

GERMAN DEMOCRATIC REPUBLIC

The GDR has long been the Socialist bloc's standard-bearer in the Third World. Through a variety of trade and technology transfer agreements, the GDR has helped boost the economies of many newly-independent states.

With the prospect of a new generation of policy-makers in the politburo, this relationship is likely to grow



In September 1955, less than six years after its birth as the German Democratic Republic, the GDR government concluded a cooperation agreement with the People's Republic of China. At the time, it was a one-off development and, not counting Mongolia, it was to be more than 20 years before the next such agreement (with Vietnam) was signed in 1977.

The GDR has consistently been what the Soviet authorities might be pleased to call their standard-bearers in the Third World, and there are now agreements with several countries in Africa and Asia.

"The national and social liberation struggle waged by the peoples of Asia, Africa and Latin America," declared the Socialist Unity Party in 1976, "is a major component part of the world revolutionary process. Once political independence has been gained, it is of prime importance to defend and consolidate it and to achieve economic independence from imperialism."

This philosophy is still adhered to in Berlin (East). In May it was just like old times when a GDR team, headed by politburo member Guenter Schabowski, was in Beijing for talks with Chinese party leaders. Inevitably, given the prevailing climate, they discussed the feasibility of expanding bilateral political and economic cooperation.

Similar delegations leave Berlin routinely now for Third World capitals, invariably talking the same language and almost invariably yielding the same results. The wording occasionally changes but the intentions are consistent. The secret of the consistency is the extraordinary efficiency with which the GDR does its preparatory homework. The details are secret, but it is fair to assume that no other Communist country,

after China and the Soviet Union, works so painstakingly hard in pursuing its contacts.

The Third World country which is the object of Berlin's attentions soon learns to appreciate that the Germans have arrived out of a strong sense of ideological commitment as well as commercial inclination. The sums involved in bilateral exchanges may not always, for that reason, be great, but the thinking behind the exchanges – in, say, Mozambique, Angola or Kampuchea – cannot be questioned.

There is also a low profile element about the GDR presence in the Third World. When the party newspaper, *Neues Deutschland*, reported on the minutiae of last year's plan fulfilment, there were, understandably, numerous columns on the domestic situation, usually permeated by the feeling that things had gone rather well, but only one meaningful sentence on trade with the Third World.

"Trade relations with the developing countries," it reported, "were effectively linked with scientific and technological cooperation, cadre training, advisory work, and projects for industrial cooperation." It is in the cadre training and advisory work that the world revolutionary process, referred to in the Party document of 1976, is promoted.

From the commercial point of view, there is also the ingredient of self-interest. "Intensifying economic, scientific and technological cooperation with developing countries on the basis of equality and mutual advantage," say the directives for the current five-year plan, which ends in 1990, "must yield economic benefits for the GDR while effectively supporting the countries concerned in building their national economies."

But the relationships between the GDR and its

TRADE:

Realpolitik and aid

COUNTERTRADE:

Profits of secret trade

LEIPZIG:

Fair exchanges

SPORT:

Prospects for Seoul's gold

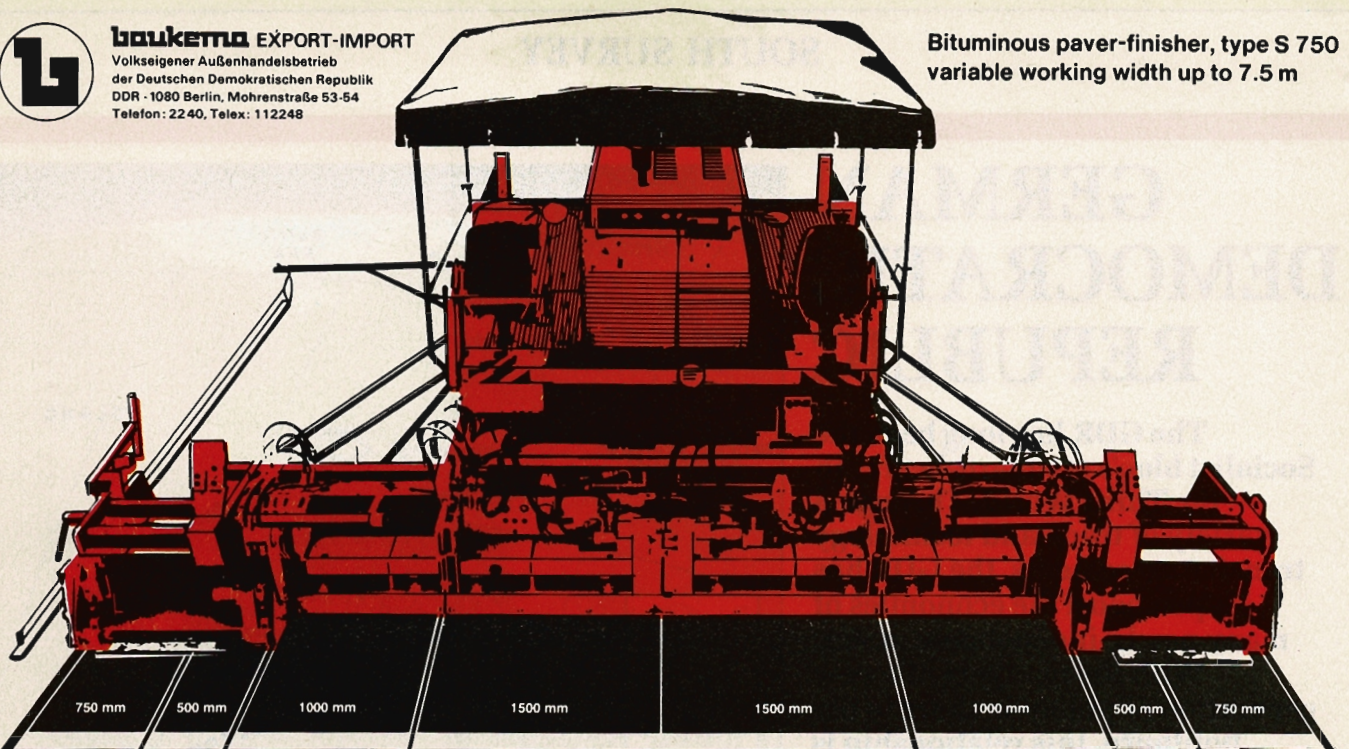
CHINA:

