
Interview

L. K. Jha on the Brandt Commission, India, and prospects for North-South talks

The following interview with Lakshmi Kant Jha was conducted by EIR Asia Editor Daniel Sneider in New Delhi on July 30. Mr. Jha, as a private individual, was a member of the Independent Commission on International Development Issues, known as the Brandt Commission. He is an adviser to Prime Minister Indira Gandhi on the preparations for the October North-South summit meeting, and has recently consulted with other governments on this issue on behalf of the Indian government.

Jha is one of the most prominent and most senior civil servants in India, having joined the Indian civil service in 1938 and remaining with the central government after independence from Britain. He has served in a variety of posts mainly dealing with economic affairs. In 1967 he retired from the civil service to become the governor of the Reserve Bank of India. In 1970 he was sent by Prime Minister Indira Gandhi as ambassador to the United States, where he served during the Bangladesh crisis. From July 1973 until February 1981 he was governor of Jammu and Kashmir, the state bordering on China and Pakistan. He is presently chairman of the Economic Administration Reforms Commission formed by the government.

Sneider: Could you give me your views, and the views of the Indian government, on the Cancún North-South summit?

Jha: First of all the Indian view is that this is something of a unique experiment and it should not be allowed to fail.

In this context I was asked to go to some capitals—Tokyo, Ottawa, Washington and London—and I came away with the feeling that the countries of the North, too, are anxious to make the conference succeed. Obviously, perceptions of what constitutes success are different.

We would naturally expect that such a meeting would clear political hurdles to the way of the North-South dialogue becoming a true dialogue and not just a sterile debate. We don't expect at the summit to negotiate or settle differences on individual points or issues. I would hope that the summit would focus on some of the global issues which are of concern to mankind as a whole and

which cut across North-South boundary lines—food supply, or energy supply. Even the question of transfer of resources, a very controversial subject because it has been projected too often in terms of the rich giving away to the poor, can be viewed in a wider global perspective.

The problem of surpluses and deficits in the world trading and payment system have been matters of concern to countries rich and poor, even more so after the oil-price rise. It is in the common interests of the trading system as a whole that temporary shortages do not create a situation in which trade begins to shrink, the world economy gets on a downward spiral.

Sneider: So you are saying the issues of credit, and I assume debt, are the core of this resource transfer question?

Jha: Yes, ultimately the problem does come down to one of credit and indebtedness. The very poor need credit on very special terms if their debt burden is not to become too heavy. At present so many developing countries are having a serious debt position because they have borrowed short for long-term purposes. . . .

Now I don't imagine that the summit leaders who are not financial experts will get down to talking about what kind of arrangement is needed. But if they agree in principle even that we have to promote financial flows in a manner where a deficit country's problems can be eased out by the surplus countries' following policies appropriate to the requirements, then we've got a major step forward. . . . We cannot have a world monetary system without some kind of an understanding about how the flows are to be integrated.

Sneider: On this question, one of the major topics at the July Ottawa summit was the U.S. high interest-rate policy. . . . Will high interest rates be a topic at the Cancún summit?

Jha: There are so many heads of government, with no agenda to address to, one cannot say where the discussion will go.

Let us look at the Ottawa experience to which you have referred. The first thing which stands out is that

policy conceived from a national angle may have repercussions on your trading partners, or your allies. To say that we shall follow our policy, what suits us, in our own narrow self-interest, regardless of what happens to others, can lead to protectionism, can lead to the Great Depression, can break up the world economy into fragments. . . .

There is no way but to take a global view of most of these problems. . . .

Sneider: But what does “global” view mean? Are we talking about a globalism which is counterposed to issues of national sovereignty? For example, if you were to take the U.S. interest-rate policy, a far better argument might be that this is not in the *American* national interest.

Jha: Whether it is a right policy or a wrong policy purely from the point of view of inflation control in the U.S. is a matter of judgment. But once you see its larger repercussions then you see it is not a painless, costless process even for the United States. If, as a result, your trading partners buy less of your goods, well, that is a price you are paying.

Sneider: In your mind and in the mind of the Indian government, are the Brandt Commission and the proposals of the Brandt Commission, a major element of your own approach toward this meeting?

Jha: Well, I was involved in the Brandt Commission in a personal way. The Indian government was not a party to it.

Sneider: My overall impression of the Brandt report is that it says the way to deal with the international monetary crisis is to enhance the authority and the credit facilities of the IMF and World Bank system; with the amelioration that it will be reformed, democratized, and some of the more onerous conditionalities policies will be softened somewhat.

Jha: No, I think I would regard the Brandt Commission proposals on financial issues to be on the side of orthodoxy, and deliberately so. We had no pretensions that we were a group of financial experts, and we did not want to come out with a cut-and-dried solution which the experts would find fault with and kill on technical grounds. We are focusing rather on the problem, emphasizing that the conditionality of the IMF is one of the obstacles. Then we put forward the idea of a World Development Fund. . . . The whole idea was that it should be a fund to which even the developing countries would contribute. And if they contribute it would have a graded system of contribution—a progressive system—where countries of lower income would contribute at a lower rate. Secondly, we wanted to bring in some measures of international taxation to contribute. And thirdly, we hoped it would become a major source of raising, through long-term

instruments, funds which today are reaching developing countries through short-term channels.

Sneider: These ideas of international taxation, aren't they controversial in that you are talking about forms of abridgement of existing national sovereignty?

Jha: The idea of international taxation in the Brandt Report has been related to areas outside national sovereignty, such as seabed resources, international flow of goods. . . . The Brandt Commission did not reach an agreed position on the balance or tradeoff between globalism and national sovereignty.

Sneider: Take India for example. There has been a long-standing criticism that the giving of money by multilateral facilities has involved certain conditions—not simply financial conditions.

Jha: I think, very correctly, you emphasized one of the weaknesses which we have been critical of. Now I can understand that if the World Bank is financing a project, it should be sure that the money is spent on that project, that there is no waste. That conditionality is totally rational.

But if it casts its net wider and brings in conditions to affect India's development priorities and political judgments, I could object to it not only on the grounds of sovereignty, but also because such meddling tends to be counterproductive, because people sitting in Washington, even if they may be Indians, have been trained, brought up in the World Bank tradition, and cannot be sensitive to the realities of the situation. . . . Earlier the World Bank would say, growth matters, not social justice. The Bank, under McNamara, did not take this view.

Sneider: What you describe as McNamara's pretensions toward social justice I think could be described less benignly. The Bank under McNamara has emphasized things like population control, labor-intensive approaches to production rather than capital-intensive, “soft technology” rather than “hard technology,” and what the Bank calls “appropriate technology.” In the Brandt report I saw some of this outlook as well. For example on energy policy, India has quite correctly emphasized the development of nuclear energy as a high technology which is in fact cheaper, more efficient and so forth. The Brandt report takes an antinuclear position.

Jha: Let me say that when I quoted McNamara's contribution and change, I did not imply that I agreed with everything that McNamara, or the Bank under him, said or did. I was only emphasizing the point that even the World Bank keeps changing its opinion and I would hope that on questions of technology they *would* change their opinion. The relationship between India and the World Bank should not revolve around our acceptance of whatever is the latest World Bank view.