1 INTRODUCTION

The interdependence of national economies and national political systems is developing, partially by design, but mainly as an external effect. Whilst larger countries are experiencing difficulties in resisting the momentum of private integration, smaller countries are finding that their scope for autonomous action is being rapidly eroded. There is, as a result, widespread agreement on the growing need for international co-operation in combatting common problems, and, indeed, over the past decade, co-operative ventures between countries have spread, sometimes in obvious, sometimes in more subtle ways.

International co-operation is, of course, a blanket term, and forms of it range from, on the one side, international institutions such as the United Nations, to, on the other side, specific and often very minor projects such as bilateral co-ordination of weather forecasting services. Whatever the form of co-operation, however, some costs will be involved, and very often it will be necessary to come to some arrangement whereby certain of these costs are shared by the participating members. The financing of co-operative activity by membership contributions extends the problems of tax incidence from the national to the international level. This study is motivated by the belief that a correct understanding of the principles underlying international cost-sharing arrangements is of fundamental importance in furthering international co-operation, particularly at an inter-governmental level.

This aspect has been emphasized by the recent British experience with the European Communities. The renegotiation with the EEC and the consequent referendum were precipitated by imposition of an arbitrary burden sharing scheme which was accepted by the British government in 1971 in the face of

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various warnings by commentators at the time. There are lessons to be learnt from the British-EEC experience. Some care must be taken in devising appropriate cost-sharing schemes. And these schemes need to be flexible to allow for changing economic circumstances in the member countries. Of course, how critical the cost sharing arrangement is, will vary quite a lot between different co-operative ventures. Often the burdens, as well as the benefits, of international co-operation will not be only in the form of direct financial contributions. Nevertheless it seems to us an area worthy of attention.

In this paper we analyze financial contributions by the Netherlands to international institutions in an attempt to specify criteria on which such payment is based. For this purpose we adopt criteria suggested by the normative discussion of taxation principles: specifically the 'ability to pay' and 'normative' approaches. In doing so we hope to determine the limits of these principles of equity as an explanation of actual international cost-sharing schemes. The authors are doubtful whether any single principle can be universally applied and believe that attention should be directed away from the evaluation of existing cost-sharing schemes towards an examination of the process by which these cost-sharing schemes are formulated. In this paper they adopt this perspective to explain the experience of the Netherlands in financing international co-operative ventures.

2 THE NORMATIVE APPROACH TO COST-SHARING

The analogy with domestic taxation has led to various principles of taxation being applied to the contribution schedules of international organizations (Pincus, 1965; Schelling, 1955). Unfortunately, a normative stance has generally been adopted with investigators principally concerned with questions of 'fairness' and 'equity' in the distribution of costs among member states (Kravis and Davenport, 1963; Price, 1967). A brief review of the principles on which this discussion has been based will suffice to high-light the weakness of the normative approach as an aid in understanding the actual contribution systems of international organizations.

2.1 The Ability-to-Pay Principle

The normative principle most encountered in the literature is based on the idea that each member state should contribute according to its 'ability-to-pay' or

1 Of course, to the extent that countries contribute indirectly to the costs of international organizations our study is incomplete. For example, the Institute of the Wageningen Department of Agriculture, the Royal Institute for the Tropics and the Institute of Social Studies undertake projects for the FAO, WHO and UNESCO.