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New York

SUMMARY RECORD OF THE 65th MEETING

Chairman: Mr. PIRSON (Belgium)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 10.35 a.m.

AGENDA ITEM 106: UNITED NATIONS PENSIONS SYSTEM (continued) (A/34/9 and Add.1, A/34/30, chap. III, A/34/721; A/C.5/34/30, A/C.5/34/L.28)

(a) REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (continued)

(b) REPORT OF THE SECRETARY-GENERAL (continued)

1. Mr. STUART (United Kingdom) said that there could be no doubt that the most important issue dealt with in 1979 by the United Nations Joint Staff Pension Board had been the problem of adjustment of pensions for the effects of inflation and exchange rate fluctuations. Although the International Civil Service Commission, the Pension Board and ACABQ had each reached a different conclusion, each in its respective report had made a valuable contribution to understanding. His delegation believed in the importance of the central role of ICSC in rationalizing the salaries and personnel policies of the common system. It was therefore with reluctance that it drew attention to a fundamental misapprehension on which ICSC had based its study of pensionable remuneration in the past year.

2. General Assembly resolution 31/196 (sect. I, para. 3) was clear and unambiguous, the most important words being "limited recognition falling short of equality of purchasing power". That instruction had been in no way overridden, altered or modified by resolutions 33/119 and 33/120. Yet, the underlying principle of the Commission's report (A/34/30), where it dealt with the pensions problem, was that the pensionable remuneration of Professional and higher staff should be redefined so as to provide for equality of purchasing power throughout the world, as between cases where final average remuneration and contributory service were the same. ICSC might argue that resolution 31/196 was addressed not to it but to the Pension Board and that it was the Commission's duty to convince the General Assembly that its past thinking had been misguided. His delegation accepted that there could be no absolute rule governing the behaviour of any person or group of persons whose duty it was to advise. If ICSC was deeply convinced of the justice of its cause, then no doubt it had no alternative but to ask the General Assembly to think again. But if that was so, it was also the clear duty of ICSC to refer to section I, paragraph 3, of resolution 31/196, and to explain why it felt obliged to recommend a scheme which did not comply with that resolution. The General Assembly's guiding principle had been totally ignored.

3. His delegation had consistently argued that the problem of world-wide adjustment of pensions could never be solved by the outright victory of one side or the other in the dispute, but only by a compromise in which doctrinaire approaches to the problem were renounced and a pragmatic approach was accepted. ICSC's guiding principle of equalization of purchasing power would involve a radical redistribution of benefits and it would be unrealistic to suppose that it could ever command consensus. Moreover, it created as many anomalies as it removed. His delegation therefore trusted that ICSC would abandon its search for a solution along those lines and co-operate in 1980 with the Board in trying to work out

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a pragmatic, compromise scheme in conformity with resolution 31/196, section I, paragraph 3.

4. With regard to the immediate problem of the interim measures for dealing with loss of purchasing power in high-cost countries, there should be no serious disposition to quarrel with the basic principle laid down in resolution 31/196. Resolution 3354 (XXIX) conceded the principle of selective compensation and resolution 33/120 carried the application of the principle a stage further. The question which ultimately had to be decided by the General Assembly was just how far the principle of selective compensation ought to be carried, short of complete equality of purchasing power. The General Assembly had to decide whether the problem was serious enough to demand an interim measure going beyond the scheme approved by resolution 33/120 and, if so, what form the measure should take.

5. His delegation assumed that the implicit acceptance by the Board and ACABQ of the need for a further substantial measure of interim relief rested on the analysis in the ICSC report. Having studied that analysis, his delegation was in full agreement with ICSC, the Board and ACABQ that a substantial measure of relief must be provided; the question was which of the interim proposals should be adopted. His delegation agreed with the Board that whatever interim measure was adopted for 1980, it should in no way be construed as acceptance of any of the alternatives, in whole or in part, which had been examined by ICSC in its attempts to find a long-term solution, or of the principles underlying them. It followed that his delegation agreed with the Board in rejecting both a differential contribution system and a freeze of the WAPA system for adjusting pensionable remuneration as elements in an interim set of measures. As ACABQ implied in its report, both the future of the WAPA system and the question of how contributions to the Fund should be calculated should be considered in the context of the long-term solution.

