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# The Perspectives of the North-South Dialogue

## Elements for a Reorientation

by Hans Mayrzedt, Mario Ernst, St. Gall\*

**During the 1970s the North-South Dialogue, which will shortly be continued at the summit in Mexico, was characterized by a gross disproportion between monstrous expenditure – with many losses due to friction – and negligible results. Symptoms of fatigue with regard to the Dialogue are spreading not only among governments, but also among the public in the North. The disillusionment and disappointment are proportionally greater in the South. As no one would presumably like to risk a failure of the Dialogue, which would probably result in a severe aggravation of the North-South conflict, a reorientation of the Dialogue now suggests itself.**

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**A**t the beginning of this decade we are confronted with a paradoxical starting point. The prospects of the North-South Dialogue have noticeably worsened in view of the gloomy economic prospects and of the aggravation of the general international situation. But all the more important, precisely now, is an improvement in North-South cooperation. It is therefore necessary to overcome the discrepancy between the less favourable conditions of North-South cooperation and the higher demands made on them. This is only possible if, among other things, North-South relations are put higher on the list of priorities in the foreign policies and foreign-trade policies of both western industrialized nations and OPEC countries.

The better one understands the complex character of the North-South Dialogue, the more one avoids the risk of underestimating the difficulties of the Dialogue, which have essentially contributed to its disappointing progress. These difficulties are above all of an institutional, factual and domestic political nature.

Contrary to former times, when a small number of superpowers decided the order of the world among themselves, it is now for the first time in history that all countries – about 150 – are called upon to participate with equal rights in the arrangement of the international (economic) order. The world of nations thus had to develop a new procedure, which the participants had to get accustomed to, and the use of which they had to rehearse. For the mastery of this task, the world of nations makes use, obviously, of a universal multilateralism which, however, is often overtaxed when it comes to solving problems: against the

background of the great variety of requirements and interests of the individual countries, attempts to find solutions for the world as a whole are being made. In this context the large number of multilateral, international bodies proves an additional complication.

In view of the above-mentioned variety of requirements and interests of the individual countries, it proves particularly difficult to see through interests and concerns common to both North and South, even more so because large discrepancies exist from country to country in terms of values, objectives and temporal horizons.

The varying domestic-political weight of the Dialogue in the participating countries of North and South must not be ignored, either. In most northern countries the population favours a more reserved policy towards developing countries than do their governments;<sup>1</sup> the reverse can be found only in few countries. On the other hand many southern countries expect the Dialogue to solve nearly all their problems and therefore turn away from the necessary internal reforms.

### The North's Defensive Strategy

Our investigation, which is partly based on interviews with experts from administrations and delegations of industrialized and developing countries, confirms the assumed inefficiency of the universal (global) North-South Dialogue, which we attribute to two main causes: the strategies employed by both sides, and the weaknesses of the negotiation mechanisms. There is a close connexion between these two causes, in that the hardly successful strategies which are used by North

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<sup>1</sup> In how far this must be judged a consequence of a lack of active leadership on the part of precisely those governments, is here left undecided.

and South and the inadequately functioning mechanisms reinforce each other's negative effects. In this context the strategy of the North must be seen as particularly important because it also determines the strategy and behaviour of the South to a crucial extent.

The defensive strategy of the North becomes apparent particularly in the following behaviour patterns: in most western countries the North-South Dialogue does not have the high priority which according to official protestations it should have. In this respect the lack of enthusiasm that characterizes most western nations' participation in the Dialogue and is expressed in the slender interest in the discussion of many important questions, cannot be very surprising. But even when the North shows a formal readiness to engage in a dialogue, this does not usually amount to an active participation in the search for solutions to the problems. Rather, the North often adopts, in the sundry UN bodies, filibustering techniques which consist in criticising the proposals of the South in detail without, however, submitting serious and potentially successful proposals of its own.

The defensive strategy of the North is obviously oriented towards the protection of ownership and the defence of the existing international economic order. Additionally, the North views things in a markedly short-term fashion, due to its fixation with its own short-term problems such as recession, inflation and unemployment. On the other hand the North is inclined to overlook or repress the longer-term problems which often concern both North and South. In consequence the main efforts are concentrated on delaying the adjustments, even if the structural problems have been recognized.

