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FRG and GDR in the Third World

by Dr Dietrich Kebschull, Hamburg

Together with its "Report on the State of the Nation 1972" the Government of the Federal Republic of Germany presented an extensive collection of studies. Drawn up by 50 experts, the report on the development in the two German states should, according to Willy Brandt, contribute to facilitate political judgement and to sobering political discussion. In our last edition we published a summary of the chapter on the State of the Nation's External Economy. This paper is a summary of the two German states' development aid. The author, in cooperation with Hans-Ludwig Dornbusch and Dieter W. Vogelsang, participated in the composition of this chapter.

The two German states' activities in countries of the Third World are only a section of the activities undertaken by the Federal Republic of Germany (FRG) and the German Democratic Republic (GDR) with regard to Third World countries and in international organisations.

The representation of the FRG and the GDR in less developed countries (LDCs) is shown in Table 1. In the FRG's missions abroad economic matters are usually handled by economic attachés, while cultural interests are taken care of by cultural attachés. The GDR's embassies have trade policy departments attached to general consulates.

The FRG's chambers of commerce abroad are voluntary unions of German and foreign businessmen, enterprises and economic agencies. In the host countries, however, they are looked upon as representatives of the Federal Republic and are in charge of the cultivation and promotion of economic relations between the FRG and its partner countries.

In 1970, the GDR maintained economic and trade missions as well as trade agencies within the scope of banking agreements in 7 countries. The FRG and the GDR are equally represented

by 15 trade agencies each in the states of the Third World.

In Third World countries in Africa, Asia and Latin America the FRG's cultural representation is maintained by 74 cultural institutions, 107 German schools and a number of bilateral societies. At the end of 1969 the GDR maintained 9 cultural centres in 7 Third World countries.

The Federal Ministry for Economic Cooperation formulates the principles and the programme of the FRG's development aid, controls the operation of technical aid and directs the activities of development aid authorities. The principles of capital aid are formulated in collusion with the Federal Ministry of Economics. Matters referring to foreign affairs are dealt with in cooperation with the Foreign Office. Beyond that, other Federal departments contribute to the planning and technical prosecution of development projects in their special branch of activity.

In the GDR development policy activities are subject to the control of the Central Committee of the GDR's communist party SED (Sozialistische Einheitspartei Deutschland), mainly of the department International Relations and Foreign Information. All government institutions receive their instructions from the leaders of the SED. The

Table 1
Embassies and Consulates

Area	Embassies		Consulates General and Consulates ¹		Representations by Protecting States		Legations	
	FRG	GDR	FRG	GDR	FRG	GDR	FRG	GDR
Africa	33	6	4	2	3	—	—	1
Asia	18	6	9	4	6	—	—	—
Latin America	22	1	8	—	1	—	—	—
Total	73	13	21	6	10	—	—	1

¹ For each country only one consulate general or consulate accounted for.

Sources: FRG: according to data of The Hamburg Institute for International Economics. GDR: according to data of the Federal Republic's Foreign Office, Entwicklungspolitische Aktivitäten kommunistischer Länder, Monatsberichte des Forschungsinstituts der Friedrich-Ebert-Stiftung, 1967-1970.

Ministerial Council of the GDR as the executive body of the People's Chamber and of the State Council is in charge of directing, coordinating and controlling development aid on government level.

Political evaluations of individual countries in the Third World are supplied by the Ministry for Foreign Affairs, assisted by the Institute for International Relations (Department Developing Countries). The Foreign Trade Ministry is in charge of trade transactions as well as of the planning and control of projects in individual countries. A number of bodies important to development policy are under the control of this authority.

Apart from government bodies numerous other organisations are dealing with development aid in the FRG as well as in the GDR.

Relations with International Organisations

The FRG cooperates with UN and its special organisations. It pays contributions to the World Bank and its subsidiaries IFC, IDA and IMF. Besides the FRG pays contributions within the framework of OECD, GATT and the European Development Fund of EEC. At present about 19 p.c. of public development aid is directed via multilateral organisations.

The GDR does not give any development aid within UN and its special organisations. But it has strong commitments to the communist controlled international mass organisations. Financial supports are above all given to the World Peace Council, the World Federation of Trade Unions and the international organisations of journalists.

Targets and methods of the FRG's development policy may be characterised as follows: promotion of economic growth and social progress of Third World countries within the framework of long-term international planning, the improvement of credit conditions, the introduction of easier terms of delivery, a comprehensive system of tariff preferences in favour of the Third World, and the expansion of technical aid, particularly in the field of education and training.

The GDR gives development aid mainly in line with political aspects. In 1969/70, too, the international recognition of the GDR had priority, although also an appropriate development aid in accordance with the requirements of LDCs could be discerned. In the GDR capital aid and technical aid are also important besides trade policy measures.

The FRG's development policy is determined by the principle of non-interference and cooperation with all nations. Today the Federal Government

does not on principle and in every case break off its diplomatic relations with states whose Governments recognise the GDR. It rather makes its decision in each individual case in accordance with the special interests involved.

Against this the GDR's development policy is mainly determined by the primacy of an international recognition of the second German state. The aspiration for international recognition is often accompanied by the GDR's representation as a solid economic partner and civilised socialist nation.

The FRG's cultural policy abroad aims at reducing prejudices against Germany and at enhancing mutual understanding through cultural co-operation with the countries of the Third World. The GDR's cultural policy in foreign countries follows partly similar aims. But they are clearly of secondary importance vis-à-vis the international recognition of the country.

The GDR's cultural and educational policy as well as its ideological and propaganda activities are concentrated regionally on the following activities: invitations of scientists, students, journalists, sportmen, etc. (See Table 2).

