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THE BRANDT COMMISSION: DELUDING THE THIRD WORLD

INTRODUCTION

During his first year in office, President Reagan has focused his principal attention on reconstructing the American economy. Although seldom articulated, the challenges confronting his domestic economic program have emerged in the international economic arena as well. For the past three decades, Third World countries have persistently called for a worldwide redistribution of income similar in structure to the programs adopted during this period by the federal government in the United States. Although President Reagan has forcefully met and attempted to change the direction of domestic economic programs, his efforts to reorient the role of the U.S. have been only tentative in international economic development programs.

The United States is currently being dragooned into active participation in such international redistributive schemes, which are in direct contradiction not only of the policies and programs of the Reagan Administration, but of the very basis of our democratic process. Implicit in such programs is a degree of coercion, the abrogation of sovereignty, and the denial that man has a fundamental right to the fruits of his labor. The Reagan Administration must necessarily confront these adherents of redistributive wealth, expose their fallacious reasoning, and reject forthrightly their illusionary schemes.

A most important meeting for the U.S. in regard to these issues took place on October 22 and 23, 1981, at the Mexican beach resort of Cancun. This summit, known formally as the International Meeting on Cooperation and Development and more informally as the North-South Conference, brought together government leaders representing twenty-two nations from both the "industrialized" North and the "developing" South to discuss global development issues.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

The meeting was called by Mexican President Jose Lopez Portillo and Austrian Chancellor Bruno Kreisky not only to air the various disparate views of the participating nations on the meaning of cooperation and development, but also to narrow the differences between the industrialized world and the developing nations. Though no formal agenda existed, the participants agreed beforehand to discuss "food security and agricultural development; commodities, trade, and industrialization; energy; and monetary and financial issues."¹

The Cancun meeting was the latest step in a process that began several years before when an Independent Commission on International Development Issues, headed by former West German Chancellor Willy Brandt, published a lengthy and shrill report entitled North-South: a programme for survival. The report is the most important of numerous attempts to force changes in U.S. international economic policy.

The gist of the Commission's findings -- also known as the Brandt Report -- is that the world in the 1980s faces a crisis of such global dimensions that the very survival of the human race is in serious question. The Commission, however, did note that such developments were not necessarily inevitable and suggested that the nations of the world could and should band together in the "common task of ensuring survival, to make the world more peaceful and less uncertain."² To achieve such an end, the Brandt Report offered a rather elaborate emergency program, which would fundamentally alter the existing relationship between North and South and bring about the creation of a "new international economic order." The Commission ended its report by calling for a summit of world leaders from industrialized and developing countries to concentrate and act on this emergency program.³

For more than a decade before publication of the Brandt Commission's report, leaders of the Third World had been trying to engage leaders of the industrialized nations in negotiations toward the establishment of this "new international economic order." This vague phrase refers not only to redressing the economic imbalance between developed and developing nations, but also to its elimination by a vast scheme of redistribution of the world's wealth. In short, the NIEO, as the "new international economic order" is known, seeks to take the produced wealth of developed states and parcel it out to the undeveloped.

Though an increasing number of commentators have questioned the validity and propriety of such redistributive schemes, the

¹ The New York Times, October 21, 1981.

² Report of the Independent Commission on International Development Issues, North-South: A programme for survival (Cambridge, Massachusetts: The MIT Press, 1980), p. 47.

³ Ibid., pp. 281-282.

pressure to implement them has not abated. Last December 15, Javier Perez de Cuellar of Peru, the new Secretary General of the United Nations, called the gap in wealth between rich nations and poor a "breach of the most fundamental human rights," and declared that as Secretary General he intended to "provide impetus" for global negotiations on transferring wealth from developed to developing nations.⁴

Contrary to much of the press coverage, both here and in Europe, which unfairly caricaturized President Reagan at Cancun as "Scrooge preaching platitudes about self-reliance,"⁵ the Administration fully committed itself to playing a constructive and positive role in the historic development process. The President clearly and forcefully expressed the belief that emphasis upon individual initiative in a free market system, rather than aid and government intervention, has been and remains the surest route to economic growth. Implicit herein was a rejection of worldwide redistributive schemes, the proposed New International Economic Order, and the Brandt Commission report.

Soon thereafter, the Administration followed up these words with a concerted program of action to show that its plan, and not that of the proponents of redistributive wealth, would best serve the needs of both the developed and developing worlds.

On February 24, 1982, in a major address to the Organization of American States (OAS), President Reagan unveiled such a broad economic program for the two dozen or so countries of Central America and the Caribbean Basin. He proposed a long-term U.S. economic commitment to the area stressing free trade, aid primarily in support of the private sector, technical assistance, and investment. If the program succeeds in creating those conditions under which "creativity, private entrepreneurship and self-help can flourish,"⁶ then it may well serve as a model for other areas of the world.

