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Making Sure of Survival

Reflections on the Report

by Karl Wolfgang Menck, Hamburg*

Early in 1980 – well before the Special Session of the UN General Assembly in New York – the Independent Commission for International Development Issues chaired by Willy Brandt presented its Report: “North-South: A Programme for Survival”. The findings of the Commission which is better known as “North-South Commission” or “Brandt Commission” have met with agreement and approval but also with criticism. Which recommendations has the Commission made? Which points of the Report are being criticised?

The Brandt Commission's analysis of the North-South situation confirms the established fact that the development in the southern part of the world is lagging behind the set objectives. High growth rates are recorded only in threshold countries with ample raw material resources and in newly industrialized countries, and the social progress is as slow in these as in the poorer countries. Such progress is however an integral part of development. The Commission has therefore examined how various basic needs like health care, housing and education are being satisfied and how the people share in social, political and economic decisions. It found the performance level in these areas to be inadequate in the poor countries as well as in many industrialized states. Reasons for this are high armament expenditures, the existing international economic order, the protectionism of the industrialized countries, and an inadequate resource transfer. Of especial moment is in the Commission's view the high armament expenditure in the industrialized and developing countries which amounts to wastage of productive capital, technical knowledge and skilled labour. The Report includes comparisons designed to show how sensible deployment of these resources could resolve some of the developing countries' problems:

“1 The military expenditure of only half a day would suffice to finance the whole malaria eradication programme of the World Health Organization, and less would be needed to conquer riverblindness, which is still the scourge of nations.

2 A modern tank costs one million dollars; that

amount could improve storage facilities for 100,000 tons of rice and thus save 4000 tons or more annually: one person can live on just over a pound of rice a day. The same sum of money could provide 1000 classrooms for 30,000 children.

3 For the price of one jet fighter (20 million dollars) one could set up about 40,000 village pharmacies.

4 One-half of one per cent of one year's world military expenditure would pay for all the farm equipment needed to increase food production and approach self-sufficiency in food-deficit low-income countries by 1990.”¹

Diversion of the armament expenditures to other uses would in the Commission's view not only release substantial funds for development aid by the industrialized countries and development policy purposes in the poor countries but constitute a better and more effective contribution to the safeguarding of peace. The Commission finds this view on its underlying concept of security.

An Extended Security Concept

The Report regards the transfer of resources to the developing countries as a means of safeguarding the future of the world and an instrument for maintaining the peace of the world because of the existence of close interdependences between the North and the South. The trade relations with the developing countries are, on the one hand, protecting jobs in the industrialized countries which depend, besides, to an

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¹ North-South: A Programme for Survival. Report of the Independent Commission on International Development Issues, London and Sydney, 2nd printing, 1980, p. 10.

essential degree on continuous supplies at favourable prices of raw materials from developing countries. On the other hand, the North is, in the Commission's view, obliged to practise solidarity with the South because poverty represents the greatest threat to security in the world. Oppression and exploitation could provoke social disturbances in individual states. Impoverished countries seek a way out of an inequitable economic system by resorting to a delivery boycott or taking advantage of monopoly positions and thereby endanger the continuing operation of a stable international economic system which can bestow great benefits on all the participating states. Industrialized and developing countries must for this reason work together for the eradication of poverty with the aim of increased security:

"These different needs for health, housing or education, as well as the most fundamental need for food, all provide a clear and practical challenge both to the countries themselves, and to the industrialized nations without whose help the poorer countries can hardly succeed. But the idea that these problems are quite separate, and can be solved by specific initiatives, can no longer be believed. Whatever may be accomplished by medical aid, housing drives or school grants, the only way to achieve major improvements in these areas is to help the economies of these countries to grow and industrialize so that they will increasingly be in a position to help themselves; and this can only be brought about through a change in the international economic environment; through more purposeful collaboration between North and South, and much more systematic assistance from the North."²

The Report refutes the notion that the poor countries should renounce all aid for a while in order to promote self-reliant development in accordance with their own aspirations during this time. Not only the demands of the developing countries for a drastic increase of development aid but the necessarily common concern of all states for the conservation of the resources for future prosperity militate against this notion in the view of the Commission: "Concern for the future of the planet is inextricably connected with concern about poverty."³ It must be the aim of the efforts for long-term security for all countries to create a world "based less on power and status, more on justice and contract; less discretionary, more governed by fair and open rules".⁴

The Eastern bloc states must join in these efforts, and so must the rich developing countries; a deepening gulf between poor and rich countries puts their prosperity as much at risk as that in the Western industrialized countries.

