

# THE NORTH-SOUTH DIALOGUE

## Making it Work

Report by a Commonwealth Group of Experts

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# **The North-South Dialogue Making it Work**

*Report by a Commonwealth Group  
of Experts*

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# Foreword by the Commonwealth Secretary-General

At their Melbourne Meeting in October 1981, Commonwealth Heads of Government were concerned about the stalemate which had developed in the North-South dialogue especially in view of the crisis in the world economy and the fact that prospects for many developing countries had become particularly grim. They stressed the global character of the problems facing the contemporary world and the need for domestic policies to be supplemented by collective action and a global approach.

Commonwealth leaders regarded as imperative the need to revitalise the dialogue, expressing their own belief that it should be conducted with a genuine willingness to accept real and significant changes commensurate with the urgency of global economic problems. They made a number of decisions to facilitate progress on substantive issues; but, recognising that lack of progress in the North-South negotiations resulted in part from obstacles in the negotiating process itself, they requested me to convene a high level group of Commonwealth experts to study and report on the matters involved. The Report that follows is the work of that Expert Group.

Since Melbourne, there has been a further deterioration in the world economic situation. The economic crisis and its accompanying economic distress have led to growing recognition that bold international action must be part of the solution and have given added significance to the need to improve international economic cooperation. I am pleased, therefore, that in responding to the request of Heads of Government, it has been possible to bring together a most distinguished group of Commonwealth experts whose members have had substantial involvement in the North-South negotiating process, many of them at the highest level.

As is traditional with Commonwealth expert groups, members prepared and signed the Report in their individual capacities and not as representatives of Governments, countries or organisations to which

they belong. The publication of the Report does not, therefore, imply that it necessarily represents the views of the Commonwealth Governments, nor does it commit them individually or collectively to its recommendations.

I share the conviction of the Group of Experts that if their recommendations are carried through, it will have a catalytic effect in building confidence and demonstrating to both North and South the mutuality of interest which characterises North-South relations.

In focusing on the negotiating process itself rather than on the issues under negotiation between North and South, this Report breaks new ground. Against the backdrop of the unique experience of the Experts themselves in international negotiations, their recommendations offer practical ways of enlarging the prospects for agreement. The North-South dialogue remains stalled and the world drifts into a deepening economic crisis. People everywhere expect their countries to do better nationally and internationally. Global cooperation for world economic recovery and development has become critical — perhaps to the survival of millions. This Report does not avoid the difficulties inherent in the issues themselves, but its recommendations offer hope that our chances of overcoming them may be increased if we improve our ways and means of trying to reach the higher common ground.

The need for new relations between North and South is now most urgent. It is my hope that the opportunities offered by the forthcoming negotiating conferences such as the GATT Ministerial Meeting, UNCTAD VI and the prospective Global Round for initiating a more constructive and productive dialogue will not be missed. I have great pleasure in making this Report available as a Commonwealth contribution to the dialogue on international economic cooperation.

**Shridath S. Ramphal**

# Letter of Presentation

Marlborough House,  
London, SW1.

27 August 1982.

H.E. Mr. S.S. Ramphal,  
Commonwealth Secretary-General,  
Marlborough House,  
Pall Mall,  
London, SW1.

Dear Secretary-General,

You appointed us as the Commonwealth Expert Group on Obstacles in the North-South Negotiating Process in accordance with a request by Commonwealth Heads of Government at their Meeting in Melbourne in September/October 1981. We transmit herewith our Report.

We share the belief of Commonwealth Heads of Government expressed at that Meeting that it is imperative to revitalise the North-South dialogue. We trust that our Report will make a contribution to that end.

In accordance with our terms of reference, we sign the Report in our personal capacities, and not as representatives of Governments, institutions or countries. On our conclusions and recommendations as set out in Part I, we are in unanimous agreement. The sections of Part II represent the consensual, though not in all cases unanimous, views of the Group as they emerged in its deliberations and provide a guide to the reasoning which led the Group to its conclusions and recommendations.

We would like to express our thanks to you for your confidence and trust in appointing us and for the ready support you and your staff provided for our work.

Please accept, Secretary-General, the expression of our highest consideration.



*B. Akporode Clark*



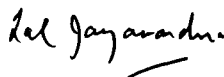
*Bernard T.G. Chidzero*



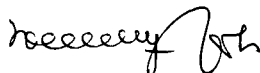
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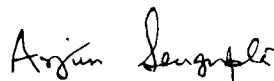
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# Preface

1. Commonwealth Heads of Government, at their Meeting in Melbourne in September/October 1981, regarded as imperative the need to revitalise the dialogue between developed and developing countries. They expressed the belief that the growing interdependence of the world economy made urgent action necessary to deal with the economic problems of both groups of countries. In the process of negotiation between North and South, nations must cast aside inhibitions and habits which had thwarted progress in the past and find new ways to talk constructively to one another, so as to reach agreement on effective joint action. Recognising that lack of progress in the North-South negotiations had resulted in part from obstacles in the negotiating process itself, they requested the Secretary-General to convene a high level group of experts to study and report on the issues involved.<sup>1</sup>

2. The list of members of the Group is at Appendix 1.

3. The Group was requested to:

- review the negotiating process between developed and developing countries;
- examine the principal obstacles which have to date limited success in these negotiations;
- identify to what extent these obstacles are the result of shortcomings in the negotiating process itself or in the institutions for negotiation; and
- suggest improvements which could overcome or reduce obstacles to the negotiating process or problems of institutional arrangements.

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1. Commonwealth Heads of Government: Melbourne Communiqué, Paragraph 53 and The Melbourne Declaration, Paragraphs 5 and 11 (Commonwealth Secretariat, London, 1981).

4. The Group held three meetings in London in February, May and August 1982 and submitted its Report to the Commonwealth Secretary-General on 27 August 1982.

5. The Global Negotiations, which we hope will be promptly launched by the General Assembly at its 37th regular session, the GATT Ministerial Meeting in November 1982 and UNCTAD VI in June 1983, among others, provide an early opportunity to make a new beginning in North-South relations with the changed attitudes and approaches essential for constructive negotiations. We think it imperative that this opportunity be seized. We believe that our Report can make a contribution to revitalising the dialogue and to conducting it with a genuine willingness to accept real and significant changes commensurate with the urgency of solving the economic problems facing the developing countries and the world.

6. We introduce our Report by touching upon the relationship between the form and the substance of the North-South negotiations. Against a background of the growing threat to the stability of the international system which would accompany failure to reduce poverty, we draw attention to the urgent need to take steps to overcome obstacles in the negotiating process. With this objective in mind, *Part I* of our Report sets out an action programme which consists of two main elements. In the first, we enumerate the basic changes in approaches and attitudes to the negotiating process which are required of both North and South. In the second, after identifying some of the most serious institutional and procedural obstacles to that process, we recommend various changes to help remedy the situation. We conclude by drawing attention to the beneficial effects which an enlightened approach to North-South issues can have in facilitating a recovery in the global economy and creating the necessary conditions for rapid and sustained development.

7. *Part II* of our Report contains the background analysis on which we have based our recommendations and proposals. The first section comprises an assessment of the development problem in the context of interdependence and international cooperation and a review of the evolution and form of the North-South dialogue. The second provides an evaluation of the results of the dialogue against the perspectives of growing interdependence and of the urgency of solving the development problem through a more rule-oriented and cooperative international economic system. The final section identifies the main impediments to progress in the negotiations arising from their form and structure, including the institutional arrangements within which the negotiations have taken place.

8. The Group wishes to acknowledge the invaluable advice and assistance it received from a number of persons during the course of its work. Among these are Mr. Kenneth Dadzie, Personal Representative of the UN Secretary-General for Special Missions; Shri K.B. Lall, formerly Secretary to the Ministry of Commerce, Government of India; Ambassador P.R.H. Marshall, the United Kingdom's Permanent Representative to the UN in Geneva; and Mr. Don Mills, formerly Jamaican Permanent Representative to the UN in New York.

# Introduction

1. The terms of reference of our Group required us to focus mainly on the process of the North-South negotiations rather than on matters of substance. We recognise, of course, that substantive differences of formidable dimensions exist and that these constitute the major obstacle to progress. We recognise also that questions of substance and form can never be clearly separated. On the other hand we cannot accept the conclusion, sometimes drawn from this, that form and process are merely a reflection of substantive concerns. The relationship between the two is more complex than that and, as the attention which has been given from time to time to the modalities of negotiations suggests, the process can exert an influence on substantive matters, as well as be influenced by them.

2. Moreover, as well as influencing each other, form and substance are to an important extent shaped by factors beyond themselves: prevailing perceptions and assumptions which provide the prism through which the issues are defined; the negotiating machinery and institutions already in place; prevailing norms concerning negotiations; and the general political context of interest and relationships in which the negotiations are approached.

3. Aware of the profound changes of structure and consciousness in the world, of the absolute poverty in which at least one-sixth of the world's population lives and of the consequent growing threat from this to the stability of the international system, and of the continuing stalemate in the North-South negotiations despite the remarkable growth in international economic integration, we have considered that our primary task is to provide a basis for immediate action. Hence we have structured our Report to provide a programme of action which carries the unanimous endorsement of the Group. It calls on both the developed and developing countries to take certain urgent steps to overcome the obstacles which we have identified in the path of recovery and development.

4. Some of the ideas set forth in our Report have been canvassed for many years and represent the practical wisdom of negotiators on either side. But while articulated in moments of insight, few negotiators have been able to act upon them because of the constraints and commitments under which they operate. We have sought to give those insights a new cogency by bringing them together in one place and integrating them into a coherent basis for action. It is a programme which will demand statesmanship and moral courage from both North and South — no easy matter in a time of growing difficulties.

5. We are convinced that our recommendations, if carried through, will have a catalytic effect in building confidence and demonstrating to each side that mutuality of interests which, on deeper reflection, characterises our interdependent world.

6. While in approaching our task we have focused attention on facilitating the forthcoming negotiations, we venture to think that we have at the same time identified a number of approaches and principles which will be valid into a longer future.

7. At a time when the path of negotiation is itself under challenge, it is worth remembering that it is the resolution of differences through negotiations rather than the use of force which characterises the advance towards higher levels of civilisation. As such, meaningful negotiations cannot be avoided. It is our hope that wherever leaders meet now and in the future to discuss those issues vital to the organisation of the human community they might find in our Report some pointers as to methods which might facilitate the reconciliation and the advancement of national and global interests.

# Part I

## Improving the North-South Negotiating Process

### Approaches and Attitudes

1.1 Improvements in both the substance and form of the North-South negotiating process require basic changes in approach and attitude.

1.2 Changes are required on the part of the North and the South. The first steps should be directed towards breaking the vicious circle whereby the behaviour of each side has progressively increased the suspicion and scepticism of the other. There is an urgent need for confidence-building measures which will reverse this process.

1.3 Bringing about such changes will not be easy and mere exhortation is unlikely to get very far. Important interests are at stake and attitudes will only change when governments are convinced that their real interests will be better served by different approaches.

1.4 The degree of complacency and indifference displayed by the developed countries constitutes a major part of the problem and they therefore offer an unpromising starting point in the search for a solution. This means that the initiative in changing approaches and attitudes will almost certainly have to be taken by the countries of the *South*. This is not because they have a greater moral responsibility to do so, nor even because they have ultimately more at stake, but because they are the ones who are most convinced of the need for progress in the negotiations.

1.5 We believe that the prospects for successful negotiations would be enhanced if the *South* were:

- (i) To concentrate its energies on making the strongest possible case for (a) the positive *mutual* benefits which would result

from the facilitating of rapid and widespread development in the South; (b) reforms which would permit the full commitment of the developing countries to an international economic system in which they were adequately represented; and (c) action designed to avert great and growing danger of widespread disorder, breakdown and violence which will exist as long as these goals are not achieved.

This means avoiding making its case in adversarial terms and in terms of the moral responsibility of the North to redress past wrongs.

- (ii) To adopt in line with this a more restrained, persuasive and factually based negotiating style. Ideology and rhetoric may have been functionally effective in the initial stages of the North-South negotiations in order to promote unity and to secure the attention of developed countries. But in terms of those negotiations today they are seriously counter-productive. As a rule they have no effect in moving Western governments. But they do have the effect of strengthening the hand of intransigent and alarmist elements in Western countries. At the same time, in so far as the rhetoric is contradicted by private statements of Southern spokesmen (as it often is), it reduces the credibility of the South's negotiating posture.
- (iii) To acknowledge fully and without reservation that economic progress in the South depends as much, if not more, on the adoption and implementation of sound domestic policies as it does on international action. If the developed countries are to be convinced by Southern assertions of urgency, that urgency must be demonstrated in the South's own actions. International reform must be presented as a necessary accompaniment of, not an alternative to, resolute domestic action. It is appreciated that such action is difficult and often politically dangerous. But if appeals to Western leaders to show political courage and foresight are to be convincing, those that advance the arguments must be prepared to display the same qualities.  
In saying this, we recognise fully that a deteriorating international environment can blunt the edge of even the best domestic efforts of developing countries. As one instance, while the low income oil-importing countries expanded their export volumes by more than 40 per cent over the decade 1970-80, the purchasing power of those exports over non-fuel imports decreased by a third.
- (iv) To examine seriously whether the existing forms and procedures of the South's group system optimise the

prospects of progress in negotiations with the North. Multilateral diplomacy, conducted through the agency of groups, is a necessity in contemporary conditions and the original creation of its own group system in the 1960s constituted an imaginative and constructive act on the part of the South. But with the passage of time there has been a tendency for that spirit of innovation to be replaced by an increasingly rigid attitude and, with a few notable exceptions, a resistance to adapting the group system to changing circumstances.

