



Routledge Studies in Modern European History

THE BRANDT COMMISSION AND THE MULTINATIONALS

PLANETARY PERSPECTIVES

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ROUTLEDGE

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4 The G77 and the NIEO: The Contours of a New World Order

The oil and the power and powerlessness of the poor

Chapter 1 described the collapse of the Bretton Woods order in 1971 and laid out the global scenario that followed. Those who held dollar reserves could no longer change them for gold. The decision to cut ties to gold enabled the United States to print as many dollars as it wanted, and in 1973 the dollar was not only floating alongside gold, but its value decreased against every other currency while inflation accelerated. Since no other currency was strong enough to replace the role of the dollar, it continued as the peg despite its volatility. The floating dollar was the new standard of value. Exchange rates began to fluctuate on the money markets, and the fluctuation soon influenced commodity and labour markets.

Spiking inflation and currency chaos caused by growing fluctuation in exchange rates prompted investors to look for safer havens. They began to invest in commodities rather than floating currencies. Commodities became a hedge against inflation, but the growing demand for secure investments maintained inflation. Grain prices quadrupled, which benefited the United States with its vast industrial production of wheat and grain, but which hit food-importing Third World countries. American producers traded in dollars. Nixon's Treasury Secretary described the situation bluntly: "The dollar may be our currency, but now it's your problem."¹

Oil traded in dollars fell heavily in price in real terms. Oil-producing countries in West and Southeast Asia, Africa, and Latin America considered how to react to the declining incomes. Since 1960, they'd organised themselves into a price and production cartel, which was dominated by the Arabian oil producers. Oil was the key energy source of industrial economies, and there had been a continuous expansion of oil sources since the 1950s, but, in 1960, there was a surplus of supplies in the world market and, as a consequence, the Organization of the Petroleum Exporting Countries (OPEC) was formed. The declining dollar deepened the already precarious situation of the oil producers. The opportunity of the cartel to react to the decline in prices came from an unexpected quarter. The Arab-Israeli Yom Kippur War in October '73 triggered an oil embargo on shipments from the

Arab states to Israel's Western allies. It was a weapon that hit the West hard, surprising and amazing those affected. In a few months, the price of oil on the world market increased by 400 percent. The war was a catalyst, but the causes were deeper and connected to the fall of the Bretton Woods' system.

As we saw in Chapter 1, poor countries suffered from increases in the price of grain while rich countries suffered from increases in oil prices. Algeria was both an oil-producing and a poor country, and its leader, Houari Boumediene, explained the conflict of interest he felt, and his solution for it, in a speech in February 1974:

We do not find oil too expensive. For us it is machinery, technicians, the cost of knowledge, studies and money which are too expensive. The man who goes hungry, who rides a donkey, who wants to learn to read, does not have the same preoccupation as the one who goes for a drive on Sunday, and for him the price of wheat is more important than the price of asphalt. The price of wheat has quintupled. For a long time the price of iron has not moved, but by how much has the price of a tractor increased? The problem facing the world is much larger than oil alone or even raw materials: it concerns the relations between the developed countries and the others in every field. This is the heart of the question.²

The North and the South were stuck in a mutual food and energy crisis. The voices of the rising South argued that decolonisation had mutated into neocolonialism through private investment by the rich world and the subsequent expatriation of the profits. The decolonial promises of independence and development were never fulfilled. The leaders in the North complained that the oil producers in the South blackmailed them.

As we saw in Chapter 1, during 1973–74, the Third World seemed to be on the point of revolution, not in the sense of a violent revolution, but a *kairotic* situation in which everything could be won or lost. What was cause for pessimism in the North created optimism in the South. Seemingly independent events from each other, like the dollar collapse in August 1971 and the Yom Kippur War in October 1973, triggered reactions that made them look synchronised. Developments in the 1950s and 1960s had built up structures that were now ready to explode. The average annual GDP growth rate during these decades in the Western part of the industrialised North was 4.5 percent. Much of this growth could be accounted for by an increased level of mass consumption in one small part of the world through the rebuilding of what had been destroyed in the Second World War, which created employment and spending power. But the rebuilding had been done to a higher standard, and this had changed the world in fundamental respects. In particular, the transformation provoked new kinds of expectations in both the North and the South, and they were not necessarily compatible.