Two-way trade in exhibitions



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■ **Leading the way:** Erich Honecker (left); youth workers at 35th anniversary celebrations of GDR

Third World partners have not always been smooth. Both sides, on more than one occasion, have burned their fingers. In 1977 for instance, GDR diplomats were given 48 hours to get out of Zaïre when that country broke off diplomatic relations after accusing the GDR of arming anti-government insurgents.

This did nothing to deter the administration of Erich Honecker, who has been the GDR's leader since 1971, from dispatching his defence minister, then General Heinz Hoffman, on a tour of selected African countries to explore the possibilities for "further military cooperation". In response, the US propaganda machine was wheeled into action and alarmist articles appeared.

In 1978, in a more substantial development, Honecker himself visited Angola, Libya, Mozambique and Zambia. At the celebrations to mark the 30th anniversary of the founding of the GDR, Third World dignitaries were high on his guest list. More recently, too, developing world dignitaries, for example, the Chinese leadership, have been feted in Berlin.

Countries dealing with the GDR do so in the knowledge that they are dealing with one of Comecon's most successful economies. Its stated growth rate has been consistently above average for the area, and the quality of its production has been high enough to keep the Soviet Union, even in the days of quality-consciousness, acutely interested as a customer. Almost 40 per cent of the GDR's total trade is with the Soviet Union.

Its achievements, at home and overseas, have all except the earliest been accomplished under the auspices of Erich Honecker. He is now in his mid-70s, but shows no signs of flagging. He is also opposed to reforms now being implemented in the Soviet Union under Mikhail Gorbachev, stating, quite correctly, that the GDR has thus far managed very well without such changes and that therefore they are unnecessary.

The adoption of such a position could make life complicated – unless the Gorbachev administration changes – for Honecker's successors. Honecker is a product of the varying influences of the Stalin-Khrushchev-Brezhnev era, but the younger elements in the politburo are closer in age, outlook and political thinking to Gorbachev.

Party members in today's Berlin speak with pride of the GDR's record with what Honecker

still calls the "developing" countries and one can assume that, while making occasional tactical advances, they will agitate for more of the same when their turn in power arrives.

Who will succeed Honecker and when the succession will take place remain for the time being imponderables, though there are many well-placed people in Berlin who wish it were otherwise. These people note, for instance, that Gorbachev's criticisms of the stagnant Brezhnev era are implicitly criticisms of those whose career prospered while Brezhnev was in power.

A whole generation in Berlin is now arguing about the Gorbachev philosophy, many of them clear in their minds that the GDR should be doing more to humanise its socialism in the way that the Soviet system is doing. The prospects for immediate change in Berlin, however, will remain totally unclear until the extent of Gorbachev's victory following the special Soviet Communist Party conference being held at the end of June is also clear.

Michael Simmons

Realpolitik and Third World aid

The German Democratic Republic's lack of natural resources and extensive industrial base forces it to rely heavily on foreign trade. As an exporter primarily of manufactured products and capital goods and an importer of basic commodities, fuel and raw materials it would seem, on the surface at least, an ideal trading partner for the developing world.

However, the GDR has a surprisingly narrow trading base and is for the most part locked into the Comecon bloc. Indeed, despite a sharp rise in the volume of foreign trade and a concerted effort to increase hard currency exports to the West, the direction of the GDR's trade has changed only marginally since the 1970s.

Comecon countries, for example, accounted for an estimated 65 per cent of the GDR's exports and 66 per cent of imports in 1987, compared with 68 per cent and 66 per cent in 1970. Similarly, members of the Organisation for Eco-

FACTFILE

Population: 16.6-million (1987)

Growth rate: -0.1% p.a.

Distribution: 77% urban

National income:

US\$144.1-billion (1987)

Growth rate: 4% p.a.

Income per capita:

M15,869 (1987, at 1985 prices)

Growth rate: 4.6% p.a.

National income by sector: (1986)

Industry 64%

Agriculture 11%

Construction 7%

Inflation rate: 1.5% (1987 estimate)

State budget (1988):

Revenue: M266.8-billion

Expenditure: M266.6-billion

Surplus: M175-million

Foreign trade:*

Total turnover: VM176-billion (of which VM122-billion was within Comecon)

Trade surplus: VM3.3-billion

Exports to OECD: US\$5.9-billion (estimate)

Imports from OECD:

US\$5.7-billion (estimate)

Gross foreign debt:

To the West: US\$14.4-billion

To the USSR: US\$7-billion

Currency: US\$1 = Ostmark (M) 1.69 (May 1988)

*The valuta mark (VM) is the accounting unit used for external trade. It is pegged to the transferable rouble, is currently worth less than a Deutschmark but has no consistent foreign exchange rate.

