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Reforms — Not revolutionary changes

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INTERVIEW

Reforms—Not Revolutionary Changes

Interview with the Federal Minister Hans-Jürgen Wischnewski, Bonn

Development aid is rightly considered to be one of the most important tasks of our time. Irrespective of whether this aid is seen from the political, economic or simply from the humanitarian aspect, there is no question of its urgency and of its broad field of application. On the other hand, there is very little agreement in donor and recipient countries about the adequate volume of development aid, the methods of raising it and the forms of distribution. But in view of the enormous magnitude and the diversity of range of this task, it would be a mistake to resign or—panic-stricken—to wish to achieve too much too soon. What donor countries can and must do is to plan aid within the limits of their possibilities and in accordance with the circumstances of developing countries and be resolute in its execution. The following interview* shall help to clarify the principles and forms of West Germany's development aid, as well as improvements in its effective implementation.

QUESTION: Sir, we can no longer overlook how bitterly German development aid policy is sometimes being criticised. When you took over the Ministry for Economic Co-operation you proclaimed your line would be: "development policy from a single mould". An essential preliminary was to take an inventory of the previous policy, which included a scrutiny of 3,000 German projects. Has this scrutiny enabled conclusions to be drawn about deficiencies in traditional development aid policy and inference for your new concept?

ANSWER: Naturally it is possible to draw conclusions and inferences from the results we have already obtained from this scrutiny of projects. I am of the opinion that certain corrections and reforms can be made in certain spheres of our earlier type of co-operation with developing countries, but such changes will not be revolutionary ones.

QUESTION: From what angles has this scrutiny of projects been carried out?

ANSWER: Its most important criterion is the development efficiency of the project. This means

that a project is only considered worthy of promotion if it can really make a noticeable contribution and act as an incentive towards economic development and if it is in its proper place on the list of priorities. Industrial projects which West Germany is only asked to support because of the developing country's longing for prestige do not measure up to this criterion and, if such projects have been encouraged, they must be rejected in agreement with the government concerned.

QUESTION: Is this development efficiency exclusively measured by the profitability, or are other criteria also taken into consideration?

ANSWER: Considerations of profitability alone cannot do justice to the development problem. Naturally, profitability is an important point for the development efficiency of a project, but it is not the exclusive consideration. Other equally important criteria are, for instance, the way a project fits into long-term planning and its effect upon the foreign currency budget. As a rule, such economic considerations are so stratified that there is no place in individual

HANS-JÜRGEN WISCHNEWSKI

has been Minister for Economic Co-operation, since the Great Coalition has come into existence at the end of 1966. Thus, a purposeful career has found its preliminary peak. In 1946, the today 45 years old politician, born in East Prussia, joined the Socialist Party of Germany (SPD) and was elected to the Bundestag in 1957. He is known as an expert on African problems, as since 1958 he has made numerous trips to Africa. Again and again he expressed the necessity of good relations to the developing countries and frequently emphasised the significance of public relations in these countries. Since 1964 he has been president of the Board of the German Foundation for Developing Countries. In the field of development aid Wischnewski tried to find new promising ways, one of which is an intensified co-operation between France and the Federal Republic.

*) The interview was arranged by Dietrich Kobschull.

projects for political calculation. A project is politically successful when it makes the maximum contribution to the country's economic development.

QUESTION: But, will German development aid still in future be tied to political strings? What role will the Hallstein doctrine play here?

ANSWER: I may start off by correcting one allegation in your question. German development aid was not tied to political strings previously—although the public has unfortunately held rather hair-raising ideas about this. In reality, the situation is as follows: the need for credits and technical know-how is enormous in the ca 90 developing countries. Since West Germany is not capable of helping them all at the same time, it naturally prefers to help those countries with which it maintains friendly relations—on the basis of the partnership concept. As was once said by the President of Pakistan, Ayub Khan, a country which accepts help from another country accepts the moral obligation to act fairly. That is all. This can be connected up with the so-called Hallstein doctrine, but care should be taken here: both in foreign and domestic policy things are in a state of flux and quite a few ancient political instruments are undergoing critical examination as to their usefulness. In the political controversy between East and West development aid is certainly not a very good tool; there would still be German development aid if the problem of Communism did not exist at all.

QUESTION: However, is it sufficient to give only material aid to developing countries? To be certain of success, besides control over its use, should there not be above all an attempt at bringing influence to bear upon the political system in the countries involved?

ANSWER: I should like to issue a stern warning against this. The Federal Government recognises unreservedly the basic principle of international law that there should

be no interference in the internal affairs of foreign countries and it makes no attempt so to interfere.

QUESTION: You said that the experimental phase in German development policy is past. In its place you have advocated your support of "purposeful and concentrated work with development aid". What does this mean?

ANSWER: Germany has had a development policy for more than 10 years. It has been possible to gather useful experience. This experience must now be put to use. A number of the measures I have introduced can serve to make German development policy more taut and more effective.

QUESTION: Have you already worked out certain new principles for development aid?

ANSWER: I have already mentioned some of these principles—not all of them are new, though West Germany's arsenal of development policy instruments will be checked and improved. German development aid will concentrate more upon the directly productive areas—agriculture in particular—because this is the only way to avoid worse indebtedness and famine. Where technical aid is concerned, all 3,000 projects will be scrutinised and they will be categorised, i.e. in future, only those types of projects which have proved themselves will be encouraged. The range of technical aid will thus become smaller, but its efficiency the greater. Thus, it will also become possible to reduce the time-lag between approval and execution of a project.

QUESTION: But, given an improvement in this sector, the developing countries' problem of redemption payments, which already today sensibly affects the economic development of some of these countries, will remain.