In the framework of such a strategy the North often demonstrates great difficulties in identifying a problem raised by the South as a common, long-term concern; in this way the North consciously or unconsciously inflicts medium or long-term injuries on itself. It seems to us that this attitude is above all explained by the asymmetry in the mutual dependency between North and South which consists in the fact that the South, as far as the solution of its problems is concerned, depends on the cooperation of the North to a higher degree than *vice versa*. However, the defensive strategy of the North is also stimulated by behaviour patterns of the South. It would appear that reports about deplorable states of affairs in developing countries often provide the North with welcome reasons for reducing its development assistance efforts. Also, demagoguery on the part of the South in the North-South Dialogue is apt to confirm the North in its defensive strategy.

For a long time – particularly in the 50s and 60s – the countries of the North pursued their own foreign-trade interests, without sufficiently taking into account the complaints of the South regarding their position in the world economy and in world economic politics. Proposals for individual small-scale changes on the part of the South were mostly paid little attention and were rejected. Only in the mid-70s, in connexion with the increased power of the OPEC countries, did the nations of the South switch over to the heavy offensive which is hardly explicable without the defensive attitude of the North.

### **The South's Behaviour Patterns**

They began a policy of trying to wring a great number of at least minimal concessions from the North, on the one hand by putting forward very radical claims and on the other hand by operating with a long list of demands and with a "proliferation of the negotiations".

Many developing countries hold the world economic order responsible for their situation, which is characterized by their low material development standards, while at the same time the majority of the industrialized countries live in affluence. A basic change of this world economic order is, not surprisingly, one of the main objectives of the South's efforts in the Dialogue.

Most developing countries support non-market solutions in order to attain a larger share in world industrial production at the expense of the North, as well as in order to realize a massive transfer of resources from the North to the South. There are several reasons for this non-market attitude. On the one hand it is based on experiences of the domestic economy, which is characterized by governmental regulations rather than by market processes. On the other hand many developing countries believe that the world market would discriminate against them. In the light of numerous flaws in the market, particularly in the raw materials sector, such an opinion is not incomprehensible, just as there is something in the opinion that a market can only offer satisfactory solutions if the market participants have approximately the same initial chances and if adjustment costs do not have to be borne by only one side (the South). Finally, international agreements about the division of production and market shares are obviously in opposition to the competitive situation of the market.

Finally the developing countries also seek to force a "creeping" change in the world economic decision structures by transferring all negotiation topics to institutions in which they hold a safe majority. It is often

not taken into account, however, whether these organizations are suited to solving problems efficiently.

Many developing countries appear to regard the decisive opposition of the industrialized nations to their strategy in all important points as a confirmation of the soundness of their behaviour, which further contributes to a hardening of the negotiations.

However, the offensive strategy of the South must also be traced back to the domestic-political situations prevailing there, which can only be mentioned here. The greater the failures of domestic development policy, the greater the need for aid from abroad. Additionally, exaggerated demands by the South on the North are suitable for distracting attention from domestic grievances. They are doubtless popular with the domestic population in the South and also take into account the nationalism of the mostly young nations. Thus, however, the importance of internal reforms in developing countries for the success of the North-South Dialogue is misjudged.

The energy problem was not actually the subject of our investigation, but we think it necessary to point out the strong influence of this problem on the North-South Dialogue. Whilst the oil-price rises in particular considerably aggravated the financing problem of the developing countries, we observed a mutual paralysing of OPEC and industrialized countries. Whereas many OECD countries tend to think that the OPEC countries, which caused the aggravated financing problems of the oil-importing developing countries, accordingly also bear the main responsibility for the solution to this problem, the OPEC countries reject such reasoning out of hand. They accuse the OECD countries of wasting oil, which is thus becoming scarce and whose real price therefore had to rise massively, and they state in opposition to the OECD countries that they (the OPEC countries) granted relatively far more development aid in comparison with the OECD countries, in spite of their low development levels.

