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THE COMMUNITY AND THE PREPARATION OF A NEW
INTERNATIONAL DEVELOPMENT STRATEGY.

- guidelines -

(Communication from the Commission to the Council)

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Introduction

The aim of this Communication is to paint a general picture of the situation in order to provoke thought within the Community on the new International Development Strategy and to facilitate Community participation, within the United Nations General Assembly framework, in the various stages involved in the preparation of this new Strategy which, in accordance with General Assembly Resolution 32/174, will probably be adopted after a special session of the General Assembly scheduled for 1980. The discussions that take place on this basis will also serve to prepare the ground for the high level meeting of the DAC in October 1978.

(a) Background and stage reached in the preparations

The new Strategy, which is intended to guide development operations throughout the 1980s and possibly beyond, has already formed the subject of several General Assembly and Economic and Social Council Resolutions, these being mainly of a procedural nature. In December 1976 (Resolution 31/182), the General Assembly asked the Secretary-General to gather data which would be useful in formulating a new Strategy. In May 1977, the Economic and Social Council, in its Resolution 2072 (LXII), considered that in devising a new Strategy account should be taken of the texts relating to the new international economic order and of the results of the many United Nations conferences that had taken place since the adoption of the present Strategy; the Council also referred to the need to include social aspects in the definition of the Strategy. In Resolution 2125 (LXIII) of August 1977, the Economic and Social Council adopted the same position and asked the Committee for Development Planning to make the necessary preparations. (1)

(1) At its 14th meeting (6-16 March 1978) the Committee for Development Planning formulated "preliminary remarks" on a strategy for the eighties (Doc. E/1978/46).

During the 32nd session of the General Assembly the Group of 77 tabled a draft resolution in which the establishment of the new international economic order was seen as the main objective of the future Strategy. The draft accordingly included a package of measures to be taken in the various development sectors on the basis of quantified objectives tied to a precise timetable. For their part, the Member States of the Community had prepared a working paper (which was not presented as a draft resolution) setting out the outlines of a broader view of the future Strategy. As it proved impossible to reach a compromise between the Group of the 77's text and the Nine's, the General Assembly (Decision 32/443) had to postpone the matter until its 33rd session, at which it will resume its examination of the draft resolution presented in 1977 by the Group of 77, taking into account the opinions expressed orally or in writing during the 32nd session. This applies in particular to the working paper presented by the Member States of the Community.

At its 33rd session the General Assembly will have to designate the body responsible for handling the preparations for the new Strategy. In accordance with the feeling that prevailed at the 32nd session, the Economic and Social Council would be inclined to assign this task to its Committee on Review and Appraisal, enlarged for the purpose to include all the countries concerned, while the Committee for Development Planning would continue the work already started.

(b) Purpose of this paper

This Communication does not aim to make detailed proposals regarding the content of the future Strategy. At the present stage, the Community needs to set out the broad lines of its position in a debate which has only just started. Excessively detailed proposals would seem premature, especially as several very important international meetings which are likely to introduce new elements will be taking place over the next 18 months in particular UNCTAD V,

the Conference on Science and Technology for Development, UNIDO's Third General Conference, and the Conference on Agrarian Reform and Rural Development.

The positions to be adopted by the Community on the various aspects of the problem will therefore become clearer as these conferences take place, and the Commission will in due course present the Council with a more comprehensive paper designed to prepare the positions to be presented by the Community at the 1980 special session.

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1. Review of the Second Development Decade (DD2)

(a) Results achieved during DD2

Some of the overall targets set by Resolution 2626 (XXV) of 1970 have been partly achieved, according to the evaluation that has been made of the first half of the Decade (1971 - 74) (NB : more recent evaluations will have to be taken into account once they all become available).

This applies in particular to :

- (i) GDP (an average rate of increase of 5.9% per annum as against a target of 6%);
- (ii) manufacturing (growth rate of 8.3% per annum as against a target of 8%);
- (iii) trade (7.1% growth rate for imports, 6.5% for exports, as against a target of 7%); although there has been a sharp deterioration since 1974;
- (iv) the developing countries' rate of domestic savings.

The following two qualifications should be attached to this overall assessment, however :

- (i) the overall figures given above conceal very considerable differences in development levels between developing countries;
- (ii) a number of other equally important targets have not been achieved, two cases in point being the development of agricultural production (which has increased by 1.5 % per annum instead of the 4% thought necessary) and the volume of official aid given by the industrialized countries (less than half the target of 0.7% per annum).