Recommendations of the "Brandt-Commission"

The solidarity should in the view of the Commission find expression in a comprehensive list of measures to be enacted by the governments of the industrialized and developing countries in the short and long term. They include joint programmes to combat the population explosion and to research into its hitherto unexplained social and biomedical background. As a priority task the industrialized countries are to initiate with the developing countries an action for the stabilization of commodity prices at remunerative levels⁵ and remove trade barriers against imports of semi-finished and finished goods from the poor countries. A fund for raw materials is considered an expedient means for setting up price-stabilizing buffer stocks and creating a "second window" to finance projects like storage, processing, sales promotion, productivity improvements and diversification of economic activities. Other demands include compensatory funds for export earnings shortfalls and support for the opening-up of raw material deposits. The prices of energy must reflect the growing scarcity in the long term of non-renewable raw materials. The energy supplies for the poorer countries in particular are to be improved by international accords. New undepletable sources of energy must be opened up by joint programmes. An energy research centre under United Nations auspices is to collate and evaluate energy research information and programmes and draw up forecasts of consumption and requirements. The Commission acknowledged the necessity and desirability of industrialization in the developing countries. The rich countries must make their contribution by removing protectionist obstacles to trade and engaging in technical and financial cooperation. Furthermore, world-wide efforts are to be made to increase the production of foodstuffs by providing technical and financial assistance to agriculture. New impulses are to be given to agriculture in the developing countries by institutional, social and organizational reforms. Industrialized and developing countries are to enter into joint commitments for the promotion and direction of foreign investments and technology transfer, etc., through coordinated legislation.

² Ibid., p. 58/59.

³ Ibid., p. 75.

⁴ Ibid., p. 65.

⁵ Ibid., p. 158.

Resource Transfer

Comprehensive proposals are submitted by the Commission in regard to the transfer of resources. According to its calculations it would be possible to provide about US \$ 50-60 bn additionally to the current development aid distributions of US \$ 20 bn annually. The capital and lending limits of the World Bank and the regional development banks are to be raised for this purpose. In addition, special drawing rights and gold stocks of the International Monetary Fund are to be mobilized for development financing. The private capital market offers other aid sources. The resources are to be raised in the future by all industrialized countries, including the Eastern bloc states, and the oil exporting countries, in accordance with the principle of universality. The targets for the official aid are set at 0.7 and 1 % of gross national product respectively for 1985 and 2000. In the longer term automatic transfers modelled on international taxes are to provide the basis of development finance. This would be a logical further step in pursuance of the principle of universality. In accordance with this principle more programme credits are to be offered to the developing countries instead of project credits. In this way the transfers could get more quickly to the recipients; these in turn are to make use of the resources in the compass of a longer-term policy and to be able to spend them without extensive administrative checks by the donor countries.

New financing instruments for development aid require in the Commission's view reforms in the international institutions and appropriate mechanisms for negotiations. The consensus principle is to be enforced more widely in the international organizations; in institutions concerned with monetary and credit policies like the IMF and the World Bank the developing countries are to assume greater responsibilities by taking part in the decision-making processes. The Commission hopes that a North-South summit in a more informal circle will provide fresh ideas and impulses for a continuation of the negotiations in the North-South dialogue.

Priorities

The Commission realizes that in the present crisis in the world economy extreme demands are a waste of effort and therefore recommends a programme for immediate action combining measures of greatest urgency. Priority should according to the Commission's ideas be given to measures to satisfy the needs of the poorest and to increase the resource transfer. Other components of its short-term

programme are an international energy strategy and a food programme as well as a summit meeting to get the necessary steps off to a good start. This programme does not render further efforts superfluous nor does it stand in the way of long-term measures for improved development cooperation. The Commission's particular choice of measures springs from the existence of urgent problems calling for a short-term solution. For this reason the Commission is of the opinion that the emergency programme for the period from 1980 to 1985 should be given unqualified support.

Preconditions for Economic Growth and Social Progress

The Chairman and many members of the Independent Commission have in their interviews and statements put the emphasis on the political and moral considerations for this strategy of survival in the North-South conflict. Economic questions were only touched upon as side issues although they play a cardinal role in regard to the transfer of resources. The Report contains many references to the close interconnection of economic, social and political measures but there are nevertheless some questions which, from an economic point of view, have not been elucidated adequately in the Report.