It is necessary to ask whether it is convincing to seek changes in the forms and procedures of the North-South negotiations while exhibiting reluctance to accept changes in the South's own group system; and whether more effective and less time-consuming decision-making procedures in the South are not a precondition for progress in global negotiations. We appreciate the importance of solidarity for the South. But we believe that, in terms of advancing the negotiations, it is time to consider the desirability of trade-offs between the principle of unanimity on the one hand and greater adaptability and more effective leadership on the other.

- (v) To recognise that, whatever views are held as to the justice of the majoritarian principle of one country one vote, resort to majority decision should be used sparingly, both because the countries in the minority will not agree to be bound by such decisions and because frequent resort to voted resolutions encourages dissonance and politicisation. Greater cooperation is likely if this is accepted and if effort is focused on achieving a more realistic balance between numbers and weight, rather than on attempting to supplant one by the other.

1.6 In sum, we believe that it is time to recognise that the Southern attempt to achieve its goals by frontal assault has become counterproductive in present circumstances; that its persistence results in negotiating strategies which hamper rather than facilitate progress; and that an approach which takes seriously both the claims of the South and the interests of the North should be adopted.

1.7 Indeed, whenever the South has formulated specific proposals based upon business-like procedures within its own group, e.g. proposals which it is prepared to back with its own financial contribution, the North has been encouraged to complement them. Examples are provided by the negotiations leading up to the International Fund for Agricultural Development (IFAD) and agreement on the Common Fund.

1.8 As far as the approaches and attitudes of the *North* are concerned, we believe that the only realistic starting point is to accept the fact that it will only take significant action in terms of its perceived self-interest and that, given its present advantageous position in political and economic terms, its approach will include a strong conservative component.

1.9 On that basis, we believe that the real interests of the *North* in the North-South negotiations would be best protected if its governments were:

- (i) To accept the reality of the Third World as a continuing and significant organised political entity which reflects profound changes of structure and consciousness in the world since 1945 and has a legitimate role to play in the international economic system. Its presence and claims therefore cannot be responded to successfully as a passing phenomenon, capable of being thwarted by a strategy of delay and passivity.
- (ii) To accept also that there are secular demographic, income and environmental trends which, taken together with greatly increased interdependence, require coordinated international action if major, and perhaps catastrophic, tensions and strains are to be avoided in the next decades. We believe that the unbroken circle of poverty in which the lives of millions are currently confined is a fundamental source of instability in the world.
- (iii) To recognise that, to the extent that they feel impelled to pursue conservative policies, the most effective way of doing so in the face of genuine and powerful agencies of change is not by means of a negative and passive resistance to these agencies, which serves merely to build up explosive pressures. It is rather by a policy of flexible, timely and, if necessary, bold adjustments to forestall disruption, and to anticipate and influence the direction and tempo of change. Such a policy should seek to identify areas of common interests and initiate action in relation to them.
- (iv) To recognise that, as every Western government has found it necessary to curb and modify the operation of market forces quite substantially in its own domestic policies, it is unjustified and unconvincing to insist on the inviolability of these forces in the context of the North-South negotiations. Further, that it is doubly unconvincing when the developed countries are prepared to interfere with these forces in the international sphere when it suits their interests to do so.

- (v) To approach the negotiations in terms which recognise their full political and strategic dimensions as well as their economic ones, rather than attempt to conduct them in terms of economic criteria alone. This is not to suggest that economic criteria are not extremely important. It is to maintain that other, non-economic criteria are equally relevant and important and that some trade-offs between economic rationality and other interests are necessary.
- (vi) To weigh short-term advantages against medium- and long-term considerations. We recognise the strength of the electoral and group pressures operating on Western governments to resist concessions and adjustments in the present economic climate. But we believe that global economic interdependence is such that policies which revive growth, even when they involve apparent financial concessions to the South, will facilitate essential structural changes in the North and obviate the need for protectionist measures.
- We recognise also the force of the dictum that “in politics a week is a long time” and that normally short-term considerations will prevail over longer-term ones. But we believe that the magnitude and gravity of what is at stake in the North-South negotiations calls for a willingness to look beyond short-term advantages and the courage to bear short-term political costs. They call for what is usually termed statesmanship. Such statesmanship needs to be supported by a vigorous and sustained programme of public education on the issues.
- (vii) To act on the assumption that it is in the North’s interest to strengthen the pragmatic and realistic forces in the South and to recognise that until now the objective consequences of its policies often have been the exact opposite. By failing to discriminate between sound and unsound proposals, and by failing to react positively to the former, they have cut the ground from under the feet of the realists in the South and strengthened the extremists.
- (viii) To accept the fact that, given the great increase in the number of international actors and the much higher level of interdependence that now exists, multilateral and group diplomacy are unavoidable; and that the only sensible course is not to stand aside from them with distaste, or to regard them as some aberration from the norm, but to work to make them as effective and equitable as possible.
- We also believe that, while it has become customary to equate the North with the developed market economies of

the West, the time has come when the term must also embrace the centrally planned economies of Eastern Europe. As these countries become increasingly integrated into the world economy, as the focus of the dialogue shifts from historical causes to what is to be done, and as any major crisis would involve *all* countries, we believe that these countries can no longer stand aside from the North-South negotiations. They must play a part commensurate with their economic weight and political influence.

- (ix) To realise that while it is understandable, on grounds of responsibility and ability to contribute, to resist the principle of one country-one vote in international economic decision-making, it is necessary to move towards some synthesis between the principle of numbers and that of “weight”.

1.10 Finally, without challenging the general validity of the North-South framework, we believe that it would be beneficial if both North and South acknowledged that not all issues are best dealt with inside that framework. As far as some matters are concerned — the exporting and importing of commodities and technology, and shipping come readily to mind — the structure of interests cuts across the North-South division and a negotiating procedure which recognised this would be more rational and effective. In other words there should be a willingness to contemplate the evolution of a diversity of negotiating processes around the central North-South structure, rather than attempt to force the discussion of all issues into one strait-jacket. In this context, we also believe that it would be highly desirable if the concept of the “like-minded” group in the North were extended in such a way as to allow for the creation of alliances of countries with similar views across North-South lines. Such alliances would probably shift from issue to issue.

1.11 We believe that in the case of both the North and South a revision of approaches and attitudes along the lines proposed would not run counter to their fundamental interests. On the contrary, they would facilitate the pursuit and defence of those interests. They would also greatly enhance the likelihood of progress in the North-South negotiations.

### **Institutional and Procedural Changes**

1.12 We believe that some of the existing institutional and procedural arrangements contain obstacles to the negotiating process which, if

removed, would improve the prospects of achieving success in the North-South dialogue. Among the most serious of these obstacles are:

- the inadequate coordination of policies and communications at the national and group levels in North and South;
- the difficulty in mobilising and utilising expert preparatory and back-up support;
- the problem posed by the inevitable involvement of a very large number of states and a multiplicity of interested international organisations;
- the difficulty in agreeing on what are the appropriate forums for negotiation;
- the difficulty in establishing priorities and selecting issues for agendas;
- the difficulty in reconciling different views concerning the criteria for participation and levels of representation in negotiating groups;
- the problem arising from different philosophies and conceptual frameworks; and
- the proliferation of negotiations and the resulting dissipation of negotiating resources and political will.

1.13 Bearing these obstacles in mind, we make the following recommendations:

- (i) Governments should enhance the coordination of the implementation of their national policies on North-South issues. At present, different departments of government in developed countries sometimes work at cross purposes, e.g. differences between Departments of Trade and Foreign Affairs. For developing countries a somewhat more mundane problem often arises because of inadequate communication between representatives of the same government in different forums and between the representatives and their capitals. Coordination would ensure that all departments of government in both developed and developing countries would have access to the same information and would work in unison and in a manner consistent with the stated development policy of that government. The modalities for achieving more effective coordination should be left to each government.
- (ii) The Group of 77 should establish its own Secretariat which, though modest in size, would play a role of providing technical support for developing countries similar to that provided by the OECD Secretariat for developed countries.

The Third World Secretariat should consist of a group of persons whose range of technical competence would cover the spectrum of issues on the North-South agenda. It should maintain liaison with other similar institutions and should avoid duplicating their work. The establishment of such a Secretariat would reduce the technical inequality which exists between North and South, would enable the Group of 77 to adopt a more factually based negotiating style and would make it unnecessary for the Group to call upon international officials to play a partisan role.<sup>1</sup>

- (iii) The specialised agencies and other international organisations should avoid conflict, duplication and competition. We urge the Administrative Committee on Coordination of the United Nations to intensify its efforts to coordinate the activities of such institutions. We draw particular attention to the need for closer coordination and cooperation between UNCTAD and the Bretton Woods institutions. It is also essential for issues which are interrelated to be treated in a comprehensive manner and not fall victim to compartmentalisation and institutional rivalry.
- (iv) The Global Round of negotiations on international economic cooperation for development should be launched as soon as possible. We believe that the UN General Assembly, being the most representative body in the international system, should play a central role in the Global Negotiations. This need not be inconsistent with respect for the role and competence of the specialised agencies. In order to do this, the General Assembly will have to equip itself in two ways. First, it will have to constitute a small, representative and efficient negotiating and overseeing body.<sup>2</sup> Second, it will have to attract the attendance of representatives of high political stature and professional competence so that it will be able to carry out the central role and overview function which are envisaged. We therefore recommend that the UN General Assembly move soon to establish such a small and representative body to assist the Assembly in discharging its central and overview role.
- (v) The length of agenda and the quantity of documentation for negotiating conferences should be reduced. We appreciate that agendas are often swollen with items in order to cater to

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1. This recommendation is elaborated in paragraphs 4.28 and 4.29 of Part II.

2. The recommendation in sub-paragraph (vii) of this paragraph is relevant here.

the diverse interests of participants in a conference. The fact is, however, that not all subjects and issues are equally ripe for negotiation and, to be productive, the agenda of a conference should contain only those subjects and issues which are ready for resolution. The quality of documentation prepared for negotiating conferences should be improved.

- (vi) More use should be made of single-issue conferences. Recent experience suggests that such conferences have frequently been more productive than conferences with a mixed agenda. We have in mind, for example, the successful outcome of the negotiations on the Common Fund and on Debt Relief.
- (vii) Where possible, negotiations should be conducted in small groups rather than in plenary bodies. The negotiating groups should be small enough to be efficient and large enough to be representative of all the interests. The negotiating groups should be composed primarily of those who have real interests at stake in the negotiations. Experience of the Third UN Conference on the Law of the Sea suggests that the process of miniaturising the negotiating forum, from one consisting of all participants to small, efficient and representative groups, is an attractive one and deserves emulation, although its adaptation must be left to each conference and its principal officers to initiate. While we do not under-estimate the difficulties of composing small negotiating groups which would reflect the different interests involved, the task is not insuperable. The range of separate circumstances and interests to be found within the Group of 77 is in fact less wide and varied than is usually supposed. Depending upon the issue involved, our analysis suggests that there are no more than half a dozen to a dozen identifiable sub-groups of interests within the Group of 77.<sup>1</sup>
- (viii) Other negotiating procedures and devices which have proved productive should also be given more serious consideration. They include the practice of pre-negotiations between groups, the use of closed rather than open-ended groups, the enforcement of strict time-limits for the completion of negotiations, the employment of full-time, professional chairmen and the maintenance of channels of communication between groups and between members of different groups.
- (ix) Greater use should be made of expert panels, especially in situations where profound differences exist between

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1. This point is elaborated in paragraph 4.25 of Part II.

contending groups of countries and where a subject or issue is technically very complex. An example is the preparatory process for the UN Conference on New and Renewable Sources of Energy which drew heavily on the reports of technical experts.

- (x) The group system, which is likely to be a permanent feature of the North-South negotiating process, should be operated with some flexibility. The internal structures and procedures of the groups should not lead to their negotiators being given so narrow a brief as to make negotiation impossible. Where the interests of delegations and the subject of negotiation cut across the group structure, the negotiating process should reflect this. When an impasse develops, the group system should not prevent the emergence of sub-groups of delegations in the competing groups which could seek to build bridges between the groups. In this respect we consider the activities of the sub-group of like-minded delegations in the North as a significant development.
- (xi) Considerable care should be taken in the choice of negotiators and spokesmen of groups as well as the chairmen of negotiating conferences. A good negotiator should be a person possessing technical competence, negotiating skills and personal integrity. A good chairman must possess, in addition to the three qualities above, objectivity, a capacity to reconcile differences and the courage to put forward compromise proposals.
- (xii) Ministers should be urged to plan their attendance at conferences in such a way that they will be present during the critical decision-making stage. At present, Ministers usually attend the beginning of a negotiating conference but are absent during the decision-making stage. Recent experience suggests that, at critical junctures in the negotiating process, a meeting of Ministers could help to break a deadlock and achieve results.
- (xiii) Mini-summits on specific issues should be held at auspicious moments. These could facilitate the North-South negotiating process by elevating an issue or problem to the collective consciousness of the highest level of government and by injecting impetus and political will into the negotiating process.
- (xiv) Governments and private institutions in the developed countries should actively support the dissemination of information to the public concerning the extent of human needs in the developing countries, concerning the interdependence of nations and the economic benefits which

the North will derive from accelerated development in the South and concerning the dangers to world order of continued stagnation. By so doing, they will help to build public support for the cause of development in the Third World.

