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## Development spectrum

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# DEVELOPMENT SPECTRUM

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## **The Federal Republic's Contribution to International Support Activities:**

The Federal Republic's liabilities within the framework of international organisations and aid activities are increasing steadily in spite of internal financing problems (budget equilibrium, tax reform, public indebtedness). They are particularly growing by funds that are to favour those LDCs that were seriously hit by the price boom on the raw materials markets, but also as regards artificial fertilizers and foodstuffs. The Federal Republic participates *inter alia* in the increase and prolongation of mineral oil facilities as decided on within the scope of the IMF as well as in the cheapening of credits for LDCs (1975: DM 8 bn). Furthermore it will contribute about 26 p.c. or DM 2.15 bn to the new EC Development Fund for the ACP-states (DM 9.7 bn) and contribute one third of the UN Special Fund for the 32 most affected countries (MAC) of the world.

The range of the Federal Republic's numerous international obligations is supplemented by the German contribution to the EC Regional Fund (30 p.c. of DM 4.8 bn) and the Solidarity Fund of the Mineral Oil Consuming Countries within the scope of OECD (12.5 p.c. of \$ 25 bn). Finally considerable burdens ensuing from the currency aid to Italy and from the general liabilities within the framework of the EC budget are to be added.

**EC Contribution to the UN Special Fund:** At the end of January the Council of the EC Countries' Ministers for Development agreed on the volume of their contributions to the UN Emergency Fund for the most affected LDCs. They announced their preparedness for paying \$ 500 mn in a letter to the UN Secretary General Waldheim. After

last autumn the EC has already provided \$ 100 mn of the sum total, it will now raise further \$ 100 mn in addition to all current contributions. The increase of their food aid will amount to \$ 42 mn, and \$ 208 mn of genuine aid according to the criteria of the UN are to be provided by the member states until the middle of the year when the Special Programme will end. This sum, which was supposed to be raised bilaterally, is actually to be financed partly by a supplementary budget of the EC. According to the Federal Minister Bahr the German share could be covered by his Ministry's regular budget. Additionally Minister Bahr said that in future the Federal Republic will not increase the share of its multilateral aid in the total volume of German development aid beyond 28 p.c.

## **German Development Aid In**

**Mexico:** The German Federal Government has contributed to numerous development aid projects in Mexico and with that has made an important contribution to the country's economic development apart from German enterprises' investments there. On June 30, 1974, German enterprises had DM 440.2 mn invested in Mexico. Since 1968 an industrial school project has — in the framework of technical aid — been promoted in Mexico City, where skilled workers are trained. This school will soon be handed over. The German contribution amounted to DM 15 mn while the Mexican Government allocated considerable funds for this purpose. Besides Friedrich-Ebert-Stiftung (Foundation) and the Kübel-Foundation cooperate in an Mexican project for rural development, which focusses on the irrigation of fields and also on the training of Otomi-Indians living there.

The Federal Republic provides about DM 1 mn for this project

which makes use of the Mexican "Ejido-system" of land allotment to small-holders in order to convince the Ejidatarios of the purpose of collective land utilisation. The Konrad-Adenauer-Foundation, represented in the country, too, cooperates with a non-profit-oriented Mexican association of private enterprises for the training of small-scale entrepreneurs and for motivating them for entrepreneurial activities. Finally since 1965 the Federal Republic contributed about DM 2.5 mn to the International Maize-and-Wheat-Development Centre (CIMMYT), for which the Director of the Wheat Department, Professor N. E. Borlaug, received the Nobel Prize in 1970. Today this Institute belongs to a network of eight agricultural research centres all over the world, which cooperate within the "Consultation Group on International Agricultural Research" within the framework of the World Bank.

## **New Seminary - Programme:**

The trustee of "Deutsche Stiftung für internationale Entwicklung" (German Foundation for International Development) for 1975 announced seminars with case studies in the Foundation's centre in Berlin as well as more proceedings abroad than hitherto as new programme focuses. In July 1975 participants from the East-Asian area, the Pacific and other countries of Western Asia will deal for the first time with the subject of "organisation of small and medium-scale industrial centres" utilising a case study. The regional data required for this purpose will be provided *inter alia* by the World Bank. Moreover, in future more seminars abroad are to be arranged for.

