 by Renée Sigerson

State and the Brandt Commission

Serving up zero-growth as a supply-side program in the hope that Reagan can be duped into supporting it.

President Reagan is being set up by elements of his own State Department to adopt the tenets of the Brandt Commission at the July 20 seven-nation summit of heads of state in Ottawa.

The Brandt Commission is headed by Socialist International chairman Willy Brandt. The banker-run committee proposes to solve the problem of Third World indebtedness by halting all high-technology transfers to them, and substituting population reduction and labor-intensive, low-technology projects. If a Third World country succumbs, the bankers promise to ease the schedules on their loan repayments.

President Reagan has so far opposed this no-growth approach. But leading elements of the State Department have joined with the Basel-based Bank for International Settlements (BIS) to change that.

In its latest report, the BIS, which is the central bank for the world's central banks, reversed itself and stated that continuation of the policies of U.S. Federal Reserve Chairman Paul Volcker would bring on a new world depression.

The same BIS report went on to propose a shift from "capital-intensive" to "labor-intensive" industry in the Third World, and stressed the need for these nations to reduce their budget deficits. The latter demand means that Third World countries would be forced to dismantle their tariff barriers and subsidy arrangements designed to nurture developing industries and internal improvement projects.

This is exactly the tack that the U.S. State Department will take in trying to sell the Brandt Commission to President Reagan.

According to John Sewell, the head of the Overseas Development Council (ODC), the Brandt Commission's official arm in the U.S., "There are people at the State Department right now who are working on a study of the Brandt Commission proposals. They are stressing the free enterprise benefits the U.S. gets if the Third World lowers its trade barriers.

"There is a lot to be made in the Third World, especially in what I call the three most important areas for investment: energy of all types; raw materials; and small, labor-intensive farms," Sewell emphasized. "The Third World has to undergo population reduction and live within its own means," he continued. "They have to get out of capital-intensive industries. In this, the Brandt Commission report and the *Global 2000 Report* have very similar and correct solutions."

Asked what this policy meant for the Third World, Sewell replied that it could be a pretext for austerity: "Are you familiar with Lester Thurow? His idea of the zero-sum society is correct. If some people get something in the Third World, some people in the advanced sector have to give things up."

Sewell confirmed that State Department Assistant Secretary for Economic Affairs Meyer Rashish, Rashish's assistant Robert Hormats, the State Department's AID director Robert McPherson, and the Treasury Department were all working on reports emphasizing this viewpoint for use at the Ottawa summit and the North-South meeting in Cancún, Mexico in October.

Commented Sewell, "This type of view, of course, emphasizes the free enterprise angle—and isn't that, after all, what the Reagan administration is all about? This is the type of viewpoint for the Third World the President could feel comfortable with."

Sewell, in short, made it quite clear that the appeal to U.S. industry was the equivalent of an 18th-century British looting expedition.

But if the strategy is to succeed at Ottawa, not only President Reagan, but European nations as well—relying on high-technology exports to sustain economic progress—must be armtwisted into accepting this nonsense.

The State Department's Rashish, who is writing a reworked version of the Brandt Commission report from the "supply side," has threatened the Europeans with trade warfare unless they stop subsidizing high-technology exports to the Third World. He was backed up at last month's OECD meeting by the Treasury Department's number-two man, Tim McNamar.

Such a policy, if adopted by France, Italy, and Japan, would end their attempts to export their way out of recession. At the same time, a collapse of trade credit would cut off high-technology exports to the Third World, as the Brandt Commission advocates.