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SPEECH BY

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CENTRAL AND EASTERN EUROPE: REFORM, DEMOCRACY AND ECONOMIC REFORM.

Now, having laid behind us the four decades of a politically and culturally divided Europe - having left behind the suppression of democracy and human rights in the East, we still face a Europe divided through great disparities in the quality of life and in social opportunities - we face a Europe in the East also demonstrating the great dangers of ecological collapse from the system of the past.

Social democracy must be a key force in achieving a new era of cooperation built on values that have stood the test of time and experience; Democracy, human rights, the rule of law - and the spirit of solidarity and responsibility. We have a vision of a better organized world, and today we see greatly increased opportunities to reach that common goal.

The vision is global. Injustices that prevail around the world are a constant threat to the security of nations and people. Increasing economic and ecological interdependence has not been met by corresponding strengthening of global cooperation and governance. We need to fight poverty and ecological degradation on a global scale. Frankly, what it implies is the building of a strong international public sector - of pooled sovereignties and responsibilities for peace, human rights and sustainable development.

Europe carries a great responsibility for its own region - and for global cooperation.

Willy Brandt was awarded the Nobel Peace Prize for his essential contribution to the policy of building a new peace and overcoming the division of Europe and the cold war. Mikhail Gorbachev last year was awarded the Prize having made a vital contribution to fulfilling that process, through peaceful change in the Soviet Union and in Central and Eastern Europe.

Now we need concrete steps to use the opportunities which have been created. Karel van Miert talked about some of these opportunities.

Poland may be a test case for the future. I would like to inform you of a new initiative for new policies based on

common goals and responsibilities that is being launched today in Warsaw by the Polish Government in cooperation with the Norwegian Government.

The concept is being presented for conversion of Polish debt into accelerated investments in environmental measures in Poland.

Polands communist government borrowed heavily at the expense of future generations both financially and environmentally.

50 per cent of Polands debt has already been forgiven. Now the issue is 10 per cent in addition and linked to environmental investments. This is a measure that can help Poland economy and it can help the European environment.

The concept should inspire new thinking on how to finance incremental environmental costs also in the Third World which needs additional money to finance sustainable development and which is suffering from crushing burdens of debt.

We must find new solutions that can open the road for rich countries to invest in a clean environment where problems are worst and where most benefits will arise from each invested dollar, mark or crown.

We are actively participating in the process of change in Central and Eastern Europe - We feel a common responsibility to help it to be fulfilled.

The great question mark is the Soviet Union.

In his Nobel lecture last week in Oslo, Gorbachev made an appeal for western aid and solidarity. He restated his own belief in fundamental change and his intention of economic reform based on what he called a mixed market economy with a new system for property and to open the country to the world economy, a convertible rubel and the rules of the world market to be ready for membership in the World Bank and the IMF.

I believe it would be very unwise not to open for the dialogue that the Soviet leader calls for

Critics have said: "No aid without prior reform" That would for many seem to be like throwing good money after bad money. I maintain that it cannot be in our interest that the Soviet economy remains flawed and that the soviet system remains inefficient. It is certainly not in the interest of Norway which, like Turkey, is a neighboring country of the Soviet Union.

Sam Nunn, an experienced analyst regarding East-West issues has argued in favour of being forthcoming towards the Soviet plea, has said that it cannot be in anybodies interest that a country that has 10 to 20 thousand nuclear weapons go into chaos.



Consequently, there is a need for a dual track approach. Reform in parallel with aid. The question should be how much conditionality is advisable and realistic.

#### Future potential of the EEA.

When the idea of deepened and widened integration between the EC and EFTA was conceived three years ago the dramatic developments in Central and Eastern Europe has not taken place. Now, with the dynamic process of change on our continent we see that new possibilities have been created for a broader all-European integration process.

I would also like to comment upon the ongoing negotiations with the new democracies in Central and Eastern Europe. Both the EC and EFTA are currently negotiating a new generation of agreements with our neighbouring countries. With the new agreements we are taking the first steps towards a large European free-trade area - bringing together all European countries within a common legal framework.

A system of bilateral free-trade agreements is under construction. We have negotiated our agreements in parallel with the association agreements completed by the EC. This has helped in creating a more uniform end result for the whole region.

