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Cooperation with Take-off Countries

by Rainer Offergeld, Bonn *

In consequence of the growing economic differences between the developing countries themselves, the Government of the Federal Republic of Germany has developed, alongside plans to combat absolute poverty, a concept for cooperation with relatively advanced developing countries. Rainer Offergeld, Federal Minister for Economic Cooperation, explains this concept.

A salient feature of the international development scene are the different rates of development of the developing countries, a difference, which has become increasingly pronounced during the last few years. It is truer than ever to say that the developing countries can be compared to a giraffe: like this animal, they are easy to recognise, but, as a group of countries with the same basic structures, difficult to define. These growing differences have important consequences for the role of the developing countries in the world economy and for economic cooperation with them. The Government of the Federal Republic of Germany has taken account of these new realisations. Alongside plans to combat absolute poverty, it has developed during the past year a concept for cooperation with advanced developing countries (take-off countries).

Growing Disparity

Even the International Development Strategy of the United Nations for the Second Development Decade (1971–1980) is based on a view of the developing countries as a group of countries at a comparable stage of economic and social development and with similar prospects of development. The Strategy Document sets up a series of global growth targets which apply to all the developing countries. It is based on a desire to see them gradually move closer to the economic standards of the industrial countries. But it emerged as the decade advanced, and was accentuated by the oil crisis, that the picture is not quite as simple as that. It became increasingly apparent that, although the gap between the industrial countries and the developing countries has more or less remained the same, marked differences have occurred, and are still occurring, among the developing countries themselves.

There are developing countries firmly entrenched on the poverty line, there are others which are approaching the point of take-off to industrial states. The following figures illustrate the growing disparities. The per capita income (GNP) of the low-income group of developing countries (per capita income below \$ 250) showed an average annual increase of 0.9% between 1960 and 1976, while the per capita income of the medium-income group of developing countries (per capita income above \$ 250) rose annually by an average of 2.8% in the same period. The average annual growth of the GNP per capita of the population in the period between 1966 and 1973 was: in Southern Asia 1.2%, in Africa South of the Sahara 1.9%; in Latin America 3.8%, in East Asia, North Africa and the Middle East 5.3%.

There is clearly a variety of reasons for the different rates of progress reflected in these figures as broad indicators. In the case of the oil-exporting countries, the reasons are obvious, otherwise the explanation is presumably to be found, *inter alia*, in differences in the following factors: economic point of departure, presence of natural resources, development policy and economic system of the country concerned, outside support. It is important to realise that the developing countries have different requirements and different possibilities, and that cooperation cannot, therefore, adhere to one global recipe but must adapt as the situation requires.

Differentiation in the North-South Dialogue

In the North-South Dialogue the developing countries are anxious to appear and to act as one. The idea of differentiating between the developing countries beyond the internationally established country categories therefore meets with suspicion and resistance from these countries. They are afraid that the western countries are seeking in

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this way to divide and thus weaken them. But it should be obvious that such fears are unfounded. The need for different forms of cooperation is intrinsic in the very nature of cooperation, as experience with the not very successful global targets of the Second International Development Strategy has shown. This is how the ideas of the Federal Ministry for Economic Cooperation discussed below should be understood, as an offer to the developing countries, not as a tactical manoeuvre in the North-South Dialogue.

What are Take-off Countries?

According to the concept of the Government of the Federal Republic of Germany, the take-off countries are developing countries which have reached a relatively advanced stage of economic development and whose own economic momentum is likely to enable them gradually to overcome the structural features of a typical developing country. Economically, they are generally characterised by a relatively high degree of diversification in the domestic economy, rapid industrial growth and increasing integration in the world economy. It may be that the various branches of the economy and regions have reached different stages of development.

It is typical of many take-off countries that social development does not keep pace with economic development. In addition to already existing economic and social imbalances, many disparities and distortions occur during the process of modernisation which need to be corrected. In particular, the development of social and political institutions lags behind.

