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FRG: A new development aid bill

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World Food Conference

Missed Opportunities?

After 12 days of meetings, the United Nations' World Food Conference in Rome ended on November 16. The Conference which had drawn representatives from some 130 countries was an unprecedented attempt to rescue millions of the world's poorest people from permanent hunger. The food problem now facing mankind is probably the most serious in the world's history. Today's food statistics make gloomy reading. There is a shortage of grain in the poor countries estimated at 20 mn t and nearly 500 mn people, half of them children, are described by the FAO as permanently hungry. According to forecasts of the FAO the grain shortage in the poor countries will amount to 85 mn a year, or even 100 mn if weather conditions deteriorate.

Under these circumstances the Rome gathering left many disappointments, notably the failure of firm commitments for increased emergency food aid. At a time when people are actually starving to death, the delegates agreed to little beyond providing a framework for international action to improve the situation in the future. And whether the new instruments created by the Conference will really be made use of is still an open question. Experience shows that resolutions against hunger do not necessarily lead to practical help. Food supplies must be planned for on a world basis and enormous shipments from the rich few to the poor many will have to be paid for within the near future. Only if this immediate challenge is met the world will have time for longer-run hopes of population control and new agricultural developments. May be that it is already too late, that mass starvation cannot be avoided. But it is necessary in any event to try. ch.

FRG

A New Development Aid Bill

A struggle has gone on in Bonn for several months about the draft of a new tax law for development aid, to be known as the Developing Countries — Taxation Act. The previous law had expired at the end of 1973 already, and the new law is to provide incentives in the first place for foreign investments generally, secondly for investments in developing countries in particular, and thirdly for investments to safeguard the supply of raw materials. The compromise now arrived at however cannot satisfy if it is judged by these three objectives.

The new law, which is to stay in force for five years, contains in detail the following provisions: Firstly, capital investment in developing countries will in future be encouraged through tax-exempted reserves only, and no longer through investment valuation allowances; this reserve will amount to 100 p.c. of the investment sum in the case of investments in the 25 least developed countries but no more than 40 p.c. in the more advanced developing countries. Secondly, investments through which an exceptional number of new jobs is created will benefit further from a provision that the reserve may be run down over a period of up to twelve — instead of six — years. Thirdly, the tax benefits will no longer be granted for private property investments, undue advantage having been taken of the previous law for this purpose; the same applies to projects for the tourist trade. Fourthly, purely financial capital investments will be excluded from the preferential treatment.

These provisions should put a stop to such shortcomings of the old law as its use for property purchases in Spain and the Canary Islands. But it is doubtful whether the investments will from now on flow in the right direction because the tax benefit from investments in the more advanced developing countries offers so small an incentive that such investments are at best a question of time, i.e., the level of development in the country concerned, whereas in the 25 least developed countries nobody applying commercial standards of calculation is likely to make any investments no matter what incentives are being offered or not. That somewhat stronger incentives are offered for labour-intensive investments is certainly commendable. The third aim, that of safeguarding the supply of raw materials, remains a question for the legislative draftsmen. They will now have five years in which to gather new experience and — one hopes — make use of it. ogm.

Chile

Capital Aid In Dispute

The distribution of the DM 2.35 bn of German capital aid credits among the various developing countries has given rise to controversy. The continuation of the capital aid to Chile has become a special bone of contention. The SPD group in the Bundestag recently adopted a resolution to the effect that "no aid must be given which can be interpreted as approval of or support for the military regime". There are however two argu-