70-80 percent of speculation profits [from the black-market Intershop goods turnover] were brought back West to service new purchases of contraband goods."¹⁹³ In other words, ordinary citizens copied KoKo's own actions in ways ever more daring, both because it was the most profitable economic activity under the really existing socialism and because it was increasingly more socially permissible, despite the strict penal consequences of 'speculation' right until 1989.

This conclusion is confirmed by a police report from Rostock written in 1988. After four decades of war on private enterprise, the policemen found that "the majority of our population is opposed to ambulatory street trade," but on the other hand "the peddlers constantly use the ever reappearing market shortages and they never fail to find a buyer". By then, the Warnemünde jetty had become notorious for the scale of street trade taking place in its vicinity.¹⁹⁴ The intensity of "speculation" was so great and the effectiveness of punitive measures so low, that the Rostock police suggested legalizing the impossible *Ambulanter Straßenhandel* and taxing it with an estimated 33 million Marks of revenue guaranteed for the state coffers.¹⁹⁵ The proposal was

¹⁹² Gerhard Schürer, *Die Endzeit der DDR-Wirtschaft Analysen zur Wirtschafts-, und Sozial- und Umweltpolitik*, 1999, 42.

¹⁹³ MfS ZAIG 20279, 5 Sept 1986, p. 48.

¹⁹⁴ MfS BV Rst Abt IX 227, *Berichterstattung der Kriminalpolizei zur Bekämpfung von Erscheinungen des Schmuggels und der Spekulation im Bezirk Rostock*, 1988, 2.

¹⁹⁵ MfS BV Rst Abt IX 227, *Berichterstattung der Kriminalpolizei zur Bekämpfung von Erscheinungen des Schmuggels und der Spekulation im Bezirk Rostock*, 1988, 2-3

rejected, of course, on ideological grounds. Street trading, compared with KoKo's covert business, was too visible. Indicatively of the direction from which the winds of the forthcoming free market change was blowing, 85 percent of Rostock's "street speculators" in 1988 were Poles.

On the other side, the city of Hamburg remained the point and port of reference in northern East Germany throughout the entire communist period. In the early 1950s, the GDR's own planners envisaged Rostock to become a "small-Hamburg" of the East.¹⁹⁶ In the 1980s, the following slogans were heard at a FDJ club meeting, boycotted by the more independently-minded youth: "DDR ist klein Russland, Russen raus, Hamburg is die Welt."¹⁹⁷ GDR seamen, like no other profession *en masse*, had the unique opportunity to compare conditions between East and West, month by month, year by year. To give just one example: as the situation in the Persian Gulf began to escalate again in 1988, the FRG authorities recommended its shipping companies to cease cruising into that area. Consequently, the so-called cheap flags [*Billigflaggen*] from Greece, Turkey and other countries were hired to service the existing business obligations. Those West German vessels that did sail through the Gulf were compensated with a 1.500 DM *Gefahrenzulage* [safety compensation] per head. In East Germany, that particular premium equaled 25 Marks.¹⁹⁸

The undercurrents of corruption that eroded the Soviet regimes from within emerged to the surface of public life in the 1990s like a long dormant geyser. They remain a massive problem in much of the post-Soviet space. Scholarly publications such as Stephen Kotkin's *Uncivil Society* make it clear that the red bourgeoisie enjoyed systemic privileges that were ostentatiously contrary to the professed ideology. To be sure, the riches of communist nomenklatura would pass for a middle-class living standard in the West. After all, one of the main sources of D-Marks in the GDR were the so-called *Westpakets*: mail from West Germany. The Stasi had a special M department which, only between 1984 and 1989, confiscated 32 million D-Mark in cash and 10.2 million D-Mark in consumer goods out of the West-East mail traffic.¹⁹⁹ The leading expert on the East-West *devisen* transactions, Armin Volze, estimates that, between 1956 and 1989, 62.6 billion D-Mark had flowed by private channels eastwards: 45 billion via mail, 5 billion via carry-on gifts, 2.6 billion via the Genex gift-service and 10 billion

¹⁹⁶ Freiheit heisst, 42

¹⁹⁷ MfS, BV Rostock, Abt. XX/11, Massnahmeplans zum OAM 'Stortebeker', Rostock, 22.6.1985: BStU, MfS, Abt. XX, Nr. 526, Bl. 23-25 (481)

¹⁹⁸ Information über meinen Freund [blank], Rostock 21 Mar 1988, Abteilung VI

¹⁹⁹ Eine besondere Behandlung jenseits des Regelfalls, in: Das Westpaket, 65.

via cash-gifts.²⁰⁰ The following comments could be heard in the seaside town of Dassow, a few miles east of Lübeck: "the kinds of comrades we have - they talk the big talk, but they get everything from the West themselves." It was also an open secret that the comrades were "too cowardly to come themselves, they sent their wives to pick up the West-pakete"²⁰¹ It was both the ideological contrast and the deviously, cynically corrupt mechanism of distributing those privileges that made their cumulative effect socially explosive. In this sense, the illegal export of weapons to the third world, dirty garbage deals or Alpine safe financial havens are hardly revelations. But there are three other aspects of KoKo's history that tell us something new about those undercurrents of state-socialist regimes.

The comprehensiveness and the degree to which Schalck's KoKo dissertation blueprint had been consequently materialized is remarkable. It is also astounding how much GDR's secret services, soon after Stalin's death, internalized and adopted the goals and methods of the milieus they were supposed to counter: black market speculators and all kinds of entrepreneurs they called privateers. Secondly - the fact that a vast majority of ordinary East Germans did not know who Schalck was and what the KoKo was up to for two decades of their country's history is worrying. It seems plausible to assume that was there no desperate idea in Krenz's mind to turn the KoKo into a scapegoat, was there no storming of the Stasi archives, was there no pressure from some FRG institutions, the right wing of the CDU in particular, then KoKo's secrecy could have remained largely intact. Thirdly, despite all the rigors of the *Rechtsstaat* prevailing in the Bundesrepublik today or the massive public scrutiny that the KoKo has received after 1989, some of the murkiest aspects of their activity, such as the blood and nuclear waste trade, remain murky. We now know that not only the BND, but also top West German politicians were well aware of this aspect of the East German regime. Instead of speaking out against it, some of them actively sought to enter into business relationship with Stasi-run enterprises. Some, like Uwe Barschel, paid the highest price. No other state in history can be now contemplated with such a level of visibility as the GDR and no other state has received an equal level of scrutiny. The FRG is significantly further down this particular ranking.

²⁰⁰ Armin Volze, Zur Devisenverschuldung der DDR, in: Eberhard Kurth, Die Endzeit der DDR, Opladen 1999, Seite 165.

²⁰¹ MfS, BV Rostock, KD Gravesmühlen, Information Nr. 19/82 über [Name], [Vorname], Gravesmühlen, 4.12.1982: BStU, MfS, BV Rostock, AKG, Nr. 61, Bd. I, Bl. 225.