

# International Disaster Compensation Fund: A New International Financial Aid Mechanism

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**Abstract** In May 2008, two consecutive disasters shocked the whole world. Both the China earthquake and the Myanmar cyclone forced people all around the world to realize how harsh and merciless the power of nature is. The massive devastation influenced not only the two countries but also the whole world. The world today is highly interdependent. One country's disaster can spill over to other countries through political and economic channels. There is no disaster limited to one country, and human beings cannot solve the issue of living without mishap when facing a disaster. Therefore, no country can escape by sheer luck from disaster and solve the problem alone. Indeed no country lives in absolute safety. In this case, the whole world should unite together to share the risks. Human beings should work together to face, resist and eliminate risks. But unfortunately, such a kind of system which can effectively deal with natural disaster has never existed. In this situation, we have designed the International Disaster Compensation Fund (IDCF) to give a new idea of how to manage the risk together.

## Case: The Comparative Analysis of Different Attitudes Between China and the Myanmar Government to Foreign Aid

### Description of the Disaster Situation in the Two Countries

The Myanmar cyclone began its damage to the people of the country on May 2, 2008. According to the Myanmar State Television Channel, by May 16, 78,000

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people were killed by the cyclone and about 56,000 people were missing. But while people around the world still felt depressed about the tragedy happening in Myanmar, another severe disaster hit the Sichuan province in China: an earthquake measuring 8.0 on the Richter scale. It caused hundreds of thousands of disaster victims, the destruction of millions of houses and buildings, and created millions of homeless people. By May 26, according to the statistics released by the government, over 60,000 people were registered as dead following the Sichuan earthquake.

### The Different Initial Reactions Between the Two Countries Toward the Disasters

Each individual country is unable to face a huge disaster on its own. Even the US, the most developed country in the world, cannot deal with natural disasters by itself: in the Katrina hurricane, the US accepted material support from other countries such as China and Japan. However, there are two very different attitudes between the Myanmar junta and the Chinese government after the natural disaster.

#### *The Chinese Reaction*

On May 15, 2008 Wang Guangya, the representative of China at the UN, announced that China would welcome the support from around the globe and would also keep its options open for support from the UN. He said: "The most urgent task is to save people's lives." The Chinese government gathered every resource within the country immediately to support the rescue after the disaster happened.

Due to the lack of technology and facilities within the country, the Chinese government decided to accept support from foreign countries. For instance, the Senegalese State Minister and Minister of Economy and Finance Abdoulaye Diop presented 500,000 US dollars to the Chinese ambassador to Senegal Lu Shaye, supporting the reconstruction of China. According to announcements by a Portuguese government official, Portuguese companies were encouraged to give support to quake-hit areas in China. Upon the discussion of the Portuguese government, within the week they offered more aid to China, including the sending of a medical team to the quake-affected areas. On May 24, over 250 tons of relief materials were carried by nine Russian Air Force transport planes to China's earthquake areas: eight IL-76 transport planes took off from Russia's Siberian region with tents, clothing and other items, as well as disaster relief experts on board. Another An-124 plane carrying field kitchens, large army tents and blankets took off from Moscow.

Outside aid does have a significant impact on relief and reconstruction in China. For one thing, with advanced research technology it is possible to find survivors; for another, after the disaster, China may face upcoming problems such as refugees, epidemics, reconstructions. Donations from around the globe will have the effect of bringing together large volumes of labor and materials.

### *The Myanmar Reaction*

Let us consider the Myanmar junta. After the cyclone, the junta stubbornly refused assistance from the outside world. As mentioned by the US State Department, the US Consulate General in Rangoon had already decided to provide the Myanmar junta with 250,000 US dollars in order to help to facilitate the rescue actions but met with a refusal. During the first phase of saving survivors, the Myanmar junta only accepted aid from neighboring countries such as China, Japan and Singapore, and support from the UN. On May 24, after the mediation of UN Secretary-General Ban-Ki-Moo, the Myanmar junta finally agreed to allow international aid to enter the country.

#### Analysis: Reasons for the Different Attitudes Between the Two Governments

Why did the Myanmar junta show its reluctance to accept external support, especially from Western countries? Obviously, the different political views inevitably influenced the Myanmar government's action.

The conflict between Myanmar and Western countries, the US in particular, has lasted for a long time. The American government continues to condemn the Myanmar junta since its establishment, and has implemented harsh economic sanctions.

In 1990, the junta called a general election, which the National League for Democracy won decisively. As the NLD's candidate, under normal circumstances Aung San Suu Kyi would have assumed the office of Prime Minister. Instead, the results were nullified, and the military refused to hand over power. This resulted in an international outcry. Aung San Suu Kyi was placed under house arrest at her home in Yangon. During her arrest, she was awarded the Sakharov Prize for Freedom of Thought in 1990 and the Nobel Peace Prize the year after. With the urge of the US, on May 2, the UN appealed to the Myanmar junta to create a comprehensive atmosphere to ensure the smooth running of its political progress. The Myanmar junta issued a statement saying they were very shocked by this speech.

In this situation, the Myanmar junta will inevitably refuse aid from Western countries in order to prevent people suspecting the government.