6. His delegation also agreed with ACABQ that an interim solution should not involve conceptual changes in the pension system, and for that reason it preferred the interim proposal of ACABQ to that of the Board. The proposal of ACABQ built on the existing foundation of the scheme approved by the General Assembly in 1978 and provided strictly proportional benefits at all levels. Whatever the arguments might be for or against proportionality, it was a long-established feature of the system, and no interim scheme should introduce a radical new principle. The interim proposal by ACABQ measured need in terms of failure to benefit from WAPA increases since 1 January 1978 and thus seemed more appropriate as an interim scheme than the Board's proposal. His delegation therefore proposed that the draft resolution submitted by ACABQ should be adopted by consensus or, if a vote was necessary, should be given precedence in being put to the vote.

7. His delegation was in full agreement with ACABQ on all other points and wished to stress that the actuarial deficit of the Fund was a matter which the General Assembly should take very seriously. Although there was still a long way to go before it would be necessary to invoke article 27 (a) of the Fund's Regulations, under which Member States would have to make payments to eliminate the deficit,

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his delegation was certain that that position would be reached in the end unless the Board and the General Assembly recognized the need for budgetary discipline. The Fund was still far from maturity and his delegation believed that the time had now come to call a halt to improvements until the financial health of the Fund had been clearly restored. That meant that the proposals of the Board for better terms for early and deferred retirement must be rejected. It also meant that the General Assembly should give the Secretary-General unqualified support in administering the investments of the Fund solely in the interests of the participants and beneficiaries.

8. Mr. MAJOLI (Italy) noted that, according to the actuaries, the actuarial evaluation of the Fund as at 31 December 1978 had produced a smaller deficit figure than that estimated as at 31 December 1976. However, the latest evaluation had been based on different assumptions, including the assumption of salary increases at the static rate of 3.5 per cent a year, which, given current inflation rates, might be on the low side, and the assumption of a yearly rate of return of 7.5 per cent on investments, which appeared optimistic.

9. His delegation was impressed by the fact that as at 31 March 1979, the assets of the Fund had reached a total of $1,767 million. That reflected a healthy growth of the Fund and gave credence to the forecast of the Consulting Actuary that by the end of the century the assets of the Fund might reach a level of between $13 billion and $21 billion.

10. His delegation noted with satisfaction the contents of paragraph 72 of document A/34/9 and the fact that the percentage of investments in common stocks and convertible bonds had decreased by one point and there had been a two per cent increase in the proportion of short-term investments. The investment portfolio also showed greater diversification, with investments in currencies other than the dollar having increased from 32 to 36 per cent. That was a trend which his delegation had always attempted to encourage and he wondered why there was no investment in Italian lire. His delegation was also happy to see that the Fund now had investments in 12 developing countries, an increase of 4 over the figure as of 31 March 1977. He trusted that further progress in the implementation of General Assembly resolutions on investments would result in an even greater diversification of the Fund.

11. The Board's report stated that in assessing the return on investments, not only the dividend and interest actually paid to the Fund were taken into account, but also the unrealized gains or losses from investments. His delegation would like to receive some further explanations on that point from the Secretariat as to why that innovation had been introduced. For example, if the figures submitted reflected current market values instead of those as at 31 March 1979, they would differ considerably since the Dow Jones Industrial Average was now much lower than it had been in March.

12. His delegation also noted that for the time being at least, it would not be necessary to apply article 27 (a) of the Regulations which would require

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additional payments by the member organizations. It would be interesting to see, in terms of the real yield, what would be the results of the joint meetings envisaged between the Committee of Actuaries and the Investments Committee.

13. His delegation was in favour of the recommendation to extend the maximum period of contributory service from 32 to 35 years and it therefore agreed with paragraph 41 of the ACABQ report (A/34/721). It also agreed with ACABQ that the Board's recommendation to remove the bar against coverage by the Fund for those recruited at age 60 or older should be accepted. However, his delegation did not agree with ACABQ on some other points. For example, it was in favour of the liberalized early retirement provision which would change the reduction factor from 2 per cent to 1 per cent a year in respect of those with 30 years' service who retired between the ages of 55 and 60. It was also in favour of the Board's proposal that those with 25 years' service who retired before age 55 should have their benefits reduced by 2 per cent and not by 6 per cent per annum, which appeared to be an excessive penalization. He therefore urged the Fifth Committee to study the matter carefully, because he believed that those who wished to retire early should be encouraged rather than penalized.

14. His delegation supported the Board's recommendation that the International Centre for the Study of the Preservation and the Restoration of Cultural Property (ICCROM) be admitted to membership in the Fund, and it believed that the proposal by ACABQ to postpone the issue until the thirty-fifth session had no justification since, as was mentioned in paragraph 51 of the ACABQ report, ICCROM had been founded by UNESCO in 1959 as an autonomous intergovernmental organization.