(b) Critical analysis of the philosophy behind DD2

One of the main weaknesses of DD2 is that it was founded on the over-optimistic assumption that a high level of growth would be maintained in the developed countries and on a rather too one-sided conception of the obligations arising from that assumption - namely that the development of the developing countries would stem mainly from the transfer of part of the fruits of the industrialized countries' growth to the countries of the South.

Moreover, the setting of overall targets valid for all developing countries has become less and less meaningful as economic developments have accentuated the differences between them.

It should, doubtless also be stressed that the targets set in 1970 were too concerned with quantity. A number of "qualitative" considerations - connected with the requirements of the poorest populations and the need to conserve the world's resources and take environmental and other problems into account - have gradually made themselves felt.

The Strategy for the eighties cannot overlook these aspects.

2. North-South relations at the end of the seventies

In the course of this decade there have been profound changes in the respective situations of the developing and industrialized countries, and also within each of the two groups. These changes have taken place against a background of great economic disorder: rising energy and material prices, the food crisis of 1973-74, serious doubts about the post-war monetary system, a very high level of inflation, a tendency towards fragmentation of the world market, etc.

The main structural changes and long-term trends resulting from this can be summarized as follows:

From the developing countries' point of view

- (i) The sudden emergence of the oil-producing countries, which has enabled to have a direct influence on the growth conditions and balance of payments situations of the industrialized and non-oil countries, and explains their role and responsibility as creditors and their large orders for capital goods, infrastructure, etc.
- (ii) The emergence of newly-industrialized countries as the competitors of certain industrialized country industries on the markets of both the industrialized countries and the developing countries; here it must be borne in mind, however, that the developing countries are still more important as markets for the industrialized countries' manufactures than as suppliers of such products and that the industrialized countries' surplus in manufactures trade with the developing countries has continued to grow over the last few years.
- (iii) A worsening of the food situation: this trend has become evident in many developing countries, especially in those which are seriously affected as evidenced by a drop of 0.5 % per annum in the per capita production of the countries in question between 1970 and 1977; moreover, the developing countries as a whole are becoming increasingly dependent on outside sources of supply (their cereal imports have doubled since 1970 and are likely to double again by 1985).

- (iv) A worsening of the underemployment situation as a result of certain structural trends (demographic pressure, the drift from the land, the capitalist nature of industrialization) which have been reinforced by the uncertainties and difficulties in the world economy and world trade.
- (v) As regards raw materials (except energy) : here, despite considerable fluctuations over the decade the terms of trade have stagnated in relative terms and there has been a considerable reduction in investment in the development of Third World countries' mineral resources; the importance of initiatives such as Stabex should, however, be stressed.
- (vi) An increase in debt situation, especially for middle-income developing countries, and a change in the debt structure (with an increase in private short-term debt financing).

From the industrialized countries' point of view

- (i) A slowing-down of the growth rate compared with the beginning of the seventies and accompanied in certain cases by serious regional disparities, which has meant a corresponding reduction in the industrialized countries' ability to induce economic growth in the developing countries; this has been to the detriment of the poorest developing countries in particular.
- (ii) An increase in rates of inflation : ways must be found to boost economic activity while avoiding the risk of perpetuating or encouraging this harmful trend.

- (iii) The increased dependence on outside sources of most industrialized countries since they are having to meet increased oil bills and cope with higher prices for certain raw materials (of the new US foreign trade policy which is evident in the country's firm resolve to increase its share of world trade); this increased dependence is also due to a much closer interrelation between growth in the industrialized countries and the level of activity (and therefore import flows) in the developing countries.
- (iv) A considerable increase in the rate of unemployment as a result of the slowdown of growth and the effects on certain vulnerable sectors of increased international competition between industrialized countries and competition from newly-industrialized developing countries; this has made it necessary for the developed countries to devise internal adjustment policies in order to avoid protectionist reactions.

Effects on international economic relations

- (i) disruption of the international monetary system,
- (ii) a change in world flows and in the structure of the balance of payments,
- (iii) an increasing imbalance in the distribution of savings surpluses and balance of payments surpluses on the one hand and financing requirements on the other,
- (iv) intensification of the North-South negotiations, which have now become virtually continuous and the increasingly political nature of international discussions.

3. General considerations regarding the attitude to be adopted by the Community towards the new Strategy

Considering the imperfections and shortcomings of the Second Development Decade and developments in the industrialized and developing countries, an approach to the Strategy for the eighties might be based on the following considerations :

- (a) First of all, it is necessary to win acceptance for the idea that what is now a world economy should be managed jointly—in other words, the industrialized countries and the developing countries now have a joint responsibility to ensure continued growth of the world economy (indeed, the performances of the industrialized and developing countries are much more interdependent than they were at the beginning of the seventies) and to see that this growth is directed towards a greater measure of fairness in international economic relations.

