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## *Europe and the South in the 1980s: prospects for political change*

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### **Europe and the USA**

The theme expressed by the title of this article<sup>1</sup> has assumed a new significance in recent years. Just how significant might be gleaned from an experience I recently had in Washington. At the end of my own remarks and the discussion that followed, the conclusion urged on me by my American friends was that the South — indeed the rest of the world — should be realistic about the prospects for political change in Washington and, being realistic, should accept that on North-South issues no progress was likely over the remaining two years of the life of the present Administration; our effort, they felt, should be most concerned with working for the period thereafter. That was a shattering conclusion, especially as those who shared this view were not in any sense either ‘wet liberals’ or ‘radical freaks’; they were serious thoughtful Americans, some of them Republicans, gravely concerned over present policies in their country and their implications for themselves and the rest of the world.

Were they right? Are these the terms on which we must build the prospects for political change in what is left of the 1980s? My own natural optimism, but even more my faith in the potential of people in working democracies to curb the instincts of the politicians they have put in office, leads me away from such counsels of despair. But I am enough of a realist to recognise that the matter is sufficiently in doubt for us to take the gloomy prognosis seriously. At the very least, we must cater for the possibility that over the next year and, who knows, perhaps over the next five, the United States may not be an influence for progress, but an influence for stagnation or, worse still, for retrogression in North-South relations. It is one of the scenarios for which prescriptions on Europe and the South in the 1980s have to cater. But I would not wish to imply that it is only negative American positions that constrain Europe from pursuing with the South a bold and enlightened programme of change. Europe has not been straining at the leash of Group B positions. As one looks to the prospects of Europe and

the South in the 1980s one must look hard at Europe’s role as part of the North and ask whether the part is more likely than the whole to be a true partner of the South.

Last year marked the end of some eight years of North-South ‘dialogue’ — perhaps the most intensive process of consultation on cooperation (or indeed anything else) in all human history. Yet I venture to assert that no year since 1945 has started so badly, in so many ways, for so many people, in so many countries, as did 1982. Perhaps that should not surprise us, because we know that, in truth, there has been no real dialogue. The South has not been blameless in this; but, with few exceptions, it really was not even the intention of the North that there should be real dialogue. The North (and Europe within it) is not evil; its negotiators are not inhuman. Why then the cruel innocence of its indifference to an ineffectual dialogue? The answer lies, I believe, in the perception of our world as so many separate states for each of which the supreme duty is to national prosperity secured through an adversary system of international relations and sanctified at the altar of sovereignty. It is a perception from an era that has passed, but it is a perception that has carried over — in Europe as elsewhere.

Is there any doubt of the realities that have followed: the urgency of halting the unravelling process taking place in so many areas of human cooperation in which we had made gains; the need for a wholly new intellectual framework for the internationalism of the 1980s; and the dangers that loom if we fail to meet these challenges? Can we seriously examine the prospects for political change in terms of relations between Europe and the South without examining first the prospects for that fusion of power and wisdom which human survival on any tolerable basis now demands? Is it too late, after all, to make the dialogue a real one, with Europe more conscious now than when it began that development is not just the concern of the two-thirds of mankind that is the South, but of all the world; that man’s needs are mutual and their satisfaction a joint interest of all people; that the *status quo* now threatens all countries and an ineffectual

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dialogue that merely preserves it hurts rich and poor alike; that time could be short to shape the future before we are overwhelmed by it. It was not lightly that the Brandt Commission urged that if the world fails to 'become stronger by becoming a just and humane society' it will move towards its own destruction. Does Europe acknowledge — will it help to meet — this essential need to manage our survival?

### **The Growing Challenge**

What these questions ask is whether there is a will in Europe to respond to current challenges? Among them are the challenges posed by a world economy that is sick and national economies that are dying. The dangers in the financial and monetary fields, and particularly in relation to international debt, are simply staggering. At the end of 1980 the total outstanding external debt of oil-importing developing countries is likely to have been around £600 bn, of which just about three-fifths — some \$350 bn — would have been raised at floating rates of interest and with relatively short maturities, a combination that has now imposed crushing debt service burdens. On \$200 bn, a 1 per cent rise in interest rate increases interest charges by \$2 bn. Debt service payments for 1981 far exceeded \$100 bn. These developments are as worrying to creditors as to debtors — to Europe as to the South. Current trends cannot continue without precipitating a crisis, either through default by a major borrower and the domino effect of default on the whole international credit system, or through intolerable burdens of adjustment imposed on the weakest economies in the absence of international support for their minimal financing needs.