15. The difficult question of pensionable remuneration was so complicated and intractable that it had taken almost one year for ICSC and the Board to reach the conclusion that a long-term solution could not be recommended and that interim measures were called for. His delegation believed that: (a) pensions should to some extent reflect the income received while in active service; (b) in conformity with the practice followed by other international organizations, pension benefits at their maximum should be 60 to 70 per cent of total pensionable remuneration. Pensionable remuneration should be based on the final total average remuneration received in the duty station where the official concerned had served during the last three years prior to retirement. Of course, there were other elements to consider, such as the fact that pensioners might move from low-cost to high-cost countries and that while some countries taxed United Nations pensions, others did not. His delegation believed that the pension system that he had jut outlined would avoid any disproportion between the pension and total take-home pay received before retirement by the person concerned and might also prove no more costly than the present system based on WAPA.

16. All of the interim measures proposed appeared to be of doubtful usefulness as they failed to solve the fundamental problem of pensionable remuneration. Since they would be extended only to the Professional category, they would make the functioning of the Fund more complicated. Moreover, members should bear in mind the fact that if the Fifth Committee accepted the suggestion in paragraph 95 of

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the ICSC report (A/34/30) to change the level of contributions to be paid by the staff member and the employing organization at certain locations and in certain situations, that would impose an extra cost of $6.7 million, $4.5 million of which would be paid by Member States. That would require very careful consideration before action was taken on it.

17. His delegation was prepared to go along with the interim measures suggested by ACABQ if a majority in the Committee believed that they were necessary and would go further in correcting the anomalies brought about in the pension system by currency fluctuations and inflation than those proposed by the Board. However, his delegation's support of the draft resolution proposed by ACABQ in annex II of its report (A/34/721) was conditional on the understanding that it provided for interim measures only and would not create acquired rights beyond 1980. Furthermore, the necessary changes should be made in part I of that resolution to grant the improvements recommended by the Board to those who took early retirement between ages 55 and 60 and deferred retirement before age 55.

18. Mr. EL-HOUDERI (Libyan Arab Jamahiriya) said that his delegation wished to comment only on the report of the Secretary-General on investments of the Fund (A/C.5/34/30). It noted that the market value of the Fund stood at almost $1.7 billion. Those investments represented money belonging to the international staff, who hoped that their contributions would be invested according to proper rules. His delegation welcomed the measures taken by the Secretary-General; the increase in the Fund's resources was due not only to the increase in contributions by the staff and member organizations but also to sound management. His delegation would, however, welcome in future a more detailed analysis of investments, gains and losses in the investment portfolio.

19. Apart from the requirements of safety, profitability, liquidity and convertibility, his delegation attached importance to the idea that investments should be on the basis of equitable geographical distribution. His delegation understood from paragraph 5 of document A/C.5/34/30 that the Pension Fund now had assets in 35 countries, 12 of which were developing countries. Nevertheless, it seemed that $50 million was invested in bonds in developing countries in United States dollars and other currencies. The total investments in development securities, in United States dollars and other currencies, amounted to only $206 million, as indicated in the tables in the annex to document A/C.5/34/30. Paragraph 23 of the report showed that $907 million, or 51 per cent of the whole investment portfolio at market value on 31 March 1979, was invested in transnational corporations.

20. His delegation had the following comments to make about the report. First, although the total development-related investments of the Fund represented an increase of 25 per cent of investment compared with the preceding year, he did not regard that as anything but a modest achievement, and it did not represent fulfilment of the aspirations of the developing countries. Those investments represented only 11 per cent of the Fund's total assets. Secondly, the increase in development investment had resulted from the Fund's monetary inflow, and not from

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the sale of equities of transnational corporations, as requested in General Assembly resolution 33/121 A. The Secretary-General's report did not show that any measures had been taken to implement that resolution. Thirdly, it did not appear from the report that there had been any increased distribution of investments on the basis of geographical distribution or a wider spread of currencies. Fourthly, the report had not dealt with the division of investments according to economic sectors, in accordance with the mandate of the Investments Committee that advised the Secretary-General.

21. His delegation therefore wished to draw the Secretary-General's attention to the fact that the volume of investments in developing countries was still much less than what the developing countries expected. He hoped the Secretary-General would strive to remedy the situation by selling investments in transnational corporations and putting the funds in developing countries, with due regard for the criteria of security, liquidity, profitability and convertibility.

