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**THE DEVELOPMENT ASSISTANCE OF WEST
GERMANY: AN OVERVIEW WITH SPECIAL
REFERENCE TO LATIN AMERICA**

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PREFACE

Mechthild Minkner was a visiting research associate at the Latin American and Caribbean Center during the 1985-86 academic year. Ms. Minkner, who is associate director of the Institute for Ibero-American Studies in Hamburg, West Germany, is a specialist on issues of political economy and has conducted extensive research in Latin America.

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Mark B. Rosenberg

Editor

Occasional Papers Series Dialogues

THE DEVELOPMENT ASSISTANCE OF WEST GERMANY:
AN OVERVIEW WITH SPECIAL REFERENCE TO LATIN AMERICA¹

I. DEVELOPMENT ASSISTANCE: REMARKS ON ITS DISTRIBUTION,
HISTORICAL DEVELOPMENT AND BASIC PRINCIPLES

Generally speaking, development policy, or more precisely the policy of development assistance toward the Third World countries, has always occupied a lower rank on the agenda of German politicians than foreign policy issues concerning the United States, European allies or the socialist countries. Despite a notable increase in importance attached to this area over the last fifteen years, this still remains true today. We may take as indicators the relatively few debates in Parliament, the rather sparse attendance at the debates, the minor role played by the Ministry for Economic Cooperation or the considerations emerging from time to time over whether to address the issue in other ministries.²

In contrast to its relative minor significance for the politicians, the official development policy and the activities of the responsible institutions are extensively discussed and criticized in public, especially through the mass media. This general tendency is not only valid with reference to the efficiency and the effectiveness of the project activities, but also concerning the general meaning of policies for the development of the recipient countries and for the Federal Republic of Germany. Since approximately 1983 several factors have helped to provoke an intensified general discussion:

- the publication of "The Fatal Aid," a report written by a former official of the Ministry for Economic Cooperation, on the destructive effects of the official development assistance;³
- declarations about "new" guidelines for development assistance made by the Ministry for Economic Cooperation;⁴
- the severe setback in the development of Latin American countries, and the controversy over how to deal with the Central American crisis;⁵
- the starvation catastrophe in Africa;⁶ and
- the decrease of public expenditures and programs in domestic policies, together with the economic recession and high unemployment in Germany.⁷

Despite harsh criticism toward official development activities, and the discouraging results in the general development of recipient countries, most experts⁸ have always advocated very clearly in hearings and statements the continuing of assistance to the developing countries, and not only because of the implications for international law or political repercussions. However, a reorientation and reassessment of development efforts on the part of both recipient and donor countries are required, according to the majority of analysts.

An overview of the amount of development assistance for 1984, and of some distributional aspects, is presented in Table 1. According to the Development Assistance Committee (DAC) definition, development assistance comprises all measures financed with official and private resources in the form of grants or loans. The latter must have a grant element of at least 25 percent. In 1984 the grant element of official development assistance averaged about 84 percent. The bulk of West German development assistance came from public resources (approximately 90 percent of the total amount in 1984) and is channeled by government institutions. About two-thirds of

TABLE 1. STRUCTURE OF DEVELOPMENT ASSISTANCE OF THE FEDERAL REPUBLIC OF GERMANY, 1984*

		(percentages)	
I.	Official development assistance (7,467 million DM)		90.0
A.	Multilateral		33.0
1.	Financial contributions	64.0	
a.	U.N agencies	22.9	
b.	EEC	72.8	
c.	Other	<u>4.3</u>	
	Subtotal	100.0	
2.	Capital subscriptions and special funds	36.0	
a.	World Bank group	69.6	
b.	Regional banks	<u>30.4</u>	
	Subtotal	100.0	
	Subtotal multilateral assistance	<u>100.0</u>	
B.	Bilateral**		67.0
1.	Africa	41.0	
2.	Asia	30.9	
3.	Latin America	10.4	
4.	Europe	2.7	
5.	Other and unspecified	<u>15.0</u>	
	Subtotal bilateral assistance	100.0	
	Subtotal official development assistance	<u>100.0</u>	
II.	Non-government agency assistance (1,538 million DM)		10.0
A.	Official funds (450 million DM)		29.0
1.	Churches	44.8	
2.	Political foundations	46.2	
3.	Other	<u>9.0</u>	
	Subtotal distribution of official funds	100.0	
B.	Private funds (1,088 million DM)		<u>71.0</u>
	Subtotal non-government agency assistance	100.0	
	TOTAL DEVELOPMENT ASSISTANCE (9,005 million DM)		<u>100.0</u>

* Defined as activity financed with official or private funds in the form of grants or loans with a grant component of at least 25%. The grant element for all official development assistance in 1984 was about 84%.

** Of bilateral assistance, 68% was financial assistance and 32% was technical assistance.

SOURCE: Ministry for Economic Cooperation, DAC Memorandum.

official assistance is being transferred on a bilateral level to the developing countries. Of this total, about 68 percent has been financial assistance.

With little variation over the last two decades, the African and Asian countries together received approximately 70 percent of total bilateral official assistance. The Latin American countries' share has been stagnant at approximately 10 to 12 percent. Non-governmental institutions contributed 10 percent to the total amount of development assistance in 1984, and channeled another 5.6 percent of official resources to the developing countries. Although official development assistance has increased in absolute terms more than three times since 1970, its share as a percentage of the GNP increased only from 0.33 percent in 1970 to 0.45 percent in 1984.⁹ According to official sources the reduction that compared 1984 to the previous three years is due to the revised figures of the GNP released by the Federal Statistics Office.¹⁰

Analyzing official development policy over the years, we might distinguish several phases.¹¹ The development assistance of the Federal Republic of Germany began in the early 1950s. Until the late 1960s it remained in the domain of the Foreign Office and the Ministry for Economic Affairs. In this period of a gradual building up of the development policy area, the Ministry for Economic Cooperation, founded in 1961,¹² was more a "clearing-house" for the other two ministries than an autonomous part of the executive with its own policy responsibilities. During this first phase the official statements and the concrete facts reveal clearly that development assistance was perceived and directly or indirectly used as an instrument to avoid or to punish the diplomatic recognition of the German Democratic Republic (e.g., in the case of Cuba¹³ or Egypt¹⁴), to impede the expansion of the

noncapitalistic system to the developing countries, and to maintain export markets and sources of raw materials for the German economy.

