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A German/Latin American Economic Congress?

by Dr Jürgen Westphalen, Hamburg

The traditional "Day of Ibero-America" in Hamburg, which started on the 12th of October, 1970, attracted nearly 600 Latin Americans and West Germans who are knowledgeable about Latin America. Sponsor of these meetings is the Ibero-Amerika-Verein (Ibero-American Association), which used the presence of so many experts to follow up the official occasion, on October 13 to 15, by staging discussions about topical questions of Latin American economic development and of cooperation between Germany and Latin America in smaller working groups. The two main subjects on the agenda of these conferences, which were organised jointly with the Deutsche Stiftung für Entwicklungsländer (German Foundation for Developing Countries), were direct private investments in Latin America and the promotion of imports of Latin American products.

Private Investments Abroad

These two complexes of problems dealt with by the Hamburg conference have been under discussion for many years already. However, recent developments have displayed new trends and have introduced novel points of view which make it necessary to look at these problems afresh. For example, doubts have been expressed in

Latin America, but even more strongly by the interested German public, whether investment of private funds from abroad will benefit the economic development of Latin American countries at all. In addition, German investors have started to look askance at the official attitude of Latin American governments towards foreign private capital. The main cause for such doubts was actually the Peruvian Law on Industry of 30th July, 1970, which gave a deep shock to many investors initially. But after this legislation has been thoroughly discussed and commented on, it is now met with some measure of understanding. Yet there remains some feeling of uncertainty about whether capital should be sunk in Peru, which can probably be overcome only after all the executive orders flowing from the new law and its practical application have become fully known, as they affect practical business. The reluctance of German investors to make new investments is much more marked in respect of Chile, since a new President was elected there on the 4th of September, 1970. This attitude will not change as long as nobody knows for sure which policies will be adopted by the new Chilean government, especially towards private enterprise and foreign private capital. What the President-elect, Señor Sal-

vador Allende, has stated so far on this subject does not appear to be suitable to increase the incentives for foreign industrial companies to make new investments. Admittedly, such statements were mainly made in the heat of the electoral fight, and it may be true that they should not be taken literally. Still, potential investors will wait for proof that the new government's policies are not tending in the direction to be expected from the election slogans which attacked foreign private capital.

Concentration of Private Investment Activities

Up to the middle of 1970, direct private investments from Germany in Latin America had reached, cumulatively, DM 3,500 mn, or 18 p.c. of all German private investments abroad and 61 p.c. of their total in all developing countries. Nevertheless, in recent years, the trend of these investments has given rise to understandable fears in Latin America, because the percentual contribution of Latin America to total German private investments in foreign countries, has declined significantly: in 1960, it amounted to 30 p.c. and in 1964 to about 21 p.c. Moreover, the lion's share of private capital coming from the Federal Republic of Germany and flowing to Latin America consists of a limited number of big in-

vestments by large German companies. On the other hand, the big crowd of medium-sized industrial firms in Germany, which might show a lively interest in investing in Latin America, has generally not yet found its way to investing in any Latin American country. Finally, private German investment activities in Latin America have concentrated so far mainly on a small number of relatively developed countries. The leader among them is Brazil with DM 1,400 mn, followed at a big distance by the Argentine (DM 400 mn) and Mexico (DM 300 mn). The smaller and relatively underdeveloped republics of Latin America, which are in much greater need of fresh capital, have not yet succeeded in attracting much German private capital.

Facts and problems like these were discussed with complete frankness and in a very friendly spirit during the German/Latin American Economic Conference in Hamburg. Based on the results of the talks with their Latin American guests, the two sponsoring organisations have published a declaration, which includes the following observations about this complex of subjects:

□ Latin America, as ever, is highly interested in an increased inflow of foreign private capital, notably also its smaller and relatively underdeveloped countries.

□ Unemotional discussions about the possibilities to invest and the need to promote investments should be intensified,

and the results of such deliberations should be published in everyday language, free of experts' jargon, so that they can be understood by everybody.

□ In a number of Latin American countries, it is desirable that a much clearer distinction be made between the fields of national interest and activity and those suitable for foreign investment.

How to Promote Latin American Exports

New trends in foreign trade are apparent, both in Latin America and in certain measures taken by the European Communities. For several years past, certain national and international Latin American agencies for promoting exports have become active, some of which are already proving their practical value. The first and foremost of these is CIPE, the Latin American Centre of Export Promotion in Bogotá, whose main aim is to explore new foreign outlets for unconventional export products from Latin America. In the last instance, these efforts are intended to increase Latin America's capacity to import, which in its turn is an indispensable condition for continued rapid industrialisation of Latin American countries. This shows that such export boosting need not at all be detrimental to German export interests. But the Latin Americans point out that Latin America's share in total imports of the Federal Republic has dropped from 9.4 p.c. in 1959 to only 5 p.c. in 1970, and that the correspond-

ing share in total imports of the European Communities declined from 10.2 p.c. in 1958 to 8.1 p.c. in 1969.

