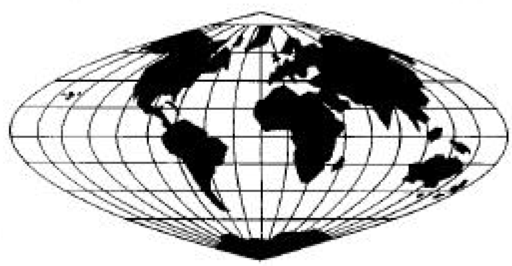
The Brandt Equation

21st Century Blueprint for the New Global Economy



Brandt 21 Forum
PO Box 63776
Philadelphia, PA 19147
USA

215-592-1016

Brandt21Forum.info

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SUMMARY

Brandt's Challenge

Under the chairmanship of former West German Chancellor Willy Brandt, the Independent Commission on International Development Issues examined the problems facing the global economy in the early 1980s. Brandt's panel of former world leaders and other prominent figures found that developing nations were economically dependent on developed nations, which dominated the international rules and institutions for trade, money, and finance. This economic division resulted in political instability, not just in poor nations, but across the world.

Said Brandt, "At the beginning of a new decade, only twenty years short of the millennium, we must try to lift ourselves above the day-to-day quarrels (or negotiations) to see the menacing long-term problems. We see a world in which poverty and hunger still prevail in many huge regions; in which resources are squandered without consideration of their renewal; in which more armaments are made and sold than ever before; and where a destructive capacity has been accumulated to blow up our planet several times over" (*North-South*, 13).

In *North-South* (1980) and *Common Crisis* (1983), the Brandt Commission made a set of bold recommendations to change all that. In a sweeping series of measures addressed to the global public, governments, and international agencies, **the Brandt Reports called for a full-scale restructuring of the global economy, along with a new approach to the problems of development, including an emergency program to end poverty in developing nations.**

Results

Two decades later, the international community has not responded to these proposals in any meaningful way. Although the Brandt Reports were widely read and discussed, developed nations have focused more on their own interests. As documented by the United Nations Development Program, the World Bank, the International Monetary Fund, and other agencies, the economic disparities outlined in the Brandt Reports have widened significantly since 1980:

- Without new family planning programs to slow fertility and birth rates, **world population** has expanded by 1.7 billion people, more than 90% of whom were born in poor nations
- Deprived of increases in global food supplies and local agricultural production to end starvation and malnutrition, the number of people suffering from **hunger** in developing nations has risen from 500-600 million to 1 billion people
- For want of a comprehensive program for sanitation, clean water, health care, housing, and education in poor nations, the incidence of people living in **poverty** has multiplied from 800 million to 1.8 billion persons
- Lacking educational and employment opportunities for personal development, **women** in developing nations have become increasingly destitute from gender discrimination and conditions of impoverishment

- Regardless of the official international assistance standard of 0.7% GNP, **aid** to developing nations has slumped from .35% to .21% of GNP

- Having no international agreement to reduce the difficult loan payments owed to developed nations, the **debt** of developing countries has surged from $700 billion to nearly $3 trillion

- Devoid of a framework for the non-violent resolution of international disputes and the multilateral reduction of weapons, allowing governments to use their resources for the peace and welfare of their people, **armaments** expenditures around the world have accelerated from $450 billion to more than $800 billion a year

- Minus global programs to stabilize energy prices and supplies for developing countries, slow the depletion of renewable energy sources, and reverse climate change, **environmental** pollution and global warming have broadened, including a 12% increase in carbon dioxide emissions

- Missing out on vast possibilities for international peace and development through sharing with poor nations the benefits of the information revolution, 90% of **technology** ownership and use remains in developed nations, creating a global 'digital divide'

- In lieu of a responsible commitment to raise the income and quality of life of people in developing nations, **corporations** invest and produce mainly where wages, taxes, trade and financial regulations, and environmental safeguards are the lowest

- Instead of promoting accessible, balanced exports of goods and resources between rich and poor nations to build cooperation and enlarge international markets, **trade** has been hampered by local subsidies and protectionist barriers, driving down the export prices of developing nations

- Rather than making global economic rules and institutions equitable for every nation, restoring confidence and trust throughout the world, **money and finance** remain unregulated at the global level, resulting in currency instability, recession, and financial risk in developing nations

- Short of a consensus to link all of these issues and coordinate world economic development objectives through effective high-level discussion, **global negotiations** among heads of state from developed and developing nations have not occurred since 1981

Failure to address these needs is a lost opportunity for everyone in the world. Focused on competition and the 'bottom line', we lose sight of the benefits of mutual advantage and cooperation. As the Brandt Reports remind us, prosperity in the South can lead to prosperity in the North; but economic trouble in the South can wreak havoc in the North as well.

The Danger

With the spectacular growth of production, world trade, foreign investment, and international capital flows during the 1980s and 90s, the world's productive and financial surplus expanded, but global consumer demand leveled off, and poverty increased substantially in developing nations. Monetary, financial, and trade deregulation, combined with fast-paced technology and unbridled capital mobility, have also increased the volatility of exchange rates and interest rates, and reduced the capacity for debt repayment in poor countries. Concentrated in international production, currencies, and investment, money has been diverted away from domestic development, local investment, savings, social programs, labor, and fair wages, exposing local markets and poor people to the intense ebbs and flows of speculative capital. Economic turmoil in a single nation—precipitated by default, devaluation, recession, or deflation—can spread rapidly to its neighbors. **The world now faces the real possibility of financial contagion, which can result in internal political instability, further eroding global investment in developing nations.**

Two major financial crises have already occurred: in Latin America (1981-86) and Southeast Asia (1997-98). Neither International Monetary Fund bailouts nor guarantees from private investors are likely to stem another major financial meltdown—due to massive increases in global debt and in speculative markets such as derivatives—leaving banks, investment houses, and investors at risk, and further strangling the foreign capital needed for development in poor nations. Multilateral cooperation for debt forgiveness, major transfers of aid and technology, fair terms of trade, a stable world currency system, and new rules for international finance are needed. These measures would generate an increase in the level of consumer purchasing power so that the world's people could buy the world's excess of products and services—before oversupply, unused capacity, and unemployment lead to prolonged global recession or worse.

The Brandt Equation: A New Round of Global Negotiations

World leaders can only make major democratic changes with the awareness and backing of the international public. A global citizens' movement, with a focus that goes beyond singular issues and nationalistic viewpoints, is the necessary political counterweight to the corporate and financial policies of globalization. The Brandt Commission proposed that, with broad and informed public support**,** international representatives could begin **two sets of negotiations to link together objectives for meeting the world's basic needs and reforming the international economy.**

I. Summit of World Leaders — A representative group of heads of state from developed and developing nations convenes a World Summit Meeting to plan and mobilize a ***major international relief program***, targeting:

Hunger – Mobilize immediate supplies of food and clean water for developing nations through the creation of a global clearinghouse for food storage and distribution, a global food assistance program and food financing agency, and local agricultural and rural development programs

Poverty – Provide basic necessities in poor regions of the world, including stable supplies of food, water, and energy; health and medical care, including preventable disease control; basic housing and sanitation; education; family planning services; micro-loans; and new agricultural, environmental, industrial, and technological infrastructure

Aid – Expand financial assistance to poor nations by increasing contributions from developed nations to 0.7% GNP, and eventually to 1% GNP; ending political and commercial entailments on aid by developed nations; and requiring developing nations to eliminate corruption, restructure their legal and financial institutions, and strengthen their democratic institutions

Debt – Begin partial or unconditional debt forgiveness for developing nations, linking debt relief to effective domestic policy reform

In addition to launching this international relief program, the conference of world leaders initiates ***discussion on restructuring the global economy*** by setting the guidelines and format for such negotiations, offering possible solutions, deciding on a timetable for results to be achieved, and submitting these recommendations to the UN General Assembly.

II. Popular Referendum of the UN General Assembly — Based on the work of the summit of world leaders, the UN General Assembly hosts a multilateral referendum to guide the restructuring of the international economy. Representatives of governments, major corporations, private capital banks, central banks, the World Bank, the IMF, the World Trade Organization, and other international institutions are invited, along with members of non-governmental organizations and civic and regional groups from around the world. Together, they negotiate an agenda for a new global economy, including major initiatives for:

Environmental Protection – Make ecological sustainability a cornerstone of global economic policy through financial incentives for encouraging environmental protection, cleaning up the environment, expanding reforestation projects, reducing industrial emissions, slowing climate change, conserving energy and resources, reducing dependence on fossil fuels, and developing clean and renewable energy sources

Fair Trade – Expand world trade by redirecting its focus from international export markets to the domestic markets of emerging economies; curbing protectionist trade restrictions; decreasing commodity subsidies in developed nations; stabilizing international commodity prices; restructuring the World Trade Organization to allow proportional representation and decision-making by developing nations; establishing a new code of conduct for international corporations; developing a new framework for foreign direct investment; and broadening trade agreements to improve working conditions as well as environmental, wage, and labor standards

Regulation of the Global Economy – Reorganize the global monetary system by redirecting investment from international capital markets into the domestic markets of emerging economies; encouraging stable currencies; stimulating balanced economic growth; maintaining environmental sustainability; restructuring the World Bank and the International Monetary Fund to allow proportionate representation and decision-making by developing nations; expanding and strengthening the United Nations and its development agencies; creating a small oversight body to help coordinate international economic policies and goals; and establishing new international programs for development finance, including a Global Development Fund

Consensus for a New Global Economy

As the world's issues are interrelated, so too should be the process of global decision-making. The Brandt Reports were a comprehensive, forward-looking plan from a group which, in its own roundtable discussions, exemplified the sort of representative negotiations and good faith needed at international levels to gather consensus on economic issues from a diversity of world opinion.

The Brandt Commission offered the international community a vision for balancing the creation of wealth with the provision of public services, anticipating new foundations for the future of civilization. In a world where economic growth has become the means to human and social development, the Brandt Reports declared that local development must be the means to growth—***"that the focus has to be not on machines or institutions but on people,"*** **and the creation of an environment in which they can lead long, healthy, and productive lives (*N-S*, 23).**

North-South and *Common Crisis* had a profound initial impact on the public, governments, and international agencies across the world, but went unheeded by developed nations during the prosperous 1980s and 90s. The disparities about which the Brandt Commission cautioned are reaching the breaking point, yet there is no collective effort to resolve them. **What divides us now is not a shortage of resources or plans. The only scarcity is the courage to act.**

PART I. RENAISSANCE OF THE BRANDT REPORTS

A Brandt New World?

In 1977, Willy Brandt assembled a group of international statesmen and leaders to take a close look at the failure of the global economy and the problems plaguing developing nations. Brandt, the former West German Chancellor, was recipient of the 1971 Nobel Peace Prize for the *Ostpolitik* policies that achieved détente between the Soviet Union and the nations of the NATO alliance. With his new commission, a blue-ribbon panel of former heads of state and other prominent world figures, Brandt hoped to produce in North-South economic relations the kind of breakthroughs he'd had in the East-West political arena. The Independent Commission on International Development Issues was to produce a blueprint for the global economy of the twenty-first century.

2000 marked the twentieth anniversary of the publication of the Brandt Commission's report, *North-South: A Program for Survival*. A sequel, *Common Crisis: North-South Cooperation for World Recovery*, was published in 1983. The Brandt Reports were the subject of major international publicity and discussion. They were widely hailed as the world's first internationally representative proposals on global development and economic interdependence. With sales of nearly one million copies in two-dozen languages, the Brandt Reports remain the best-selling books on international development in history.

"It discusses," writes Brandt in the introduction, "North-South relations as the great social challenge of our time. We want to emphasize our belief that the two decades ahead of us may be fateful for mankind. We want responsible world citizens everywhere to realize that many global issues will come to a head during this period. But we also raise problems to be dealt with at once, long before we have come to the end of the century" (*N-S*, 7).

The fundamental concern, said the commission, is that the developed nations dominate the international economic system—its rules and regulations, as well as their institutions and policies for trade, money, and finance. At the same time, developing nations are economically dependent on the developed nations, and most are deeply impoverished and in debt. To break this stalemate, the Brandt Commission made a set of bold recommendations to governments, international agencies, and the global public. It proposed a restructuring of the global economy, along with a comprehensive new approach to the problems of development, including an emergency program to eliminate poverty in developing nations.

"Each of us on the Commission, coming from countries in five continents with very different political systems and principles, has our own perspective and historical experience. But all of us have become convinced that the world community will have to work out dynamic new approaches, both immediately and for the longer run. The debate between North and South has been continuing for some years; it is urgent that both sides should now work together in a program based on action for a rational and equitable international economic order. The journey will be long and difficult, but it must begin now if it is to meet the challenge of the next century" (*N-S*, 270).

Okay, the clock's been ticking on Brandt's twenty-year plan—now time is up! So it's fair to ask, how did we do? Does the prosperous world of the twenty-first century still have use for the Brandt Reports? Could they be relevant today?

The Brandt Proposals: A Report Card

The Brandt Commission put numerous issues on the global agenda, demonstrating their interrelation, and urging the world to link them in all future discussion and planning. The international community has had more than a little time to respond. Stakeholders of the world deserve an appraisal of how we've fared—measurable results that provide a glimpse of where global society may be heading. What follows is an update of the original Brandt proposals, along with a brief evaluation of the issues. A grade is also assigned at the end of each action item, holding everyone to account for our twenty-year progress toward the Brandt objectives.

Hunger — When *North-South* was published, there were 500-600 million undernourished and hungry people on the planet. These were children, women, and men destined to die for lack of food or to suffer physical impairment from malnutrition. "It is an intolerable situation," pleaded Brandt. "The idea of a community of neighbors has little meaning if that situation is allowed to continue, if hunger is regarded as a marginal problem which humanity can live with" (*N-S*, 90).

The Brandt Reports called for an immediate emergency food assistance program, a food financing facility, and increased food reserves at the global level. Developing countries are highly dependent on food imports. Hence, food, agricultural and rural development programs, increased irrigation, appropriate fertilizer use, agricultural research, and agrarian reforms—along with domestic increases in employment and income—are essential for achieving self-sufficiency in food production. Building up the assets of the poor through food programs and land reform is the beginning of economic opportunity and economic growth, the Brandt Commission maintained.

Additionally, a safety net is required to ensure that poor nations do not suffer from shortfalls when their internal food production is inadequate. The commission proposed food stockpiling and financial measures to enhance international food supplies and prices. An international clearinghouse is also needed to help coordinate food distribution, particularly for the poorest nations.

"It is a matter of humanity to conquer hunger and disease on our way to the next millennium—to prove wrong those forecasters who say we will have to face the distress of hundreds of millions of people suffering from starvation and preventable diseases at the turn of the twenty-first century" (*N-S*, 15).

Despite ongoing food assistance programs by private agencies, and disaster relief efforts by many organizations and governments, the international community has not responded anywhere near the scale or volume necessary to reverse world hunger and famine. World food aid increased slightly until 1992, but has slumped sharply since.

Food assistance is at a twenty-year low and there is no massive program for world food relief in sight. Instead of promoting local food markets, millions of peasant farmers are displaced by agro-industrial companies. Fields once used for local food production are used now to grow animal feed or crops for export. As farmers are forced to produce for the global market, homegrown agricultural products are displaced from the local market, robbing millions of poor people of their means to self-sufficiency and self-reliance.

Equitable food distribution remains a distant dream in the early twenty-first century. Instead of ending hunger on the planet, there are one billion people malnourished and starving, and more than one billion without safe water to drink. The staples of life are distributed according to purchasing power, not human need. In the modern global economy, surplus and starvation exist side by side. As Brandt reflected, "Morally it makes no difference whether a human being is killed in war or is condemned to starve to death because of the indifference of others" (*N-S*, 16). In a world of extraordinary bounty, this loss of life is doubtless the great tragedy of our age, a crime of neglect in which we are all complicit. **GRADE: F**

Poverty — The underlying cause of hunger is poverty. In 1980, there were 800 million people surviving on the margins of society, struggling for bare necessities. The Brandt Reports called for prompt and urgent action for the poorest nations. The Brandt Commission proposed an international action program to provide for adequate housing, health and medical care, eradication of disease, increased availability of credit, support of industrialization, transportation, infrastructure, solar energy development, water and soil management, reforestation projects, land and mineral development, employment for the landless, and land reform. In addition, the Brandt Reports called for a massive 'transfer of resources' to poor nations, including food, aid, energy, and technology.

"Few people in the North have any detailed conception of the extent of poverty in the Third World or the forms that it takes. Many hundreds of millions of people in the poorer countries are preoccupied solely with survival and elementary needs. For them work is frequently not available or, when it is, pay is very low and conditions often barely tolerable. Homes are constructed of impermanent materials and have neither piped water nor sanitation. Electricity is a luxury. Health services are thinly spread and in rural areas only rarely within walking distance. Primary schools, where they exist, may be free and not too far away, but children are needed for work and cannot easily be spared for schooling" (*N-S*, 49)…."Health care, social development and economic progress must advance interdependently if we are to attain our objectives for the year 2000" (*N-S*, 16).

Despite an overall increase in political freedom around the world, the international community has not embraced the human rights of poor people in any meaningful way. In these two decades, poverty has more than doubled. One billion people are uneducated. One billion lack safe shelter. Nearly three billion lack adequate sanitation. In all, 1.8 billion people now live in absolute poverty—according to the UN Development Program's standard of minimum human requirements.

The actual cost for eliminating world poverty is far lower than most people realize. In the late 1990s, the UNDP projected some of the annual expenses of a global anti-poverty program, including $9 billion for water and sanitation, $6 billion for education, and $13 billion for health and nutrition. According to other estimates from the World Bank, the price tag on a comprehensive international relief package would be about $80 billion a year—about 10% of the world's annual military budget.

Strange to say, the satisfaction of need is not a basic entitlement for the legions of humanity. Many governments, non-governmental organizations, public relief agencies—and, above all, various United Nations agencies—are making significant contributions. Still, there is no systematic effort to eliminate global poverty. Terms for local employment in developing nations are set, in large part, by foreign corporations. While infrastructure has been improved in some areas, poor people remain without basic necessities, suitable health or working conditions, fair wages, or adequate purchasing power. They have also fallen far behind in medical research, communications, and information technology.

A Basic Development Model

Food brings satisfaction
Housing brings stability
Health brings security
Education brings opportunity
Income brings sustained development

Emergency programs for food, housing, healthcare, and education are urgently needed. Red tape must be cut to ensure that resources reach impoverished people directly, unfiltered through bureaucracy or corrupt governments.

A reformed World Bank, along with the World Health Organization and other UN agencies, ought to have authority to coordinate a massive international relief program. This could be augmented by national projects, overseen by a council of representatives from developed and developing nations. Instead of fighting wars, armies and navies from the developed world could be deployed to bring in the food, resources, and technology needed to help poor nations reverse hunger and poverty, and build new social and economic infrastructure. The developing world could be totally transformed in a few years were developed nations to take the initiative.

Instead of eradicating poverty, world policies have contributed to it. In every society where it exists, mass poverty results in population growth, environmental stress, family breakdown, increased migration, repression of human rights, coups, civil war, and other forms of state collapse. Living on the edge of subsistence, unable to improve their physical condition, the self-fulfillment and creativity of millions of people is suppressed and nullified. The loss to the world in personal earning power and productive capacity is incalculable. Poverty is an affront to human dignity, destabilizing for everyone. In a proudly civilized global society, an era of marvelous opportunity for so many, this waste of human potential is degrading to every living person, rich and poor. **GRADE: F**

Population — Closely interrelated with the problem of poverty is population growth, which has a major impact on the quality of life in developing nations. Very simply, poverty contributes to high birth rates, and a booming population results in deeper poverty.

With less than two billion people on the planet at the beginning of the twentieth century, world population tripled during the next hundred years. Over the past four decades, the pace of the population explosion has slowed—from 2.1% in the 1960s to 1.3% in 2000—and birth rates continue to level off in many developed countries. Still, 1.7 billion people were added to the planet between 1980 and 2000, and more than 90% of those births were in developing nations.

The Brandt Reports called for increased international assistance to provide for national population programs. These programs would strike a balance between social resources and population, making family planning services freely available to women in poor nations. The Brandt Commission noted that family planning has proven successful throughout the developing world, but is only effective where there is already a basic level of community development, education, low infant mortality, and social status for women.

Increases in world population lead to other consequences. Many people are forced to leave their crowded and impoverished homelands, some seeking employment, others political freedom. The Brandt Reports called for fair treatment of migrant workers, and greater international cooperation on emigration and immigration policies. Brandt also proposed that nations strengthen the right of asylum and legal protection for refugees, and expand international commitments for the resettlement of refugees.

The Brandt Commission was especially concerned that the rapid expansion of population in developing nations "compounds the task of providing food, jobs, shelter, education and health services, of mitigating absolute poverty, and of meeting the colossal financial and administrative needs of rapid urbanization" (*N-S*, 106). In countries where there are rapid population increases, half of all investment and development monies are spent simply trying to keep living standards from falling further. Accelerated population growth also contributes to illiteracy and unemployment. Education and job opportunities are especially difficult for members of large rural families, whose children are expected to help farm the land from an early age. Smaller families give both mothers and daughters more of a chance of gaining an education, and fathers and sons an increased opportunity to find work outside the family structure.