After the 1960s development policy gained more space for maneuver. In the so-called consolidation phase, which reached its climax in 1973-74, a policy of development assistance was established as a specific form of foreign policy with regional and instrumental specialization, with its own clientele and institutional network, and with, at least as officially declared, its own policy priorities and technical standards. However, the development policy, as a part of foreign policy, continued to be linked inextricably with strategic, ideological, and economic interests.

Several factors have influenced the distribution of development assistance according to countries, sectors, and types of project, on the one hand, and the emphasis on the humanizing, self-determined and reform-oriented content of the development policy on the other side. First, the predominant perceptions of the government in office concerning the relationship between the industrialized and the developing countries play an important role. Second, the domestic economic situation and the lobby exercised by the private sector are also influential. A third factor is the pressure of the developing countries, partly reflected by the oscillations in the intensity of the North-South conflict, and finally there are decreasing or increasing security concerns in the East-West relations.

With regard to these factors, there was a very favorable constellation in the second phase between approximately 1968 and 1974-75 for consolidating the development policy area. At the national level the coalition of Social Democrats and Liberals came into power in 1969. A period of reform policy began from which the development policy area also benefited. The head of the Ministry for Cooperation was Erhard Eppler (October 1968-July 1974), a

person very much interested in Third World problems. The growth of the German economy was satisfactory with an average annual growth rate of 4.6 percent between 1965 and 1973. The tension in the East-West conflict eased with the signing of various treaties between West Germany and the Eastern Bloc countries. The developing countries increased their pressure on the industrialized countries, aiming to obtain a more equitable share of the worldwide growth. With the discussion of the New International Economic Order the development policy received a higher degree of attention. At the academic and research level the knowledge of development problems expanded and more comprehensive theoretical approaches were elaborated. It was the time when the "dependencia" discussion arose most vigorously in Latin America. Consequently, this period was characterized by serious efforts to formulate an autonomous concept of development policy, to implement projects which correlated better with the objective of satisfying the basic needs of the majority in the developing countries, to support reform-oriented regimes in the recipient countries, and to base the assistance on cooperation and solidarity with the developing countries.

This orientation of the development policy was never wholly completed; rather it stagnated and gradually diminished during the second term of the Social Democratic-Liberal coalition. The main reasons for the shift in this third phase have to be seen in the two oil price shocks, and the increasing tendency of the developing countries to form cartels for raw materials, which deepened the economic recession, as reflected in an average growth rate of 2.1 percent in the period 1973-1983. The changing policy priorities in the Schmidt government and the more pragmatic perception of the relationship with Third World countries also played an important role.

In June 1975 the government issued the so-called "Thesis of Gymnich."¹⁵ According to these guidelines, development policy should be oriented toward the following:

- to reestablish a closer connection between the development, foreign, and economic policies;
- to foster relations with the oil-supplying countries, e.g., by providing paid development assistance;
- to "harmonize" the German interest in securing supplies of raw materials with the objective of expanding the developing countries' own transformation of raw materials;
- to open the German market for the products of developing countries, as long as the imports did not disrupt domestic production and employment;
- to allocate development assistance to key countries and, at the same time, to raise the share of the LLDC's and the MSAC's. For the latter two groups of countries the lending conditions were to be made considerably softer.

The classification of developing countries into groups with different levels of development, combined with a roughly corresponding differentiation of development assistance strategies (meaning, for poorer countries, a more socially oriented approach) has been a predominant principle of development policy since the mid-1970s. In general, in the so-called stagnation phase of development policy under the Schmidt government, there was a clear tendency to return to an instrumentalized development assistance policy, and to subordinate it to other policy areas.

In 1982 the Christian Democratic-Liberal coalition under Chancellor Kohl came into power. The new Minister for Economic Cooperation, Warnke, who belongs to the most conservative part of the coalition, called for new

"accents" in the policy of development assistance while stressing the continuity of basic guidelines. The new "accents" might be described as follows:

- to promote and increase support for the private sector in the developing countries;
- to combine and to complement the official development assistance with private sector efforts;
- to take into account more vigorously West German economic interests;
- to concentrate assistance in those countries which foster their own development while maintaining a convenient political and economic framework for development under private initiative;
- to promote a better understanding of self-interests on both sides by establishing a political dialogue with the recipient countries.
- to strengthen the efficiency and the effectiveness of assistance, with the demand-oriented selection of projects replaced by a more active search for projects fitting the guidelines.

The implementation of the new "accents," concretized in the "basic guidelines of the development policy of the Federal Government" launched in April 1986,¹⁶ signifies a new phase in development policy. It means to some extent a retreat to traditional principles and concepts, but in a more sophisticated covering than at the beginning of the 1960s.

II. DEVELOPMENT ASSISTANCE TOWARD LATIN AMERICA: SOME BASIC QUESTIONS

In general, West German development assistance policy and experience with reference to Latin America has to be reconstructed mainly through the concepts, principles, and changes of the global development policy. Numerous

questions may arise on the basis of the outline given above. Here it is only possible to tackle briefly some general issues.

A Specific Development Assistance Policy Toward Latin America?