22. Mr. LANDAU (Austria) said that the most important subject covered in the reports of the International Civil Service Commission (A/34/30, chap. III) and of the Joint Staff Pension Board (A/34/9) was the determination of pensionable remuneration and the establishment of proper pension levels, taking into account differences in income levels and cost of living at the different places of retirement. The current unsatisfactory situation had resulted from drastic changes in international currency relations and the rapid rise of the cost of living in most countries, and the International Civil Service Commission hoped eventually to develop a system that would be equitable and logically perfect. He noted, however, that, in their introductory statements, the Chairmen of the Commission and of the Joint Staff Pension Board, and the Under-Secretary-General for Administration and Management, had all referred to the extreme complexity of the problem caused by the fact that the United Nations staff pension system covered not only internationally recruited Professionals but also local staff, working under very different conditions in a large number of countries.

23. The Austrian delegation was intrigued by the concept of income replacement which the ICSC was considering as a basis for establishing an equitable level of pensions in relation to compensation received during active service. A pension system under which each participant would contribute on the basis of his remuneration, including post adjustment at the duty station, and which would guarantee an income in the country of his retirement based on a percentage of the base salary plus post adjustment in the retirement country, looked attractive. It was not surprising, however, that difficulties had emerged while it was being considered. He recalled that his delegation had said at the previous session that it would be a fallacy to believe that a staff member working in Geneva must necessarily be entitled to a pension based on the total remuneration received there if he was not a national or permanent resident of that country. In determining that very important question, ICSC and the Pension Board should make a clear distinction between conditions at the duty station and the requirements of a pensioner in his home country. Clearly, substantial differences in the degree to which pensions in different countries were taxed, including the fact that

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in some countries, including Austria, United Nations pensions were not taxed at all, could not be ignored, nor could the need to develop appropriate measures whereby participants in the General Service category would be satisfactorily covered.

24. The report of ICSC referred to the link between the United Nations pension and the salary levels in the comparator system, that of the United States. That relationship was an important factor in determining levels of pensions, but it was equally necessary to make comparisons between the levels of pensions of the national civil service in the country of retirement and the levels of United Nations pensions. From that point of view, comparisons in absolute amounts, expressed in dollars, Swiss francs, French francs and the like, seemed more significant than comparisons of the percentage that the United Nations pension represented of the total remuneration of active staff members serving in the country of residence of the United Nations pensioner. While his delegation accepted the Noblemaire principle in determining international salary levels, the same strong link need not necessarily be maintained between the retirement benefit of a United Nations pensioner and the salary level based on the Noblemaire principle plus post adjustments for those in active service.

25. In pursuing so persistently the concept of income replacement, ICSC might be engaged in an exercise that would lead to the replacement of the present system with its admitted weaknesses by another with even more serious built-in distortions.

26. Both ICSC and the Pension Board should pursue a more pragmatic approach. The attempt to develop a theoretically perfect system was less fruitful than the introduction of measures which, within the present system, would reduce existing anomalies and at the same time assist those who were economically weakest. There were hundreds of pensioners who had retired many years ago and who, because of their advanced age on entry, had had no chance to accumulate adequate retirement benefits. Their benefits had been increased at frequent intervals, but more needed to be done. A proposal had been made to the Fifth Committee in 1977 by the Pension Board that would have involved the recalculation of benefits of existing pensioners on the basis of the current final average remuneration, which at the present time would be in the three years ending on 31 December 1979. Such a recalculation was unlikely to improve benefits for those who had retired in the last 10 or even 15 years, but it could yield substantially larger pensions for earlier retirees. Since their number was small, the cost would not be very large. His delegation would like the Board to study such a measure, including the cost, and report on it at the thirty-fifth session of the General Assembly. Similarly, the proposal for the payment of a 10 per cent supplement to pensioners over the age of 75, in recognition of their additional needs, should be actively pursued.

27. The determination of strongly felt needs which should, from a social point of view, have first claim on the Pension Fund's limited resources was perhaps the most important contribution that could be made to the improvement of the system. The Austrian delegation hoped that the Fifth Committee would be able to assume the role of the system's social conscience, instead of being confronted with the demands of

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particular pressure groups, not necessarily those in greatest need of assistance. The Committee's representatives on the Pension Board must play a key role in such an approach.

