

November 2, 1978

**Council of Ministers of the German Democratic
Republic, 'Decision on the Directive for the
Negotiations to Sign an Agreement about Trade and
Payment Transactions with the Government of the
PR China in 1979'**

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Summary:

A detailed overview of trade negotiations between China and East Germany.

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Decision of the Council of Ministers
02 - Presidium of the Council of Ministers
97 / I. 3/78
From 30 October 1978

Final Edits: 2 November 1978

RE: Decision on the Directive for the Negotiations to Sign an Agreement about Trade and Payment Transactions with the Government of the PR China in 1979

The attached decision was confirmed.

Signed W. Krolkowski[1]

For the Accuracy:
signed [illegible[]]
Secretariat of the Council of Ministers

Presidium of the Council of Ministers

D e c i s i o n
on the Directive for the Negotiations to Sign an Agreement about Trade and Payment Transactions with the Government of the PR China in 1979
from 30. October 1978

1. The directive for conducting the negotiations to sign an agreement about trade and payment transactions with the Government of the PR China in 1979 is confirmed.
(Appendix)

2. The negotiations are to be held next in Beijing.

□

In charge:

Minister for Foreign Trade

3. Additional imports, as well as imports to relieve the import plans from the NSW[2], are to be agreed only if exports can be provided to the same extent. Respective proposals are to be submitted for decision to the Deputy of the Chairman of the Council of Ministers and the Chairman of the State Planning Commission.

□

In charge: □

Minister for Foreign Trade

Minister for Industry

Deputy of the Chairman of the Council of Ministers and Chairman of the State Planning Commission

4. Results of the negotiations about an agreement are to be submitted for confirmation and granting of power of attorney to sign to the Presidium of the Council of Ministers.

□

In charge:

Minister for Foreign Trade

Appendix

D i r e c t i v e

for the Implementation of Negotiations about Trade and Payment Transactions between the GDR and the PR China in 1979

Location for negotiations: Beijing

Time of Location: November 1978

Head of the Delegation: Deputy of the Minister for Foreign Trade, Comrade Eugen Kattner

1.0. Foundations and Objectives of the Negotiations

1.1. Foundations of the Negotiations

- Decision by the Council of Ministers from 31 August 1978 on the Directive to prepare annual protocols for trade in 1979 with the USSR and the other socialist countries;

- Decision by the Council of Ministers on the "Concept for the Development of Foreign Trade Relations between the GDR and the PR China between 1977 and 1980" from 27 February 1977;

- State Targets concerning exports and imports for 1979;

- Directive No. 744 by the Ministry for Foreign Trade to implement foreign trade relations of the GDR vis-a-vis the PR China through the foreign trade companies of the GDR from 15 December 1973;

- Already signed agreements on exports and imports in 1979.

1.2. Trade Policy Objectives

The foreign trade relations of the GDR with the PR China are to be developed in systematic fashion based on the economic interests of the GDR as part of the bilateral relationship between the GDR and the PR China. They are to be developed further in accordance with the coordinated foreign policy of the GDR vis-a-vis the PR China.

The negotiations are to be held with the objective to sign a trade agreement in order to establish basic conditions for the fulfillment of the [GDR] state targets for 1979.

Efforts are to be made towards the goal to agree on exports according to the state targets for 1979, as well as on imports to the economically needed extent in the framework of the state targets. In order to guarantee a safe supply, primarily raw materials, agricultural products and high-quality consumer goods are to be included in the lists of goods to be traded.

Since there does not exist a long-term trade agreement with the PR China, opportunities are to be explored to guarantee the import and delivery interests of the GDR through multi-year agreements. Imports required for the planning process of 1980 are to be included in the annual agreement for 1979 to the extent required.

The willingness of the PR China to sign a long-term trade agreement with the GDR needs to be explored.

1.3. Overview of Numbers

- Values in Million [GDR] Marks

□□□

□□□□

State Targets 1978 (as of 30-09-1978)

Agreement for 1978

Likely Numbers for 1978

State Target for 1979

4:1 in percent

4:2

4:3 □□□

□□□□

1

2

3

4

5

6

7 □□□

□□□□

Exports

378

462

470

488

129

106

104 □□□

□□□□

Imports

442

462
520
451
102
98
87 □□□
□□□□
Turnover
820
924
990
939
115
102
95 □□ □□

In order to create relief for other country plans with the socialist economic area, in 1978 substantial additional imports from the PR China were agreed, especially textiles and chemical raw materials. Because the export plan in the amount of about 60 million Mark was exceeded, additional imports in the amount of 70 million marks were agreed. Further additions to the plan are in preparation.

