



Willy Brandt (centre) at the Commission meeting hosted by IDRC president Ivan Head.

COMMON CRISIS

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Three years ago the Independent Commission on International Development Issues, better known as the Brandt Commission, sounded an alarm heard around the world. "At the beginning of the 1980s," the Commission declared, "the world community faces much greater dangers than at any time since the Second World War. It is clear that the world economy is functioning so badly that it damages both the immediate and the longer-run interests of all nations."

The Commission is still at work trying to rouse the world and recently renewed its warning about the deteriorating global condition, this time focusing on the crisis of international finance.

The Commission's original report, *North-South: a program for survival*, warned that a major redesigning of the economic relationships between the developed and developing countries, among other changes, was needed to avert a "serious breakdown of the world economy in the decades of the eighties and nineties." Few of the Commission's recommendations were implemented, however, and the subsequent meeting of world leaders in Cancun, Mexico, while making people around the world more aware of the interdependency of the North and South, achieved few immediate, concrete results.

At its most recent meeting (in Ottawa, Canada, last December), the Commission again warned of the need for immediate action. As it had feared, the world economy is in a recession. World trade is flagging, factories in indus-

trialized countries are idle, unemployment has become a social as well as an economic crisis, and many developing countries cannot finance vital imports such as fuel, machinery, and food. To make matters worse, the natural tendency of countries is to contract: Production, employment, trade, aid, and credit are shrinking.

The Commission, composed of senior politicians, economists, and academics from some 20 countries and chaired by former West German Chancellor Willy Brandt, sees this contraction — more specifically, the problem of liquidity or access to money — as the most pressing global problem. It is a "crisis of confidence in international finance," says the Commission.

The liquidity problem, superimposed on the more serious structural weaknesses of the global economy and monetary system needs immediate attention, the Commission argues. Developing countries, with debts of US\$600 billion, are having trouble borrowing in private capital markets. Many are near bankruptcy. Bank lending slowed to a trickle in 1982, and international reserves are decreasing. This process is dangerous: "If each country retreats inwards through an impulse of self-preservation, we shall only worsen our collective and our individual conditions," says the Commission.

Because neither the governments of developed countries nor the international money market feel able to fill the financing gap, the Brandt Commission recommends, as part of an emergency

plan, that more funds be made available through multilateral lending agencies. It calls for the International Monetary Fund (IMF), for example, to increase substantially its Special Drawing Rights. These accounting units honoured by IMF members would be distributed to reflect the needs of developing countries, especially the poorest.

IMF quotas — that is, contributions from member countries — should also be doubled, the Commission argues. That would give the Fund an extra US\$32 billion over three years. But even this is "no great radical step forward," says Commission member and Secretary-General of the Commonwealth, Shridath Ramphal. "In fact, when the quotas were first established in 1965, they represented 12 percent of world trade. They have since gone down steadily. A doubling of quotas will only take them up to something like five percent of world trade, which is where they were 10 years ago. It is a modest step forward in many respects."

"It is the provision of financial flows to overcome the problems of liquidity that we hope will regenerate world trade," says Mr Ramphal. "With that process of regeneration, we hope the protectionist barriers — almost protectionist *barricades* — that are being erected will come tumbling down."

To complement liquidity increases from the World Bank and IMF, the Commission urges government creditors to forgive all debts of the least developed countries. "This would eliminate almost half of the total foreign debt owed by the low-income countries of Africa in 1981," the Commission notes.

The recommendations emanating from the Brandt Commission's four-day meeting in Ottawa touched only on the liquidity issue. These and other emergency proposals dealing with trade, food, and energy were subsequently published under the title *Common crisis**. Their aim is to avert "world economic collapse and the subsequent chaos and human suffering."

While Brandt and his Commission may sound like doomsday prophets, they are optimistic that their proposals could influence the outcome of the UNCTAD VI trade conference in Belgrade in June 1983 and the summit of non-aligned nations slated for March 1983 in New Delhi.

"There are people today who think we just can't do much about the world crisis," says Mr Brandt. "I have decided, for the years I have left in my life, not to accept this view, but wherever possible to counteract negative, destructive, and suicidal forces." □

*Published in the U.K. by Pan Books, 18/21 Cavaye Pl., London, England SW10 9PG.