

Germany's Development Cooperation and Prospects for German-Japanese Cooperation

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German Chancellor Angela Merkel will retire from politics this fall after serving four terms totaling 16 years since November 2005. During her tenure, Germany became the world's second-largest donor of official development assistance (ODA), boosting its presence as a leading provider of development cooperation. Given the changing environment for international development, including the "New Cold War between the U.S. and China," Izumi Ohno, an editorialist for this journal, summarizes how Germany's development cooperation has evolved under the Merkel administration and discusses future prospects for cooperation between Germany and Japan.

Firmly maintaining the BMZ System

In 2016, Germany became the world's second-largest ODA donor. This represents a significant advance from 2005 when Merkel took office as chancellor. In that year, Germany ranked fifth after the U.S., Japan, France, and the U.K. Germany's ODA/GNI ratio exceeded 0.7% in 2020 (grant equivalent), reflecting Chancellor Merkel's emphasis on multilateralism in such areas as global health, climate change, African development, and acceptance of refugees in Germany (the first year's budget was appropriated as ODA).

Since 1961, the Federal Ministry for Economic Cooperation and Development (BMZ) has assumed overall responsibility for Germany's development cooperation policy and budget coordination. Implementing organizations include the German Corporation for International Cooperation (GIZ) for technical cooperation; the German Reconstruction Finance Corporation (KfW) and its subsidiary German Investment and Development Corporation (DEG) for financial cooperation; the German Foundation for Economic Development and Vocational Training (SEQUA) and chambers of commerce and industry for vocational training; NGOs; and research institutes (including political party think tanks).

Merkel, head of the centrist conservative Christian Democratic Union (CDU), has served four terms as chancellor by skillfully forming a series of coalitions with other political parties. During her tenure, politicians from coalition parties have been appointed as the Minister of the BMZ—see table. In recent years, aid implementing agencies in the U.K., Australia, and Canada have been merged with their respective foreign ministries one after another, but Germany has maintained its BMZ system.

While the years of her tenure have seen a series of events that had significant impacts on international development, such as the financial crisis, the Arab Spring, the refugee crisis, and the new coronavirus pandemic, the author believes that she has consistently demonstrated leadership, keeping in mind both multilateralism and Germany's national interests. The "social market economy" is a uniquely German concept that emphasizes free competition and market economy, while at the same time taking into account social fairness and ethics. Merkel's CDU, in particular, has long advocated this philosophy as a model for postwar reconstruction. Differentiating itself from the Anglo-Saxon way in development

cooperation, the German government has emphasized employment and social order, supporting vocational training and empowerment of chambers of commerce and industry. Sustainable development, including climate change, is where German companies have technological advantages. This is also a priority area for development cooperation.

Multilateralism and Proactive Contribution to the G20

A typical example of Chancellor Merkel's multilateralism is her strong commitment to the G20. Germany has stepped up its involvement in the G20 since its presidency of the Hamburg G20 summit in 2017. On many occasions over the past few years when the chancellor gave addresses at global think-tank meetings, the author was impressed by how she responded in her own words to all sorts of questions including fiscal issues, climate change, World Trade Organization (WTO) reform and relations with China. At this year's meeting (chaired by Italy), the chancellor pointed out that the G20 countries account for 80% of the world's greenhouse gas emissions, saying that "International cooperation is vital for solving global issues, and even though we have different economic systems from that of China, we should cooperate with Beijing in areas of global public goods such as climate change and pandemics."

The strategic use of think tanks in Germany is also proof of her emphasis on the G20. Since 2007, the German Development Institute (DIE) has been running the BMZ-funded Managing Global Governance Program, intended to invite young researchers from emerging countries (Brazil, China, India, Indonesia, Mexico, and South Africa) to participate in training opportunities at national and EU institutions to share with them such fundamental values as sustainability. In addition, since 2017, the DIE has served as the secretariat for establishing networks with African research institutions to assist advocacy activities for African development that are directed toward the G20.

Striking a Balance between the U.S. and China

Germany is the EU member state that has the closest ties with China in terms of both trade and direct investment. German companies see business opportunities in smart manufacturing that combines "Made in China 2025" and "German Industry 4.0." Germany is a founding member of the Asian Infrastructure Investment Bank (AIIB) that was established at the end of 2015, and the bank's vice president in charge of policy and strategy is assumed by a German (former World Bank Vice President).

With intensifying U.S.-China tensions in recent years, the German government formulated in September 2020 its "Policy guidelines for the Indo-Pacific region" that signaled its commitment to diversified partnerships. The EU-China comprehensive investment agreement, reached in principle in December 2020, appears to have been facilitated by Chancellor Merkel's behind-the-scenes involvement. Merkel probably intended to urge China to abide by international rules while maintaining economic relations. At the G7 summit held in June 2021 in Cornwall, U.K., Chancellor Merkel is said to have expressed concern about human rights issues in China, while stating that the large-scale infrastructure investment plan agreed upon was not meant to be hostile to China's "One Belt, One Road" initiative.

Prospects for Japan-Germany Cooperation Based on Common Values

What will be the future course of Germany's development cooperation? Reportedly, there are chances that the Greens will make a significant advance, but whichever party comes to power (unless a far-right government is formed), the foundation laid down during Merkel's era is likely to remain largely intact. Response to climate change and infectious diseases is

of universal importance. Sustainability, already set as a core policy agenda, will be further promoted if the Green Party joins the next administration. There might be a slight difference between whether the upcoming administration will place more emphasis on fiscal discipline or seek a bigger government. Nevertheless, no major change is foreseen in the basic direction of German development cooperation policy, including African development and commitment to the G20.

Furthermore, at the Industrial Development Board (highest policymaking organ) of the United Nations Industrial Development Organization (UNIDO) held in July 2021, Gerd Müller, currently BMZ Minister, was selected to be the new Director-General of UNIDO. Müller will succeed LI Yong of China, who has led UNIDO as Director-General since 2013. Müller has said that he intends to seek a fair globalization, a sustainable industrial development as well as job creation and perspectives for a prosperous future for developing countries. His nomination for UNIDO's top position suggests Germany's strong resolve to take on global leadership.

Then comes the question of what kind of partnership Japan should build with Germany. The above-mentioned emphasis on Indo-Pacific cooperation by Germany is a welcome move for Japan, which has been advocating a "Free and Open Indo-Pacific" (FOIP), as Berlin seeks diversified partnerships in the region in a wide range of fields. While competing as rivals in such industries as automotive and factory automation, the two countries are like-minded partners that share such fundamental values as quality growth, human rights, and environmental conservation.

Therefore, building on common strengths and shared values, it is meaningful for Japan and Germany to take initiatives in industrial development and human resource development for developing countries, as well as in the protection of personal information in digital technology development and standards formulation. These are key issues in African development, as well.

Furthermore, Japan and Germany have many similarities with their approaches to development cooperation, including the combined use of loans and technical cooperation, emphasis on the real economy, and field-oriented activities. In this sense, enhanced partnership between the two countries in African development can also serve as a key to increasing the strategic value of the FOIP.

*** Chancellor Angela Merkel (term of office: Nov. 22, 2005–present), Christian Democratic Union (CDU)**

*** Successive ministers of the Federal Ministry for Economic Cooperation and Development (BMZ)**

Minister Heidemarie Wiecek-Zeul (term of office: 1988–2009)	Social Democratic Party of Germany (SPD)
Minister Dirk Niebel (term of office: 2009–2013)	Free Democratic Party (FDP)
Minister Gerd Müller (term of office: 2013–present)	Christian Social Union (CSU)



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