Increases in world population also affect the economies of developed nations, where the idea of more people means the possibility of expanded markets. The key question is whether the earth has the capacity to continue to support human consumption at the present rate of population growth. The current pace of world population increase, along with increases in production, may greatly expand world economic growth in the future. This assumes, however, that new and potential consumers will have income sufficient to buy the world's products. It also assumes that policies for sustainable development and environmental restraints can be adopted before the impact of overpopulation on earth's resources and the natural environment has destroyed the capacity for economic growth, threatening the survival and development of present and future generations.

Much progress has taken place since 1980. The United Nations, along with many government development departments, universities, and private agencies, have conducted successful international programs in communication, education, and family planning to stabilize world population growth. Programs for international population control, though highly effective, still require far more coordination in an expanded international context. The United Nations is the logical agency to take the lead in this effort, but to be truly effective, it must be part of a comprehensive multilateral plan to eliminate poverty and promote development.

Two decades ago, Willy Brandt cautioned, "The prospect of an overcrowded planet in the next century has little meaning to people who live on the margin of existence today" (*N-S*, 107-108). Years have been lost and many lives wasted. While it is widely recognized that underdevelopment encourages overpopulation, the international community has hardly begun to link programs that limit population growth with the creation of new economic and social conditions. It is not a difficult proposition: where people have adequate food, housing, health care, and education, birth rates fall.

The world had six billion people in 2000, and at the current rate of increase—77 million a year—it will rise to eight billion in another twenty years. As population levels are expected to fall slightly in developed nations, this entire increase will take place in developing nations. Only a comprehensive program to develop the economic infrastructure of poor nations can create a social climate that is healthy, secure, and informed enough to reduce fertility rates and birth rates, and thereby stabilize world population.
GRADE: C

Women— Inequality begins with the most basic of human relationships, the daily exchange between men and women. Historically, women have faced extraordinary barriers everywhere on the planet, although conditions were changing somewhat in the developed world by 1980. The Brandt Commission was particularly concerned about the status of women in developing nations, who must bear inequality in two ways: living in an impoverished society, while suffering from gender discrimination. The commission called for equal access of women in poor nations to nutritious food, education, training, jobs, land ownership, credit, and business opportunities. In addition, programs for alternative fuels, clean water, and day care centers could help overcome some of these social deficiencies, by reducing labor intensive chores and allowing women more time for personal development.

"Any definition of development is incomplete if it fails to comprehend the contribution of women to development and the consequences of development for the lives of women. Every development policy, plan or project has an impact on women and cannot succeed without the work of women. And development with justice calls urgently for measures that will give women access to better jobs; that will diminish the arduous tasks that hundreds of millions of women face in their domestic and agricultural occupations; and that will distribute more fairly between the sexes opportunities for creative work and economic advancement" (*N-S*, 59).

Two decades after the Brandt Reports, women are not equal participants in development in any region of the world, particularly in poor countries. In those nations, young girls are routinely excluded from schools. As the new century began, 543 million women and 311 million men—a difference of 27%—were classified as socially illiterate in developing nations. Programs for national economic development are also geared to the male, the traditional head of the household; the secondary benefits of development programs are expected then to spill over to the women and children in the home. Deprived of education and direct advantages from development projects, women develop few positive incentives for personal dignity or self-realization.

Equal status, equal opportunity, and equal pay for equal work, remain the tangible goals of the women's movement in developed countries; in developing countries, these ideals seem utterly unreachable. If developing nations are poor, women in those societies are the poorest of the poor. Where authority and information remain in men's hands, women's contributions are undervalued, both in pay and importance. Bridging the economic inequality between North and South must begin in empowering women and eliminating the gender disparities between women and men, and societies everywhere have a long way to go on that front. **GRADE: D-**

Aid — *North-South* called for a multilateral effort to provide aid to developing countries through international institutions. It advanced the idea that official development assistance not be given directly by one nation to another, but pooled at the international level, so that the benefits of aid might be more continuous, predictable, and evenly distributed among nations. The Brandt Commission also urged richer nations to contribute the official development assistance standard of 0.7% of their gross national product in aid, advancing toward one per cent before the year 2000.

"We believe that the richer nations must continue to give special attention to the poorest countries to help them to help themselves. They should step up their aid, directing it with effective planning into the critical areas of the ecology. They should provide emergency assistance as an addition to the longer-term programs, not (as at present) as a large share of their total regular aid" (*N-S*, 88).

In 1951, developed nations were lending nearly 1% of GNP in aid. In 1980 it stood at 0.35%, and by the Millennium contributions from developed to developing nations had slumped to less than 0.21% of GNP. In addition, development assistance remains uncoordinated at the global level. There is a pressing need for a new institution—perhaps a restructured World Bank—to promote partnership among nations and institutions for the disbursal of aid on an equitable basis.

One area of progress is an increase in humanitarian assistance for victims of HIV/AIDS, including the efforts of the UN Secretary General in spearheading an effective program to combat this deadly disease. AIDS has killed 16 million people since 1980 and afflicts another 34 million people today, 95% of whom live in developing nations.

Overseas development assistance, now at $57 billion per year, is mostly given bilaterally, with political and commercial strings attached. Many nations and organizations do give generously, particularly in the area of relief for disaster-stricken nations. Too often, however, private donations, consisting of old products unwanted by donors, are given as tax write-offs. Just as tragic, aid transfers are often stolen by corrupt officials in developing nations. On the other hand, accusations of waste, fraud, and abuse have also provided a convenient excuse for developed nations to restrict the amount of foreign assistance they are willing to extend.

The administration of American President George W. Bush has taken the position that aid does not necessarily promote development, and that new controls must be instituted on the disbursal of foreign assistance through international institutions and national governments. In 2001, President Bush proposed issuing half of all World Bank aid in the form of restricted grants instead of low-interest loans, but this has been opposed by other G-7 nations on the grounds that World Bank reserves, once depleted, might not be replenished. In early 2002, the US offered to increase its own foreign assistance by $10 billion between 2004 and 2006, and the European Union also promised to raise foreign aid by $25 billion through 2006, although both pledges are subject to broad loopholes. The twist in these proposals is that the issuance of development assistance is now contingent upon recipient countries demonstrating significant legal, political, and economic reforms to satisfy donor governments and foreign capital markets.

The difficulty with these new qualifications on foreign aid is that there is no agreement on how such reforms would be evaluated, nor are developing nations allowed input or dialogue on the eligibility criteria for this increased aid. It seems shortsighted to base international assistance on a developing economy's ability to meet the performance targets set by a liberalized global marketplace, when poor nations cannot stimulate enough investment and growth for development in the first place. Sophisticated markets expect developing nations to operate as emerging markets, often overlooking the fact that much groundwork is necessary to build a nation's infrastructure to the level where it can function as a viable market in the world economic system. The danger is that competitive standards for the evaluation of development levels might be used to deregulate international aid and lending, and increase private control and foreign ownership of government services in developing nations, effectively ignoring local need and impeding new development.

Developed nations often call attention to their humanitarian largesse, but the aid flowing into poorer countries is still rather small compared with the debt payments that flow the other way. Poor nations continue to subsidize rich nations. The sum total of grants, trade, credits, direct private investments, and loans received from developed nations amounts to less than half of the interest and principal payments which developing countries end up paying back.

Essentially, what has been called 'aid' is money lent at interest that is often repaid to developed countries at two or three times the initial investment—a negative cash flow from poor to wealthy nations. In effect, aid is an inducement by developed nations to generate cheap exports from developing nations, which are obliged to acquire more and more foreign exchange to pay off their loans. This arrangement is simply winked at as good business, a double standard that passes for charity. International aid is a classic expression of a perpetrator-victim relationship: the one manipulates but claims to act in good faith, the other pays twice for his own oppression. **GRADE: D-**

Debt — *North-South* noted that total indebtedness of the least developed countries in 1980 was over $700 billion. Most of this was owed to international banks in the developed countries. The Brandt Reports called for fairer terms for borrowers, along with a program to reduce or eliminate the debts owed by poor nations to rich nations, the World Bank, the International Monetary Fund, and other multilateral lenders.

As the Brandt Commission stressed, forgiveness of sovereign debt would trigger both an enormous boost and an historic turning point in international development. Poor nations could break the vicious cycle of borrowing, producing for export, running a trade surplus, earning foreign exchange, and repaying their debt. Instead of being diverted into debt payments, export earnings could be used to increase investment and import new technology to raise productivity. Also, the less they are forced to compete with other developing nations for advantage in exports, the more prices would rise in the global market for their commodities, textiles, food products, and raw materials. This would mean higher wages, increased purchasing power, renewed appetite for world products, stable interest rates, and less violent swings in their balance-of-payments accounts. By reversing the net outflow of capital to developed economies through the stimulus of debt forgiveness, poor nations would enjoy the possibility of real development and growth, many for the first time.

After twenty years, there has been no basic change in the policies by which loans are extended to developing nations, which remain heavily dependent on exports and foreign exchange. Foreign currency earnings and domestic resources that could be channeled into programs for the basic needs of citizens are still used to service huge external debts. The debt burden in the poorest countries is staggering. Many countries in Africa, for example, pay four times more in interest on their debt than they spend on disease prevention, health care, and education for their people. Annual foreign debt payment is larger than the national income (GNP) in the world's thirty poorest countries; in twenty other developing nations, annual foreign debt payment is nearly as much as annual income. Under the present global monetary regime, these cash-strapped economies have no possibility of flourishing. New funds are used just to pay off existing creditors.

To add insult to injury, the austerity conditions required by the International Monetary Fund for development loans—known as structural adjustment programs—have led to social breakdowns in scores of poor nations. IMF conditionality has resulted in deep cuts in government spending for health care and education, layoffs of public sector employees, depletion of state assets, and devaluation of national currencies. In addition, IMF policies have led indirectly to the conversion of local lands into large-export crop farming and cattle farming, as well as the razing of forests and widespread migration from depressed areas, as peasant farmers are forced from the fields of their ancestors.

While the Brandt Commission managed to put the issue of debt relief onto the international agenda, only a handful of rich nations and major banks responded. There have been no meaningful reforms, just the occasional willingness to postpone a nation's debt payments. Fortunately, the issue of debt relief has been taken to heart by a new generation of activists, and their voices are being heard.

In 1996, the World Bank and the International Monetary Fund began to concede that some Third World debt might have to be written off. In 2000, the World Bank and IMF granted $220 billion in debt relief to 22 of the world's poorest countries, less than 50% of those countries' debts. However, some of the terms in that relief package—requiring countries to maintain high levels of exports for many years into the future—were onerous and highly unrealistic. The plan did not amount to debt relief, but longer terms for the repayment of loans.

Bowing to similar pressure in 1999, representatives from the Group of Seven nations—Japan, Italy, Germany, France, Britain, Canada and the United States—proposed a reduction of $127 billion in the debt owed by the 33 poorest nations, mostly in Africa. It was to be financed by sales of 10 million ounces of IMF gold reserves. After a flurry of resistance from gold-mining nations and the US Congress, this debt write-off plan was rejected. Likewise, President Clinton's alternative proposal, to cancel 100% of the debt owed to the US by the world's poorest nations, never made it to Congress.

Meanwhile, developing country debt is nearly $3 trillion and threatens to engulf the world economy in prolonged recession, as poor nations continue to experience major difficulties making loan payments. This debt cannot possibly be paid—and everyone knows it. To insist otherwise is folly, condemning the disadvantaged to continued misery and futility, and hastening the day when world finances will be adjusted, perhaps quickly and severely.

As a means of modern impunity, debt makes legitimate our inequitable system of exchange. It allows one person to control another, though the mechanism of that control may be indirect or concealed. The popular call for debt forgiveness in developing nations is a hopeful sign that increasing numbers of people in developed nations understand the real issues underlying global economic disparity. Someday, all societies may recognize that benefiting from others' indebtedness is to deny them the freedom, dignity, and self-realization that is their birthright. When trust and equality prevail and the debt of developing nations is at last forgiven, the world will undergo a social, psychological, cultural, and economic renaissance only dreamed of today. **GRADE: D-**

Armaments and Security — The Brandt Reports pointed to the huge waste of resources involved in military spending for armaments. *North-South* called for the conversion of arms production into civilian production, a strengthening of UN peacekeeping forces, a reduction of arms exports, and a stiff tax on arms trade—fees which could be channeled into resources for international development. The Brandt Commission also proposed greater disclosure of arms exports, so that the international community can see who is making, selling, and buying the world's weapons.

In addition, the Brandt Commission put forward a new concept of security. A member of the Brandt Commission, former Swedish Prime Minister Olof Palme, also chaired the Independent Commission on Disarmament and Security Issues. In its 1982 report, *Common Security*, the Palme Commission suggested that the military-based notion of security be transformed through greater international cooperation, transparency, disarmament, conversion, and demilitarization. Said Brandt, "All we can do is add our plea to theirs: that genuine disarmament be pursued, as the first priority of international action, to rid the world both of the growing insecurity of the proliferation of weapons, and of their unacceptable costs, which now pose a serious threat to several industrialized and developing economies" (*CC*, 38).

Major breakthroughs toward disarmament have been made in the Non-Proliferation Treaty (1968), the Anti-Ballistic Missile Treaty (1972), and the Strategic Arms Reduction Treaties (1991 and 1993). The Comprehensive Test Ban Treaty for nuclear weapons and the Biological and Chemical Weapons Conventions are still being negotiated and much progress has been made. Ultimately, international peace must be generated at the international level. A broad and humane concept of global security has many believers, but no overarching plan is close to being endorsed and put into action by a majority of nations.

Security is still defined as the sovereign right of a government to guard against external threats. Self-defense may be a legitimate national privilege, but it has often led to unfortunate internal consequences when governments use the claim of 'national security' as a pretext to destabilize or suppress their own populations. As the Brandt Reports stressed, security must be reconceived with people foremost in mind. The purely defensive concept of security should be enlarged to include hunger, disease, poverty, environmental stress, repression, and terrorism, all of which endanger human security as much as any military provocation. To that end, the international community has the responsibility to eliminate any social conditions that pose threats to the protection and dignity of people, before they erupt into armed conflict.

Instead of cultivating peace through the promotion of benign trade and new social and economic infrastructure, the manufacture and sale of armaments has caused widespread instability and undermined development across the planet. In the years since the Second World War, 95% of the arms trade has originated in developed nations, which favor the employment and manufacturing base that the armaments industry provides, and use weapons sales to further their foreign policy objectives toward the maintenance of regional balances. During the same period—nearly half-a-century—98% of the world's wars have been fought in the developing world, where increasing militarization has led to poverty, despair, and social chaos, draining resources away from peaceful, productive, and life-enhancing endeavors.

The Brandt Commission noted that many developing nations spend money on arms more out of fear than for real security needs. In addition, every weapons culture undermines the economic base that helps support it. Brandt observed, "As massive arms imports require an adequate infrastructure, absorb scarce skilled labor, and additional foreign exchange for maintenance imports, this all increases debt burdens" (*N-S*, 121-22)….."If only a fraction of the money, manpower, and research presently devoted to military uses were diverted to development, the future prospects of the Third World would look entirely different" (*N-S*, 117)….."There is no doubt in my mind: only an end to the arms race, which in developing countries also has reached a terrifying pace, will give us the chance of overcoming our common crises—the grim political and economic confusion engulfing our societies everywhere" (*CC*, 8).

In 1980, world military expenditures, fueled by tensions between the United States and Soviet Union, were nearly $450 billion per year. Today, long after the Cold War's end, the world is spending $800 billion annually on weapons. By way of comparison, the cost of a comprehensive program to meet the food, water, sanitation, health, and educational needs of the entire developing world would be about $80 billion per year, according to World Bank figures.

"The problem," said Brandt, "is to reduce the demand for weapons so that resources can be captured before they become armaments. But we make no simplistic assumption that what could be saved by limiting military expenditure could easily be diverted into development assistance. New economic and political priorities are also required" (*N-S*, 123).

Many believe that the world lost a vital opportunity for demilitarization as the Cold War ended in the early 1990's. Industry, resources, capital, research, and manpower could have been retooled from arms production into the production of equipment and technology essential for ending hunger and poverty, and putting poor nations back on the road to development.

Proposals for the conversion of weapons into peacetime manufactures, and weapons budgets into peace dividends, were short-lived. As world trade boomed, so did inter-governmental and covert trade in armaments. Flexible military-industrial policies in the 90s made it far easier to import conventional weapons than in the 80s. As the new century begins, military spending continues to impose major burdens on every nation's economy, diverting potential resources from development. At its present rate of growth, annual world military spending will surpass $1 trillion in a few years.

In every society that chooses militarization over development, there are cultural side effects: crime, drug abuse, urban conflict, corruption, fundamentalism, ethnic tension, and intermittent violence. The world is a dangerous place, not inherently so, but because nations have not had the collective will to coordinate its protection. Ultimately, the international community must have a say in the expenditure, production, and trade of armaments, especially in regions of conflict and tension.

Only collective security can ensure national security and bring about the climate necessary for economic development. At the same time, military action using conventional weapons can only be justified in situations of genuine national defense or under the banner of the United Nations. Weapons of mass destruction—nuclear, chemical, and biological—must never be used in a country's self-defense, and should be eliminated from the world as soon as possible. Nations are obviously short of these goals, and all suffer for want of lasting peace. **GRADE: F**

Energy and Environment — The Brandt Commission called for reduced dependence on non-renewable fuels, the development of clean energy sources, and a transnational energy strategy. The Brandt Reports also proposed that subsidies and credits be issued to spur the development of solar, wind, and other non-fossil energies. Brandt noted that linkage between economic interdependence, energy production, and conservation is an issue of vital concern to every nation: "Important harm to the environment and depletion of scarce natural resources is occurring in every region of the world, damaging soil, sea, and air. The biosphere is our common heritage and must be preserved by cooperation—otherwise life itself could be threatened" (*N-S*, 72-73).

The Brandt Commission was the first major independent global panel to examine connections between the environment and international development. The 1987 Brundtland Report (*Our Common Future*, by the World Commission on Environment and Development), and the 1992 Rio Summit (the United Nations Conference on Environment and Development) took the Brandt proposals a step further, placing the model of 'sustainability' at the center of all global planning for development.

Various initiatives grew out of the Rio Summit, including a long-term plan to curb global warming. Since the late 1980's, many scientists have argued that greenhouse gases are trapping heat in the atmosphere, raising the temperature on earth. The Kyoto Protocol of 1997 sought to require 37 industrialized nations to reduce their emissions of carbon dioxide and other gases 5.2% below 1990 levels by the year 2012. Following on this, in 2001 a pioneering accord was signed by 178 nations in a round of negotiations chaired by Jan Pronk, Environmental Minister of the Netherlands and former ex officio member of the Brandt Commission. This treaty requires industrialized nations to cut emissions of gases linked to global warming. One of the provisions of the accord was international emissions trading, which allows countries that fall below their reduction targets to receive credits they can sell to countries that exceed theirs. Tradable credits would also be extended to nations practicing reforestation and agricultural methods that absorb carbon dioxide.

The pact was a major breakthrough, even though America refused to sign it. While the US is responsible for about one-quarter of the world's industrial greenhouse gas emissions, President Bush called the treaty fatally flawed, claiming it would imperil the world economy. He cited the testimony of scientists who believe that there is no conclusive link between greenhouse gas emissions and global warming. The agreement must be ratified by September 2002 to take effect in early 2003.

Meanwhile, conditions worsen. Market policies have prevented international endorsement of the Brandt objectives. There is no semblance of a comprehensive international energy plan today. Developed countries have been slow to address problems of trash buildup, industrial pollution, acid rain, automotive emissions, and climate change. In developing countries, overpopulation is a serious threat to the ecosystem, as millions of people swell already crowded cities, or exploit traditional common lands and fields, causing deforestation, topsoil loss, desertification, contamination of water, degradation of natural resources, overfishing of the oceans, and the extinction of biological species.

The bad news at the Millennium is that global carbon dioxide emissions have increased 12% since 1980. The good news is worldwide carbon emissions from fossil fuels have decreased slightly since 1998. Some scientists and economists now believe that the world could have economic growth without increased pollution. They argue that as the engines behind the market are being altered by the technological revolution and the digitization of the productive infrastructure, statistical evidence is now indicating that economic growth and emissions are not absolutely dependent conditions, moving in lockstep. Perhaps with the emergence of the light-industrial information sector, they say, there may be no irrevocable link between world economic growth and carbon dioxide from oil, gas, and other fossil fuels.

However, we cannot rely on clean technology alone to bring the present rate of economic growth nearer to the rate of natural resource replenishment. Developed nations consume ten times the amount of fossil fuel as developing nations. There is no way around it: developed countries have to cut industrial emissions and developing nations have to stop stripping their natural resources. Environmental cleanup and reforestation is a beginning. Beyond that, international environmental objectives must be carefully linked with global financial and monetary objectives.

Integrative solutions are coming to the fore. Goals for phasing out the production and consumption of substances that cause depletion of the stratospheric ozone layer – set forth by the Montreal Protocol in 1987 – have been met by governments and industry more rapidly than originally thought possible. The trading of carbon emissions credits between nations is a key part of the Kyoto treaty on stemming climate change. The international community may also eventually decide to assess major polluters through taxes and permits.

