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## Development spectrum

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# DEVELOPMENT SPECTRUM

**German Investment in Peru's Mineral Oil Industry:** Deminex-Deutsche Erdölversorgungsgesellschaft mbH (German Mineral Oil Supply Company Ltd), founded by German mineral oil firms for prospecting and developing oil deposits, participates in four concessions located in the North-East of Peru. Deminex, together with its Spanish, French, American and Japanese partners, in May/June 1973 committed itself to finance drilling projects and seismic programmes in each of the four areas. This investment, in which Deminex holds a 25 p.c. participation, has been estimated at DM 70 mn.

The concession contract provides that if oil is found the companies will receive 45 p.c. of the first 14,000 tons, which are daily produced, and 44 p.c. of the volume exceeding this tonnage. Most of the oil concerns were prepared to accept these conditions only after, near the border of Ecuador, Petroperu and Occidental Petroleum found oil in 12 of 20 drilling projects. The mineral oil companies, which engaged themselves very early in Peru, received a share of 50 p.c. Those who came later than Deminex must be satisfied with less than 44 p.c. The commitment of Deminex is promoted by a loan given by the Federal Republic. 75 p.c. of exploration costs are covered this way.

**An Institute for LDCs' Technology Planned:** In connection with the planned establishment of a technology institute in the Federal Republic, the Parliamentary State-Secretary, H. Matthöfer, and the head of the technology department, Dr Theierl, spoke to the following problems: if technologies are existing, that are fitting to the conditions in LDCs, if the transfer of adjusted

technologies should be made by private non-profit organisations or public bodies and if the foundation of an institute in the Federal Republic is necessary for the promotion of adjusted technologies in LDCs.

According to H. Matthöfer industrialised countries' technologies do not necessarily suit the LDCs requirements. Capital intensive industrialisation strategies are not appropriate for the solution of the problem of mass-unemployment in the Third World. Since in many LDCs the majority of the population is living on a subsistence economy and since the creation of industrial jobs in towns is too expensive in these countries, a lasting progress is only possible on the basis of agricultural development.

According to H. Matthöfer's statements the planned institute shall

- find out what technologies the LDCs already have,
- formulate technological problems and place research commissions,
- distribute the research results,
- cooperate closely with the German development aid administration and solve problems in agreement with the sectoral and regional referees of the ministry in charge.

It is hoped that particularly in rural regions modes of thinking and traditions will change owing to the dissemination of better methods and forms of organisation.

**Stronger Engagement of DEG In Africa:** Deutsche Gesellschaft für wirtschaftliche Zusammenarbeit: DEG (German Association for Economic Cooperation) strengthens its engagement in

Africa in the shape of participations in enterprises in Zambia and Nigeria, two of them in each country. In Zambia these are participations in a gentlemen's outfitting firm and in an enterprise, which represents German machine-building companies and precision-tool manufacturers and runs service stations and repair shops.

In Nigeria DEG supports the establishment of a domestic ceramic industry (tiles) based on local raw materials. The capital majority (51 p.c.) and the management functions will be in Nigerian hands. Besides in Nigeria DEG undertakes a commitment to promote the extension of a commercial wood and timber enterprise. Altogether DEG has participations in 108 enterprises in 42 LDCs. Its commitment amounts to about DM 210 mn (total investments DM 1.4 bn), of which DM 93.6 mn (total investments DM 592 mn) fall to the share of Africa.

**German-Iranian Cooperation:** The Federal Minister of Economics, Herr Friderichs, visited The Shah of Iran, Reza Pahlevi, for a discussion of various projects. Main points of discussion were the building of a mineral oil refinery with a capacity of 25 mn tons in Iran by the Federal Republic and the natural gas project Iran-USSR-Federal Republic.

According to Minister Friderichs the final decision on the refinery will be made until summer this year. The negotiations on this \$ 1.2 bn project are already going on since summer 1973. This refinery, which is to be built by a syndicate of German firms, will according to present plans be transferred into Iranian possession after 15 years. The central problem of the refinery's viability will be

the Iran's long-term crude oil prices. The Iranian partner proposed to link a petro-chemical combine valued at \$ 1.0 bn to this refinery.