Compiled by Paul Hackett

Sources: Central Statistics Office, Neues Deutschland, OECD, IMF, BIS

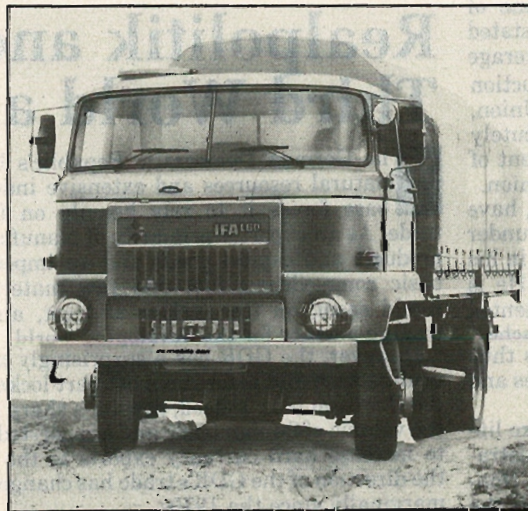
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conomic Cooperation and Development, a group of rich western countries, took 27 per cent of the GDR's exports and provided 28 per cent of total imports in 1987, against 22 per cent and 27 per cent in 1970. Trade with developing countries over the same period has proved equally static, with the share of exports rising only slightly to 4.5 per cent last year and imports remaining virtually unchanged at 4 per cent.

Although the GDR's trade with developing countries over the long term has actually increased in dollar terms because of fluctuations in exchange rates, a closer look at the figures reveals that during the past five years the Third World's total share of GDR imports and exports has contracted in relation to the Comecon bloc and western industrialised countries. Exports from the GDR to developing countries expressed as a share of total trade, for example, fell by about 37 per cent between 1982-87, while imports dropped by an estimated 10 per cent. To some extent the decline in recorded trade was made up by the rise in undisclosed countertrade deals, notably with oil exporting developing countries, and often involving arms trading. However, according to *Business International's* Eastern Europe group, which supplies detailed information to western countries trading with the GDR, the Third World gets a rough deal out of most countertrade transactions.

Several reasons are given for the relative decline in GDR-Third World trade since the early 1980s. Perhaps most significant is the drop in the GDR's hard currency earnings, especially income from the re-exports of Soviet oil, which suffered from the collapse in oil prices.

Thus, the GDR was reluctant to engage in trade with countries which provided few opportunities to generate additional income to pay for much needed hard currency imports. The problem was exacerbated first by the drop in global commodity prices and then by the fall in the value of the dollar. Importing dollar-based commodities from Third World countries on a barter basis for capital goods proved expensive. Much needed raw materials could be purchased cheaper on the open market. Moreover, the GDR was finding it harder to re-export excess commodity imports.

Another factor was the GDR's Third World debt exposure. Although small by western standards, the debt weighed heavily on trade policy at a time when the GDR was under pressure from the Soviet Union to reappraise its entire foreign trade structure in the light of the call for greater Comecon integration.

Despite the fact that most of the long-term trade agreements drawn up in the early 1980s comprised loan and credit packages on fairly lenient terms, all but a few least developed countries' trading partners were struggling to meet repayments either in the form of goods or funds. The GDR has been sympathetic to the problem having seen its own debt rise sharply due to the dollar's fall, but has become less willing to extend new credits - particularly to non-socialist developing countries.

According to David Childs, director of the Institute of German Affairs at Nottingham University in the UK, and the author of a recently



published report on the GDR, the deterioration in trade with the Third World has not been compensated for by any surge in official aid flows.

Public aid to the Third World, Childs says, amounts to little more than 0.16 per cent of national income a year. This is estimated to be well below what it was in the 1950s and 1960s when the GDR hoped to win recognition from non-aligned LDCs by offering selective aid. If the latest 1986-1990 five year plan is anything to go on, then there seems little prospect of the GDR increasing its far from generous aid programme. The plan fails to mention aid to the Third World at all, and only devotes one paragraph to the GDR's economic relations with developing countries.

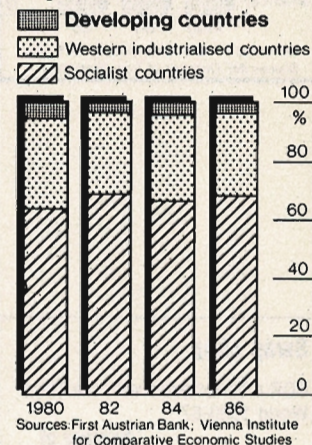
The chamber of foreign trade in Berlin dismisses the idea that the GDR is deliberately downgrading its aid and trade ties with the Third World. The chamber says that the GDR's economic relations with about 65 developing countries have become increasingly important during the past five years. The authorities claim public aid to developing countries now totals 6.9 per cent of national income. "We hold the view that an extension of the cooperation between the GDR and the developing world helps combat hunger, speed up industrialisation, cultivate new sources of energy and resources and solve pollution problems," it said recently.

It is difficult to determine whether this means that the GDR is set to readjust some of its trade towards the Third World. Pledges of political support do not seem to square with declared trade policy, which is of no shift in the balance from East to West. Indeed, if there is any growth in foreign currency trade resulting from the GDR's cautious trade reform programme it is more likely to be with cash-paying OECD countries.

