

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 118 final

Brussels, 24 April 1981.

NORTH-SOUTH DIALOGUE

(Commission communication to the European Council,
Maastricht, 23 and 24 March 1981)

COM(81) 118 final

1. THE NORTH-SOUTH DIALOGUE IN 1981

The projected launch of the UN global negotiations and the prospect of a North-South summit in Mexico make it necessary to take a comprehensive view of the problems posed for both industrialized and developing countries by the world economic crisis. Furthermore, it is expected that the Ottawa Summit will deal with this question.

The Commission considers that the Community should not wait for confirmation of that timetable, but should decide now on the policy which will guide its actions in the North-South context.

How these problems are solved directly affects our interests. Their urgency and scale make it imperative for us to advance our ideas whenever North-South relations come to be dealt with over the next few months: during bilateral or regional meetings between the Community and developing countries, and at multilateral meetings; at the IMF's Interim Committee and the DAC in May; at the Nairobi Conference on new and renewable energy sources in August; at the Paris Conference on the less-developed countries in September.

The Community and its Member States must also take every opportunity of seeking to coordinate their views as far as possible with other major industrialized countries; in this connection the coming Western Economic Summit is of great importance.

2. THE NEED FOR ACTION

Today there are grave risks to peace in those Third World regions whose destabilization would deal a serious blow to international security.

Yet recent experience has demonstrated that in affirming its desire for independence, its political unity and genuine non-alignment, the Third World can be a force for international order and resistance to attempts at hegemony. This stabilizing influence of the developing countries should be strengthened.

The Community's economic interests dictate a similar approach. The scope of the problems facing it is such that its efforts to bring about economic recovery and industrial restructuring will fail unless it is assured of a stable international environment and expansion in its major markets. For the Community, therefore, which finds many of its export outlets (42% of capital equipment exports) in the Third World and is in turn its biggest customer, what is done in the North-South framework has a direct bearing on its concern with employment, monetary stability and external balance.

3. THE DEVELOPING COUNTRIES' SITUATION

In the face of the persistent world economic crisis which is affecting all the industrialized countries, the situation in most of the developing countries is deteriorating, and even becoming catastrophic in some cases.

Apart from OPEC and the handful of other developing countries which have recently become net oil exporters¹, most of the developing countries are faced with growing external deficits (over \$60 000 million in 1981) on top of their already considerable debts (\$250 000 million at the end of 1979). The poor countries, whose miserable living standards declined to an intolerable extent in 1979 and 1980, are no longer the only ones under threat from stagnation.

Their financing requirements far exceed any possible aid increases, a situation compounded by the fact that the traditional aid donors have themselves become net importers of capital. It is becoming difficult for the developing countries to turn to the international capital markets as they did after the first oil crisis, with servicing costs on their external debt already absorbing an average 20% of export earnings, which are suffering the effects of the recession in the industrialized countries into the bargain. The private banking sector is no longer enough.

In the face of these accumulated problems the industrialized countries must not give way to the temptation to withdraw into contemplation of their own domestic difficulties. The need for a comprehensive dialogue between North and South is more pressing and more vital than ever if a joint attempt is to be made to create the conditions for a fairer and more balanced world economic order.

¹ Non-OPEC developing countries which were net exporters in 1980: Bahrain, Bolivia, Congo, Egypt, Malaysia, Mexico, Peru, Syria, Trinidad and Tobago, Tunisia. In 1980 those countries accounted for over 12% of world oil production, as against 1.3% in 1978.

4. THE NEED FOR A GLOBAL DIALOGUE

If bilateral and regional relations between industrialized and developing countries are not to become precarious, they must be framed within a global system of economic cooperation that is accepted by all parties and has at its disposal effective and respected multilateral institutions.

It is important to safeguard the principles of universality and non-discrimination which at present govern trade and financial transactions. It is important too that the operating rules and institutions of such a system be adjusted to take account of mutual interests so that the developing countries are more fully integrated in it.

All states, whatever their political system, must accept their share of responsibility in international economic cooperation. In particular, the OPEC countries must increasingly participate in a system of rights and obligations with regard to the world economy: this is in the interests of the Community and the other industrialized countries which desire to introduce a greater degree of predictability into the trend of energy prices, supply and demand. Above all, it is also in the interests of the non-oil developing countries, given the scale of their problems, and particularly the extent of their financing requirements.

5. COMMISSION PROPOSAL

The Commission will very shortly be putting to the Council a proposal for an overall Community strategy in the North-South Dialogue. It will comprise action and negotiating positions in the following fields:

energy: coordination with producers on the trend of energy prices, supply and demand, and on ways and means of establishing energy cooperation with the other developing countries (production of fossil and renewable energy sources, in particular);

financing in the South, principally via the strengthening and diversification of the means of action of the Bretton Woods institutions;

food and world food security;

commercial policies and industrial restructuring;

commodities.

* * * * *

6. At this point the Commission would like the European Council

to confirm the Community's political will to play an active part in the North-South Dialogue, particularly in the global negotiations, with the aim of helping to relaunch the world economy;

to stress the importance it attaches to preparations being made by the Community bodies for the forthcoming discussions and negotiations in the North-South framework, so as to allow common positions to be stated;

to express now its resolve to work for the strengthening and diversification of the means of action of the multilateral institutions, notably the Bretton Woods institutions;

in particular to give its support to the establishment of a World Bank subsidiary for cooperation in energy matters in order to mobilize the efforts of the oil-producing countries to develop energy resources in the developing countries.