In order to achieve this, the question of how the industrialized countries' policies and adjustments to those policies (restructuring, market access, etc.) affect the development prospects of the developing countries should be examined more carefully. The required attention should also be given to the repercussions of the policies of certain groups of developing countries (OPEC, newly-industrialized countries) on the ability of the industrialized countries of the North to contribute to development.

In addition, far greater account should be taken of the need for mutual cooperation between the various categories of developing countries (which is in keeping with the objective of self-reliance advanced by the developing countries and with the efforts being made to develop regional cooperation).

- (b) The disparities which have arisen (and which are likely to increase) between the developing countries should be looked at next so that the most appropriate solutions can be found to meet the real needs of each group of developing countries; this could lead, for example, to a re-examination of certain schemes so that they are more suited to the development stage reached by the beneficiary countries.

The Community's position should be put forward cautiously so that the developing countries understand that this approach is motivated solely by the search for a more efficient development aid mechanism and not by a political desire to destroy the cohesion of the Group of 77.

- (c) Thirdly, the Community should be selective in its proposals, i.e. apart from stressing matters relating to the general improvements that need to be made in relations between developing and industrialized countries, it should emphasize a number of specific targets of paramount importance. Failure to do so might mean that the new Strategy would become a mere catalogue of general options, whereas efforts should be made to go further than this and define specific ways of implementing the general guidelines.
- (d) Finally, the proposals should be balanced, i.e. the Community, in seeking to determine the Strategy's objectives and means of action should bring its own interests to bear in order to ensure that account is taken of the negative effects that measures likely to produce excessive economic and social tension in the Member States, in particular in certain regions, could have on development operations and also to encourage public opinion and governments to consider all development problems from the point of view of mutual interest.

4. The Community's positions

There should be two sides to the Community's positions on the new Strategy :

- the first involves improving the economic conditions and general framework in which relations between industrialized and developing countries will develop in the 1980s ;
- the second should be centred on a limited number of essential objectives which will guide the policies and actions of both industrialized and developing countries.

(a) In the first place, the Community should adopt a position on a number of general problems of a macroeconomic nature, some of which are being tackled in virtually continuous international negotiations, while others reflect more recent concerns.

The latter include discussions on the question of the interdependence of economies and the need to find the means of ensuring harmonious and sustained growth of the world economy and world trade ⁽¹⁾. While the main aim of the Strategy must of course be the development of the developing countries, it must also be designed to contribute to the growth of the world economy. In this connection, special attention must be paid in particular to ways of stimulating demand in the developing countries by arranging to increase substantially the financial transfers to those countries.

The other more traditional matters being discussed in a wide variety of international fora concern improvements to be made in the functioning of the economic relations between the industrialized and the developing countries with a view to enabling the latter to realise their potential and, to this end, to make the most of their gradual inclusion in the mainstream of world economic activity.

(1) Obviously Nord-North and North-East economic relations, and for that matter South-East economic relations, must be considered as well, but it does not seem appropriate here to include them officially in the outline for a new Strategy.

These subjects are in any case dealt with at fair length in the text prepared by the Nine in New York in 1977. They deal mainly with :

- (i) the continuation of efforts to liberalize trade and the search for more balanced and more equitable trade between North and South;
- (ii) raw materials, especially the need for improving the market structure of primary commodities, the search for greater stability and security in the terms of trade, the setting up of a satisfactory system of compensatory financing, etc;
- (iii) the need to make a greater effort as regards the transfer of resources and if possible the definition of ways⁽¹⁾ of achieving the 0.7 % target, which will probably be extended for the next decade; the need to find ways of replacing short-term credits, which have come to play a dominating role in the financing of payments deficits, with longer-term recycled capital, especially from oil;
- (iv) industrialization, and the conditions under which the Lima target can be achieved and in particular the access of the newly-industrialized countries' products to the industrialized countries' markets, organization of sectoral consultations, the promotion of the transfer of technology, etc;
- (v) monetary matters, and the question of the "Link" between the creation of new liquidities and development, improved access to decision-making machinery, etc;
- (vi) the need to ensure better control of multinationals.

(1) Some ideas have been put forward such as automatic transfers, a special consumption tax, the use of possible savings from disarmament, on which a position must be adopted.

(b) The Community's second platform will consist in suggesting some of the main lines along which the thinking and action of both North and South should develop in the 1980s (and possibly beyond) towards achieving targets which now appear to be essential if any progress is to be made towards a new international economic order. What is proposed here, then, is a more practical approach aimed at identifying, more clearly than can be done in discussions on the general conditions of the new international economic order, those problems which demand particular attention and effort on the part of the international community as a whole.

