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Report about the Closing of the Trade and Payments Agreement with Egypt

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Summary:

The report outlines the negotiations and discusses the importance of GDR support for the Arab countries, foremost Egypt. Having as its example the GDR-Finland trade agreement, the GDR-Egyptian trade agreement would be based on the exchange of goods in the amount of \$13.5 million, which, for the Egyptian side, would consist mainly of cotton export. A credit was negotiated at 500,000 Egyptian Pounds. The report also mentions the satisfaction of the Egyptian government with the GDR for not having signed a reconciliation treaty with Israel. Also, a trade mission of the GDR's foreign commerce office was discussed and approved by the Egyptian side.

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[Ministry for State Security of the GDR]

Main Department II/1

Berlin, 28 April 1953

Report[1] about the Closing of the Trade and Payments Agreement with Egypt

I. The Political and Economic Conditions/The Favorable Situation

1. The Importance of Developing Relations with Egypt
2. The Situation of Egypt and the Contradictory Policy of the Egyptian Bourgeoisie
3. The Tensions between the Arab States and West Germany

II. The Preparation of the Agreement

1. The Egyptian Initiative
2. The Preparation of the Agreement Text and of the List Products
3. The Political Preparation

III. The Negotiations in Cairo

1. The Negotiation Atmosphere, Reception, et cetera
2. The Mutual Agreement Proposals/The Most Important Matters in Dispute
3. Negotiation Tactics, Clearing of the Main Matters in Dispute
4. The Results of the Negotiations
5. Some Special Remarks by the Egyptian Side

IV. On the Questions of Implementing the Agreement and the Establishment of a Representation in Cairo

1. Main Issue: Sales of our Export Goods
2. On the Establishment of a Representation in Cairo
3. On Organizing an Industrial Exhibit in Cairo

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Main Department II/1

Berlin, 28 April 1953

Report about the Closing of the Trade and Payments Agreement with Egypt

I. The Political and Economic Conditions/The Favorable Situation

1. The Importance of Developing Relations with Egypt

The Arab states are not yet in the hands of U.S. imperialism to the extent as, for example, the American foothold of Israel. So far, they are neither formally nor actually integrated in the American war alliances. This fact can be exploited by the Camp of Peace[2]. Any increase in the economic relations between the states of the Camp of Peace with Egypt is impeding the further development of an economic and political dependency of Egypt as a leading Arab state vis-a-vis the United States. Given these circumstances, the expansion of trade relations between the GDR and Egypt by signing an agreement on a government level is not only of economic and political importance to the GDR itself, but also to the other countries of the Camp of Peace. The special political importance of this second government agreement by the GDR with a capitalist country[3] is the prospect of providing the opportunity for further development of relations with the Arab states. Maybe it can also pave the way to a first de jure recognition via the path of de facto relations.

2. The Situation of Egypt and the Contradictory Policy of the Egyptian Bourgeoisie

Egypt, whose Suez Canal Zone is still occupied by British forces, is facing a difficult economic situation. As an agricultural country with a monoculture, the export of cotton is an existential question for Egypt. However, they are stuck with large inventories of cotton because Great Britain, the previous main buyer, has almost completely disappeared as a customer because it wants to exert economic and political pressure on Egypt. The United States are not purchasing as well, but they are increasingly set on the export of goods and capital. The deficit in the Egyptian foreign

trade balance is continuously growing, especially via-a-vis the United States. To a large part, the Egyptian bourgeoisie is standing behind Military Dictator Naguib[4]. For reasons of profit, it is eager to achieve more autonomy and a freeing from British tutelage. By exploiting the American-British contradictions, it is leaning increasingly towards the United States and has therefore initiated a process of just switching the master.

At the same time, the Naguib Government is working towards an expansion of economic relations with the states of the Camp of Peace. Firstly, this is occurring for economic reasons to increase the exports of cotton (as far as possible for Dollars in order to lower the debts for further purchases from the Dollar zone). Secondly, for political reasons in order to put pressure on the United States and Great Britain and negotiate more favorable conditions by hinting at a further leaning to the Camp of Peace.

For these reasons, the Egyptian Government is not only willing to expand trade relations with the Camp of Peace, but it is also taking the initiative - like in our case.