28. The most important measures submitted to the Fifth Committee for action by the Pension Board and the Advisory Committee were the interim measures proposed by the Pension Board to provide relief to persons in the Professional and higher categories who would be retiring in 1980. The largest group were the prospective retirees in Switzerland and other countries with a high cost of living. As proposed by the Pension Board, the measures were said not to contain any features that should be construed in any way as acceptance of any of the long-term alternatives being studied by the ICSC in its attempts to find a more permanent solution. The financial implications covered only one year and affected only participants retiring on or after 1 January 1980. The Austrian delegation had noted with satisfaction the Board's statement that it was conscious of a moral obligation to follow the practice established on previous occasions, and of the need to apply to existing pensioners as far as possible the improvements introduced for future ones. Long-term measures would have to be designed to include such transitional provisions for application to existing pensioners.

29. The alternative interim measures discussed in paragraphs 28 to 39 of the Advisory Committee's report (A/34/721) seemed to his delegation preferable, since they did not establish any links with principles that were still under consideration for a long-term solution of the problem of pensionable remuneration.

30. The Pension Board had further recommended three changes in the benefit system involving a total actuarial cost of about $76 million. That was very moderate compared with the estimated total level of present and future liabilities of the Pension Fund of nearly $9 billion. His delegation favoured all three changes, and was glad to note that the Advisory Committee had been able to support the extension of the maximum period of contributory service from 32 to 35 years. The Austrian delegation also supported the Board's proposal to apply a smaller reduction than at present to the amount of deferred retirement benefits beginning before age 60 in cases where the participant left service before reaching the age 55 but after completing 25 years of service. The existing situation was an anomaly since participants leaving the service at age 55 or later could benefit from the reduced, more favourable, reduction factor. In the Advisory Committee's report (A/34/721), the actuarial cost was estimated to be $6.1 million. The Chairman of the Joint Staff Pension Board had pressed for the elimination of the anomaly, in his introductory statement, and had urged that article 31 (b) of the Regulations of the Fund should be amended as proposed by the Board. The Austrian delegation fully supported the Advisory Committee's recommendation, concurring with that of the Pension Board, that the present system for pensionable remuneration should continue for one more year, pending the adoption of a longer-term solution by the next General Assembly.

31. The Pension Board's report (A/34/9) also contained comments on the investments of the Fund. His delegation had noted with satisfaction paragraph 3 of the Advisory Committee's report, restating its position on that matter, and expressed its full agreement with the views expressed there.

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32. Mr. LAHLOU (Morocco) said that he wished to refer only to investments in developing countries. He thought that in general the Fund was being well managed, but he wished to raise the point of investment in African countries. The discussion in the Fifth Committee at the thirty-third session had made it clear that prejudices on the part of those responsible for managing the Fund against investments in the African countries should be overcome, and efforts should be made to invest in those countries. The Secretary-General's report indicated that he had studied the possibility, but had not found it possible to locate a response adequate to meet all expectations for investment opportunities (A/C.5/34/30, para. 25). Apparently the Fund had invested in only one African country and one African organization. He asked whether that meant that the Secretary-General was just as reluctant now as he had been in 1978 to make investments in Africa. He wanted to know whether there were any special difficulties in investing in African countries or institutions which had led to the failure to implement recommendations made by the Fifth Committee at the thirty-third session. If no such difficulties could be shown, then the only conclusion was that the failure to invest in Africa was based on prejudice.

33. In paragraph 24 of the report the Secretary-General expressed hesitancy about investing in companies that were not transnational corporations. His delegation considered that the Secretary-General was not complying with the wishes of the Fifth Committee concerning investments in transnational corporations. Those corporations belonged to an economic bloc and acted in concert, and yet they had the same drawbacks as national corporations. He did not believe that investments in transnational corporations provided the diversity that the Secretary-General was supposed to be seeking, and such investments had no place in the present financial situation. The Secretary-General should have done more to meet the wishes of the Fifth Committee.

34. Mr. DEBATIN (Under-Secretary-General for Administration, Finance and Management) said, in reply to a point raised by the representative of Italy, that the Fund's performance was measured by the return obtained, in terms of the cash inflow made up by dividends and interest, but unrealized appreciation and losses were also taken into account. That was not an innovation, as the representative of Italy had suggested, but had always been the practice. Unrealized appreciation and losses were included in the calculation because it was understood that at a certain moment stocks could be sold for cash, and thus a realistic figure required measurement of both cash and appreciation.