Lack of Information

One of the reasons for this decline seems to be that Latin Americans have, so far, mounted hardly any planned and systematic effort to promote exports. German importers make the observation that, up to the present day, industrial enterprises, especially those of medium size, in Latin America are almost completely ignorant of the conditions for successful and continuous export activities directed to the markets of highly industrialised countries. CIPE intends to bridge this information gap. This institution, which is not yet old, has begun to make detailed efforts to study the chances for Latin American exports, working out fully descriptive export offers, reporting on price developments in foreign markets, channelling such information to Latin American export producers, and making propaganda abroad for Latin American exports, especially through opening its own offices in important potential consumer countries. CIPE will open its first European office shortly in Brussels.

The main subject of discussions about economic relations between Latin America and the European Communities has been lately the "Buenos Aires Declaration" edited and adopted by delegates of the Latin American countries which have joined CECLA (Comisión Especial de

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Coordinación Latinoamericana), during its meeting in July, 1970. The remarkable proclamation of CECLA again emphasises the need for effective help for making sales of Latin American products abroad less difficult, for renewed studies of the effects of European farm policies on Latin America, and for the speedy creation of a system of universal preferential treatment for semi-finished and finished products manufactured by developing countries. The declaration includes the call for drafting a new policy of cooperation with Europe, to be worked out jointly by the European Communities and Latin America. The dialogue between Europe and Latin America, it is stated, must be institutionalised on the highest possible level. CECLA declares itself competent to co-ordinate the Latin American interests in respect of Europe.

A Policy of Association with the EEC

It is well known that Latin Americans are greatly concerned about economic relations with the European Communities, and these worries are increased by uncertainty about the situation which may be brought about soon by an increase in the membership of the Communities. There is no doubt that, for example, UK joining the Community may well have a decisive effect both on the export of Latin American farm produce from the temperate zone and on the Community's policy on associate membership. So far, it is true, total Latin American exports to the EEC area have developed favourably, by and large. In 1958, the member countries of the Community imported Latin American goods for the equivalent of about US \$1,700 mn, but in 1969 for \$3,200 mn. Latin American coffee shipments alone grew from about \$300 mn in 1958 to about \$400 mn in 1967, whilst coffee purchases

in the associated African countries went down slightly. The Community's banana imports from Latin America have more than doubled from 1958 to 1967, whilst banana deliveries from associated countries only rose by about 10 p.c. Similarly favourable trends are shown by other important export commodities coming from Latin America. The only losers have been cocoa and iron ores, of which the associated African countries supplied to Europe a much bigger and more rapidly rising quantity than Latin America. In view of these figures, it is hardly possible to state that the European Community's association policies have so far been seriously detrimental to Latin America.

Throwing Open the Markets of Europe

Yet in view of the fact that joint European farm policies are still jeopardising the interests of a number of Latin American countries, and of the justified concern of the Latin Americans about the possible addition of the UK and of other European countries to the Community's membership list, and finally, in view of the new efforts of Latin Americans to promote their exports, the German Foundation for Developing Countries and the Ibero-American Association have further stated in their declaration, which has already been quoted, the following:

☐ Opening up as widely as possible the markets of European industrial countries to products from Latin America, which will surely be the most effective instrument for helping Latin America in its further development.

☐ The Declaration of Buenos Aires of 29th July, 1970, and the resolutions flowing from it are deserving of the most careful attention in European industrialised countries.

☐ The Declaration of CECLA again calls for a worldwide

preferential system for semi-finished and finished products manufactured in developing countries, and this system ought to be put into force as soon as possible.

☐ When the European Communities will be enlarged, as is to be expected, the justified economic interests of Latin America must be guarded in every reasonable way.

☐ New initiatives taken in Latin America for promoting exports of unconventional products deserve of the strongest possible support by the Federal Republic of Germany.

☐ It is highly desirable that conditions for marketing Latin American products be improved both in Europe and in Latin America.

Talks to Be Continued

Both the Latin Americans and the Germans who have taken part in the economic conference in Hamburg have agreed that their talks should be continued. In the immediate future, it is planned to mount a specialised discussion by experts on practical problems of importing Latin American products, in which representatives of Latin American export promotion bodies and German importers are to take part. Following the Ibero-American Day of 1971, the German Foundation for Developing Countries and the Ibero-America Association intend to call an international congress on economic cooperation of Latin America with both the Federal Republic and the European Communities. In preparing and organising the Congress, they hope to receive active assistance also from important inter-American organisations. Cooperation has already been promised by CIAP (Inter-American Committee of the Alliance for Progress) and CIPE (Inter-American Centre for Promoting Exports).