Reviewing the scarce literature on the subject¹⁷ and taking into account the author's own experience in project missions to several Latin American countries, the existence of a specific policy must be denied. The few official or semiofficial statements¹⁸ do not offer sufficient evidence to speak of a concept or even a practical development policy program suited to the specific problems of Latin America. In March, 1982, this was confirmed during the first debate on Central American and Caribbean affairs ever conducted by a German parliament. The leading speaker of the Christian Democrats blamed the government for the absence of a special German policy toward Latin America. He argued that

...apart from the resounding declarations of the Chancellor during his visit to Latin America three years ago and the always very well balanced speeches of the Minister of Foreign Affairs, there is nothing that could be labeled as a concept. (19)

However, it has to be pointed out that, especially since the beginning of the 1970s there has been a growing awareness among the politicians, bureaucrats, and businessmen about the ongoing development process, accompanied by a Latin American push for emancipation vis-à-vis the United States. The desire of the Latin American countries for a closer relationship with the West European countries, and especially with the Federal Republic of Germany, met with an increasing German interest. Various indicators of this process (e.g., the expansion of the diplomatic network, the increasing number of visits on both sides, more emphasis on Latin American studies) are presented in a comprehensive article on German-Latin American relations written by K. Bodemer.²⁰

In 1979 this process culminated in the first visit of a German chancellor to Latin America and in the publication of the first semiofficial paper on Latin American policy.²¹ This level of interest has been maintained and apparently increased since the Christian Democrat-Liberal coalition came to power. If we consider the number of statements on the national and international level, the unprecedented number (about 15) of debates and initiatives concerning Central American issues in the German Parliament,²² and the activities of Foreign Minister Genscher to assess cooperation with Central America on the national and European level,²³ then we may conclude that German policymakers today are concentrating on Central America. In the light of a more serious analysis, however, it seems to be a rather artificial concentration forced by a particular constellation of internal and external forces and the persistent economic and political crisis in the Central American region. The fact is that despite this (very likely conjunctural) attention, the main interests are directed toward the large and middle-sized countries in Latin America. This results not only from their traditional weight in the relationship, but also because of their crushing debt crisis and their efforts to implement a successful democratization process.

Finally, it should be underlined that the enduring preoccupation of German scholars specialized in Latin American affairs about the absence of a comprehensive and clearly defined policy, crystallized in 1983-84 in a German "mini-Linowitz Report."²⁴ This report provides officialdom with all kinds of arguments and recommendations for elaborating such a policy. In my view, however, it remains doubtful if the desired goal will be achieved.

Major Reasons for the Marginality of Latin America in Development Assistance

The absence of a specific development assistance policy for Latin America is surprising if we consider, on one side, the strong historical and cultural ties between Latin America and Germany, and on the other, the growing importance of some Latin American countries in the area of international political and economic relations.

How to deal with foreign relations in general and with development assistance specifically is mainly a question of the perceptions and interests which have prevailed among policymakers, although with different intensity.²⁵ In general, development assistance has been seen--especially in the case of Latin America--as subordinated to economic interests and, consequently, as an instrument for supporting private sector operations and for fostering external economic relations. Compared with Africa, Latin America was partially regarded as a less underdeveloped area where private sector initiatives through trade, direct investment, and commercial lending could play the leading role, together with local efforts in promoting economic development. Confidence in the "trickle-down effect" of growth is still alive today among some politicians.

Latin America was also seen mainly as a domain of U.S. interests, with special U.S. programs (e.g., the Alliance for Progress) to cope with the development problems of these countries. By contrast, the ongoing transformation process in Africa and Asia was perceived as more receptive for communist infiltration, which could be mitigated by strong development support. German relations with Latin America were always judged as satisfactory and without major problems. The controversy over the German-Brazilian Nuclear Treaty, and more recently over the German political engagement in Central America, showed that tension might arise where the United States felt

"inconvenienced" in its interests. In general, however, because of the good relationship, specific policies toward Latin America were not felt as a real necessity.

A further perception was that the broad network of non-governmental institutions operating in development assistance and other areas seemed to correspond to the growing complexity of interest groups in Latin America. These institutions appeared appropriate because of their flexibility, and hence complementary to the official relationship.

Finally, Latin America was not perceived as a single area which should be addressed with a general policy. The bilateral relationships which permitted high flexibility seemed to meet the countries' own aspirations. Although only partially implemented, the principle of German development assistance to concede to recipient countries the initiative to propose projects according to their own development priorities remained operative. The annual or biannual negotiations over the "aid package" seemed to provide enough opportunity to resolve the interests of both sides.

The relative contribution of each of these perceptions to the lack of definition in the German Latin American policy is difficult to determine. On the other hand, it has to be pointed out that the absence of a specific development assistance policy toward Latin America is hardly surprising as long as the deficiencies concerning the autonomy, concepts and consistent framework of development policy in general persist.

If one examines the distribution of development assistance over the years, the marginal rank of Latin America in comparison with the African and Asian countries is striking. Partially this can be explained by the prevailing perceptions of the development situation of Latin America at the policymaking level and the lack of a clearly defined policy. Another

important reason is the membership of Germany in the European Common Market. The strong commitment of the German government to the integration process and the pressure exerted mostly by France "obliged" Germany to abandon a more balanced policy and to assume part of the financial burden of France, Great Britain, the Netherlands, and Belgium in their former colonies and overseas territories. Furthermore, in accordance with the development strategy proclaimed by the United Nations, Germany oriented its development assistance mostly to the LLDC's and the MSAC's, which are mainly located in Africa and Asia. Consequently, of the total amount of bilateral official development assistance (net payments), about 67,727 million deutschemarks (DM) during 1950-1984, Africa received 20,914 million DM, Asia 26,945 million DM, and Latin America and the Caribbean only 7,631 million DM.²⁶ In per capita terms, Africa ranked first, followed by Latin America and Asia.

In striking difference to the relatively low priority of Latin America in official development assistance, there is strong interest within the German private sector,²⁷ although only in some Latin American countries. About half of German direct investment in Third World countries was in Latin America, with an accumulated total in mid-1984 of about 12 billion DM, concentrated in the manufacturing of steel, machinery, motor vehicles, and electrical and chemical products. Although trade relations have declined in relative importance for both sides, Germany is still a very attractive market for Latin America and the most important among the EEC countries. Germany's share in Latin American imports has fallen from 11% in 1961 to about 5% at the present. In the last four years the debt crisis and the general recession seriously affected the trade on both sides.²⁸ As already noted, apart from a well-established institutional network to promote

economic relationships, development assistance is frequently perceived and used as an additional supportive factor.