3. The Tensions between the Arab States and West Germany

The agreement between the Bonn Government and Israel over so-called "reparations" in the amount of 3 Billion [German] Marks[5] has led to great tensions between the Arab states and Bonn and has resulted in severe threats of boycotts by the Arab countries against West Germany. To resolve the "accident", the Bonn Government has sent a delegation to Cairo to negotiate with Egypt and other Arab states.

The delegation headed by Bonn State Secretary Westrick[6] returned a few days after the arrival of the GDR government delegation without a result. According to reports in the Egyptian press, the Egyptian government had demanded from the Bonn Government investments and loans over the same amount as the "reparation" payments to Israel.

Apparently, the Egyptian government was seriously interested to reach an agreement with the GDR, and again for two reasons: 1. In order to get a further cotton customer and to receive machinery et cetera for developing its own industry, 2. In order to exert a certain pressure on West Germany.

Therefore, the situation was quite favorable for concluding a trade agreement between the GDR and Egypt, something in which we are interested ourselves.

II. The Preparation of the Agreement

1. The Egyptian Initiative

During many visits by Egyptian representatives to the [GDR] Ministry of Foreign and Intra-German Trade (for instance by the former Egyptian Trade Councilor Hashim from Bern and the Egyptian Consul General from Frankfurt/Main) the invitation of the Egyptian government was issued and eventually the opening of negotiations agreed.

Already in November of last year, provisional lists for trading products had been exchanged concerning the mutual export and import requests with a volume of 13 million Dollars (for the exports of each side).

2. The Preparation of the Agreement Text and of the List of Products

The draft of the general agreement text was made according to the principal products for products and on the base of reciprocity and mutual benefit. This was done by closely following the GDR-Finland trade agreement [from 1951].

During the drafting process of the product list for our exports to Egypt, there were problems pertaining to the Egyptian side asking for some items, which could hardly be fulfilled according to the Ministry for Foreign and Intra-German Trade. This concerned especially the request for railway cars including spare parts for overall 3 million Dollars. The [GDR] Planning Commission was able to promise such a planned order for next year at the earliest.

The Ministry for Foreign and Intra-German Trade hoped for a resolution of these problems through

1. Agreeing on a very high swing, namely in the amount of 30 percent of the overall volume (swing option for a debit balance, this is credit for advance deliveries by the Egyptian side)

2. A long period of validity for the agreement, like until 30 June 1954, in order to win time for the delivery of exports,

3. To the extent possible, another additional delivery period after expiration of the agreement in order to fulfill the railway car exports potentially afterwards.

As a precaution, the heads of the delegation removed this uncertain, and in principle dangerous item regarding our contract compliance, from the list of products already before our arrival in Cairo. They reallocated the amount to other items which can be delivered more easily. Then during the negotiations, the Egyptian side did not raise the demand for railway cars and thus this problem got eliminated.

For the export items there existed respective plan contingents, according to the Ministry for Foreign and Intra-German Trade: like chemical products, precision and optical products, trucks, passenger cars, equipment for the food and consumer goods industry, as well as for the textile industry, et cetera.

The list of products proposed by the Ministry for Foreign and Intra-German Trade for imports from Egypt consisted to 70 percent of cotton, as well as manganese ore (politically important because it is on the American embargo list!), phosphates, sheep intestines, et cetera. Because of the structure of Egyptian foreign trade, we had to consider in advance a possible increase of the cotton part to about 80 percent.

3. The Political Preparation

The involvement of the Ministry for Foreign Affairs in the preparation of negotiations has proven to be necessary as well as correct, as the experience in Cairo has demonstrated. This involvement pertained especially to the following:

a) Participation in the drafting of the agreement text in the Ministry for Foreign and Intra-German Trade

b) Drafting of politically important statements for the arrival in Cairo, the opening of the negotiations, and for the departure from Cairo

d) Instructing the delegation about the political and economic situation in Egypt. Assessments provided in this regard turned out to be essentially correct and proved to be very valuable to the delegation.

e) Drafting of the special directives for the delegation and instructing the delegation about the general rules of conduct in capitalist countries abroad.

In principle those directives were correct and sufficient. For future cases, however, the directives for talks by the delegation with business people, et cetera, outside of the official negotiations are in need of modifications. According to the directive, the delegation was only entitled to the passive reception of requests, et cetera, when forwarded to them externally without the delegation's prior solicitation. However, in my opinion, the delegation must have the opportunity to decide, according to the respective situation, whether it initiates contacts with certain companies or business people within the framework of its political and trade-political assignments; for instance to prepare the implementation of the achieved trade agreements. This actually happened in this case, and it turned out to be the correct thing to do.