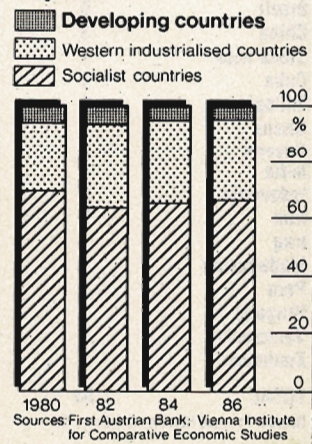
But, against the background of an overall decline in trade with the Third World there are a number of success stories. Trade with India has picked up steadily over the past two years and is set to continue rising (the GDR is about to begin importing Indian Maruti cars on a long-term basis); GDR-China trade has more than doubled

■ Trade focus: optics exhibition, Leipzig

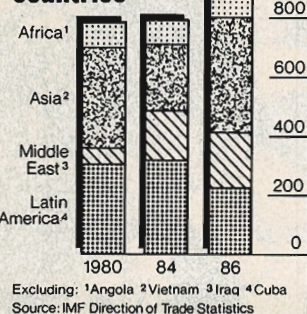
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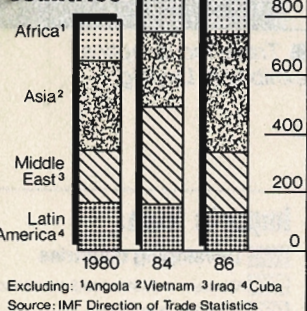
Exports to:



Imports from developing countries



Exports to developing countries



Swap shop

GDR's barter deals with the Third World 1980-87

	Number of reported deals
Argentina	1
Bangladesh	1
Brazil	5
China	3
Costa Rica	1
Cuba	1
Ethiopia	1
Ghana	1
Guyana	2
India	4
Indonesia	2
Iran	2
Iraq	1
Madagascar	1
Peru	1
Uruguay	2
Venezuela	2
Zimbabwe	3
TOTAL	34

Source: Produce Studies, Newbury, UK

since the signing of a five-year trade agreement in 1985; oil trade with both Iran and Iraq has increased as a result of the cuts in subsidised Soviet oil sales and the GDR's neutral stance on the Gulf war; exports to Cuba, Vietnam and Nicaragua have increased with the growth of political ties; and new long-term trade and payments agreements have been signed recently with a number of new industrialising countries such as Brazil, Mexico and Egypt.

The relatively advanced level of the GDR's engineering, electronics and chemical industries has undoubtedly attracted the interest of developing countries, as evidenced by the Third World's ever growing presence at the Leipzig international trade fair. One area of particular interest is the consultancy service offered to developing countries by such GDR companies as VEB Industrie-Consult (metal works), VEB Elektro-Consult (engineering and electronics) and VEB Construction-Consult.

Most of the installations that are designed and constructed by GDR companies are handed over as turnkey projects. In Algeria, for example, cables and pumps are manufactured under licences granted by GDR companies. In Malaysia it is typewriters, in Brazil optical glass.

According to officials at the chamber of foreign trade a number of three-way joint ventures involving the GDR, western companies and governments in developing countries are in the pipeline. "We are still at an early stage, but feel it is a new area within which we can extend our links with the developing world," said a chamber official. It is widely known that the GDR would like to link up more with Japanese trading houses, which have an effective network for offloading bartered goods. However, as the chamber put it: "We are not into selling everything and anything to the Third World; effective support must go hand-in-hand with economic benefit for the GDR."

Paul Hackett

Profits of the secret trade

The German Democratic Republic is not a leading player in East-West countertrade compared with many of its Soviet bloc allies. But the authorities are prepared to boost countertrade relations in a bid to foster trade and diplomatic relations with developing countries.

The scope of these can be gleaned from the list of countries with which, according to the IMF, the GDR has bilateral trading or clearing relations - including Afghanistan, Bangladesh, Brazil, China, Ecuador, Ghana, India, Mozambique, São Tomé and Príncipe, and Uganda.

Clearing accounts are a classic feature of trade between countries where one, or both, partners lack hard currency to settle import bills - government-to-government agreements by which trade is administered and, hopefully, balanced. They provide the framework for official countertrade transactions.

Details of countertrade transactions and the

overall flow of reciprocal trade business are notoriously difficult to establish. However, an unusually detailed picture of the GDR's countertrade relations with developing countries has been made available to *South* by the UK international marketing and research company Produce Studies.

According to Produce Studies, between 1980 and 1987 there were 34 reported deals between the GDR and developing countries. Few deals took place during the early 1980s, though in 1985 there were nine reported deals, followed by five and six in 1986 and 1987 respectively, presumably a result of the worsening debt crisis.

The secrecy surrounding state-run countertrade transactions masks the true extent of such business. However, Produce Studies' figures give a good indication of the trend of GDR's countertrade relations. Brazil features most strongly with five deals, followed by India with four. Similarly, the report gives some indication of the value of deals struck. The value of those with a known price tag (about half of those reported during the period) totalled about US\$1.5-billion. The value of individual deals varied substantially; four deals fell into the US\$5-million to US\$14.9-million category and a further four into the US\$100-million to US\$499-million bracket.

The extent to which the GDR is prepared to enter into countertrade deals with developing countries is revealed in a separate, recently published Produce Studies report, which places the GDR in 11th position in a league table of reported deals. The US tops the league with 142 deals - a figure reflecting its worldwide economic importance rather than a constructive attitude towards countertrade by the US administration, which is basically hostile to the technique. Japan is second with 94 deals. Among other socialist countries in the league are the Soviet Union (73), Romania (41) and Yugoslavia (35).

The UK's Midland Bank countertrade director Gilbert Nockles says: "The GDR has been successfully assembling bilateral trade and payments arrangements with developing countries, especially in Africa and Latin America".

Oil sources say crude has featured prominently in the GDR's countertrade activities in recent years. Evidence of deals is difficult to come by, but experts note that two of Opec's most active countertraders, Iran and Iraq, are the GDR's biggest Third World trade partners - both with an annual trade turnover in excess of a billion valuta marks. Libya is also known to have transacted countertrade-based oil business with the GDR.

According to analyst David Childs, director of the Nottingham University Institute of German, Austrian and Swiss Affairs in the UK, oil also features in Angolan-GDR trade, perhaps amounting to 75 per cent of Angolan exports.