- (xv) Though a weighted voting system exists, the South should be urged to make full use of its representation in the Bretton Woods institutions to put forward its policies and advance its interests. Many significant negotiations in the field of finance and monetary affairs take place within these institutions — in the weekly meetings of the Boards of Executive Directors, in the annual meetings of the Governors, and in the biannual meetings of the Interim and Development Committees (held at Ministerial level).

1.14 In accordance with our terms of reference, this Report has focused on obstacles in the *process* of the North-South negotiations. We believe that this is an important aspect of the overall problem of achieving progress in these negotiations, especially in the light of the major structural changes which have taken place in the international system in recent years and the novel forms of negotiation which have resulted from them. However, we recognise that, even if forms and procedures are improved, progress will remain limited as long as the current economic recession continues. Nothing will contribute more to progress in the North-South negotiations than global recovery. But we believe that the converse is also true, that an enlightened approach to North-South issues can facilitate such a recovery and create the conditions for rapid development in both developed and developing countries. Such an approach might well include a set of key policy initiatives taken by concerned countries of the North in the mutual interest which could pave the way for detailed agreements to be hammered out during the forthcoming negotiations. An essential element would be steps that are within the power of the North to take designed to forestall the re-emergence of recessionary and inflationary shocks to the world economy as an upturn commences, and to prevent any interruption in the flow of resources for development. Indeed, such an approach may be a necessary condition for placing global recovery on a secure footing.

## **Part II**

# **The North-South Negotiating Process: Obstacles and Progress**

## **Section 1**

### **Aspirations and Developments**

#### **The Development Problem**

2.1 In the post-war period, national and international efforts to accelerate the development of the poor countries have not been without some success. As a result, a number of developing countries have emerged as middle-income countries, some because of favourable resource endowments and others because of special efforts to transform their economies and become significant exporters of manufactured goods. In recent years significant progress has also been made in food production and distribution in some large low-income countries in South Asia.

2.2 But huge disparities remain between rich and poor nations. Nearly half the world's population lives in countries with an overall average income of US\$260 per annum, less than three per cent of that of the industrial market economies. Moreover the gap continues to widen; between 1950 and 1980 real per caput income in these low-income countries grew by a mere \$80; in the industrial market countries it rose by \$6,530. A large proportion of the population of developing countries suffers from endemic poverty. About 800 million people, nearly one in three of those living in low-income countries, and over one in six of the world's population, live in absolute poverty — at the very margin of existence with grossly inadequate food, shelter, health and education.

2.3 The prospects for alleviating poverty significantly are not good. The World Bank's World Development Report for 1982, even under its

optimistic 'high case' scenario, projects a per caput income growth rate for the low-income countries of just 1.8 per cent in the decade to 1990, a lower rate than the post-war average. The situation would be substantially worse, of course, if the 'lower case' scenario were to be realised. As of now, the indications are that little progress will have been made in reducing the numbers facing absolute poverty by the end of this century. Even an increase cannot be ruled out.

2.4 The problem of development and elimination of poverty is not often that of lack of the resources or technical knowledge required to make progress. It is very largely a problem of social and economic organisation, and of political commitment. It requires long and sustained efforts, at both national and international levels, to bring about structural transformation of the economies concerned. Through its vicious circularity and the political instabilities which are its unavoidable consequences, poverty itself imposes severe constraints on the application of remedial measures. Moreover, superimposed on the underlying and inherent problems in overcoming poverty, are often the adverse external circumstances with which domestic economies have to deal in the course of their development.

2.5 In recent years, the worsening external economic environment has had a particularly severe effect on the development efforts of the developing countries. Concessional resource transfers have remained relatively stagnant, at only half the long-standing target of 0.7 per cent of GNP. In fact, the amount of Official Development Assistance (ODA) from member countries of the OECD Development Assistance Committee (DAC) actually declined in real terms in 1981. Of even greater significance is the fact that the prices of commodities, on which the poorer countries still have a high dependence, have fallen sharply and are unlikely to become buoyant unless growth rates in the industrialised countries return to the levels of the 1960s and early 1970s. The deep and persistent recession has resulted in the IMF index of commodity prices (excluding gold and petroleum) falling to its lowest level in the post-war period.

2.6 The deepening recession and anti-inflationary policies in developed countries have also meant that unemployment is continuing to rise in these countries, which in turn has led to increased protective barriers against the exports of developing countries, posing great obstacles not only to the newly industrialising countries (NICs) but also to the attempts of other developing countries to emulate them. It seems particularly unfortunate that, just when developing countries have begun to adopt a more outward-looking orientation in their economic policies, a development generally favoured by the developed countries, protectionism should render that strategy unattractive. The new

protectionist measures, of course, fall heavily on the NICs. Their adverse effects have been attenuated by these countries diversifying into exports whose access has been less constrained. But this is becoming more difficult with the current stagnation of world trade. Recent developments indicate that even the middle-income developing countries, which have so far managed to achieve remarkable rates of growth, are not immune from the increasing stresses in the world economy.

2.7 Symptomatic of increased stresses in the world economic and financial system, and serving to increase the vulnerability of a growing number of countries, is their increasing debt burden. The middle-income countries, which have been the main borrowers from the international commercial banks, stand particularly exposed. That debt service commitments have risen substantially at a time of great uncertainty about recovery and access to markets, and at a time when the needed adjustment itself requires increased external finance, is a measure of the extent to which the problems require bold action of a kind which cannot be taken at the national level alone.

2.8 While the present problems of protectionism and debt are closely related to the recession, they should not be seen necessarily as temporary. Not only do they pose a serious potential threat to the whole international economic system, but the persistence of the recession, which is responsible for their exacerbation, is an indication of a serious malfunctioning of that system. Even if the long-awaited recovery were soon to emerge, there are great uncertainties about its strength, about whether it would be sustained and about whether it could make any substantial impact on structural unemployment in developed countries. And without a strong recovery even less impact than in the past will be made in helping to eradicate poverty in the Third World.

2.9 The difficulties created for developing countries by inadequate resource transfers, declining terms of trade, deteriorating market access and increased debt servicing payments serve to highlight the extent to which development in the South is dependent on the restoration of strong and sustained economic growth in the North. What is not, however, always clearly understood or fully appreciated is that, in an interdependent world, the problems of the South, if allowed to remain unresolved, could seriously rebound on the North itself. On the other hand, accelerated progress in the South could make a very significant contribution to a sustained recovery in the North. There seems to remain a wide gap between the reality and the perception of the extent to which the economies of the world have become interdependent.

## **Interdependence and International Cooperation**

2.10 The growth of interdependence is attested by the fact that for most of the post-war period world trade expanded about twice as fast as world output. While all countries, developed and developing, benefited from this process, certain developments in the 1970s further deepened North-South linkages and helped to highlight them. The increased leverage of OPEC underlined the dependence of the North on the South for supplies of its most essential and strategic commodity. The sharp rise in earnings from oil and manufactured exports by some developing countries and the large-scale recycling of the OPEC surpluses encouraged expanded trade and deepened economic relationships between North and South. It is now well documented that the continuing growth of imports by the South, assisted by the capital recycling process, greatly helped to prevent an even more severe recession in the North.

2.11 The proportion of exports of manufactures from the developed countries which goes to the developing countries now exceeds a quarter compared with under a fifth ten years ago. Developing countries now take more than a third of the manufactured exports of the EEC and the United States and nearly a half of those of Japan. In 1981 it was the markets of the South which accounted for three-quarters of the increase in world trade in these products. The South, moreover, provides a market for a flow of exports from Northern manufacturers which is four times the flow in the opposite direction.

2.12 But if the importance of each side to the other is substantial for trade in manufactures, it is critical for trade in primary and processed products. Primary producers in the South depend on Northern markets for by far the largest proportion of their foreign exchange receipts; consumers and manufacturers in the North depend on Southern producers for supplies of a wide range of commodities, some of which, like oil and some metals, are of strategic value to the economies concerned. An important aspect of this interdependence is that, while the prevailing low prices for commodities are naturally having a severe adverse effect on the economies of the developing countries, and have reduced the flow of investment for resource exploration and development, they have also important implications for the countries of the North, particularly in terms of the long-term adequacy of supplies of important raw materials.

2.13 International trade and capital flows are two of the most important strands in the web of economic ties and mutual interests that link nations together. A break in one has repercussions on the other: for example, increased protectionism by the North reduces exports by the

South and thereby lowers not only its incomes but also its debt servicing capacity. This, in turn, weakens the international financial and monetary system on which both the North and the South must depend to provide a stable and favourable economic environment. Both North and South have an interest in seeing that the problems arising from the rapid growth of debt service obligations are kept under control and wide-spread economic collapse in developing countries avoided. The financial difficulties of the South could have a cumulative effect on the world economy as a whole and, in particular, hurt the exporters of the North, thus aggravating further the protectionist tendencies in the latter. Interdependence has also other strands. Some, such as population, have consequences for the long-term adequacy of resources and others, such as industrial development or deforestation, have implications for the protection of the environment.

2.14 Increasing interdependence calls for cooperative efforts to facilitate progress and promote stability. It necessitates greater coordination of domestic policies and joint international action, notably shared management of the international system and more attention to devising rules to govern the deepening relationships between countries. One example of the many new calls on the international system is the increasing need for regulation of the use of the international commons. Without a cooperative approach in an interdependent world, the risks for all from uncoordinated action by a few would be increased.

2.15 The world economic crisis, we are convinced, is largely a consequence of the growing and unrealised need for improved policies for global management. In their absence, nations are turning inwards for solutions to economic problems which have substantial international dimensions. We have pointed to a number of problems which are becoming more insistent and whose solution calls for bolder international action — protectionism, structural adjustment, international debt, balance of payments adjustment, investment in resource exploration and development, population expansion, and endemic and extensive poverty in the poorest countries. In order both to accelerate the development of the poorer countries and to promote greater harmony in relations between nations, development of a new and purposeful internationalism is essential. This is, of course, essentially a matter of political will and changing attitudes. But the experience of the North-South negotiations indicates also that changes in international mechanisms and negotiating processes are vital for the development of this new internationalism.

### **Evolution of North-South Negotiations**

2.16 The need to eliminate poverty and reduce fundamental

inequalities in income, trade, technology and finance through accelerated development has been the basis for the Third World demand for a New International Economic Order and the focus for the North-South negotiations. As the North-South negotiations evolved over several decades, the North, while remaining generally receptive to calls for facilitating development, has resisted reform and fundamental changes in the system. The resulting impasse in the negotiations can, perhaps, best be understood by looking at their evolution.

2.17 In the early post-war period, the establishment of the Bretton Woods institutions — the International Bank for Reconstruction and Development (IBRD) or World Bank and the International Monetary Fund (IMF) — represented a major achievement for internationalism. They promoted international solutions to national economic problems and embodied multilaterally agreed rules for international economic relations. This approach was extended to the area of trade relations through the establishment of the General Agreement on Tariffs and Trade (GATT), even though the Agreement was much less comprehensive than the original proposals for the International Trade Organisation (ITO). Naturally, these institutions and arrangements reflected the political and economic realities of the time and their establishment did not involve the developing countries to any significant extent.

2.18 As the post-war reconstruction was successfully completed, however, attention shifted, at least in the World Bank, to the longer-term task of the development of the poorer countries. For a number of reasons, ranging from humanitarian concern to power political considerations in the context of the cold war, most of the major western industrialised countries also began to adopt national programmes of assistance. While in historical terms these programmes represented an unprecedentedly enlightened approach to the problems of others, they did not involve negotiations with the recipients, in the sense that the parties concerned sought to agree on mutual needs and obligations. In the North-South context, as that phrase is now understood, this was a period of 'non-negotiation', of essentially unilateral action by the developed countries, even though development had emerged as an important preoccupation for national policy in both the developed and developing countries. This period also saw the establishment of the UN regional economic commissions and the UN technical assistance programme, mainly in response to the developing countries' initial attempts to voice their own concerns and interests.

2.19 It was perhaps in the mid-1950s, particularly at the Afro-Asian Conference in Bandung, Indonesia, that the first seeds were sown for a new type of relationship between developed and developing countries,

and for the conceptualising of two separate groups which eventually came to be known as 'North' and 'South'. The acceleration of the decolonisation process in the late 1950s and early 1960s, which led to more than one hundred new sovereign nations coming into existence, together with equally dramatic developments in the fields of communication, transport, trade and capital movements during the increasingly prosperous post-war years, served to underline the need for more multilateral mechanisms for international negotiation. The Third World began to establish institutional arrangements of its own: the Organisation of Petroleum Exporting Countries (OPEC, 1960), the Non-Aligned Movement (1961), the Organisation of African Unity (OAU, 1963) and the Group of 77 (1963). These were intended to organise and structure both relations between the Third World countries themselves and their relations with the developed world. They, together with the earlier regional commissions of the UN, were to provide a framework for much of the diplomatic and political activity of the South in its relations with the North. Each embodied, to a greater or lesser extent, the principles which have shaped the South's approach subsequently: commitment to group action; acceptance of the sovereign equality of members and of consensus as the preferred basis of decision-making; and utilisation of numbers to take advantage of the quasi-democratic nature of the UN system.