Surging oil prices hit the industrial economies in the North and the oil-importing poor countries in the South. However, in the Third World, the

reaction was different from the North. Third World producers of other raw materials believed that in the oil price hike they had found an example to emulate. They saw the potential in cooperating over prices and production volumes and standing up for better terms of trade, tariff reductions, and more development aid. They reflected on the collapsed Bretton Woods system that had benefitted the rich industrialised North, particularly the United States. The South called for a revision of the international economic system.

What happened in the years between 1971 and 1973 did not come suddenly, even though it appeared to. In the industrial North and the developing South structures that had built up for decades were undermined in the 1960s and imploded at the beginning of the 1970s. In the North, the structures were tied in with Fordist production, which saw its beginnings in the 1870s and the Industrial Revolution. These structures had to do with labour relations, rationalisation of manufacturing production through time measurement, piece work, and conveyor belts in large factory systems with homogenous labour markets, benefiting from hierarchical and national organisation that looked after the interests of capital and labour. They maintained the mutually reinforcing dynamics between mass consumption and mass production. Free trade, which was sometimes more a goal than a reality, was also an important part of the system. Since the 1950s, Fordism provided the material basis of politically managed national welfare in the United States and Western Europe, legitimised by Keynesian economic theory, though both public welfare and the role of the state were defined in widely different ways between countries. We saw in the previous chapter how multinational corporations began to undermine this order in the 1960s by escaping and circumventing it. It collapsed with the fall of Bretton Woods.

The challenge that faced the world dealt with development in the South. As we saw in Chapter 2, development had been the galvanising watchword accompanying decolonisation since the 1950s. Simultaneously with the rise of the MNCs, the development discourse shifted to the dependency discourse, and neocolonialism became a new watchword to describe the situation. In the mid-1960s, radicalisation, and growing disappointment with what decolonisation had failed to deliver, coincided with the Bandung movement of non-aligned countries that had been born in 1955. The movement challenged the emerging situation in which the two superpowers required decolonisation but practiced neocolonialism.³

The first UN conference on Trade and Development (UNCTAD) in Geneva in 1964 gathered over 4,000 delegates from over 120 countries. Unlike the Bretton Woods institutions (the World Bank and the International Monetary Fund), in which influence was based on economic power, UNCTAD, like the other UN institutions, comprised all nation states that were recognised by the United Nations and gave them one vote each. After its initial success, the Conference became, as we saw in Chapter 2, institutionalised with a secretariat in Geneva and a major intergovernmental meeting every four years. In this

context, the developing countries established the Group of 77 (G77) through which to articulate their concerns and claims.

The G77 was based on a collective belief that development problems affected all its members and were mainly derived from the prevailing inequitable pattern of international economic relations. The aim was to create an effective and dynamic negotiating body whose expertise and bargaining power would be taken seriously by developed countries. Supported by the Soviet Union, they argued that the rich industrial countries exploited raw material and commodity exporters in the South through the low prices paid for their products.⁴

An early step between Bandung and UNCTAD on the path towards the new international economic order (NIEO) was the nine-country commission on Permanent Sovereignty over Natural Resources that the UN General Assembly appointed in 1959. The Soviet Union expected that the commission would report on sovereignty violations and demonstrate the existence of neocolonialism. Western governments were afraid of nationalisation and the circumvention of international law. The South was worried about exploitation by the North. Everyone was concerned about the situation but diverged when it came to identifying what those concerns were. The report led to a UN resolution in 1962, but it was hobbled by an attempt to disguise the explosive force of the problem, and it hid the issues in generalities and technicalities. In the light of the lack of development, the problem would become the core of the NIEO's demands a decade later when the expansion of the multilateral corporations forcefully threw the sovereignty and resource issue onto the fire of growing North/South tension. During nine days in July 1962, a conference on economic development problems under the auspices of the UN Economic and Social Council and the UN Economic Commission for Africa met in Cairo and adopted a Declaration of Developing Countries. The declaration drew attention to the growing disparity in standards of living prevailing in different parts of the world. Despite universal acknowledgment of the necessity to accelerate development in less developed countries, few workable proposals existed to enable them to attain a reasonable growth rate. The declaration stated that terms of trade continued to operate to the disadvantage of the developing countries, accentuating their unfavourable balance of payments.⁵ The statement was an important milestone in the establishment of UNCTAD. In 1963, a year before his appointment to the post of secretary general of UNCTAD, Raúl Prebisch talked about a new international economic order.

