

NORTH-SOUTH DIALOGUE

The Community should take the lead

Summary

The North-South dialogue was launched in the wake of the world-wide economic crisis which followed the sudden oil price rise of 1973. In its recently published communication to the Council (1), the Commission asserts that at the time when the dialogue was first being set up "the nature and scope of the crisis were generally under-estimated".

In the light of this, and in preparation for a series of international meetings scheduled for the rest of this year, aimed at opening a "global" North-South dialogue, the Commission has set forth guidelines for Community policy and action.

The Commission's paper urges the Community to take the initiative in defining a new relationship between the wealthy countries and developing countries based on negotiation and contractual arrangements. This relationship would cover fields such as industrialisation, food supply, stable commodity prices, energy and the recycling of oil revenues.

Introduction

"The close links of interdependence between industrialised and developing countries mean that the North-South dialogue, while not in itself the whole answer, must play a part in such collective endeavour". Against this background, and the response of the European Council when it met in Maastricht on March 22 and 24 1981 to an earlier Commission Communication (2) on the North-South dialogue, the Commission puts forward some specific policy positions. These, it suggests should be adopted by the Community in the discussion of the international economic situation at the forthcoming Western summit in Ottawa in July, the Mexico Summit on the findings of the Brandt Report in October, and the UN Global Negotiations and future talks in GATT, UNCTAD, the IMF and World Bank.

Specific aspects of North-South relations will also be dealt with at the Nairobi Conference on new and renewable energy sources in August and the Paris Conference on the least developed countries in September.

The scale of the crisis and North-South relations

The Commission considers that the Community must take a lead on three points if Europe "is to come through with its cohesion, influence and living standards intact":

- The restructuring of production patterns world-wide

In this context the Commission refers both to the competition between the USA,

(1) COM(81) 68 final of 7 May 1981

(2) COM(81) 118 final of 12 March 1981

*** Note: Background reports are intended as non copy-right ready-reference material on topics of current interest concerning the European Community. An index will be provided periodically so anyone receiving the reports can refer to each number more easily.

Europe and Japan and the emergence of the newly industrialising countries (nics) which have become internationally competitive and have taken a growing share of world production and trade.

These new factors, complicated further by the continuing rise in energy prices and other factors tilting the world balance of comparative advantage, have led to pressures world-wide to move away from the principles of free trade.

The Commission identifies two aspects which specifically relate to North-South relations:

- (a) the relative competitiveness of the industrialised "blocs" depends on the speed with which they can adjust their production structures and boost economic productivity
- (b) their ability to increase their share of third world markets.

- The appearance (or sudden awareness) of specific scarcities

The devastating effect of such scarcities - the Commission particularly specifies oil and food - can be mitigated to some extent through an improvement in North-South relations. The Community must help to improve the world food situation.

- International instability caused by deteriorating East-West relations

This threatens not only the stability of the Community's immediate political environment but also its sources of essential supplies. Maintaining stability in its neighbouring regions must therefore be a prime object for the EEC.

The Community and the North-South Dialogue

The Community should seek to persuade its partners to establish relations with the developing countries where negotiation and contractual arrangements become the norm. The Community has already achieved this to a considerable extent on a regional basis through the Lomé, ASEAN and Mediterranean agreements. At the same time Community action in the North-South dialogue must stem from coherent principles which allow it to assert its own interests and to rally the maximum international consensus, particularly in the areas most affected: energy, financing, trade, commodities and food.

Community platform for the North-South Negotiations

Energy: In this area, in anything but the short term, the interests of all nations, both those with energy reserves and those who are dependent on imports, are closely intertwined. Industrialised nations and oil exporters share the responsibility of helping to finance energy development in the developing countries. The Community should press for acceptance of certain principles and rules of conduct. This will involve:

- organisation at the international level of a joint study by oil producers and big consumers of the situation and prospects for such development, as well as an exchange of information and technical cooperation between industrialised and developing countries
- creation of an energy affiliate of the World Bank to finance the development of energy resources in developing countries
- thereby to achieve greater security of supply for energy deficit countries and to establish a more orderly trend in energy prices.

Financial aspects

Financial deficits and growth in the non-oil developing countries: Although the banking system should continue to play an important part in recycling oil revenues, it is unlikely to be able to step up its activities. Furthermore, banks' terms for loans put them beyond the reach of the poorer countries. There is thus a need for official international initiatives to support and supplement private sector recycling. In order to achieve this, it is necessary to:

- ensure that credit from banks continues while trying to channel it towards priority projects
- encourage other forms of resource transfer using market mechanisms
- improve official financing machinery by improving Official Development Assistance, primarily through making its terms and methods more closely tailored to the needs of the recipients.

It would also be necessary to improve existing multilateral financing organisations without fundamentally changing them.

Investing oil surpluses: Industrialised countries should mobilise all existing investment possibilities, and, if necessary, set up new arrangements for OPEC profits, putting these savings to productive use. Moves should also be made to increase the inter-dependence of OPEC and the industrialised world, so as to give the oil producing nations a greater interest in a smoothly running world economy, inducing a common interest in finding financial solutions to financial problems.

Food and Agriculture

Against a deteriorating background of uneven food distribution, the international community, and especially the EEC, should state its readiness to provide the necessary financial backing for food plans or strategies by food deficit countries, agree to allocate increasing financial aid to food and agriculture development schemes and set up research activities aimed at developing food production less dependent on imported energy.

Until these policies start to be effective, deficit countries will continue to be dependent on international markets. So that they may have access to stable sources of supply, steps should be taken to ensure:

- new international agreements, especially for wheat
- the EEC should set up an effective food export policy
- developing countries should be given improved access for their export products
- food aid and short term balance of payments aid should be made available to developing countries facing unexpected disasters.

Restructuring of the EEC's industry and trade relations

The Community should learn to look at the Third World not solely in terms of markets to be conquered but rather as a potential industrial partner. The Commission emphasises the importance of free trade and generally accepted codes of conduct. The newly industrialising countries should be persuaded to lower the import barriers which were originally erected to protect their infant industries.

Commodities

The Community should not become dependent on too small a number of countries for essential commodities, especially when these countries are also competitors. European industry should take an active part in promoting on-the-spot processing of commodities in the developing countries, through the acquisition of holdings, or even cross-holdings, and transfers of technology.

The EEC should work out an active policy in this area in the context of North-South relations, on both bilateral and multilateral bases, with the aim of securing stable prices of commodities and stepping up scientific and technical cooperation.

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