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"EUROPE AND THE NORTH-SOUTH CRISIS"

Speech by President THORN

"Europe in the North-South crisis"—such is the subject we ~~met~~ met today to discuss. Before I get down to the real bones of that subject, I would like to make two preliminary points which I feel are important.

The North-South Dialogue is actually between West and South, since Eastern Europe is holding aloof, the Soviet Union refusing to go to Cancun. The Soviet bloc is still taking refuge in the excuse that cooperation policies are nothing but reparations for harm done in colonial times, which lets the East out of doing anything at all. But who nowadays in the Third World is taken in by that? ~~It~~ All the same, there are, I am happy to note, two outstanding exceptions—Yugoslavia and China are both going to be at Cancun.

And this first point of mine makes my second even more important: the North-South crisis, or anyhow the deadlock in the Dialogue, is primarily the result of a North-North deadlock, of substantial disagreements between the two sides of the Atlantic. These disagreements and their consequences are bad for the Northern and the Southern countries alike; they are bad for the balance of the world. So they have to be reduced, for the sake of everyone.

It is from this angle that I should like to speak today. Less than a week ahead is the Cancun Summit, the greatest assembly of Northern and Southern Heads of State and Heads of Government of post-colonial times. The very fact that it is being held at all makes it a major event. We all know what tremendous trouble has been taken in preparing it. The East may keep silent, but America has spoken, through her President, the day before yesterday; Willy Brandt and Shridath Ramphal have sent messages to the participants. Now I am going to give you the view of the President of the European Commission.

X) The whole of the South has not been under colonial rule; all of the North does not consist of former colonial powers! And as for the Soviet Union, would it not today be the only colonial power - internally as well as externally?
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The thinking of conflict and the thinking of interdependence

The world today, as I see it, is tugged by two opposing dynamics, the East-West and the North-South. The East-West dynamic reflects the thinking of conflict, the North-South dynamic the thinking of interdependence. Suppose we take a look, then, at how those on the world scene stand to them, by choice or otherwise.

The thinking of conflict is obviously the super-Powers' thinking. It is the thinking of the Soviet Union, a continent-wide State buttressing its natural power by a substantial accumulation of weaponry and military knowhow. And it is the thinking of the United States, which is manifestly keen to restore its own power—economic power at home, military power abroad.

X The United States, has a great tradition of cooperation with the Third World, and it is precisely there that the thinking of conflict is liable to do damage, with policy vis-à-vis the developing countries operating primarily in terms of the East-West dynamic, with large-scale disengagement from the multilateral development agencies which of their nature cannot be used for the purposes of that thinking, with Community relief—food and medical supplies—for El Salvador regarded with suspicion in Washington.

The thinking of interdependence on the other hand is based on a self-evident fact which I shall not insult you by enlarging on: our economic system today is wholly a world one. The expansion of trade, the internationalization of investment, the advances in communications on the one hand, the oil price increases, the economic crisis, the international monetary disarray, the threats to the environment on the other, are so many demonstrations of the plain truth of that by now commonplace expression "interdependence."

X The United States - created ^{out} of a rejection of colonial rule - ...

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The thrust of the thinking of interdependence is towards more and closer international cooperation, more and clearer foreseeability of behaviour.

And that thinking, of course, is the one that is given pride of place by the European Community and the Third World as a whole. In the Community's case this goes without saying: the Community is the most outward-looking of economic units, since foreign trade accounts for 28% of its GNP, and it is exceedingly outside-dependent, since it imports three-quarters of the raw materials it consumes.

So it is hardly surprising that our Heads of State and Heads of Government at the European Council session on 30 June should have placed it on record that "cooperation with the developing countries, and the intensification of international economic relations ... are necessary not only to strengthen the economies of the developing countries but to promote the recovery of the world economy." And hardly surprising, either, that the European Community should be coming more and more to be seen by the countries of the Third World as a coherent force in international relations, and that one after another Chinam Africa, the Arab world, ASEAN and Central America should be pressing it to carry on.

What the Community is doing internationally, then, is centred on the thinking of interdependence. It is interdependence-centred at the political level, with the Community striving to help defuse the regional disputes that offer such scope for the other brand of thinking, the thinking of East-West conflict,—take the stance of the Ten on the Middle East, on Namibia, on Central America. So too with the Community working to "organize interdependence," bilaterally through its development policy and world-wide through its North-South Dialogue proposals, and discussing these issues right at the very top, in the European Council, and in the specific forum of Political Cooperation.