Objectives, Orientation and Interests in Official Development Assistance Toward Latin America

The few official statements concerning Germany's Latin American relations in general offer little information for analysis on this issue. Therefore, we must refer to general development policy documents,²⁹ which also apply to Latin America, and to the concrete distribution of assistance over the years.

All German governments have proclaimed that development assistance set out to promote economic and social development in the recipient countries and thus to contribute to an improvement in their living conditions. This vaguely defined objective has been complemented by a set of heterogeneous tasks to be accomplished by this policy. Development assistance policy should contribute to foster economic and political self-reliance, mitigate mass poverty, ease the North-South conflict, reduce the endemic instability of regimes, promote worldwide peace, and, last but by no means least, strengthen Germany's international position and preserve its economic and political interests.

It is difficult to evaluate these propositions. Considering the social function of development policy, it might be assumed that it mainly intends to strengthen Germany's political and economic systems by promoting the integration of the developing countries in the world market and by reducing as far as possible political instability as an eventual threat to worldwide peace and to the capitalistic system. The official definition of development, although not explicitly formulated in the guidelines, is characterized

by Western-style democracy and a market economy. The current minister for economic cooperation has been very outspoken about a necessary reorientation of development policy in this sense. He also emphasized, when presenting the "Guidelines of Development Policy" approved by the Cabinet in March, 1986, that the basic mandate of every policy, including development assistance, is to benefit Germany.³⁰

So far, the thesis formulated by A. V. Gleich in 1968, to the effect that the policy of the Federal Republic of Germany toward Latin America is largely a reflection of its major political and economic concerns,³¹ applies to the policy of development assistance as well. Despite some cutback in the allocation of funds, this is also valid for the consolidation phase (about 1968-1975), with its stronger commitment to promote social and self-determined development. The more reform-oriented approach of this period is reflected by expressions of sympathy for Allende's socialist experiment in Chile and by increasing support to Velasco Alvarado's nationalist modernization project in Peru. However, comparing official assistance to both countries, it becomes obvious that West Germany is only willing to reward reform-oriented regimes as long as there is no doubt that in the long run the countries remain in the capitalist bloc. Nicaragua is a more recent example.

In accordance with its security concerns and its vulnerable position in the international system, Germany also tended to strengthen the larger and more developed countries in Latin America because of their position between the rest of the Third World and the industrialized countries. This position, as perceived by some German politicians, might allow these countries to play an intermediary role in the North-South and East-West conflicts.

Potential contradictions with the objective of promoting self-determination are obvious.

Faced with the revolutionary changes and military conflicts in Central America, along with a policy response of the Reagan administration that deepened the danger of at least part of Latin America becoming involved in the East-West conflict, German politicians have increasingly been aware that more development cooperation is needed to promote the necessary structural transformations in the area.³² A growing emphasis is reflected by the amounts of assistance and political support given to this area. The share of Central America and the Caribbean among official commitments increased from 2.7 percent in 1980 to 5 percent in 1985. Of the 630 million DM in official assistance committed by the German government to Central America between 1950 and 1984, about 50 percent had been in the last five years.³³

The structure of the German economy is heavily export-oriented, with an export share of about 27 percent of the GNP. Consequently, Germany has aimed its development assistance in part at improving the economic structure of recipient countries while trying to avoid harmful repercussions for its own economy. In many ways development assistance has "accompanied," directly or indirectly, private operations in investment and trade, although the emphasis on the economic function of development assistance has varied in the different phases. As the statistics show, four of the six leading countries in attracting development assistance are also main partners in trade and direct investment (see Table 2). Exceptions are Mexico and Venezuela, which as oil-exporting countries do not rank among the six major recipient countries for development assistance, but occupy a relatively prominent place in trade and investment. Conversely, Bolivia and Peru together account for about 20 percent of total official aid accumulated

TABLE 2. MAIN PARTNERS FOR DEVELOPMENT ASSISTANCE, DIRECT INVESTMENT AND TRADE OF THE FEDERAL REPUBLIC OF GERMANY IN LATIN AMERICA

Official bilateral development assistance, 1950-1983*

	(million DM)	(percent)
Brazil	1,799	21.1
Peru	1,235	14.5
Chile	842	9.9
Colombia	674	7.9
Argentina	583	6.8
Bolivia	503	5.9
Total 6 countries	5,636	66.1

German direct investment (net transfer)

	<u>1950-1976</u>		<u>1977-1983</u>	
	(million DM)	(percent)	(million DM)	(percent)
Brazil	3,621	78.8	3,770	63.7
Argentina	476	10.4	980	16.5
Mexico	198	4.3	941	15.9
Venezuela	188	4.1	134	2.3
Colombia	57	1.2	38	0.6
Chile	53	1.2	56	1.0
Total 6 countries	4,593	100.0	5,919	100.0

German imports from and exports to Latin America, 1983

	<u>Imports</u>		<u>Exports</u>	
	(million DM)	(percent)	(million DM)	(percent)
Brazil	4,310	29.0	1,555	15.5
Argentina	1,387	9.3	3,056	30.4
Mexico	666	4.5	1,349	13.4
Venezuela	3,144	20.9	635	6.3
Colombia	1,420	5.6	681	6.8
Chile	1,233	8.3	508	5.1
Total 6 countries	12,130	81.6	7,784	77.5

* Approved amounts

SOURCES: Ministry for Economic Cooperation, "Development Assistance Report," 1983; and A. V. Gleich et al., Europäisch-Lateinamerikanische Wirtschaftskooperation: Die Bundesrepublik Deutschland Österreich und die Schweiz als Partner Lateinamerikas, Köln 1985, Table 8, p. 328.

between 1950 and 1983, but do not play an important role in commercial and investment relations. Despite the rather small share of Latin America in Germany's exports (about 2.5 percent of the total), the subcontinent with a population of 350 million might be a more attractive market in the future if the absorptive capacity for imports were to increase and stabilize. German exports to Latin America have been subject to heavy fluctuation, and in 1975 Germany was replaced by Japan as the second largest supplier after the United States.