35. The Chairman has asked about the turnover of the Fund, in terms of buying and selling. In that respect the Fund had a remarkable record: for bonds, the turnover figure was 75 per cent. That showed the efficiency of the Fund's management since, at a time of increasing interest rates, it was advisable to sell bonds paying interest of, for instance, 10 per cent, even if that involved a loss, and use the money to buy bonds for which the interest rate was higher, so that at maturity the net return for the whole transaction would be higher. The Fund therefore had a high rate of swapping transactions, with a view to increased profitability. The same did not apply to shares, which would be sold only if there seemed some risk in leaving the funds with the company concerned. Investments in shares were based on a detailed analysis of each company, and the turnover was only 7 per cent.

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(Mr. Debatin)

36. The Chairman had also asked about the relation between the two investment advisers and the brokers who did the buying and selling. The brokers worked for a fixed fee, which was part of the price paid for the securities, in accordance with the normal practice. There was no legal link between the advisers and the brokers, and any such link was prohibited by law. Thus there was no conflict of interest, and no inducement to buy and sell frequently in order to increase the brokers' earnings.

37. In reply to the representative of Mexico, he said that the investment policy was guided by the Investments Committee, and the geographical enlargement of that Committee had consisted of the appointment of three new members, Sudan, Brazil and Poland. He regretted to inform the Fifth Committee that the expert from Sudan had died, and accordingly a new member from Africa would be appointed in order to preserve a geographical balance.

38. The representative of Italy had asked with what other funds the Pension Fund could be compared. Such comparisons were difficult, but comparisons were made with 20 large corporation and civil-service funds of the same size, and with the pension funds of the International Monetary Fund (IMF) and the Inter-American Development Bank. There did not appear to be any other pension fund that achieved such diversity or had such an open attitude towards investment. The pension funds of IMF and the Inter-American Development Bank had no international investments at all.

39. He wished to emphasize the determined efforts that the Secretary-General had made to increase investment in developing countries. He would remind the Committee that the assets of the Fund amounted to nearly $2 billion, and although investment of 25 per cent of that amount in developing countries might seem a small proportion, it was only new money that could be used for new investments, especially in developing countries. An amount of $100 million in new investment in developing countries might seem a disappointing percentage compared with $2 billion, but in fact the amount invested had gone almost exclusively to developing countries.

40. The representative of Morocco had asked whether the Secretary-General was reluctant to invest in Africa. He was glad to explain the difficulties there. The African markets were not yet able to offer bonds at interest rates as high as those in other markets, and their bond issues were therefore less attractive. The African banks would have to solve that problem. That was why it had not been possible to find as many investment opportunities in Africa as desired. A substantial investment had been made in Algeria, and further investment opportunities were being sought, through the making of fresh contacts.

41. The Secretary-General had been asked to take funds out of transnational corporations and cease investing in them. But what constituted a transnational corporation? For five years the Organization had striven to define the term "transnational corporation", and there was no answer in sight. In a very conservative view, any company that had international business or undertook international engagements could be included in the definition. But why should

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investment in companies with international business be excluded? Such a decision might affect developing countries, as well as developed. The aim in the modern world was to try and break down trade barriers, and to prevent investment in companies concerned in international trade was no way to do so. Why should there not be investment in a Brazilian electronic company because it sold abroad? It would be unreasonable not to buy bonds from an African company or institution because it had overseas dealings, or not to invest in an Indonesian company because it sold goods abroad. If such a criterion were applied, then it would be possible to invest only in retail operations, the media, public utilities and transportation, all risky and loss-bearing enterprises, while staying out of international trade in consumer goods, finance, machinery, technology, and oil and energy exploration and production. No reasonable fund could neglect basic investment needs. The Secretary-General was determined to enlarge investment in developing countries, but the Fund could not timidly refrain from investing where all the rest of the world invested, in companies engaged in international trade. The Fifth Committee had drawn attention to a key point, but he appealed to it to have confidence in the sound management of the Fund, and to give the Secretary-General clear advice about the course he should follow.

42. Mr. MORET (Cuba) said that some of the information on the investments of the Joint Staff Pension Fund given in the report of the Joint Staff Pension Board (A/34/9) and in the report of the Secretary-General on the investments of the Pension Fund (A/C.5/34/30) caused his delegation considerable concern. It was clear from the information in paragraph 77 of document A/34/9, on investments in developing countries, that the terms of General Assembly resolution 33/121 had not been carried out. His delegation hoped that the Board would take further steps to encourage greater international diversification of investment in accordance with the criteria adopted by the General Assembly. There was a reference in the paragraph to a need for more staff and for travel to Africa to seek out appropriate investment vehicles. However, paragraphs 53 and 60 of A/34/9 referred to increases in investment costs, which were chiefly the fees payable to the two financial institutions that had been engaged to provide advisory services in the management of the Fund's investments. The fees to those institutions had gone up and were in addition to brokerage commissions. The Cuban delegation reiterated its concern about them and felt that there was a contradiction between their steady increase and the claim that more administrative resources were needed in order to increase investments in certain areas of the developing world.