In an article on the origins of the NIEO, Daniel Whelan describes how, in 1966, the Senegalese foreign minister Doudou Thiam reflected on the previous twenty years of UN history in an emotional speech he gave in the UN General Assembly. Thiam's main concern was the United Nations' failure to fulfil its goals during its first development decade. Instead of development, a growing inequality in the share of global income between developed and underdeveloped countries had enlarged. In 1938, the income disparity had

been 15:1; by 1966, it was 35:1, and projected to be 40:1 by 2000. Thiam provided a historical perspective, investigating inequality through factors such as geography and race, concluding that no single factor could explain the phenomenon. Compared to India and China's historical dominance, Western prosperity was recent and short. So-called poor nations were not as poor as they seemed. In 1963, they held 50 percent of the world's petroleum, copper, and manganese ore and 70 percent of its diamonds. The situation was similar in terms of agricultural commodities. The problems were caused by the world's inequitable division of labour and the deterioration of terms of trade since 1950. Even though a formal process of decolonisation was underway, developed countries were still pillaging developing countries, and on a global scale. Thiam called upon an economic Bandung conference to formulate a new world economic charter in which developing countries would not present a list of complaints but rather lay claim to and demand what was rightly theirs, what was "due to man, whatever his nationality, his race, or his religion." This imagined Bandung-style conference should not be filled with hatred, but "justice, balance and reason," yet it should define a new revolutionary attitude.⁶

Prompted by these historical factors, a summit of the Non-Aligned Movement, with roots in Bandung, took place in Algiers in September 1973, just a few weeks before the Arab-Israeli war triggered the oil price shock. The chair, Algeria's President Boumediene, persuaded the meeting to prioritise the struggle against economic neocolonialism by demanding the right to nationalise strategic industries and set fair prices for raw materials. Ever since the 1950s, the prevailing Cold War obsession had been the nuclear terror balance. The meeting's slogan broke with that: "The real nuclear bomb is the billions of human beings in the Third World."⁷ The summit redefined the conflict: from East/West to North/South. Boumediene called for a special session in the UN General Assembly to present the demand for a New International Economic Order. In April 1974, the special session gathered.

Tiersmondisme born in Bandung in 1955 gained strength through the G77 and UNCTAD's campaigns for fairer world trade. The movement expanded to yet another policy area: the environment. In June 1972 in Stockholm, the United Nations organised a global conference on the "Human Environment," which attracted much attention worldwide. It was the first time that the environmental issue became the subject of a major, global, political-academic gathering. Eighty-one participating countries came from the Third World and twenty-seven from the Western First World. There was no representation from the communist Second World. China was still considered part of the Third World. In the discussions and resolutions, development was entangled with the environment. There was consensus that the most urgent environmental problem in the Third World was the lack of development. The Third World's first ecological goal must be better food supply, housing, health care, and education. Environmental considerations had to be incorporated into

national development strategies, and vice versa. Any clash between environmental and developmental concerns could and should be avoided. Support for the environment could be no excuse for reducing development. There had to be a “substantial increase in development assistance with due consideration for environmental factors.” There was a general agreement that “a philosophy of ‘no growth’ was absolutely unacceptable.” This was a comment on the Club of Rome’s report from the same year which required a general stop to growth (see Chapter 1 and this chapter below). The conference served as a platform for the Third World. Its leaders dominated the debates and used the ten-day gathering to galvanise support for the development issue. Many of the NIEO’s later ideas were born and developed in discussions and informal meetings that occurred between sessions and either side of committee work. The Third World leaders saw that greater strength lay in combining development and environmental issues.⁸ The optimistic mood created by a renewed commitment to both environmental protection and development that prevailed in Stockholm in the early summer days of 1972 foreshadowed the sixth and seventh special sessions of the UN General Assembly in April 1974 and September 1975, which heatedly debated the NIEO against the background of growing North/South tensions.

The 1974 notion of an NIEO had thus been around for more than a decade. UNCTAD and the G77 carried forward the spirit of Bandung in the struggle for better terms of trade, and for turning dependence into development. In the mid-1960s, doubt grew that the United Nations’ proclaimed goals for its first development decade would be fulfilled, and with doubt grew incitement to action.