Correct is the demand for a greater resource transfer to the developing countries in order to create in these the preconditions for economic growth and social progress. But it has certainly not been proved that the measures which the Commission recommends are economically unobjectionable. Against the financing of development through special drawing rights for instance it is argued that this instrument is by its very nature unsuited to the settlement of any but short-term imbalances. In the long term it leads to excessive international liquidity and thus to inflationary developments, and thereby encumbers the resource transfer and international trade. An appropriation of special drawing rights for purposes of development finance in amounts gauged to have a neutral effect on inflation would not suffice to meet the Commission's wishes for increased resource transfer, and a dispensation from the strict World Bank conditions – as recommended by the Commission – would make it more difficult to raise funds for developing countries in the private capital markets. The World Bank enjoys a very high credit rating in these markets because of the conditions which it imposes on borrowers. If these were made less onerous, it would, to judge from past experience, be impossible to mobilize private capital

market funds for development cooperation purposes through the World Bank to the same extent as hitherto. In the most unfavourable case the Commission's proposal would have the exactly opposite effect of what is intended.

Besides, the emphasis on resource transfer is a reversion to earlier development strategies which have been discredited by their failure. In the sixties it was believed widely in industrialized and developing countries that development arrears could be made good quickly with lasting effect by financial inflows on the Marshall Plan pattern. In the event, however, the absorptive capacity of the developing countries for capital imports of which sensible use could be made for development was shown to be severely limited in

consequence of the inadequacies of local administrative and institutional agencies, lack of technical and managerial knowledge, prevalence of traditional modes of conduct and the dualistic economic structure. Programme credits as suggested by the Commission make little change in this respect; their absorption requires exertions of an especially high order on the part of the recipient country itself.

Contentious Assumptions

The recommendations about transnational enterprises and the proposals on trade policy also invite objections on economic grounds. The assessment of the policies of international groups does not make allowance for the findings in more recent

The Brandt-Commission

On September 28, 1977 Willy Brandt, the former Chancellor of the Federal Republic of Germany, declared himself ready to comply with a request by the President of the World Bank, R. McNamara, to set up an "Independent Commission for International Development Issues" and act as its Chairman. The task of the Commission was "to study the grave global issues arising from the economic and social disparities of the world community and to suggest ways of promoting adequate solutions to the problems involved in development and in attacking absolute poverty. As an independent commission it is free to raise any aspects of the world situation which the Commission considers pertinent and to recommend any measures it finds in the interest of world economy." Its field of studies comprised a record of development, the prospects for the world economy and the new international economic order. Verbatim minutes were not taken in order to encourage free exchanges of views in the Commission; for the same purpose the meetings were deliberately kept informal.

The organizational nucleus of the Commission was a relatively small secretariat in Geneva where the Government of the Swiss Confederation had provided offices. The meetings were held in various localities – in order to attract suggestions and to conduct a dialogue with governments, representatives of political parties, business associations and trade unions, and religious groups in several states on future solutions for the North-South conflict – in Bonn (1977), Mt. Pelerin (Switzerland) (March 1978), Bamako (Mali) (May

1978), Ferytown (USA) (August 1978), and in Kuala Lumpur (Malaysia) (November 1978).

Owing to an illness of the Chairman all the later meetings were held in Europe. Between these talks were held with many developing countries, including states belonging to the OPEC, as well as the PR China and the USSR. Hearings were arranged with "eminent persons" who were invited to make suggestions to the Commission on account of their experience in the sphere of development policy or their knowledge of North-South relations. The Commission's expenses were met out of untied financial contributions by many governments, organizations and assemblies. This fact reflects not only the independence of the Commission but the lively interest of many states in its work.

