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German Development Activities

Scientific and Technological Cooperation with China: The Federal Government is in favour of an intensification of cooperation with the People's Republic of China in the fields of science and technology. Apart from the already existing economic relations, that last year were stimulated by Technogerma, according to the Parliamentary State Secretary in the Federal Ministry of Economics, Martin Grüner, a limited exchange of scientists between Max - Planck - Gesellschaft and the Chinese Academy of Sciences as well as a scholarship programme sponsored by the German Academic Exchange Service are already existing. The further extension of these and other contacts depends last but not least on the endeavours aiming at the conclusion of an agreement with China on economic, technological and scientific cooperation.

Development Aid to India: India remains the largest recipient country of the Federal Republic's development aid. In 1975 German aid to India amounted to DM 600 mn. According to the Federal Minister for Economic Cooperation, Egon Bahr, who visited India in January, this aid volume is to be maintained also in 1976. During this visit the priority of German-Indian cooperation was stipulated for a number of years. It was agreed to put the future German aid mainly to the uses of Indian agriculture and industrial branches securing it. According to Minister Bahr the

conclusion of an agreement on Bonn's financial participation in a large irrigation project in the Central Indian State Madhya Pradesh, providing DM 500 mn over a period of 10 years is to be expected. Moreover, the German Minister for Economic Cooperation will consider his Indian partner's proposal to assist the country in the building of a thermal power station (coal) with a capacity of 200 megawatt and of a factory for the manufacture of seamless pipes. Both countries intend to make it easier for Indians to get work permits in Germany and for Germans to get them in India and also to continue intensifying the exchange of goods.

Capital for Latin America: On December 18, 1975, the Bundesrat (Upper House of the West German Parliament) passed the law that stipulates the accession of the Federal Republic to the Inter-American Development Bank. With this decision the Federal Republic intends to underline the German interest in Latin America's economic and social development and to intensify the mutual political relations. From 1976 on the Federal Republic will provide DM 27 mn in three equal annual instalments. Moreover, during the same period it contributes DM 152 mn to the Special Fund. DM 13.5 mn of the sum total have to be paid in cash, the rest will be financed through non-interest bearing bills of debt. In addition the Federal Republic has to underwrite a guarantee capital fund

of about DM 135 mn for providing security for the credit. With these contributions the Federal Republic is a member of the Inter-American Development Bank together with 22 Latin American States, the USA and Canada. The declaration of accession becomes valid when seven other non-American countries join the Bank and the present members agree to the recent changes in the statutes. After the accession of Belgium, Denmark, Britain, Italy and the Netherlands the Bank is to receive about DM 700 mn as funds for financing purposes. With that the Inter-American Development Bank will become one of the most important international institutions for development financing, second only to the World Bank.

German Capital Aid to Bangladesh: The Federal Republic of Germany has promised Bangladesh capital aid of DM 105 mn. According to the Federal Ministry for Economic Cooperation DM 15 mn are provided as a grant for the population programme of Bangladesh, which *inter alia* is also supported by the World Bank. The other capital aid funds of DM 90 mn Bangladesh receives as a credit on the same conditions as apply to the poorest developing countries: 0.75 p.c. rate of interest and 50 years duration, including 10 years with no redemption. The credits are earmarked for the financing of projects (DM 17 mn) and the supply of goods (DM 73 mn). The German-Bengal cooperation serves particularly the promotion of projects for the increase of agricultural production and the securing of food supplies as well as projects in the fields of transport and communications and energy supply. The West German technical aid funds granted Bangladesh amount to about DM 13 mn, of which DM 4.23 mn are provided for fertilizer supplies.