As economists and environmentalists continue butting heads over how and whether to increase or decrease consumption, the result will be a much needed modification in our ways of understanding the exchange of goods and services in the future. The environmental factor adds a new dimension to economics, which has traditionally focused on the social aspects of production and distribution. As a result of this new thinking, more and more businesses are building safeguards for biodiversity and climate protection into their budgets. Increasingly, there has been a commitment to conservation, as well as a deep concern for the quality of life of present and future generations. The promise of equity-based sustainable development, combining economic and environmental reforms, has been one of the true bright spots of the last two decades.

Realization of that promise, however, depends on people and nations recognizing that they have more to gain from sharing the world than in keeping it divided. Environmental challenges—from global warming to the depletion and degradation of resources—call for enlightened and responsible leadership. It is arrogant to play politics with the eco-system. Presently, the objectives of corporate and foreign direct investment, along with the policies of the World Trade Organization, the World Bank, and the International Monetary Fund, emphasize economic growth at the expense of natural resources and biodiversity.

Preservation of resources is a global goal, and thus a national goal; yet, there is no abiding commitment by nations to increase access to energy, move from finite to solar and other renewable energy sources, improve energy efficiency, or change consumption patterns. The need is great for an internationally authorized standard or agency, such as the United Nations, to protect and manage the ecosystems and biodiversity of the global commons, ensuring a balance between the pressures of population growth, consumption patterns, and the limits of environmental resources. **GRADE: C-**

Technology and Corporations — The Brandt Commission was concerned about the impact of technology and corporations in developing nations. The Brandt Reports called for international codes of conduct for the sharing of technology, a program for the transfer and development of appropriate technologies at a reasonable cost, global safeguards against restrictive business practices, and a new framework for the activities of multinational corporations.

Not only is technology an important element for growth in developing countries, said Brandt, "it can even be argued that their principal weakness is the lack of access to technology, or command of it" (*N-S*, 194). Many developing nations have hoped to 'leapfrog' industrialization, jumping straight from agrarian societies into the technological age, while others caution against a quick fix. Although technology is clearly a key factor in the future of the world economy, it is not connecting with the unmet needs and aspirations of half the world's people. Developing nations hold vast opportunities for solar energy, fiber optics, telecommunications, and telecom service trade—as well as microcredit loans for the production and distribution of locally-based products through the Internet—but immense obstacles stand in the way.

As the Brandt Commission noted twenty years ago, "Almost all advanced technology originates in industrial countries and most of it continues to be developed by them. The North accounts for about 96 percent of the world's spending on research and development. The scientists and engineers, the advanced institutions of education and research, the modern plants, the consumer demand and the finance are all found mainly in the richest countries" (*N-S*, 194).

In 2000, the developing world still lags far behind in every key technological measure: tractors, telephones, electricity consumption, patents, royalties, technological exports, research and development, scientists, and engineers. With the personal computer and communications revolution of the 1980s and 90s, the uneven diffusion of information and communications technology has also multiplied. In 2000, Africa had 734 million people, but just 14 million telephone lines. Developed nations, with 15% of the world's population, had 88% of all Internet use. Hardware is just part of the digital divide. Even if poor nations had advanced telecommunications systems, there is still the problem of illiteracy and lack of basic technical skills.

Besides the gap between the world's information rich and information poor, there is also a growing divide between the interests of multinational corporations and developing nations. As the Brandt Commission noted in 1980, "The investors in the corporations have been worried by nationalizations and contract disputes, and want protection and predictable conditions for their investment; while many developing countries have reservations about the character and good faith of the corporations" (*N-S*, 189).

Following twenty years of robust corporate growth and lackluster development in poor nations, the situation remains polarized. International corporations continue to locate in nations where wages, taxes, and trade, financial and environmental restrictions are the lowest. There is virtually no regulation of corporate practices, which are often at odds with the developmental objectives and national interests of poor countries. In addition, there is no international agreement on foreign direct investment which could allow developing nations to participate in decisions on:

- corporate disclosure of information
- ethical behavior
- restrictive business practices
- labor standards
- tax policies
- fiscal incentives
- repatriation of profits, royalties, and dividends

Developing nations lack bargaining capacity and broad access to international development finance. Earnings from exports, which could be used to import new technology and boost productivity, are used instead to service debt. Along with increased financial aid and debt relief, developing nations need assistance in joining the information revolution. The Brandt Commission's call for a comprehensive program to transfer technology to poor nations at a reasonable cost is more crucial than ever

The advantages of digital technology and instant information flows—market standardization and predictability, bureaucratic transparency and openness, democratic stability and protection—might be good influences in developing countries eventually, promoting vibrant productive infrastructure, but technology by itself cannot build that supporting environment. For the foreseeable future, technological products and technological information in developing nations are best used as an underpinning for programs that enhance people's capacities and stimulate productive growth.

Once basic needs are met, appropriate technology becomes a vital part of the process of development. Access to information and communication may then result in increased knowledge, economic opportunity, and political participation. Only local development, coupled with technology, can provide the conditions of self-sufficiency and security necessary to raise incomes and create effective demand. Without that demand, developing nations cannot expect to buy the greatly needed solar panels, fiber optic lines, telephones, and computers now available on the market, and developed nations cannot expect to sell them. **GRADE: D**

Trade — The Brandt Reports noted that world trade was stagnating in the early 80s and proposed a more open, rule-based trading system which could promote competition without encouraging protectionism. Since then, world trade has expanded dramatically, but is still hampered by a bewildering maze of:

- tariffs
- quotas
- national laws
- taxes
- domestic policies
- labor and environmental regulations
- competitive practices
- corporate procedures

The Brandt Commission noted that major increases in financial aid to developing nations would enable them to improve trade prices, boost exports, and improve economic growth, thereby allowing developing nations to buy more foreign goods and stimulate production and trade in developed nations. The large transfers of resources the commission proposed "are seen therefore as measures both to support growth in developing countries directly, and to permit a significant expansion of world trade. It is in this sense that we view them as contributing to growth and employment creation in the North as well as the South" (*N-S*, 68).

The Brandt Reports proposed that developing nations gain more control of the processing, marketing, and distribution of their commodities. Brandt also called for stabilization of commodity prices, new financing arrangements, greater sharing of technology, and removal of trade barriers. The commission was well aware that such policies might sting developed nations in the short-run, but would lay the basis for enhanced prosperity in the future.

"The great challenge for the North therefore is to cope with the difficulties of adjustment so that world trade can expand; to see its trade with the South not as a threat but as an opportunity; to see it not only as part of the problem but as part of the solution. In the end, failure of the mature industrial economies to adjust to the realities of international competitiveness may deprive them of their prosperity and impose far costlier and more disruptive adjustments than those which their current measures of protection attempt to postpone. The industrialized countries cannot expect their valuable exports to developing countries to continue (and the large loans by commercial banks to several of them to be repaid) if they do not permit them to earn their way by selling their manufactures in return" (*N-S*, 70-71).

Little headway was made on the Brandt Commission's proposals under the world's former trading system. Nevertheless, the General Agreement on Tariffs and Trade had done much to encourage the liberalization of global commerce since its creation in the late 1940s. New standards for international trade and tariffs ushered in an era of unprecedented trade growth in the decades following World War II. In nearly forty years of trade talks, GATT lowered international industrial tariffs from an average of 40% to 4%. No one should underestimate the phenomenal impact that this reduction of tariffs had on increasing the living standards and prosperity of much of the world. It allowed the former colonial nations more direct access to the international financial community and the ability to grow their economies.

GATT had many problems, however. It was mostly a negotiating forum on tariffs. The terms of GATT were set by the world's major nations. It did not apply to raw materials and services. Labor and environmental groups had no input in trade policy. Many countries were not represented in the agreement. Instead of maintaining multilateral trade for the benefit of all partners, the GATT years were riddled with acrimonious negotiations and inequitably resolved disputes.

It was hoped that the 142-member World Trade Organization, created in 1995, would be broader, less cumbersome, and fairer to developing countries than its predecessor. Access to fair trade is more crucial than ever, but so far the WTO has not closed the gap. Trade rules and regulations are often not enforced.

Though the WTO acts as a commercial court to hear disputes and impose penalties, its legally binding agreements are routinely violated by nations and multinational corporations. Trade disputes are resolved instead through threat of retaliation—the dreaded club of higher tariffs.

Instead of opposing government subsidies for industries and eliminating nationalist trade restrictions, the World Trade Organization seems to consider local development, social, environmental, and health standards as more serious barriers to world trade. By allowing lower tariffs in rich than in poor nations, the WTO has effectively forced developing nations to dismantle the subsidies and tax barriers they'd set up to protect domestic farmers and producers from the destabilizing impact of multinational conglomerates. The result is that developing nations have been flooded with subsidized agricultural imports, which has uprooted rural farmers and helped create a national dependence on foreign food products. At the same time, developed nations keep their markets closed to clothing, textile, and agricultural imports—the developing nations' most competitive products. This forces poor countries to keep wages low and ignore environmental standards just to stay competitive, while the increased competition among developing countries drives down export prices.

This situation gives developed nations a distinct edge in world trade, enabling them to pay less for imports than they charge for exports. While developed nations maintain their entrenched advantage, the Brandt Reports noted, the grip of corporations is also firm. "People in the industrialized countries will have to realize faster and more comprehensively that the division of labor that was imposed or structured in colonial times cannot be cemented. The interrelationship between exports and imports will become much stronger than people are aware of. Only if the North provides better access to its own markets can it expect to export more" (*N-S*, 21).

Although $57 billion in aid is granted to developing countries each year, the trade barriers of rich nations end up costing poor nations more than twice that amount in lost business, according to data from the United Nations Conference on Trade and Development. Protectionism, which is ultimately bad for both importers and exporters, continues to work against the interests of global economic expansion. It is in everyone's interest to export, particularly now that much of the world is in recession—but exporting nations must also find ways to stop building up their domestic supplies and accept equal amounts of imports, becoming better consumers of global production.

Under current market conditions, high-wage labor is driven out by cheap labor. There is no international protection for one region's workers who are displaced by workers in other locations willing to work for less. Trade agreements—which have been used to lower trade barriers between neighboring countries and within regional blocs—could also be used to raise the universal standard for wages, labor rights, and working conditions, along with legal means of enforcing those measures. This would increase income, purchasing power, and consumption, allowing poor nations to rely less on exports, and more on domestic savings, investment, and growth.

There is no more powerful engine for economic growth and progress than open markets. But in an era of velocity-finance, fair access to the market is slowed by a trading-machinery encumbered with veils of national and corporate regulation. Moreover, trade must be joined with policies for the protection of the environment, consumer rights, labor standards, and human rights, if a truly integrated trading system is to be realized. Environmental protection is a sensitive issue, however. There is a popular assumption that expansion of trade bolsters corporations, harms developing nations, and degrades the environment; but many developing nations now find themselves in agreement with corporations that environmental standards which are built into trade agreements amount to a new form of protectionism.

New thinking is also needed in other aspects of global trade. Clear lines need to be drawn among the roles and responsibilities of existing agencies—and potential agencies—involved in international finance and commerce, in order to increase their effectiveness and avoid conflicts of interest. Perhaps a Global Securities and Exchange Commission, a new multilateral agency independent of the WTO, could be created to oversee international mergers and guard against international capital flight, money laundering, fraud, and insider trading. Likewise, an independent Global Foreign Exchange Ministry could be created to regulate international investment, and a new Global Food and Drug Agency could be setting safety standards for trade in international health care, food, and drugs.

As it is, the WTO has complete authority over the protective standards on patents, DNA, investment, health care, food, and pharmaceuticals at the global level, and it is also proposing to deregulate and help privatize welfare, pensions, education, and water systems in developing nations through a new General Agreement on Trade in Services. The rules for intellectual property—on items from computer software to drugs—already discriminate against developing countries and greatly benefit the multinational corporations. Thanks to heavy lobbying from the developing world in 2001 for access to some life-saving generic drugs, the WTO has indicated that it will end the monopoly on a few major patents for essential medicines held by large pharmaceutical companies, but, given the enormity of WTO regulatory bias, this is a tiny victory for developing nations.

There have been eight rounds of trade talks since 1947, and a new set of negotiations—the Doha Round—is beginning. Increased world trade has the potential of boosting living standards and bringing about a freer and more peaceful world—or destabilizing societies, creating poverty, oppression, and chaos. Clearly, the rules and regulations for international commerce need vast restructuring, with greater attention focused on the needs of developing nations. New codes of conduct for global corporations are essential in this process. Still, the WTO continues to act in secret, conducting its deliberations without public oversight, while procedural breakdowns in the negotiating process continue to sabotage developing nations. Why has the WTO not pushed harder to eliminate trade barriers in the US, the EU, and Japan? As noted, trade barriers end up costing developing nations far more than the amount of aid they receive each year, effectively canceling out the benefits of official development assistance. Why not allow developing nations to increase their exports beyond these levels?

In 2000, international trade increased to $6.3 trillion. In spite of the spectacular growth in world trade during the past twenty years, its inequitable rules have encouraged a modern version of piracy by corporations and wealthy nations. There is need for balance and vision on the tides of world commerce. It is time to leave free trade in our wake and set our sights on fair trade. Those at the helm of the World Trade Organization must chart a far more democratic and sustainable course if they claim to represent the interests of the world's people. Until recently, the trade deficits of richer nations have been keeping the global system afloat. If they take on much more red ink, the great ship could sink. **GRADE: D**

Money and Finance — The Brandt Reports noted that the global economy set off on a daredevil track when it adopted the flexible exchange rate system in 1971. Previously, nations could ensure stable rates because their currencies were convertible into gold at a fixed rate. The new system—or rather, non-system—has been a disaster.

Floating exchange rates have, for the most part, benefited developed countries, while creating waves of recession, currency instability, and financial risk for the rest of the world. Unregulated financial markets cause erratic fluctuations in exchange rates, as private capital travels with the speed of a keystroke from one country to another in search of safety and profit. This volatility was a primary concern of the Brandt Commission, because wild currency swings alternately cause speculative bubbles, then abrupt shocks, which hit developing economies especially hard.

When a developing country is in debt, it struggles to meet its interest payments, let alone pay its principal. As massive flows of cash abruptly leave a country, or when global interest rates or inflation suddenly spike upwards, the interest payments of an indebted country can rise astronomically. Investment drops off, imports are cut back, trade credits are lost, and growth rates fall. As the Brandt Reports pointed out, recession in debtor nations has a subsequent deflationary impact on creditor nations.

The Brandt Reports proposed reforms in the world monetary system to address exchange rates, the reserve system, liquidity, and adjustment problems in financially troubled nations. The Brandt Commission stressed the need for global financial sustainability. "Our proposals in the monetary field keep in mind the necessity of a more orderly monetary system for the world economy as a whole, as well as for meeting the needs of the developing countries. Greater stability in the exchange rate system encourages both trade and investment" (*N-S*, 74).

The Commission also suggested that the role of the World Bank and the International Monetary Fund be retooled, and that overall management of the global economy be undertaken with the full participation of the international community. No major reforms have occurred. The World Bank, which is owned by 181 member nations, finances massive industrial and infrastructure projects for long-term structural adjustment in developing countries—public works such as roads, dams, and pipelines. The IMF, owned by 182 nations, provides temporary loans to countries that face shortages in foreign exchange. Instead of policies emerging from a consensus of member nations, however, voting power in both institutions is based on the size of a country's financial contributions. Since G-7 nations are the largest donors, plans and procedures at the Bank and the Fund reflect their foreign policy objectives.

Under the original mandate of the Bretton Woods Conference in 1944, these two institutions were not created to be catalysts for the privatization of national public assets, but that is one of the missions they have recently assumed under the influence of global monetarism. World Bank programs have been widely accused of subsidizing corrupt governments, contributing to poverty, and destroying the environment. IMF loans are well known for their fine print—terms which require a nation to divert its monies out of public employment, welfare, pension systems, education and healthcare, and into debt repayment and maintenance of exports. Somewhere along the line, the meaning of development—enabling the poor and dispossessed to realize their potential—is lost in the international push for high returns on investment and productivity.

In the late 1990s, the World Bank and the IMF each conceded that its programs could be better targeted to actually reach the poor. Both the Bank and the Fund are under new management, which has acknowledged that simply opening borders to trade and liberalizing capital markets is not enough to help developing nations. By 2001, however, both institutions seemed to be singing a different tune, announcing plans to increase private sector development and decrease public lending in developing nations.

The charters of both institutions—nearly sixty years old—need to be reexamined and overhauled to meet the realities of the twenty-first century and restore the credibility of these global financial pillars. Greater representation and voting power from developing countries would be a start. A more open public decision-making process would also help. Perhaps, in time, the Bank and the Fund could be trusted to expand their scope of activity, but both institutions still need vast restructuring, both in philosophy and in technique. The very nature and purpose of development must be reformulated, balancing financial considerations with human needs. For nations too poor to save themselves, real development is needed far more than austerity programs or balanced budgets.

The micro-credit movement, which helps people without access to formal credit sources, particularly poor women, is one of the great breakthroughs of the last twenty years. Millions of poor people in villages and remote areas have launched small businesses, staked to a new start by loans that are miniscule in comparison with World Bank budgets. Though micro-credit banks are grassroots enterprises with no economy of scale, they can teach the bureaucratic lending agencies a valuable lesson: small loans are a key to development. Above all, the world's major financial development institutions need to distinguish clearly between projects geared to strengthen markets, and those that actually satisfy the everyday concerns of impoverished people.

Citizens of developing countries often cry, "Save us from development!"—namely, the insensitive policies imposed on the poor by the rich nations. In the end, throwing money at the problem of poverty to 'fix' it serves no one. As the Brandt Commission urged, "We must not surrender to the idea that the whole world should copy the models of highly industrialized countries. One must avoid the persistent confusion of growth with development, and we strongly emphasize that the prime objective of development is to lead to self-fulfillment and creative partnership in the use of a nation's productive forces and its full human potential" (*N-S*, 23).

The Brandt Commission proposed the creation of an international advisory body to apprise governments, as well as the UN General Assembly and its organs, on the progress of the various international bodies in the field of development. This type of capability is needed more than ever to help coordinate an international relief program for poor countries, and pave the way for monetary and financial restructuring at the global level.

A global economy also requires a global currency, primarily to avoid the contraction caused by declining liquidity and rising national deficits. For the world economy to grow, international cash flow must expand along with it. At present, developed nations maintain liquidity through access to private capital markets and by issuing new currency, but developing nations have little access to private capital and must borrow from the IMF to maintain adequate credit and cash flow.

The Brandt Commission believed that gold and paper have operated as national reserves mainly out of tradition and ought to be phased out gradually. Brandt envisioned the inauguration of a new world reserve system, using a unique IMF account as the principal reserve asset. The Special Drawing Right, created by the IMF in 1968, is a line of permanent credit through which national central banks, treasuries, and the Bank for International Settlements obtain foreign currencies to clear and settle outstanding balances. Since the SDR is the world's only means of meeting international payments that has been authorized through international contract, "The SDR therefore represents a clear first step towards a stable and permanent international currency" (*N-S*, 209).

There would be many advantages to a universal currency. The international money supply would be governed by global demand, rather than state decree. Holders of national currencies would enjoy greater convertibility and reduced risk, business would benefit from uniform price signals, nations would reduce the costs of maintaining separate reserve currencies, and the world would avoid the instability of the present system of competitive national currencies. Moreover, the distribution of new liquidity would be geared mostly toward developing nations, where the adjustment burden is the highest and the need for credit expansion the greatest. This would vastly enhance the overall adjustment process of the international monetary system.

No steps have been taken toward the creation of a global reserve system or the phasing out of national currencies since the Brandt Commission made its proposals. Although the IMF has expanded its reserve currency, SDRs are still greatly overshadowed by the volume of national reserve currencies and account for only a fraction of total world credit and cash flow. The Central Banks of the G-7 nations believe they can cover shortfalls in international liquidity and the global balance-of-payments process with their own currencies. As a result, developing nations suffer from a contraction of available finance, erratic exchange rates, unstable reserves, and balance-of-payments deficits, all of which are magnified during periods of recession.

Developed nations are in denial of the need for international development, and appeals for justice have not been heard above the bustle of the global marketplace. Regulatory efforts by finance ministers, bankers, and international organizations have not been able to tame the velocity and volume of capital exchange in markets increasingly integrated through high-speed technology. The society of nations is hostage to the uncertainties and fluctuations of major currencies. The result is the financial anarchy we have at present - a global economy that is not globally managed. **GRADE: F**

Global Negotiations — *North-South* called for a summit of international leaders to discuss the foregoing array of development issues. Brandt hoped that these interrelated concerns would not remain under separate negotiations, to forever languish in the province of specialists. Rather, the Commission wished to see international development issues considered together and dealt with simultaneously by a wide-ranging group of world representatives, reflecting the realities of interdependence.