Table 2
Cultural Agreements of the FRG and the GDR with Third World Countries¹

Country	Date of Signature	
	FRG	GDR
Afghanistan	18. 4. 1961	
Algeria		12. 12. 1966
Bolivia	4. 8. 1966	
Cambodia		2. 2. 1964
Chile	20. 11. 1956	5. 12. 1966
Dahomey		20. 9. 1964
Ecuador	13. 3. 1969	
Ghana		9. 10. 1961 (cancelled)
Guinea	23. 11. 1967	17. 11. 1958
India	21. 3. 1969	20. 2. 1964
Indonesia	30. 1. 1965	28. 4. 1964 ²
Irak		1. 4. 1959
Kolumbia	11. 10. 1960	
Kongo-Brazzaville		14. 3. 1970
Mali		20. 3. 1964 and 3. 6. 1964
Pakistan	9. 11. 1961	
Peru	20. 11. 1964	
Senegal	23. 9. 1968	
Sudan		6. 10. 1967
Southern Jemen		18. 10. 1969 and 29. 1. 1970
Turkey	8. 5. 1957	
Tunesia	19. 7. 1966	
UAR	11. 11. 1959	1. 3. 1965

¹ Including agreements on cultural and scientific cooperation.
² Protocol.

In 1969 the volume of the Federal Republic's contributions as compared with 1968 increased

by about 30 p.c. to about DM 8.2 bn (total of public and private net contributions). About 75 p.c. of this sum was raised by private quarters while the FRG's (bilateral) public net contributions amounted to about DM 2.1 bn in 1969.

Economic Activities

The biggest share (53.8 p.c.) of bilateral public development aid was capital aid. Up to the end of 1969 a total of 92 capital aid agreements had been concluded between the FRG and the Third World nations. For efficiency reasons the tying up of aid to German deliveries is renounced. The average conditions of capital aid were a duration of 26 years, 7.6 redemption-free years and an interest rate of 3.2 p.c.

The GDR, too, grants both capital aid and technical assistance. From 1954 to 1965 it offered credits to the amount of DM 1.3 bn to promote development. The liabilities undertaken between 1960 and 1966 totalled DM 1.1 bn. As a rule the GDR gives capital aid in the form of long-term rehabilitation credits with a duration of 10 to 12 years at an interest rate of 2.5 p.c. Up to 1970 the GDR concluded 13 of such agreements. Short and medium-term supplier's credits at an interest rate of 2.5 to 6 p.c. and running periods of 5 to 8 years are granted by the GDR above all within the scope of agreements on scientific and technical cooperation (14 agreements until April 1970) or on trade and payments agreements (21 and 16 of them, respectively).

In 1969 the Federal Republic's technical aid of DM 860 mn constituted a considerable share of bilateral public aid. Within the framework of the 39 agreements on technical aid concluded by the FRG up to 1969, almost 1,400 projects have been initiated since 1954.

The GDR grants technical aid mainly within the scope of agreements on scientific and technical cooperation. Up to April 1970, 14 such agreements have been concluded. But technical aid was also given (in every case until April, 1970) through 9 agreements in the health sector, 5 agreements on the training of experts and 4 agreements on postal services and telecommunications.

The Federal Republic's multilateral contributions benefitting the receiving countries indirectly through aid programmes of international organisations amounted in 1969 to DM 1.6 bn (about 19 p.c. of total net contributions).

In 1969 the FRG's total multilateral grants amounted to about DM 300 mn. In addition multilateral contributions were given in the form of capital loans and subscription payments totalling about DM 170 mn.

Apart from direct public development aid contributions, public promotion measures are important to the activities of the private sector of the economy (investments and exports); among others Federal guarantees, development aid-tax laws, antidouble tax treaties and agreements on investment promotion.

In the GDR the relatively unimportant private economy so far did not commit itself to development policy.

Trade relations with developing countries are arranged through trade and financial agreements. Up to the end of 1969, 65 of such agreements were signed in the FRG, 46 of them in the GDR. The trade volume is shown in Table 3.

Table 3
The Foreign Trade of the FRG and the GDR with Third World Countries 1966 to 1969
(DM in mn)

Year	Total Foreign Trade			Trade with Third World Countries	
	Imports/Exports	FRG	GDR	FRG ¹	GDR
1966	Imports	72 670	14 448	6 462	575
	Exports	80 628	14 403	10 594	761
1967	Imports	70 183	14 735	6 059	598
	Exports	87 045	15 531	10 858	768
1968	Imports	81 179	15 247	6 592	588
	Exports	99 551	17 037	12 202	693
1969	Imports	97 972	18 445	7 614	692
	Exports	113 557	18 664	13 245	848

¹ Selling country respectively purchasing country.
Sources: Statistisches Jahrbuch of the FRG, 1970, p. 278, Statistisches Jahrbuch of the GDR, 1970, pp. 297 ff.

Focal Points by Countries

While the FRG's development policy committed itself in 90 countries, the GDR concentrated its aid on a few points of emphasis in about 12 states.

Focal points of the FRG's economic and technical development aid in 1969 were the following: in the Arabian states: Morocco and Tunisia; in Black Africa: Ghana and Tanzania; in Latin America: Argentina and Brazil, Chile and Peru; in Asia: India, Pakistan, Indonesia, Thailand and Afghanistan.

The following were the focal points of the GDR's economic and technical aid in 1969: in the Arabian states: Algeria, the United Arab Republic, Syria, Iraq, Southern Yemen and the Sudan; in Black Africa: Tanzania, Guinea and Mali; in Asia: India, Cambodia (until June, 1970), Ceylon and Burma.

Now as before Latin America, particularly Argentina, Brazil, Columbia and Mexico were, apart from Libya and India, the most attractive areas for FRG entrepreneurs.