2.0. Principles for the Negotiations

- The state targets for exports and imports are basically to be complied with.
- The list of goods are to be agreed on the basis of actual world market rates in 1979.
- The list of export goods shall only contain such practical values and amounts which are confirmed by the ministries for [the various] industries for delivery to the PR China.
- The range of goods available in the GDR's offers for export is to be used to full extent; the state target, respectively state requirements, are to be further adapted according to the negotiation results achieved.
- Deliveries of goods from the annual agreement from 1978, which will be accordingly delivered in 1979, are not to be included again in the lists of goods for the 1979 agreement.
- In order to guarantee the planning process regarding imports of supplies for the 1st quarter of 1980, the 1979 agreement has to contain respective deliveries for the 4th quarter of 1979 - as far as the status of specifications of exports is allowing for such.

2.1. Exports of the GDR

2.1.1. Concerning the exports of the GDR, the traditional lines of exports of the metal processing industry are to be continued according to plan. The following materially guaranteed exports are to be agreed upon:

□□□

□□□□

Trucks W 50

4,000 pieces □□□

□□□□

Combines

300 pieces □□□

□□□□

Swath mowers

70 pieces □□□

□□□□

Precision forage harvesters

100 pieces □□□

□□□□

Diesel locomotives

40 pieces □□□

□□□□

Mine locomotives

130 pieces □□□

□□□□

Passenger carriages

19 pieces □□□

□□□□

Railway slewing cranes

10 pieces □□□

□□□□

Car slewing cranes

80 pieces □□□

□□□□

Caterpillar slewing cranes

40 pieces □□ □□

2.1.2. The state targets of the Ministry for Heavy Machine and Plant Engineering for 1979 cannot not be materially guaranteed to an amount of about 90 million Mark, because in 1979 no freight ships are available for exports to the PR China and the industry's export offer for diesel engines is below the level of 1978.

2.1.3. Agreements on machine tools including tin can manufacturing can be agreed, according to the protocol drafted between the Ministries of Foreign Trade and Industry up to an amount of 19.2 million Mark.

2.1.4. Efforts are to be undertaken to increase the sales of electronic computing technology to the PR China even above the state targets.

The head of the delegation is mandated to offer the Chinese side for 1979 five units of IT equipment EC 1040.

2.1.5. An agreement about the exports of scientific equipment from VEB^[3] Carl Zeiss Jena can be made at maximum to the extent of the state targets for 1979 (38.2 million marks).

2.1.6. The supply of spare parts for the trucks and combines, delivered by the GDR to

the PR China in large numbers, is to be agreed and guaranteed between [the Ministries for] Foreign Trade and Industry to the extent agreed in the protocol:

□□□

□□□□

Spare Parts for Trucks□

22 million Mark □□□

□□□□

Spare Parts for Combines

3 million Mark □□ □□

2.2. Imports of the GDR

2.2.1. The imports of the GDR are to be agreed based on the state targets and the economic rank and order of priorities drafted in cooperation with the Industry Ministries; while taking into consideration the requirements for the balance of payments. Already signed agreements are to be integrated in the list of goods with priority.

2.2.2. The import plan can be guaranteed through the available exports in the amount of about 425 million Mark (see Appendixes 2 and 3).

Following practice from the previous year, efforts are to be made to agree on imports in the amount of 85 to 100 million Mark for deliveries in the 4th quarter of 1979. They are to be included for the 1st quarter of 1980 in the GDR and have to guarantee the planning for 1980.

The extent of this advance for the 1st quarter of 1980 is to be determined depending on the future specification details for exports.

Cooperation with the ministries for the industries for complete specification details is to be continued with intensity.

2.2.3. Like as in 1978, the Chinese side is insisting on mounting the W 50 trucks to be delivered by the GDR with Chinese tires because of the repeated complaints in past years.

In order to prevent that the delivery of 4,000 trucks type W 50 does get canceled because of not being in compliance with the contract, 14.9 million Mark are to be slated for the import of truck tires within the framework of the state targets for the Ministry for Chemical Industry.

All efforts are to be undertaken to agree on imports of chemical products in the amount of the annual protocol for 1978 (55.5 million Mark), especially in order to guarantee tires, essential oils, and tung oil.

2.2.4. Negotiations are to be conducted with the Chinese side about the import of additional 500 tons of down feathers beyond the 300 tons already included in the state targets for 1970.

2.2.5. In order to guarantee the supply with raw materials and consumer goods from the PR China beyond the 1979 state targets, the following additional requests are on record:

Ministry for Light Industry:

- 30.4 million Mark for cotton textiles that cannot be guaranteed from other socialist countries.

- 17.4 million Mark for down feathers which are to be acquired in addition, based on a decision by the Council of Ministers.