What was envisioned was an ongoing multilateral forum "for discussing the entire range of North-South issues among all the nations," with the goal of launching an international emergency relief program and creating a stable monetary and financial system (*CC*, 5). If the Brandt Commission stood for anything, it was the principle of inclusion, of issues as well as nations: "The aim of 'global negotiations' is international consensus. This means that no single problem, energy or debt or food, for example, would be viewed in isolation without considering its direct implications on the full global agenda of interconnected issues" (*CC*, 5-6).

At Brandt's invitation, twenty-two world leaders met in Cancun on October 22-23, 1981, to discuss the issues raised in *North-South*. Attending this meeting were President Reagan of the US, Prime Minister Thatcher of Britain, President Mitterand of France, Prime Minister Trudeau of Canada, Prime Minister Suzuki of Japan, Prime Minister Gandhi of India, President Nyerere of Tanzania, Deputy Minister Zhao of China, Prince Fahd of Saudi Arabia, President Portillo of Mexico, and other leading figures from developing nations. In spite of lively exchanges among the many heads of state, the economic conference failed to produce results, and there have been no North-South summits since. Brandt sensed an unwillingness for further dialogue, noting that "after Cancun there was a setback. Most industrialized countries, facing deteriorating economic conditions at home, adopted self-centered measures—with dramatic and damaging side-effects on North-South economic cooperation" (*CC*, 4).

Why the impasse? In essence, developing countries have been underrepresented in the management and decision-making procedures of the world economy, while developed countries are reluctant to change a system structured in their favor. Yet, as the Brandt Reports stressed, "the achievement of economic growth in one country depends increasingly on the performance of others. The South cannot grow adequately without the North. The North cannot prosper or improve its situation unless there is greater progress in the South" (*N-S*, 33).

Interdependence seems self-evident, but after twenty years it remains uncoordinated, left to the determinism of market forces. In an interconnected world, there is still no consensus or collective action on vital economic matters. Only the Central Banks of the Group of Seven nations and the International Monetary Fund have a say in world monetary policy, and neither speak for the world's people.

The Group of Seven nations are preoccupied with their own productivity, investments, budgetary deficits, balance-of-payments conditions, labor markets, unemployment—and are particularly obsessed with inflation. The G-7 has neither the power nor reach to govern the international economy or adequately staunch its financial crises. Self-absorbed with domestic problems, the world's elite economies have no proactive policy for international development or the needs of impoverished nations, even though the G-7 nations' internal decisions have far-reaching impact on the interest rates, taxes, tariffs, and balance-of-payments of all nations.

The Group of Seven was formed in 1975, largely in reaction to resolutions by the UN General Assembly the previous year for a complete restructuring of the international economic system, aiming to check any new economic power bloc that might emerge from the developing world. Since they began to meet, the G-7 has raised and dashed expectations for global reform so often, it has trained the world not to count on it for meaningful policy or vision. Can anyone claim that G-7 economic policy is especially democratic in its outlook, when its member nations (Japan, Italy, Germany, France, England, Canada, and the United States) represent just 15% of the world's population?

As for the International Monetary Fund, it has no real power to set exchange rates or promote exchange rate stability in the global economy. Though the IMF is a well-known watchdog on economic adjustment in developing countries, it takes a hands-off approach on the economic policies of G-7 nations, the Fund's primary contributors. Voting procedures in both the Fund, and its sister institution, the World Bank, favor developed countries, especially the United States.

A hopeful development is the establishment of the Group of Twenty in 1999. It brings representatives from developing countries into discussions about the international economy and global development. The G-20 includes the G-7 nations, plus several nations from the developing world (Argentina, Australia, Brazil, Canada, China, the European Union, France, Germany, India, Indonesia, Italy, Japan, Korea, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, and United States). In 2001, the G-20 began to explore ways of helping bankrupt nations restructure their debt without international bailouts, but no recommendations have been adopted. The G-20 may be able to have some influence on global financial reform, but the new panel has limitations. Heads of state do not attend its meetings. The developing countries represented are among the world's wealthier developing nations. So far, the agenda of discussion for the G-20 has been set largely by the G-7, the World Bank, and the IMF. In addition, the G-20 has yet to develop a global audience or find acceptance with the majority of developing countries.

Developing nations have at times threatened to form a debtor's cartel. Advocates say that by repudiating their debts as an organized bloc, developing nations could increase their political bargaining power and force changes in the international economic system. In *Challenge To The South* (1990), the South Commission, chaired by former Tanzanian President Julius Nyerere, put the burden back onto developing nations, urging them to commit to genuine reform and take responsibility for the corruption which results in governmental mismanagement, authoritarianism, lack of public accountability, and militarization.

Like the South Commission, Brandt believed that with democratic governance and greater South-South cooperation, including regional economic agreements, preferential trading, and extension of payments and credit arrangements among themselves, developing nations could heighten their bargaining position at the international level without having to resort to shrill protest, which has a chilling effect on the North. "There is no time to lose in making a new start," said Brandt. "If the style and tactics of strident demand and mute response continue, both development and world recovery will be victims; people in both the South and the North will face mounting hardship" (*CC*, 142).

To clear the way for global agreement, all parties have to elevate their dialogue above the whirl of racial wounds, national animosities, and ideological fixations. Critics of Western cultural imperialism or Third World corruption, who may find an audience on the street, will find no seat at the international bargaining table. As Brandt suggested, global discussions must spring from goodwill, mutual interests, and forward-looking policies for economic advancement: "Better living conditions will hardly be achieved without a sense of responsibility for the fate of fellow human beings and without a human motivation to work and production. Focusing on questions of historical guilt will not provide answers to the crucial problem of self-responsibility on which alone mutual respect can build. Self-righteousness will neither create jobs nor feed hungry mouths" (*N-S*, 25).

It would seem that simply bringing all the issues together, and all the representatives required to discuss them, would not be so great a task, but this has proved otherwise. In spite of the vast disorder produced by an unregulated monetary system, governments are still reluctant to begin constructive discussions on the international economy. After twenty years of ignoring the problem, there are neither global negotiations, nor a central international body fully empowered to:

- fight poverty and meet humanity's basic needs
- provide oversight on speculative capital flows
- respond to economic setbacks and currency crises
- assist the adjustment process in nations independently
- effectively stabilize international currencies and exchange rates
- provide orderly expansion of global liquidity
- oversee sustainable development and protection of the environment
- act as a central clearinghouse for the world economy

This type of multilateral capability is greatly needed. The Brandt Commission stressed that no agenda for world development has much relevance until all of its objectives are carefully woven together into a plan of action, but the competing claims of North and South have produced a stalemate in negotiations for an international program of action. The closely related issues of world trade, finance, monetary policy, technology, armaments, energy, environment, woman's rights, population, debt, aid, poverty, and hunger remain unlinked, unexamined by nations as a body.

That is not to underestimate the valuable achievements of the United Nations, its agencies, and many non-governmental organizations in hundreds of conferences on development during the past half-century. The Brandt Commission acknowledged that significant progress can be made in these limited settings, even as the international community strives for a broader consensus on the international economy: "Greater use should be made of single-issue negotiating conferences, since they are often more efficient in reaching agreement….In doing so, however, one should not lose sight of the ways in which different issues are naturally interrelated, or of negotiations in fora which deal with wider sets of issues. Single-issue negotiations are complementary to and supportive of universal negotiations, and not contradictory to them. Indeed, the former have usually arisen out of the latter" (*CC*, 143).

In recent years, the United Nations has been striving for expanded partnerships, more practical policies, and increased cooperation at the international level. Agenda 21, an extensive plan for sustainable development, adopted by 178 governments at the 1992 Earth Summit in Rio de Janeiro, incorporated many of the Brandt and Brundtland commissions' proposals on development, though subsequent implementation of those reforms has been hampered for financial and political reasons. At the UN Millennium Summit in September 2000, 147 world leaders set effective new goals for reducing poverty and child mortality, and increasing education programs in developing nations. At the ground-breaking International Conference on Financing for Development in Monterrey in March 2002, an array of groups, including 51 heads of government, and numerous representatives of international financial and trade institutions, business, and civil society, held inclusive roundtable discussions for the first time in history, addressing key financial issues relating to international development. The World Summit on Sustainable Development, scheduled for August and September 2002 in Johannesburg will attempt to launch many of the proposals for sustainable development set forth previously at the Rio, Millennium, and Monterrey summits.

The heightened concentration on sustainable development has been a positive step toward global negotiations, but more bridging work is needed. The constituency for sustainable development is a somewhat self-selected group, which has tended to narrow the range of global issues discussed. Notably lacking in the synthesis of environmental and development issues are comprehensive linkages with social issues, human rights, finance, trade, investment, technology, communication, and the new dynamics of globalization. Greater attention must also be paid to transforming the social value systems and cultural attitudes that underlie modern patterns of consumption, production, and the overall use of natural resources.

In spite of the UN's emphasis on a greater participation of major groups, organizations, and individuals in global conferences, and its detailed focus on the connections between environment and poverty, the world still lacks a framework for integrated economic decision-making. Global negotiations for an inclusive and equitable international economic system will require much more commitment at governmental and popular levels. Leaders, opinion makers, and citizens in many nations do not readily perceive the benefits of international development, are largely unaware of the interrelatedness of the issues, and remain unconvinced that global discussion for a democratic economy may be in their best interest.

"The extent to which the international system will be made more equitable is essentially a matter for political decision," the Brandt Commission observed. "We are looking for a world based less on power and status, more on justice and contract; less discretionary, more governed by fair and open rules. A start must be made in that direction, and the obvious place to start are those where positive mutual interests in change can be identified. We believe there are numerous such interests. But greater efforts are required to place them at the center of debate" (*N-S*, 65).

With a clearly defined common interest—an overarching goal which all nations share—constructive global discussions could proceed. As it is, decisions about global integration are left entirely to the private sector and G-7 governments, which are distrustful of multilateral forums and strategically opposed to representative negotiations for international development. As a result, single issues are discussed in separate locations at different times. By keeping discussions divided, proponents of globalization conquer.

It is a contradiction in terms to have a global market without a standard unit of account, an orderly system of exchange rates, or a universal regulatory body. Future generations will look back in astonishment at the ultimate irony of the post-modern era. In a global economy, there is no global board of managers, nor decision-making power vested in the majority of the global partners. **GRADE: F**

The Brandt Proposals: A Report Card

ISSUE	GRADE
Hunger	F
Poverty	F
Population	C
Women	D-
Aid	D-
Debt	D-
Armaments and Security	F
Energy and Environment	C-
Technology and Corporations	D
Trade	D
Money and Finance	F
Global Negotiations	F

2002 Report to Stakeholders: Global Wealth without Globalization of Benefits

The Brandt Reports called the world to a higher standard. Developed and developing nations were equally aware of the stakes. The incentive to meet Brandt's objectives was "that the North as well as the South gets much in return, both in straightforward economic benefits and in a reduction of uncertainties and instability. And there is not only the capturing of mutual gain to be considered, but also the avoidance of mutual loss. It is not difficult to envisage a world in which the measures we propose are not carried out; and in which the path of the future leads to reciprocal impoverishment" (*N-S*, 76-77).

It's true that the Brandt Commission set difficult goals, but it's also true that societies have greatly underachieved in generating new levels of international cooperation to solve their most fundamental problems. After twenty years, we have fallen far short of Brandt's objectives for eliminating global poverty, getting the developing world out of debt, and transforming the international economy.

Indeed, the international debt crisis has not disappeared, but is increasingly visible. News about famine now makes headlines. Coverage of payments problems, devaluations, and bailouts has also gone from the business pages to the front page. Stories on recession are now reported in media across the world.

Conditions in many middle-income developing countries have improved in the past twenty years. East Africa, Mexico, Chile, Brazil, Malaysia, Thailand, Indonesia, China, Taiwan, South Korea, Hong Kong, and Singapore have all had reasonable success. For most people in North Africa and sub-Saharan Africa, large regions of the Middle East, the former Soviet bloc, South Asia, Latin America, and the Caribbean basin, however, the global trade and investment boom of the last two decades has left them only in rubble.

The international debt crisis has changed in three major ways since the Brandt Reports were published. First, most nations have switched from Keynesian to Monetarist approaches—from demand-side to supply-side economics—to address their financial problems. With the phenomenal growth of world trade, foreign direct investment, and international capital mobility, the world's productive surplus has expanded, global consumer demand has leveled off, and developing country poverty and debt have multiplied substantially. Globalization has produced a vast new concentration of wealth, without a globalization of its benefits.

Second, the major engine of development finance is no longer international banks, but corporate, institutional, and stock market investments. As world production increased, the world money surplus also increased, and capital flowed into financial markets, which offered the highest returns. This diverted money away from domestic development, local investment, savings, social programs, labor, and the living wage. As a result, capital itself has been unhinged from the stimulation of international consumer demand.

Finally, the development of new technology, which has vastly increased the size, speed, and technical precision of the world's financial market, has also increased the volatility in exchange rates, foreign direct investment, and interest rates, while decreasing the capacity for debt repayment. At the same time, monetary, financial, and trade deregulation on a global scale has opened borders and encouraged liberalized business practices, but has also increased the exposure of local markets and poor people to the intense ebbs and flows of speculative capital. The world now runs a heightened risk of financial contagion.

These new conditions are the focus of Part II.

PART II. BREAKDOWNS IN GLOBAL MONETARISM

International Banks and the First Debt Crisis: Latin America

After the horrors of the Depression and the Second World War, Allied nations recognized the need for greater coordination of the future international economy. In 1944, a conference of 44 nations in Bretton Woods, New Hampshire, created two new instruments for international financial and monetary cooperation, the World Bank and the International Monetary Fund. The following year, these institutions set up shop in Washington, D.C. For twenty-five years, the world's new 'Bretton Woods economy' functioned rather smoothly. Gold was the base for the world monetary system, with international currencies maintained at fixed rates relative to the US dollar. With a strong anchor for world currencies, governments were motivated to keep financial discipline.

The early 1970s brought a sea change. The Great Society programs and the Vietnam War had driven America's budget deficit deep into the red. At the same time, many of the world's former colonial nations, having industrialized gradually through the 1950s and 60s, were manufacturing a substantial volume of products for export. International speculators began pulling capital out of the United States in search of higher exchange rates and more stable currencies. As foreign holdings of US dollars increased, there was a run on American gold reserves. When the US could no longer guarantee a reserve backing for the world's currencies, the post-war system of monetary discipline came to an abrupt close. On August 15, 1971, President Richard Nixon cut off the convertibility of dollars into gold, ushering in a new era of floating exchange rates.

This 'managed flexible exchange rate system' had problems right from the outset. Without monetary stability, interest rates shot up. Where the regular demands of international trade had previously driven exchange rates, volatile capital movements were now driving exchange rates. The world economy was shifting and developed countries were exposed. Oil prices skyrocketed. Inflation ratcheted upward. Unemployment soared. Many rich nations experienced balance of payments problems. As Willy Brandt explained, "The western industrialized countries had grown at more than 4 per cent a year from 1950 to 1960, and more than 5 per cent from 1960 to 1973, but from 1973 to 1979 they grew at an average rate of only 2.5 per cent a year" (*N-S*, 40).

In the meantime, the newly rich Organization of Petroleum Exporting Countries—a coalition of oil producers—promised to exert its growing economic power and influence on behalf of impoverished nations, which hoped to control their own resources, increase their stake in world trade and productivity, and share in the international political and decision-making process. It was thought that other new cartels from developing nations might follow suit, increasing the price of their raw materials and pressuring the rich nations for changes in the world economy. At the United Nations General Assembly, there were calls by the Group of 77—a large affiliation of developing nations—for a new economic order.

During the same period, a new field of interdisciplinary research on global problems was emerging. There was much investigation of whole systems theory, 'limits to growth', and global modeling. Linkages between finance, poverty, population, consumption, technology, and the environment were recognized and considered methodically for the first time. In late 1977, Willy Brandt convened a distinguished panel of international leaders and an expert staff to integrate this research with new analyses and practical proposals on international development.

The Brandt Commission's signature—a motif starkly portrayed on the covers of *North-South* and *Common Crisis*—was a jagged line drawn across a map of the world, depicting the gulf between the rich nations of the North and the poor nations of the South. "It cannot be accepted," Brandt's panel concluded, “that in one part of the world most people live relatively comfortably, while in another they struggle for sheer survival” (*N-S*, 64).

The publication of *North-South* caused a stir worldwide, receiving major media coverage and generating spirited discussion everywhere. It became available in more than twenty languages, including Arabic, Chinese, Swahili, and Romanian. In the early 1980s, thousands of people attended peaceful assemblies in many parts of the world in support of the Brandt proposals, early versions of today’s anti-globalization rallies. Speakers traveled the world to bring the message of the Brandt Reports into local communities. *North-South* was widely discussed at churches, civic organizations, conferences, universities, non-governmental organizations, and national and international agencies. More than three quarters of the world’s nations endorsed the Brandt proposals at the 35th and 36th sessions of the United Nations General Assembly.

“This Report deals with great risks,” said Brandt, “but it does not accept any kind of fatalism. It sets out to demonstrate that the mortal dangers threatening our children and grandchildren can be averted; and that we have a chance—whether we are living in the North or South, East or West—if we are determined to do so, to shape the world’s future in peace and welfare, in solidarity and dignity” (*N-S*, 7).

The moment was not right. Just as *North-South* was published, the Soviet Union invaded Afghanistan, and Western nations were suffering from a severe economic downturn. The Brandt Reports had a sustained impact on public opinion, institutional analysis, and intergovernmental diplomacy, but fear of communism and sluggish markets were of greater concern to the developed world. By 1982, the North was experiencing its worst recession since World War II, and Western leaders began to lose sight of the Brandt Commission’s views on world economic recovery and the plight of poor nations.

By 1983, when *Common Crisis* was published, Helmut Kohl had joined ranks with Margaret Thatcher and Ronald Reagan as leaders of the Big Three powers, stock markets were beginning to take off, and Western economies were vibrant once again. By 1985, the Brandt Reports had been brushed aside by policy makers and the public, dismissed as out of step with the times, and relegated from the desktop to the bookshelf. Developing countries were still suffering, but few seemed to care. The markets were ascendant, and the developed world was celebrating its recovery from a rocky decade.

It is instructive to look back at that period to see why the Brandt Commission was so concerned about the prospects for the North, as well as the South. Since the early 1970s, as noted, the world’s newly deregulated monetary system had a severe recessionary effect on the advanced economies. Without monetary discipline, the world lurched from crisis to crisis. Interest rates soared and growth was held back, which meant rising unemployment, lower wages, slumping currency values, and lower savings and investment. This led, in turn, to budget deficits, increased borrowing, and diminished demand in most developed economies.

Developing countries also found themselves in a desperate liquidity crunch. Petroleum exporting countries—flush with cash after the oil price increases of 1973-74—invested their money with international banks, which ‘recycled’ a major portion of the capital as loans to Latin American governments. With recession smoldering in the developed economies, commodity prices collapsed in many developing nations, protectionist tariffs thwarted exports, and aid and investment capital slowed to a trickle. Having begun to build new infrastructure around these investments, Latin nations suddenly found this money withdrawn by the big banks. It would not be the last instance of massive capital flows overwhelming the economies of small nations, with sudden swells of investment, then drastic implosions wrought by the outflow of monies.

"The South needs, above all, finance," the Brandt Commission announced in *North-South*. "Most rich countries have accepted the target of giving 0.7 per cent of their GNP in the form of official development assistance, but few have lived up to it. Most aid goes to finance the foreign exchange costs of projects, but many of the poorer countries also need support for local expenditures and for imports of non-capital goods. Some of the more prosperous countries in the South have recently borrowed extensively from commercial banks, causing heavy problems in rolling over their loans, which by the end of the 1970s were causing anxiety to borrowers and lenders alike. And many developing countries will need much more finance over the next twenty years to produce any real improvement in health and nutrition, in mineral and industrial development, or in sustaining satisfactory growth" (*N-S*, 43).

Mexico nearly defaulted in August, 1982. Private international banks in New York City, which held the bulk of Mexican loans, were panic stricken. A financial rescue package for Mexico was cobbled together by the US and other G-7 Central Banks through the IMF and the World Bank. As other developing nations struggled to pay the interest on their loans, the big banks had to reschedule the debt and reduce additional lending for them as well. By forcing developing countries to maintain their interest payments, a major banking collapse was averted; but growth rates fell, and a debt crisis spread through Latin America, rippling across the world to Asia and Africa.

This government-sponsored bailout of the private banks was a turning point. Mexico had been saved and a possible world economic collapse averted. More significantly, a new practice had been successfully tested: private debt was converted into public liquidity at the international level. In the Mexican bailout, national public assets underwrote international capital ventures with virtually no accountability. Taxpayers in the G-7 nations were not even aware they were footing the bill. It was the first step in a new global approach: unofficial financial guarantees through the international system by developed nations, offering government subsidies for private investment in developing nations.

To receive their new loans, debtor nations in Latin America had to agree to certain conditions. They were required to reduce government programs, slash investments, and run trade surpluses to repay the interest. In many cases, nations were also required to devalue their currencies. These measures were supposed to increase the prosperity of the developing economies, but the new loans were not channeled into productive investment or antipoverty programs. They were used instead to pay the interest on existing loans.