When allocating developing countries to the group of take-off countries, one encounters difficulties in selecting criteria and establishing take-off values. The economic and social indicators which could be used to measure a country's state of development have long been discussed and are widely known. However, in individual cases, classification may be subject to doubt. Therefore, flexibility is called for. Classification is based on the level of per capita income, the most frequently used indicator for measuring progress in development. The boundary value for classification as a take-off country is an annual per capita income of over US\$ 630 in 1976. In addition, other criteria are applied in the classification of a developing country as a take-off country, for example: industrial share in the gross domestic product, energy consumption per inhabitant, proportion of pupils at high schools, number of students per 100,000 inhabitants, literacy rate, life expectancy. The application of these additional criteria means that countries which have a high

annual per capita income and yet still have a very underdeveloped and little diversified economic structure, such as some oil countries, are not included in the group of take-off countries.

Take-off Countries in the World Economy

Obviously, as their economic strength increases, so the take-off countries also increase in importance in international economic affairs. This is a welcome trend for the international division of labour, but one which will necessarily involve re-adjustments of the international production and trade structures. For the Federal Republic of Germany, trade and cooperation with the take-off countries have a positive effect on the German employment situation since there is a high degree of correspondence between the import requirements of these countries and the German export structure; on the other hand, the advancing development of the take-off countries leads to a stronger export drive on the part of these states with manufactured goods which in the long term makes it necessary for us to adapt our production structures. The Federal Republic of Germany, is, in terms of per capita of the population, the largest importer of manufactured goods from developing countries. In 1977, the take-off countries accounted for 5.8% of German exports and 7.1% of German imports.

Consequences for Cooperation

Cooperation with the take-off countries helps to promote the integration in the world economy of these increasingly important partners in the interest of both sides. It takes place by many different forms of cooperation, both private and official. Thus cooperation in the private sector (e.g. export credits; tax incentives, including developing countries' tax laws; investment promotion agreements) and the border area between private economic and official cooperation become ever more important.

At the same time, there is still room and need for the traditional official development assistance. However, it must be adapted to the particular requirements of the take-off countries. In December 1978, the Government of the Federal Republic of Germany worked out a concept to determine the future form of official cooperation with take-off countries. In it the role of official assistance is seen to consist in facilitating the transition of the take-off countries to forms of cooperation orientated towards the private sector, and providing important development stimuli in selected focal areas. It is deliberately directed against sectoral and regional bottlenecks of economic and social development. In the implementation of official

cooperation the take-off countries are able to take on greater responsibility and make a higher financial contribution as a result of their advanced state of development. With the support of the Government of the Federal Republic of Germany important parts of cooperation with take-off countries are carried out by non-governmental sponsors of development assistance, including the Churches, foundations, development agencies and others. Such organizations are able to do effective work together with their non-governmental partners in the take-off countries precisely in areas in which people are particularly affected by rapid social and often political upheavals.

Of the range of available instruments of official cooperation, mixed financing is of particular importance in the take-off countries, that is, a combination of funds of official development assistance and export credits in one project. In this way, scarce official funds are stretched and the flow of funds to the take-off countries increased. The following instruments are also important in official cooperation with take-off countries: promotion of German private investment by the Deutsche Entwicklungsgesellschaft (German Development Company) and the financial and tax pro-

motion of subsidiaries of German firms in developing countries; training and further training of specialists and managerial staff; adapted cooperation in the personnel field (integrated experts under the professional supervision of authorities of the take-off countries, measures to encourage migrant workers to return from the industrial countries to their home countries); programme financing; support for non-governmental sponsors to promote the poor sectors of the population and establish self-help movements.

In association with the partner country, clear sectoral priorities are sought in official cooperation with the take-off countries. The following areas are particularly suitable: social development (e.g. placement services, health services, social and health insurance, support for self-help organizations); urban development and regional planning; protection of the environment; industry (e.g. also support of the energy sector, production and processing of raw materials and the transfer of highly developed technologies); scientific and technological infrastructure. It is expected that the interaction of all these measures will help to create self-perpetuating growth in the take-off countries.

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