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## Development spectrum

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# DEVELOPMENT SPECTRUM

**Multinationals and LDCs:** The Federal Parliament's Committee for Economic Cooperation intends to examine the activities and influence on development policy of German multinationals in Third World countries. For this purpose the Committee invited representatives of enterprises, banks, trade unions and international organisations to attend a public hearing in late autumn. The list of enterprises invited to attend the hearing is based on the volume of their investment activities in LDCs.

According to its chairman the Committee will examine what deviations exist between the economic objectives of multinational enterprises and the development targets of the governments concerned. The results of the hearing are to become the Federal Republic's first contribution to the international bodies' work on multinationals.

**Paid Development Aid:** The Third World countries rich in raw materials — mainly the mineral oil exporting states — in future are to pay for the employment of development experts from the Federal Republic. So far corresponding agreements on technical assistance against payment have been concluded with Saudi Arabia, Iraq and Libya. Another agreement with Iran is being prepared.

The agreements with these countries stipulate that the Federal Republic selects and sends suitable experts for development projects at the expense of the host countries. In Saudi Arabia for instance the number of German experts on industrial and technical schools is to be increased from 37 to 83 between now and 1977. In Iraq the establishment of a central institute for the training of teachers in trade-schools is to be made possible. Finally the agreement with Libya stipulates that the

Federal Republic assists Tripoli with the establishment of training and consultation centres for teachers and technicians. For this purpose German experts are sent to Libya and Libyan students are trained in the Federal Republic as well.

With this new type of technical assistance the Federal Government will make allowance for the fact that although a number of countries in the Third World are still developing countries, they simultaneously dispose of considerable funds, above all due to the price developments in raw material markets.

**Two-year Periods for Development Aid Promises:** The Federal Government will extend the period for development aid promises from one to two years. The medium-term aid promises, as already demanded in the Pearson Report, so far have been introduced — apart from the UN-Organisations — by the Scandinavian countries and the Netherlands only.

This innovation in the budget of the Federal Ministry for Economic Cooperation is important for development policy and enables a better planning of development projects not only for Third World countries, which thus can plan on a financially more solid basis, but also for West Germany's development aid administration.

To begin with the new regulation will affect projects in Birma, Peru, Sri Lanka, Zaire, Cameroon, Tanzania, Kenya, and Tunisia. During the next years further countries are to be included.

**Antidouble Tax Treaty with Brazil:** After many years' negotiations Brazil and the Federal Republic of Germany succeeded in agreeing on an antidouble tax treaty, which was provisionally signed at the conclusion of the last round of negotiations on

June 14, 1974. Up to the last moment there had been disparities of views on the taxation of dividends, interest payments and licence fees, but a compromise solution could be found. The conclusion of an antidouble tax treaty was regarded as the most important objective since a promotion of the propensity to invest and with that an intensification of economic cooperation is being anticipated through tax incentives. At the end of 1973 the volume of German investments in Brazil amounted to almost DM 2 bn, making Brazil the most important country of investment among developing countries outside Europe. With 6.2 p.c. of total German investment abroad of DM 32.2 bn Brazil holds the eighth place among all countries of German investments.

**Funding Agreement with Chile:** Chile and the Federal Republic of Germany signed a funding agreement for 1973 and 1974. Chile committed itself to pay a so-called cash quota of 20 p.c. for credits of almost DM 100 mn repayable in 1973 and 1974. This means that 5 p.c. of its obligations are to be paid this year, 5 p.c. 1975 and 10 p.c. in 1976. From 1977 on the remaining 80 p.c. will be paid in 14 half-year instalments. Just as with the agreement of 1972 Chile has to pay 3 p.c. interest for capital aid and 7.25 p.c. for trade debts.

This agreement is valid only for government guaranteed credits. The negotiations on the repayment of all debts not guaranteed by the state are still going on. First all claims must be registered before the negotiations may be concluded successfully.

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*Compiled by the Department on Development Policies of the Hamburg Institute of International Economics.*