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REACTIVATION OF THE NORTH-SOUTH DIALOGUE

(Communication from the Commission to the European Council)

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Reactivation of the North-South Dialogue

Worsening international tensions and the further deterioration of the world economy following the second "oil crisis" make it even more important, indeed essential, that fresh efforts should be made towards consultation and cooperation between North and South.

The Community will have a central part to play in any reactivation of the dialogue; its own position in the network of international interdependence makes its interest clear, and its special economic and political relationship with a number of developing countries determines its responsibilities.

What is to be gained by further dialogue

The collective aims which the Community should set for a reactivated dialogue are of three kinds:

- i. Countering the threat of deep and widespread recession facing the economies of both North and South: there are clear risks to the international economic system and world peace itself in current developments; these risks could become aggravated with the strangulation of the poorest developing countries and cessation of the growth process in middle-income developing countries.
- ii. Easing world hunger: insecurity of food supplies at world level is beyond doubt the least tolerable of all forms of uncertainty, and it is an absolute moral imperative for the international community to reduce this insecurity.
- iii. Organizing the transition to a less oil-dependent world economy: the foreseeable imbalance between the oil supplies and potential demand over the next few years places a serious question mark over the chances of continuing the growth and development process. The second "oil crisis" and the continuing tremors it has set up show that disorderly escalation of oil prices and uncertainties of supply will remain a problem until some way is found of establishing comprehensive cooperation between energy producers and consumers.

These then are the collective interests which the reactivated dialogue must deal with. No single country or group of countries has the means to attain even one of these objectives. The Community has made progress in establishing contractual relations with groups of developing countries (Lomé Convention, agreements with southern Mediterranean developing countries) and regional groupings (ASEAN, Andean Pact). Dialogue at regional level is now an essential part of the Community's policy for the North-South Dialogue.

But a broader international effort is still needed; clearly, there must be a firm commitment from the industrialized countries as a whole, and at the same time a parallel effort must be made by the developing countries, particularly the oil producers, who now have the financial capacity which such an undertaking requires, and by the state-trading countries.

It is now acknowledged that a renaissance of North-South cooperation is necessary; but a great deal is at stake and the problems involved are immense. The greatest attention must therefore be given to any developments promoting such cooperation: the Brandt report, which bears the stamp of approval of eminent representatives of both North and South and calls for thought and action on the part of both industrialized and developing countries; the attempt to launch global negotiations on international cooperation under UN auspices.

The Brandt Report

The Brandt Commission puts forward a highly ambitious list of objectives for the ensuing decade and beyond, but has nevertheless selected a number of priority tasks enshrined in an emergency five-year (1980-85) programme covering energy, food, transfer of resources and a start on reforms of the international economic system.

The European Community must therefore help promote the emergency programme, which is well calculated to deal with the most urgent problems of the current situation and the tasks immediately before us. The Brandt Report is also a vital instrument for mobilizing public opinion.

The UN global negotiations

The developing countries took the initiative at Havana - a move welcomed by the Community - of proposing that global negotiations be held under UN auspices, with energy included on the agenda.

As regards energy, the Community must endeavour to get a cooperation process set up, plus a statement of principles and rules aimed at achieving a dynamic energy supply and demand balance at world and regional levels, and greater security and predictability. The talks will cover all forms of energy.

The Community will also have to endeavour to involve the oil-producing countries in a joint effort with the industrialized countries to help oil-importing developing countries realize their energy potential and reduce their dependence on imported oil. This obviously means that the Community must hold itself open to discussion of the problems directly concerning the oil-exporting countries.

The future global negotiations could therefore have a clear import, although there is a twofold danger - inherent in international forums - of fragmentation of the work without any concern as to selectivity or cohesion or of the negotiations following their own course, at expert level, without a regular political impetus being given in order to overcome possible blockages, sketch out solutions or refocus priorities.

Furthermore, important as they may be, the initiatives mentioned here are hardly likely to bear fruit in the short term: the Brandt reports' emergency programme looks to the period 1980-85, and the global negotiations could provide tangible results in 1982 at the earliest. However, the scale of the second oil crisis makes certain actions on the part of the international community far more urgent, namely steps to improve the process of recycling funds and financing development.

A political orientation for the Community for the relaunching of the North-South Dialogue

In this situation, the Community must act in two complementary directions at its highest political level: it must promote the adoption of immediate measures in the financial field and express clearly the political importance it attaches to the North-South Dialogue.

1. If it is not to lose all credibility, relaunched North-South cooperation must immediately tackle, the most practical and urgent problems of the developing countries that are threatened with strangulation as a result of the new increase in oil prices. Collective action, which must involve the oil-producing countries, should move towards extending the possibilities for action of the existing international institutions (IMF, World Bank and regional development banks) and improve their effectiveness in the direction traced out by certain proposals in the Brandt report.

This would involve in particular:

- (i) substantially increasing official development assistance to the poorest countries in the form of aid that can be rapidly disbursed through bilateral or multilateral channels. In this respect, the replenishment of IDA resources is a matter of urgent necessity;
- (ii) strengthening the position of the international financial institutions (World Bank, IMF, regional development banks) and of other official machinery in the recycling process. This means in particular making it easier to have recourse to the various IMF facilities at the appropriate moment and implementing rapidly the new formula of World Bank structural adjustment loans. To enable the Bank to meet its increased responsibilities, it is essential that the doubling of its capital should be undertaken as rapidly as possible. It will also be necessary to examine in this context the establishment of interest-rate subsidization machinery within the framework of the above institutions;
- (iii) ensuring, in a situation of increased risks, the continuation of the recycling carried out by private banks by means of intensified cooperation between these banks and the multilateral institutions coordinated action to ensure improved market stability. The introduction at international level of credit guarantee and investment protection machinery will also have to be considered.

2. For many reasons, which have already been mentioned, the Community must demonstrate the political importance it attaches to the relaunching of the North-South Dialogue and must translate into practical terms the direct participation of its political leaders in the process of discussions between industrialized and developing countries. It is to the Community that the latter are looking for an initiative; it is the Community that is already the best-placed interlocutor of the developing countries within the United Nations, and lastly it is the Community that has been able to indicate the path of change in its relations with the developing countries at regional level.

In addition then to merely solemnly reaffirming the importance it attaches to North-South questions, it therefore seems essential for the European Council to propose without delay that a real political dimension be given to the North-South Dialogue. This orientation could take the form of convening one or more summits (the composition of which could vary according to the occasion) of leaders from the North and the South, the objectives of which would be twofold:

- (i) to establish and set in train an initial series of international operations to resolve the most urgent problems of the developing countries, notably in the financial field;
- (ii) to provide and maintain a constant political impetus for the global negotiations which will take place within the United Nations framework as from 1981, notably by providing for the possibility at all times of recourse to political initiatives in the event of the negotiations becoming blocked.