Brazil has always played a special role in the relationship between Latin America and Germany. Between 1950 and 1983, Brazil not only attracted about two-thirds of German direct investment and accounted for nearly half of the trade volume, but also received about 20 percent of all official assistance. Since neither the development level nor the human rights situation could justify Brazil's first place ranking in development assistance, it has to be explained in the light of Brazil's exceptional economic and political position and its potential resources compared with the rest of Latin America. Other factors such as historical ties, political "stability," the absorptive capacity for aid, and the ability to negotiate play an additional role. Brazil is the classic example that German development aid is supplied in nominal terms mostly to the advanced countries, despite the officially declared objectives or some reverse trend in new commitments. Measured in per capita terms, however, the small countries are the leading recipients of development assistance (see Table 3).

Peru, Chile, and Bolivia are among the main recipient countries of development assistance. These countries account for an important share of the raw materials supplied by Latin America to the EEC countries: about 25 percent of the lead, about 28 percent of the zinc, about 63 percent of the

TABLE 3. MAIN RECIPIENT COUNTRIES FOR THE OFFICIAL DEVELOPMENT ASSISTANCE OF THE FEDERAL REPUBLIC OF GERMANY IN LATIN AMERICA, 1950-1983

	million DM	rank	DM per capita	rank
Brazil	1,462	1	11.28	15
Peru	949	2	50.72	6
Colombia	586	3	21.57	10
Chile	564	4	48.32	7
Argentina	542	5	18.30	12
Bolivia	445	6	73.18	2
Mexico	376	7	5.16	16
Ecuador	300	8	32.42	8
Venezuela	201	9	12.29	14
Costa Rica	181	10	78.40	1
Paraguay	179	11	51.69	4
Nicaragua	177	12	57.96	3
Haiti	156	13	29.94	9
Guatemala	114	14	18.76	11
Jamaica	113	15	50.78	5
Dominican Republic	102	16	17.06	13

* Net disbursement

SOURCES: Ministry for Economic Cooperation, "Development Assistance Report," 1983; and A. V. Gleich et al., Europäisch-Lateinamerikanische Wirtschaftskooperation: Die Bundesrepublik Deutschland, Österreich und die Schweiz als Partner Lateinamerikas, Köln 1985, Table 5, p. 129.

tin, about 16 percent of the non-ferrous base metals, and about 10 percent of the silver. West Germany imports nearly 100 percent of its raw material consumption, but is considerably less dependent on the three countries mentioned above and on Latin America in general than is France or Great Britain. Although German development assistance also aims at securing the supply of raw materials, the low dependence on this sector in the case of Latin America does not reveal a correlation between both areas. In the case of the three countries mentioned above, Germany has supported projects in the mining sector, but largely due to their own priorities. The concentration of about 30 percent of accumulated development assistance in these countries has to be explained by the preference given to less developed countries like Bolivia, or the priority of supporting reform-oriented regimes like that of Peru in the 1970s.

The analysis of the accumulated total does not reveal the fluctuations in the distribution of the development assistance. In the case of Chile, the official aid has been frozen since 1973 because of the human rights situation. The same conditionality has been applied occasionally to Paraguay and Argentina, and more recently to El Salvador, before Duarte came into power, and to Nicaragua. However, this consideration has always been a very dubious criterion for distributing development assistance.

The concentration of about 60 percent of development assistance in five countries was partially interrupted during the 1970;³⁴ the more industrialized countries ranked lower in the 1979 allocation than in 1974. At the same time (1976-1979), the Latin American MSAC's received 120 percent of the amount granted before 1975. In absolute terms, however, no significant reassessment of the German development assistance has taken place.

The statistics also show that the officially declared priority of social projects was never implemented convincingly in practical terms.³⁵ About 7 percent of the total amount committed between 1950 and 1983 was dedicated to this type of project. Of this, the largest proportion was for education (37 percent), followed by infrastructure (about 16 percent), and agriculture/fishing/forestation (about 14 percent). The first two are very important areas for promoting the modernization of the economic structure and industrialization. Both objectives have high priority on the recipient countries' development agenda. Despite the declared objective to give highest priority to rural development, the reality has fallen short.

The overall tendency in official development assistance does not mean that Germany does not promote, especially in the medium and smaller countries, a considerable number of projects with high social content or of a model character. With the increasing skepticism that growth leads automatically to development and structural change, more and more politicians are aware that the promotion of reform-oriented projects is the best "insurance" in the long run for their own foreign policy interests. The distribution of development assistance also reflects very clearly the so far predominant development approach of the recipient countries. The imitation of the industrialized countries' development style corresponds perfectly to German interests.

Finally, Germany has always hesitated to use development assistance as a direct instrument to exercise pressure upon the countries. This explains partially the contradictions between the proclaimed objectives and the de facto distribution of assistance. Although the government has emphasized on various occasions that cooperation with Latin America should be strengthened, a 2 percent increase for the subcontinent in 1984 does not mean a

change in the global distribution. It is largely a reflection of the recently discovered priority for Central America and the Caribbean, forced by a special political conjuncture.

Latin American Development Assistance Under the Christian Democrat/Liberal Government

The Christian Democrats claimed they would set out a clearer concept for development assistance policy in general and toward Latin America in particular. So far, several tendencies of reorientation are underway or announced. First, one can observe a closer agreement with the United States, particularly on aid to Central America and the Caribbean, and, at the same time, a greater emphasis on the East-West dimension in the distribution of the assistance.³⁶ The freezing of new commitments to Nicaragua since 1983 and the reestablishment of official assistance to El Salvador, and more recently to Guatemala, are striking examples.