2.20 This was thus a 'preparatory phase' in the long evolution of the North-South negotiations, particularly as far as the South was concerned. Developed countries, preoccupied with their own internal affairs and with East-West relations and tending to see decolonisation as an end rather than a beginning, were generally slow to realise the fundamental changes that were taking place in both the political and economic arenas. It is true that some initiatives of considerable benefit to developing countries — including the establishment of the International Finance Corporation (1956) and International Development Association (1960) — commanded the general support of the developed countries. These, however, did not give any significant scope for the participation of the new countries of the South in international affairs, as actors concerned to shape their own future. There was an increased feeling in the Third World that developing countries were not sharing sufficiently in the fruits of the world's increased prosperity; more particularly, it was recognised that the terms on which they were participating in the expanding world trade had deteriorated markedly during the 1950s. This preparatory phase thus culminated in a call for a United Nations conference on trade and development. A resolution to this effect was passed by the UN General Assembly in 1962, despite opposition from the major industrialised countries. The result was the first United Nations Conference on Trade and Development (UNCTAD I, Geneva 1964), which saw the need,

inter alia, for a “very tenacious campaign to stabilise and increase the developing countries’ income from primary commodities, to expand their exports of manufactured goods and to make more capital available for development programmes”.

2.21 The convening of UNCTAD I heralded what might now be called an era of relatively ‘insistent persuasion and marginal results’ which was subsequently to fuel the frustrations of the South and led to demands for ever more far-reaching changes in the international economic system. Criticisms at UNCTAD I of the GATT’s inadequate response to the needs of developing countries led in 1965-66 to the addition to the GATT of a section (Part IV) dealing specifically with the trading problems of these countries. Later, at UNCTAD II (New Delhi, 1968), a resolution was passed clearing the way for the establishment of a Generalised System of Preferences (GSP) for Third World exports to developed countries. Later, as world economic conditions deteriorated, no significant results were achieved at UNCTAD III (Santiago, 1972) with regard to the main issues considered at the Conference. Meanwhile, attention had shifted to the aftermath of the dollar crisis of 1971 and the abandonment of the Bretton Woods system of fixed exchange rates, and to international monetary reform which came to the fore of the international economic discussions. The establishment of the IMF Committee of Twenty in 1972, with the participation of both developed and developing country representatives, and the fact that the Committee was able to reach a large measure of consensus represented one of the more constructive phases of the North-South negotiations, even though the conclusions reached were not subsequently implemented to any large extent.

2.22 After almost a decade of attempts at negotiating specific and relatively limited areas and aspects of North-South relations, a ‘great challenge’ was launched by the South in 1973, when the fourth summit meeting of the Non-Aligned Conference (Algiers, 1973) outlined the basic conceptual framework of the New International Economic Order (NIEO) and the OPEC quadrupled oil prices. The price of oil was the main preoccupation of the industrialised countries as they entered the UNGA’s Sixth Special Session (New York, 1974). But the developing countries insisted on linkage — that energy should be discussed in a broader context, encompassing other crucial development issues of concern to them. After a debate whose tone was generally acrimonious, and with most developed countries expressing a large number of reservations, the Session adopted, without vote, a Declaration and Programme of Action on an NIEO. Later the same year the UNGA adopted by majority vote a Charter of Economic Rights and Duties of States which spelled out 15 ‘fundamental’ principles of international relations.

2.23 The continued concern of the developed countries with energy supply and prices and the insistence of the OPEC and other developing countries that energy issues be discussed as part of wider negotiations led to some reassessment on the part of the developed countries of their position with regard to North-South issues after the Sixth Special Session. They adopted a more conciliatory approach, at least to the extent that specific issues (including their own concerns such as the new energy situation), as distinct from the economic system as a whole, were to be negotiated. This was evidenced by the more constructive discussions at the UNGA's Seventh Special Session (1975) and the agreement reached at UNCTAD IV (Nairobi, 1976) to launch a series of negotiations to establish an Integrated Programme for Commodities. Agreement was also reached to hold a special negotiating Conference on International Economic Cooperation (CIEC, Paris, 1975-77). Participation at the Conference was restricted to 27 countries: 19 from the Third World (of which 7 were OPEC members) and 8 developed market economies. The Conference discussed a wide agenda — raw materials, trade, development, money and finance as well as energy — and, although it ended without significant tangible results, it was an important event in the evolution of the North-South negotiations.

2.24 Later, as the impact of OPEC action eased and the North became increasingly concerned with inward-looking solutions to the emerging problems of sluggish growth and recession, it adopted an increasingly negative attitude in a number of negotiations which became protracted without yielding any significant practical results. There were however a few exceptions, e.g. the agreement on Official Debt Relief (UNCTAD, Geneva, 1978). The last UNCTAD (Manila, 1979) was particularly barren of results. In fact, even the negotiations which did not involve the South to any great extent, e.g. the Multilateral Trade Negotiations (GATT, 1973-79), encountered delays and major obstacles during this period.

2.25 In consequence, the fifth summit of the Non-Aligned Conference (Havana, 1979) called for a new round of negotiations that would encompass all the major issues of the North-South dialogue. Later that year, the thirty-fourth session of the UNGA decided by consensus to "launch at its special session in 1980 a round of global and sustained negotiations on international economic cooperation for development", and set out as major agenda items issues in the fields of raw materials, energy, trade, development, and money and finance. It also decided that the negotiations should be action-oriented, should ensure a coherent and integrated approach to the issues under negotiation, and should take place simultaneously within the UN system. It further decided that the Committee of the Whole of the UNGA should act as the preparatory body for the Global Negotiations and prepare and

submit recommendations on the procedures, time-frame and detailed agenda to the Eleventh Special Session. The Negotiations were given added impetus by the Report of the Brandt Commission, published in early 1980, but the Session could not reach agreement on procedural matters. The regular sessions of the UNGA in 1980 and 1981 also failed in this respect, as did the selective North-South Summit held at Cancun, Mexico, which was specially concerned with this problem.

2.26 The present impasse or stalemate in the North-South dialogue is largely concerned, at least in procedural terms, with the precise role of the central organ of the conference in relation to the issues which come under the competence of the specialised agencies, particularly the IMF and the World Bank. While many important issues of substance lie behind the procedural difficulties, the latter will have to be overcome if discussions on the former are to be undertaken as agreed. It should certainly not be beyond the ingenuity of the parties concerned to find a satisfactory formula that would at least permit the substantive negotiations to commence. In this connection it is our hope that the opportunities presented by the forthcoming meetings concerned with North-South issues will not be missed. The thirty-seventh regular session of the UNGA must overcome the procedural difficulties and launch the Global Negotiations. At the GATT Ministerial Meeting (Geneva, November 1982) and at UNCTAD VI (Belgrade, June 1983) assiduous efforts should be made to put relations between developed and developing countries on to a new and more constructive path.

### **Form of North-South Negotiations**

2.27 Before attempting an evaluation of the results achieved so far, it might be of interest to note that the form of negotiations and the forums in which they were conducted, have had an important bearing on the outcome. The institutional developments and changes in the form of negotiations during the post-war period are of considerable significance for the future of the North-South negotiations.

2.28 Basically a struggle has been taking place between two different concepts of international negotiations. The South favours a universal, multilateral system of public negotiation which gives due recognition to the weight of numbers. It wants comprehensive negotiations dealing with packages of issues and giving full weight to the linkages between them. It believes that needs, equality and redistributive justice, rather than power, should be the criteria adopted. The North, on the other hand, favours traditional bilateral forms of negotiations or those involving limited participation, and views multilateral diplomacy in the North-South context sceptically, both on technical and political grounds. It prefers negotiations which are specific and issue-oriented. It

believes that economic power and responsibility for the implementation of decisions must be fully reflected in the negotiations, and it has been stressing technical soundness in considering proposals. In this situation, neither side is able to prevail entirely and the outcome is a compromise which attempts to fit together bits of each approach in a way which reflects political realities more than rational consistency. The North-South dialogue is largely about what the precise nature of this compromise should be.

2.29 The developed countries have on the whole preferred substantive negotiations on many economic issues to take place as far as possible within those forums where they exercise an overriding influence and control, either through weighted voting, as in the IMF and the World Bank, or through the nature of the operating procedures, as in the GATT. However, a number of changes have taken place in these institutions over a period of time which constrain to some extent the effect of the North's preponderant position. While the developed countries still hold a majority of the votes in the Bank and the Fund, there has been some gradual dilution of their preponderance and, in any case, the practice of taking decisions by consensus has been ameliorative. Similarly, while the GATT practice of bargaining, on a bilateral or plurilateral basis, reciprocal concessions to be extended multilaterally has meant that the concerns of the developed countries have continued to dominate that institution, in recent years greater attention has been paid to the difficulties of the developing countries.

2.30 The changes in the Bretton Woods institutions, however, have not been swift enough or sufficiently far reaching to modify the preference of developing countries for holding negotiations within the UNGA and its subsidiary bodies, especially UNCTAD, over which they have greater influence. The South had intended UNCTAD to be largely a negotiating forum, but resistance by the North meant that in its early years it was largely deliberative. However, as certain subjects were not within the mandate of any other institution or forum, they were first discussed and subsequently negotiated at UNCTAD. The Integrated Programme for Commodities may be the most notable example, but there have been many others, including trade preferences (GSP), shipping, technology transfer and restrictive business practices. In some areas, nevertheless, notably finance, developed countries have been especially concerned to limit UNCTAD to a largely deliberative role.

2.31 As already mentioned, it is critically important that early agreement is reached on the role of the Bretton Woods institutions in the context of the Global Round if the present impasse in the North-South negotiations is to be overcome. At the same time, it has to be recognised that other negotiating forums also need to be improved

and strengthened considerably in order to realise the full potential of the North-South negotiations. In particular, the regular and special sessions of the UNGA, which have dealt with general measures of international economic cooperation for development, have been largely deliberative, and usually have led only to agreement to hold further discussions. Examples of practical decisions which have led to later implementation, such as the Seventh Special Session's decision to establish an International Emergency Food Reserve, have been few. There is also much duplication and overlap in the plethora of institutions in which North-South issues are at present discussed and negotiated. This is to some extent unavoidable and not wholly without positive effects; but it is also the cause of many impediments to the dialogue, a matter to which we return in Section 3 below.

## **Section 2**

### **North-South Negotiations: Substantive Issues**

#### **General Approach**

3.1 It is clear from our examination of the historical evolution of the process of North-South negotiations that the results, in terms of agreed conclusions and decisions, are relatively few and far between. In this section, we review briefly the 'state of play' in some of the major areas of these negotiations. If, in doing so, we seem to view matters to some extent from the perspective of the South, this reflects the fact that the developing countries are the active parties in the negotiations, the ones who have an interest in their success defined as the achievement of progress on the items of the agenda. One of the problems of the negotiations, of course, is that for at least some elements in the North the failure to make such progress would itself constitute 'success'. For the reason given in an earlier section on interdependence, we believe that such an interpretation is profoundly mistaken. But as long as it prevails, it makes it difficult to evaluate the negotiations from a Northern standpoint.

3.2 However, we suggest that, beyond the narrow perspective of the negotiating tactics employed by the parties concerned and the degree of progress achieved on specific agenda items adopted at any given time, the results of the North-South negotiations should be considered in relation to certain common objectives of both North and South. We referred earlier to the national and international dimensions of the development problem and, apart from the question of any moral imperative, it must be in the interests of both North and South to see that national and international efforts are given urgently a major boost to accelerate development in the South. In the context of interdependence, continuing failure to achieve significant development in large parts of the South would create serious economic and political dangers for the world community as a whole. Closely related is the objective that, instead of damaging the interests of the North, cooperative action by the North and the South should help in realising gains that could accrue to both sides. At the very least, the North-South

negotiations should aim to eliminate or minimise the costs that are being incurred because of the shortcomings in the international economic system. For example, instability in international commodity markets involves serious costs for both exporting and importing countries — developed and developing alike — and its reduction is bound to be of mutual advantage. Moreover, the North-South negotiations should focus on rules required to govern and regulate transnational relations between the developed and developing countries. The inadequacy of the present rules and the ineffectiveness of their enforcement are particularly evident in the trade policy area where both North and South have a common objective in strengthening international rules against protectionist measures.

3.3 It is against the perspectives of the urgency of solving the development problem, of the need for a more rule-oriented and cooperative international economic system, and of the mutual gains that can accrue from enlightened development policies and the common losses that are being incurred in their absence, that we examine below the results of the North-South negotiations in the major economic areas in which they have been conducted.

### **Money and Finance**

3.4 Money and finance have now emerged as the most important area in the North-South negotiations. There is a common interest in a monetary system with predictable and stable exchange rates and adequate international liquidity to encourage investment and world trade. There is also general agreement, at least in principle, on the need for a balance of payments adjustment process in which the surplus and strong countries play an equitable role, without imposing inappropriate or excessive restraints on deficit countries. Further, it is generally agreed between the North and the South that development finance has been on the whole inadequate for the needs of developing countries. However, important differences persist with regard to almost all specific issues and measures suggested to improve the world system and meet the special needs of developing countries. In particular, the South considers that the two international institutions primarily concerned — the IMF and the World Bank — have not, as presently constituted, been able to keep abreast of the needs for their services.

3.5 Broadly speaking, the South's aims in negotiations on money and finance have been concerned with (i) basic reforms in the international monetary system and financial institutions, with a view to making them more responsive to the special needs of developing countries, and (ii) substantially increasing the flow of financial resources to developing countries. Evaluation of these negotiations is particularly complicated

by the fact that any proposal in this area, taken in isolation, usually appears to involve an additional contribution from the rich, without any compensatory benefit to them. Negotiations do not often progress, therefore, beyond the stage of the South formulating demands and proposals and the North raising objections to their desirability or practicality. Account must therefore also be taken of negotiations that have not yet got off the ground but could do so if there was a change in the perception of mutual gains or common losses or, perhaps, even in the negotiating process itself.

