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Intra-German relations: Basic treaty and its consequences

Intereconomics

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trial countries as well as the developing countries expect the Federal Government to contribute to the solution of the international trade and monetary problems posed by large balance of payments disequilibria and the search for a new monetary system. The export surpluses of Japan and the Federal Republic contrast with the balance of trade deficit of the USA, and the foreign commerce of the developing countries has been stagnating for years, especially in agricultural products.

These problems cannot be solved by monetary measures alone. What is rather more important at the present juncture is that the outstanding problems should be overcome by world-wide or bilateral negotiations so as to counter the protectionist forces at work in some countries. A first opportunity will present itself in the new GATT round due next autumn in which new principles of trade policy will have to be formulated. Special importance attaches in this context to the Federal Republic with its economic strength inside an enlarged EEC. If the Federal Republic succeeds here and in the International Monetary Fund in contributing to sensible arrangements, it will be all the better placed for promising work on the domestic element of its stabilisation policy. kw.

Development Policy

Trade Demands by LDCs

In spite of all the rumors that were circulated in Bonn, Dr Erhard Eppler will remain in charge of the Federal Ministry for Economic Cooperation. He was able to convince Chancellor Brandt that a transfer of competence over capital aid to his own ministry would improve the efficiency of German development assistance. This could indeed have very positive effects on the future work of the Ministry since it marks the end of the solution whereby the Federal Ministry of Economic Cooperation was only responsible for the distribution of technical aid (1971: DM 1.5 bn), while capital aid was still under the supervision of the Federal Ministry of Economics (1971: DM 1.1 bn).

One of the most important tasks Dr Eppler will face during the next months is the preparation of the next GATT-round. For the concern of the developing countries about their declining share in expanding world trade and their fear of agreements between the EEC, Japan and the USA at the expense of the Third World is increasing. Efforts should therefore be made by the Federal Ministry of Economic Cooperation to secure enough support in Germany and the other industrialised countries for the following demands of the developing countries: arrangements of temporary commodity agreements through which the

prices and marketing of raw materials can be influenced; assistance of diversification efforts in developing countries; prohibition of additional tariff and non-tariff obstacles for products exported from the Third World and agreement on priority removal of existing obstacles; improvement of preference schemes; establishment of joint actions by industrial nations to advise developing countries e.g. in the form of marketing and distribution assistance; implementation of suitable schemes for the restructuring of their own industries in order to arrive at a more rational international division of labour; and constructive participation of all concerned in the review of all articles which permit deviations and exemptions from GATT because they can provide an alibi for trade restrictions. crm.

Intra-German Relations

Basic Treaty and its Consequences

The Basic Treaty regulating the relationship of the two German States which emerged from the negotiations between State Secretaries Bahr of the Federal Chancellery and Kohl of the GDR Council of Ministers was signed in December. Its signing will open a new phase of cooperation in the most diverse fields; it will, in the words of Willi Brandt, "break the ice in which the relationship between us and the GDR was frozen for many years".

Of particular economic interest is the supplementary protocol which provides for arrangements in many fields, such as legal assistance, technology and protection of the environment. The first item on the list of these arrangements concerns the continuation of interzonal trade on the basis of existing agreements. It would be most welcome if long-term agreements were reached under this heading so as to encourage a continual development of the economic relations, bring obsolete regulations up to date and improve the structure of trade. Such issues have in the past been handled rather warily on the GDR side which, understandably, did not wish to forgo its unofficial EEC association, domestic-market prices, exemption from external tariffs and levies, and tax advantages. The Basic Treaty will probably put an end to such reticence on the part of the GDR.

The novel experience of increasing economic cooperation may however disappoint if the EEC partners decide to revise the special position hitherto conceded to intra-German trade, as they may possibly do. If so, the two states should still not desist from following up the intentions of the Basic Treaty and continuing with the intensification of their economic relations on the new basis. lwe.