In close connection, it is seen that the aid should be tied more to the behavior of recipient countries in international forums. In his sixth development report, the minister for economic cooperation stated that Germany expects that the recipient countries will respect its objectives and interests.³⁷ Furthermore, assistance should promote the principles of the market economy in the recipient countries, giving preference to those which adjust their economic policy framework in this direction. The so-called "political dialogue" between Germany and the recipient countries might be used as an instrument to promote changes in trade and investment restrictions. There is no doubt that the countries which work closely with the IMF will have preferential access to development loans, as is shown by several statements from the minister for economic cooperation.³⁸ Costa Rica, as a

"model pupil" with reference to this conditionality, has been rewarded with growing development assistance.

Another part of this principle is that the participation of the German private sector in its commitment to Latin America should be more vigorous. But neither an increase of commercial lending nor the attraction of more private investment have materialized up to now. On the contrary, in 1984 a sharp downfall in German investments in Brazil, Argentina, and Venezuela took place:³⁹

(in millions of DM)

	Brazil	Argentina	Venezuela	Mexico
1983	529.0	214.0	34.8	251.6
1984	130.0	3.3	2.0	485.0

The main reasons may have been the resounding foreign debt crisis and the awareness of the increased political risk.

The participation of the private sector is being encouraged through mixed financing, that is, a combination of commercial and soft lending. The possible effects will be tighter lending conditions for the developing countries, less risk for the private sector, and perhaps larger amounts of financing at the countries' disposal. In 1984 this type of financing was expanded considerably; almost half was destined to Asia.⁴⁰ The average grant component of these loans was 54 percent in 1984.

The selection of the development assistance projects tends to be more influenced by Germany than in the past,⁴¹ though the effects of development assistance on production, employment, and raw material supply in West Germany could be monitored more carefully. The retransfer of bilateral financial assistance funds for all developing countries, in the form of orders for the German economy, increased from about 65 percent in 1980 to about 73

percent in 1983.⁴² In 1984 the share apparently reached more than 80 percent.⁴³

In accordance with the reorientation proclaimed by the government in office, private organizations in Latin America should be receiving more support to foster self-help in meeting development needs. This priority has to be seen as the obverse face of the objective of reducing public intervention in the development process and stressing the overall principle of "help for self-help." At the same time, the support of development projects of German non-governmental institutions through non-repayable grants (in the case of Latin America, about 6 percent of the total official development assistance in 1984) is to increase. According to an official statement, the development activities of churches, which are considered very important, will be promoted by simplifying the guidelines in the request and accounting procedures.⁴⁴

Lastly, the conditionality of the human rights criterion is to be applied in selected cases where official aid will be replaced by activities of non-governmental agencies. In contrast to the guidelines of development assistance issued in 1980,⁴⁵ the new guidelines do not foresee anymore support for liberation movements using peaceful and democratic means.

As overall objectives, the new guidelines and the last government report on development assistance stress the necessity to fight more effectively against mass poverty; to contribute more decisively to the satisfaction of basic needs, especially securing the countries' own basic food production; to adapt projects to the social and cultural conditions of the countries; and to take into account the repercussion of projects on the environment. The principles of self-reliance and self-determination will be

respected, although the latter faces a narrower circumscription in case of socialist experiments.

Which of the principles and objectives will predominate in the distribution of development assistance in the future remains to be seen. It is very likely that the government will continue to follow a "two-track policy approach." Nevertheless, official statements, the report for 1984, and the facts already reflect some of the basic reorientations of the development assistance. The liberal weekly Die Zeit commented on the case of the report under the headline "Development Aid Helping Our Own Economy."⁴⁶

A Critique of Development Assistance Toward Latin America

Analyzing the evolution of the development assistance relations between West Germany and Latin America, several points of concern remain. The need to formulate a general foreign policy toward Latin America, in which a coherent development policy approach may be inserted, is still unresolved. The plurality of the German institutions engaged in the development policy toward Latin America poses a challenge to set up such a framework.

The distribution of the development assistance according to the levels of development was not followed firmly enough. The social responsibility of recipient countries, especially in the case of the more developed nations, must be encouraged. As the trickle-down effect of growth has largely failed, the redistribution of property and income and the improvement of the socio-economic conditions of the most needy population has to be enforced in development projects. The non-governmental agencies which can better tackle the basic needs of the lower income groups must be provided with considerably more financing and with more effective coordination. A stronger

commitment to target groups is necessary in order to compensate for the highly politicized distribution of the development assistance.

The formulation of a clear Latin American policy, inter alia differentiated as far as possible into country groups in accordance with Germany's own criteria, would strengthen the position of foreign policy and facilitate the process of consensus vis-à-vis U.S. policy.

The conditionality of development assistance in other countries is considerably higher than in West Germany. According to the OECD, for the Eastern bloc countries it is 95 percent, for Canada 84 percent, for the United States 62 percent, for France 56 percent, for Japan 36 percent, and for the Federal Republic of Germany 21 percent.⁴⁷ However, there are strong voices against its being enforced. This is also true for the criterion of selecting projects in the light of their significance for production and employment in Germany. The basic arguments against a more tied development assistance are that:

- (1) the retransfer of funds is already very high--about 80 percent of the assistance channeled to the developing countries;
- (2) the additional employment generated would be insignificant (about 6,000 jobs beyond the approximately 108,000 generated today by the official aid to all developing countries);⁴⁸
- (3) the overall direct employment in Germany related to development assistance is currently only 0.5 percent of a total active population of about 26 million;
- (4) the political damage might be considerable, and a "boomerang" effect is not unlikely, leading to even more conditionality on the part of other countries; and

(5) the development projects would be more expensive if only German-supplied products, services, etc., were used.

Finally, with reference to the type and amount of official development assistance toward Latin America, the assumption that this type of support can be substituted by direct investment, commercial loans, and trade must be revised.