We should now prepare ourselves to look further. An enlarged and reinforced market system based on a common legal framework will be vital for the process of political and economic reform in Central and Eastern Europe. It is also of importance for our own countries. We all wish to see these countries safely integrated into the new European economy. A common legal framework will ease our own access to new markets. And not least, common rules for the economic operators will also encourage common social and environmental standards and requirements.

In the future we should consider how the EEA concept could be enlarged to the new democracies. This concept is flexible and pragmatic, and could be adapted to forward all-European integration. In today's agreements we accept on the EC and EFTA side the principle of asymmetry. This is necessary for a transition period. A next step could be to move from the free-trade agreements into the EEA. As we have negotiated ourselves, transition periods and safety clauses will be necessary. But the considerable advantage will be the principle of a common legal framework.

The possibility of an enlarged EEA concept will also encourage reforms in Central and Eastern Europe and encourage investments from the EC and EFTA countries. Both will be a contribution to a more secure economic integration process. There should be flexible ways of integrating new countries - both into the material parts of the EEA-agreement, as well as



into the institutional set up.

The role and responsibility of the CSCE must be expanded. All people of Europe are looking to the CSCE with hopes and expectation, not least the Baltic people who, while they are pursuing their rightful aspiration for independence, should be allowed to participate in the process, at least as observers.

We attach particular importance to strengthening the role of the CSCE in the prevention and resolution of conflicts. The Conflict Prevention Center was established at the Paris summit. At present, its mandate is limited to monitoring the implementation of confidence building and security-building measures in the military field. But this is not where the main dangers of conflict lie today. The Center should therefore be assigned new tasks as soon as possible. Its mandate should be extended to include political conflicts. We will be advocating this at the CSCE meeting in Berlin shortly. It is urgent that we strengthen the role of the CSCE as a forum for political consultations

#### Energy and environment. Energy Charter.

After World War II, peace was reinforced in Western Europe by integrating the coal and steel industry of former adversaries. An institutional framework for this strategic market encouraged growth, further cooperation and political stability.

The success of this undertaking has inspired a new venture in a broader European context today. The proposal of an European Energy Charter may mark a milestone for the future of both energy and environment cooperation in Europe.

Norway has strongly supported the idea and has taken an initiative for strengthening the environmental dimension of the charter and has pursued this idea in contacts with a number of countries as well as with the European commission.

The energy charter is intended to set out how market economy principles can be applied to energy transactions and link the Soviet Union and the new European democracies closer to the all-European energy market. Rational use of energy would benefit the environment in all of Europe. Norway has taken the initiative to establish bilateral fora on energy and the environment in relation to Poland, Czechoslovakia and the Soviet Union as a contribution to the networking and contactbuilding across the former East West divide.

We believe that our experience as an energy producing country has positive experience in safeguarding natural resources and national interests while still being open to investments and technological cooperation in a market-based economy can prove useful for other countries that will meet similar challenges as they open up for international



Energy, environment and development are inextricably linked. Europe will need both energy efficiency and energy security in support of sustainability. Energy cooperation in Europe can spearhead economic revitalization in a sustainable way. We now have a unique opportunity to stimulate economic growth throughout all of Europe while at the same time protecting and restoring the environment. We can provide the evidence that sustainable development is possible.

The process of change is in itself a dynamic restructuring process. We will see the need to replace capital stock at a high rate to promote energy efficient technology. We will see investments in infrastructure required to meet an entirely new model of future activity and for employment created by the need for change.

Secure energy supplies, energy efficiency and environmental quality are important for all countries in Europe. A European Energy Charter will stimulate a broader European cooperation. It will promote interdependence and stability and thereby help solidify what has been achieved politically over the past few years while laying the groundwork for a widening and deepening of European integration.

The CSCE became a success, but there is no time to rest on our laurels. Never before has the need for global political change been greater. The crucial contemporary challenges bypasses what we can resolve as individual nations.

We must shape a system of international decision-making so that it can match the challenges of the future. As nation States we must have the maturity to unite our sovereignties.

Europe has a responsibility for taking the lead. Europe must get its own act together and accelerate the transition towards more democracy, true internationalism and sustainable development in all of Europe. If we cannot do this, how are we then going to play the role that Europe must have in redirecting global trends. There is no coming around the fact that Europe does not today play the role which it should in global affairs. I believe that the new Europe which is emerging Europe must and can take the leading role and that the world needs a stronger Europe.