It is against this background that both sides demand from each other substantial initiatives towards the improvement of the North-South situation, but none seems to be prepared to take the first step. This is all the more deplorable because the solution to the urgent problems of the oil-importing developing countries requires the cooperation of both OECD and OPEC nations. The ones that suffer from a paralysing of the negotiations between these two groups of countries are the oil-importing developing nations.

In spite of the fact that the composition of the two main groups (industrial countries and developing countries) is very heterogeneous in many respects, group unity is

mostly adhered to, owing to the antagonistic strategies. However, this entails an enormous amount of time being spent on intra-group coordination; it also entails an overlap of the specific interests of the individual countries, and in consequence important pointers to compromises on certain topics are often lost. In this respect the existing group system supports the tendency towards a confrontation of one party's maximal demands with the other party's minimal concessions.

The Dialogue takes place on the most various subject-matters in a now hardly controllable number of institutions, without a target-oriented coordination being recognizable as such. Therefore it cannot be avoided that one subject may inadvertently be treated more than once. All efforts made so far to cut this jungle down to size have had little success, which gives rise to the assumption that too much allowance has been made for (people's and institutions') prevailing interests.

The medium-sized and small countries and particularly the developing countries are overtaxed as regards time, personnel, finances and professional resources, by the countless negotiations and meetings in the most various fields but often taking place simultaneously – the UNCTAD diary comprises about 120 weeks of negotiations for one single year. Such countries therefore find it largely impossible to prepare for the Dialogue sufficiently.

Weeks or months of the negotiations are taken up by haggling about formulations of resolutions which are of no great value for the solution of the initial problem.<sup>2</sup> The result of these debates is usually a resolution which can be interpreted in any way you choose, presents both parties as victorious, but in actual fact is no good to anyone. There is a particular reason for this: whenever the – often bilateral – negotiations concern such specific interests as resources or capital transfer, the texts of these resolutions must remain without great relevance.

#### **Elements for a Reorientation**

In the first place, satisfactory progress of the North-South Dialogue depends on a change of the participants' strategies. What is crucial is whether one will succeed in changing the negotiation strategies of the South. As mentioned above, we largely consider these to be a reflex of the North's attitude shown in the Dialogue, and therefore alterable. We are thus convinced that a change of attitude on the part of the North towards the problems of the South and therefore

<sup>2</sup> For instance, a "decision" as to which share of world industrial production should in future be due to the developing countries, cannot contribute anything to the solution of this problem.

towards the Dialogue, would decisively contribute towards the overcoming of the demand strategy of the South, which is in the last analysis unfruitful. Such a reorientation would have to comprise the following elements:

□ The readiness of the North to take into account interests and concerns common to North and South by searching for agreeable solutions to the problem. Even in the initial phase of the exchange of opinions, this would call for constructive proposals to be submitted by the North; the OECD would have to offer its services for the preparation of these to a greater extent than it has done to date.

□ The serious assurance to the South that the North is willing to have a constructive dialogue in all problem areas, on the basis of a list of priorities to be drawn up by both together.

□ The understanding and the admission of the fact that the administration of the existing international economic order must be changed because it impedes the development of a large number of developing countries; accordingly, the reform of the administration of the international economic order would have to be carried out resolutely. For this purpose, it is above all solutions favourable to the market that present themselves, because they encourage individual initiative and responsibility and because, on the other hand, multilateral international regulations – which, incidentally, have no legitimacy as there is no world government – would be likely to favour a wastage of resources. In so far as in this context the specific interests of the participating countries should be considered to a larger extent than before, one should consistently take one's bearings from a concept of a differentiated international economic order, according to which the rights and the eligibility for support as well as the duties depend on the economic level of the countries concerned.

□ The population, parliament and interested circles of the economy must be influenced through the necessary active enlightenment and leadership. Above all, the knowledge must be circulated that there are not only humanitarian but also economic reasons that favour better cooperation between North and South. Whilst such a change of official policy can hardly be expected to take place in the entire North in the short term, it is possible in the medium term. It is essential that some important countries take the lead with regard to a change of strategy. In this respect, Canada's determination to want to play a leading part in the future dialogue, appears to us to be an example of a step in the right direction.