Ministry for Trade and Supplies:

- 4.3 million Mark for fruit and vegetable cans that cannot be guaranteed from other socialist countries.

Ministry for Chemical Industry:

- 14.9 million Mark for chemical raw materials on the level of 1978.

Since the Chinese side is insisting on a balanced trade of goods, exports to the PR China are to be procured:

- through shifts from other socialist countries;
- through shifts from hard-to-sell stocks of goods from the plan segment NSW^[4];
- through additional production of goods in the context of overall plans.

In case additional export goods cannot be procured, or the acceptance of additional export goods cannot be agreed on, additional imports are not to be applied; or just to the extent where additional exports might apply. Proposals in these regards are to be submitted to the State Planning Commission for decision.

3.0. Using Import Opportunities from the PR China for Relief of the NSW Import Plan

3.1. The PR China is producing and exporting products that the GDR is primarily importing from the NSW. On the other hand, the PR China is making requests for products which the GDR in its plans has slated for export to the NSW. Based on this, the head of the delegation is authorized to agree with the Chinese side on [GDR] exports from NSW stocks to the same extent as a decrease of NSW import plans is achieved through additional imports from the PR China. Following up on the experiences made in 1978, the principle of "goods for goods" is strictly to be adhered to. In these negotiations with the Chinese side, the chance of importing:

- cacao,
 - coffee,
 - selected non-ferrous metals
- and other material is to be explored through negotiating.

As exports [from the GDR] the Chinese side is to be offered

- machine tools (scissors and presses)
- scientific equipment

as well as other products as determined by the Decision of the Presidium of the Council of Ministers from 17 February 1977.

The parallel shifting of imports and exports from the plan segment NSW to the plan segment SW^[5] is to be accounted for by practical value, Mark [of the GDR], and Valutamark^[6]. Confirmation by the ministers for the industries is required and to be submitted to the State Planning Commission.

3.2. NSW shiftings, which cannot yet to be agreed firmly in negotiations about the annual protocol, are to be further negotiated with the Chinese side after the finalization of the annual agreement.

4.0. Balance of Payments

Based on the estimated development of currency balances, as outlined in the Decision by the Council of Ministers from 31 August 1978 on the Directive to prepare annual protocols for trade in 1979 with the USSR and the other socialist countries, a more or less evened out balance of payments by the end of 1979 will be the result, if the state targets for exports and imports are observed (see Appendix 1).

The agreement with the Chinese side on the lists of goods has to end with the result that the achievement of an evened out balance of payments by 31 December 1979 is guaranteed.

5.0. General Principles

The negotiations over a finalization of the annual agreement for 1979 are to be conducted in such fashion that the text from the 1978 agreement will be maintained.

Requests for modifications of the agreement's text by the Chinese side can be accepted, if they do not stand in contrast to the stipulations of this directive, if they do not substantially change the content of the text, and when the political and economic interests of the GDR are preserved.

After the cancellation of the Prague Agreement by the PR China effective 1 January 1979, Article 5 about non-commercial payment transactions in the text of the 1978 annual agreement lapses without a replacement.

In coordination with the Ministry of Finances, the Chinese side is to be told that the provision still contained in Article 6 of the annual agreement for 1978 on the gold content of the Swiss Frank can be omitted.

Appendix 1

Development of the Balance of Payments 1979

- values in million Mark [of the GDR] -

□□□

□□□□

Assets

Liabilities □□□

□□□□

Movement of Goods according to State Targets

488

451 □□□

□□□□
Services
8
13 □□□
□□□□
Reserve

15 □□□
□□□□

□□□
□□□□
Current Balance
496
479 □□□
□□□□

+17 □□□
□□□□
Opening Balance as of 1 January 1979

./ 12 □□□
□□□□
Ending Balance as of 12 December 1979

+5 □□ □□

Reserve needed for ongoing and current corrections by the end of 1978 regarding the opening balance for 1979, because of still changing import documents while coordinating the balance.

Appendix 2

Status of Material Guarantees regarding Exports of the GDR according to State Targets for 1979

- values in million Mark [of the GDR] -

□□□
□□□□
Ministries
State Targets 1979: Exports
GDR Offers for Agreement on List of Goods □□□
□□□□
01 Ministry for Coal and Energy
3.1