III. The Negotiations in Cairo

1. The Negotiation Atmosphere, Reception, et cetera

The reception of the delegation was friendly. The welcome at the airport was done in the name of the Foreign Minister by an official from the Economic Department of the Foreign Ministry, Mustafa Kamel, who had been for some years in West Germany, most recently as Consul General in Frankfurt/Main.

Already a few hours after arrival in Cairo, the heads of the delegation (Koch^[7] and Kohrt^[8]) were received in presence of interpreter Schramm by Foreign Minister Fawzi^[9] on 10 February 1953. At the next day, there followed visits to the Ministry of Economy (with the Heads of the Trade Department, the Industry Department, and the Finance Department, as well as with the State Secretary) and in the Ministry of Finances (with the Head of the Economic Department, the State Secretary, and the Minister). The visits had been organized by the Economic Department of the Foreign Ministry. They had the character of courtesy visits, but the Egyptian side did already make some brief general remarks (see here chapter III). The visits confirmed the importance the Egyptian government had attached to the negotiations.

The press was reacting objectively, they published images from the arrival of the delegations and later from the signing act. Also, there were constant reports during the process of negotiations. Except for some small technical inaccuracies, the reporting was matter-of-fact and correct. Apparently, the Foreign Ministry had been the source for those reports. There were no publications whatsoever of a discriminatory character or which would have caused us to raise a protest. In all of that, there were no differences between the Arabic press and the French and English language newspapers.

The delegation got asked by representatives of the press only in very few instances. Interviews were not given. A very persistent journalist from American UP[10] was continuously rejected. He ceased his fruitless attempts only after about 10 days.

The negotiations began on 12 February and took place in the Ministry for Foreign Affairs following a regular schedule. After 7 official meetings they ended on 28 February. On 3 March the agreement was initialed and signed on the 7th of March.

Like the Egyptian delegation, the delegation of the GDR consisted of 9 individuals. It was chaired by the Head of the Economic Department of the Finance Ministry, Dr. Ahmad Abu el-Ela (composition of the delegation see appendix[11]).

The atmosphere of the negotiations was friendly and matter-of-fact; negotiation language was English. The Egyptian side was most of the time badly prepared for the respective sessions. This fact made in general our negotiation position easier and allowed us to hold the initiative in our hands. The somewhat slow way of negotiating by the Egyptian side had apparently several reasons:

- a) the attempt to induce the delegation of the GDR to ultimately make concessions on some very important disputed issues;
- b) the simultaneous presence [in Egypt] of other government delegations resp. semi-official economic delegations (West Germany, Japan, Lebanon);
- c) the overall slow mode operation of the Egyptian bureaucracy.

Otherwise the Egyptian representatives treated us correctly during and outside of the negotiations. Any kind of discriminating statements vis-a-vis the GDR or other states of the Camp of Peace were not uttered.

One day after the initialing of the Agreement, on 4 March 1953, the State Secretary in the Foreign Ministry hosted a dinner in honor of the GDR delegation in the Semiramis Hotel that was attended by both delegations.

Toasts were not exchanged at this occasion.

2. The Mutual Agreement Proposals/The Most Important Matters in Dispute

Our draft agreement was based on the principle of equality and mutual benefit. It contained the principles of product for product and transactions via a clearing account without any hard currency down payments, even not in order to cover a potential debit balance after the expiration of the agreement. Such a remaining balance should also be paid off by product deliveries. The overall volume for deliveries from each side was proposed with 13.5 million Dollars (= about 4.5 million Egyptian Pound). The product list contained the necessary specifications (for instance certain long-fibre types of cotton), but could not go too much into details. The mutual obligations of the governments could not a priori refer to the deliveries themselves, but only to the issuances of import and export licenses. Business in Egypt has to be concluded not with government institutions but with private capitalist business people. By agreeing on an according swing, the option of Egyptian advance deliveries was supposed to be achieved (first proposal: 1.5 million Egyptian Pound = one third of the overall volume).