Development Aid for Least Developed Countries:

In 1976 German development aid is to be concentrated on the poorest Third World countries. Priority is to be given agriculture. The cash appropriations, out of which all current expenditures are met, amount for 1976 to DM 3.02 bn, the authorisation for incurring liabilities covers DM 3.13 bn during the current year. The developing countries' share in the promised volume of capital aid rises from DM 456 mn or 18.8 p.c. in 1975 to DM 514 mn or 22 p.c. in 1976. These countries' share in technical aid grows from DM 162 mn or 25.6 p.c. (1975) to DM 172.3 mn or 35 p.c. (1976). For the countries most seriously affected by the oil price increase the share in capital aid rises to DM 1.26 bn (54.3 p.c.) in 1976 after DM 1.03 bn (42.4 p.c.) in 1975. These countries' percental share in technical aid increases from 46.7 p.c. to 57.6 p.c. These nations total 48, whose membership of the two groups of states is overlapping, since the majority of the poorest countries belongs also to the group of the most affected. In 1976 regional focal points of capital aid will be Black Africa (23 p.c.), the Mediterranean area (21 p.c.) and the Near East (19 p.c.). Focal point of technical aid is also Black Africa with a share of 38.1 p.c.

DEG — High Growth Rates:

Deutsche Gesellschaft für wirtschaftliche Zusammenarbeit (Entwicklungsgesellschaft: DEG; German Association for Economic Cooperation) registered in 1975 its highest growth since its foundation in 1962. When the President of the Federal Republic, Walter Scheel, visited DEG on February 16, 1976, a first survey of the past business year was presented. In 1975 new promises to finance amounted to about DM 84.5 mn and thus 53 p.c. more than in the preceding

year. 44 promises were made in 1975. In the aggregate DEG promotes at present 138 enterprises in 46 countries with a finance volume of about DM 312 mn.

Regional focus of new business was, as in the preceding year, Africa (55 p.c.). Besides, Latin America (19 p.c.) and Asia (10 p.c.) registered strong impulses. 10 p.c. fell to the share of European states. DEG-investments were undertaken in Malta, Mauritius, and Soudan for the first time in 1976. As shown by a survey of branches the new business is marked by investments of development-banks, the textile and clothing industry as well as the electrical industry and precision-tool manufacture. Apart from projects of the processing industry DEG in 1975 registered a growing interest in investment proposals regarding the raw material processing sector. DEG expanded its function by increasingly carrying through consultations besides its financing business.

The Federal President emphasized at his visit of DEG that the restructuring of the world economy is gaining an ever increasing importance. The realisation of the idea of harmonizing government activities and private initiative should be continued after the hitherto successful efforts of DEG.

German-Iranian Nuclear Agreement:

After the signing of the German-Brazilian Nuclear Agreement last year, now the agreement with Iran on the peaceful utilisation of nuclear power will be soon concluded. The negotiations between the Federal German Research Ministry and the President of the Iranian Nuclear Energy Organisation, Etemad, led to an agreement on almost all points. According to this agreement the Iranian Nuclear Energy Organisation (AEOI) is mainly interested in

the purchase of two German nuclear power stations. The preliminary contacts with Kraftwerk Union (KWU) are already signed. The Iran, however, strives for a signing of the agreements before the final conclusion of the purchasing contracts with the German industry.

Differently from Brazil the Iran in the medium term is not yet interested in the purchase of sensitive plants from the Federal Republic of Germany. Enriched Uranium is first to be bought from the plant Euridif located in France, after the first Iranian nuclear power plant will probably be ready in 1980/81. Of course there is a long-term interest in a fuel recycling plant which, however, will be realisable not before the middle or the end of the eighties.

Capital Aid for Zambia: For 1976 the Federal Republic of Germany grants Zambia a capital aid loan amounting to DM 50 mn. These funds which include the project-tied DM 14 mn that have been promised in 1974, are to be used in the first place for a maize processing programme, the extension of the Zambian sugar production, and the agricultural project Munkumpu. With the reservation that the Bundestag gives its parliamentary consent, this agreement was achieved between the State Secretary in the Federal Ministry for Economic Cooperation, Professor Udo Kollatz, and a Zambian delegation in conclusion of the German-Zambian Government negotiations on February 20, 1976 in Bonn. Already on February 18, 1976 an agreement on goods aid for Zambia covering DM 6.3 mn had been signed in the Foreign Ministry.

Compiled by the Department on Development Policies of HWWA-Institut für Wirtschaftsforschung-Hamburg.