In this regard, three objectives appear to be of particular importance :

(i) the satisfaction of basic needs; this should not be seen as an alternative to the efforts and aid required to achieve the growth targets of the developing countries, nor should it appear to be a means of interfering in their affairs or a direct or indirect method of imposing a particular development model on them; on the contrary, it should be seen as one of the most pressing obligations incumbent on the industrialized and developing countries at the present time (indeed, the stability of many developing countries depends on it). What this obligation amounts to is creating the minimum conditions necessary for real progress in improving the living conditions of the poorest populations.

It is primarily the satisfaction of food requirements that is meant here. The food problem must therefore receive particular attention if the new Strategy is to represent an opportunity for making a bigger effort to stop the deterioration that has occurred in the food situation in many developing countries over the past few years (the time has perhaps come for the Community to put forward once again a proposal it made at the CIEC

- which came to nothing at the time owing to the opposition from United States in particular - that a specific target should be set for external aid allocated to this sector, subject to the proviso that appropriate steps would be taken by the developing countries concerned to mobilize internal resources); in this context, specific proposals will also have to be made on the other issues connected with the satisfaction of basic human needs (health, training, employment, living conditions and, more generally, urban amenities and problems of urbanization, social infrastructure, etc).

- (ii) Another common objective of major importance is the need to make appropriate use of the earth's scarce resources. The first issue that needs to be raised here is the energy problem, which is something that the developing countries will eventually have to agree to discuss. The subject of energy should not be broached solely from the point of view of oil but also in terms of the economic utilization of reserves, substitute sources of energy, in particular renewable ones, etc. A second specific subject which should be dealt with in depth is the supply of raw materials; particular points to be raised here are possible ways of effecting the investment required to ensure satisfactory exploitation of the resources available, the use of renewable raw materials, recycling, exploitation of the seabed, etc. A number of other subjects covered by this general theme should also be discussed, in particular the environment and the protection of natural conditions (the fight against desertification, pollution of the sea, the problem of water).
- (iii) The third objective is the need to find ways and means of arriving at an international division of labour that will give the developing countries a bigger share of international trade and increase their involvement in the world economy. This theme covers in particular the problem of coherence between the policies pursued by the various countries, especially in the development of industrial activities, and the adjustments which this entails.

In this context, special attention should also be paid to the problem of mutual cooperation between developing countries, as many of them are concerned to attain a certain level of self-reliance in development (see the conclusions of the 1976 meeting in Mexico, the UNCTAD discussions, the conclusions of the meeting of non-aligned countries in Havana in 1978, etc).

It seems worth noting here that this approach geared to individual objectives will probably lead to the creation of new categories among the developing countries based not so much on their level of general development (as tends to be the case at present) as on the degree of importance which a particular country attaches to the attainment of the abovementioned objectives.

5. Final considerations

If it is to be effectively applicable, the new Strategy must, unlike the resolutions on the new international economic order or on the Charter of the Economic Rights and Duties of States, be the result of a genuine consensus among all the parties concerned.

Application of the Strategy will have to be monitored in some way according to a procedure to be determined. It is true that the review and assessment procedure devised for the present Strategy has been unsatisfactory. The mid-course review, in particular, was conducted under arduous conditions and in a rather tense atmosphere.

These difficulties could largely be prevented if the new Strategy were not simply a catalogue of quantified rigid targets. Covering as it does a relatively long period of time and being likely to be affected by rapid and unforeseen changes, it should be devised in such a way that it can be adapted to an ever-changing situation. If it were too rigid it might become too far removed from reality and make discussions on its implementation more difficult.

At the institutional level, the approach by the Community should therefore be carefully considered in order to determine its implications. It can be said that the present structure of international debate, which is concerned in particular with defining new general conditions for international economic relations, must provide greater scope for more flexible forms of analysis and discussion which could be adapted more easily to the developments that are bound to occur in the decade ahead and beyond. In making these adjustments special attention should be paid to the need to put a stop to the proliferation of international meetings, since this places an excessively heavy burden on the governments of developing countries in particular and in many cases takes up too much of their administrative capacity.

By the same token, as far as the timetable for the implementation of the new Strategy is concerned, the Community should endeavour to see that the end-of-decade deadlines (1990, or even 2000) are understood as being indicative and that, on the contrary, the various stages of the Strategy should be mapped out as realistically as possible in terms of the feasibility of the objectives proposed.