At first the Egyptian side was not interested at all in a trade agreement with specific amounts and lists of products. Instead it just wanted to conclude a financial agreement while it was referring for a reason to the private character of its economy. The GDR could buy within the framework of currency rules anything in Egypt for any amount. Plus, to the extent it is competitive and will find buyers, it could export its own products to Egypt.

The Egyptian interest was openly oriented towards unilaterally exporting as much as possible to the GDR in order to get rid of large amounts of stocked up cotton and receive hard currency in return. In order to achieve this objective, although they were

talking about mutual deliveries, they demanded from us to provide a guarantee bond of an international bank for the Egyptian advanced deliveries of cotton which were supposed to be quite high. An agreement about a swing (accepted debit balance for advance deliveries by a contracting party) without an international bank guarantee was categorically rejected by the Egyptian delegation. Apparently they harbored the intention to send large exports and to create in return for the respective exports of the GDR as many problems as possible (for instance through a slow issuance or denial of import licenses, et cetera) - and then ultimately to fall back on the bank guarantee in order to accomplish as a result a large deal of cotton for hard currency.

The other proposals by the Egyptian side deviating from ours were not of essential importance, like for instance

- Dollar clause instead of gold clause in case of a devaluation of the Egyptian Pound
- Elimination of the CIF^[12] clause because this is an issue for separate agreements in Egyptian opinion
- Elimination of some bank-technical references because this is subject for agreements between the banks
- Elimination of references to individual agreements for the implementation of the overall agreement because such would be a matter-of-course
- Addition of a re-exportation clause (re-exportation of imported products only with consent of their delivering country).

In part, these proposals were more favorable to the GDR than to Egypt itself (for instance the re-exportation clause). Therefore we could agree to those during the course of the negotiations.

3. Negotiation Tactics, Clearing of the Main Matters in Dispute

Until the 5th session, the Egyptian delegation tenaciously stuck to its demand of a bank guarantee. Initially it did not show much interest in drafting a list of products, et cetera. The demand to conclude just a financial agreement was quickly abandoned because of our counter-proposals. The Egyptian draft of a financial agreement submitted in the first meeting was utilized by us for including some acceptable lines in our own proposal and then submit during the next session our complete draft for a trade and payments agreement. This way our counter-proposal became the basis for further discussion.

It soon turned out that the Egyptian demand for a bank guarantee was a maximum demand, however, the Egyptian side wanted in no way to see the negotiations fail because if this, even when they negotiated on this issue tenaciously and apparently inflexible.

The GDR delegation thoroughly prepared for each meeting. The most important argumentation on disputed issues was drafted in writing in advance, some statements were presented at the sessions verbatim. From our side we tenaciously stuck to the drafted overall argumentation. At the different meetings, we stated repeatedly the same arguments in new wording.

We asserted in particular that the Egyptian demand stands in contrast to the principle of reciprocity and mutual benefit. As proposed by us, an agreed swing means the option of mutual advance deliveries and they just serve the purpose of an easier and quicker fulfillment of the trade agreement. The principle of reciprocity and the balance of product for product is incompatible with any unilateral guarantee or hard currency deposit. The GDR for its part is not directing such demands at the Egyptian side. Such a unilateral hard currency guarantee will result in the one-sided purchase of Egyptian products for hard currency. However, there is no doubt that one can buy everywhere in the world cotton for hard currency. For this you do not need a trade agreement with Egypt on government level.

Finally, the Egyptian delegation stated that it fully understands our position. However, there is nothing it can do about this because it is not the Egyptian government but the bank (National Bank of Egypt) raising the demand for a guarantee. The bank though is not owned by the government.

At this point we replied that we are not showing an understanding for this position of the Egyptian side. The agreement will guarantee two important things favorable to

the Egyptian economy:

a) the export of large amounts of cotton

b) the import of industrial products of the GDR like machinery, et cetera.

Without doubt, the Egyptian side would be very much interested in both. This was confirmed to us in many conversations with Egyptian business people. Therefore, we do not understand that the Egyptian government, in its pursuit of furthering the interests of the Egyptian economy, has tolerance for problems created by a bank; since the signing of a favorable agreement with the GDR would apparently be thwarted by a hardly resolvable obstacle, if the demand for a [bank] guarantee is maintained.