It is highly likely that neither the South as a whole nor the OPEC countries in particular could escape such a change in the attitude of the North. Such a change would largely cut the ground from under the offensive strategy of the South and its demagogic elements. At the same time, the developing countries would be more constrained to support themselves. A willingness – expressed simultaneously by industrialized and OPEC countries – to provide the developing countries with more support, should also make it possible for all sides to escape from the present bottleneck between these two groups of nations.

If in this manner more fruitful progress in the „West-South“ Dialogue, as it should properly be called, became possible, it would moreover become difficult for the East further to shirk the common responsibility of West and East towards the South; only in this case could we rightly speak of a North-South Dialogue.

#### **Medium-term Perspective**

The prevailing progress of the North-South Dialogue should teach another lesson in that, for the continuation of this dialogue, medium-term perspectives and medium solutions should be envisaged: instead of merely talking about great projects which may never be realized, one should attempt to make concrete progress during the next five to ten years, in the sense of a medium solution (between the great projects and the insufficient little steps which are preferred in day-to-day politics). This development should be geared to the world economy and to the fact that the industrialized countries have a particular responsibility towards the developing countries, whose great problems are mostly too little appreciated in the North. This would also take into account the vital interest of the industrialized nations in the fate of the developing countries.

Fortunately, there are hardly any differences of opinion left as regards the main objectives of the North-South Dialogue. They can be summarized from our assessment of the situation as follows:

□ better equilibrium in the world economy, attained through a diminution of the discrepancy between North and South in the course of an accelerated development of the developing countries, i. e. the developing countries should be particularly supported,

□ diminution of the unilateral dependence of the developing countries,

□ satisfaction of the basic needs of the people in the developing countries (food, employment, health service, housing, education, etc.).

Apart from the influence of power political considerations, which must not be underestimated, the

main difficulty lies in the question as to how the various objectives can be reconciled. It would seem to be requisite in this context to set priorities: independence or welfare? satisfaction of the basic needs or high growth rates? In terms of realization, the difference between the time horizons of North and South is conspicuous: the developing countries want to catch up quickly, whereas the industrialized nations fear that this would cause major difficulties with adjustment. Such problems cannot be solved generally, but only with reference to individual negotiation packages, no matter whether the latter concern only one thematic area (for instance trade or financing) or several at a time.

### **The Shape of Future North-South Relations**

In order to improve the North-South Dialogue, it is essential that a partnership between the two worlds, based on equal rights and the principle of *do ut des*, is initiated. Both partners would have a share in the decision-making as well as in the responsibility; each partner would support the other and could expect support in return. The emancipation from the North, which the South aspires to, cannot be imagined in any other way. But this raises one particular problem. It is only in the case of symmetry of economic strength and political power in the partnership that *do ut des* signifies reciprocity, i. e. the exchange of equivalent services move by move. In our world of unequal dependence, however, the essentially more powerful economy must take the initiative and provide a certain amount of support in advance (similar to the action taken by the US after the Second World War towards weakened Western Europe).

There are already traces of this – they exist particularly in the framework of GATT – which should be followed up systematically. Such advance support on the part of the industrialized countries does not, however, release the weaker partner from his obligation; but he can only be expected to provide a smaller service. To be sure, the weaker partner's recognition of the common responsibility for the regulation and the administration of North-South relations instead of the employment of a "chaotic power", would constitute a service on his part which should not be underestimated. For us, the creation of such partnership between unequal parties, with the target of equal rights and material balance, is *the* challenge of the North-South Dialogue.

It seems important to us that the individual thematic areas of the North-South Dialogue are not considered in isolation, because certain behaviour patterns in one area also have effects on other areas. For instance, industrialization policy in developing countries is

coupled with a technology transfer and with imports of capital goods from industrialized nations, which puts a strain on the current account of the developing countries. At a later date, however, this industrialization policy of the developing countries will result in an increase in employment and income in these countries and, accordingly, increased imports for industrialized countries in the field of consumer goods. Also, the strengthening of the industrial potential of the developing countries entails increased exports of finished products to industrialized nations, which again takes the strain off the current account of the developing countries. This demonstrates the close connexion between foreign trade and financing. By no means a small part of the problems of external financing can be solved in the context of foreign trade. A similar case presents itself in the field of raw materials for a stabilization of export earnings.