U.S. FOREIGN ASSISTANCE SINCE WORLD WAR II

How should the United States respond to demands for a NIEO? This question has perplexed three American administrations, and rightly so, for this country has had a proud and pioneering record of aiding nations in need.

⁴ New York Times, December 16, 1981, p. A6.

⁵ Robert Lubar, "Reaganizing the Third World," Fortune, November 16, 1981, p. 81.

⁶ Office of the Press Secretary, The White House, Text of Remarks by the President to the Organization of American States, Hall of the Americas, Washington, D.C., February 24, 1982, p. 3.

In the years immediately following the Second World War, the Marshall Plan was designed to promote the relief and recovery of war-ravaged Western Europe. With the onset of the Cold War, it was determined that American military as well as economic assistance should be extended to nations, threatened by Communist aggression or subversion, notably Greece, Turkey, Korea, and Taiwan.

Similarly, the United States began to provide technical and capital assistance to nearly all developing, independent nations. The burden of international assistance fell heavily and solely on the United States; in the early fifties, the United States was the only nation offering international economic assistance as a national policy.

As scores of nations gained independence during the early sixties, the U.S. government publicly announced that it was launching a "Decade of Development" to help poor nations grow more rapidly and participate more fully in international political and economic systems. The establishment of the Agency for International Development (AID) within the Department of State, the Alliance for Progress in Latin America, and the Peace Corps, as well as the large developmental assistance programs in India and Pakistan and the multiyear aid commitments in Tunisia and Nigeria exemplified the direction of American foreign aid.

During the late sixties and early seventies, discouragement with foreign aid, particularly as a tool of American foreign policy, was evident among Washington policymakers. Charles P. Kindleberger, an authority on American foreign aid, noted:

Economic development was stubbornly slow. Aid achieved little growth, less gratitude, few political objectives.⁷

Such discouragement was reflected in the sharp decline of official, bilateral U.S. development assistance between 1964 and 1972. As a proportion of the gross national product (GNP), official development assistance fell to 0.29 percent in 1972, in contrast to the 1964-66 period when it was 0.49 percent.

The disenchantment continued throughout the seventies. E. Dwight Phaup, Professor of Economics at Union College, observed, "real non-military assistance to foreign nations expanded by just 36 percent between FY 1972 and FY 1979."⁸ As a percentage of total government expenditures, nonmilitary aid remained roughly at 1.5 percent.

⁷ Charles P. Kindleberger, "U.S. Foreign Economic Policy, 1776-1976," Foreign Affairs, Vol. 55 (January 1977), pp. 395-417.

⁸ E. Dwight Phaup, "International Affairs," in Eugene J. McAllister, ed., Agenda for Progress: Examining Federal Spending (Washington, D.C.: The Heritage Foundation, 1981), p. 42.

The seventies did, however, witness a dramatic shift in the mechanism by which American foreign aid was disbursed. During that time, the proportion of aid provided through multilateral arrangements grew relative to bilateral aid (see Appendix 1). Significant also was a change in emphasis on the nature of aid disbursed. During the 1960s, development assistance programs concentrated on such major "infrastructure" projects as dams, roads, and power plants; after 1973, the major focus of bilateral assistance was to be the poorest nations and an attack on their most serious obstacles to economic growth and development -- population, food, and health. More important, self-help became the underlying theme as well as the major criterion for additional aid distribution. Commenting on the shifts, Phaup noted:

This change is due in part to announced efforts by donor nations to "de-nationalize" aid, but is also reflective of the Nixon administration's emphasis on "New Directions" where bilateral aid was to rely more heavily on self-help projects and private investment. Perhaps even more importantly, the shift is in response to greater militancy on the part of recipient nations which view aid from the developed nations as an entitlement involving no implicit or explicit obligations to the donors.⁹

PROPONENTS OF ECONOMIC REDISTRIBUTION

Among the more dramatic changes that have occurred in the international environment since World War II has been the emergence of more than a hundred new nations, most of them from the non-industrialized, less developed areas of Asia, Africa, and Latin America. Of the 157 nations now represented in the United Nations General Assembly, about 120 consider themselves "Third World" or developing nations.

This bloc is popularly known today as the "South." The term "South" is more a political than a geographic concept. Australia and New Zealand, for example, are located in the southern hemisphere but, in economic and social terms, clearly belong to the North. Conversely, much of the "South" -- India, Pakistan, Southeast Asia, large sections of Africa, and Latin America -- lies north of the equator. And the South is even less a uniformly homogeneous economic entity than it is a geographic unit. In fact, the "South" is an enormously disparate group, ranging from populous, resource-rich countries like India and Brazil to less populous, island countries like the Seychelles and Grenada. Similarly, the distribution of Per Capita GNP within the South is extremely varied (see Table I). And culturally, the South ranges

⁹ Ibid.

from countries with millions of aborigines to those of more advanced, sophisticated civilizations.¹⁰