So much for the general side. Now for a look at what could be done, broadly, to get North-South relations better structured.

Principles for the North-South Dialogue

I should like if you will allow me to comment on the principles of action our American allies currently favour in North-South relations. For I consider, as I said earlier, that reducing the differences of approach between the two sides of the Atlantic is vital to the renewal of the North-South Dialogue.

The guiding thread of the important foreign policy speech which President Reagan has recently delivered in Philadelphia is a declaration of faith in the liberty and creative effort of free individuals.

This attachment to liberty is exactly what puts Europe and America in the same camp.

Against this background, President Reagan is proposing to the world the main principles of a strategy for growth.

The first set of principles is this: "Third World development is first and foremost the developing countries' own business," "development is a matter of creating wealth rather than of redistributing income," "trade not aid." That is how the Americans see it.

If this means, are we in the West attached to the principles of the market economy, then my answer is yes, we are. We are, because the Ten believe in the virtues of the market, because that is the basis the Community it built on. But is that enough to make the international economic system move forward smoothly, and promote balanced development of the Third World? No, it very definitely is not—I do not confuse the market economy with mercantilism.

The reason the answer is no is a simple one. This economic logic is the logic of the strongest: it is lethal to the weak, lethal to the Third World, harmful to the Community. There, only the continental-scale States would be the winners: they have the right combination of space, raw materials, men and knowhow to survive and develop. Some developing countries or groups of countries might benefit, possessing part of that combination of factors—the OPEC countries (or anyhow the Gulf ones), the newly-industrialized Far Eastern and Latin American countries—but the rest of the Third World—Africa, Southern and South-East Asia, much of Latin America—would be flattened. We cannot have it. What is more, in a world structured on those lines, economic growth would speedily become trans-American and trans-Pacific: Europe, the Mediterranean, Africa and Southern Asia would be relegated to the sidelines. And we cannot have that either.

Along with this would perforce go worsening poverty and starvation in those parts of the Third World that are already the worst off. This would be to deprive those countries of the most fundamental of their liberties. This would be intolerable, as our Heads of State and Heads of Government lately repeated once again. Europe is too close to the developing countries, too much bound up with them, too dependent on them not to reject the prospect with the utmost vehemence. Its own history has shown it where political violence born of economic collapse can lead.

We know, too, that most of the developing countries could not survive undue laissez-faire: look at the one-product economies whose life-blood is their exports of copper, or cocoa, or whatever it may be. Who supposes they could create sufficient wealth sufficiently fast, with sufficient reliance on price movements, to conduct their economic development on their own, when the prices of agricultural or mineral commodities can treble or fall by three-quarters in a single year?

The line taken by the European Council makes it clear where the Ten stand. I quote:

"The seriousness of the economic and financial difficulties both the Third World and the industrialized countries are facing demands, over and above the necessary drive for recovery and internal economic adjustment, that concerted international solutions be worked out for the most urgent problems—energy, financing, food, trade, raw materials. In their scale and duration these problems pose a menace to the political stability of the international environment."

I now turn to the second set of principles advanced by the United States: "let us first put our own house in order," "the best way we can help Third World development is by having a strong economy, providing a dynamic market for their exports." Yes, I can go along with that. But right away I have two points to make.

Point one, a question. How long have Western politicians been promising their constituents that the crisis will be over in just a bit longer? How long can the West ask the Third World to wait

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just a bit longer to survive and develop? It does not take a lot of thought and argument to realize that the poor countries are going to die before we see the last of the crisis—and that their death is going to mean ours. Who in this day and age can believe that one half of the world will flourish while ignoring poverty, hunger and death in the other?

Who can pretend to respond to the problems of our time by accepting the millions of deaths caused by hunger each year, by remaining silent?

Point two: the Community is playing its part in putting the West's house in order. That is the whole object of the exercise the Ten and the European Commission have been engaged in for the last eighteen months, which in Communityese goes by the name of "the exercise of the Mandate of 30 May." As you know, it consists mainly in reforming our common agricultural policy, strengthening our European Monetary System, pushing ahead with the framing of new policies on, for instance, energy and research, within a coherent budget framework. I shall not go into details of this internal Community operation, except to stress that in each of the policies I speak of we are ipso facto concerned with the external dimension of our guidelines and decisions. How, for example, could we restructure a common agricultural policy without dovetailing it into the world food order, and contributing to the food security of the developing countries?