Coffee is also thought to have featured in Angolan-GDR countertrade business. It seems likely, however, that its importance has declined in recent years, given the difficulties the Angolan coffee industry has been facing.

Countertrade thrives on secrecy, but occasionally details of individual deals do emerge. Early this year, for instance, the GDR concluded a countertrade deal with India involving the

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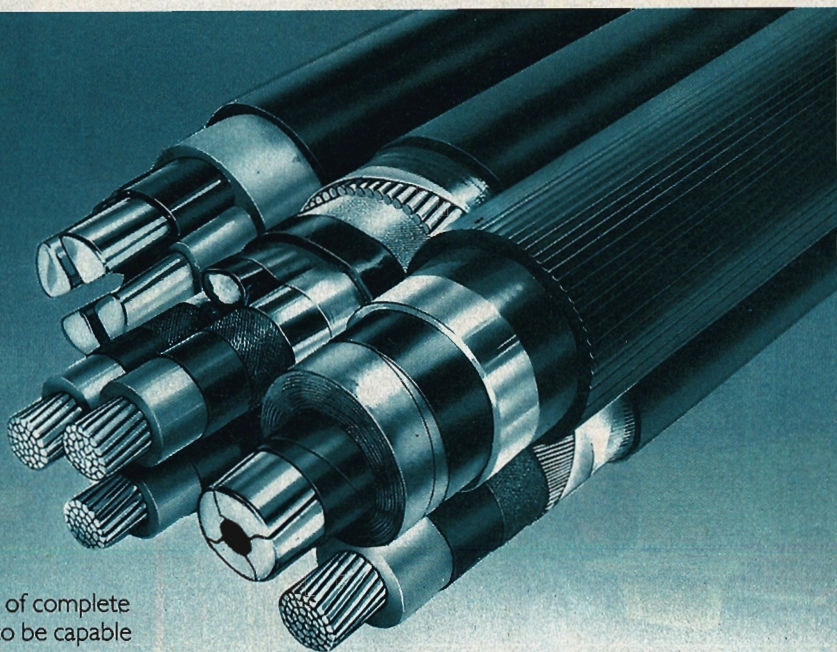
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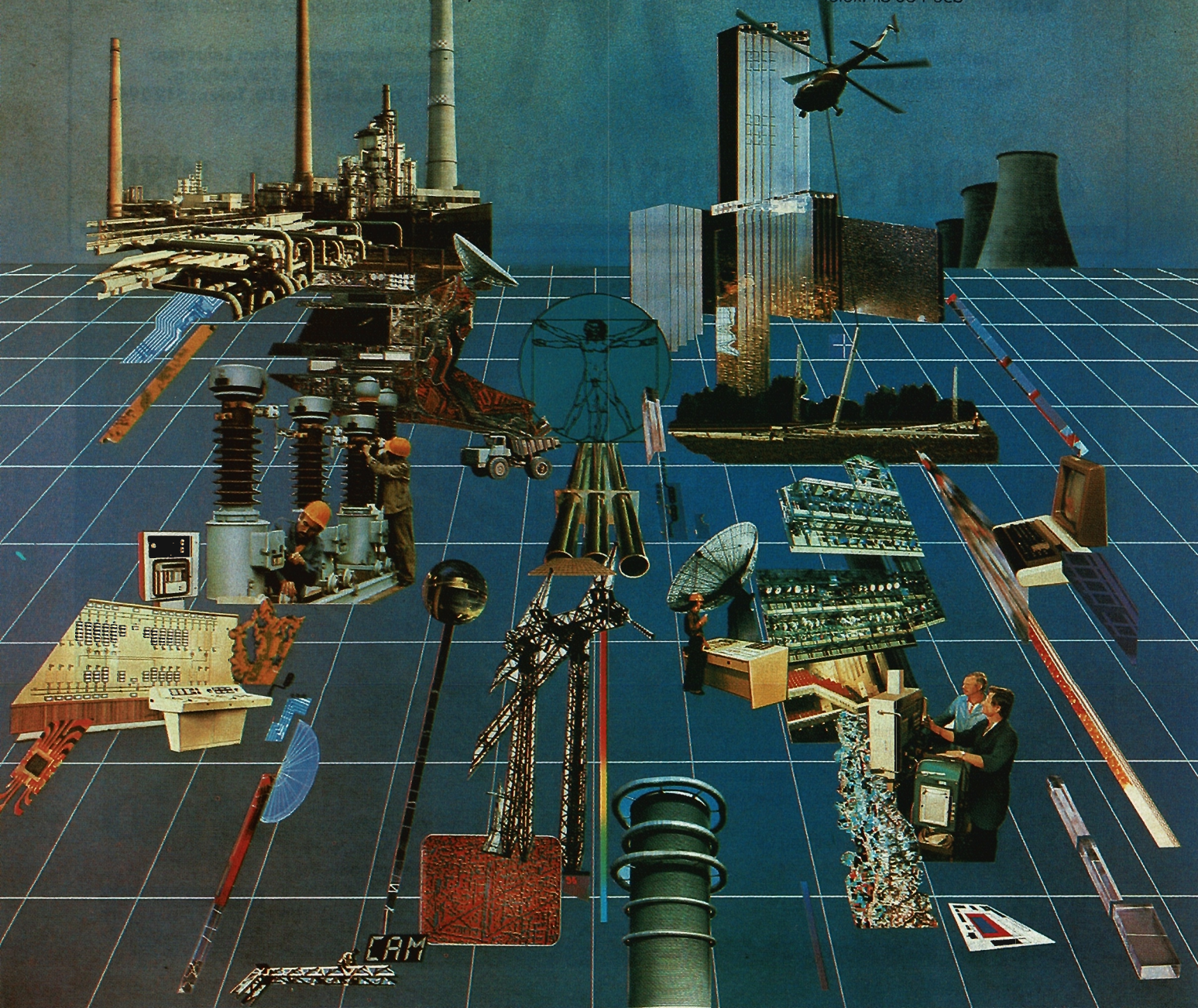
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exchange of iron ore and various agricultural products for GDR machine tools, chemicals, fertilisers and printing equipment.