As might be expected, the low income countries have been able to borrow little from the commercial banks. Their needs are the most urgent in both economic and human terms. As raw material producers — in the 12 month period ending June 1982 — they saw prices decline for 14 out of the 18 commodities of major export interest to them, the fall ranging from 2 to 58 per cent. Their terms of trade have declined sharply. They have had to cut even essential imports, which means not only less food and other basic necessities but also less machinery, equipment, spare parts and fertilisers to maintain production. For them, then, there is little prospect of an early end to present economic distress, and the present fragile and uncertain recovery has little significance for them. These countries, for whom growth has virtually stopped, have about one-quarter of the world's population. They include most of the 750 million people in the world defined as the absolute poor. This is a time, it might be thought, when multilateral institutions like the World Bank would be most assiduous in supporting such countries — particularly through the concessionary window of IDA. Instead,

IDA now faces a threat to its very survival — a threat led, admittedly, by the United States.

Meanwhile, protectionism provides a striking example of how limited are the lessons we have learned. It is well established that because of prevailing linkages, protectionism forfeits many more jobs than it secures; and that, emerging out of the fight against inflation, it in the end fuels inflation itself. Few governments would dissent from this; for most, 'free trade' is quintessential doctrine. Yet protectionism is on the march. Half a century after the events of the 1930s it should be self-evident that at the end of that road lies damnation; that there must be an international dimension to the battle against inflation. The World Economic Conference in 1933 — chaired in London by Ramsay MacDonald and attended even then by 64 countries — came too late to assist in averting the depression, and was too half-hearted to arrest economic disorder. Must that history of myopia and tardiness be repeated in the 1980s?

The world economic scene is not one we can be complacent about. Yet in spite of the worsening situation, Western Economic Summits have come and gone without that sense of urgency for bold and coordinated international action that is clearly needed. Some positive statements have been made on the North-South dialogue but we have all learned to look for the careful words of qualification and they are always there — inserted, perhaps at the instance of one, but available to all. It is difficult to avoid the view that the present problems are too deep seated to respond to the kind of approaches which have been coming from the Western Economic Summits and the domestic policy orientations of many of the major countries, including some in Europe.

### **A Role for the EEC**

In all these areas of deterioration in the prospects for development what can Europe do to bring about improvement? It is not feasible to contemplate a regime of relations between Europe and the South in the 1980s which leave the world framework out of account; which leaves North-South issues stagnating on the periphery, while Europe and the South — or parts of it — pursue the illusion of patchwork change. But Europe is more than the sum of its several parts. It is the Community as well, and there is a dimension here that certainly enlarges the prospects for political change. Whatever the narrow national focus of particular member states, the Community has a more direct interest in the North-South dialogue than the United States. It is more dependent on the South for energy and other raw materials and as a market for its manufactured goods. And Europe is also more closely tied regionally and historically to the Third World. As

a recent Commission Report puts it, 'of the industrialised countries, Europe is probably the one with the biggest immediate economic interest in reduction of constraints caused by scarcities and of unstable modes of behaviour' [EEC 1981]. Historical and regional ties provide both the need and opportunity for the intensification of Europe-South relations and the institutional arrangements for such intensification in the form of the Lomé Convention are in place.

The practical function of administering the Lomé Convention has given tremendous scope to the Directorate-General for Development (DG 8). Through the earlier leadership of Claude Cheysson and now the great personal commitment of his successor Edgard Pisani, DG 8 is well placed to develop further its creative role in North-South policy. In member countries, aid ministries are not usually as well placed relative to other ministries as DG 8 is to other Directorates-General in developing and coordinating North-South policy. Institutionally, therefore, the EEC is equipped to play a leadership role in North-South policy formulation. I know, and have complained before, of the propensity of the EEC to settle positions on North-South issues at the lowest level of national response in the Community. In the Lomé Convention, however, the EEC already has an economic cooperation arrangement with 63 developing countries involving significant trade and aid links; this surely provides the experience and institutional infrastructure for intensifying its global relations with the South along progressive lines even if it entails dragging reluctant Community members to more forward positions. Can the Commission, in particular, acquire greater influence in the determination of the Community's position on global issues — at least as an input into Group B positions?