At this point, the Egyptian delegation began to relent and promised us to consult again with the bank and the Ministry of Finance in order to resolve the issue in dispute. After a non-official information in advance at the occasion of a sightseeing tour, where they cautiously sounded out an acceptable amount for the swing, the Egyptian delegation declared at the 6th day of negotiations its agreement with a swing in the amount of 500,000 Egyptian Pound without any bank guarantee. Thus, the actual obstacle in the negotiations was removed, even more so because the Egyptian side also agreed that the remaining balance after the expiration of the agreement will be covered not through hard currency but through deliveries of products.

It only still demanded a written confirmation that the GDR government will positively review a potential overshooting of the swing by the Egyptian side, if during a government tender (for instance for sugar imports) the proposed swing will be insufficient because it might already have been used up by the private economy. Such a statement - which does not contain a binding obligation and is just of a formal character - we provided because such a situation will basically never occur.

The strategy of tenacious sticking to the argumentation, the methods of thorough preparation for each meeting, the drafting of statements, and the repeated submission of our drafts for the text of the agreements, et cetera, have very much stood the test.

Furthermore, it showed that although the Egyptian representatives were negotiating very insistently and slowly, they can still be influenced by an according tenacity of the other side. As some members of embassies from fraternal countries explained to us, this is a pretty common phenomenon for negotiations with Egyptians - though their especially difficult economic situation has to be obviously added in this case. A member of the Soviet Embassy stated literally: "The Egyptians 'are loving' a strong position of their negotiation partner".

4. The Results of the Negotiations

The agreement signed in Cairo on the 7th of March is reflective on all issues of principle of our own proposals. In essence, the following was achieved:

a) signing of a linked trade and payments agreement on the basis of a simple offsetting of product for product (currency basis for offsetting: Egyptian Pound) without any bank guarantee

b) for now, no non-commercial payments whatsoever will be settled through the agreement

c) Determination of an acceptable and internationally common swing in the amount of 500,000 Egyptian Pound (= about 11 percent of the overall volume).

d) Covering of a balance after the expiration of the agreement by product deliveries within 6 months. Even afterwards no hard currency payments, but joint consultation about how to pay off a potential remaining balance.

e) Validity of one year, but automatic extension if there is no explicit cancellation three months before expiration

f) Favorable lists of products that are satisfying our import requests and are containing export items we can actually realize.

The favorable conditions of this agreement are of a certain general importance beyond the GDR, because the latter does not contain any obligation regarding hard currency payments. The representatives of the people's democracy countries in Cairo

had harbored certain concerns regarding the Egyptian demand for a bank guarantee. A fulfillment of this demand would have become an uncomfortable precedent for other countries and would have made their own negotiations with Egypt very difficult. The Trade Counselor of Czechoslovakia called the signed agreement the best of its kind so far,

5. Some Special Remarks by the Egyptian Side

At the occasion of the visit by the heads of the delegation during the first day, Foreign Minister Fawn stated that in his opinion the situation is favorable for the delegation of the GDR. Here, without being explicit, he alluded to the unsuccessful [Egyptian] negotiations with the West German delegation. He himself would be an idealist, but it is important to transfer idealism into realities through the negotiations.

During our visit, the Finance Minister addressed the issue of the two currencies in Germany unprompted and already mentioned - before negotiations had started - the Egyptian demand for an international bank guarantee.

The prepared declaration by our delegation for the opening of the negotiations was first received with an expression of thanks. However, at the next day we were asked to agree, before a sharing of the statement with the press, with deleting or editing the following two passages - because those lines might be interpreted as attacks against countries Egypt is having diplomatic relations^[13] with:

“The German Democratic Republic has therefore nothing in common with the ruling imperialist forces in West Germany and their policy.”

“The German Democratic Republic, which itself has to represent the interest of the German people against imperialist power politics, is expressing its full sympathies to all peoples struggling for their national liberation, their independence, and for a better life”.

We explained that this is just a statement of facts, and there is no reason for us to delete from, or adding anything to, this declaration. Therefore, it is outside of our responsibility if the press does not publish this declaration in its complete or correct wording. At this occasion, the Deputy Head of the Economic Department of the [Egyptian] Foreign Ministry stated regarding the West German imperialists not literally, but basically “that though he does not like these people, he is still smiling at them”. The same pattern would apply concerning England and the United States, which are no friends of Egypt.