In deals transacted between the GDR and Zimbabwe, steel products, chemicals and fertilisers have been exchanged, primarily for tobacco. GDR products have been exchanged for Bangladeshi tobacco, textiles, tea and jute products.

However, not all GDR countertrade deals are geared to promote current trade. The authorities are also willing to use countertrade techniques to offset debt repayments. Last year in Peru, for example, the GDR signed a US\$12.4-million goods-for-debt deal designed to generate US\$3.1-million of debt repayments in return for Lima purchasing US\$9.3-million of non-traditional exports, including textiles, computers, shoes, canned fish and handicrafts. The GDR seems likely to strike a series of such deals to help Peru clear its medium-term and long-term public sector debt of about US\$20-million with Berlin. ■

Alan Spence, *editor of Financial Times International Trade Finance Report*

■ Third World Countertrade published by Produce Studies, Newbury, UK. Price £75, May 1988

Fair exchanges at Leipzig

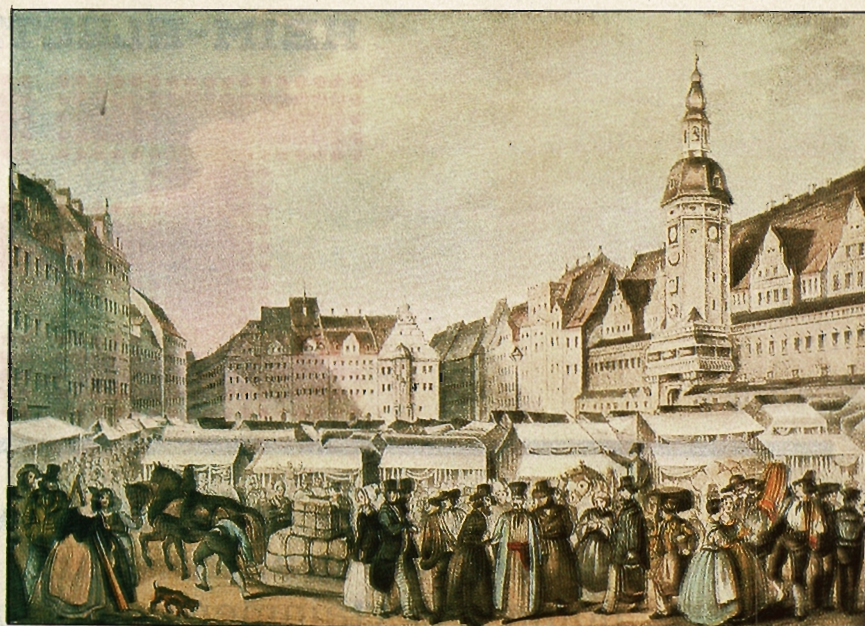
Every March about 500,000 foreign business-people and 1,300 journalists head for the international spring trade fair in the southern GDR city of Leipzig. This year about 9,000 exhibitors from 74 countries – including 33 developing countries – took part. “For one hectic week everyone wants a bed, a beer and a taxi,” says Rolf Buschmann, a director of the fair.

For GDR companies the Leipziger Messe presents unparalleled business opportunities – about 50 per cent of Berlin’s foreign trade deals are clinched at or in the wake of the fair. For the other participants, the fair, which has continued almost uninterrupted for 863 years, is an established forum for companies to monitor the products of international competitors.

When it comes to East-West relations at Leipzig, “business is business,” says Buschmann. Few western or Third World trade delegations arrive with a specific shopping list and most do not expect to negotiate deals during the fair. For Heliodynâmica, a Brazilian silicon wafer manufacturer, the US\$9,000 fee for an exhibition stand at Leipzig was offset by potentially profitable ties made with other companies from Mexico and Peru.

Although the fair affords Third World governments and companies the opportunity to meet and deal with each other, many find it hard to penetrate the European market, except perhaps for some primary products and commodity sales.

For the GDR, Leipzig is now the main vehicle for selling equipment and securing consultancy contracts in the developing world. Most of the deals between the GDR and Third World countries in March – covering pharmaceuticals, optical and medical instruments, consumer electronics and heavy industrial products – were with its socialist trading partners such as Cuba,



Angola, Ethiopia, South Yemen and China.

Important agreements were also signed with India – a Leipzig participant since 1955 – with which the two-way trade turnover has quadrupled in the past decade. The GDR’s renowned optical manufacturer Carl Zeiss Jena sold advanced Rectimat C remote sensing equipment to India and joint venture agreements were negotiated for the manufacture of shoes and clothes in India for the GDR market. China is an increasingly important market.

Although many companies are taking advantage of recent trade initiatives, some urge caution. They feel that the cream of the GDR’s technology and industrial knowhow is being marketed abroad to the detriment of its domestic infrastructure.

