A case of subversion

Efforts to pit Reagan against the developing countries are coming from the Brandt Commission.

In the months leading up to a controversial summit to be held in Mexico this fall on "North-South" relations, the "Brandt Commission" has launched a far-flung international campaign to seize control over that summit.

The recent hoopla at United Nations headquarters in Geneva, Switzerland over a Reagan administration veto of a U.N. program to regulate powdered milk sales to Third World countries is part of the Brandt Commission campaign. The incident fits in with a pattern of accusations from Brandt Commission circles that the new breed of "neo-conservatives" inhabiting Washington has no comprehension of Third World needs. The milk incident and related accusations are aimed at wrecking Reagan administration diplomacy toward countries like Mexico before autumn.

Formally titled the Independent Commission on International Development Issues, the Brandt Commission name refers to its chairman, Socialist International head Willy Brandt. It was formed on request of the U.N. in 1977 to elaborate proposals for governing economic ties between industrial and developing countries.

In summary form, the Commission's recommendations boil down to the following:

- The industrial countries should reach agreement with the oil producers in OPEC for indexed annual oil price rises pegged to Western inflation.
- OPEC should use its constant revenues to finance the deficit of the poorest nations in the world which in recent years have been essentially cut out of the private capital markets.
- Containment of the payments deficits of the poorest nations can then pave the way for increasing the financial resources of the World Bank. The Commission report recommends that the "gearing ratio," the ratio between liquid capital and loans at the World Bank be upped from its present level of $1 in to $1 out, to 2:1 or 3:1.
- The Commission is emphatic that the constraints of international monetary problems created by a decade of oil crisis dictate that industrialization of the Third World is impossible. Lending to the developing sector *must* be confined to financing labor-intensive, or "appropriate," technologies.

The Commission's self-serving propaganda about the needs of the poor fails to hide that what this program really amounts to is a fantastic bailout to the international money-center banks. In mid-April, *Far Eastern Economic Review* (*FEER*), the journal of Hong Kong-British banking elites, endorsed the Brandt Commission recommendations in a cover story which also attacks Reagan and his "neo-conservative" movement. It is worth noting that the *FEER* story never mentions the Brandt Commission by name. Nevertheless, the contents of the its recommendations are identical to the Commission's study.

FEER states: "forget humanitarian grounds for aid. . . . Simply look at the problems of sustaining some sort of equilibrium in the non-socialist financial world on which international trade depends." As *FEER* has also recently emphasized, the world banking system is on the verge of dissolution due to a $100 billion international payments deficit fueled by high oil prices and interest rates. "The era of holding interest rates below the rate of inflation is over. . . . The question is whether there will be adequate cash available in the short run and whether governments will impose the necessary reforms to ensure an orderly retrenchment. . . . Massive capital flows are needed along with the will to enforce politically sensitive austerity programmes."

FEER then goes on to endorse the proposal for changing the World Bank's gearing ratio to 2:1, adding that incoming World Bank chairman A. W. Clausen—formerly head of Bank of America—supports the gearing change.

The problem the Brandt Commission faces is that without a global rise in liquid capital, international banks will go bankrupt. But, if world capital is allowed to expand, they fear, what is to prevent Reagan's administration from opening the floodgates to heavy capital exports to Mexico and other developing countries? To prevent that, the Brandt Commission is emphatic that the World Bank must exercise de facto dictatorial control over world capital flows.