(i) *Reform of the International Monetary System and Financial Institutions*

3.6 Reform of the monetary system has been a shared objective of both the developed and developing countries, at least since the establishment of the Committee of Twenty in 1972 (see paragraph 2.21). The fact that it did not prove possible to implement many of the Committee's recommendations had little to do with North-South differences. In fact, the Jamaica package of 1976 contained several elements of particular interest to developing countries, even though it has now come to be seen mainly as legitimising a new permissive regime for the rich which involves them in few obligations for international adjustment.

3.7 However, the South has now come to believe that the system as a whole serves very inadequately (and even discriminates against) the interests of developing countries and requires major restructuring. While progress in some major respects, including the exchange rate regime, the role of the SDR, and the sharing of the burden of adjustment, seems to be blocked by differences among the developed countries themselves, the South has focused attention on the basic operations of the international institutions. First, it has sought to improve and extend the facilities offered by the IMF, the World Bank and, to a lesser extent, by the regional banks. In this, significant success has been achieved, as evidenced by the marked increase in the operations of these institutions in recent years. However, renewed difficulties now seem to be arising which might only partly be due to the economic and other difficulties of the North and suggest increased strains in North-South relations.

3.8 Secondly, the South has suggested changes in the structure of, and the decision-making processes in, these institutions. It plays a relatively minor role in important financial and monetary decisions and the weighted voting system in the IMF and the World Bank prevents decisions that the South considers to be desirable, e.g. SDR allocations or the 'link' proposal. Attempts to improve the negotiating process

through the establishment, in 1975, of the Interim and Development Committees have failed to change the situation materially. The South, therefore, believes that future progress in negotiating specific issues could be facilitated by more equitable power-sharing in these institutions. However, the differences with the North in this respect have proved particularly difficult to resolve. The North has remained committed to maintaining a close relationship between financial contribution and voting power. It has also pointed out that, even with the existing voting structures, the institutions concerned can be, and have been, modified to meet changing circumstances. Developing countries have, in fact, acquired in recent years somewhat greater representation and more votes on the Boards of both the Fund and the Bank, but the scope for future progress in this respect would seem to be limited unless perceptions change.

(ii) *Financial Flows*

3.9 Apart from the recent increase in the balance-of-payments support provided by the IMF, the relatively rapid expansion in the operations of the multilateral banks and soft-loan funds has been one of the main developments in the post-war era that have had the support of both North and South. The establishment of IDA was one of the earlier successes in this respect. The operations of the World Bank Group expanded particularly rapidly during the 1970s, not only in terms of financial assistance but also in aid management and technical assistance.

3.10 However, faced with increased financial requirements, the South has pressed for even faster expansion in the operations of the multilateral institutions. But the prospects for such expansion (or even for maintaining the past trends in some cases) have deteriorated recently as the North has become increasingly concerned not only with its own economic problems, but also, more specifically, with issues of burden-sharing among its members as well as with OPEC. In addition, in certain countries of the North there seems to be some questioning of the role of multilateral institutions as instruments of national policy; in others, policies are being adopted to reduce the role of the state, nationally and internationally, in relation to market forces and the private sector. As a result of these developments, the Board of the World Bank has not yet been able to agree to the management's proposal for a faster increase in lending; the proposal for an energy affiliate has remained blocked despite widespread support for the Bank to pay particular attention to energy development; and the difficulties faced in successive IDA replenishments have become aggravated by the increasing danger of a reduction in real terms in IDA resources under the Seventh Replenishment. As for the IMF, the Eighth Quota Review

and the SDR allocations appear to be subject to the same negative forces.

3.11 Outside the multilateral institutions, North-South issues in the field of financial flows have mainly concerned ODA and debt relief. So far only five DAC member countries have reached the internationally agreed target of 0.7 per cent of GNP. The 1981 DAC average of only 0.35 per cent is unlikely to be exceeded significantly by 1990 unless there is a marked change in attitudes. On the other hand there has been improvement in the quality of aid — in untying it and increasing the grant element. Even here, however, the prospect is at best mixed.

3.12 While views on the severity of the debt problem vary considerably, there is as yet no agreement on measures to relieve or alleviate the growing debt burden of developing countries. After protracted and controversial negotiations, some relief was granted, under an UNCTAD resolution in 1978, in respect of the official debt of poorer countries; agreement on a framework and guidelines for future reorganisation of official debt was also reached at UNCTAD in September 1980. These were significant, if inadequate, 'successes' in the North-South negotiations. The problem has since grown substantially, however, and the measures taken so far have proved grossly inadequate, particularly as the rapidly expanding commercial debt remains outside the scope of UNCTAD guidelines and without international means for emergency support.

3.13 The issues involved in the North-South negotiations concerning money and finance are complex and often reflect differences within the North. The present negotiating process, dealing with individual issues on a piecemeal basis, seems particularly inadequate in this area, in that it fails to facilitate progress on specific measures despite general agreement on broad principles. The debt issue clearly demonstrates both the inadequacy of the current perceptions of interdependence between North and South and the limitations of negotiating linked issues separately. Future progress will require considerable efforts at 'packaging' negotiated mutual gains to establish clearly that the provision of increased finance to developing countries is, in many circumstances, significantly also in the interest of the North.

## **Commodities**

3.14 North and South have also a common interest in solving the basic problem of price instability in commodity markets: widely fluctuating prices harm consumers as well as producers. The traditional policy approach was for exporting and importing countries to establish international commodity agreements (ICAs) incorporating stabilisation

mechanisms such as supply regulation and buffer stocks. For developing countries (and some developed primary producing countries), however, it became increasingly important that, in addition to specific mechanisms to stabilise prices of particular commodities, a more comprehensive and integrated approach should be adopted in order to stabilise export earnings around a long-term trend which was rising in real terms. They therefore sought to establish an Integrated Programme for Commodities (IPC) comprising a Common Fund (CF) to support measures to stabilise commodity prices through a comprehensive set of ICAs and to promote market stabilisation and improvement in other ways.

(i) *The Common Fund*

3.15 Four years after the adoption of a resolution at UNCTAD IV on an IPC and following protracted negotiations, agreement on the CF was concluded in June 1980. It has been the most significant achievement of the IPC to date; but the CF to which countries eventually agreed was very different in nature and scope from that on which the South had earlier pinned its hopes. Whether an instrument of the kind denoted in the Agreement can effectively stabilise and support commodity prices and export earnings is a question fundamental to developing countries' interest in ratifying the pact, and the slow progress made suggests doubts about its effectiveness.<sup>1</sup>

3.16 The main cause of the developing countries' disquiet is the greatly reduced size of the CF and the limitation of its financial role. The South wanted the CF as a strong central source of finance, with resources of US\$6 billion funded directly by governments and by its own borrowings from capital markets. The CF would be wholly responsible for financing the ICAs within the IPC. Instead, difficulties in agreeing on the size of funding and allocation among member governments meant that consensus was only possible for a CF of indeterminate but relatively small size (with initial funding by governments of \$470 million in direct contributions plus \$280 million in voluntary ones); moreover, the CF itself will be partly dependent for funds on the ICAs, with which its relationship is as yet unclear. The South considers the initial size of the funding envisaged to be wholly inadequate for the CF to play the desired catalytic role in setting up new ICAs, particularly in view of the change of emphasis in many of them from price stabilisation to other

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1. Ratification by 90 countries accounting for two-thirds of the capital of the CF is required to bring the Agreement into operation. By mid-1982, only 32 countries accounting for 25 per cent of the directly contributed capital had ratified it. As a result the scheduled date for implementation has been postponed from 31 March 1982 to 30 September 1983; whether the necessary level of ratification will be reached even by that date is by no means certain.

measures, such as research and development and marketing, which fall within the sphere of operations of the Second Account of the CF.

(ii) *International Commodity Agreements*

3.17 The IPC resolution adopted in 1976 envisaged the conclusion, by the end of 1978, of ICAs with agreed price ranges and appropriate stabilisation mechanisms for 18 commodities. Measured against this target, the achievement has been very disappointing. After a massive effort only one new ICA has been negotiated (for natural rubber) and four existing ones renegotiated with some difficulty (for cocoa, coffee, sugar and tin). It appears most unlikely that in the near future there will be ICAs even for the priority list of ten core commodities for, apart from those mentioned above, only tea seems to offer some hope for significant early progress. Negotiations on the others — cotton, copper, jute and hard fibres — have not in general advanced appreciably, and even where some progress has been made (as in cotton and jute) the ICAs may not contain any price stabilisation mechanisms.

3.18 This relatively poor record can be partly attributed to the belief of certain countries, particularly in the North, that ICAs are incompatible with, or an impediment to, the free operation of market forces; that they lead to inefficiencies, excess capacity and the misallocation of resources; and that they have undesirable or at least questionable income distribution effects. For these reasons the present United States Administration, for example, is unwilling to participate in most ICAs.<sup>1</sup> Perhaps the basic difficulty, however, has been in establishing at any given time the mutuality of interest in ICAs between consumers and producers, and in determining an 'equitable' range of 'indicator' prices or size of buffer-stocks or level of export quotas. Moreover, hard negotiating stances by countries of both the North and the South have reduced the effectiveness of such ICAs as have been established. The recent history of ICAs for sugar, cocoa and tin have demonstrated this.

3.19 In addition, some countries of the North have been reluctant to allow the commodity development measures envisaged for the Second Account of the CF to be broad based. This is important for a number of commodities including several fibres, tropical timber, and vegetable oils and oilseeds.

3.20 There have also been difficulties caused by the South which have reflected differences of interest between the countries concerned. Some of these differences reflect the fact that many developing countries are

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1. In the case of renegotiation of a new Wheat Trade Convention (outside the IPC) the US also pointed to difficulties which would be caused to its domestic agricultural policies.

themselves importers of commodities;<sup>1</sup> but even among the producers, divergent interests have occurred between those countries whose output of a commodity is large, well-established but high-cost, and those where it is small, new but low-cost. Such differences cause difficulties in the allocation of export quotas and have been a major sticking-point in the tea negotiations.

3.21 There have also been various technical difficulties in negotiating ICAs, not directly related to North-South issues. The degree of appropriateness of the proposed measures is one example: doubts on the usefulness and viability of buffer-stocks for several commodities such as vegetable oils, bauxite and other metals are a prime cause of the failure of consultations on them to reach the negotiation stage.

### *(iii) Other Measures of International Commodity Control*

3.22 To developing country disillusionment with achievements under the IPC with regard to price stabilisation has now been added dissatisfaction with progress in other respects. A proposal by the South at UNCTAD in February 1982 for drawing up a framework of international cooperation on commodity processing and marketing met strong resistance by the North which, in the view of the South, appeared unwilling to take action which had implications for the activities of transnational corporations. An equally unfavourable reception was accorded to proposals for a new commodity financing facility to compensate for shortfalls in export earnings. This issue, in the opinion of the North, should be considered not at UNCTAD but only at the IMF, and within a balance-of-payments context. Opposition to the proposals was also expressed on theoretical grounds and there is little likelihood of early action. In the meantime, the IMF Compensatory Financing Facility, which is concerned with stabilising total export earnings, has been expanded to some extent to meet demands for greater support for depressed export earnings. However, the Facility does not have a commodity focus; the support it provides is limited by IMF quotas; and its conditionality appears recently to have hardened.

## **Trade Policy**

3.23 All countries have an interest in the expansion of world trade, but for many developing countries, with relatively small domestic markets and a limited range of resources, economic development is critically dependent on their ability to export. These countries need access to the

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1. This is particularly true of grains, where the major exporters of wheat are from the North and importers are from the South. In this case, therefore, contrary to the normal pattern, it was the developed countries which, in negotiations for a new Wheat Trade Convention, sought a high 'indicator' price and the developing countries a lower one.

large and growing markets of the North, and the confidence that such access will be available on a stable and continuing basis. They have therefore pressed the developed countries to improve, or at the very least to maintain, these trading opportunities. Over the last couple of decades, progress towards this objective has been significant in some respects but negligible or even negative in others. On balance the record has been disappointing, particularly in the last seven or eight years.

3.24 Earlier significant achievements in this area included the Generalised System of Preferences (GSP), agreed at UNCTAD II and implemented by developed countries from 1971. It has proved to be of some help in raising exports from developing countries but its limitations have become increasingly apparent as time has passed. Its effects have been eroded by various technical features and also by the discriminatory way in which the more successful developing countries have been (and are being) phased out of eligibility for benefit. Moreover, many of the products in which developing countries have had the greatest comparative advantage in production have been deemed 'sensitive' by the developed countries and either excluded altogether from their schemes or subjected to severe restrictions.

3.25 As far as negotiations at the GATT are concerned, the special interests of developing countries were recognised in the Tokyo Declaration of 1973, which initiated the last round of Multilateral Trade Negotiations (MTN), when it was agreed that they would be given special and more favourable treatment whenever possible. But the developing countries were disappointed not only with the outcome of the MTN, but also with the manner in which decisions were reached. Unable to offer reciprocal concessions of any great value, developing countries lacked bargaining power in the negotiating process, much of which took place on a bilateral basis or among small groups.

3.26 This meant that at the MTN there was little real negotiation between North and South. In the tropical products sector, there were some unilaterally determined improvements in GSP schemes. But there was little improvement in the coverage of the GSP for industrial products. Moreover, under the Tokyo Round, the average depth of cut agreed by developed countries in mfn tariff rates on industrial products of particular interest to developing countries was less steep (a reduction of a quarter) than that on all industrial products (a reduction of a third), despite the relatively higher base rates of the first group. Tariff cuts on textiles, clothing, footwear and leather goods were especially meagre and, in some cases, nil.