In several talks outside the negotiations, official government representatives as well as business people, et cetera, expressed a very strong anti-British attitude. It was emphasized repeatedly that Naguib would try everything “to chase” the English from the Suez Canal Zone. In this context, it was mostly added that one does not harbor any sympathies for the United States, because they only want to make one-sided deals to the detriment of the Egyptian economy, they do not buy cotton, and they only want to take over the previous position of the English. Such kind of statements were often explicitly defined as a “personal opinion”, adding that Egypt is in a very difficult situation and that their country’s hands vis-a-vis the USA and Great Britain are still tied. Statements of this nature were not made during the official negotiations, but at occasions like sightseeing tours, some individual conversations, et cetera.

The Egyptian representatives were very interested in developments in the GDR, but they were reluctant to voice opinions. Often they spontaneously stated their great pleasure that the GDR had not signed a “reparations” agreement with Israel.

The former Egyptian Trade Counselor in Bern, Mustafa Hashim, who was very much involved in bringing about the negotiations in Cairo, and who now operates as a private businessman, addressed during one conversation the question of our trade relations with other Arab countries. When we remarked the GDR government would welcome an expansion of trade relations on the basis of reciprocity and mutual benefit, insofar as there exists a desire on the other side, Hashim stated that because of his good connections he has the opportunity to maybe initiate corresponding steps, and that he will undertake efforts in this regard. He hinted at his own interest in this issue, because he has family relations with business people in other countries (e.g. Lebanon). He recommended to increase in first place trade relations with Saudi-Arabia since this country is very receptive. Due to its oil business, it has the

capacity to do import deals for hard currency if the the products offered are accordingly competitive.

In an individual conversation with the two assistants officially assigned to our delegation (2 Egyptian business people), those raised the question whether the GDR would be able to deliver arms to Egypt. Only the head of the delegation, Fritz Koch, can report about this talk since he undersigned was not present.

When the negotiations with the Egyptian were stalled due to the demand for a bank guarantee, the absolute interest of the Egyptian government to sign an agreement with the GDR was repeatedly stated.

At the signing ceremony of the agreement on 7 March, Foreign Minister Fawzi expressed his congratulations, and he emphasized the importance of the agreement for the economic relations between Egypt and the GDR. Furthermore, he stated his conviction that the agreement will also represent an important step for the further development of relations between the two countries.

Except for the above mentioned statements, there were no other remarks of special importance.

IV. On the Questions of Implementing the Agreement and the Establishment of a Representation in Cairo

1. Main Issue: Sales of our Export Goods

The implementation of the trade agreement, and thus the guarantee of the planned cotton exports, is depending exclusively on us securing the sales of our export products to Egypt; since the mutual deliveries are not guaranteed by the agreement but are realized through individual deals with private Egyptian business people. This requires a competitiveness of our prices and qualities, as well as the immediate fixing of the serious problems that so far have occurred with our exports to Egypt on the basis of compensation deals.

Visits with [Egyptian] agent companies have found out that, for instance, more than 50 percent of our Conti typewriters arrived severely damaged because of improper packaging. In most cases the rollers are broken and have to be welded through tedious work. As a result, the machines are no longer delivered as new to the customers but already as repaired.

An organized sale of our products also requires the expansion of a reliable agent network. In my opinion, Egyptian citizens must be prioritized here because the Naguib Government is apparently causing problems to foreign merchants.

Details about these and other questions can only be reported by delegation members from the Ministry for Foreign and Intra-German Trade and the German Domestic and Foreign Trade Companies [from the GDR], because the undersigned did not participate in the specialized talks with individual business people, et cetera.

2. On the Establishment of a Representation in Cairo

The heads of the [GDR] delegation raised in various meetings the issue of a representation for our foreign trade organs in Cairo. In no case this was met by a rejection. The establishment of such a permanent representation was not only welcomed by business people but also by representatives of the [Egyptian] government.

A particular link pertaining to this issue was the fact that the Egyptian delegation had inserted in its first draft of the agreement the offsetting of non-commercial payments through the agreement itself. [This draft] has included payments for the maintenance of consulates and the representations. Following up on our hint that such kind of relations do not exist between our countries, the [Egyptian] delegation head responded that as an employee of the Ministry of Finance he is not concerned with this issue. However, he could imagine that someday such representations might exist, maybe in 6 months or later.