III. CONCLUSIONS

The report of the German Association for Research on Latin America states:

No other country of comparable size and importance is more vulnerable in its international relations than the Federal Republic of Germany: its political system depends entirely upon the degree of participation in a reliable international partnership and trustworthy alliances. The German economy is unable to survive without being integrated into an open world economy. (49)

Consequently, international relations at all levels play an important role. Because of its historical development and its special political situation, however, German policy so far has had more difficulty in defining its relations with partners and regions outside the North Atlantic alliance than with those inside.

There are strong arguments which call for a higher priority for Latin America in German foreign policy and for a comprehensive formulation specifically tailored to this region.⁵⁰ In Latin America a major social and political crisis is still imminent. The structural causes of the crisis are rooted deeper than they may appear at first glance. It is in Germany's own interest to demonstrate a credible problem-solving capacity with a coherent long-range policy and more resources.

Given that almost every Latin American country shows signs of drifting toward an explosive situation, it is no longer possible to postpone drastic changes in the striking problems such as massive poverty and unemployment, extremely inequitable and regressive distribution of income, etc. Naturally, a drastic reverse in the development style must be undertaken by the Latin American countries themselves. However, the challenge for Germany is to provide support for establishing viable national economies and reducing political, social, and economic polarization. Developmentalism must be replaced by contributions toward an authentic development for the majority of the population.

Apparently, the relationship on the non-governmental level has developed satisfactorily so far. In view of the structural crisis and previous encouraging results, the activities of the non-governmental agencies should be increased. A better coordination and communication within the framework of a long-term policy, both inside Germany and in the Latin American countries, would improve the outcome.

A long-term development policy would reduce the improvisation and contradictions among the variety of projects and objectives. It might contribute to make Germany's policy behavior more predictable and more independent. A greater independence of German development assistance and foreign policy, in turn, could be invaluable for Latin America, which wants to diversify its international relations. Germany might support the consolidation of a Latin American/Western Europe subsystem by coordinating more effectively its development policy with those of its European allies.

The formulation of a development assistance policy toward Latin America, however, has to be preceded by the formulation of a foreign policy for this subcontinent. Only a development policy integrated into the overall

concepts of foreign policy has a chance to be implemented. Specific development policy objectives should not be seen as disruptive factors for the foreign policy.

In the long run, only a development concept which is capable of reducing the polarizations in Latin America will coincide with the major German policy goals, such as the easing of conflicts and the preservation of the political and economic system of the Western countries. Thus, while it might lose a certain flexibility, a long-term policy basis with established mechanisms and instruments, as well as compatible objectives and priorities, might render German development assistance more effective and more significant.

NOTES

1. See, e.g., K. Neundörfer, "Die Fehler deutscher Entwicklungspolitik," Frankfurter Allgemeine, 27 May 1985; or K. Natorp, "Entwicklungspolitik braucht Ermutigung," Frankfurter Allgemeine, 9 May 1984.
2. See, e.g., W. Böll, "Sind alle Komplizen einer raffinierten Vernichtungsmaschine?" Frankfurter Allgemeine, 9 July 1985; U. Holtz, "Weghören, wenn andere um Hilfe rufen?" Vorwärts, 8 June 1985; or R. Bunzenthal, "Dem Test der Wirklichkeit nicht standgehalten," Frankfurter Rundschau, 29 May 1985. The Fatal Aid (Dietodliche Hiye), by Brigitte Erler, was published in Germany in 1985.
3. See "Auswahl ohne Feingefühl," Wirtschaftswoche, 15 July 1983; K. Broichenhausen, "Auch Warnke will etwas wenden," Frankfurter Allgemeine, 16 February 1983; "Bundesrepublik und Dritte Welt: Gemeinsame Ziele?" Frankfurter Rundschau, 29 August 1983; "Warnke bleibt dabei: Entwicklungshilfe soll auch deutsche Arbeitsplätze sichern," Frankfurter Allgemeine, 13 August 1983; or "Die Entwicklungspolitik Bonns nicht als eine 'Marketing-Agentur deutscher Wirtschaftsinteressen?'" Frankfurter Allgemeine, 8 December 1983.
4. See official documents of the German Bundestag: Drucksachen 9/1298, 10/239, 10/279, 10/922, 10/927, 10/1331, 10/1398, 10/1571, 10/1572, 10/2562, 10/2732, 10/2739, 10/3097; and Plenarprotokolle 9/89, 10/51, 10/88, 10/102, 10/114, 10/137.
5. See V. Köhler, "Entwicklungspolitik auf neuen Wegen," Frankfurter Allgemeine, 7 May 1985.
6. See, e.g., "Schuldnerländer müssen sich selbst um Verbesserung der Bonität bemühen," Handelsblatt, 27 March 1986.
7. See report on the Hearing of the Bundestag Economic Cooperation Committee, Frankfurter Allgemeine, 18 March 1986.
8. See statements of the experts in *ibid.*
9. "German Development Assistance Policy," memorandum submitted by the Federal Republic of Germany for the DAC Annual Review 1985-86, Bonn, 27 August 1985, Table 1, Series A.
10. *Ibid.*, p. 3.
11. See especially M. Glagow, ed., Deutsche Entwicklungspolitik: Aspekte und Probleme ihrer Entscheidungsstruktur, Saarbrücken, 1983; and H. Haftdorn et al., Die Aussenpolitik der Bundesrepublik Deutschland, Berlin, 1982, pp. 461-466.
12. According to different criteria (appointment of the first minister of economic cooperation on November 14, 1961; legal regulations for the

Ministry of Economic Cooperation on January 29, 1962) the foundation dates from 1961 or 1962.