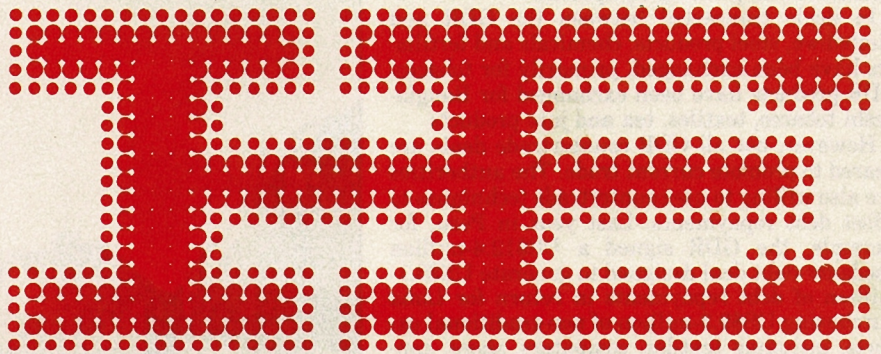
Wilfried Fischer, a foreign trade ministry official, says that the GDR’s strength as a trading partner lies in “the quality of goods, low prices – because of lower wages than in the West – and attractive delivery conditions, involving credits and countertrade deals.” Because of the GDR’s lack of raw materials, Fischer believes that “countertrade will rise and that barter deals will become increasingly linked to the Leipzig fair.” That such trade arrangements are “mutually beneficial” is a significant factor in the negotiating process, he says.

The export of knowhow and the technical training of cadres is a key policy of many GDR companies, and one that was being aggressively promoted at the fair. Companies such as Elektro-Consult – registered as a technical consultancy with the UN Industrial Development Organisation and the International Telecommunications Union – and Agro-Consult exist solely for this purpose. Their commercial activity is targeted specifically at the Third World. Most other companies operate training and technical co-operation programmes and dispatch experts and advisors when setting up plants in the Third World. ■

Jonathan Miller in Leipzig

■ Traditional trade: Leipzig fair, 1830

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Prospects for Seoul's gold

Having boycotted the last Olympics in Los Angeles four years ago, the GDR's athletes are in earnest training for the 24th games in Seoul in September.

Encouraged by their best ever performance in a winter Olympic games, winning 25 medals including nine golds at Calgary in 1988, and their top of the table medal haul at last year's World Athletics Championships in Rome, it is clear that GDR athletes such as Thomas Schönlebe and Silke Gladisch are already strong candidates for honours at Seoul.

In Rome Schönlebe defied some of the pre-event experts by winning the 400m in a European record time of 44.33 seconds. As one of the most consistent runners over this distance in recent years he is again expected to succeed in Seoul. The normally reticent Schönlebe says: "I was very surprised by this victory [in Rome]. Now I hope to repeat my success in the [Seoul] Olympics, but with an even faster time."

Silke Gladisch and some of her compatriots, like 1400m hurdles winner Sabine Busch, also have cause for confidence. In Rome Gladisch stepped out of the shadows of her illustrious predecessors, like Marita Koch and Marlies Gohr, to strike double gold over 100m and 200m.

Other women athletes likely to figure in the medals include Heike Dreschler, the world record holder in the long jump and co-holder at 200m, who had an injury-ridden season last year but looks to be coming back to her best form after a sparkling indoor season.

Although the men's team is not normally as dominant as the women's, there are still enough superstars to ensure some notable successes.

Jurgen Schult, world record holder for discus throwing and Torsten Voss, who ended British athlete Daley Thompson's reign as top decathlete, are likely to be front runners for medals.

The GDR's swimmers are still a force to be reckoned with, particularly in the women's events. Injuries aside, the Seoul team will include Kristin Otto, Heike Friedrich, Sylvia Gerasch and Silke Horner, all reigning world champions from the last championships held in Madrid in 1986 and all current or recent world record holders. GDR teams have often been strong in the relays, a good indication of the squad's strength in depth.

Canoeing and rowing are also a possible source of medals, but surprisingly, with their successes in other water-based events, there is little hope of medals in yachting or water polo.

This reveals an interesting feature of the GDR's sports philosophy: concentrating on and consolidating sports in which they already excel and an acceptance that development in other areas is likely to be slower.

Swimming and athletics are the established strengths of GDR sport, but in recent years gymnasts have also started to establish themselves as leading contenders alongside their Eastern European rivals, the USSR and Romania.

Team sport medals will be more difficult to come by, with the best prospects in volleyball and handball. The football team, which won medals in 1976 and 1980, is currently struggling to qualify for the finals in a group which includes Italy, possible favourites for the gold.

With medals to add from other sports such as shooting, wrestling and cycling, the GDR could possibly exceed its haul of 136 medals, including 47 golds, at the 1988 Olympics.

Whatever the final tally, it will be a remarkable triumph for a country of just 17-million.

Phil Minshull



■ Track record: GDR's Heike Dreschler in the 200m, Brussels

Two-way trade in exhibitions

The GDR's exhibition of about 800 items of heavy machinery, electronics, agricultural machinery and chemical industrial equipment in Beijing in April illustrated to the Chinese the achievements the GDR has made in recent years. The event was designed to promote further economic cooperation between the two countries, said Jochen Streyer, the GDR's deputy minister of foreign trade.

Covering 6,500 square metres at the Beijing international exhibition centre, the show, in which the GDR's 35 foreign trade agencies and 57 enterprises participated, comprised five sections. According to Streyer, these were designed to reflect China's priorities in its economic development. They include the development and utilisation of raw materials, power generation and transmission, electronics and chemical engineering. At the 10-day fair, deals totalling US\$57-million were concluded.

The German fair was a reciprocal event. Earlier this year, China's Liaoning Pro-

vince, which, with a population of 38-million, is more than twice the size of the GDR, participated in the Leipzig Fair with 1,700 exhibits ranging from TV sets and textiles to rugs and footballs. The Chinese delegation concluded deals totalling US\$3.2-million at the fair, mainly with western countries such as the Federal Republic of Germany, the US and France.

