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An Unlucky Hand with Big Projects

Disappointment was rampant in the Federal Republic of Germany when WAPDA (the Water and Power Development Authority in Pakistan) decided, in the spring of 1968, to award the contract for building the Tarbela dam to a French-Italian consortium. In spite of having submitted the cheapest tender, the German-Swiss consortium whose leader was Hochtief AG, the big contracting firm of Essen in the Ruhr, was passed over with the award.

It had been hoped that the Tarbela project might become the "reference planning project of German industry". However, Tarbela was not at all the first big object of German production plant exports and/or development aid which failed to reach the stage of actual construction. Apart from the recent order landed in the lap of Siemens AG for supplying an atomic reactor to the Argentine, it appears as though the Indian Rourkela steelworks should remain the only test case in which Germany has been called upon to carry out a large-scale industrial project in a foreign country.

The first of the accumulated failures of German export endeavours happened quite some years ago—this was the refusal to supply the Soviet Union with big-diameter steel pipes, an embargo for which neither political nor economic reasons of sufficient validity existed. Germany failed to be considered as a contractor, or even as a major sub-contractor, for building the Syrian dam on the Euphrates and the Egyptian high dam near Aswan—the two projects, on the contrary, forming today specific and meretricious examples of Soviet development aid and nothing else. Contracts that have been awarded multilaterally in Africa via the Development Fund of the European Economic Community, to which the Federal Republic contributes huge sums, have yielded to German industry a degree of participation which appears quite unsatisfactory still in comparison. And finally, the most recent case, that of a DM 600 million steelworks deal with China, was likewise quashed after two years of negotiations. All this is going to show that the Federal Republic does not have a particularly lucky hand in fishing for large international projects.

However, the German business community does not seem to appreciate fully the political and economic effects of such cases of accumulated bad luck. Taking a broad economic view, it is not very hopeful if German industry will always be kept back in a second-rank position when dealing with big international projects which have a highly promising future. It is not a secret that the next few years will see the calling for bids and the making of awards for numerous electrical power stations in Asia and in Africa, which could offer new export markets for the Federal Republic. The construction period for the Tarbela dam, for example, has been estimated to last as long as between seven and eight years. The two main industries which profit most from such vast ventures are the makers of building machinery and heavy electrical engineering, which ranges as a growth industry anyway.

All this might have led to the assumption that the failure at Tarbela, at the latest, would have prompted a fundamental revision of official thinking, in order to make it easier, in the future, for the German industries affected to gain bigger foreign contract awards. But so far, this has not been the case. Yet it is of the utmost urgency to start re-thinking the present approach to the problem of how to give really useful advice to German companies competing for big foreign contract awards. The case of Tarbela seems to have provided new evidence that German firms possess only the scantiest knowledge and familiarity with the legal background of competitive bidding for important foreign projects. In addition, it would be highly advisable to look for ways of strengthening the staying power of German engineering consulting firms through government support, and equally worth while would be a serious study of the question whether State support for plant export and foreign construction contracts via the HERMES export credit and export insurance schemes ought not to be increased.

Gerhard Schildmann