Depression lingered in Latin America from 1981-1986, but it took the US stock market crash of 1987 to jolt developed nations back to economic reality. There was a new sensitivity on the part of officials that developing country debt was a serious matter and required new solutions. What would happen, after all, if a major default in the Third World were to coincide with a stock market crash?

In *Common Crisis*, the Brandt Commission warned of a global economic crisis resulting from the unpaid debt of developing nations. Brandt called for external financial support from banks and international agencies, and debt relief to ease the balance of payments problems. The Commission envisioned a new framework for development finance, including increased aid, greater lending through international financial institutions, massive resource transfers to developing nations, and a new World Development Fund. Brandt's panel also proposed that revenues be gained from use of the global commons—the oceans and the sea-bed—as well as international taxes and levies on arms trade.

"Our situation is unique," Brandt exclaimed. "Never before was the survival of mankind itself at stake; and never before was mankind capable of destroying itself, not only as the possible outcome of a world-wide arms race, but as a result of uncontrolled exploitation and destruction of global resources as well. We may be arming ourselves to death without actually going to war—by strangling our economies and refusing to invest in the future. Everybody knows—or should know—where the world economic crisis of the 1930s ended. Everybody should know what immense dangers the present international crisis holds, and that only a new relationship between industrialized countries and developing countries can help overcome this crisis" (*CC*, 9).

Two decades later, the problem remains: how to ensure a steady flow of capital to poor nations without the heightened risks that force investors to pull back sharply, causing developing economies to implode. *Common Crisis* asked the developed world to increase investment in the developing world, but under the terms of a stable, globally managed economy. That, of course, is not what happened. While international banks were too skittish to reinvest in developing nations as they had in the late 1970s and early 80s, there emerged a new source of development finance.

Foreign Investment and the Second Debt Crisis: Southeast Asia

The post-modern economy is largely a history of the unfettering of the market by means of floating currencies, open financial markets, and lower trade barriers. World monetary deregulation in 1971 was followed by financial deregulation in the 80s, and trade deregulation in the 90s.

With the lifting of capital controls and ceilings for interest rates during the Reagan-Thatcher-Kohl years, finance capital was free to flow across borders, seeking the highest rates of interest. Under the United States' Brady plan in 1989, the Latin debts held by major commercial banks were converted into bonds. International banks held some of these bonds; others were offered to the public through insurance companies, mutual funds, and pension funds. These new financial products were designed to prevent the exclusive exposure of banks to debt crises in developing nations by spreading the risk of global investment.

With the lifting of trade barriers during the Clinton-Major-Kohl years, developing countries increased exports and earnings. However, with their massive debt loads, even these increases in foreign exchange accumulation and domestic savings could not generate significant economic growth, leaving poor nations all the more dependent on foreign capital. As each developing nation embraced free market capitalism, it was absorbed more deeply into the global financial market. Developed nations, led by American investors increasingly eager to diversify their financial holdings, poured billions of dollars into overseas debt and equity markets.

Foreign securities trading exploded. Almost overnight, investment prospects in emerging economies were upgraded from non-creditworthy to red-hot. Once-risky developing nations suddenly became exotic 'emerging economies'. In spite of minimal banking and legal safeguards in many poor countries, and the near-default on Mexican sovereign debt in 1994, total portfolio investment in developing nations increased to $94 billion. From derivatives and options, commodities and futures contracts, to currencies, stocks, and bonds—financial instruments were all the rage in the 90s, and no place on earth seemed beyond consideration for investment.

Meanwhile, through foreign direct investment, large American, European, and Japanese companies could now become owners in the utilities, the energy plants, and the industrial factories of a developing country, not just its stocks and bonds. As a result, corporate objectives broadened. In the early 1980s, international corporations invested in developing countries to manufacture and market goods locally. By 2000, the situation had shifted: foreign companies were investing in developing countries to produce and sell goods globally.

From 1980 to 2000, foreign exchange trading and foreign corporate investment both increased fivefold. Developing nations became, in effect, capital sinks for the world's investment houses, and export platforms for the multinational corporations. With all the new overseas investment by financial institutions and corporations, and the new jobs and wage increases that resulted, many developing economies experienced a recovery for the first time in more than a decade. Investment in foreign assets and factories in the 90s seemed to fill the vacuum created by the collapse of bank lending in the 80s.

As the new century dawned, half of all American households, whether by direct or institutional investment, were stockholders in corporate enterprises, many with overseas holdings. Stocks accounted for 1/3 of total personal wealth in the United States. The number of European and Japanese investors also increased rapidly during the 90s. Through direct stock ownership or through institutional investment—insurance companies, pension funds, mutual funds, and hedge funds with large investments abroad—millions of Westerners became owners of stocks in developing countries.

The enthusiasm suddenly turned dark in 1997 as trouble spread in South Asia. When they spotted a currency depreciation looming in Thailand, emerging market investors cut their losses with the push of a button to bring their funds safely home. The shakeout wasn't confined to the devaluation of the Thai bhat. Suspicious of similar weaknesses in the region—shaky banks, indebted corporations, overvalued currencies, large budget deficits, inflated stock and property values, and weak legal protection—finance houses also trimmed holdings from neighboring countries to pay back nervous shareholders, draining the treasuries of several nations.

In 1997-98, devaluation, followed by raging inflation, spread from Thailand to South Korea, Indonesia, Malaysia, and then to Russia and Brazil. The sell-out of the emerging economies in Asia produced not just soaring interest rates, but currency collapses in the Philippines, Malaysia, Taiwan, Indonesia, and South Korea. Capital dried up. Workers were let go. Stock prices collapsed all over Southeast Asia. World trade slowed. The IMF was called in to revitalize the comatose economies. These rescues involved some $230 billion in relief packages for Mexico, Thailand, Indonesia, South Korea, Russia and Brazil.

Rampaging international capital flows had struck, wreaking havoc again. Like the black hole created by the collapse of bank lending in the 80s, the flight of investor capital in the late 90s created a massive shortage of money in emerging economies. In 1999, they began to bounce back, but slowing global growth dashed initial hopes of recovery. South Korea, Russia and Mexico have revitalized, but Latin America is still experiencing weak exports, deteriorating terms of trade, and decreasing capital flows. Industrial production in Southeast Asia has also fallen off sharply, especially in high technology, because its major export customer—the US—is undergoing its own slump in consumer demand.

Japan has been experiencing severe recession and deflation for more than a decade. China's entry into the World Trade Organization in 2001 has forced it to restructure its banks and corporations, lower import tariffs, drop prices, and lay off workers, creating deflation both at home and elsewhere in Asia. At the same time, there is deep instability in Asian banking sectors. Japan and China both have large levels of non-performing loans. At the end of 2001, Southeast Asian nations also had more than $2 trillion in problem loans—30% of their GDP. International banks continue to suffer losses in these countries because of delayed loan payments, as well as outstanding loans to hedge funds which lost heavily in the panic of 1997-98. Crippled by debt and perceived as investment risks, developing nations continue to experience the effects of a shortfall in liquidity.

The global situation now is more complex and more serious than two decades ago. In the Latin crisis, government debt threatened to bring down the international banks. In the Asian crisis, the debt owed to companies and banks threatened the world's stock markets, endangering millions of investors, large and small. In a third debt crisis, international banks, private investment houses, and the world's stock investors may all be exposed.

When financial markets are so closely fused, an economic malady in one nation can spread through the global neighborhood overnight, leaving devaluation and default in its wake. It is unlikely that the safety nets of the G-7 and IMF would be able to weather a major global credit collapse, due to the escalating level of debt saturation across all sectors of the developed world—household, corporate, and government. Financial instability affecting the unregulated derivatives market, now at $130 trillion, would also absorb major capital sources needed for global crisis intervention.

At the same time, there is no international framework for foreign exchange trading or foreign direct investment to spread the risk between debtors and creditors, and stabilize financial conditions in developing economies when foreign investors suffer losses from failed loans. After two major debt crises in twenty years, no source of public or private financial assurance appears willing or able to step up again to a new challenge. Next time a currency crisis hits, there may be no economic guarantor large enough to bail out the stricken nations.

Crisis Finance: Who Wants to be a Lender of Last Resort?

By late 1998, the near-meltdown of the international financial structure had rattled the leaders of the free world. When the G-7 finance ministers met to discuss the risks of unbridled capital flows and the possibility of a new 'financial architecture', it reminded many observers of an earlier discussion on reforming the global financial system.

At the urging of the Brandt Commission in *North-South*, an economic summit of leaders from developed and developing nations convened in Cancun in late 1981. As noted in the section on Global Negotiations, the International Meeting on Cooperation and Development was the first, and only, meeting of its kind. National leaders discussed international development issues, but the conference lasted just two days and no action or follow-up was initiated. To keep the momentum going, the Brandt Commission issued a second report in 1983, *Common Crisis*, which proposed expanding the role and resources of the IMF and World Bank, and creating a new framework for international finance and trade. *Common Crisis* also urged the community of nations to ensure greater bank supervision and regulation in developing countries, while requiring more accountability from international financial institutions.

What is needed, said the Brandt Commission, is a global institution charged with balancing the private sector with the public interest, to mitigate shortfalls in development finance and ensure orderly and sustainable growth. Brandt's early version of this idea was twofold: the creation of a World Development Fund and a Development Advisory Body.

At present, most aid to developing nations is simply an extension of credits that developed countries use to promote the export and purchase of their capital goods. This gives poor nations an ability to pay for imported goods, but not to generate additional capital. A sustainable source of external financing is needed to ensure that local currency expenditures are not soaked up by inflation and balance-of-payments shortfalls. This source of development finance could come from a variety of untapped 'universal' sources, including fees on international corporations, international airline tickets, maritime transport, ocean fishing, satellite parking spaces, electromagnetic spectrum use, arms trafficking, environmental pollution, foreign currency trades, hedge funds, and derivatives.

As a start in this direction, the Brandt Commission proposed a "World Development Fund—with universal membership, and in which decision-making is more evenly shared between lenders and borrowers, to supplement existing institutions and diversify lending policies and practices. The World Development Fund would seek to satisfy the unmet needs in the financing structure, in particular that of program lending. Ultimately it could serve as a channel for such resources as may be raised on an universal and automatic basis" (*N-S*, 255).

In addition, the Brandt Commission saw the need for a high-level body to monitor and coordinate international development. The Development Advisory Body would be a small ‘brain trust’, an independent group without executive status. It would monitor and evaluate the work of the different international agencies in the field of development, and report on their effectiveness to governments and the UN General Assembly and its organs. Its aim would be to “streamline the institutions, to define their objectives more clearly, and to achieve them more economically and effectively.” It would be “a body of 12 members: a third of the members would be citizens of developing countries, a third would be from the industrialized countries and the remaining third selected for their experience and independent judgment” (*N-S*, 261). They would also report to the public and be open to public input.

Nothing came of these ideas in the 1980s. In 1989, Willy Brandt asked Ingvar Carlsson and Sir Shridath Ramphal to convene an Independent Commission on Global Governance. After Brandt died in 1992, the new Commission deliberated and issued a 1995 report, *Our Global Neighborhood*. The Global Governance Commission expanded the idea of a Development Advisory Body, calling for a new international group to manage economic interdependence. This new international financial body needn’t be a large bureaucracy but a small council, making it more representative and flexible than the World Bank or the International Monetary Fund. This new council, which some have likened to a Global Economic Ministry, could provide oversight and advice on the international coordination of policies, specifically to:

- monitor the state of the international economy
- anticipate monetary and financial crises
- track currency exchange rate stability
- take the risk out of international financial flows
- provide a long-term policy framework for sustainable development
- secure consistency between the major international organizations
- register input from regional organizations
- build consensus between governments on new global economic policies

This type of coordination for the international economy is still lacking. A new democratic international structure, representing the interests of all people, would face many complex issues. Regulation—tighter controls on currency movements—is especially needed in international investing. Fair competitive practices must be ensured and monopolies restricted at the global level. At the same time, global financial institutions and corporations must be made more accountable to the public interest. Global safeguards are also required to prevent capital flight, fraud, money laundering, insider trading, and gridlock in financial markets. Without a responsible world authority to oversee speculative money trading, all nations, and developing economies especially, are at the mercy of erratic changes in capital flows, interest and exchange rates, and inflation.

The flexible exchange rate system, the world’s economic ‘non-policy’, has been in effect for more than thirty years. To cope with cyclical swings in international capital flows under this arrangement, developing nations have adopted surrogate means of stabilizing their currencies to prevent financial panic. Some nations ‘dollarize’—that is, they use actual US dollars for their currency. Other nations maintain a fixed exchange rate by linking their currency at parity with a strong foreign economic unit, usually American dollars. Still others prefer capital controls—a strict ban on currency trading during economic crises.

None of these are permanent solutions, simply ways of avoiding the volatility that plagues free-floating currencies in a disorderly international system. Without a sovereign economic guarantor at the global level, the US Federal Reserve assumes the unofficial role of arbiter of global interest rates and currency values. Staking a nation's economic future to the strength of the US dollar and the monetary decisions of the US Central Bank has been a mixed blessing. Surrogate measures to ensure predictable exchange rates—dollarization and currency pegs—have had encouraging results in countries such as Ecuador, but have been disastrous in places like Argentina.

The lack of global oversight is even more troublesome now than in 1983, when Brandt warned, "The international community has made little headway in tackling its most serious problems which begin in the strained system of international economic relations and result in additional burdens on many developing countries. Prospects for the future are alarming. Increased global uncertainties have reduced expectations of economic growth even more, and the problem of managing the international imbalances of payments is increasing the threat of grave crises in international finance. We have serious doubts as to whether the existing world machinery can cope with these imbalances and the management of world liquidity and debt" (*CC*, 2).

These concerns loom larger than ever. What happens when a country's foreign currency reserves are less than the amount due on its debts? Who does a country turn to when it is broke? Nations that cannot derive their liquidity from private markets seek relief from the world's lender of last resort, the International Monetary Fund.

In return for a loan from the IMF, a poor country agrees to a series of conditions. When the Fund insists that a debtor nation raise interest rates, cut spending, raise taxes, and protect its currency—sometimes through devaluation—these measures often make the local situation worse. Property values slump, industrial production suffers, national reserves are depleted, and state assets are sold. In many cases, IMF austerity measures have resulted in deep recession, declining living standards, civil unrest, and even the fall of governments, as occurred in Argentina in late 2001. It's no secret that IMF conditionality serves the G-7's foreign policy interests over the interests of poor people in indebted nations. IMF restrictions are basically an attempt to restore the trust and confidence of the global market by demonstrating that a defaulting borrower is compliant and willing to cooperate with the global monetary and financial machinery, making it more attractive to international investors.

A practice known as 'moral hazard' was behind the multibillion dollar rescue operations of the 1990s. As a global financial rescue authority, the G-7 made it easy for risk-taking banks and high-stakes financial institutions to get paid off with public monies when their investments in emerging economies ran into trouble. In each debt liquidation, IMF money simply passed through the hands of the debtor countries on its way to the creditors. These creditors—the international banks and brokerage houses—were the same ones that had rushed to make speculative investments in the first place, then pulled their money out, leaving behind impoverished and ruined economies.

Under this arrangement, lending and borrowing nations both end up losing. On one hand, when taxpayers from the Group of Seven nations pay for IMF bailouts, it creates more debt for their governments. On the other hand, the loans to developing nations are for debt repayment only, not targeted for domestic development, ensuring that the local cycle of borrowing, debt, and poverty is perpetuated. The sole beneficiaries of these mega-bailouts are the international banks and security houses, which are, in effect, extracting revenue from the boom and bust cycles of poor nations.

The IMF has been searching for a different way to aid indebted nations without rescuing private creditors. In 1999, the Fund offered pre-approved credit lines to developing nations that promise to follow strict economic and social policies to shield them from investor panic. The program never got off the ground. Developing nations would not agree to these new loan offers, since to accept the new credit line might send a signal to foreign investors that the recipient nation had underlying economic weaknesses.

To provide some order to the messy business of sovereign default and avoid scaring investors away from emerging markets, the IMF announced in late 2001 that it was creating a new framework for the resolution of debt crises between creditors and debtors. The new restructuring plan would be similar to US bankruptcy law. In return for promising to adopt new fiscal policies to prevent future debt crises, developing nations would be afforded legal protection from private creditors. Rather than a judgment imposed on a defaulting borrower by lenders, there would be a negotiated settlement for debt restructuring. The way it is outlined, however, this plan would entail a major conflict of interest for the IMF. As the bankruptcy arbiter, major financial creditor, and principal economic advisor for a defaulting nation brought before the global debtor's court, the IMF is proposing to play the roles of judge, prosecuting attorney, and star witness—hardly a fair or objective situation.

Since the Cancun Summit in 1981, the G-7 nations have strongly opposed changes to the existing superstructure of international finance. Now, those nations are discussing global reforms. After the debacle in Asia and Russia, the G-7 began to push for better corporate accounting, more bank supervision, increased access to offshore banking, and new regulation of hedge funds. The G-7 also explored the possibility of creating a fund to underwrite the risk of the financial industry in making investments in emerging markets. Private insurance would be guaranteed before foreign investments are made, rather than after they turn bad. In the case of default, creditors could collect their money directly, without having to go through the IMF.

In April 2002, at the urging of the United States Treasury Department, the G-7 nations took this idea further, proposing that markets could resolve cases of sovereign debt default without a private or public backup fund. Borrowing nations would simply agree to contingency clauses in their bond contracts with investors that would guarantee orderly debt repayment procedures. With the steps for payments stoppage, restructuring, and arbitration clearly spelled out in advance, the process of sovereign default would be far less chaotic.

The G-7 plan has some major flaws, however. While the new arrangement would increase the investment certainty for creditors, it is likely to produce greater uncertainty for borrowers. Developing countries have already expressed the fear that these debt restructuring clauses would indicate to the world market that their economies have been flagged as special risks, which would encourage higher interest rates on new bonds and discourage the very foreign investment that the contingency plan was intended to attract. In addition, these restructuring clauses would apply only to new debt issues, not to existing debt, which would still be subject to fractious resolution with creditors in case of default. Finally, the clauses would contain no provisions for the additional aid that would obviously be required to help a defaulting nation pay off its contingency agreement.

Though many would like the private sector to take a pro-active part in debt crisis resolution, financial institutions themselves have balked. Since the Russian monetary crisis, the emphasis in financial circles has been on risk management. Bankers and fund managers are all checking and rechecking their exposure and protective 'firewalls' against monetary and political risk in developing nations. Financial institutions have expressed little willingness to act as a lender of last resort or insure their risks in emerging markets as long as those economies lack the economic and legal infrastructure to protect overseas investments.

Another proposal is to link repayments on loans to commodity prices. This has the virtue of spreading the risk of default between borrowers and lenders. That would be a positive development. On one hand, as the Brandt Reports noted, "more stable prices would be beneficial to exporting countries by helping to maintain foreign exchange earnings and to facilitate fiscal planning and economic management" (*N-S*, 148). On the other hand, involvement of lenders in these commodity price stabilization measures would add greater responsibility to their lending practices.

An updated version of the Common Fund, proposed by the Brandt Commission, would be useful in this regard. It would be a pool of money that would finance stocks and other investments to help the production, processing, and marketing of commodities. The Common Fund would support international commodity agreements, and provide coordinated financing of commodity development policies related to market stabilization. Guaranteed by banks and financial institutions, this fund could provide a buffer for commerce and trade during the next national or regional economic meltdown.

In the Latin debt crisis, international banks held the debts of developing countries and paid the bulk of the bill. In the Asian debt crisis, the debts were held by the banks, along with insurance companies, mutual funds, and pension funds held by millions of investors; the bailouts consisted mostly of G-7 public funds. Today, the world economy remains vulnerable in several areas:

- the banking and public debt crisis in deflationary Japan
- the inability of Malaysia, Singapore, Hong Kong, and most of Southeast Asia to recover from recession
- the deflationary slump in China
- the struggle with recession in Germany and the rest of Europe
- the currency devaluation in Argentina
- the trade deficit, debt burden, and recession in the United States

This is the short list of trouble spots. Deflation and currency devaluation in these or other regional flashpoints could set off another round of financial contagion, triggering a vicious round of panic and capital flight across the world. In a third debt crisis, the size of the rescue operation required would be enormous, especially if rich nations join poor ones among the victims.

For the last twenty years, there was always one economy in the world strong enough to save the others from recession by buying their products. After the international bailouts of 1997-98, the US acted as the global consumer of last resort, lifting the world from an economic downturn. History is not likely to repeat itself. American consumers continue to borrow and spend, but not vigorously, due to their low rate of saving and mounting job losses. Consumer spending and business investment are also down across the world. Growth rates in world trade are at their lowest in two decades, increasing just 1% in 2001, down from a 12% increase in 2000.

Because it imports far more than it exports, America borrows more than $1.5 billion a day from abroad to cover the difference. The US foreign trade gap—and the current account deficit that sustains it—pose a real danger to the world economy. A sudden shift in real exchange rates could cause foreign investors to pull their money out of the US in search of higher returns elsewhere, triggering a chain of events: a drop in the value of the dollar, a plunge in the American stock market, a rise in interest rates, and a slowdown in US economic growth, which would have adverse effects across the globe.