Thereagainst the triangular transaction in the natural gas sector between Iran, USSR and Federal Republic is supposed to be concluded. The clarification of details of its execution is still outstanding. Within the framework of this triangular transaction Iran supplies natural gas to the Asian territories of the USSR, while the Federal Republic takes the same quantities from the USSR. Besides these two main projects more than 22 other industrial programmes are under discussion.

**Development Aid and Oil Crisis:** In spite of the oil crisis the Federal Republic does not intend to restrict its development aid. Its medium-term financial programme for the coming years provides for the following expenditure for total development aid in mn DM: 1974: 2,762; 1975: 3,494; 1976: 4,205; 1977: 5,005.

For 1978 the Ministry for Economic Cooperation has already announced development aid of DM 6.0 bn. Notwithstanding the growing balance of payments worries the Federal Government sticks to its decision. But it cannot be ruled out that in future at least part of the funds will be granted considering the securing of energy and raw material supplies.

At the end of 1973 a Raw Material Committee has been founded, consisting of State-Secretaries, for the clarification of the problems involved. At present objections to a possible "tying of development aid to the secure supply of raw materials as a reaction to the oil policy of the OPEC-countries" are very considerable. Within the foreseeable future the recently con-

stituted Committee will not submit any results that might serve as a basis for the clarification of the problem of linking development aid with the securing of raw material supplies.

**Preferential Regulation of Building Activities:** The Federal Government — according to the Parliamentary State-Secretary in the Federal Ministry for Economic Cooperation, H. Matthöfer — promised to support the World Bank proposal for the improvement of the competitiveness of domestic firms by granting a preference of 7.5 p.c. in the awarding of building contracts in LDCs. In the Federal Government's opinion this enables a better utilisation of capacities existing in LDCs and the creation of jobs and incomes.

This planned preferential treatment of building performances is to be applied for the time being, as a test, for one year in LDCs with a per capita income of less than \$ 22. This procedure resembles the granting of preferences in connection with the supplies of goods financed by the World Bank — i.e., to the amount of the tariff burden, but not exceeding 15 p.c. of the value of the contract.

**Extension of Scientific and Technical Cooperation with Mexico:** The Federal Republic of Germany and Mexico intend to promote their cooperation in science and technology. On the occasion of the visit of the Mexican President Luis Echeverria Alvarez in Bonn, the Federal Minister of Foreign Affairs, Herr Scheel, and his Mexican colleague, Emilio O. Rabasa, signed an agreement on scientific and technological cooperation. According to the Foreign Ministry this agreement states both countries' readiness to promote cooperation in these sectors. Individual areas of cooper-

ation are not mentioned. Besides the Ministers signed an agreement on the exchange of scientists and technicians. This agreement provides for the exchange of experts for three consecutive years, a prolongation is not planned.

**German Development Project for Tourism in Nepal:** Nepal, one of the poorest countries in the world, was the test field for new forms of development aid with regard to tourism, conducted by the German Federal Ministry for Economic Cooperation. In the past German aid for tourism development in LDCs had been limited to the restoration of buildings, public relations, etc., whereas in Nepal a development plan for tourism was evolved that includes aspects of social structure, regional planning, cultural geography, transportation from the point of view of the sectoral and the overall economy. The result of the German experts' investigations is a long-term economic development strategy for Nepalese tourism that has great chances to become one of the guidelines of the Himalaya state.

The plan gives special advice that should be followed in the future practice: Further development of the agricultural sector in order to provide a better supply of the tourist-centers with local products; extension of trekking-tourism which is a speciality of Nepal and means Himalaya-tours; conservation of Nepalese folkmusic and tradition; restoration of cultural attractions. The question of the efficiency of the plan, however, cannot be answered easily due to the fact that Nepal has no experience with modern tourism.

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