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One town boosts east German image

Riesa exemplifies the region's new formula for growth: flexible labor and stars like Muhammad Ali.

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RIESA, GERMANY

Encouraging positive thinking in a once-gray steel town in former East Germany can be difficult. So Riesa Mayor Wolfram Köhler decided to enlist Muhammad Ali's help. It took years of planning, but he finally managed to bring the former boxing champion here for the German premiere of the film "Ali."

"He shows you how to pull yourself out of the swamp by your own hair," Mr. Köhler said of the American icon, who has spent his life overcoming hardship. "And as such, he's a great example for everyone in eastern Germany."

Köhler is not such a bad example himself.

It was his initiative to build the 13,000-seat Erdgas Arena several years ago where the whole town, it seemed, came out last weekend to welcome Ali. The arena regularly hosts rock acts like Elton John and sports events like the Sumo world

championships. Köhler estimates that it creates 270 jobs, fills local hotels and restaurants, and helps improve the quality of life — important for retaining youth, whose departure has been a worrying trend.

It has also put this town firmly on the national map and in the middle of a growing consensus that there are some bright spots in the otherwise depressing eastern German economy.

Creative government initiatives in the area have helped keep industrial growth in the double digits in recent years, while a flexible labor force has made eastern German workers more attractive than those in western Germany. The state of Saxony, where Riesa is located, has succeeded in attracting many high-tech and automobile companies to the region, such as BMW.

"There are clear reasons for optimism" in the eastern German economy, says Karl Brenke, an economist at Berlin's DIW Institute of Economic Research.

To be sure, on a macro level such optimism seems unjustified. After a few years of stellar growth, the eastern economy has slumped to anemic growth rates — lower even than western Germany, which at 0.6 percent in 2001 did not set a particularly high standard. Unemployment has stayed at a stubborn 18 percent.

But that data obscures many important trends. Much of the initial boom was due to the billions of deutschmarks that flowed in to rebuild the infrastructure of the former communist state. Many of the biggest projects are now completed.

Moreover, aside from construction, much of the economy is showing strong improvement. Growth rates for industrial production have far outpaced the western half of the country, with double-digit annual growth for most of the last decade. During that time, international investments into the region also fueled double-digit growth in exports.

The flexibility of eastern German workers is an important factor in this growth.

Günter Kohlbacher, a representative of IG Metall, one of Germany's largest unions, in nearby Leipzig, says that the union has accepted more flexible terms for companies struggling to stay alive. For example, in an effort to keep the jobs in the area, they have accepted longer workweeks at lower pay.

Many observers say this new approach could affect the entire country. "It will lead western Germany to become more flexible," says Mr. Brenke, adding that "they have already started to."

Advanced Micro Devices, a high-tech firm based in Sunnyvale, Calif., implemented a round-the-clock production schedule at their plant in nearby Dresden that would have been difficult to get past the unions in western Germany. That initial investment is attracting others.

This region boasts other advantages: Saxony has a large pool of talented workers and a population density that can support large factories.

In Riesa, Köhler has been cutting deals on the price of government services to companies willing to invest.

Köhler, who became mayor 12 years ago at the age of 22, also appreciates the value of international celebrities. "Our main job is to change the image of the region," he says. His latest plan is to bring the Olympics to the area in 2012. When Köhler first floated the idea, most dismissed it out of hand. He pushed forward, and now the state of Saxony, led by Dresden and Leipzig, is developing a serious bid for the Olympics.

Ali announced that he would be happy to return to light the Olympic torch. The town was delighted: Although his greatest sport successes took place while the East was still firmly locked behind the Iron Curtain, everyone seemed to know him. "My father rigged our television with a bike-spoke antenna so we could catch his fights on West German broadcasts," says Edda Bartsch, a salesperson at a local medical supplies company.

Still, Köhler knows that town boosterism is only part of the answer and admits that it won't be easy to break the stranglehold of high unemployment and build an economy thriving in all sectors. "Development is not getting easier," he admits. "But you can learn from Ali. It's not a reason to stick your head in the sand."

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