The G77 argued for the nationalisation of raw material extraction, which later would be a key idea of the NIEO. Demands for nationalisation went hand in hand with arguments for the preferential treatment of poor countries in global free trade. The G77 and UNCTAD prepared for the NIEO with their demand for a global economy with political control of transnational corporations.⁹ In 1974, the G77’s ideas became more precise when it refined the scope of the NIEO and hashed out the details.

However, in the North, too, discontent spread, and a general wave of radicalisation and social protest grew. Things were not changing fast enough in social life, politics, and business, where old-fashioned ways of doing things still held sway. The movement there had dimensions of a generational revolt, but it also dealt with labour relations and a more general confrontation of authority. At the end of the 1960s, labour representatives in the industrialised countries did not imagine that a decline in wealth lay around the corner, but instead interpreted what in retrospect proved to be the growth and welfare model’s culmination as an opportunity to claim a more significant share of the pie. Also, they claimed the right of co-determination within industrial enterprises, such as influence in decision-making and representation on management boards. One can epitomise the North’s radicalisation in the second half of the 1960s as a general questioning of authority, and we will explore its implications in the next chapter.

The South's radicalisation challenged the North's authority. The strains and fissures created by waves of radicalism in the North and South led to cataclysmic failures in the sequence of events that occurred between 1971 and 1975. The North/South division shifted character, becoming entangled in an argument about inequality rather than separated by it. Crisis in industrialised countries and a sense of new opportunities emerging in developing countries became intertwined, two sides of the same coin.

Twenty years of two parallel, although connected debates – in the North (and West) on economic growth, full employment and public welfare, and in the South (and the radical North) on development and dependence – disintegrated into a chaos of complicated entanglements in 1973 and 1974. The tangle of problems soon became structured around the twin issues of food and energy intertwined in a planetary perspective (though unfortunately not a shared perspective like the one on the development-environmental problem which had pertained in Stockholm in June 1972).

To understand what was ominously called the food and energy crisis, which in reality was a crisis of prices and money, and to understand the prevailing political uncertainties, one had to look beyond the previous year and place the oil price shock in a wider context. In an essay in the *New York Review of Books* in 1975, British historian Geoffrey Barraclough debated the issue.¹⁰ He was Arnold Toynbee's successor as chair of international history at the London School of Economics. In 1964, he had attracted attention with *An Introduction to Contemporary History*, in which he asserted that the modern era was giving away to a new age, still unnamed though he tentatively called it the contemporary or the postmodern era (fifteen years before J.-F. Lyotard's famous articulation of postmodernism). 1890–1961, Barraclough explained, was a transition period during which the old world died and the new came into life. There was a transition from nation and empire to a world of great geographical blocks, the dwarfing of Europe and the break-down of liberal democracy from the pressure of mass society. It centred on the revolt of the non-Europeans against the West and resulted in the decline of the humanist tradition. The pivot of the transition was decolonisation, which was a revolutionary reversal. The rise against the West between 1945 and 1960 overshadowed the world wars and the Great Depression. Decolonisation changed the time and the world. The emancipation of Africa and Asia was the other side of the European crisis.¹¹

Ten years later, Barraclough had crucial aspects of his historical prognosis confirmed. Of course, he had not been able to see the details of the revolt in 1964. Current events were chaotic and amorphous and his attempt to sort them out and make them fit into his thesis provoked the essay. He wrote on something he had foreseen, and the general outline he had presented seemed correct. The crisis was not a brief emergency but “a last desperate attempt by industrial society,” as it had been known since the 1950s, “to climb out of a crisis of its own making,” Barraclough argued. It was about more than oil prices and the global distribution of oil consumption. The Green Revolution,