3.27 Previous MTNs had been devoted almost entirely to reducing tariffs, but with the rise in importance of non-tariff measures the Tokyo

Round also gave some attention to these types of restriction. The results were disappointing for both the developed and the developing countries. Virtually no progress was made on the treatment of quantitative restrictions instituted under Article XIX (the main safeguard clause within the GATT) and through other means. The latter include not only the restrictions operating unofficially outside GATT auspices, such as voluntary export restraints, but also those under the Multifibre Arrangement which, though within the GATT, was not even considered at the MTN. These quantitative restrictions have become especially burdensome for developing country exporters who are facing them not only on those products in which their comparative advantage is greatest, viz. textiles, clothing and footwear, but also on an expanding range of other products, such as consumer electrical and electronic goods, in which many of their hopes for future growth lie. In the prevailing protectionist climate, the lack of agreement on a new non-discriminatory safeguard mechanism has particularly serious consequences for developing country exports.

3.28 The Tokyo Round was also expected to review the framework for conducting international trade and consider its improvement. In the event, the single achievement of the group set up to do this was to legitimise certain types of preferential treatment for developing countries and to clarify the meanings of certain terms such as 'reciprocity' and 'graduation'. Any substantive reform of the GATT would entail bringing within its rules and procedures the growing proportion of trade currently restricted by administrative devices outside its jurisdiction, and enforcing those rules and procedures in a manner which accords with GATT principles. An orderly trading system enjoying the confidence of all countries — including developing countries — must bring all trade barriers within the ambit of internationally accepted rules and procedures: multilateralism, non-discrimination (except for what is agreed multilaterally), transparency and predictability are the principles which should govern these rules and procedures. These principles are already enshrined in the GATT: the need is to get agreement that they should be applied to the rules and procedures which already exist and that the rules should be extended to cover trade in agricultural and a growing proportion of industrial products which currently escape them. This demands a greater measure of support for the GATT, particularly from the major trading powers of the North, than has been forthcoming so far. Any catalogue of ways in which the international trading system needs to be reformed and made more responsive to the special interests of developing countries is lengthy and substantive.<sup>1</sup> The special effort

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1. See "Protectionism: Threat to International Order"; Report by a Commonwealth Group of Experts, 1982.

required to achieve these objectives would occupy more time than will be available at the forthcoming Ministerial Meeting of the GATT or even of UNCTAD VI; fundamental reform of the international trading system is therefore likely to remain on the international negotiating agenda for some time to come.

### **Other Selected Areas**

3.29 There are many other areas relevant to the North-South negotiations. The main features of some that are of particular significance to the development of the South are discussed below.

3.30 The importance of transnational corporations (TNCs) as vehicles for investing in, and transferring technology to, developing countries is such that negotiations have been held or are underway on three international codes of conduct in this area. The size and power of some TNCs, relative to those of many developing country economies and governments, the amount and degree of sophistication of the technology and other expertise which they command, and the nature of their business methods, have led to some suspicion and mistrust by governments of developing countries who have sought to control the activities of these enterprises by internationally binding agreements. The objective has been to maximise the positive contributions of TNCs and minimise the difficulties arising from their activities. The TNCs are naturally concerned with protecting their investments and ensuring the security of production inputs and market outlets. They have thus sought guarantees of 'equitable' treatment in the countries in which they operate. In these endeavours they have generally received support from the governments of the countries (almost always developed) in which they are domiciled. While sharing some of the concerns of developing countries with regard to the operations of TNCs and recognising the need for some code of practice covering TNC operations, developed countries have tended to prefer voluntary and weaker codes of conduct.

3.31 Negotiations on a Code of Conduct for Transnational Corporations began at the UN in 1976. The main issues have concerned the basic objectives of the code, the respective rights and obligations of governments and enterprises, and the procedures for implementation. Although the negotiations have been protracted, considerable progress has been made in important provisions. Once agreed, the effectiveness of the code will depend, among other things, on the universality of its adoption and thus on its general acceptability; it will not be mandatory.

3.32 Closely related is the Code of Conduct on the Transfer of Technology, under negotiation at the UN since 1978. The main issues at

these negotiations have included the treatment of technology transfers between parent enterprises and their subsidiaries and affiliates, the law under which technology transfers should take place and disputes be settled, the legal nature of the code, and the rights and obligations of parties to technology transfers. Again the position basically is that, while the South has stressed the importance of state intervention and inter-governmental regulation, the North has generally sought to preserve the freedom of action of private enterprises supplying technology, which are almost always domiciled in and controlled from developed countries. However, considerable progress has been made in drafting, and it appears that a code can be agreed upon.

3.33 The third instrument concerns the set of principles and rules to control restrictive business practices, on which agreement was reached at UNCTAD in April 1980 after eight years of discussion and two UN negotiating conferences. Restrictive business practices arising from the activities of enterprises under common control or not able to act independently of each other (i.e. affiliates or subsidiaries of TNCs) are excluded from the Agreement, which is not mandatory. It is not clear, however, how far the Agreement will be effective in prohibiting, or even in some cases discouraging, the use of restrictive practices; in November 1981 doubts were expressed by an inter-governmental group of experts set up to undertake consultations on its operation.

3.34 Another area of great concern to the South has been shipping. This is vital to the conduct of international trade, and thus to development. Many Third World countries have been seeking a greater measure of control over, and benefit from, shipping through the development of their own merchant marines. They considered the present structure of sea-borne trade to have hampered this development and called for a code of conduct on liner conference shipping. Such a code was adopted at UNCTAD in 1974 (by 74 votes to 7, with 5 abstentions), but the required level of ratifications to make it operational has not yet been reached, although it may be soon.<sup>1</sup> Resistance has been met, particularly from some developed countries whose cross-traders have objected to the article of the code which would militate against their shipping carrying other countries' trade,<sup>2</sup> believing that it would introduce rigidities, reduce efficiency and reliability, and raise costs.

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1. To become operational the code has to be ratified by at least 24 countries accounting for at least 25 per cent of world shipping tonnage. By 1982, 52 countries had ratified but they account for only 20 per cent of world tonnage.

2. This article states that the exporting and importing countries' shipping lines would each be entitled to carry 40 per cent of the goods traded between the two countries, leaving only 20 per cent to the shipping lines of third countries (the 'cross-traders').

3.35 There are two issues related to shipping on which negotiations have not yet progressed very far. On open registries ('flags of convenience'), no conclusive evidence has yet emerged on whether this system has prevented developing countries from building up their own fleets. On bulk shipping, there is no agreement as to whether the operations of major shippers have resulted in the erection of barriers preventing developing country lines from competing freely in tanker and bulk dry cargo trades. In both cases, the lack of progress so far has added to the frustrations of the South with the current state of the North-South negotiations.

3.36 A further area of international negotiation of particular interest to developing countries has been concerned with the sea and the resources which lie within and under it. Much has been achieved in this area and in April 1982, at the conclusion of the Third UN Conference on the Law of the Sea (UNCLOS), an overwhelming number of countries approved the draft text of a Convention covering all aspects of the uses and resources of ocean space.<sup>1</sup> Negotiations at UNCLOS were based on the principle of obtaining the widest possible consensus without taking formal decisions, and in many respects they were not based on rigid North-South considerations. A very large measure of informal agreement had been achieved before the United States, in August 1981, informed the Conference that it had serious objections to the deep sea-bed mining provisions of the draft text, negotiations on which took place on a North-South basis. The United States wanted greater influence in policy formulation and in the decision-making process in relation to the deep sea-bed regime and a commitment that any changes in that regime should be by consensus. It was opposed to the proposed transfer of technology from private mining companies to the international mining organisation envisaged in the draft Convention because it considered such a transfer would deter development of the deep sea-bed mineral resources. For the same reason it was also opposed to the proposed controls on the level of mining operations by national entities. Several other countries of the North shared some of the US reservations, notably with regard to permitting the majority of signatory states to amend the Convention in fundamental ways after it had been in operation for twenty years.

3.37 The lack of consensus on this part of the Convention reflected different economic interests of particular states at this juncture of the development of deep sea-bed mining. On the one hand, certain countries — all in the North and notably the United States — are

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1. One hundred and thirty countries voted in favour of the draft, four opposed it (including the United States) and seventeen countries abstained (including six EEC members and all centrally planned economy countries of Eastern Europe).

reported to have already developed the requisite technology to mine the polymetallic nodules lying on the deep sea-bed, which offers the possibility not only of potentially lucrative operations by the mining interests involved but also of greater security of supplies of several strategic materials for the consuming countries concerned. On the other hand, many countries — particularly in the South but not exclusively so — do not wish to see all its benefits accruing to countries which now possess the capital and technology to exploit these resources; the resources of the sea-bed are regarded by them as “the common heritage of mankind”.

### **The UN System and the Global Round**

3.38 Both North and South agree on the need to restructure the UN economic and social system but differ considerably in their approach. The South is dissatisfied mainly with the capacity of the system to deal with international economic problems which impinge on development; it views restructuring as a means of enhancing the collective influence of developing countries on the working of the system. The North stresses what it sees as a lack of coordination and efficiency within the system and of incoherence in its growth; it seeks institutional rationalisation and more efficient resource management; it also seeks to maintain its control over those areas of the system which it regards as vital to its interests.

3.39 Despite far-reaching proposals by an expert group established in 1974 by the UN's Sixth Special Session to make the UN system more responsive to the requirements of an NIEO, and notwithstanding a measure of agreement by an ad hoc Committee (open to all member States of the UN) which between 1975 and 1977 deliberated on the same subject, no substantive action has been taken on the crucial issues. A certain amount of restructuring has occurred with a view to increasing the efficiency of the system and the coordination of bodies and programmes within it. But nothing has been done to implement what many consider to be the Committee's main recommendation. This was that the General Assembly should be strengthened to allow it to function as the principal forum for policy-making in international economic and social matters, establishing overall strategies, policies and priorities for the entire UN system, and reviewing and evaluating developments in other UN forums. This recommendation had the full backing of the South, but the North had reservations. The United States considered the Assembly's role was “neither to negotiate precise agreements nor to place restraints on the negotiations in other fora”, which should maintain their own integrity.

3.40 The two positions are exemplified in the protracted, and so far

unsuccessful, attempts by the Assembly to agree on procedures to launch a Round of Global Negotiations on international economic cooperation for development. On the one hand the North has insisted that the negotiations should fully respect the jurisdiction, integrity, competence, functions and powers of the specialised agencies, which should in no way be subject to external control. On the other hand the South has maintained the position that the main Conference should play a central role in the Negotiations, with the specialised forums working on the basis of objectives and guidance provided by the Conference. The result has been an impasse.

3.41 Nor has there been any real movement towards implementing two other recommendations of the Committee. On one, to enable UNCTAD to play a major negotiating role in the field of international trade and related areas of international economic cooperation, the main resistance has been from the North. On the other, to revitalise ECOSOC to make it the principal arm of the Assembly in economic and social matters, the lack of progress has been due mainly to the reluctance of the South.

### **Overall Appraisal**

3.42 There has been a considerable intensification of the North-South negotiating process over the last two decades. But while this has served to raise the international political status of the issues and to increase awareness of development problems, the overall record of the negotiations has been far from satisfactory in relation to objectives and needs. Some decisions have been made which have resulted in benefits to the South. For example, new institutions have been set up, such as UNCTAD, which highlights the needs of the South, or IDA and IFAD, which enable more resources to be transferred to the South; voting power has become less concentrated and some shift has taken place in favour of the developing countries, especially in new institutions such as IFAD; new arrangements have been set up, such as the GSP, to improve market access for certain products from developing countries; new facilities have been introduced, particularly within the IMF, or soon will be, as in the case of the Common Fund for commodities; and new agreements have been made including those on liner shipping, restrictive business practices and, most recently, the Law of the Sea, which could bring significant benefits to the South.

3.43 But the changes which have resulted from these decisions are we believe marginal in relation to the needs of developing countries and the requirements of a more orderly, cooperative and efficient international system. For example, developments and liberalisation in monetary and financial arrangements to accommodate the new circumstances of

developing countries have been slow and largely inadequate. The ODA target is far from attainment and the external debt situation is deteriorating. In commodities, the Common Fund is still to be established and its possible effectiveness is already being questioned, while the progress in implementing international commodity agreements has been most disappointing. In trade policy, new protectionist measures are increasingly being adopted against exports from developing countries, and no fundamental reforms to the international trading system are yet being attempted. Progress in improving the regimes for foreign private investment and technology transfer can at most be described as slow, as it has been in shipping. Moreover, institutional changes in the UN system and elsewhere to increase the effectiveness of the international system in dealing with development problems and to strengthen the negotiating process have been far too limited to provide a propitious environment for the North-South negotiations.

3.44 It must, therefore, be concluded that although the results of the massive efforts made over the last two decades have not been entirely negative the positive ones have been few. While sound national policies and self-help are imperative for the South, the wider interests of both the North and the South would be served if the North were to show a greater degree of accommodation in negotiations with the South on global institutional structures and economic policies, and on efforts to bring about a more equitable international system.

