

# THE EUROPEAN MONETARY SYSTEM AND THE EXTERNAL FINANCING OF LESS DEVELOPED COUNTRIES

Carlo Secchi(\*)

## 1. Introduction

The aim of this paper is to examine the worrying situation of the majority of the non-oil exporting less developed countries (LDCs) regarding the trend of their external accounts, their external financing requirements and the present and foreseeable extent of their foreign debt. There follows a proposal — which will undoubtedly need elaborating at the technical level — in which the European Economic Community plays a predominant role in solving these problems at least partially within the framework of the various projects at present under discussion for improving and strengthening the operation of the European Monetary System<sup>1</sup>.

It is well known that for several years a lively debate has been under way on how to improve the functioning of the world economy and in particular better protect the interests of the LDCs, most of which are still heavily dependent on the industrialized countries. An important aspect of these proposals and discussions, often described as attempts to foster a "new international economic order", concerns international monetary and financial problems, not only with regard to promoting, through financial channels as well, a massive transfer of real resources to the LDCs, but also to the functioning of the international monetary and financial system itself<sup>2</sup>.

In the present paper it is not possible to consider even briefly this complex series of problems, notwithstanding the implicit links with the present analysis. The proposal outlined here aims to improve the external financing of the LDCs and to increase transfers of resources to them from the industrialized countries by activating mechanisms that work to the latter's own advantage, and particularly that of the EEC, by meeting on the one hand the requirements of the OPEC countries and on the other the need to strengthen the EMS and hence cohesion within the Community. It is evident, therefore, that a common

(\*) The author wishes to thank friends and colleagues S. Alessandrini, S. Sideri and D. Velo for their suggestions, while taking full responsibility for the contents of the present paper.