ANSWER: The level of indebtedness of developing countries does, in fact, give rise to great anxiety. Nevertheless their debtor morale is extremely good. Upon the recommendation of OECD, the German Government has constantly

improved the terms of its credits to developing countries over the last few years. On a mean average, they carried interest at 3.3 % in 1966, compared with 4.3 % in 1963; terms of 21.8 years compared with 15.2 in 1962 and a period free of amortisation of 6.4 years compared with 4.5 in 1962.

QUESTION: In the inaugural speech under the Great Coalition, the Federal Chancellor said that it is unavoidable that development aid be increased in the future. For budget reasons, however, this allocation was greatly reduced. How can the German Government justify such a reduction without "losing face" politically vis-à-vis other donor countries and the developing countries?

ANSWER: My Department's budget was reduced by DM 290 million in 1967 from the original estimate, but, at DM 1,652 million, it is still 6.6 % higher than the previous year. The priority placed by the German Government upon development aid is convincingly expressed, in that the development aid budget's share in the overall West German budget has not been reduced, in spite of the cut-back and—at 2.3 %—is just as large in 1967 as it was in 1966. In 1962 the proportion was only 1.2 %. However, whereas formerly 50 % of West Germany's public development aid payments could be covered from funds from the Reconstruction Loan Corporation, the capital market, a Federal loan and the transfer to private ownership of Volkswagen works, in 1966 already 75 % of public payments had to be financed from the Federal budget. In 1966 the West German Government did not comply with the recommendation made by the First Conference on World Trade, that one per cent of the national income should be allocated for development aid, but—at 0.81 %—fell almost 20 % below its moral debt. This led to considerable criticism when the OECD Development Assistance Committee came to make its examination. The global claim by DAC and other international organisations that current German

balance-of-payments surpluses should be used for development aid must be set against the fact that such surpluses are dependent upon the business cycle and will very quickly disappear again.

QUESTION: Were private industry to play a more significant role in development aid, would this help to balance public efforts?

ANSWER: Certainly, since German development aid policy is based upon a pluralistic concept. This means that the State welcomes any initiative taken by private industry, the Church and other non-State organisations and foundations. It is urgently necessary that private industry should accept a heavier engagement in developing countries.

QUESTION: What incentives can the State offer to activate such aid?

ANSWER: To begin with, there is the development aid tax law of 1963, which offers the German investor considerable financial assistance to facilitate a new investment in a developing country. In addition, in order to encourage investments to be made and branches to be set up by German firms in developing countries, under the European Recovery Programme economic plan, a sum of DM 20 million is available annually, from which credits to German investors in developing countries are given on favourable terms. German entrepreneurs can cover the economic and political risks connected with their investments by means of Federal guarantees. The West German Government has concluded capital protection treaties and double taxation agreements in favour of private industry with a large number of developing countries.

QUESTION: It is generally thought that the development aid tax law has not lived up to expectations. Is there any plan for it to be continued in an improved form after 1967?

ANSWER: Increasing use is being made of the facilities under the development aid tax law. However, in absolute terms, Ger-

man private investment in developing countries is still too small. It is essential that such investment should be increased, both from the development and foreign policy aspects. We are therefore obliged constantly to re-examine whether, and how, the various incentives, including the development aid tax law, can be further improved. The development aid tax law will certainly be extended for a further term. The opportunity should also be taken to close up certain loopholes in the law.

QUESTION: Development policy is not only a matter of the industrialised countries. But what can developing countries themselves do to ensure that aid payments take effect more quickly?

ANSWER: Development aid is always help for self-help. Economic co-operation with the countries of Africa, Asia and Latin America means that these countries have to make considerable efforts themselves: three quarters of all investments in developing countries are already financed from their own resources. This evidence of the serious desire to achieve economic growth which—alongside a healthy and essentially stable political situation—is an indispensable prerequisite for the success of aid disbursements.

QUESTION: What do you, Sir, intend to do from a public relations aspect to make the broad public more aware of the connection between development policy and economic policy?

ANSWER: On 1st June, in Bonn, I opened a travelling exhibition organised by my press department, aimed at informing the public, by means of photos, graphics, easily understood texts, models, film-shows and public discussions, about the humanitarian and the politico-economic aspects of our co-operation with countries in the "third world". It is due not least to the systematic public relations work of my department that the serious newspapers are in favour of development aid, although they never fail to criticise certain aspects of it.

QUESTION: Do you believe that German development policy has a favourable effect upon the business cycle within the German economy?

ANSWER: Yes, obviously! Over the last two years about 80 % of public credits for developing countries have, practically, not left the Federal Republic, but have benefitted German industry in the form of orders. This means jobs! But these direct effects are not at all the only outcome of development aid as regards cyclical considerations: indirectly, in the long term, development aid is essential to the maintenance of existing and the gaining of additional markets with high purchasing power, and all industrial countries are dependent upon having such markets.

QUESTION: Do you recommend, also in this connection, that aid payments should be—yet more closely—tied to supplies?

ANSWER: Naturally, the best thing would be completely untied supplies. But this would only be possible if all donor countries took the same view. Unfortunately, other donor countries insist on a very close tie-in with supplies and for this reason and because of the business cycle position in West Germany, we have to make the interests of our economy very clear.

QUESTION: What effect do you expect from closer co-operation between France and Germany in the sphere of development policy?

ANSWER: The Franco-German Friendship Treaty provides for close contact, also in the sphere of development aid. Apart from consultations now taking place, the French Government and the Federal Government wish to co-operate more closely in the planning and execution of development aid policy and thus increase the effectiveness of their achievements. The first joint Franco-German development projects are now under way and include textile factories in Tchad and Cameroon, a technical school in Chile and a forestry school in Gabon.