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## Development spectrum

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# DEVELOPMENT SPECTRUM

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**Dr Eppler in Indonesia:** The Federal Minister for Economic Co-operation, Erhard Eppler, and the Indonesian Foreign Minister, Adam Malik, signed on April 8, 1971, in Djakarta an agreement, providing for German technical and economic aid to Indonesia. The treaty supplements earlier arrangements made as long ago as 1957. Under it the Federal Republic undertakes to grant Indonesia this year capital aid to the tune of DM 135 mn, the sum to be used for the purchase of German equipment and spare parts required for development projects.

Before the German Minister's departure for Indonesia, another agreement between the two governments was signed in Bonn, providing for the funding of Indonesia's liabilities. That country's total indebtedness to German creditors, amounting to some DM 522 mn, is now to be converted into a long-term loan. The particularly favourable terms on which the conversion is to take place are intended to help Indonesia still further to stabilise its industry. The governments of Indonesia's other creditors have already, in 1970 and 1971, concluded similar agreements, the last of them being the USA. The Eastern Block states, too, have agreed to Indonesia's funding their claims against the country.

**Talks and Contacts:** The Second Under Secretary in the British Department of Trade and Industry, Mr W. Hughes, and the Indian Executive Director of the World Bank, Mr Sen, called at the Federal Ministry for Economic Affairs. Mr Hughes talked to Ministerial Director Dr Hanemann of the External Economic Affairs and Development Policy Section and Ministerial Director Hankel about

capital investment guarantees for German direct investment in developing countries. The talks are to be continued at the expert level.

## **Decreased Development Aid:**

The official and private assistance of the Federal Republic of Germany for developing countries has—when measured in percentage of the GNP—decreased from 1.33 p.c. in 1969 to 0.76 p.c. in 1970. This is due mainly to the decline of private aid from 0.97 p.c. to 0.36 p.c. of the GNP.

Official development aid declined in absolute as well as in relative terms in 1970 vis-à-vis 1969. While in 1969 the GNP-share of official aid to the developing world was 0.39 p.c., it dropped in 1970 to 0.33 p.c. This decrease is mainly a result of the fact that in 1966 and 1967 capital aid authorisation was given at a too low level. Because of this DM 208 mn capital aid could not flow off during 1970. The Federal Minister emphasised that in future the outlet of financial resources will again increase since the Federal Government granted an 11 p.c. increase of the capital aid authorisation per annum. But the smaller share was mainly due to the strong GNP increase by 12.4 p.c. in 1970 vis-à-vis 1969. Technical aid was higher by DM 55 mn as compared with 1969. Also the official multinational aid performance showed a higher volume of DM 54 mn in 1970 vis-à-vis 1969.

The aid performance of private industry has—when measured in percentage of the GNP—decreased from 0.97 p.c. in 1969 (DM 5.9 bn) to 0.36 p.c. in 1970 (DM 2.4 bn). While private direct investment went up by DM 173 mn to DM 1.16 bn in 1970, portfolio investments declined by 2.2 bn to about DM 400 mn, private

multinational performance by 1.2 bn to DM 228 mn and the guaranteed export credits by 273 mn to DM 685 mn. On the whole, the performance of private industry was lower by about DM 3.5 bn as compared with 1969.

**Credit for Malaysia:** A DM 5 mn credit is being made available to Malaysia by the FRG for the industrial development of the country. An agreement to this effect was signed in February, 1971. The credit at 5.5 p.c. interest is to run for 18 years and allows for five years of grace.

This fourth German credit to Malaysia is placed with the Malaysian Industrial Finance Berhad (MIDF), a semi-State development bank, which will give special consideration to small and medium-sized industrial enterprises. The previous credits to Malaysia, to a total of DM 52 mn, were used for building harbour installations and equipping a hospital.

