

SOUTH-SOUTH DIALOGUE

A Brief Report

On 14-16 December, 1978, a small group of Third World thinkers, policy makers and negotiators met at Arusha, Tanzania, for an informal and unofficial review of the North-South dialogue on the New International Economic Order. The meeting was sponsored by Third World Foundation, London. Participation was purely in a personal capacity. President Nyerere was present during two sessions on 15 December.*

The meeting was in the nature of a South-South dialogue and was primarily an exercise in frank and rigorous self-analysis. It was held in closed session. The report that follows attempts to convey the essence of the discussion that took place.

The basic approach of the participants was to review the progress made so far on the NIEO, to re-examine the negotiating agenda and the strategy of the South, and to identify concrete proposals through which the objectives of the South could be advanced further in a framework of genuine interdependence between North and South.

It was recognised that while the South had succeeded in giving a high political visibility to its concern for an equitable world order, the concrete results of the North-South dialogue to date had been extremely disappointing. The dialogue had become one-sided, with the South presenting its case for change and the North rejecting each specific proposal or diluting it out of recognition while offering no creative proposals of its own. The North was failing to perceive its own vital interests in a new world order and was unlikely to be shaken out of its present negative attitude unless the South could become better organised for dialogue and negotiation.

The participants felt that a major weakness of the South during the last four years had been the lack of an appropriate organisational framework to provide adequate and sustained technical support to Southern policymakers and negotiators. The South often faced the North without clearly defined objectives and agreed priorities, without a complete range of technical options, without a

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full consciousness of its leverage and without effective pre-negotiation to reconcile the diverse national and regional needs of its members.

The participants agreed that in the next phase of the North-South dialogue, the South must adjust more effectively to the era of extremely complex negotiations that had now begun, backing up its organisational efforts by an agenda that balanced the interests of all its members and by the development of increased countervailing power.

The real objective of the North-South dialogue must be viewed in the framework of the economic decolonisation of the Third World, as an integral part of a historical process of continuous liberation from the past patterns of economic, cultural and political dependency. This means that the modalities of economic domination (as revealed in the current working of the markets of finance, commodities, technology, manufactures and labour) must first be perceived at a political level and then be exposed at a technical level. This also means that fundamental changes are required in the existing international structures and institutions, fashioned and sustained largely by the financial power of the rich nations and their multinationals. Above all, it means that domestic reforms in the countries of the South, and a higher order of integration in the production, trade and payments arrangements amongst them, are crucial to the economic and political progress of the Third World and to their negotiations with the North from a position of internal strength.

The principal negotiating issues concern the disadvantageous position of the developing countries in the international markets where they sell – commodities, manufactures and labour – and where they buy – technology and finance.

The developing countries urgently need to strengthen their market staying power in the export commodity markets, hence the need for the type of Common Fund that can effectively fulfil this objective.

They need access to markets for their growing exports of manufactures as well as for their primary products, hence their deep concern about the artificial contraction of their markets in the developed countries.

They need an international framework which would accommodate freer movement of their labour across the tightly fenced borders of the rich nations as well as protect their labour working abroad from the growing tide of disquieting discrimination.

In procuring technology, the developing countries need better regulation of the international technology market to strengthen their present unequal position *vis-à-vis* transnational companies and to have a fair chance of building up their own indigenous technological capacity.

In buying finance, they are being made increasingly dependent on the private international credit market with the result that poorer and weaker countries have no significant access to non-project finance, while for others the unrealistic repayment periods negotiated only recently have already led to unfavourable debt structures.

In some of these principal areas, the negotiations between the developing and the developed countries have gone badly; in others they have not even begun.

On the commodity issue, the participants expressed deep concern regarding the present state of the negotiations. No commodity agreement has been concluded within the framework of the Integrated Programme for Commodities adopted at UNCTAD IV more than two years ago. The negotiations on the Common Fund, stretching over two years, now involve concepts and amounts that differ greatly from the original proposal of the Group of 77. The Common Fund as presently negotiated would to that extent be less effective in influencing commodity markets. The Third World must mobilise its collective negotiating strength to ensure that the Common Fund which eventually merges from the current negotiations is able to protect effectively the export interests of all developing countries and is capable of further development to meet their financing needs in the commodity markets. In any event, the Third World should make clear the responsibility of the North for any deficiencies in the Common Fund arrangements for which the developing countries may be forced to settle at this stage and it should keep its options open for a major modification of the present arrangements, including the possibility of a Common Fund financed by contributions largely from the Third World itself and from some friendly countries in the industrialised world.

One of the central issues for the developing countries and the world economy is the restructuring of the international monetary and financial system and institutions. These arrangements were established 33 years ago in a different world. The international monetary and financial institutions, the principles and methods of their operation, their theoretical bases and practical effects and, above all, their pattern of recruitment, control and management have to be redesigned to correspond to the present day requirements. In this context, universalisation of membership of international financial institutions is of particular urgency. It was proposed that international monetary and financial issues should be fully incorporated in the North-South dialogue and these should be placed as priority items in the negotiating agenda of UNCTAD and other negotiating forums.

