

# EUROPEAN COMMUNITY

BACKGROUND NOTE

No. 26/1975

September 12, 1975

## EUROPEAN COMMUNITY PRESENTS PROGRAM FOR "THIRD WORLD"

The European Community is taking an active part in the United Nations (UN) Seventh Special Session of the General Assembly held in New York September 1-12. In an address delivered to the Assembly on September 1, Mariano Rumor, President in office of the EC Council of Ministers, stressed the Community's aim to achieve "real progress towards a more balanced and equitable pattern of international economic relations," which would involve giving the developing countries more say in the global matters that affect them.

Rumor outlined the Community's proposals for action to be discussed and taken by the entire international community as soon as possible. These proposals, the Community feels, address themselves to the major concerns of the developing countries while affording genuine opportunities for progress in the near future.

### Proposed Action on Raw Materials

The Community's proposals on raw materials form part of an overall approach, supplementing existing action which includes

- repeated and substantial reductions in the tariffs on raw materials exported by developing countries
- encouragement of the processing of raw materials domestically by the reduction or abolition of customs duties on many semifinished and manufactured products (Community's generalized preference system)
- support of the efforts to stabilize the prices of products covered by world agreements (cocoa, coffee, tin)
- measures to stabilize the export earnings from certain raw materials provided for in the Lome Convention, linking the Community to 46 African, Caribbean, and Pacific countries.

The Community participates in agreements to limit price fluctuations of raw materials and, as part of the multilateral negotiations within the General Agreement on Tariffs and Trade (GATT), proposing the conclusion of international commodity agreements on a number of other products. Since each product presents a different case in regard to supply and demand, the Community plans to examine which products create difficulties for the developing countries and to find appropriate solutions. The implementation of such measures should promote stability of supplies, the Community feels.

To combat the problems created by the instability of the earnings of developing countries exporting raw materials, the Community feels that the compensatory financing mechanisms of the International Monetary Fund should be improved. Furthermore, specific measures should be planned to help the poorest developing countries if they suffer a fall in export earnings from their products.

Special importance must also be attached to efforts to improve market access and to encourage local processing of raw materials from developing countries. At the international level, the Community advocates cooperation on the production and supply of raw materials and improvement in information exchanges regarding supply and demand.

#### Trade Cooperation

The Community wants to improve access to foreign markets for primary and processed products of interest to the developing countries. Under the objectives agreed upon at the GATT negotiations, the Community is

- giving priority treatment to exports of tropical products from developing countries
- searching for appropriate tariff solutions within the GATT tailored to the specific needs of the developing countries
- seeking special arrangements for implementing any solutions adopted in respect to nontariff barriers.

Parallel with GATT action, the Community plans to improve its system of generalized preferences, as it has done every year since 1971.

It also feels the system should be extended past its 1980 expiration date.

Fair solutions are still being sought for the problems of export restrictions.

Transfer of Resources, Reform of the International Monetary System

A "new world economic order" presupposes a new financial one, giving the developing countries a greater say in world financial affairs and a more equitable share of the world's monetary resources.

The Community has pledged to try to achieve the target of 0.7 per cent of the gross national products of its member states for official development assistance, mentioned in the UN's International Strategy for the Second Development Decade and to increase their assistance, taking into account their respective abilities to contribute.

Noting that excess financial resources of certain oil producers was being used to help the development of the "Third World," the Community feels that structures capable of promoting three-way cooperation on a more systematic basis would be desirable.

The Community favors setting up a financing mechanism somewhere between loans from the International Bank for Reconstruction and Development (World Bank) and credits granted by the International Development Agency, the Bank's soft loan subsidiary. The Community also plans to contribute to the special account of the International Monetary Fund, set up this year to help reduce the interest on loans made under the IMF's oil facility to countries hardest hit by oil price increases.

As regards the reform of the international monetary system, the Community feels the current discussions should be speeded up and should take full account of the developing countries' interests.

### Industrial Cooperation and Technology Transfer

The developing countries' industrial development could be improved by promoting a more efficient international division of labor, the Community feels. This could be done by creating an expanding production capacity and by giving greater attention to employment problems in general.

The Community is prepared to strengthen cooperation with the developing countries' governments in finance, technology, and trade, while keeping a balance of interests between the developing countries and the businesses operating there. To this end, the Community advocates measures to facilitate contacts between firms and those concerned with industrial development, improving systems for exchanging information on industrial trends, continuing discussions on an international code of conduct on technology transfer, giving special emphasis to the developing countries' needs, and measures to open up the industrial property market.

### Agriculture

Community food and agricultural aid emphasizes long-term agricultural development, in conjunction with short-term donations of food, or food grants. Food aid is seen as a transitional measure, paving the way for self-sufficiency.

At the World Food Conference in Rome last year, the Community affirmed those recommendations having a direct impact on increasing food production and on improving nutrition in developing countries. On an international scale, the Community has advocated that developed and developing countries able to do so should increase their aid for agriculture and food production to the "most seriously affected" developing countries; give increasing access to their markets for agricultural and food products, both in raw and processed form, from developing countries, and give high priority to increasing investment in the agriculture and fisheries sectors of developing countries' economies.

The Community also believes that donor countries should increase grants of food aid and that there should be universal acceptance of the principle of a minimum aid target of 10 million tons of food grains in cash or kind set for 1975-76. Food aid should be planned for more than one season, the Community further feels.

#### Community Faces No Short-Term Raw Materials Shortage

Unlike the United States, which still has abundant raw materials resources, Europe depends heavily on external suppliers for many raw materials -- bauxite, manganese, tungsten, phosphates, pulp and paper, leather and skins, and certain animal and vegetable proteins. This dependence -- exceeded only by Japan -- ranges from 70-to-100 per cent in certain cases.

Although the Community faces no serious short-term supply problems, the risks involved in its heavy dependence on certain commodity imports have increased, posing potential problems in the long run. Encouraged by the success of the oil producers, who banded together in the Organization of Petroleum Exporting Countries (OPEC), other raw materials producers are grouping to present a solid front vis-a-vis industrialized countries, from which they must buy increasingly costly finished goods. Furthermore, raw materials producers are more frequently nationalizing foreign companies, especially mining companies, and are starting to process their commodities domestically instead of sending them abroad.

Raw Materials Producers Come Into Their Own

Raw materials have received special attention in international discussions for over a year now. The discussions held in various international forums -- the current UN session, the negotiations within the General Agreement on Tariffs and Trade (GATT), the Paris preparatory conference on oil, the Commonwealth Prime Ministers Conference at Kingston, just to name a few -- have clearly pointed up the developing countries' claims and their united front, despite their sometimes divergent interests, toward the developed countries.

Producers of raw materials are asking for

- free access to industrialized countries' markets
- increasing opportunities for processing raw materials domestically
- exercise of full sovereignty over mineral resources
- stabilization of earnings from raw materials exports
- indexing raw materials prices to those of manufactured products.

The increasing interdependence of all nations demands common efforts to solve the economic problems which have spared no country. The Community, acting alone as well as in concert with the United States and its other trading partners, has taken concrete steps to do so.