The Chairman enlisted ten personages who are playing a role in the political life or development field in the southern hemisphere and seven from industrialized countries as members of the Commission: Abdlatif Y. Al-Hamad (Kuwait), Rodrigo Bolero (Colombia), Antoine Kipsa Dakoure (Upper Volta), Eduardo Frei (Chile), Katharine Graham (USA), Edward Heath (Great Britain), Amir H. Jamal (Tanzania), Khatijat Ahmad (Malaysia), Lakshmi Kant Iha (India), Adam Malik (Indonesia), Haruki Mori (Japan), Joe Morris (Canada), Olof Palme (Sweden), Peter G. Peterson (USA), Edgard Pisani (France), Shridath Ramphal (Guyana) and Layadir Yahar (Algeria). Jan Pronk (Netherlands), Göran Ohlin (Sweden) and Dragoslav Avramović (Yugoslavia) joined the Commission as ex officio members.

systematic and comprehensive analyses of their effects which show that there is no need for control. Investment direction is a task of the developing countries: they must create appropriate overall conditions and are able to take promotional measures on the sectoral level⁶.

Negotiations on universal guidelines for the conduct of transnational enterprises as recommended by the Commission are not welcomed by all developing countries. States with large capital surpluses, or more highly developed countries wishing to offer attractive investment opportunities, are trying to interest foreign investors irrespective of any international negotiations. World-embracing agreements are however likely to curtail the scope for action by the participating states and run counter to the interests of states which want to base their development in the main on private capital and technology transfers. Besides, the course of the negotiations on a UN Code of Conduct shows that the developing countries are reluctant to agree to conditions which the industrialized countries consider indispensable.

The transference of the developing countries' trade policy demands from UNCTAD to the negotiations in the framework of GATT is giving rise to similar contentions. The countries in the southern hemisphere have so far failed to respond to the special provisions which were adopted in the Tokyo round with these countries in mind. The question of international trade agreements is not the only one for which the Commission has only found a partial answer. The Report says nothing about the causes of the problems impeding an expansion of the foreign trade of the developing countries. The equipment of these countries is often not internationally competitive, the export marketing is bad, and protectionist trade barriers of the developing countries are preventing an improvement of their competitiveness and an orientation towards the world markets. The monetary policies of many of these states, export taxes or red-tape make exports difficult. These obstacles have to be removed in the long term, just as much as the protectionist devices in the industrialized countries.

The Commission's ideas for the stabilization of raw material prices, too, leave room for doubts. German studies have predicted that a policy of this kind would entail great disadvantages for the world economy and for this reason suggested price adjustments analogous

to the agricultural price system of the European Communities. The American computations adduced by the Commission have been rejected long ago as unrepresentative because of the underlying assumptions⁷.

While there are no objections to the financing of the resource transfer including technical know-how by the rich countries as a whole, many observers still have considerable misgivings about the envisaged funds which, they argue, are lacking the flexibility of a central financing facility. Besides, the existence of several funds with unclear demarcation lines would cause overlapping and duplication. The industrialized countries maintain their legal and economic objections to funds over which the donor countries have no effective power of control so as to ensure their reasonable use for development purposes. By favouring the International Fund for Agricultural Development as a model the Commission recommends a type of fund which is open to this very objection. Its demand for new funds stems from the hope that new institutions will be in a better position for mastering the problems than the existing ones. This is an assumption which is not borne out either by the short history of the IFAD or the activities over longer periods of other funds.

International Taxes

A predisposition to levy international taxes is bound to be strengthened by the establishment of new funds. The Commission proposes a tax on international trade without examining the inescapable adverse consequences for the developing countries which are in any case hard pressed to hold their own in the international markets. Moreover, the Report fails to follow up the question of what revenue can be obtained by such a tax. Recent calculations have indicated that the revenue from international taxes would certainly fall short of what is needed to finance the resource requirements for development cooperation⁸. Finally, the Commission is by no means on safe ground when it assumes that international taxes will raise additional revenues. On the contrary, some industrialized countries have indicated that if such imposts were introduced they would either cut back their commitments or take their tax payments into account.

⁷ Cf. D. Kebschull: A Crawling Peg System for Raw Materials, in: *INTERECONOMICS*, 9/1976, p. 245 ff.

⁶ Cf. D. Kebschull et al.: Wirkungen von Privatinvestitionen in Entwicklungsländern (Effects of private investments in developing countries), *Wissenschaftliche Schriftenreihe des Bundesministeriums für wirtschaftliche Zusammenarbeit*, 35, Baden-Baden 1980.

⁸ Cf., i. a., E. B. Steinberg and J. A. Yager: *New Means of Financing International Needs*, Washington, D. C., 1978; H. P. Wiesebach: *Mobilization of Development Finance – Promise and Problems of Automaticity*, Berlin 1979.