Each major economic region—the United States, Europe, and Japan—is in or near recession. Asia, Latin America, the Middle East, and Africa, which are heavily leveraged on the growth of the rich nations, are struggling with recessionary conditions. Though foreign corporations have increasing access to China's 1.3 billion consumers, Chinese purchasing power is relatively flat due to foreign competition and government restrictions on domestic trade and investment.

It is evident that the IMF and G-7 cannot continue to insure the capital that surges into and out of developing countries from the finance houses and banks of developed nations. After the Clinton era of 'moral hazard', there is a new attitude that capital lenders must assume full risk for their investments in developing nations, though it is unclear the extent to which the Bush administration will resist IMF intervention in major cases of sovereign debt default. Knowing that public emergency aid packages are less likely to be available, foreign investment banks vied with bondholders and fund managers for the most favorable terms on investment losses in the 2002 restructuring of $141 billion sovereign debt in Argentina, even as the IMF insisted that it be paid off before any private creditors.

Should this set a precedent, a higher volume of investment monies than public monies may be lost in the next major international currency crisis, leaving millions of insurance company, hedge fund, mutual fund, and pension fund investors vulnerable. The wider threat is that a debt default like that in Argentina may not be contained to a single nation, leading to a major rolling selloff by investors around the world and encouraging more countries to default on their loans. Just as serious, the populist backlash and political instability which many nations experience during a domestic economic crisis can also make foreign investment in these countries far less attractive.

In 2002, the Bush Administration proposed a new system of credit ratings through which developing nations may qualify for access to private markets. The strategy is that by imposing a sovereign debt standard upon new borrowers, providing markets an immediate indication of their credit-worthiness, developing nations would gradually decrease their dependence on international aid and increase economic growth. Proponents of this idea maintain that establishing credit ratings on debt would force the governments of poor nations to create more disciplined financial structures, balance their budgets, ensure greater political transparency, create stronger legal systems, and increase the protection of property rights in order to win new investments from the private sector. 'Good economics' and 'good governance' would thus eliminate the need for a global financial safety net.

The problem with this proposal is that market standards for sovereign credit quality would favor a handful of developing nations over others. As foreign investors avoid the 'junk-grade' government debt issues of the poorest nations, only the wealthier developing nations would qualify for the new high-grade investment. Developing nations that do not score well on these development criteria will have to scramble for alternative sources of finance, if available, gradually widening the divide between the wealthier developing nations and the less developed.

The Bush proposal is, in effect, an attempt to deregulate the sovereign lending market. Ratings on the debt payment capabilities of developing nations would certainly reduce the risk for investors, but would also have a chilling effect on financial liquidity in developing nations too poor to qualify for new loans and investment. It seems ironic that the G-7 nations—led by the United States—are now blaming the World Bank and International Monetary Fund for forty years of failure in achieving the economic and political reforms necessary to reduce poverty in developing nations, without mentioning the role that private investment has played in increasing foreign ownership of government services and local safety nets, leaving poor nations vulnerable to unregulated speculation, recession, and macroeconomic shocks. While the G-7 calls – justifiably – for greater transparency and accountability on the part of the international public lending institutions, G-7 nations are still opposed to governmental or regulatory oversight of the vast private foreign exchange and investment markets. Even within their own countries, national regulators have scant information about global markets and the activities of international financial firms, and there is no global agreement as to what would constitute adequate national - let alone international-standards for economic and financial regulation.

This broad lack of regulation encourages investment capital to focus on financial diversification, rather than local economic development or global investment safeguards for emerging economies. The problem is the same as it was in 1980: how to get cautious investors to absorb their failed loans, without strangling the foreign capital needed for continued development in poor countries. A new regulatory framework for foreign investment and global financial management is needed. It is hardly surprising that governments, central banks, private banks, private creditors, and the IMF are all reluctant to take responsibility for default protection under the current competitive system. For all their worry about inflation and interest rates, the institutions of global monetarism have allowed personal and commercial debt to reach record levels all over the world, leaving them afraid to bet on volatile markets and unable to insure their investments in developing nations.

No institution, nation, or bloc of nations can now engineer the kind of global machinery that is required for cooperative and sustainable international financing. Nor will sovereign debt reform be achieved through economic mechanisms that circumvent international law. "It will not be possible," Brandt predicted, "for any nation or group of nations to save itself either by dominion over others or by isolation from them. On the contrary, real progress will only be made nationally if it can be assured globally" (*N-S*, 268).

The present arrangement in world money and finance is a high-stakes hazard, not just for people in developing nations, but for governments, banks, corporations, foreign creditors, and portfolio investors as well—an unacceptable threat on a planet which otherwise demonstrates great facility in the arts of creative financing, institutional restructuring, and enlightened diplomacy. For the risk to be spread evenly, with a minimum of damage, there must be political intervention at the international level—not by one, but all nations collectively.

The international community needs to end global financial instability and create an orderly economic structure. An integrated world economy requires that all nations help to establish and underwrite a world economic guarantor, a lender of last resort capable of restructuring sovereign debt and financing massive international payments shortfalls when the need arises. Without that capability, the global financial system remains its own worst enemy.

Part III proposes a democratic framework for a new global monetary system.

PART III. THE DAWN OF GLOBAL SOVEREIGNTY

'Globalization': Short for Global Privatization

Nation-states are no longer the only players on the world stage. National and transnational corporations, mass media companies, international and regional agencies, and non-governmental organizations now join them. Today's powerful international financial institutions dwarf the budgets of national Central Banks. Not even the richest nations can command the vast sums that international investors leverage on a daily basis.

In spite of these new actors, the world economy is still following old scripts: the eighteenth century economics of self-regulating markets; nineteenth century politics of comparative advantage and national hegemony; and twentieth century management emphasis on corporate monopoly and global consolidation. All are scenarios ill-suited to the digital transparency and interdependence of the twenty-first century, as the forces of technology, finance, and global economic convergence explode at a pace beyond the markets' ability for self-correction, governments' ability to react, and managements' ability to subdue destructive market forces.

The world's closer integration and dazzling connectivity could be used to better distribute its benefits; instead, globalization has meant increased concentration of wealth in fewer hands. For all the spectacular growth of the last few decades in world trade, production, and finance, global economic disparities have deepened. Surplus is smothering demand. Speculation and debt are starving local development.

Twentieth century history has repeatedly demonstrated that markets—not regulation—are the most efficient means of creating wealth and distributing resources. That should not obscure another vital fact from the business pages of the last century: markets are only effective in societies where development and regulation have already produced an orderly environment. Where there is no satisfaction of basic needs, baseline educational levels, social and economic infrastructure, local ownership of economic development services, or effective community rules, unsupervised markets result in major domestic upheaval. In many developing nations, and now at the global level, the dismantling of market regulation has led to staggering consequences, as profits are privatized and the costs are socialized.

In the post-modern era, government power has been trimmed decisively in favor of the international marketplace. What were formerly state-owned enterprises and public services are increasingly privately operated. People of the world never had a say in this ideological swing toward global deregulation and the sale of their assets at bargain prices. During this thirty-year drift in world economic policy and corporate-political doctrine, at least $2 trillion in national resources–including public gas, water, and electricity industries, as well as schools, health services, and other utilities–have been sold to private investors across the world.

Deregulation of the International Economy

Decade	**Sphere**	**Result**
1970s	Monetary	Unstable exchange and interest rates, leading to currency crises
1980s	Financial	Immense capital surges and abrupt shocks in local economies
1990s	Trade	Low export prices, wages, and labor standards in poor nations

Deregulation is a central principal of monetarism, which has become the world's preeminent monetary and financial philosophy. Basically, it is the theory that economic growth depends on open markets and private investment, and that demand will normally keep up with whatever supply is provided. The emphasis, therefore, is on building up the supply of goods and services, rather than priming demand. First practiced in the major developed economies in the early 1980s, monetarism spread across the world in the 90s with the close of the Cold War.

During this period, supply grew faster than demand in developed economies, but stock market gains, increased borrowing, and steady labor income spurred consumer spending. American and European purchases of goods and services also kept pace with rapidly accelerating productivity because new high-tech equipment resulted in greater business efficiency, which held inflation down. In 1999, however, Central Banks in the US and Europe raised interest rates to cool what they perceived as an overheated economy and artificially high stock prices. For the first time in many years, consumers were squeezed by mortgages, student loans, car payments, and credit card debt. Debt payments became more difficult, and new loans more expensive. By 2000, total household debt exceeded personal disposable income in the United States, Britain, Germany, and Japan. Consumer spending slowed. At the same time, investors realized that the anticipated returns from their investments were indeed overvalued, as the Central Banks had signaled. Share prices fell, leaving investors with even less money to spend.

Along with the plunge in technology stocks, orders for products plummeted and corporate profits fell. Companies suddenly had much more capacity than needed. Stuck with goods piling up on their shelves and dwindling sales from clothing to cars, from fiber optic cable lines to airline flights, business went into emergency mode, slashing production faster than demand was falling. As a recession began in 2001, companies laid off workers, cut expenditures, stamped huge markdowns on goods, and offered low-rate financing plans. The terrorist attacks of September 11 made the situation worse. Facing high costs, unused capacity, vanishing profit margins, diminishing liquidity, and tighter equity markets, companies were forced to cut back on capital spending, particularly for high tech equipment. The result was a downturn across broad sectors of the economy.

This 'inventory correction' was the result of a speculative bubble, magnified, in part, by a heightened emphasis on the production of goods. Basically, investment in output of goods had exceeded the capacity of consumers to buy them. As global deregulation and privatization continued apace through the 1990s, each sector—production, trade and finance—experienced growth and ran a surplus, while consumer purchasing power lagged. Too many producers with too many goods were chasing too few buyers; and too much labor with too little income was unable to buy the glut of goods.

Just as producers and investors uncorked the champagne to celebrate their surprising prosperity at the Millennium, the financial bubble burst. The collapse of high-tech stocks, and the numerous corporate bankruptcies that followed, led to unprecedented revelations about the unbalanced economy. The supply-side stimulus had encouraged widespread accounting and auditing misrepresentation, allowing capital to accumulate more in glamorous investments geared to boost corporate shares, than in investments less attractive but more beneficial to society. For everyone, facing this new century means facing a sobering reality. The economies of developed nations are ailing, traditional remedies are not working, and a vigorous recovery is in doubt. For many, the party is over and the hangover has only begun.

Potential Revolution: Unleashing Global Demand

The monetarist emphasis on over-investment, dismantling of local regulation, entrenched production, supply accumulation, and unused capacity creates lopsided conditions, draining the earning power of developed and developing nations alike. As the Brandt Commission declared, "It is increasingly obvious that we are all in the same boat, that the North cannot contemplate with unconcern the fact that the South's end of the boat is sinking. The North's end of the boat is already none too buoyant either" (*CC*, 27).

As long as the market suppresses income levels, everyone has a diminished potential to buy the world's surplus products. The dominion of producers over wage earners affects not just individuals, but also plays out in the realm of North-South interrelations. When developing countries are forced to cut wages, local consumers can't buy foreign imports. This, in turn, slows production and eliminates jobs in developed nations. Ultimately, the global market sabotages its own capacity for growth, as consumers and businesses are driven heavily into debt just to finance the oversupply.

"Perhaps one can illustrate part of the problem from the development of some of the present industrialized countries in the nineteenth and early twentieth centuries. A long and assiduous learning process was necessary until it was generally accepted that higher wages for workers increased purchasing power sufficiently to move the economy as a whole. Industrialized countries now need to be interested in the expansion of markets in the developing world" (*N-S*, 21).

The world needs to generate enough private spending to make use of the available capacity. Adopting international standards for higher wages and measures for wider distribution of income to poor and new consumers would quicken demand for the world's expanding surplus of goods, factories, and labor. The elevation of income levels has broad implications for global society, well beyond labor-management negotiations on wage increases. Such a program has a clear basis in international human rights.

Article 25 of the 1948 UN Universal Declaration of Human Rights guarantees the fulfillment of essential needs for every human being: "Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control." Article 28 of the UN Declaration also promises each person the public environment in which to live with dignity: "Everyone is entitled to a social and international order in which the rights and freedoms set forth in this Declaration can be fully realized."

In practical terms, these two articles guarantee to every member of the human family the right to a certain standard of material well-being, and hold society responsible when its citizens sink below that level of protection and into the vicious cycle of poverty, alienation, and disenfranchisement.

As many know well, deprivation of physical needs results in a personal experience of abandonment, resentment, and isolation, which, in turn, leads to political disempowerment, as people blame themselves for their own adversity and feel unworthy of improving their situations, incapable of taking responsibility and becoming involved in the policy decisions affecting them. They are "people," said Brandt, "excluded from economic growth as well as from participation in shaping their own environment; they live in conditions of absolute poverty and misery unworthy of mankind" (*N-S*, 24). Vast resources are required just to lift these millions back from the downward spiral of unmet potential, thwarted hopes, and smoldering discontent, and renew their capacity to take control, improve, and transform their lives.

A massive public investment project to end hunger, eliminate poverty, increase global aid, and cancel the debt, would help poor workers out of this desperate slump by boosting their purchasing power and restoring to them the initiative and self-sustaining power they lack. The Brandt Commission believed that "in the long-run countries have to strengthen their capability to sustain development, through structural transformation. There is an analogy for individuals and families. Meeting essential human needs will require substantial public expenditures and welfare, but ultimately only the provision of remunerative employment will ensure development and be consistent with human dignity. The most basic of all needs is the right to participate in change and to share in the outcome" (*N-S*, 63).

The transformation of need into effective demand is a potential revolution for global society - as well as a revolution in human potential. People of the world can scarcely envision the opportunities for peace and prosperity that await the creation of coequal economic conditions, enlargement of per capita income, and the unleashing of human incentive on a global scale. A global financial commitment to these measures for economic revitalization would yield enormous returns for everyone, far greater than the initial investment. When developing nations generate a healthy and prosperous infrastructure—mobilizing the savings and resources of citizens, overcoming personal helplessness, and widening democratic participation—they will provide markets for the richer countries, leading to new jobs, increased spending, saving, investment, new production, and greater social stability in both developed and developing worlds.

Of its many forward-looking proposals, perhaps the greatest contribution of the Brandt Commission was its insistence that eliminating poverty is the key to stimulating aggregate demand and maximizing productive capacity in a sustainable global economy: "We believe that the present predicament of the world economy can be resolved only with a major international effort for the linking of resources to developmental needs on the one hand and the full utilization of under-utilized capacities on the other" (*N-S*, 254).

When basic needs are met, debt is written off, trade agreements are commensurate, money is stable, and finance is supervised, the negative net flow of capital from workers to producers will be reversed, and international capital will stop siphoning the wealth of consumers and potential consumers. Unmet needs and aspirations will be given new value. Direct earning power will be restored and incomes will rise, creating new buyers for the world's surplus products. Resources will be allocated equitably and supply will flow to need, invigorating economic growth for all nations. With a new financial base and increased opportunities, poor people will also gain the political power they had been without, enabling them to root out corruption and ensure transparency, accountability, and democratic order.

Global monetarism has already built the infrastructure and prepared the ground for economic democracy to flourish, but it will require a counterbalancing of the scales of supply and demand for this regeneration to occur. The stimulus must be on demand, effectively offsetting debt and equity investment as the driving force of the global economy. When that balance is struck, a vast potential revolution—the transformation of need—will occur across the planet, as the excesses of globalization are equalized, absorbed, and recast. Only the international public can wield the prodigious strength and energy required to equalize world economic conditions, by giving new expression to the silent burdens, the unsated needs, and latent power of the masses, and sounding a global appeal for a new equilibrium. The motto of the monetarist economy was, "produce it and they will buy." The rallying cry of democracy international is, "raise our wages and we will buy."

Democracy International: Mobilizing for Global Development

The world is a jewel of many facets. Changes have taken place so quickly in recent years that instead of grasping the simplicity of the global whole, we are mystified by the complexities of interdependence. For every special interest, for every global problem with which we identify, there is a competing worldview. Single-issue advocates often do not see the big picture, not for lack of insight or because it is so terribly complex, but because the view of global interdependence has been filtered—colored through a new ideology. That ideology is opposed to the free flow of information about world conditions. That ideology tells us not to worry about the totality—it's being taken care of for us.

Willy Brandt encouraged people to see both the prospects and the pitfalls involved in global integration: "The Commission considers it essential that the educational aspects of improved North-South relations be given much more attention in the future. It is imperative that ordinary citizens understand the implications for themselves of global interdependence and identify with international organizations that are meant to manage it" (*N-S*, 259)…. "If societies do not educate their citizens for the interdependent world they have inherited, their governments will find it difficult to take the decisions that an interdependent world economy demands" (*CC*, 144).

Citizens of the world are well aware of the private sector's designs for global integration, but the global public has not developed its own distinct viewpoint or raised its own comprehensive proposal for a future economy, beyond a vocal opposition by some to the policies of globalization. To attain the equilibrium it is seeking, the world public needs its own clear-sighted strategy, its own program for democracy international.

A humane plan for global integration begins in personal relationship. Though the world's people are divided by geography and language, we know a common destiny links us. We know that humanity is far more important than any nation, bank, or corporation. We have a certain awareness of the world as a whole, as a community of nations, though we have yet to express this understanding through our political and economic affairs. Integrity and trust rule our personal lives far more than our monetary and financial relationships. We are still learning what it takes to be neighbors on a small planet.

"The world is a unity," Brandt declared, "and we must begin to act as members of it who depend on each other. It is not enough, as one of our Commissioners put it, to sit around tables talking like characters in Chekhov plays about insoluble problems. We have to lift ourselves above the immediate constrictions, and offer the world a plan and a vision, without which nothing substantial can be achieved" (*N-S*, 47). Have we come to the verge of global integration with no multilateral framework other than globalization?

“There must be room for the idea of a global community,” Brandt insisted, “or at least a global responsibility evolving from the experience of regional communities” (*N-S*, 13).

A unique global society, with its own ethic of interdependence, is now in its infancy. Pivotal stirrings of conscience can be heard in the conversations and aspirations of people everywhere as this new partnership arises. That community is committed to peace and progress. It is committed to conserving earth’s resources and the environment. It is committed to life, liberty, and justice, to spreading democracy and creating open economies. It is committed to the equity and value of all people, to their self-reliance and capacity for self-development.

The environmental challenge has made the earth’s geographic borders seem meaningless. Media broadcasts and digital information instantly spanning the globe have also made political boundaries seem far less significant. The widespread mobility of refugees—due to famine, war, and the search for new employment—blurs political geographies even more. Multinational banks and corporations, likewise, have no particular loyalty to national borders, other than practical operational interests. Why, then, should citizens be expected to focus their interest and loyalty no further than a nation’s frontiers?

The right to self-determination is no excuse for a nation to use its sovereignty as a weapon against other nations, or against its own people. Everyone is familiar with national ideologues who prey upon citizens’ emotions to whip up support for a competitive cause. Sentiments of patriotic fervor, cries for protectionist barriers, fears for national security—useful in days of nation building—are becoming hindrances as the age of global integration ensues. How long can people be expected to give exclusive allegiance to a homeland when its policy decisions are made for it by big banks and corporations—sometimes other governments or international agencies—that are acting without regard to community interests and local concerns?

In spite of claims to the contrary, globalization opposes democracy. The ideology of globalization—which filled the vacuum of an unregulated international economy after the collapse of the communist bloc in 1989-91—is simply unfettered capitalism, the equalization of compulsory market standards masking itself as international liberty. Without values for human development, globalization holds no democratic constituency, no checks and balances, no equal opportunity, and no parity. It is based, rather, on oligopolistic competition among multilateral banks and corporations, and the competitive geopolitical objectives of the world’s twenty or thirty wealthiest nations. Where there are competing claims for economic ascendancy and power, there is no global vision, no consensus, and no collective action for the best interests of humanity.

Globalization requires instead that populations give up their sovereignty to make way for expanded markets. Under globalization, all that remains sovereign is the wealth of banks and corporations—a situation roundly endorsed by international bodies such as the World Trade Organization—while decisions are made over the heads of citizens, communities, and nations. As a result, the average person has no personal relationship with the chieftains of globalization. In truth, we have far more in common with marginalized people in distant nations whom we’ve never met, than with multinational officers of institutions which pay us no heed. Little wonder that growing numbers of citizens perceive globalization as an insidious form of economic autocracy.

Some heads of state, congressmen, and parliamentarians see the world’s problems clearly and may stand ready to act for the common good, but no matter how wise or powerful, leaders cannot make global democratic changes on their own. The leap from domestic responsibility to co-management of the world economy is considerable. It requires leaders willing to risk bold, honest action at the expense of short-term political effects. The determination to tackle the world’s complex issues cannot be generated by even the most enlightened of leaders without strong and informed public support. What limits the response of governments is not a shortage of resources or technical feasibility, but, as the Brandt Reports cautioned, "the lack of a clear and broadly and reflected awareness of the current realities and dangers, and an absence of the political will necessary to meet the real problems" (*CC*, 8).