At the occasion of the reception for the GDR delegation on the 4th of March, the State Secretary of the Foreign Ministry explained to the undersigned that there are no objections from the Egyptian side to the establishment of a representation for our foreign trade in Cairo. He added that he expects such an office would result in a good implementation of the trade agreement. Furthermore, he emphasized that in his opinion for instance a representation of our Foreign Trade Chamber or our foreign

trade companies would be appropriate. In this context, he also mentioned in passing that one just has to gain some experiences and could only proceed step by step. There is no doubt he wanted to indicate that the establishment of a Trade Representation or another representation with official state character is not yet in the cards.

Referring to these statements, the question of a representation was again raised vis-a-vis the Egyptian head of delegation at the occasion of the farewell visit. We received the same positive answer, with the addition it would be appropriate to file an according request with the Egyptian Foreign Ministry before the establishment of a representation. Like in case of the exchange of confirmations regarding the Trade Agreement by both governments, this could work via the Egyptian Embassy in Prague.

Except for these oral statements, there are no indications whatsoever that the Egyptian government is willing to keep these promises. Without doubt, there will be some Egyptian business people who are hardly interested in the establishment of a GDR trade representation; since they are afraid such might potentially result in a reduction of their profits as agents.

It will become necessary to now solve as quickly as possible the question of personnel for the representation, so that an according note can be sent immediately to the Egyptian Foreign Ministry via Prague. A possible opinion that the timing for the establishment of a representation is improper, because of the long heat period and summer recess [in Egypt], is misguided to my mind. Even in Egypt the economic and political life does not come to a standstill during the summer. We would lose valuable months for the implementation of the trade agreement, as the "remote implementation" via mail cannot replace the on-site presence of experts. No doubt there would be the danger that the agreement remains to major extent just on paper. This refers especially to the proceedings of our exports. Though the purchase of cotton will be less difficult, in my opinion this would also need to be dealt with on site by any means. In particular it would have to be controlled, for instance with regard to the shipping of the actually ordered qualities in order to avoid damages to our own economy.

3. On Organizing an Industrial Exhibit in Cairo

Towards the end of the negotiations, we raised from our side the request to organize an industrial exhibit of the GDR in Cairo. This was received very well by the Egyptian side. Some members of our delegation visited the exhibition site in Cairo and determined there would be suitable space for the exhibit. As a provisional date November or December 1953 was agreed upon. Incidentally, we figured out that there will a Czechoslovak industrial exhibit held at the same site in November. It will be necessary to apply already now for the official and final approval of our exhibit via the Egyptian Embassy in Prague. With regard to details concerning the steps already taken in Cairo, the head of our delegation has been precisely informed.

[1] This document was not produced by the Ministry for State Security itself, but in all likelihood by a member of the GDR delegation who shared his report with the State Security, presumably because he worked with them in a certain capacity.

[2] Aka the "Soviet camp".

[3] The GDR's first trade and payments agreement outside the socialist bloc had been signed on 19 June 1951 with Finland.

[4] Mohamed Naguib (1901-1984), 1st President of Egypt 1953/54, Prime Minister 1954.

[5] On 18 March 1953, the West German parliament (Bundestag) had passed the Luxemburg Agreement signed by the West German Government, Israel, and the Jewish Claims Conference on 10 September 1952.

[6] Ludger Westrick (1894-1990), State Secretary in West German Foreign Ministry 1951-1963, Head of West German Federal Chancellery 1963-1966.

[7] Fritz Koch (1910-1990), 1951-1953 Head of Main Department in GDR Ministry of Foreign and Intra-German Trade, 1953-1955 Special Envoy of the GDR Government for the Middle East based in Cairo. After the 1953 GDR agreement with Egypt, Koch

successfully negotiated additional agreements with Lebanon (1953), Syria, and Sudan (both 1955).

[8] Günter Kohrt (1912-1982), Head of Main Department in GDR Foreign Ministry 1953/54, SED Central Committee Department of International Relations 1957-1964, Ambassador to the PR China 1964-1966, State Secretary in GDR Foreign Ministry from 1966 to 1973.

[9] Mahmoud Fawzi (1900-1981), Foreign Minister of Egypt 1952-1964, Prime Minister of Egypt 1970-1972, Egyptian Vice President 1972-1974.

[10] News agency United Press, from 1958 United Press International.

[11] Not part of this document (maybe because it may have revealed the author of this text).

[12] CIF = Cost, Insurance, and Freight.

[13] West Germany.