## **Section 3**

### **Impediments to Progress**

#### **Form and Substance**

4.1 Our terms of reference required that we focus attention on impediments to progress in the North-South negotiations arising from the process of the negotiations rather than the substance. While much has been said and written on the substantive issues, little attention has been paid to the process itself. However, it is clear from our discussion so far that, in considering the North-South negotiations, form and substance cannot be clearly separated. We have pointed out, for instance, that the choice of forum for the negotiation of particular issues has been of great significance to both North and South.

4.2 Form and substance are related in other ways. If there is a strengthening of the will to negotiate on matters of substance, then that is likely to be reflected in improvements in the process. Thus, we see the imperfections in the negotiating process as partly a reflection of the poor state of the whole North-South dialogue and agree that no amount of restructuring of negotiations can replace the political will of the parties involved to resolve policy issues. Having said that, however, we do not accept the notion that working to improve the negotiating process is merely 'tinkering' and believe that it is extremely important to ensure that the process should facilitate rather than frustrate the resolution of policy issues. Consistent, dependable and effective results are not possible without an efficient bargaining and decision-making process. Such a process would not only enable the political will to be translated into consensus and action but, by virtue of its tone and encouragement to constructive interaction, could strengthen the will itself.

#### **Attitudes and Approaches**

4.3 We have already referred to the complex and dramatic changes in the pattern of international relations in the past thirty years. During this time postures and attitudes emerged on both sides which were not conducive to progress. The developed countries have tended to favour

the status quo, partly from technical considerations and partly from a reluctance to move towards a more participatory international system. They have therefore adopted a passive approach, leaving the South to propose subjects for negotiation. They have often responded with improvised reactions to these proposals, exaggerating their technical defects and delaying their detailed consideration or negotiation by an excessive demand for studies. They have considered many of the proposals as dirigiste in essence and as a disguised means of effecting a redistribution of resources. They have tended to highlight differences in costs and benefits to different groups of developing countries in order to weaken Southern unity and determination.

4.4 The developing countries, on the other hand, have been more politically than technically oriented. From the outset they have been conscious of the inequitable nature of international economic relations and convinced of the need for basic reforms. They have tended to see international forces as largely responsible for their economic problems, sometimes playing down domestic factors. They have regarded government and official intervention as an important means of correcting the defects in the international economic system. They have made bold and far-reaching proposals for change, many of which have been technically unrefined and some of which have been politically unrealistic. They have seen the absence of political will as the main impediment to progress. On occasion the content and assertiveness of their demands have been determined largely by the need to maintain solidarity and unity in the face of diversity.

4.5 These conflicting attitudes have given the North-South negotiations a confrontational character which has generated mistrust of each side's motives and intentions; each has caricatured the objectives of proposals by the other, to some extent just because of their origins, and this has further sullied relations. In the often charged atmosphere, even the 'moderates' on both sides have found it difficult to maintain the sustained informal contacts needed to inform themselves of each other's thinking and of the possibilities for accommodation and compromise.

4.6 There is however no inevitability in the adversarial character of the negotiations. Interdependence and mutuality of interest are growing. But even where there are conflicts of interest, a serious attitude to the negotiations and recognition of the need for accommodation of differences would help to improve the tone of negotiations.

### **Power Relations**

4.7 Another obstacle, perhaps more fundamental than the attitudinal

one, has been the resistance of the North to sharing power in the management of the international economic institutions and of the international economic system generally. This has been especially marked in the operations of the Bretton Woods institutions. For historical reasons it is understandable that the interests of the developing countries were not adequately reflected in the conception of these institutions. However, as a result of several factors, not least the reluctance of the major developed countries to share power in managing the key international organs, institutional development has generally lagged behind the greater dispersion of economic power that has been taking place in the evolution of a more pluralistic international system. It has also not kept pace with changing economic circumstances and needs. It is not only the developing countries but also many developed countries, particularly the less powerful ones, that have suffered from the lack of development in these institutions. The consequences have been more severe for the developing countries, however, because their needs demanded urgent action.

4.8 Developing countries have recognised that the principle of equality in voting power could not be adopted if the international financial institutions were to continue to attract strong financial support from the North. They are concerned, however, at what they see as an excessively grudging approach to sharing power. The major developed countries have justified the status quo on grounds of prudence. But a conservative attitude to innovation and expansion could also be due to reluctance to lose control and to a defensive reaction to proposals for far-reaching changes.

4.9 In the case of the World Bank, enlightened leadership has helped to provide a balance to the undue caution shown by the countries in majority control. But the institution remains vulnerable to a combination of conservative leadership and conservative control. Its present problems emanate to some extent from this conservative control. We witness a prudently run institution — a going concern which has built up a fine credit rating — being faced with the possibility of stagnation because of new attitudes to it by major subscribers, attitudes based more on ideological considerations than on economic factors or indeed on the track record of the institution itself. Evidence of how conservatively the World Bank has been managed lies in the long retention of its one-to-one gearing ratio, which is very low by any standards. Efforts to effect even a modest change in the ratio — a strong recommendation of the Brandt Commission — have now lost momentum on the ground of legal difficulties, difficulties which could be overcome given imagination and will.

4.10 At the IMF, significant changes have been made over time to

enable it to respond to the special problems of developing countries. But the responses to new situations have been slow and changes have often been forced by the threat of an impending crisis. This lay behind the major effort to secure reform in international monetary affairs in the early 1970s. Subsequently many of the imaginative and far-reaching recommendations of the Committee of 20 were frustrated when they were returned to the normal decision-making forums for final negotiation. Moreover, the role of the IMF as a major source of balance-of-payments support has greatly diminished in relation to other sources, partly as a result of the conservative policies and procedures of the Fund. While the developing countries have benefited from the rapid development of the recycling role of the private banks, sounder development would have been promoted by more balanced relative roles between them and the IMF which would have helped to avert the present precarious situation in the world's capital markets and financial system.

4.11 The attitudes of the major countries of the North towards power-sharing in the Bretton Woods institutions may now be so entrenched that a new institutional arrangement might have to be considered. This could be in the interests of North and South alike, both having much to fear from financial defaults, which could endanger the whole system. It is essential therefore that the necessary institutional arrangements are made to oversee the overall flow of resources — private and public, bilateral and multilateral — so as to ensure that their amounts and distribution are broadly in accordance with the absorptive capacities and developmental needs and circumstances of developing countries.<sup>1</sup>

4.12 At the GATT, bargaining power has been substituted for voting power, but the consequences have been similar, i.e. that the interests of developing countries have been neglected. Developing countries need not be, however, entirely without bargaining power in international trade negotiations. Individually they are weak, but collectively they are not, especially in manufacturing trade where they now buy from developed countries four times the value of the goods they sell to them.

4.13 The relative neglect by the GATT of developing countries' interests has had some far-reaching implications for all countries. It has encouraged new protectionist measures outside the spirit of the GATT and often against its principles and rules. It has led to problems in the area of disputes settlement where procedures and arrangements are

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1. In this connection we noted with interest a proposal by Robert McNamara for the establishment of a World Central Bank (speech on "Economic Interdependence and Global Poverty: The Challenge of our Time", July 1982, Baltimore, USA).

inadequate to enforce rules against strong countries. In the adjudication process, bargaining strength intervenes to dilute enforcement. Thus, even where the international community has made some progress in rule-making, as in the GATT, power relations have impeded progress toward making these rules effective in protecting the interests of the weaker countries. The retrogression that is now taking place in the operation of the international trading system is not unrelated to the failure to deal with the problems of countries that are becoming a substantial part of the world trading system.

4.14 Resistance to power-sharing has had pervasive effects, not only on the tone and form of the negotiations but also on the substance, which, in turn, has affected form. While changes in this matter have been slow in the traditional institutions, in the newer ones such as IFAD, established in 1977, and the Common Fund, yet to be established, developing countries have been able to obtain a more equitable distribution of the votes from the outset. This has been secured partly by greater participation in capital subscription and partly by some dilution of the weight attached to capital subscription. In both institutions, this advance in power-sharing has been assisted by the greater inclination and capacity of the developing countries, particularly through OPEC, to share the capitalisation. It has offered scope for the greater involvement of developing countries in decisions that affect them.

4.15 The question of power-sharing has also affected negotiations in many other areas. The Common Fund, in its original conception would have enabled greater influence to be exercised by exporting countries in the markets in which their commodities are sold. Similarly, codes on the transfer of technology, transnational corporations and restrictive business practices offer developing and other weak countries the opportunity to achieve a better balance of power with the transnational corporations. Power implications have undoubtedly served to constrain progress in these negotiations. Their relation to the choice of forum has become, as we have already pointed out, the main stumbling block to the start of a new Round of Global Negotiations.

### **Institutional Arrangements**

4.16 Present institutional arrangements constitute an impediment to progress in the North-South negotiations in other ways. The attempts by both sides to keep as much as possible of the negotiations in those parts of the system which are congenial to their interests and amenable to their control have increased the complexity and irrationality of the system. The failure of the existing institutions to cater adequately to the interests of particular groups of countries has led to institutional proliferation and promiscuity. In some cases it has resulted in the setting

up of new global institutions, such as UNCTAD, and in others it has led to global institutions being by-passed and to more attention being given to institutions serving particular groups of countries. For the North, examples are the OECD and the Group of Ten. While such institutional development is less strong among developing countries, there is no doubt that some of the arrangements being called for, e.g. a Southern Development Bank and Southern monetary arrangements, are a reaction to the failure of the present international institutions to meet Southern wishes. The dissatisfaction of the North with the UN and its reluctance to see it as the appropriate forum for tackling global problems is one of the main impediments to progress in the North-South dialogue.

4.17 Another aspect is the compartmentalisation of institutions, which has prevented linked issues from receiving effective attention. For example, trade and payments issues are clearly related and sometimes protectionism and exchange rate policies are directed to the same purpose. Compartmentalisation impedes coordinated treatment of related issues, inhibits closer cooperation between the institutions and prevents a rational development of the whole negotiating process. A case in point is the paucity of joint and coordinated efforts between the GATT and UNCTAD, although they deal with many closely connected issues. In fact their experience has been more one of rivalry than of cooperation, and the different levels of support among countries for each of these organisations are in no small measure responsible for this. Even where there has not been institutional rivalry, joint and coordinated efforts have generally been insufficient and, besides overlap, there have also been examples of international institutions following opposing policies.

4.18 While some institutional overlap can be healthy and there are examples where competition has enhanced progress, it can hardly be doubted that institutional rationalisation and improved cost-effectiveness are urgently needed. There remain too many meetings, too much duplication and a tendency towards institutional proliferation. These make large demands on the time of Government representatives and of the staffs of international organisations. Such demands are particularly onerous for developing countries whose scarce technical and diplomatic resources are constantly over-stretched.

4.19 Substantial further efforts are needed to clarify the responsibility and competence of the institutions. There is overlap, not only between general and specific forums, but also among the general forums themselves, and the precise function of each in relation to the other has never been clear. This was the case between CIEC and UNCTAD IV

and is likely to be so again between UNCTAD VI and the proposed Global Round of Negotiations.

### **Decision-making**

4.20 The intensification of the negotiating process has resulted in a large number of decisions which have taken various forms, e.g. resolutions, charters and codes. In many cases these have not been implemented, regardless of the nomenclature used. Since sovereign consent is the only means of effective law-making in the international system, decision by consensus will remain paramount. On some occasions, frustrated with the protracted process of attempting to achieve a consensus, developing countries have forced a vote and, in those bodies without a weighted system of voting, have consequently secured majority decisions. Such action has at times been useful in making transparent the source and cause of disagreement and thus helping to force the pace. On occasion this has made possible follow-up work which led eventually to decision by consensus. A case in point is the negotiations on restrictive business practices. There are times when a voted resolution is preferable to continuing a protracted negotiation which is clearly leading nowhere or where unanimity can only be secured by a compromise on language which would have meaningless results in substantive terms.

4.21 This having been said, however, resort to majority decision should be made sparingly as dissenters will agree to implement such a decision only if, for political or economic reasons, it is to their disadvantage to remain outside. Where all or the majority of the developed countries disagree, frequent resort to the voted resolution would encourage dissonance and politicisation rather than cooperation.

### **The Group System**

4.22 The group system, which provides the framework and structure for most North-South negotiations, has a range of strengths, but also many weaknesses. Too rigid a reliance on group negotiating methods has at times hampered progress. The group system is closely linked to the birth and evolution of the Group of 77 and the strengths and weaknesses of this Group have a substantial influence on the way the system promotes or retards the negotiating process.

4.23 The time available for effective negotiations between groups is often shortened by the laborious and time-consuming task of reconciling internal differences in order to establish group positions. This applies particularly to the functioning of the Group of 77, partly because it takes the initiative in submitting proposals, partly because the Group involves

a large and diverse constituency, and partly because it attaches very great importance to group solidarity.

4.24 Its size and diversity have made the determination of priorities especially difficult for the Group of 77 and have led to agendas that are neither well focused nor adequately selective. They have also led to consultations which are complex and laborious. Those at UNCTAD are further complicated by the fact that (unlike in New York) the Group's three regional groups caucus separately to prepare their initial positions, whose reconciliation at Group level introduces its own inflexibilities. This system tends to introduce such delicate balance that failure to reach agreement on any one issue delays or even prevents consideration of others. Divergent national interests also encourage the tendency to maintain the bargaining at the broad level of principle and to prevent each regional group from moving at anything more than the pace of the slowest. The balance struck in establishing the Group's position is therefore inherently fragile and introduces a significant measure of rigidity into the negotiations. Reluctance to endanger internal compromises pre-empts effective bargaining and militates against optimal and creative solutions.