3.1 □□□

□□□□

of which: crude montan wax

3.1 □□□

□□□□

02 Ministry for Ore Mining, Metallurgy, and Potash

6.0

2.7 □□□

□□□□

of which: potash

2.7 □□□

□□□□

03 Ministry for Chemical Industry

12.1

3.0 □□□

□□□□

of which: Chemicals and Photo Chemical Products

2.7 □□□

□□□□

of which: Medical Equipment

.3 □□□

□□□□

04 Ministry for Electrical Engineering and Electronic Engineering

110.6

114.9 □□□

□□□□

of which: Diesel and Electric Engines

49.7 □□□

□□□□

of which: Spare Parts for Track Vehicles

7.0 □□□

□□□□

of which: Electronic Computing Technology

5.1 □□□

□□□□

of which: Electronic Measuring Devices

1.3 □□□

□□□□

of which: Telexes and Spare Parts

9.1 □□□

□□□□
of which: Performance Testing Technology

1.3 □□□
□□□□
of which: Scientific Equipment

38.2 □□□
□□□□
of which: Medical Equipment

3.2 □□□
□□□□
05 Ministry for Heavy Machine and Plant Engineering
207.2

115.4 □□□
□□□□
of which: Passenger Carriages

18.7 □□□
□□□□
of which: Car Slewing Cranes

13.3 □□□
□□□□
of which: Caterpillar Slewing Cranes

13.9 □□□
□□□□
of which: Railway Slewing Cranes

8.6 □□□
□□□□
of which: Excavators

14.0 □□□
□□□□
of which: Spare Parts for Excavators

3.1 □□□
□□□□
of which: Spare Parts for Cranes

1.0 □□□
□□□□
of which: Spare Parts for Track Vehicles

.06 □□□
□□□□

of which: Equipment and Spare Parts for Ship Building

.3 □□□

□□□□

of which: Ship Diesel Engines

6.1 □□□

□□□□

of which: Diesel Generators

12.7 □□□

□□□□

of which: Diesel Engines

15.1 □□□

□□□□

of which: Engine Spare Parts for Ship Building

3.8 □□□

□□□□

of which: Spare Parts for Diesel Engines

2.3 □□□

□□□□

of which: Spare Parts for Power Plant Construction

1.3 □□□

□□□□

of which: Compressors

0.6 □□□

□□□□

06 Ministry for Machine Tools and Processing Machines Construction

22.4

33.1 □□□

□□□□

of which: Equipment for Textile Surface Fabrics

11.9 □□□

□□□□

of which: Spare Parts Machine Tools

19.2 □□□

□□□□

of which: Spare Parts Material Testing Machines

2.0 □□□

□□□□

08 Ministry for General Mechanical Engineering, Agricultural Machines, and Vehicle

Construction

122.5

150.1 □□□

□□□□

of which: Combines

17.1 □□□

□□□□

of which: Spare Parts for Agricultural Technology

3.0 □□□

□□□□

of which: Trucks W 50 L

22.7 □□□

□□□□

of which: Trucks W 50 L/K

66.2 □□□

□□□□

of which: Trucks W 50 L/S

17.6 □□□

□□□□

of which: Spare Parts for Trucks W 50

20.8 □□□

□□□□

of which: Laboratory Equipment

2.5 □□□

□□□□

of which: Medical Equipment

0.2 □□□

□□□□

09 Ministry for District Industry and Food Industry

2.0 □□□

□□□□

of which: Electronic Technology Products□

2.0 □□□

□□□□

34 Ministry for Culture

0.1

1.0 □□□

□□□□

of which: Books and journals

1.0 000

0000

Overall

488.0

425.3 00 00

00000000

Appendix 3

- values in million Mark [of the GDR] -

000

0000

Assets

Liabilities 000

0000

Materially Guaranteed Exports

425.0

000

0000

Balance of Balance Factors

20.0 000

0000

Opening Balance as of 1 January 1979

12.0 000

0000

Potential Imports

393.0 000

0000

425.0

425.0 00 00

000

0000

Fulfillment of Imports Plan for 1979

000

0000

Potential Imports based on Procurement of Export Goods 1979

393.0 000

0000

Imports Already Paid in the 4th Quarter of 1978 and Shipped from the PR China;
however, which arrive in the GDR in the 1st Quarter of 1979 and become relevant for
plans then

85.0 000

0000

478.0 000

0000

□□□
□□□□
of which towards Complete Fulfillment of Imports Plan for 1979
451.0 □□□
□□□□
of which Guarantee of Advance for the 1st Quarter of 1980
27.0 □□□
□□□□

478.0 □□ □□

[1] Werner Krolkowski (born 1928). In 1978 First Deputy Minister President of the GDR and Member of the SED Politburo.

[2] "Nicht-sozialistisches Wirtschaftsgebiet" = "non-socialist economic zone", this is capitalist countries.

[3] "Volkseigener Betrieb" = Public-Owned Enterprise.

[4] See footnote #2.

[5] "Sozialistisches Wirtschaftsgebiet", this is the socialist countries.

[6] Convertible Western currencies, here the West German DM [Deutsche Mark].