for instance, had had a huge impact on multinational agribusiness, but instead of producing a general improvement of living standards, the benefits had flowed to a privileged minority of rich farmers. Unlike the 70 percent of poor peasants who owned less than an acre of land, the rich farmers could afford chemical fertilisers and machinery. They received bank credits for irrigation projects. Modernisation had driven large numbers of poor peasants off the land to unemployment in the city slums, Barraclough maintained, in what looked like an echo of Myrdal (see Chapter 2). The situation was the same in booming oil-rich Nigeria and Venezuela, where the multinationals flourished, the upper classes prospered, and the masses starved. The lesson to draw if you wanted to get out of the crisis was that there could be no sustained agricultural development without social progress, and vice versa. There was a connection between the oil famine in the rich North and the food famine in the poor South, and this connection had to be redrawn in fundamentally new ways. To solve the oil crisis, one had to solve the famine crisis. Barraclough quoted an Iowan senator, who reflected on discussing food shortages in 1985 at a conference at FAO in Rome, the United Nations' Food and Agriculture Organization: "It's absurd to sit here talking about a problem of hunger ten years from now, and ignoring the fact that millions are going to die this winter." A feeling of urgency and a world out of order filled people with horror in the rich North, while the expectation of change for the better grew in the South.¹²

The 1970s was a catalyst, merging a condensed confluence of trends and tendencies, or diverting them in new directions, reinforcing or exhausting them. It was a time of criticism and crisis, of reflection on recent experiences. It was clear that the North's old value systems no longer provided reliable guidance, but it was difficult to discern which new one would lead the way any better. The North had suffered a series of shocks: the dollar collapse, the oil price shock, mass unemployment, soaring state debts, high inflation, and the shock of the NIEO's demands. It was a time of improvised reactions to crises which just kept on unfolding.

The components of the catalyst emerged in the 1960s. In the North, the representatives of capital recognised the limits of Fordist production. The radicalisation of organised labour emphasised the point. The capitalists realised that it was the national framework of the political economies within which they operated that was holding them back, and so they looked for ways to escape. The road to sustainable profits lay in developing intensified trans- and internationalisation of capital to create and exploit new markets beyond the rich North.

At the same time, the southern developing countries' expectations that development would go hand in hand with decolonisation were disappointed. For the South, the moment of take-off never seemed to arrive. They found themselves trapped and snared in dependencies they could not escape or influence, stuck in the stage of developing. Dependence and neocolonialism were to be their future.

The two trends ran in parallel: capital's confidence in transcending its national constraints in the North mirrored the Third World's growing despair about being stuck in dependence. Through a series of political convulsions, northern governments, struggling with the crisis in the wake of the breakdown of the Fordist production regime and loss of legitimacy, began to invest their hopes in the success of the multinationals and their new, still unclear production regime which promised to lead them towards a prosperous future.

The frictions between the trends and their connectedness became ever more apparent. However, the potential head-on clash between them was not envisaged at the time. Beyond the network of determined representatives of capital working on the planetary border-transcending enterprise, few saw the end of Fordism or state-monitored free trade. The managers of the multinationals had seen the end for years, of course. In retrospect, we see how the two connected trends diverged from each other and their previous shared belief in development, as they simultaneously became heavily entangled in opposition and hostility.

The new international economic order

Houari Boumediene, acting chair of the Non-Aligned Movement, who requested the special session of the UN General Assembly to discuss the global situation, emerged as a key spokesman for the Third World and the G77 movement. In 1965, he led a bloodless coup against Ahmed Ben Bella, the hero of the independence war who had given voice to the idea of a global revolution against imperialism but had failed to implement the idea. Boumediene was not necessarily less radical but matched his radicalism to political reality with more precise and concrete goals. As opposed to Ben Bella, he did not agitate the masses. He was more of a technocrat who preferred collegiate decision-making, which fitted perfectly with what the G77 required of its leader.¹³ Houari Boumediene, also spelt Boumedienne, was a *nom de guerre* adopted during Algeria's independence war against France. His original name was Mohammed Boukharouba.

Boumediene was probably the single most prominent protagonist on the Southern side.¹⁴ He was the embodiment of a conflict that could draw a line directly from the Battle of Algiers in 1956–57 to the NIEO proclamation of 1974, and he represented both an oil-producing and a poor country that had been shaped in a bloody war of independence. He was perhaps the most militant of the Third World leaders in the limelight as a spokesman for developing nations in the non-aligned movement.

On 9 April 1974, the special session met, and on 1 May, it adopted a resolution on a New International Economic Order that was to be based on equality of partnership, cooperation, justice, and non-interference in the sovereignty of recognised states.¹⁵ This last point was important if, for instance, a member state was to nationalise foreign-owned private property. Half a year after the oil price shock, it was easy to see that the power of the