TABLE I
DISTRIBUTION OF PER CAPITA GNP
SELECTED LIST

Country	Per Capita GNP (in U.S. dollars)
Bangladesh	90
Laos	90
Nepal	100
Ethiopia	120
Somalia	130
Mozambique	140
Upper Volta	160
India	180
Sri Lanka	190
Guinea	210
Pakistan	230
Central African Republic	250
Lesotho	280
Guinea-Bissau	290
Sudan	320
Ghana	390
Dominica	440
Zambia	480
Guyana	560
Botswana	620
El Salvador	660
Peru	740
Cuba	810
Guatemala	910
Tunisia	950
Malaysia	1090
Panama	1290
Taiwan	1400
Costa Rica	1540
Uruguay	1610
Argentina	1910
Suriname	2110
French Guiana	2340

¹⁰ Cf. P. T. Bauer and B. S. Yamey, "East-West/North South: Peace and Prosperity?," Commentary, Vol. 70, No. 3 (September 1980), pp. 57-58; P. T. Bauer and B. S. Yamey, "Against the New Economic Order," Commentary, Vol. 63, No. 4 (April 1977), pp. 25-26; and Susan P. Woodard, "The Third World: New Realities and Old Myths," The Heritage Foundation Backgrounder No. 114 (March 18, 1980).

Venezuela	2910
Singapore	3290
Martinique	3950

Source: 1980 World Bank

The term "South" is a label given meaning, notes Professor Roger D. Hansen of the Johns Hopkins School of Advanced International Studies, by "the decision of those countries to act as a diplomatic unit coordinating a large measure of their international activity."¹¹

For almost two decades, developing countries have urged, particularly in international forums, dramatic changes in the post-World War II economic and financial system. During the sixties and early seventies, the developing countries began banding together to press not only for increased foreign aid and trade but, more important, for major economic concessions from the United States and other Western economic powers.

During the first United Nations Conference on Trade and Development (UNCTAD) in 1964, some 77 developing countries organized themselves into a negotiating bloc, more commonly known as the "Group of 77."¹² This group, whose membership today exceeds 120 nations, stressed throughout the sixties strong trade preferences, compensatory financing, and special drawing rights (SDR) allocations, particularly in U.N. circles.

In 1973, at the fourth conference of the Non-Aligned Countries in Algiers, the developing nations as a whole turned their attention specifically to the economic goals that had been set by previous UNCTAD meetings. The Algiers meeting ended with a clarion call for the "new international economic order" and the recommendation that a special session of the General Assembly be convened to consider the U.N. role in fostering such a development.

In April 1974, the Sixth Special Session of the General Assembly formally adopted -- without a vote -- a resolution which stressed, inter alia, the need:

to work urgently for the establishment of a new international economic order based on equity, sovereign equality, common interest and cooperation among all states, irrespective of their economic and social systems, which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and developing countries and

¹¹ Roger D. Hansen, "North-South Policy -- What is the Problem?" Foreign Affairs, Vol. 58, No. 5 (Summer 1980), p. 1105.

¹² Cf. Jon McLin, "The Group of 77," West Europe Series, Vol. XI, No. 3 (American Universities Field Staff, Inc., April 1976), pp. 1-8.

ensure steadily accelerating economic and social development and peace and justice for present and future generations.

The Special Session similarly agreed -- again without a vote -- to a "program of action" that called for changes in existing North-South relations

- o TRADE -- more "equitable" commodity agreements; greater access to industrialized markets; and a common fund to guarantee stable prices for raw material exports.
- o FOREIGN AID -- large scale debt cancellations; and increased assistance primarily through multilateral channels.
- o FOREIGN INVESTMENT -- recognition of full permanent sovereignty over resources; restitution and full compensation for exploited resources.
- o TECHNOLOGY -- greater access to "developed" technology; restraints on multinational companies.
- o FINANCIAL INSTITUTIONS -- significant changes in the distributive systems, particularly the World Bank and the International Monetary Fund.

Though the New International Economic Order was presented as a simple kind of recompense for the West's alleged exploitation of the developing world's resources, the real thrust of the document, according to Peter Bauer, professor at the London School of Economics, and John O'Sullivan, editor of Policy Review, is the implication that "everyone everywhere should be entitled to a substantial income by virtue of being alive, regardless of economic performance."¹³ "Correcting inequalities and redressing existing injustices" translates into a massive worldwide redistribution of wealth.

During a November 1975 visit to Great Britain, Tanzanian President Julius Nyerere gave an address, entitled "The Economic Challenge -- Dialogue or Confrontation," in which he succinctly put forward the argument for redistribution:

I am saying it is not right that the vast majority of the world's population should be forced into the position of beggars, without dignity. In one world, as in one state, when I am rich because you are poor, and I am poor because you are rich, the transfer of wealth from rich to poor is a matter of right; it is not an appropriate matter for charity.

¹³ "Foreign Aid for What?," Commentary, Vol. 66, No. 5 (December 1978), pp. 41-48.