### **Improvement of Negotiation Mechanisms**

Changed strategies on the part of the main participants represent a necessary condition for the improvement of the universal multilateral mechanisms because they crucially reduce the need – above all of the developing countries – for compact group formation. By means of a partial departure from compact groupings, specific interests of the countries participating in the Dialogue could be taken into consideration, and pointers to compromises could thus be found. As to the negotiation mechanisms themselves, the following improvements are suggested, which are closely connected with the strategies:

- a drastic reduction in the number of negotiations, which is not possible unless North and South agree on a list of priorities from time to time;
- an increasingly problem-oriented procedure, which represents an attempt to be concerned with tasks of medium size, i. e. to follow a course which is between that of the reorganization of the entire international economic order and that of working on projects;
- an increased coordination of the various activities within the framework of the dialogue; this applies to both, the coordination *between* and *within* the individual organizations: The prevention of superfluously overlapping activities *between* the various organizations of the North-South Dialogue necessitates a coordination authority, which is established either outside existing organizations, as suggested, for instance, by the Brandt Report, or within the UN, as demanded by many developing nations. The latter may appear obvious in that the UN ranks foremost in the hierarchy of international organizations, whether one

likes it or not. In part, the UN has already played a coordinating role (the reporting of the special organizations to the Economic and Social Council of the UN and the international development strategies of the General Assembly of the UN may serve as examples). Also, there are no basic objections to the formulation of basic principles for the shaping of the entire North-South relations on the level of the UN. On the other hand, the concretization of these relations should be left to the relevant specialized operational organizations (IMF, World Bank, GATT), as the UN is not suited to this either as regards subject-matter or from the point of view of organization. The distrust harboured by many developing countries of those operational organizations can best be countered if these organizations show themselves prepared to listen to the concerns of the developing countries and are ready to grant them more influence on the decision-making process. The prevention of superfluously overlapping, and of useless, activities which are nothing out of the ordinary *within* the organizations due to lack of coordination, should be effected by coordination committees inside these organizations. Such committees should be regarded as a minimal prerequisite for a more efficient negotiation process.

□ The further development of the present participation structures: the present negotiation process of "formal motions without actual movement" (ul Haq) can apparently only be overcome if the present participation structures can successfully be further developed. We are convinced that in the present-day situation a sensibly restricted participation which produces results, would serve even those who are not directly involved better than a formally universal participation which, however, does not rise above verbal compromises. Two models suggest themselves: a modified group system, or so-called indirect participation. The characteristic of the latter consists in the idea that each country is represented in a small body of national representatives, if perhaps by only one person, who simultaneously represents several countries.<sup>3</sup> This form of participation is worth considering when operative decisions must be made. In the efforts towards a reorganization of North-South relations, a modified group system similar to that suggested by the Brandt Report could bring new life into the negotiations. The group system would be modified so that not all countries would any longer be directly involved in the sundry groups, but would only indirectly participate in the negotiations via some countries from among their groups. These countries would indeed be

delegated by the member nations of their groups, but would negotiate without a fixed mandate, i. e. without instructions. As a complement, however, each group should have its own consultation and coordination authority, so that the countries not directly participating in the negotiations would be guaranteed a minimal consultative participation. This authority should be independent of the individual organizations in which North-South negotiations take place. To this end, the industrialized countries make use of the OECD even now, whereas the developing countries still lack a corresponding organization. However, the simplification of the negotiations which has been considered, cannot obscure the fact that important decisions will still need the consent of the entire world of nations.

□ Overcoming the Principle of Unanimity: the above-mentioned changes in negotiation structures are closely connected with a departure from the principle of unanimity, by which only the nations involved in the negotiations or at least in the decisions, are bound, whereas the others are entitled to a right of accession (in a certain sense an extension of the so-called "Swiss Proviso").