43. The report of the Joint Staff Pension Board also showed that the composition of the Fund's investments had changed little over the previous year. Long-term investments in currencies other than the United States dollar had increased by only 4 per cent, while a further $300 million had been invested in countries outside the United States. Thus, investments in United States dollars continued to constitute 64 per cent of all long-term investment. In 1979, their real value had declined through inflationary pressures and changes in the price of gold. That situation was in conflict with the provisions of General Assembly resolution 3528 (XXX), in which the Secretary-General had been asked to take steps to avoid losses from exchange fluctuations. To comply with that requirement, the currencies in which Pension Fund investments were made would need to be diversified still further.

(Mr. Moret, Cuba)

44. The report of the Secretary-General (A/C.5/34/30) said that there had been an increase of 25 per cent in development-related investments. However, since total investments in so-called third world countries were very small in relation to the whole, the increase was obviously also very small. To comply fully with the provisions of General Assembly resolution 33/121 A, the annual increase should be much larger.

45. Similarly, the percentage of investments in transnational corporations, which was 52 per cent of the whole, had gone down only slightly as compared with the previous period. The figures were not encouraging, and his delegation reiterated its concern that the proportionate share of investments in transnational corporations continued to be so high.

46. The General Assembly should take the necessary steps to request the Secretary-General to continue his efforts to ensure that the resources invested by the Joint Staff Pension Fund in transnational corporations were reinvested in developing countries and a resolution should be adopted to that end.

47. His delegation accordingly wished to introduce draft resolution A/C.5/34/L.28. Its sponsors, the delegations of Cuba and Panama, had been joined by the delegations of Algeria, Costa Rica, Madagascar, Mozambique and Nicaragua. The first preambular paragraphs referred to decisions already adopted by the General Assembly. The fourth preambular paragraph reiterated the need of the developing countries for an increased flow of financial resources in real terms, in accordance with the principles established by the new international economic order. The final paragraph of the preamble expressed concern at the slow rate of increase in investments in developing countries and the continuation at an appreciable level of investments by the Fund in transnational corporations. Operative paragraph 1 was a reiteration of the provisions of General Assembly resolution 33/121 A and operative paragraph 2 requested steps to ensure an appropriate geographical distribution of investments in developing countries, though without any increase of administrative costs. The final operative paragraph requested the Secretary-General to report to the General Assembly at its thirty-fifth session on the progress made in increasing investments in developing countries. The resolution contained no new elements, and he believed it would present no problem to delegations.

48. Mr. WILLIAMS (Panama) thanked the Under-Secretary-General for Administration, Finance and Management for his detailed introduction of the Secretary-General's report (A/34/30) at the previous meeting. He welcomed the notable effort by the Investments Committee to diversify the Fund's investments into more dynamic sectors.

49. His delegation was pleased to be a sponsor of draft resolution A/C.5/34/L.28. He noted that its operative paragraphs 1 and 2 were complementary. There would be no impediment to investment in transnational corporations based in developing countries if they fulfilled the Fund's conditions of safety, profitability, liquidity and convertibility. He noted that, while there had been an increase of 25 per cent in the last year in development-related investments, they should be increased still further.

AGENDA ITEM 107: FINANCING OF THE UNITED NATIONS PEACE-KEEPING FORCES IN THE MIDDLE EAST (continued)

(a) UNITED NATIONS EMERGENCY FORCE AND UNITED NATIONS DISENGAGEMENT OBSERVER FORCE: REPORT OF THE SECRETARY-GENERAL (continued) (A/34/582 and Corr.1; A/34/688; A/C.5/34/L.27 and Corr.1)

50. Mr. CHU Kuei-Yu (China) said that his delegation had made its position on the United Nations Emergency Force and United Nations Disengagement Observer Force clear on frequent occasions in the Security Council. In line with that position, it would not participate in the vote on draft resolution A/C.5/34/L.27, nor would it assume any financial obligation that might result from its adoption.