**Long-term Bilateral Capital Aid:** It emerges from a publication of the Federal Ministry for Economic Affairs on long-term bilateral capital aid that in the 1960–70 period it entered into commitments to developing countries for credits of an amount of DM 15.39 bn. Capital aid treaties involving DM 13.18 bn were concluded within the compass of these commitments in 1960–70 and DM 11.05 bn gross were paid out. Making allowance for DM 1.13 bn returned by way of amortisation, the net sum paid out during this period was DM 9.92 bn.

The structure of German capital aid is clearly marked by points of concentration in regional distribution and in regard to the forms in which it was given. Between 1960 and 1970 58 p.c. of the funds committed

**Table 1****German Direct Investments in Industrial and Developing Countries**

(in DM mn as per December 31, 1970)

Countries	Size of loans	
	actual figures	in p.c.
Europe	12,015.3	56.9
Industrial countries		
including Eastern Bloc	10,910.8	51.7
Developing countries	1,104.5	5.2
Africa	1,190.9	5.6
Industrial countries	188.0	0.9
Developing countries	1,002.9	4.7
America	7,137.4	33.8
Industrial countries	3,472.7	16.4
Developing countries	3,664.7	17.4
Asia	560.8	2.7
Industrial countries	120.7	0.6
Developing countries	440.1	2.1
Australia and Oceania	208.8	1.0
Industrial countries	208.7	1.0
Developing countries	0.1	—
<b>Total</b>	<b>21,113.2</b>	<b>100.0</b>

Source: Federal Ministry of Economics.

**Table 2****The Largest Direct-Investments in Individual Developing Countries**

(according to continents, DM mn as of December 31, 1970)

Countries	Size of investments	
	actual	in p.c.
Africa	1,190.9	5.6
Libya	438.7	2.1
Liberia	152.2	0.7
Canaries	97.0	0.5
Algeria	51.8	0.2
Guinea	30.5	0.1
Remainder	420.7	2.0
America	3,664.7	17.4
Brazil	1,470.8	7.0
Curaçao	850.8	4.0
Argentina	458.2	2.2
Mexico	300.6	1.4
Panama	162.7	0.8
Remainder	421.6	2.0
Asia	440.1	2.1
India	170.0	0.8
Iran	91.3	0.4
Pakistan	41.0	0.2
Indonesia	16.2	0.1
Afghanistan	14.6	0.1
Remainder	107.0	0.5

Source: Federal Ministry of Economics.

by the Government went to the developing countries of Asia, 19 p.c. to African, 14.2 p.c. to European and 8.8 p.c. to Latin American developing countries.

The Federal Ministry of Economic Affairs stresses in its re-

port that 1970 it managed for the first time to meet the OECD recommendations for an interest rate of 2.85 p.c., 8.7 years of grace and a duration of 28.2 years as average terms for bilateral capital aid services.

The Ministry considers it an improvement in the choice of instruments available for capital aid services that the transfer of patents and licences has for the first time been financed. Financing of plants and parts of plants, the Ministry remarks, is better suited to progress in the economic deployment of the developing countries than the financing of entire projects.

**Trans-Asia Railway:** The "Trans-Asia Railway" will link Western Europe with Singapore and the Indonesian archipelago in the near future. Only a few gaps remain to be filled in en route — amongst them the rail links in northern Thailand, East Pakistan and on Sumatra. The rail network is still to be uniformised and standardised and some lines must be adapted to modern technical requirements so as to facilitate smooth cross-frontier traffic.

The co-ordination of the efforts for completion of the network is in the hands of the ECAFE (United Nations Economic Commission for Asia and the Far East) Transport and Communication Committee. The World Bank and several industrial countries have taken part in financing the project.

The Federal Republic provides technical advice in addition to its financial contributions. Groups of German experts have been engaged on the reorganisation of the Indonesian railways for the past two years. A German consultancy firm, acting on behalf of the Federal Ministry of Transport, is working on a study of modernisation measures for the Malayan railways and examining possible ferry connections for rail and road traffic between Java and Sumatra.

*Compiled from Government information data.*