If world leaders and international institutions are to be the highest expression of people's values, and authentically inspired by the populace they represent, civil society must itself embody those ideals. As the Brandt Commission suggested, the sweeping political decisions that are necessary "will not be possible without a global consensus on the moral plane that the basis of any world or national order must be people and respect for their essential rights, as defined in the Universal Declaration of Human Rights. Only if these ideas are sincerely accepted by governments, and especially by individuals, will the political decisions be possible and viable. This requires an intensive process of education to bring home to public opinion in every country the vital need to defend the values without which there will be no true economic development and, above all, no justice, freedom or peace" (*N-S*, 268).

The catalyst in this movement for new accountability can only be the world's public. It is time for global civil society to challenge the power of unsupervised globalization. To swing the pendulum of political action away from global privatization to global economic democracy, a new vision is needed, a framework of action and policies that puts the needs of the poor and disenfranchised right at the core.

A global citizens movement, with a powerful agenda for international development, is the necessary countervailing force in the transformation of globalization into global sovereignty. It is the world's only insurance policy. In coming months and years, representatives from non-governmental organizations, civil society, civic organizations, and individuals from rich and poor nations must draw together closely, forming a powerful coalition to raise international development issues to the top of the world's agenda. Working alongside world leaders, civil representatives must keep up the pressure for emergency relief for the world's poor nations, improvements in income distribution and employment, changes in production and demand, protection against environmental deterioration, and new regulation of the global economy.

Global economic issues must be taken out of the realm of official abstraction and brought down to earth, demonstrating that the distribution of goods and services is merely a relationship, and like any other personal transaction, is best governed by sincere and honest values. This plain understanding, reinforced by opinion leaders, must spread to the masses, extending into every community and touching each person. Caring, mutual respect, generosity, and sharing begin at home, after all, and should be expressed no differently in global economic relations. It is, in fact, that simple.

People of the world have a great responsibility as the twenty-first century moves forward. Increasingly aware that the global economic system is lacking in core human values, we are unsure how to respond, since our livelihoods depend on the international marketplace. Unlike those who speak for a democratic economy only to gain money, win votes, or blindly endorse the status quo, our actions must match our words. Time and energy are best spent, therefore, not in fighting globalization, but in transcending it, by demonstrating freedom, equality, and peace in every conversation, in every relationship, and every exchange. Through assembly, discussion, and action, it is our role as world citizens:

- to remind international organizations that their power is vested in us, and they must not force governments to give up their sovereignty

- to remind governments, who claim to represent us, that they were not elected to office by the banks and corporations

- to remind the banks and corporations, who also claim to represent us, that the public did not elect them to their offices

- to remind producers of their unsustainable production methods, and consumers of their unsustainable life-styles

- to remind society of its unsustainable wage levels

- to remind everyone that the fulfillment of individual need through local economic development is a human right and a cornerstone of the international economy

While governments, corporations, and the media continue to slant public opinion against the common interest, pitting one nation or region against another, people in developed and developing nations must gather and join resources, recognizing how closely their interests for human advancement coincide. "No matter how enlightened the plans for the economic and social betterment of people's conditions," said Brandt, "they will achieve little unless in parallel the battle is fought at the same time in both North and South, to liberate people from outworn ideas, from the grip of narrowly conceived national interests and from the passions and prejudices inherited from the past. A new international economic order will need men and women with a new mentality and wider outlook to make it work, and a process of development in which their full capacities flourish" (*N-S*, 63).

To move ahead, our global xenophobia must be faced. Fear of 'world bureaucracy' is simply fear of the unknown. No one wants a monolithic supranational body, or the dangers it would pose. World government is not necessary or desirable, but a new equation must be sanctioned. Strong multilateral rules and functions are needed to bridge the special claims of wealth, government, security, population, the environment, and human need. Global issues must be considered in the round, on an inclusive and representative basis. Power sharing is indispensable.

Ancestral roots, racial identity, national culture, independence, and self-determination must also be carefully guarded and preserved. No people or region should be forced to lose its individuality. At the same time, guaranteeing a nation's sovereignty does not set its interests in opposition to democratic international organizations or international law. Allegiance to the world community will give new legitimacy to national sovereignty. A new dimension of international responsibility is not a frightening prospect so long as it is guided by basic human values, and the community of nations is equally represented. Ultimately, national security can only be ensured by global security.

Can it be so difficult to create a new economic system that honors the sovereignty and self-determination of nations? Is there really a good reason why nations can't be organized and governed according to both popular consent and global prerogatives? Can we not be just as patriotic about an international community that supports our national sovereignty and freedom? Are we not citizens of the world already, at home and in our communities?

As Brandt observed in 1983, "A new century nears, and with it the prospects of a new civilization. Could we not begin to lay the basis for that new community with reasonable relations among all people and nations, and to build a world in which sharing, justice, freedom, and peace might prevail?" (*CC*, 10)

Part IV proposes an action program for a new global economy.

PART IV. GLOBAL ACTION PROGRAM

Common Agenda: A New Global Round of Negotiations

Although the economic division of the world takes expression in physical form, that vast disjunction begins in the human mind. The concepts of economic capital and human need have been split into separate domains of thought, and modern society perceives little causal relationship between them. The manifold connections between wealth and poverty must be redrawn at the global level, particularly through international discussion. Because of the general resistance of the media to focus on the disparities between developed and developing nations, personal dialogue remains the most effective means of generating new understanding on international development issues.

In practical terms, dialogue about global issues is even more important than the issues themselves, since collective deliberation and agreement is the principal way the world's problems will be solved. The willingness to speak freely and intelligently about world conditions can lead to new relationship, new commitment, and new agreement in the international community, resulting in an entirely new vision of what is possible. As Brandt cautioned, "The dangers from a foundering of the human dialogue are so great that every effort must be made to avert it" (*N-S*, 264). By the same token, simply putting language to a program for global action can bring it into existence.

Only the international community itself can create the inclusive policies, participatory institutions, and representative conferences that are required for global economic integration. At present, different issues are discussed at different times in different forums; but the world's economic issues are so interrelated they need to be discussed in a single forum, so that global decision-making can be interrelated as well. The next step, the Brandt Commission urged, must be global negotiations between developed and developing nations—effective talks to enlarge the possibilities for agreement on international development and democratic management of the world's economic system.

To bring about meaningful deliberations for an international relief program and a restructuring of the global economy, political commitment, goodwill, and enlightened leadership must be applied. The Brandt Commission encouraged world leaders to search together earnestly for solutions that are in the interest of all nations, noting that previous attempts at global negotiations had broken down, lacking "a sense of purpose, a feeling of urgency, an understanding of common interests and the political will to achieve concrete results in at least some areas" (*N-S*, 264). International dialogue must be "regarded as an opportunity for partnership, one in which all sides can work for their mutual benefit" (*N-S*, 65).

The Brandt Commission proposed two different arenas for global negotiations—*a summit of government leaders, and a worldwide popular referendum hosted by the UN General Assembly*. The purpose of these meetings is to bring the world's major interest groups together in a spirit of openness and accountability to respond to global problems, broaden international understanding, and establish a common economic framework. These two conferences would mark the beginning of the sovereignty of humanity; without them, the arbitrary power of markets and nations will remain outside the rule of international law, and democratic economic interdependence may not emerge at the global level.

The following outline indicates what these forums might discuss and how they could proceed. While this may not be an exhaustive list of what could be covered in the coming round of global negotiations, it lays out a common agenda for discussion of the major issues.

I. Summit of Government Leaders: For an Emergency Relief Program

The Brandt Commission's proposals fall into two broad areas—an Emergency Programme for the world's poorest nations, and a plan for restructuring the international economy. This section explains the rationale and delineates the measures involved in the Emergency Programme.

"We emphasize that human needs can only be met by the productive efforts of the society which strives to meet those needs" (*N-S*, 16). Poor nations must be responsible for their own development: to set their own goals, mobilize their domestic resources, strengthen their policies and institutions, root out corruption, ensure good governance, and identify the resources needed to reach their development goals. Clearly, "the prime objective of development is to lead to self-fulfillment and active partnership in the use of a nation's productive forces and its full human potential" (*N-S*, 23).

But even after they organize for development, there may still be a gap between what developing nations can do for themselves and what is truly needed. "The only way to make this possible for developing countries, particularly the poorest ones, is to enable them to build up and develop their own productive capacity" (*N-S*, 16). The international community recognizes, therefore, that many developing nations require external resources to optimize the conditions for their development.

"If the poor are to gain directly from growth and participate fully in the development process, new institutions and policies are needed to achieve redistribution of productive resources to the poor, generate rapid expansion in jobs and income-earning opportunities and provide social and economic services on a mass basis. A shift of development strategy to achieve these ends will depend on political will, efficient economic management and effective mobilization of resources" (*N-S*, 128).

To provide such assistance, heads of state from developed and developing nations should organize "an international meeting at the highest level, perhaps to be followed by others, to discuss North-South emergency matters and, if possible, to reach agreements, as concrete as possible, on how to turn certain mutual interests into creative partnerships, immediately and for the longer term" (*N-S*, 26). This group of world leaders should reflect *diverse regional representation*, stay in close contact with the United Nations, and, as far as possible, *work with development goals set by the member nations of the United Nations.*

The aim of this global summit is to plan and catalyze a major international relief programme, as a supplement to regular multilateral assistance. This conference "should be limited to some twenty-five world leaders who could ensure fair representation of major world groupings, to enable initiatives and concessions to be thrashed out with candor and boldness" (*N-S*, 281). Given popular and institutional support, this panel of high international stature would have the political sway to accomplish these measures multilaterally through the world's specialized organizations and agencies.

The meeting would not commit nations to comprehensive structural economic reform, since a summit of this sort would neither be universally representative nor an appropriate forum to discuss technical details. It could, however, do much to prepare the international climate and lay the basis for binding decisions on international monetary, financial, and trade policy in other fora. [The 1947 Paris Economic Conference, the 1975-77 Conference on International Economic Cooperation in Paris, and the 1981 International Meeting on Cooperation and Development in Cancún were earlier examples of this type of meeting for international relief. The Paris Economic Conference led to the hugely successful European Recovery Programme of 1948-51—the Marshall Plan—a milestone for the kind of emergency initiative that the Brandt Commission proposed. Another meeting of this type was the 2000 UN Millennium Declaration, a genuine consensus among heads of state from rich and poor nations, which promised to meet concrete targets for development and the reduction of global poverty by 2015.]

The primary task of the summit of global leaders is to discuss, plan, and launch a programme for international relief in developing nations—a global effort to eradicate poverty in the poorest nations. "Such an emergency programme is not a substitute for or in any way inconsistent with the longer-term programme of priority reforms that we recommend; but it is essential to undertake it if the world economy is to survive the threatening crisis of the years immediately ahead" (*N-S*, 277).

The Brandt Commission proposed that "an action programme must be launched comprising emergency and longer-term measures to assist the poverty belts of Africa and Asia, particularly the least developed countries" (*N-S*, 89). "Immediate aid must be accompanied by long-term plans to set these regions on the path to lasting growth which can eventually be self-sustaining" (*N-S*, 278). "These measures…are long-term; they need guaranteed resources over a long period before they can be undertaken; and they would only give a direct return on their investment after a relatively long gestation period. They need a time-frame of 15-20 years, and their planning should begin now" (*N-S*, 80).

The Brandt Commission's Emergency Programme includes these measures:

1. End Hunger

a. International understanding that ending hunger is the world's top priority
b. Measures to build the capacity of food-importing developing countries to achieve food self sufficiency
c. Adequate food and clean water
d. Improved fishing methods and stabilization of fish stocks
e. Agricultural and rural development programmes to increase domestic food production
    1) Credit
    2) Storage
    3) Marketing
    4) Extension services
    5) Research
    6) Efficient methods of agricultural production
    7) Agricultural implements
    8) Fertilizers, pesticides, and seeds
    9) Appropriate farming methods
f . Better food distribution through improved
    1) Transportation
    2) Refrigeration capacity
    3) Communications
    4) Regional needs assessments
g. Agrarian reform to provide the rural poor with land security
h. Linkages of food issues directly with other policy issues
    1) Employment
    2) Income
    3) Production
    4) Consumer goods
    5) Industry
    6) Trade
    7) Finance
    8) Patents
    9) Sanitation
i. Financial assistance to increase agricultural development and domestic food production

1) An international food assistance programme
2) An international food financing facility
3) Financial measures for stabilizing food prices and supplies
4) Global clearinghouse for food aid, including storage of
    a) Regular reserves
    b) Emergency reserves
5) Research and development on new plant varieties

j. Reduction of agricultural subsidies and tariffs
k. Local and regional development representatives, in association with the Food and Agricultural Organization, various UN agencies, and the International Fund for Agricultural Development would co-ordinate these programmes, with assistance from the private sector, governments, international relief agencies, and international financial institutions

2. Eliminate Poverty

a. International understanding that an immediate international aid programme is needed in poor regions of the world, including large-scale reallocation of resources
    1) Food
    2) Water
    3) Energy
    4) Technology
    5) Medicine
b. Healthcare
c. Basic housing
d. Education
e. Preventable diseases
f. Basic sanitation facilities
g. Affordable and effective family planning services
h. Equal access by women to
    1) Food
    2) Healthcare
    3) Nutrition
    4) Education
    5) Training
    6) Jobs
    7) Land ownership
    8) Credit
i. Better civil administration
    1) Effective training in
        a) Planning
        b) Management
        c) Engineering
    2) Social services
    3) Extension services
    4) Credit sources
    5) Taxes
    6) Trade unions
    7) Cooperatives
    8) Improved access to markets
    9) New business opportunities

j. Programmes are needed to build infrastructure
   1) Industrialisation
   2) Ports
   3) Roads
   4) Transportation
   5) Communication
   6) Rural electrification
   7) Renewable energy
   8) Secure energy supplies
   9) Reforestation
   10) Land and mineral development
   11) Energy development
   12) Irrigation and water management
   13) Soil management
   14) Prevent destruction of local environment for fuel
   15) Prevent diversion of manure from fertilizer to fuel

k. Public works employment programmes
   1) Soil conservation
   2) Reforestation
   3) Small irrigation dams, canals, and channels
   4) Land reclamation
   5) Drainage and flood control
   6) Roads

l. Support for low-wage labourers
   1) Easier access to credit
   2) Training
   3) Technical advice on product improvement
   4) Better tools
   5) Better facilities
   6) Sub-contracting opportunities
   7) Joint purchasing arrangements
   8) Assistance with marketing

m. Employment for the landless

n. Regulation of international immigration

o. Protection of the rights of migrant workers

p. Provision of asylum and legal protection for refugees

q. Local and regional representatives in association with the United Nations, the World Health Organization, and other UN agencies would co-ordinate these programmes, with the assistance of international financial institutions, regional governments, international relief agencies, and regional development Banks and Funds

3. Increase Global Aid

a. International understanding that developed nations will give more assistance, without political and commercial entailments, if developing nations eliminate corruption, restructure their legal and financial institutions, and strengthen their democratic institutions

b. Foster public awareness that large-scale transfers of resources to developing countries will contribute to the expansion of global trade and employment in developed nations

c. Adopt a timetable for aid contributions from developed nations to meet the international standard of 0.7% GDP, eventually increasing to 1% GDP

d. New partnership between borrowing countries and lenders of international financial institutions, allowing borrowing countries a greater role in decision-making and management

1) Improve the absorptive capacity of poor nations to organize and utilize larger volumes of investment
2) Create a consortium or task force led by major financial institutions and aid-giving organizations, in affiliation with the World Bank and IDA, and with input and assistance from the United Nations Development Programme, through which donors, recipients, and regional commissions
    a) Harmonize their efforts
    b) Co-ordinate multilateral financial contributions and terms of conditionality
    c) Dispense aid on an equitable basis
    d) Make flows of aid continuous and predictable
    e) Demonstrate accountability in targeting aid
3) Help developing countries obtain long-term capital through
    a) Easier access to capital markets
    b) Increased lending of commercial banks, non-bank institutions, and other private financial agencies to developing nations
    c) Independent assessment of sovereign risk for investors and lenders
    d) Encouragement of portfolio capital investments in developing nations
    e) Increased direct foreign investment
    f) Removal of restrictions, and provision of guarantees for risks assessment, in the placing of bonds on international markets by developing nations

e. Creation of a World Development Fund to complement existing aid structures and institutions
1) Expand programme loans
2) Support trade between middle-level and less-developed developing nations
3) Finance mineral exploration and energy exploration in developing nations
4) Serve as a channel for aid revenues raised on a universal and automatic basis (see next chapter: Popular Referendum of the UN General Assembly, 4.e.3.e.)

f. World Bank and other financial institutions should improve lending terms and reduce interest rates for the poorest countries

g. Increased level of development finance through World Bank and other Regional Development Banks and Funds

4. Global Energy Strategy

a. International understanding that energy security is a basic right, closely related to the right to food

b. Since rising energy prices lead to higher energy costs in agriculture and rising food prices, people in developing nations are forced to choose between using their land either to grow food that is uncompetitive on world markets, or to provide domestic fuel sources (e.g. tree-clearing for firewood or animal stocks for manure) which destroy the ecology

c. International agreement that energy is the shared responsibility of the entire world community

d. Global energy strategy to achieve a fair distribution of oil while ensuring the development of long term alternatives of energy sources
1) Orderly transition from a world economy and industry based on oil to one that is sustained through renewable sources of energy
2) Assurance of stable oil supplies and energy supplies
3) More predictable and gradual changes in oil prices
4) Changes in attitudes and practices to reduce energy consumption in developed nations
5) Targets for reduction of energy consumption without sacrificing economic growth
6) Development of alternative and renewable energy sources
    a) Solar (including biomass, wind, and tides)

    b) Hydro-electric
    c) Geothermal
7) New agreements between producers, consumers, and developing nations for an international framework on long-term exploration and development of energy resources
8) New financing for energy development to ensure supplies in poorer developing nations
9) A global energy research center under the United Nations
10) Careful monitoring of the use of military force to secure oil supplies

II. <u>Popular Referendum of the United Nations General Assembly: For the Restructuring of the Global Economy</u>

The Brandt Commission's proposals fall into two broad areas—an Emergency Programme for the world's poorest nations launched by a summit of world leaders, and a plan for restructuring the international economy. This section explains the rationale and delineates the measures involved in the plan for restructuring the global economy.

In addition to launching the international relief programme, the conference of world leaders would also discuss the broader question of how the Emergency Programme and global development in general, can be supported by international monetary, financial, and trade policy. "The start on reform of the international economic system must concentrate on:

· steps toward an effective international monetary and financial system, in which all parties can participate more fully

· acceleration of efforts to improve developing countries' conditions of trade in commodities and manufactures" (*N-S*, 277)

The discussion among these leaders would not be binding in any fashion. It would simply provide a new focus on current world economic problems, generate ideas about reforming the global economy, and settle the parameters and format for such discussion. These talks would help strike a balance between what is necessary and what is feasible, so that the world community has a clearer understanding of the major dimensions of the international economy, its inherent problems, and how they might be addressed. The conference of international leaders would offer possible solutions and forge commitments, set guidelines for detailed negotiations through international agencies, propose a timetable for results to be reached, and offer these recommendations to the UN General Assembly.

On the basis of the Emergency Programme for international relief by the conference of world leaders and their recommendations for global economic restructuring, the United Nations, its agencies, and numerous guests would begin their own review of the international economy. The Brandt Commission called for a "Global Round of Negotiations on international economic cooperation for development, with the UN General Assembly playing a central role, assisted by a small, representative and efficient negotiating and overviewing body, with representation at a high level of political stature and professional competence" (*CC*, 151).

"We believe that the UN General Assembly, being the most representative body in the international system, should play a central role in global negotiations and that this need not be inconsistent with respect for the role and competence of the specialized agencies" (*CC*, 147-48).

Under the watch of these high-level leaders, the UN would have the task of guiding the reformation of the international economy. The United Nations General Assembly would also host a multilateral referendum for all sectors of society, including representatives of governments, major corporations, private capital banks, central banks, the World Bank, the IMF, the World Trade Organization, and other international institutions, as well as representative input from non-governmental organizations, civic, and regional groups from across the world.

Arranging an effective conference of this magnitude may seem an improbable and unwieldy task, but sooner or later it must be created if the international economic system is to be genuinely responsive to the needs of the world's people. As the Brandt Commission noted, "Negotiations would thus take place in smaller, but self-chosen groups; but any agreements should be endorsed, after full discussion, by the plenary session. Our world society has grown to the point where we must now consciously apply to its institutions, particularly its decision-making ones, the principles of the Committee system" (*N-S*, 263-264).

[The 1992 United Nations Conference on Environment and Development in Rio and the 2002 World Summit on Sustainable Development in Johannesburg are precedents for such a 'global town meeting' of government leaders, business representatives, and members of civil society. No international referendum, such as a Global People's Assembly with UN affiliation, has been organized.]

Representatives from all nations, rich and poor, would meet for a series of discussions. Extensive consultation, bargaining, amendment, and compromise would be expected. Brandt suggested that negotiations of such breadth and significance need to be guided by principles of universality, common interest, and joint responsibility, rather than advantage, concession, and confrontation: constructive dialogue on global economic issues depends on a genuine spirit of partnership and mutual interest.