4.25 The range of interests to be found within the Group of 77 should not, however, be exaggerated. Indeed, we believe that for consideration and negotiation of the majority of economic issues, it is possible to constitute a representative sub-group of the Group of 77, comprising only a small number of delegations. For illustrative purposes, we suggest the number might be as low as eight, viz. one member each from the following categories of Group of 77 countries: (i) OPEC; (ii) other oil-exporting countries; (iii) newly industrialising countries; (iv) least developed countries; (v) land-locked countries; (vi) India, given its continental proportions; (vii) countries with a national income per caput of more than US\$750; and (viii) countries with a national income per caput of \$750 or less. To avoid duplication any country qualifying for inclusion in more than one of the first six categories might be assigned to the category most appropriate for the item to be discussed or negotiated; others might be assigned to one of the remaining categories, depending on their national income per caput.

4.26 The negotiating process is also inadequately served by certain procedures and practices of the Group of 77. Except on rare occasions when someone with outstanding ability emerges, Group and regional spokesmen are given very limited flexibility in their briefs, as a result of which they have to go back frequently to their membership for fresh mandates. This often involves two sets of delicately balanced and time consuming consultations — at the regional and Group levels. The Group's practice of rotating its chairmen, and sometimes its spokesmen

and negotiators, among regional groups at regular intervals, together with routine changes in national delegations, adds to the difficulties. It not only prevents continuity in the presentation of the Group's case but also weakens the thrust, since new spokesmen need time to acquaint themselves fully with the issues. The Group also suffers from the lack of an adequate number of skilled and experienced negotiators. The effects of this deficiency are worsened by the large number of negotiating forums, by overlaps in the coverage of issues and by the frequency of meetings.

4.27 Moreover, as the concerns and activities of the Group intensified during the 1970s and it began to function from various centres, it encountered problems from an inadequate coordination of approach between its different branches. This has resulted, on occasion, in lack of coherence and consistency in different forums. The formation of positions has also suffered from insufficient coordination and communication between capitals and diplomatic representatives. The problem has been exacerbated by the lack of adequate technical back-up for diplomatic representatives, most of whom are from foreign ministries and whose approach therefore tends to be political in orientation and general in nature.

4.28 Significant imbalance in the capacities of North and South to support their respective negotiating positions severely restricts the latter's ability to engage the former effectively in a meaningful dialogue. The North, though not highly unified, is usually better placed to develop and optimise its bargaining positions. The South is not adequately supported in terms of analytical and technical work or the statistical and economic intelligence needed to accommodate its diverse interests and to develop and support negotiating proposals designed to promote its policy objectives. It is affected by problems of access to specialised information and by poor organisation and use of information. This is of particular significance in sectoral negotiations where specialised technical knowledge has an important bearing on the outcome. The South is also ill-equipped to adjust its negotiating positions, strategies and tactics in response to unfolding economic circumstances and to Northern responses and counter-proposals. In the conduct of negotiations, Southern spokesmen often operate under a handicap and are put on the defensive or easily deflected from their negotiating positions, as they find themselves unable to respond convincingly to queries relating to the analytical foundations, cost-benefit implications or the time-frame of their policy proposals.

4.29 We believe these negotiating difficulties of the Group of 77 can be overcome or at least minimised by the establishment of a permanent arrangement to provide it with the necessary technical support. We are

aware that some prominent members of the Group of 77 have been sceptical about such an arrangement, particularly about the desirability of setting up a 'Third World Secretariat'. Nevertheless, we would emphasise that the availability of technical support on a continuous and sustained basis would substantially enhance the Group's bargaining capacity. In this connection we would draw attention to the strong political and intellectual arguments adduced for advocating the establishment of a permanent technical support system for the South.<sup>1</sup>

4.30 Progress in the North-South dialogue is also affected by practices of Groups B and D. Group B's less formalised consultative practices lead to negotiating stances which are often broad and rather vague, and are not always consistent. Lack of a coordinated Group B position, which is sometimes deliberate, makes it an elusive target and enables it more easily to avoid precise commitments. It does not, however, mean that the Group's position is any more flexible. The position of Group B, and particularly that of the EEC within it, is frequently determined prior to multilateral negotiations at Ministerial Meetings, and obtaining changes in these positions during the negotiations is difficult. A further problem in maintaining a consistent Group B position arises from the electoral factor. Negotiations have been held up at critical periods because of an impending election in a major Northern country.

4.31 For Group D, non-participation in some negotiations, as at CIEC and the Cancun Summit, and passive participation at others militate against progress. It is relevant here to note that Group D countries together account for a substantial part of the world economy in terms of both population and size of output, and in recent years they have built up significant trade and investment relationships with other developed countries and the South, including aid arrangements with the latter. During negotiations, Group D, while usually supportive of the developing countries, has tended, rather deliberately, to avoid commitments to assist these countries. It did this by disclaiming any responsibility for the existing international economic system and its unequal relationships. Recently, there have even been indications of the Group's position moving closer to that of Group B on some issues, notably those relating to funding.

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1. See, for example, President Nyerere, "South-South Option", Third World Lecture, 1982, New Delhi; Shridath S. Ramphal, "Not by Unity Alone: The Case for Third World Organisation", Third World Quarterly, July 1979. For a detailed consideration of the modality of a technical support system, see a report by L. Searwar and V. Lewis, prepared for an Ad Hoc Committee established by the Fourth Ministerial Meeting of the Group of 77, Arusha, 1979.

## **Agenda and Structure of Negotiations**

4.32 Another obstacle to the negotiating process has been the length of agendas. This has resulted not only from the operations of the group system but also from the addition of new items before others are phased out. For face-saving and bureaucratic reasons, it tends to be difficult to abandon issues that have not been resolved or have declined in significance. The length of an agenda has implications for the structure of negotiations, especially in the general forums. Where agendas are long the negotiations become unfocused and unwieldy, and streamlining is attempted by the process of setting up negotiating groups for particular sectors or related issues. But lack of discrimination between issues according to priority or ripeness for serious negotiation results in many negotiating groups and sometimes too wide-ranging a discussion within them.

4.33 The tendency to make participation in negotiating groups universal makes the process more cumbersome. The groups are usually left open-ended and, thus, they themselves in turn become large and unwieldy. This has even happened when there has been the intention to have small informal contact groups to overcome deadlock and protraction. Another structural problem has been the difficulty in coordinating the activities of the many negotiating groups. There has been a tendency for representatives of country groups to hold back on compromises in order to secure trade-offs with other country groups on other issues in other forums. One notable example was the linkage of the negotiations on the codes of conduct of transnational corporations and on the transfer of technology. The complexity of these procedures tends to slow down the pace of negotiations and, usually, significant decisions for implementation emerge for one or two issues only at the end of large negotiating conferences.

4.34 There have, however, been a few notable instances where the problems of size have been controlled and where small and representative negotiating groups have been used to great advantage. In this connection, we believe that the Law of the Sea Conference (UNCLOS) and the Committee of Twenty offer important lessons although neither experience will be relevant in all respects to other negotiations or circumstances.

4.35 Negotiations between the 153 countries participating at UNCLOS were conducted in progressively smaller groups, and informal procedures and structures were devised to promote the dialogue. Initially negotiations had been conducted in a group of 54 countries which was, in principle, open-ended. After an unrewarding attempt to negotiate the three core issues on the agenda in separate working

groups, they were brought back, because of their interrelationship, to a single forum of 21 countries. This group became the principal negotiating forum for the Conference, but at appropriate times its President promoted informal negotiations among a much smaller group of delegates. On the difficult issue of the financial terms of undersea mining contracts, two rounds of negotiations were conducted. The first was between three representatives of the Group of 77 and the representative of the United States on behalf of the developed market economy countries; and the second consisted of discussions between the President of the Conference and the Soviet Union. On the equally difficult issue of the decision-making procedures of the proposed Council of the International Sea-Bed Authority, a three-tier negotiating structure was used. Initially, six representatives of the Group of 77 negotiated with the representative of the United States; this was followed by inviting the EEC and Japan to join the negotiations; and at the third stage the Soviet Union was brought into the negotiations. Although non-participation or late participation in the negotiations may have offended the political sensitivities of some countries, these informal and flexible procedures and the limited size of the negotiating forums facilitated progress in the negotiations. In addition, during its last session, the President held daily consultations with fifteen representatives selected by him from the Group of 77 to promote consensus on issues under negotiation. An important feature of the UNCLOS negotiations was that developing country representatives in the Group of 21 reported daily to the Group of 77 and the latter did not reverse any of the compromises or commitments it had made.

4.36 The experience of the Deputies of the Committee of Twenty on Reform of the International Monetary System and Related Issues (1972-76) is also worth noting. The Committee was not open-ended but in size it followed the pattern of the Board of Executive Directors of the IMF. It comprised twenty constituencies (groups of countries), each represented by two Deputies, who had authority to negotiate. The meetings were limited to three days to facilitate high-level participation from capitals; preparatory meetings of the Group of Ten and the Group of Twenty-four, held to clarify negotiating positions, also had a time limit — of two days. The Committee elected a full-time Chairman and a supporting Bureau, consisting of four persons (two each from the North and the South), who served as international civil servants without country affiliation for the duration of the negotiations. The preparatory work for each meeting, including the preparation of an annotated agenda, was undertaken by the Bureau on the basis of a range of questions to which the Deputies had addressed themselves earlier; at subsequent meetings the Deputies built upon the answers provided by the Bureau.

## **Level of Representation and Leadership**

4.37 The complexity of the negotiating process places a premium on the quality of representation, leadership and chairmanship in negotiating conferences and groups. The quality and level of representation has been affected by the large number of negotiating conferences and forums and sometimes by the lack of priority given to North-South issues. The problem of leadership is often not so much that of a lack of able leaders as that of the procedures adopted. In the Group of 77, rotation to provide balanced geographical representation has sometimes led to ineffective leadership; in Group B, the problem has usually arisen from the low level of representation, reflecting the importance given to North-South issues.

4.38 Some of the difficulties of the Group of 77 in this regard have already been mentioned. Certain of these problems also apply to the developed countries, though usually to a relatively minor extent. More important for these countries have been the coordination problems which arise because of the absence of one Ministry coordinating and taking the main responsibility for North-South issues.

## **Conclusion**

4.39 We are convinced that the impediments to progress in the North-South negotiating process are complex in nature and more fundamental than can be remedied by changes in the negotiating infrastructure alone. Progress in these negotiations will largely depend on the willingness of the parties concerned to resolve policy issues in a cooperative manner; but the process of negotiation can facilitate such progress. However, improvements in the process of the negotiations cannot, in our view, be undertaken by a narrow view of procedural and institutional changes; we believe that wide-ranging and fundamental changes, of the type we have set out in Part I of this Report, are necessary.

# Appendix 1

## Members of the Group of Experts

Ambassador B. Akporode Clark (Chairman)	Director-General, Directorate of International Economic Co-operation and International Organisations, Ministry of External Affairs, Lagos; formerly Nigerian Ambassador, Permanent Representative to the United Nations.
Hon. Bernard Chidzero, MP	Minister of Finance, Economic Planning and Development, Zimbabwe; formerly Deputy Secretary-General, UNCTAD.
Mr. William D. Clark	President, International Institute for Environment and Development, London; formerly Director, Overseas Development Institute, and Vice-President, External Relations, World Bank, 1968-80.
Professor Owen Harries	Australian Ambassador to UNESCO, Paris; formerly Chairman of the Committee on Australia's Relations with the Third World.
H.E. Dr. Lal Jayawardena	Ambassador of Sri Lanka to Belgium, the Netherlands and Luxembourg and to the European Communities; formerly Secretary to the Treasury and to the Ministry of Finance, Sri Lanka.
Professor Tommy T.B. Koh	Singapore's Ambassador to the UN and Canada; President of the UN Conference on the Law of the Sea; formerly Dean, Faculty of Law, University of Singapore.

- Sir Egerton Richardson, OJ, Kt, CMG. Jamaica's Ambassador to the UN; formerly Ambassador to the USA and Mexico, and Leader, Jamaican Delegation to the Paris Conference on International Economic Cooperation.
- Mr. Lloyd Searwar Foreign Affairs Officer, Caribbean Community Secretariat, Georgetown, Guyana; formerly Principal Foreign Service Officer, Ministry of Foreign Affairs, Guyana, and Secretary-General to the Non-Aligned Foreign Ministers' Conference, 1972.
- Dr. Arjun K. Sengupta Additional Secretary to the Prime Minister of India; formerly Minister (Economic), Indian High Commission in the UK.

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- Mr. N.A. Rweyemamu Chief Economics Officer
- Mr. K.B.K. Rao Senior Economics Officer

# The North-South Dialogue Making it Work

At a time when the path of negotiation is itself under challenge, it is worth remembering that it is the resolution of differences through negotiations rather than the use of force which characterises the advance towards higher levels of civilisation. As such, meaningful negotiations cannot be avoided. It is our hope that wherever leaders meet now and in the future to discuss those issues vital to the organisation of the human community they might find in our Report some pointers as to methods which might facilitate the reconciliation and the advancement of national and global interests.

*From the Report*

The North-South dialogue remains stalled and the world drifts into a deepening economic crisis. People everywhere expect their countries to do better nationally and internationally. Global cooperation for world economic recovery and development has become critical — perhaps to the survival of millions. This Report does not avoid the difficulties inherent in the issues themselves, but its recommendations offer hope that our chances of overcoming them may be increased if we improve our ways and means of trying to reach the higher common ground.

*From the Foreword by Commonwealth  
Secretary-General Shridath Ramphal*

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