*Inter alia* seminars for members of audit offices in Latin American countries are to be carried through in Lima. In Teheran the Foundation plans

agricultural courses in cooperation with the University. Courses on documentation and informatics are prepared for Nairobi in order to support government planning all over Africa. In Manila, too, courses are to be arranged for. Up to now the Foundation counted an annual average of 2,000 participants in courses and conferences. The introduction of seminars abroad aims mainly at the training of the participants to become experts on economic and industrial tasks and to provide them with additional expert knowledge. This will enable them after their return to their countries to attend to tasks within the state administration and private economy. With that the seminars abroad will continue and supplement the comprehensive training programme, which the German Foundation for International Development has carried through up to now.

**Federal Government Studies UN Reproaches:** The West German Government assured the UN Secretary General Waldheim that it will canvass the reproaches contained in a report of the World Security Council's Sanctions Committee. In its report this Committee mentions the hitherto most serious breach of UN sanctions against Rhodesia, which are binding for all UN member states. A number of European firms and banks, among them some from the Federal Republic, Switzerland and Austria, are supposed to have contributed to the increase of Rhodesia's steel production by more than 100 p.c. Allegedly two German firms also purchased illegally steel from this additional production via South African shadow firms.

According to this report two thirds of the total costs of this project, which should have amounted to several hundreds of millions of DM, have been financed abroad. German firms are supposed to have given fi-

nancial guarantees in exchange for steel supply agreements running over several years. The Federal Government announced that it feels itself bound to the sanctions and after a careful examination of the reproaches will take steps against the firms involved.

**Investments In Egypt:** The President of the Federal Association of German Industry (BDI), Hans-Günther Sohl, who had met President Sadat, Prime Minister Hegazy and other Ministers in Egypt, in Düsseldorf advocated a combination of German know-how, Arab capital and Egyptian labour. In his opinion the cooperation of these factors would bring impressive results. According to Herr Sohl he feels impressed above all by the fact that in future the Egyptians will not be worried anymore by their traditional lack of capital. Due to a promise given by the Arab oil exporting countries and Iran, Egypt will receive \$ 3.2 bn in the near future. The cooperation prospects are very favourable since these funds are to be earmarked for the financing of joint ventures and capital participations.

Herr Sohl mentioned the labour force available in Egypt and the low wage level as the most important incentives for German investments. At present the average daily wage is only US \$ 2. Moreover it is important that Egypt aims at an "open-door-policy". According to new regulations investors will be guaranteed tax exemption for five or eight years in Egypt. The Egyptian Government wants to cooperate with German partners in the fields of mining, textiles, building industry, ceramics, chemicals, metallurgy, electro-technical industry and engineering.

**No Aid for Oil Producing Countries:** According to the Federal Minister for Economic Cooperation, Mr Egon Bahr, German

development aid to mineral oil producing countries will be stopped almost completely. Thus e.g. Indonesia will receive no capital aid anymore, although earlier promises will be kept. The funds becoming available by this decision will favour those countries that need them most urgently. Simultaneously the Federal Government will try to develop further the "triangle-cooperation", meaning that the industrial nations offer their know-how, the oil producing countries their money and the least developed countries their labour force. Such a cooperation will first be practised between the Federal Republic, the Sudan and Saudi Arabia.

In the opinion of Minister Bahr, in 1975 the oil producing countries will give more development aid than the traditional donor countries. However, the oil countries' development aid is not distributed evenly among the LDCs, which are requiring it, since first the Arab countries and nations of the Islamic world are being favoured.

**The EC's Community Aid:** In 1974 the EC-nations provided about 470 mn units of account (UA) as Community aid for the Third World. These funds were spent via the European Development Fund, the UN Immediate Assistance Programme and the Zahel-programme. Aid was mainly given in the form of food supplies. Most important exception is the financial aid of UA 114 mn to the countries of the Zahel-zone and Ethiopia as well as to India, Bangla Desh and Sri Lanka. It is remarkable that aid to the non-associated states increased again also in 1974. Their share, in 1970 amounting to 13 p.c. still, rose to 40 p.c.

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