Over a period of months and years, these representatives would negotiate an agenda for broad-based, fully representative management of the international economic system. The UN General Assembly, in parallel with the popular global referendum, would plan measures for restructuring the international economy, along the following lines:

1. Ensure Global Governance

- a. International understanding that development reform will enable large masses of people to participate more fully in society
- b. Promote social and economic reforms within developing nations
- c. Build political and administrative structures in impoverished nations
- d. Encourage greater cooperation among developing nations
  - 1) Economic Cooperation agreements on
    - a) Regional integration
    - b) Sub-regional integration
    - c) Production
    - d) Preferential trading schemes
    - e) Monetary arrangements
    - f) Sharing of reserves
    - g) Export credits
    - h) Refinancing arrangements
    - i) Environmental protection
  - 2) Technical Cooperation agreements for
    - a) Technical support
    - b) Increased bargaining power in international negotiations

e. Redefine the concept of security as development, rather than military defense
f. Negotiate disarmament measures
    1) Make the world safer for development
    2) Reduce military spending
    3) Convert capital, resources, manpower, and high tech from arms production into civilian production and development assistance, including health, transportation, and urban renewal
    4) Place restraints on the export of armaments and arms-producing facilities
    5) Require disclosure of all arms exports
    6) Create international agreements to prevent proliferation of nuclear weapons
    7) Require inspection of all nuclear power plants by the International Atomic Energy Agency
g. Strengthen the United Nations system
    1) Expand the Security Council, making it more representative of the world's regional balance of power
    2) Secure greater stability for the UN budget
    3) Strengthen the economic and social activities of specialized UN agencies
    4) Allow greater input by non-governmental organizations and civil society in global decisions involving economic development and sustainability
    5) Strengthen and expand UN peacekeeping operations
h. Establish a High-level Advisory Body
    1) Monitor the various international institutions in the development field
    2) Streamline the UN System by coordinating budgets, programmmes, and personnel policies
    3) Facilitate a new negotiating framework for North-South discussion on economic development

2. Protect the Environment

a. International understanding that both industrialisation and poverty cause extreme stress on the environment
b. Commitment to making economic growth and development less destructive to resources and the environment, ensuring that economic development is within the carrying capacity of the global ecosystem
c. Transition from exhaustible fossil-based resources to renewable energy sources through mobilization of technical research and investment capital
d. A transnational environmental plan
    1) Clean up the environment
    2) Develop a long-term water strategy
    3) Expand reforestation projects
    4) Reduce industrial emissions
    5) Conserve energy and resources
    6) Reduce dependence on fossil fuels
    7) Develop clean and renewable energy sources
    8) Environmental impact assessments
    9) Subsidies, credits, resource taxes, tradable permits
e. International agreements to co-ordinate and enforce international standards on environmental protection
f. International cooperation for the management of the environment
g. An international regime for the maintenance of the global commons, protecting them from

overuse, including the oceans, the atmosphere, and outer space

3. Promote Fair Trade

a. International understanding that subsidies, tariffs and other trade restrictions are damaging to the long-term interests of both developing and developed nations
   1) World trade policy must be redirected away from export markets to the domestic markets of emerging economies, so that poor nations can have better access to the markets of developed nations and increase their earnings from the production and export of agriculture and mineral commodities beyond the amount they receive in aid
   2) International policy should promote industrialisation in developing nations as a means of development
   3) Strengthening of the primary and value-added commodity sectors will also contribute to development
   4) There must be a massive transfer of appropriate technologies and training at reasonable costs to enhance development and improve the technical skills of people in poor nations, fostering the necessary expertise and trained manpower to ensure their own technological development

b. Regime for international investment to foster partnership between government, foreign investors, and local producers

c. Measures to promote and regulate foreign investment

d. Financial support and technical assistance should be given to poor countries to facilitate and improve commercial infrastructure

e. Create a new world trade organization
   1) To promote open borders, greater transparency, individual freedom, higher standards of living, and new measures to raise global consumer demand for the world's surplus products
   2) Allow proportionate representation and decision-making by developing nations
   3) Ensure a more equitable settlement of international trade disputes
   4) Curb protectionist trade restrictions by developed nations for items such as steel, textiles, clothing, and agriculture
   5) Promote decreases in commodity subsidies in developed nations, and greater stabilization of prices at fair levels through international commodity agreements and new financing arrangements in developing nations
   6) Encourage trade agreements that include provisions for better environmental, wage, and labour standards, and improved working conditions
   7) Establish a new code of conduct and rules for international corporations, new regulations on restrictive business practices, and disclosure of information and tax liability
   8) Develop a new framework for foreign direct investment to improve wages, taxes, trade, and financial and environmental standards in developing nations
   9) Fair labour standards should be internationally agreed on to prevent unfair competition and to facilitate trade liberalization
   10) Sharing of technology for greater technological self-sufficiency in developing countries
   11) Increased development and transfer of appropriate technology to developing countries
   12) Improved bargaining strength of developing nations to negotiate international agreements
   13) Expenditure, production, and trade of armaments must be regulated by the world community, with full disclosure and new taxes on arms exports

4. Co-management of the International Economy

a. International agreement that the global monetary system must be reorganized to stimulate balanced economic growth, encourage stable currencies, expand liquidity, maintain environmental sustainability, promote political stability, and ensure equitable representation in global economic decisions and policies

b. Exchange Rate Regime
  1) The bulk of IMF gold stock should be used as collateral against which the IMF can borrow from the market for onward lending to middle-income developing countries
  2) Staggered sales should also be undertaken and accruing profits used as interest subsidy on loans to low-income developing countries
  3) Increased stability of international exchange rates should be sought through domestic discipline and co-ordination of appropriate national policies

c. New Reserve System
  1) Inaugurate a stable international reserve currency centered on the Special Drawing Right (SDR) as the principle asset
  2) SDRs replace the use of national currencies as international reserves
  3) Increase the issuance of Special Drawing Rights in clearing and settling balances between central banks
  4) New SDRs created as needed for non-inflationary increases in world liquidity
  5) Link expanded liquidity to the adjustment process in developing nations

d. Balance of Payments Adjustments
  1) The adjustment process of developing nations should be placed in the context of maintaining long-term social and economic development
  2) The International Monetary Fund should be restructured
    a) Hire more foreign nationals
    b) Decentralize operations with regional offices and advisory councils around the world
    c) Allow proportionate representation and decision-making by developing nations
    d) Ease the terms of loan conditionality for poor nations
    e) Expand its capacity to ensure predictable international exchange rates, provide balance-of-payments financing, and mitigate cyclical economic shocks in developing nations
    f) Enlarge and extend the scope of its compensatory financing facility
    g) Avoid inappropriate or excessive regulation of the economies of developing nations
  3) Programme for international debt relief, supported by governments and multinational banks
    a) Measures to increase employment, raise the incomes of the poor, increase purchasing power, and reverse the net outflow of capital from developing to developed nations
    b) Partial debt reduction · and in some cases · unconditional debt forgiveness
    c) Debt relief for developing nations must be linked to effective domestic policy reform to create development opportunities through earning, spending, saving, and investing, without being forced to increase exports and reduce public spending

e. Broad-Based Leadership to Manage the International Economic System
  1) International review of international financial institutions

2) Board or council of high-level international representatives
    a) Oversee global economic interdependence and provide advice and co ordination on international economic policies and goals
    b) Receive input from the World Trade Organization, the World Bank, and the International Monetary Fund
    c) Report to the UN, heads of state, and finance ministers
    d) Appoint a global 'securities and exchange agency' to manage international mergers, and global accounting and auditing procedures
    e) Appoint a global 'foreign exchange agency' to oversee international investment, banking, and foreign exchange, and limit volatile global capital flows
3) The World Bank should be restructured
    a) Hire more foreign nationals
    b) Decentralize operations with regional offices and advisory councils around the world
    c) Allow proportionate representation and decision-making by developing nations
    d) Encourage greater regulatory transparency, local ownership of development services, credit availability, societal participation, and aid effectiveness in developing nations
    e) Expand concessional aid financing
    f) Increase programme lending
4) World Development Fund
    a) Co-ordinate a multilateral programme for development assistance in developing nations
    b) Supplement the funds of existing institutions in dealing with periodic downturns in the global economy
    c) Insure foreign investment risk in developing nations
    d) Provide efficient and fair methods of raising revenues through a small surcharge or tax on items of income, production, consumption, or trade, to serve as a source of secure and long-term funds for development resources
    e) Automatic financing of new global programmes and institutions, through fees on
        1. International corporations
        2. International investment
        3. Foreign exchange transactions
        4. International trade
        5. International airline tickets
        6. Maritime freight transport
        7. Ocean fishing
        8. Sea-bed mining
        9. Offshore oil and gas
        10. International oil trading
        11. Satellite parking spaces
        12. Electromagnetic spectrum use
        13. Military spending and arms exports
        14. Toxic wastes
        15. Hydrocarbons and exhaustible resources
        16. Energy consumption
        17. Durable luxury goods

AFTERWORD

Earth in the Balance: The Vision of Willy Brandt

The 1980s and 90s were by no means 'lost decades.' In the years since the publication of *North-South* and *Common Crisis*, developed nations have enjoyed robust job creation, high employment, modest wage increases, high consumption, low inflation, beneficial interest rates, accessible mortgage rates, booming stock markets, broad consumer confidence, and great opportunities for upward mobility.

In the past twenty years, the world transformed enormously and, in some ways, for the better. People are living longer and there are more of us. Global population has risen from 4.3 to 6 billion, yet global food production has multiplied even faster. The world is producing more energy, accelerating productivity growth, and increasing living standards in many regions. More people are educated than ever before.

We've had the longest peacetime economic boom in history. Trade and production have become a truly international system, with a growing surplus of goods worldwide. Transnational corporations have proliferated with new markets, new ways of conducting business, and new means of production. Satellites, television, telephone, fax, computers, and the Internet have vastly increased the global flow of money and information. The technological and communication revolution, the electronic marketplace, and expanded transportation systems have connected people in distant places. Once-formidable barriers have come down in the digital age. Global convergence is a perceived reality.

The Internet, providing consumers and business with new opportunities, increased creativity, greater freedom, new choices, and more power, has democratized information. Instant information and greater transparency have also altered the internal political dynamics of every nation. With national borders growing more pliable as a result of the new technology, there are strong challenges to social cohesion, national sovereignty, and traditional ways of governing. It's all that governments can do to accommodate the public pressure for change within their own boundaries, let alone in the global arena.

Urbanization and migration have increased dramatically in the last two decades. Citizen networks, grassroots organizations, and voluntary associations are burgeoning. Values and lifestyle are in transformation, embracing foreign races and cultures. Democracy and human rights are demanded. Equality for women is a continuing challenge. Health services and education are now universal goals. Environmental protection and sustainable development have become rallying cries.

Many dictators have been ousted. More countries have adopted democratic institutions than ever before. The end of the Cold War—and its forty-year threat of global annihilation—has raised the hope of total demilitarization. Nearly all the former communist nations and most non-aligned nations, prepared or not, have plunged into the global economy. Except for a few isolated regions, monetarism in various forms has taken hold the world over, leaving no aspect of life untouched.

The end of the Soviet influence also left the world without a political or ideological check against global privatization. A new economic order—a kind of raw capitalism—has rushed to fill the vacuum created with the close of the bipolar world. Nothing stands in the way of the world's triumphant markets, fusing now into a single operation. Globalization has provided greater efficiency, increased output, and rising profit to producers; it has also meant reduced costs, increased credit, and more products for consumers.

Yet, the global market, which has brought so much advancement to so many, now looms as an obstacle to human progress. The values of Big Finance underpin all social and political decisions. The policies of deregulation, over-investment, excess production, low wages, and suppressed demand have consolidated commercial monopolies and created an excess of goods and capacity in most industries and services, while choking off liquidity in international development and destroying locally-rooted business across the world.

Obsessed with interest rates, export earnings, product surplus, debt financing, and high-risk speculation, world markets have been inattentive to research and development, public infrastructure, appropriate technology, training, employment, production, fair wages, and the provision of food, clean water, housing, health care, and education for the world's poor. Globalization continues to turn public assets into private assets at the international level, leaving governments powerless to stabilize and regulate abuses of market power.

Everywhere in the world, stock markets are teetering, while corporate profits shrink and debt levels surge. As market forces spin out of control, we come to the brink of global recession and political disorder. We may be entering a round of economic turmoil vast and unfamiliar. The international status quo could find itself under tremendous pressure to adjust its finances.

Had we acted back in the 1980's, the transition would have been far easier. Brandt's words in *North-South* are prescient. "Change is inevitable. The question is whether the world community will take deliberate and decisive steps to bring it about, or whether change will be forced upon us all through an unfolding of events over which the international community has little control" (*N-S*, 269).

After twenty years of inattention and delay, the sheer momentum of market forces may be driving us to a fateful climax. Realistically, we could hardly expect to move from a world of politically independent states into a realm of global economic interdependence without some element of friction. Now, as we cross that threshold, it is not comforting to know that there are no democratic international economic institutions in place to greet our arrival.

The world is adrift on a sea of floating exchange rates with no one at the watch. The World Bank grants loans to improve the infrastructure of developing nations, but the poor are left destitute. The IMF is charged with assuring stable exchange rates in the world's currency markets, but exchange rates have never been as volatile. The US Federal Reserve, the European Central Bank, and the Bank of Japan act as a de facto World Central Bank, jiggering exchange rates for much of the world. US dollars function as the near-universal reserve currency, leaving local economies dependent on the fiscal policies and fortunes of America. The G-7 finance ministers, representing 1/7 of the world's population, act in lieu of an international economic policy-making body. Instead of promoting peace and prosperity through commerce, World Trade Organization agreements suppress wages, protective standards, and export prices in the poorest societies. Developed nations grant a modest level of foreign aid, but developing nations send them back many times that amount through financial transactions with unfavorable exchange rates, unequal trade, and debt payments. The world's only representative organization, the United Nations, has no economic authority to redress these imbalances.

Global society is not well served by this arrangement. The planet has an abundant supply of goods, but a lack of buying power. Do we really expect three billion people—half the world's population—to become consumers when they are surviving on less than $2 a day? Can we say that we live in a free and just world when 80% of the people receive only 20% of the income?

Twenty years ago, Willy Brandt saw markets, corporations, and banks building a private bridge across the world, leaving the international public without access to its own resources and unable to span the widening gap without its own organization and infrastructure. His Independent Commission on International Development Issues sought to bring public self-interest, social development, and human potential back into the picture with its blueprint for a new global economy.

As Brandt envisaged, an awakening of global democratic interdependence in the twenty-first century is already stirring a new definition of self-interest, putting to rest former assumptions about human meaning and personal motivation, and their translation into social policies, institutions, and relationships. Presently, the personal identity which globalization offers the world's people ranges from the liberties of a 'corporate self' to the choices of a 'consumer self.' Increasingly, equal opportunity is demanded for the fulfillment of a 'global self' and a 'civic self', allowing citizens to participate directly in decisions affecting the planet, as well as their own lives.

The Brandt Commission also anticipated that a new definition of 'interest' would reformulate the traditional debate between individual rights and social needs. We are now witnessing the validity of that prediction. The transition from a world of independent states into an integrated global economy is creating new forms of interpersonal transaction and new standards for social exchange, as limiting and devitalizing structures break down and individual interest broadens to encompass the safety and prosperity of humanity. Before long, national self-interest may also be seen, not as competition between nations, but as the ability to sustain the world itself.

The recommendations in the Brandt Reports were based on the vision that individual incentive and the fulfillment of human need would someday be inclusive, balancing the creation of personal wealth with the provision of public goods and services. "We are convinced," wrote Brandt, "that the mutual interest of North and South will be served, that the world will be a more secure and prosperous place, if these proposals are adopted. This principle of mutual interest has been at the center of our discussions" (*N-S*, 64).

Willy Brandt lived to see the fall of the Berlin Wall, but the end of the North-South division has proven far more challenging. As an independent panel, untied to any government or global institution, the Brandt Commission left it to the international public to respond to its recommendations and generate action, knowing that fulfillment of those goals for world development would require a broad and representative constituency: "For without wide recognition and support from every sphere—global, regional, and especially at local levels—our proposals will have little impact, countries will pursue their own interests, and the world will hasten its march to oblivion" (*CC*, 8-9).

Each of us must soon face a responsibility to something greater than our families, our nations, and ourselves. As Brandt attested, the future of earth is in the balance: "Never before was the survival of mankind at stake; and never before was mankind capable of destroying itself, not only as the possible outcome of a world-wide arms race, but as a result of uncontrolled exploitation and destruction of global resources as well" (*CC*, 9).… "The conquest of poverty and the promotion of sustainable growth are matters not just of the survival of the poor, but of everyone" (*N-S*, 75)…. "There is much in favor of a 'programme of survival' with common and unifying objectives: we must aim at a global community based on contract rather than status, on consensus rather than compulsion" (*N-S*, 15).

The Brandt Commission offered a new formula, a program for survival and world recovery, to balance the economic and social needs of the world's people with the ability of earth's resources to meet those needs, now and in the future. Globalization cannot be our future, for it imposes growth without uplifting humanity. But the voices of an interdependent public for democratic integration can transform global privatization by tapping our immense resources of untried initiative and unspoken creativity, generating a living contract for sustainable development and cooperation, and restoring our personal and social capacity for growth.

Clearly, the Brandt Commission set a high standard for the world's people, and the prospect of a new global economy raises many practical questions. Why, if the Brandt Reports weren't adopted two decades ago, could they be expected to work today? Are Brandt's goals realistic in the current international climate? Can we get there from where we are now?

If the Brandt Commission's proposals have lacked a political framework in which they might be carried out, it is not because they are not concrete. It is rather in the very nature of Brandt's recommendations to point toward adjustments in the international balance of responsibility that are broader in scale than have yet been realized or implemented at national levels. It is possible that, even after a twenty-year lull in the North-South dialogue, the Brandt Reports may yet help overcome the lack of confidence in the negotiating process by serving as an impetus—and a practical example of—ways that representatives from both developed and developing nations can bargain constructively, search for more proportionate solutions, and attempt new multilateral initiatives.

Many of the statistics and fine points have changed in the last twenty years, but the complex of world issues remains the same. Only the global community can judge whether every detail in the Brandt Reports is still on target, but the breakdown of the international system today affirms the thrust of those proposals. The Brandt equation for the global economy continues to have a deep impact on international thinking, if not on policy. The ideas refuse to go away. In many ways, they were prophetic.

"There is a real danger that in the year 2000 a large part of the world's population will still be living in poverty," said Brandt. "The world may become overpopulated and will certainly be overurbanized. Mass starvation and the dangers of destruction may be growing steadily—if a new major war has not already shaken the foundations of what we call world civilization" (*N-S*, 11).

Perhaps only a world crisis will refocus the issues of wealth and need, generating new dialogue and the opportunity for change. What divides us now is not a shortage of resources or plans. *The only scarcity is the courage to act.*

BRANDT 21 FORUM

The Independent Commission on International Development Issues, chaired by former West German Chancellor and Nobel Laureate Willy Brandt, began its deliberations in 1977. The Brandt Commission, as it was popularly known, issued two reports and completed its work in 1984. As an independent panel, the Brandt Commission left it to the public to respond to its proposals, and for several years there was sustained global interest in the commission's reports. Said Brandt, "Even in the United States, where the initial impact had been very limited, there is now a growing grassroots movement centered on the Brandt Commission Research (Inc.) group, which provides public information on the work of ICIDI and its international development objectives" (*Common Crisis*, 167).

From 1980-1987, Brandt Commission Research provided news and background information to the media, governments, and the public on the Brandt Reports and international development issues. BCR associates held workshops and gave public presentations to UN conferences, international organizations, government agencies, corporations, schools, churches, and civic organizations across North America and Europe. BCR also designed a computer evaluation model to track international progress toward the Brandt Commission's objectives, and provided technical support for the Brandt Commission at its meetings.

In light of the downturn in the international economy and a growing public interest in international cooperation and development, several principals of the former Brandt Commission Research agency met in late 2001 to review the global economic situation and the recent conditions in developing nations. They concluded that focused global dialogue on launching an international relief program and restructuring the international economy remains the world's greatest priority. The closely related issues of hunger, poverty, population, women's rights, aid, debt, armaments, security, energy, environment, technology, corporations, trade, money and finance are still not discussed in a common agenda at a central global forum. In addition, the leaders, institutions, public groups, and citizens pursuing reforms in these areas are not effectively coordinating their efforts and lack a unifying goal or plan.

As a result of this review, **Brandt 21 Forum** was formed to carry on the original work of the Brandt Commission. Comprised of interested persons from across the world, the objectives of Brandt 21 Forum are to:

- Update the proposals of the Brandt Commission
- Provide information to the media and generate a new public dialogue on international development
- Involve government leaders, congressmen and parliamentarians, international agencies, non-governmental organizations, and the public in an international campaign for global negotiations
- Publicize and support an emergency relief program for developing nations, as well as a restructuring of the global economy

James Bernard Quilligan, managing director of the Brandt 21 Forum, has graduate degrees in Political Science, Communications (ABD), and Literature. For twenty-five years he has served as a writer, speaker, educator, analyst, caseworker, and administrator in the field of international development, working with dozens of governments and international organizations. From 1980-1987, Quilligan was the director of Brandt Commission Research, a public information agency on the Independent Commission on International Development Issues.