13. K. Bodemer, Entwicklungshilfe--Politik für wen? Ideologie und Vergabepraxis der deutschen Entwicklungshilfe in der Ersten Entwicklungsdekade, München 1974, p. 114.
14. Ludwig Erhard, "Bundeskanzler: Rede zur Nohost-Politik im Deutschen Bundestag am 17.2.1965," in Haftendorn et al., op. cit., pp. 468-469.
15. The "Thesen von Gymnich," *ibid.*, pp. 475-476.
16. Ministry for Economic Cooperation, "Grundlinien der Entwicklungspolitik der Bundesregierung," Bonn, April 1986 (version in English only for bilateral assistance: "Guidelines on Bilateral Financial and Technical Cooperation with Developing Countries," Bonn, 23 February 1984).
17. The literature and statements refer, with a few exceptions, to the various areas of the German policy toward Latin America: A. V. Gleich, Germany and Latin America, The Rand Corporation Memorandum, Santa Monica, June 1968; K. Bodemer, "German Development Policy for Latin America - A Policy Without a Profile?" Law and State, Volume 31, Tübingen 1985, pp. 64-81; M. Mols, "Das Verhältnis der Bundesrepublik Deutschland zu Lateinamerika," Mainz, October 1980 (manuscript); D. Benecke et al., The Relations Between the Federal Republic of Germany and Latin America: Present Situation and Recommendations, Bonn 1984; and A. V. Gleich, "Situation und Perspektiven der deutsch-lateinamerikanischen Wirtschaftsbeziehungen," in Gleich et al., Europäisch-Lateinamerikanische Wirtschaftskooperation: Die Bundesrepublik Deutschland, Österreich und die Schweiz als Partner Lateinamerikas, Köln 1985, pp. 99-153.
18. P. Hermes, "Aspekte und Perspektiven der deutschen Lateinamerika-Politik" Europa Archiv, Vol. 34, No. 14, pp. 421ff; W. Scheel, "Solidarische Zusammenarbeit zwischen Europa und Lateinamerika," Presse- und Informationsamt der Bundesregierung, Bulletin No. 132, 10 October 1973; H. Kullak-Ublick, "Die Lateinamerikapolitik der Bundesrepublik Deutschland," Auslandskurier, No. 5/26, May 1985, pp. 12-13; and H. P. Merz, "La cooperación técnica con América Latina," Desarrollo y Cooperación, No. 2/85, p. 21. For Central America and the Caribbean, the official documents cited in note 4 contain copious direct or indirect information on concepts and policy elements for these regions.
19. Bundestag, Plenarprotokoll 9/89, Bonn, 5 March 1982, p. 5396.
20. K. Bodemer, "German Development Policy...", op. cit., pp. 66-67.
21. P. Hermes, "Aspekte und Perspektiven...", op. cit.
22. See official documents cited in note 4.
23. See especially Bundestag, Plenarprotokoll 10/88, Bonn, 4 October 1984 (Conference of San José, Costa Rica, September 28/29, 1984); and "Kooperationsabkommen EG-Mittelamerika paraphiert," Nachrichten für den Aussenhandel, 22 October 1985. At the meeting of the Ministers for

Foreign Affairs in Luxembourg (November 11/12, 1985) a five-year agreement between the EEC countries and Central America was signed.

24. D. Benecke et al., op. cit.
25. See the literature cited in notes 17 and 18.
26. Ministry for Economic Cooperation, "Entwicklungspolitik--Jahresbericht 1984," Bonn, October 1985, pp. 79-86.
27. See especially A. V. Gleich, "Situation und Perspektiven der deutsch-lateinamerikanischen Wirtschaftsbeziehungen...", op. cit., pp. 102-112, 118-125.
28. H. Kullak-Ublick, "Lateinamerikapolitik...", op. cit., p. 13.
29. The basic documents are the "Guidelines for Development Assistance of the Federal Government," issued on February 11, 1971, revised on July 9, 1980, and more recently in March, 1986.
30. See, e.g., "Neue Leitsätze zur Entwicklungshilfe," Süddeutsche Zeitung, 20 March 1986; and point 34 of the guidelines issued in March 1986.
31. A. V. Gleich, Germany and Latin America..., op. cit., p. 35.
32. See recommendations of the Bundestag Committee for Economic Cooperation, December 5, 1984, and approved by the Bundestag January 17, 1985 (Drucksache 10/2562, 5 December 1984; Plenarprotokoll 10/114, 17 January 1985).
33. Bundestag, Drucksache 10/922, 25 January 1984, pp. 6-7; and data from the Ministry for Economic Cooperation, 17 January 1985.
34. K. Bodemer, "German Development Policy for Latin America...", op. cit., p. 72.
35. Sectoral distribution according to Table 13 in A. V. Gleich, "Situation und Perspektiven...", op. cit., p. 386.
36. See, e.g., Latin American Weekly Report WR-83-13, 31 March 1983; and epd-Entwicklungspolitik, 1 February 1985, p. 11.
37. "Neue Leitsätze zur Entwicklungshilfe," Süddeutsche Zeitung, 20 March 1986; see also point 34 of the guidelines issued in March, 1986 (see note 29).
38. See, e.g., "Bonn will Entwicklungsländern helfen," Süddeutsche Zeitung, 24 September 1985.
39. "Deutsche Investitionen in der Dritten Welt gesunken," Generalanzeiger, 17 May 1986.
40. Ministry for Economic Cooperation, "Entwicklungspolitik--Jahresbericht 1984," p. 21.

41. J. V. Stockhausen, "Auf aktiver Projektsuche in der Dritten Welt," Frankfurter Allgemeine, 20 April 1983.
42. "Den Bogen überspannt," Wirtschaftswoche, 21 September 1984.
43. "Der eigenen Wirtschaft geholfen," Die Zeit, 9 August 1985.
44. "German Development Assistance Policy....," op. cit., p. 41.
45. Ministry for Economic Cooperation, "Die entwicklungspolitischen Grundlinien der Bundesregierung," Bonn, July 1980, p. 9.
46. "Der eigenen Wirtschaft geholfen," Die Zeit, 9 August 1985.
47. K. Söhler, "Hilfe ohne Eigennutz....," op. cit.
48. Ibid.; and "Den Bogen überspannt....," op. cit.
49. D. Benecke et al., "The Relations....," op. cit., p. 5.
50. See also the recommendations in *ibid.*, pp. 22-24; and K. Bodemer, "German Development Policy....," op. cit., pp. 77-83.