Several concrete proposals were mentioned by the participants to reform the present international financial and monetary system. For instance: exploration of a new common financing institution of developing countries and those developed countries that may wish to join, to provide the type of financing presently not adequately available from existing institutions (e.g. medium-term programme finance, export credit finance for manufactured goods, resource development finance, finance for collective initiatives of the South), based on equitable voting structure; renewed stress on the regular creation of Special Drawing Rights (SDRs), their equitable distribution to the developing countries and revival of the proposal for a link between SDRs and resource transfers to the developing countries; exploration of the desirability and feasibility of establishing a Third World unit of account, on a global or on a suitable regional basis; and extension of the present ODA targets so that *all* countries (developed and developing) would be expected to pledge a share of their GNP for concessional finance, the share rising gradually up to 0.7 per cent for the highest per capita

income countries and the funds thus raised distributed according to per capita income, so that the low-income countries would be *net* receivers of ODA. These funds, which could be augmented by those arising from the exploitation of the global commons, must be under genuine international management and control. The above proposals illustrate a few of the many specific ideas that the participants presented to reform the existing international monetary and financial order. It was agreed that these proposals required professional analysis and further elaboration before they could be placed on the negotiating table. The participants suggested that such analysis should be undertaken by the research institutions of the Third World.

The participants felt that priority must also be given to developing long-term negotiating proposals for the 1980s and 1990s in order to develop a group of well-conceived, practical ideas and to prepare steadily the political ground for their gradual acceptance and implementation over a period of time. In this context, it was suggested that appropriate research forums should organise policy work in at least three areas, namely an international central bank, approaches to international taxation and an indicative global planning system.

The participants agreed that no visible progress was likely to be made in the North-South dialogue unless the South took concrete steps to organise and strengthen itself. In the next critical phase of the dialogue, the real question was not what the North could do for the South but what the North and South could do together. But the strength of the South in that dialogue would depend on a demonstration of what the South could do for itself. Several possible actions were mentioned: strengthening of producers' associations of developing countries and organisation of their own multinational enterprises in selected commodities; establishment of joint shipping lines, preferably on a regional basis, with their own conference rules; organisation of buyers' associations in major commodity imports like food, fertiliser, steel *et cetera*; unilateral adoption of codes of conduct collectively by all developing countries for transfer of technology and for regulation of transnationals; establishment of a Third World Endowment Fund to finance socially relevant research in the Third World; and the urgent need for the Third World to develop its own independent mass media dedicated to the liberation and progress of the South.

It was clear that despite the constraints and frustrations of the current negotiating machinery, the South was in a position to advance its own cause by better management of its human resources and a more concentrated attention to NIEO issues. Some examples mentioned by the participants were: securing at all times the best possible country representation to the international institutions and making better use of the limited leverage that did exist, e.g. within the World Bank and the IMF, through coordinated collective action; improving the contact and coordination between the policy viewpoints of the Group of 77 and groups in such UN centres as New York, Geneva, Washington, Rome and Paris; improving national coordination between the relevant ministries of each country dealing with NIEO issues in different international forums; ensuring that the final stages of negotiations on major specific proposals are at a political

level and sending high level ministerial representation to such sessions; designating special representatives with responsibilities for coordinating national positions on NIEO issues and for assisting in the coordination of the Group of 77 strategy at important meetings, e.g. the forthcoming Special Session of the General Assembly in 1980; organising special task forces from the intellectual forums of the Third World to help prepare for important negotiations; consciously cultivating support in the dialogue from like minded countries in the North; encouraging the socialist countries to become more involved in the dialogue; influencing public opinion and attitudes in developed countries, and particularly special groups such as consumers, trade unions, importers and manufacturers; and creating public understanding and appreciation within the South of the issues related to global economic and social justice, and their intimate relationship to internal factors.

It was clear that a major weakness of the South in its dialogue with the North was its lack of effective organisation. Both in the area of economic cooperation between developing countries and that of collective negotiation with the North, there was now urgent need for an immense amount of technical support for the South. The UN system, in particular UNCTAD and the Regional Economic Commissions, had important roles to play and should be strengthened for these purposes. But, beyond them, many participants felt there was urgent need for a Southern research and coordination facility serving the Third World directly and financed and controlled by it. What the Third World needs, they felt, was a comprehensive system of organisational and technical support for its negotiations with the North and for coordination within the South. The absence of such a facility was seriously impairing the capacity of the South to succeed in the era of negotiation. When ranged against Northern organisation, these deficiencies produce tragic imbalances.

The first dimensions of the support system should be arrangements to secure an adequate flow of technical analyses leading up to the preparation of negotiating positions, continuous back up during the negotiations themselves and, beyond that, follow up and implementation of the results. Participants recognised the need for urgent study of the modalities involved in establishing such a facility, taking account of all the resources available to the Third World and the need to put them to optimum use. It was agreed to set up a small group to study this proposal and to prepare the political and technical groundwork for its concrete implementation during 1979.

The participants fully recognised that what was at stake here was not merely the setting up of a technical coordination facility, but the momentum of the political movement of the Third World for economic liberation itself. The unity of the Third World was becoming less real than apparent as the action moved from declaration to negotiation. The better organisation of the South through machinery that coordinated and constantly updated a balanced programme of Third World cooperation in negotiations with the North and among the countries of the South was becoming critical to the sustained structural integrity of the Third World itself.

The participants agreed that the North-South dialogue has moved from the era of declaration to the era of negotiation. There is urgent need for the South to adjust to the requirements and opportunities of the new situation which its collective efforts produced. The phase of petition is over: that of organised effort for practical action must begin. Political commitment to transforming the present relations of dependency into those of equality and genuine interdependence must guide this phase. For the South, that implies a balanced agenda of priorities and consciously enlarging countervailing strength. Effective organisation and coordination are critical elements for sustaining Third World unity and success in the period ahead.