However, the trade shows were an indicator of expanded trade between the two countries in recent years. Trade volume in 1987 reached US\$654-million, compared with US\$592-million in the previous year, up 10.4 per cent. The volume is expected to increase this year. Some GDR companies, however, feel intimidated by the sheer size of the Chinese market. "China has so much demand," says Petra Klein of the consumer electronics company, Heim-Electric, "and we can't supply everything."

China's main exports to the GDR are textiles. In 1987, Beijing sold US\$135-million of textiles to the GDR, up 19 per

cent over the agreed volume. This year textiles will account for half of Chinese exports to the GDR. China also sells foodstuffs, tung oil, cotton, mineral ore and chemical products to the GDR.

Meanwhile, 80 per cent of GDR exports to China are machinery, electronics and other industrial products. This year, railway carriages will account for 40 per cent of all GDR exports to China. Other GDR exports include trucks. Transport group Transportmaschinen's 65,000th truck sale in China was handed over at the Beijing fair.

Trade between the two countries in the next three years is guaranteed by a government agreement covering the 1986-1990 period, which calls for a 250 per cent increase in bilateral trade over the previous five-year period.

"Any trade form, as long as it is beneficial to both sides, should be tried," said Liu Jingci, of China's ministry of foreign economic relations and trade.

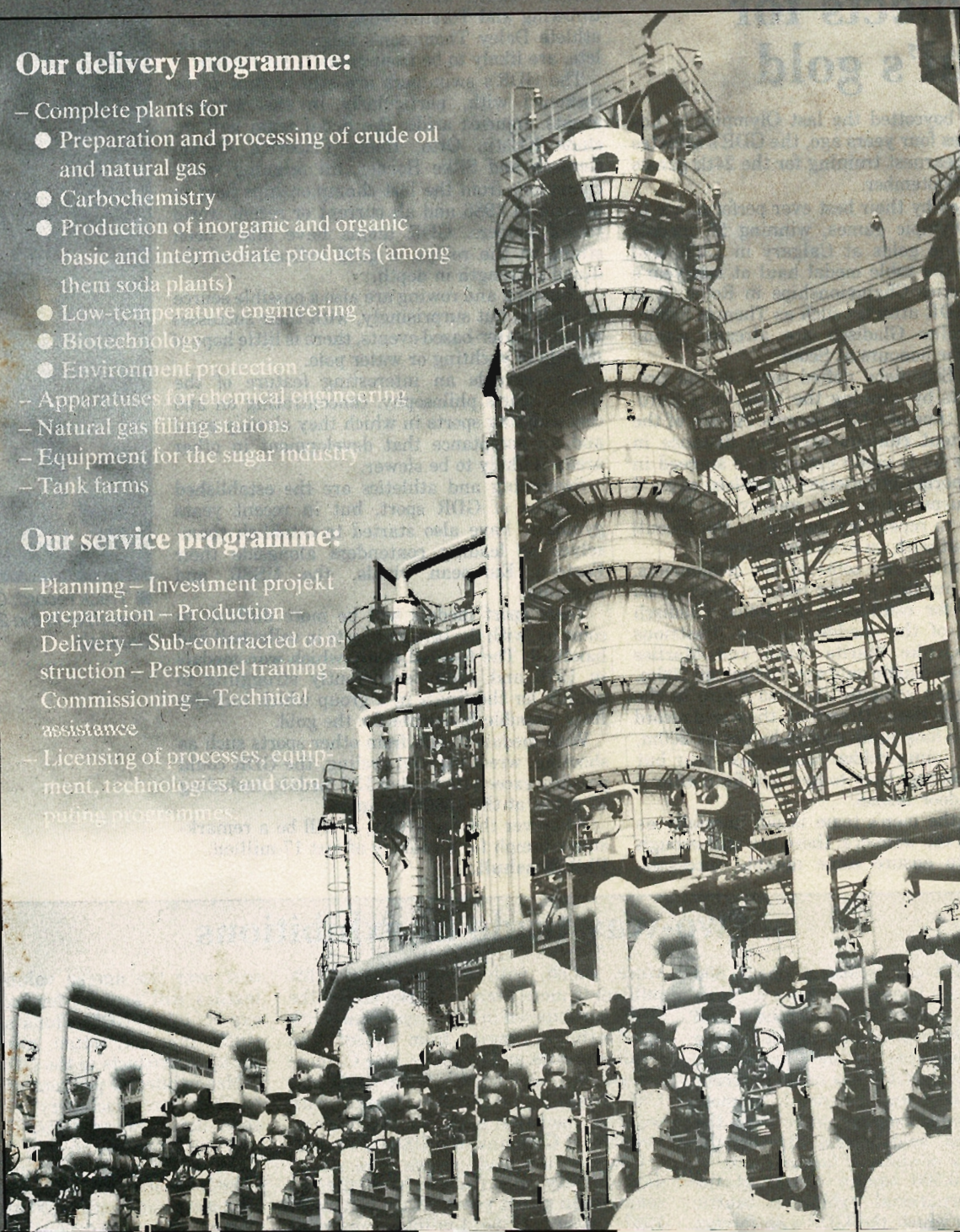
Ni Baiman in Beijing

Our delivery programme:

- Complete plants for
 - Preparation and processing of crude oil and natural gas
 - Carbochemistry
 - Production of inorganic and organic basic and intermediate products (among them soda plants)
 - Low-temperature engineering
 - Biotechnology
 - Environment protection
- Apparatuses for chemical engineering
- Natural gas filling stations
- Equipment for the sugar industry
- Tank farms

Our service programme:

- Planning - Investment projekt preparation - Production - Delivery - Sub-contracted construction - Personnel training - Commissioning - Technical assistance
- Licensing of processes, equipment, technologies, and computing programmes



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