The British Government and the Brandt Report

Comments on the Memorandum prepared by the Foreign and Commonwealth Office for the Overseas Development Sub-Committee of the Foreign Affairs Committee[1]

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This Memorandum (often referred to as the White Paper on Brandt) has come under severe criticism as being a negative or unimaginative response to the Brandt Report. Unimaginative it certainly is, since the Memorandum does not contain a single new alternative proposal, let alone a vision of a new international order. But, to be fair to its authors, in their view of the world there is no need for any new vision or new ideas, since a) the existing order and institutions are perfectly capable of adapting themselves to new requirements, as they have done in the past; and b) most, or all, of the adjustment measures which are needed have already been put forward and are under active international debate. The perception of the Memorandum is that the changes which have occurred over the last ten years or so are not fundamental or revolutionary enough to require an entirely new order, new institutions, or even a reversal of policies.

This must obviously be a matter of judgement. Many economists and observers, even outside the Third World, would argue that the events of the 1970s have destroyed the foundations of the world system which, on the whole, worked well during the 1950s and 1960s, and hence that these changes *are* fundamental and revolutionary enough to require new thinking, a 'new order' and a new, or at least thoroughly revamped, set of institutions.

The Memorandum in being critical of the Brandt Report—usually more implicitly than directly—makes some valid points. Two in particular may be mentioned here:

1. The Memorandum emphasises the impact of rising oil prices as one of the factors responsible for the slowing-down of economic growth and for the plight of so many oil-importing Third World (NOPEC) countries. This puts a finger on a major weakness in the Brandt Report, which was much too diplomatic and timid in addressing OPEC. The Memorandum is quite right in saying of the oil producing countries that 'the policies they adopt on oil production and pricing and on management of their financial surpluses, will to a large extent determine the economic prospects for developing countries without oil'. The Memorandum is also justified in pointing out that direct comparisons of percentages of GNP given in aid by OECD and OPEC countries are misleading (even if OPEC aid were distributed fairly among the NOPEC countries, which is clearly not the case). 'In contrast to the constraints on OECD countries, many OPEC countries have the benefit of large surpluses earned by their higher priced oil.'

But, while the Memorandum in these respects fills a gap left by the Brandt Report, it does not make it clear enough a) that OPEC's is not the sole responsibility for the troubles of the Third World and the world economy; and b) what exactly the industrial countries would be prepared to do to match any restraint by OPEC on oil and oil prices and any concessions to NOPEC countries. Thus one must receive the Memorandum with mixed feelings: while it addresses OPEC more firmly than the Brandt Report did, it lays itself open to the suspicion that OPEC is being used as a scapegoat for the failures of the OECD countries.

2. The Memorandum is also justified in objecting to the simplistic North/South categorisation of the Brandt Report, dominating not only its title but also its content. There are at least five relevant categories: i) the 'North/West'; the OECD countries; ii) the 'North/East'; the Russian bloc; iii) OPEC, or at least the surplus OPEC countries; iv) the NICs: the newly industrialising medium-income countries; and v) the poor NOPEC countries. One can agree further that this calls for a complex world economic system 'which can accommodate them all'. But this does not imply, as the Memorandum assumes, that this world system must have a strong family resemblance to the present world economic system which 'has regularly and flexibly adapted to changing conditions and can be adapted further'. There is no serious discussion of the Brandt Commission's position that the changes now required *exceed* the limits of simple adaptation of the present system.

Next, we may look at the question of mutual interest. In this respect there is a curious, though superficial, alliance between the Brandt Report and the Government Memorandum. Both believe in some version of pre-established harmony in the world

[1] *The Brandt Commission Report*. July 1980.

Bulletin, 1981, vol 12 no 2, Institute of Development Studies, Sussex

economy. But the Memorandum favours a 'trickle-down' model as against the Brandt Report's 'engine of growth' model.

The Memorandum fervently supports the Brandt Report in its emphasis on mutual interest. However, there is a subtle, but major, difference between what the Brandt Report means by mutual interest and by what the Government Memorandum ends up by defining as mutual interest. This difference emerges most clearly in the Memorandum's phrase that the British aid programme should serve Britain's 'commercial interests'. The Brandt Report, however, talked about the interests of the industrial countries in seeing fuller employment and a more stable and harmonious world economy in general, with the possibility of the Third World acting as an 'engine of growth', which is not necessarily identical with direct 'commercial interests'. The difference is somewhat similar to that between the private and social benefits of development projects—a well-established distinction. Moreover, the Brandt Report does not to the extent that the Government Memorandum does eliminate moral arguments in order to replace them with 'mutual interests'. Rather, it argues for the existence of a sort of 'invisible hand' by which what is morally right and equitable also miraculously turns out to be in the long-term interests of the industrial countries.