#### Regionalization of the Dialogue

A regionalization of the North-South Dialogue must be considered as a complement to the improvement of the universal negotiation mechanisms. The less progress is made on a universal level within a useful period of time, the more this is necessary. Some weaknesses of the universal dialogue can largely be prevented in a regional one. In view of more similar circumstances, it is easier to find concrete and adequate solutions for one part of the South than it is for the entire, highly heterogeneous South. By means of the restriction of an arrangement to only one part of the South and only one part of the North, it is easier to find legally binding solutions, whose consequences can more easily be assessed by the donor nations than in the case of a universal solution. Also, not all the parts of the North are equally ready to cooperate, so that a regional North-South arrangement can often go much further than a universal regulation. The contractual relationship between the EC and the ACP countries constitutes a prototype of this.

However, the problems of North-South regionalism should not be underestimated. The dependence of a southern group of countries on a northern group of countries could be increased. Additionally, the strong orientation of the individual nations of the South towards the North, which already exists, could be further accentuated, which could be to the detriment of the

<sup>3</sup> Only the most important countries assign their own representatives (e. g. executive directors of the IMF and the World Bank).

regional South-South relations. Also, a North-South regionalism is necessarily connected with a discrimination against countries of the South which are not involved in the regional North-South solution under consideration. It is also conceivable that the universal North-South Dialogue may well be strained by several regional North-South endeavours.

Both the EC vis-à-vis Africa and Japan vis-à-vis the ASEAN countries acted as pioneers in the development of the beginning of a regionalization of the North-South Dialogue. The success of these efforts can probably only be assessed in 10 to 20 years' time. In both cases the contribution towards a political stabilization of the southern regions concerned played an important part. The inclusion of Latin America in such endeavours in the foreseeable future appears unlikely, but must not be ruled out in the long term. From the point of view of both North and South, the development of the idea of regionalization will be limited because only few countries or groups of countries would be qualified for it. With the help of the obvious concept of the "combined North-South region" these possibilities might be extended; in this case one southern region would aim at agreements with at least two northern regions, but this could cause unwelcome overlapping, incompatibilities and undesirable political tensions between the different northern regions. Therefore the attitude of northern

regions towards such a possibility is one of extreme caution.

Thus the regionalization of the North-South Dialogue appears possible only in exceptional cases, but this potential could prove to be as great as that of the no less exceptional Western European integration. In the case of further setbacks in the universal North-South Dialogue, the existing starts in the regional North-South Dialogue might at any rate be continued at a faster rate.

Even if the multilateral North-South Dialogue is successfully organized more efficiently in the manner suggested in this paper, it must not be expected that all problems in the relations between North and South can be solved. This dialogue represents only one element of the shaping of these relations. Besides, the concrete development cooperation with the help of multilateral institutions (UN, World Bank, etc.) as well as bilateral between one donor nation and one recipient nation, is also of great importance; even more so because in this manner the particular needs of individual developing countries can best be taken into account. Finally, it must again be stressed in this context that the achievement of the objectives of the developing countries and the realization of a more just international economic order will be possible only if the external contributions are supported by corresponding internal measures both in the North and in the South.

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## NORTH-SOUTH DIALOGUE

# The Soviet Union's Attitude

by Edward Böhm, Hamburg\*

**The Soviet Union will not be represented at the North-South Summit in Cancún, even though both the developing countries and the Western industrialised countries would have liked to see it participate in the talks on solving the problem of underdevelopment. What are the USSR's reasons for its negative attitude? Are there any prospects of involving the Soviet Union and its CMEA partners in joint development cooperation?**

**F**or its absence from the North-South Summit meeting in Cancún the Soviet Union gives the same reasons as it has always adduced whenever development-policy demands have been made on it: the former colonial powers and not the Soviet Union are responsible for the underdevelopment of the Third World, and it is, therefore, they who must make good the

consequences of exploitation. It is incorrect, therefore, and unacceptable to bracket the Soviet Union together with the industrialised countries under the unified concept of "the North". If the Soviet Union and its allies are nevertheless engaged in development aid then they are motivated solely by solidarity.

This fundamental attitude of the Soviet Union and the other CMEA countries has been familiar to the

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