### **The Existing International Financial Aid Channels**

At present, four main international financial aid channels are popularly adopted: through the UN, among governments, from NGOs and from enterprise.

Take the China earthquake as an example. On May 21, Wang Yi, China's Vice Foreign Minister representing the government received 8 million dollars of urgent humanitarian aid from the UN in favor of the Chinese quake-stricken area. By 15:00, May 21, 143 batches of foreign relief supplies and rescuers had been checked and accepted by the Chinese Customs, which came from Russia, Japan, Korea, Pakistan, the US, Singapore, the Philippines, Spain, the UK, Holland, Italy, Saudi Arabia, France, India, Denmark, the Czech Republic, Switzerland, Australia, Jordan, Iran and

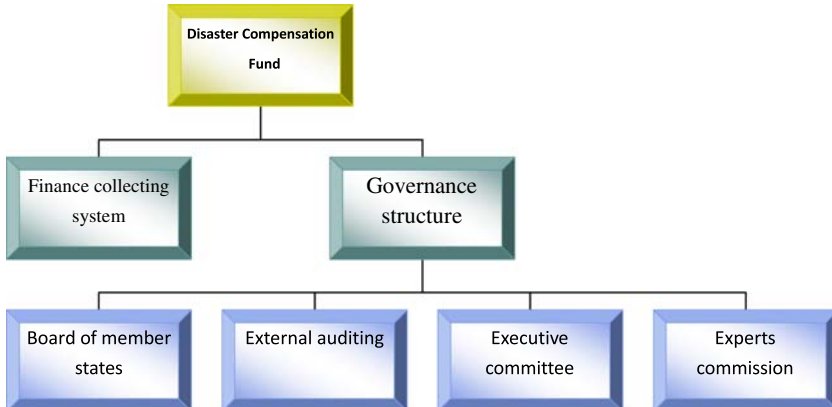
so on. Meanwhile, many NGOs had offered generous support to China and a lot of famous international enterprises had made donations to the disaster victims.

There are some problems in the existing financial aid mechanism. For the disaster-prone countries, they often run out of financial resources when disaster comes and some political reasons may hinder international financial support under the current foreign aid structure. Just like the Myanmar government that rejected much aid and donations for political reasons. For the less disaster-prone countries, their domestic call for alternative, more sustainable foreign-aid programs and their domestic industries are keen to strengthen involvement in overseas post-disaster construction.

### Discovery: A New International Financial Aid Mechanism

Design: International Disaster Compensation Fund (IDCF)

We propose to establish an international organization to build a non-political influenced insurance which is both charitable and commercial. Its benevolent nature lies in the ideal of expressing the shared risk of people worldwide and the preparedness to confront challenge, so that even the poorest can also take advantage from globalization development. While its commercial nature lies in basing the reality of current international politics so as to furnish an incentive to sustain this system for the sake of the member state, especially the superpower state.



#### *Finance Collecting System*

Finance comes from three main sources.

- Each country's compensation fund. The main source of finance comes from each country's compensation fund. Thus, the financial means can be provided to the country hit by natural disaster.

- Contingent donating money for natural disaster. When a country is hit by natural disaster, many other countries, international organizations, NGOs and even some companies will provide humanitarian assistance for that country. This is another main financial source. The money and materials can be delivered to that country directly, or transferred to the IDCF.
- The regular charity donation. IDCF will establish a regular receiving system for charity donations, receiving donations from countries, organizations, enterprises and individuals. These donations may be tiny respectively, but collecting them will lead to a large fund. We advise the UN to set up a global charity donating day, propagating charity enterprise worldwide so as to promote global citizens' charity consciousness.
- With this system, disaster-prone countries can receive timely and substantial financial support and save it in individual accounts before disaster comes. For non disaster-prone countries, it is another type of international aid, and these countries can be granted priority in relief and reconstruction contracts.

### *Governance Structure*

The finance collecting system will make the IDCF sustainable, and the governance structure can make this mechanism transparent and accountable.

To ensure its accountability, it is necessary to establish a board of member countries. In addition, the IDCF will set up an external auditing scheme to ensure its transparency. To guarantee its effectiveness, two committees will be established. One is the Executive Committee, which is in charge of decision-making, execution, etc. Committee members are elected by the Board of Member countries and held accountable for their actions. The other one is the Expert Commission, which is an independent panel of experts in relevant fields. It will assess the disaster devastation and propose compensation plans immediately.

### *Analysis: The Advantage of IDCF*

First comes financing before disaster. Through the IDCF, it is easier for countries to gain support from the international community when they are struck by a natural disaster. Second, it can combine disaster saving and foreign aid to enhance financial strength. Third, it can minimize political barriers in international disaster assistance. Finally, it will provide a substantial incentive for less disaster-prone countries to take part in and reduce their domestic opposition to foreign aid.

### **Conclusion**

In conclusion, people can avoid political influence when the humanitarian aid is granted by establishing the IDCF. In this way, we can help disaster areas rapidly and deliver support for reconstruction. Although natural disasters are horrible, if a reasonable and reliable support mechanism could be established, the degree of the devastation would be diminished to a large extent and human happiness could be assured.