The Lomé Convention offered a model for wider North-South cooperation. That was much in our minds as we negotiated it with a very cautious Europe. Lomé's strength was that it was not an act of charity; there was much in it for the EEC. Its weakness was that it was a bundle of promises; and not all have been fulfilled. But even while it disappointed in performance its potential lay revealed. The Convention has now provided eight years of operational experience on which Europe and the ACP can build in terms of more effective cooperation and joint action. Such improvement would itself be a contribution to North-South cooperation, a point that deserves attention as preparatory work starts on Lomé III.

But Lomé itself cannot be the main instrument for establishing relations between Europe and the South. Although about half the number of Third World states are members of Lomé, the Convention is much less

significant in terms of population — covering only 15 per cent of the people of the developing world, even excluding China. Also, it excludes many developing countries which because of their population, size or income levels, are of significant economic and political importance. On the other side, some EEC countries have a strong interest in developing closer economic relations with non-ACP countries. Europe-South cooperation cannot therefore be confined within the parameters of Lomé as it stands.

But there is significant scope for coordinated European policy development in relation to non-ACP countries and this is an area in which an active Europe-South policy of major significance could be developed, extrapolating, as it were, from the Lomé experience. Such thinking is already in the air; encouraged, of course, by Europe's dependence on raw materials from the South, a dependence (an element of interdependence is more accurate) which the Americans have not yet come to acknowledge, despite prevailing trends. But these are not the only priority areas. Concessional flows are of tremendous importance to low income and specially disadvantaged countries now facing critical, perhaps terminal, financing problems. The maintenance of flows from IDA and adequate resources at the IMF for sustaining a high level of balance of payments support is now a matter of great urgency. Those needs must give Europe significant incentives for action. Morality alone demands it; but for those who feel this is not compelling enough, the fact is that they are being constantly reinforced by the hard-headed realities of mutual need.

Quite apart from economic arguments about the markets of the future, the political implications of the interface between poverty and population growth are becoming unavoidable. One element of the price the world pays for underdevelopment is a million extra people every five days and the prospect of a planet of 15 billion in the next century. On an over-populated planet, as in an over-populated city, there is no insulated world, no sanctuary, no final refuge from the terror of the proverbial 'box of matches' in the hands of the dispossessed and despairing. Already, a swollen tide of refugees warns us that human misery cannot be quarantined. Our global society clearly faces the danger of being overwhelmed by income disparity and endemic poverty. Can the remaining 20 per cent, including much of Europe, face that prospect with equanimity — sitting smugly on surpluses and nuclear silos?

Aid levels for Community member countries would surely be a suitable area for European policy development. One almost feels ashamed to have to urge again a firm commitment from Europe as a whole

to the adoption of a time-bound 0.7 per cent aid target by member countries. Ashamed and inadequate because, as we face the 1980s, are these still the limits of our horizons? It is now 36 years ago that the Marshall Plan was unveiled. How simple, and yet how pure, was the perception with which it began.

After two years of post-war stalemate Marshall had said: 'It they (the Europeans) could agree collectively and comprehensively on what they needed, America would do what it could to help'. The Europeans did agree. The Americans acted. The politicians had the support of business, the labour movement, and the churches. The various beneficiaries included British socialists, French central planners and industrial unions in West Germany. In the result, a basically hawkish Secretary of Defence, James Forrestal, could urge on the Senate Foreign Relations Committee that it is 'infinitely cheaper to defend ourselves by economic means'.

I do not ignore the dissimilarities between Europe (even in 1947) and the South now, but are not the

similarities in the mutual needs of North and South today and the Americans and Europe in the post-war years too dangerously close to be ignored? And even if they are not, cannot the vision of the Marshall Plan inspire Europe which was its main beneficiary then collectively to urge on the West a similar act of imagination and self-interested generosity to that which inspired the Plan? I urge people to think upon it.

But let me end where I began — with realism. If we accept the despair of my Washington evening, nearly all I have said reduces to a rather stark question: not merely whether Europe has the will to act, but whether it has the will to do so without the United States or, by so doing, to bring the United States along. And what this really means is, can Europe overcome its sense of dependency on the Americans at least in the interest of recalling the United States to its own traditions of compassion, generosity and internationalism?

#### **References**

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