Moreover, the Government Memorandum shows no real understanding of the major argument of the Brandt Report that such a coincidence of interests is particularly strong in times of depression and unutilised capacities. The Memorandum throughout argues that the immediate job for the UK is 'to put its own house in order', mainly by getting rid of inflation. This avoids the Brandt Report's main argument: that its proposals are the best way in which the industrial countries can 'put their house in order', and that this may require a new international order.

Turning to international trade, the Government Memorandum makes another of those ambivalent points which are superficially progressive, but do not take account of deep underlying differences. The Memorandum declares its intention to maintain a system of the freest possible trade 'keeping restrictions and controls to a minimum'. This is an important and essential contribution to world development. But one is bound to point out that putting control of inflation first and trying to achieve this by putting the brakes on domestic production has the same restrictive effect on imports from developing countries as the imposition of controls combined with a higher volume of domestic activity. The same argument, regarding the importance of giving developing countries access to our markets for their exports, can be used not only for the avoidance of tariffs and other restrictions but also to avoid policies which result in undue failure to use our domestic capacities.

As regards growth in the world economy, the Memorandum states firmly that 'the Western industrial countries, including the UK, must be the main motors of this growth'. This is in direct opposition to the scenario suggested by the Brandt Report, under which the developing countries would be the main motor of growth of the world economy. Now, there is no pre-determined 'correct' view in this matter. In the 1950s and 1960s, the Western industrial countries did act as a main motor of the growth of the world economy, and it is possible to think of a scenario in which they would once again resume this role, as one can also, like the Brandt Commission, put forward an alternative. What surely *cannot* be argued is that *at the present time* the Western industrial countries are playing the role of main motor of the world economy. On the contrary, it is the developing NOPEC countries, which, by maintaining huge balance of payments deficits and import surpluses, act as a motor for the world economy.

The authors of the Memorandum would argue that once inflation has been brought under control and the adjustment to the higher cost of oil made, the Western countries will resume growth and become the 'main motors' once again. But this adjustment and the control of inflation, in the monetarist perspective of the Memorandum, requires action which would make the Western countries or at least the UK, a *brake* on the world economy, rather than a motor, while the adjustment and control of inflation lasts; and it would do so at the expense of the poorest countries in the world economy. Clearly, a double assumption is involved:

a) that the measures now undertaken, at the temporary expense, at least, of the world economy, will bring inflation under control;
b) that once inflation has been brought under control, growth will be resumed as if nothing had happened.

But the second assumption implies that once growth in the Western countries has been resumed, the price of oil will not rise further, thus starting a new cycle of restraint and deflationary action. This goes against everything we know about the power and policy of OPEC. Thus, one must conclude that the Brandt Report's scenario is more realistic than that assumed in the Memorandum.

There seems only one possible arrangement under which OPEC would not raise oil prices further, once growth resumes, and thus bring the whole pack of cards tumbling down again: an agreement on oil prices. But this agreement can only be reached as part of a joint bargain which includes taking the kind of action on behalf of developing countries suggested in the Brandt Report.

There is a potent argument for international Keynesianism neglected in the Memorandum. While the adjustment lasts and we have unemployment and other underutilised resources, the social or real cost of resource transfers to poorer countries is sharply reduced (and could even be zero or negative). If the Memorandum argues that we must wait until we have successfully adjusted and growth resumes, it thus says, in effect, that we can only afford aid to developing countries when its real cost to us is high, and not when it is low or zero. Put in this way, the proposition loses much of its Puritan/commonsense appeal (based on false analogy with the private household) and appears more in the nature of a paradox.

The Government is naturally entitled to act according to its own opinions, at least as far as domestic policy is concerned. If it prefers domestic monetarism to domestic Keynesianism, that is a matter which may be debated; at the risk of sounding callous, one would say that the stakes are relatively tolerable, providing that the structure of a welfare state for the unemployed is maintained. However, when aversion to Keynesianism is extended from the national to the international scene, what is at stake is the livelihood or even survival (to use the Brandt Report's term) of the poorest countries and the poorest people in the world. Moreover, it is surprising that a Memorandum which rightly stresses the diversity of conditions in the so-called Third World and objects to any polarisation or confrontation, should not hesitate to speak in this matter, not only for the UK but generally for the Western industrial countries, whose position, ideology and policies vary no less than those of the developing countries.

A final point should be made. One must hope that the UK will be judged by the world community, not by the words of this Memorandum, but rather by its actions. In terms of action, the UK has been by no means among the lagging partners on the Western side. But it seems a policy exists of not getting credit for our actions by denying them in 'tough' words. The objection to the Summit meeting in Mexico—now withdrawn—is a good case in point. It is certainly disappointing that such a further step should be needed—some of us thought that the Brandt Commission *was* a Summit.[2] But once it was clear that it was not, that more was needed to generate political will from the top, objections to the Summit meeting could all too easily be interpreted as objections to progress.

[2] The author shared the hope that a Summit might not be necessary. See H. W. Singer: 'The Brandt Report: a 'northwestern' point of view', *Third World Quarterly*, October 1980, pp 694-700.

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