The European Community in the North-South Dialogue

As I have said, the Community is working to organize world economic interdependence. And it is a fact that, with the Lomé Conventions between itself and 61 developing countries, and its agreements with the Southern Mediterranean, the Community has signposted the way to better structuring of North-South relations, more reliable and predictable economic relations, to the benefit of its developing partners and its own. For this purpose it has made use of long-term contracts, which have the advantage of being comprehensive in scope, touching on all the areas of cooperation—trade, financing and so on. It has also instituted a device for stabilizing export earnings, Stabex, which acts as a sort of national-scale sickness and unemployment insurance scheme.

Thus the Community has shown the way, and altogether its aid, bilateral and multilateral, world and Community, represents a very sizable contribution, nearly 0.5% of GNP in recent years, which is close on twice the proportion for the United States. X Washington says a country's cooperation contribution is measurable also by the level of its imports from the developing countries and its investment in them. Right. In relation to GNP, that is, measuring relative contribution in terms of national production, the Community's imports of manufactures from the developing countries are 20% above those of the United States, and of agricultural produce and foodstuffs double the United States'. American private investment in the developing countries, which fell steeply in 1980, is in proportion to GNP about the same as the Community's.

I am not saying the Community is a model. What I am saying is that it must not stop half-way. It is a full participant in the North-South Dialogue, it has taken a position on all matters under negotiation at international forums, whether present in full strength or, as at Cancun, acting through only three of its Member States.

To give a few examples: the European Council has proposed that there should be a constructive dialogue between energy producers and energy consumers, and that an international forum should be established for the purpose, and furthermore that the development of energy sources in the non-oil-bearing developing countries should be promoted, more particularly by setting up an "energy subsidiary" of the World Bank.

Again, on the food and agriculture side the European Council has taken a position on all the issues involved, including in particular support for the developing countries' food strategies, food aid and the need for an International Wheat Agreement. In addition the Commission recently proposed to the Ten the launching of a World Hunger Action Plan, an idea put forward by the Italian Government, to whose admirable action I should like to pay tribute here.

X And moreover, the Community's aid is largely concentrated on the poorest countries and not on those which are approaching economic take-off. ...

On the financial side, I will just mention that the European Council is anxious that the financing capacity of the IMF should be increased and the funds of the IRBD and IAD expanded.

The Ten have reaffirmed their willingness to promote the establishment of the Common Fund and to negotiate international commodity agreements. And the Community regards it as absolutely essential to preserve an open system of international trade.

This very rapid sketch of the Community's positions in the North-South Dialogue would be incomplete if I did not include mention of the Ten's firm resolve to get the international economic system moving "towards better integration of the developing countries, in rights and responsibilities, into the international economic system." Hence their anxiety, which will be restated at Cancun, for global United Nations negotiations.

A multilateral dialogue is the only instrument acceptable to the weakest countries, to those which have neither the size nor the muscle required for a dialogue even with multinational companies.

In instancing a few of the things the Community has been doing in the field of North-South relations, both as regards cooperation and as regards the overall dialogue, I was not trying to preach to anyone, or even point to the way to be followed: I only wanted to indicate where the Community stands on the eve of Cancun, and describe and explain the line we have been taking in the North-South Dialogue.

I need hardly say that what the Community by itself is doing is nothing like enough to bring international economic relations back into balance. The combined forces of all the Northern countries would not be too much to conquer poverty and hunger and bring renewed prosperity. We live in one world, and the crisis is a threat to the whole of human society. This the Brandt Report, to its eternal honour, has made plain. And this is the whole purpose of the Cancun Summit.

As regards Cancun, I would like to say that the European Community has made intensive preparations for it from the beginning of the year right up to these last few days. It so happens that the Community as such will not be represented, apart from the positions taken by the Ten which I have briefly outlined. I regret this absence. It is a mistake because the Community plays an autonomous and dynamic role in the North-South dialogue.

Of course it will be present at the real negotiations that are bound to follow if the Cancun Summit succeeds in breaking the deadlock in the North-South dialogue.

And finally, I want to say that the North-South Dialogue has for Europe an importance that is more than political or economic. A juster world, with the European Community taking its place in that world, is the only real goal we Europeans can set our peoples. How could we mobilize our youth for a strategy of retreat, a purely defensive stance, whether against military threat or against market aggression? The North-South Dialogue is, we all know well, an integral part of our future. I wanted this to be said as the North-South Summit approaches, and I thank you for giving me the opportunity to say it.