51. Mr. AL-TAKRITI (Iraq) said that the Palestinian people encamped in southern Lebanon on the frontiers of their homeland had suffered deadly attacks and enormous destruction in the very presence of the United Nations peace-keeping forces, which had done nothing to prevent them. He wondered what the forces had accomplished to warrant the new request for contributions towards their financing. Some speakers had referred to a possible early peace in the Middle East, but he noted that such a possibility had been rejected at the Havana Conference of Non-Aligned Countries, by the Islamic Conference in Morocco, and at the Arab Summit meeting at Tunis. It was clear, therefore, that any claim that peace was near was mere political hypocrisy and deception. Justice and law required that the costs of the destruction in southern Lebanon should be borne by the aggressor. Financing by the international community would constitute a tacit recognition of the legitimacy of that aggression. The presence of the United Nations forces in the Middle East protected only the aggressor.

52. His delegation was not opposed to contributing to the financing of United Nations peace-keeping forces in general. In Cyprus, for example, those forces had played an important role. UNEF, however, had failed to attain its objectives of restoring peace or halting the fighting, and he wondered, therefore, why the international community should be asked to vote millions to the upkeep of that Force when the Fifth Committee had already been obliged to make reductions in the appropriations for important humanitarian sections of the budget.

53. In his introduction of draft resolution A/C.5/34/L.27, the Canadian representative had referred to UNEF as an effective means of halting aggression and promoting a peaceful solution. If UNEF had in fact halted the fighting and peace had been secured, why was the Committee again being asked to vote millions of dollars for it? If the fighting had indeed stopped through the presence of that Force, it would be logical to reduce rather than increase expenditure on it. The request made in the draft resolution merely increased his delegation's doubts regarding the Force and the role assigned to it. In his delegation's view, it merely jeopardized a situation that was already explosive, and he therefore refused categorically to support the draft resolution. He further recorded his delegation's serious objections to the contents of the Secretary-General's report (A/34/582) and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/34/688).

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54. Mr. GRODSKY (Union of Soviet Socialist Republics) said that the methods used for drawing up the estimates in the Secretary-General's report on the financing of the United Nations Emergency Force and United Nations Disengagement Observer Force (A/34/582) were not satisfactory, and his delegation was not convinced of the appropriateness of the action requested. He regretted that the Advisory Committee on Administrative and Budgetary Questions had not recommended appropriate reductions in those estimates.

55. His delegation felt that the process of liquidating UNEF and repatriating its contingents was unwarrantedly protracted and represented unreasonable costs for Member States. The figure of $5.3 million for staff costs in annex II of document A/34/582 (part B, 1(b)) was not convincing, being more than had been spent on upkeep in the previous nine months. He did not understand what contingents would remain after the liquidation of UNEF and felt that the approach to the utilization of Member States' resources was irresponsible. He noted that there was an item of more than $600,000 for the rental of aircraft, although the functions of the Force had ceased. UNEF had ceased to exist in July 1979 and there should therefore be no estimates for further expenses. He noted that in the last nine months of its existence, expenditure on procurement and other items had greatly exceeded budgetary allocations, without any justification being given in the Secretary-General's report or in the report of the Advisory Committee. He considered, therefore, that the Advisory Committee had made only a perfunctory examination of the estimates and had not duly carried out its task of seeing that the most efficient use possible was made of the resources of Member States.

56. He noted with concern that income from sales of UNEF equipment had been only $6 million. Over the past years, enormous amounts had been spent on equipment and durable goods for UNEF, yet the income from the sale of all those items reached only that meagre figure. He believed that, before the Committee took any decision on the estimates for the repatriation of contingents and the liquidation of UNEF, the Advisory Committee should be asked to review the amount actually spent over the past years. In the period 1973-1978, unutilized funds voted for the upkeep of UNEF had amounted to more than $17 million, and there might be a further unutilized amount for the remaining period. The estimates could thus be covered without a further appropriation. Unless that proposal was taken fully into consideration, his delegation would vote against the appropriation.

57. Regarding the upkeep of UNDOF, his delegation found the estimates in annex III of the Secretary-General's report unclear in many respects. The estimates under many headings were overstated and no justification for them was provided either by the Secretary-General or by the Advisory Committee. The Soviet Union, therefore, as in the past, would be unable to support the amounts requested by the Secretary-General for UNDOF. He reaffirmed his delegation's position that, since the United Nations peace-keeping forces had a different budgetary cycle, their finances should be reviewed annually and an annual report should be submitted to the General Assembly for its consideration.

58. Mr. MAJOLI (Italy) regretted that the Committee was so pressed for time in considering such an important item as the financing of United Nations peace-keeping forces. For example, the report of the Advisory Committee (A/34/688) had only just appeared. In future more time should be left for dealing with such sensitive matters.

The meeting rose at 1.15 p.m.