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Chairman: Mr. Narciso G. REYES (Philippines).

AGENDA ITEM 12

Report of the Economic and Social Council [chapters III to VII, VIII (sections A to E), IX to XIV, XXI and XXII] *(continued) (A/8403; A/8403/Add.1 (parts IV and V); A/C.2/L.1199/Rev.1, A/C.2/L.1206, A/C.2/L.1216)**

1. Mr. CAVAGLIERI (Italy) said that amendment A/C.2/L.1216 to draft resolution A/C.2/L.1199/Rev.1 had been submitted on the grounds that the International Monetary Fund had never been divested of its authority, which stood unquestioned. Unless the sponsors were prepared to accept the amendment, his delegation would be obliged to request a separate vote and vote against paragraph 4 *(a).*

2. Mr. RUTTEN (Netherlands) recalled that during the general debate, his delegation had already expressed its concern over the possibility of a lengthy crisis which might have serious consequences for all countries, and especially for the developing world. It welcomed the adoption of resolution 26.9 by the Board of Governors of the International Monetary Fund and of resolution 1652 (LI) by the Economic and Social Council, which affirmed that all States members of IMF should be given the opportunity to participate from the outset in consultations and negotiations leading to international monetary reform. His delegation could also accept draft resolution A/C.2/L.1206, whose sponsors called upon the developed countries to take urgent steps to remove the prevailing state of uncertainty. He proposed, however, that a reference to resolution 26.9 of the Board of Governors of IMF and to resolution 1652 (LI) of the Economic and Social Council should be inserted in the second preambular paragraph.

3. Turning to draft resolution A/C.2/L.1199/Rev.1, which was sponsored by 90 delegations, he stressed that his Government fully realized that the monetary crisis had already had a negative effect on the growth of many developing countries, and that it was necessary to eliminate the factors in the situation that were liable to lead to a crisis.

4. The Netherlands Government recognized that the consequences of long-term decisions with regard to a reform of the international monetary system were too serious for developing countries not to be allowed to participate from the beginning in the studies, discussions and negotiations carried out in that field. The second Ministerial Meeting of the Group of 77 had adopted extremely interesting conclusions in that respect. His delegation was surprised, however, that in operative paragraph 4 of the draft resolution, the developing countries proposed that the General Assembly should endorse those conclusions without further study or discussion and resolve that they should be the considerations and guidelines to be taken into account in the reform of the monetary order; such an attitude was manifestly unreasonable and unacceptable.

5. Those matters, and especially those mentioned in subparagraphs 4 *(c)* to *(g),* were still being discussed both in Government circles in the Netherlands and in certain international bodies; he would not be surprised if some of the Governments of delegations sponsoring the draft resolution had themselves no firm position on the subject. Furthermore, all the members of IMF had only recently decided that all matters related to monetary reform would be discussed by the Board of Governors on the basis of reports to be prepared by the Executive Directors. His delegation had therefore suggested that the sponsors might replace the beginning of operative paragraph 4 by the following text:

> "*Takes note* of the following recommendations and guidelines contained in the Principles of the Action Programme of Lima which, among others, should be seriously studied and taken into account by Governments and competent international organizations in the reform of the international monetary order;".

That wording reflected exactly what the General Assembly could do at that stage.

6. Although the other paragraphs contained expressions that were questionable, his delegation had no fundamental objection to them, except in respect of the last preambular paragraph which it found unacceptable because of its implicit accusation of the Group of 10. If the Group of 10 was conducting confidential discussions on the realignment of the parities of its members, that was precisely the sort of action which the sponsors of draft resolution A/C.2/L.1206 were advocating. Moreover, the members of the Group had repeatedly declared that decisions on the reform of the monetary system could and would only be taken in the competent organs of the International Monetary Fund.

7. The CHAIRMAN stated that Fiji wished to be included among the sponsors of draft resolution A/C.2/L.1199/Rev.1.

8. Mr. VIAUD (France) said that, being sponsored by 90 countries or nearly all the developing countries, draft

* Resumed from the 1431st meeting.

resolution A/C.2/L.1199/Rev.1 was guaranteed an overwhelming majority from the start.

9. His delegation supported most of the ideas contained in the draft resolution, which it had itself advocated in other bodies such as the Trade and Development Board and the Economic and Social Council. The similarity of its views with those of the sponsors was particularly apparent in respect of the provisions of the fifth preambular paragraph and operative paragraph 4 *(a)*.

10. He could not, however, help feeling somewhat uneasy at the thought that the draft resolution would not be adopted unanimously owing to the very strong opposition of the developed countries to some of its provisions; he therefore felt compelled to request the sponsors to tone down the language of the seventh preambular paragraph and stated that he would have to vote against subparagraphs 4 *(e)*, *(f)* and *(g)* and, consequently, to abstain in the vote on the draft resolution as a whole.

11. It was questionable in what way it could really be to the advantage of the developing countries to have the General Assembly adopt the draft resolution in question. He felt that his country's understanding attitude towards the repercussions of the international monetary crisis for developing countries entitled him to raise the matter. The Committee was considering a text which purported to reproduce the exact wording of part of the Declaration and Principles of the Action Programme adopted at the Ministerial Meeting at Lima. The developing countries could not really accept the slightest change or attenuation of the text because, in doing so, they would depart from the Declaration of Lima and weaken the stand they felt obliged to take in anticipation of the third session of UNCTAD. If they were not in a position to modify the draft resolution, then they had a choice of several solutions. They could have the General Assembly adopt the draft resolution since they possessed a sufficiently large majority to do so but, by making use of their majority, they would oppose the law of numbers to the law of force or, in other words, of economic strength. A solution of that kind threatened ultimately to weaken the political position of the developing countries. It had been said that the General Assembly could not possibly allow its twenty-sixth session to come to an end without reaching a decision on the international monetary situation. That was undoubtedly a very strong argument; he believed, however, that it should be possible to find a compromise solution which would not mean the pure and simple endorsement of a part of the Declaration of Lima. If adopted, the draft resolution would become a source of conflict between developing countries and developed market economy countries and would disrupt the sorely-tried solidarity of the developing countries.

12. It was unwise to attempt to solve all monetary problems at the twenty-sixth session, as they must first be examined by UNCTAD, which would submit its findings to the General Assembly. He therefore appealed to the sponsors not to press the draft resolution to the vote, believing as he did that, if the members of the Committee were to take up positions on the text, it would fail in its immediate objective and the forthcoming session of UNCTAD might not achieve the desired results.

13. If the Committee must adopt a draft resolution on the international monetary situation, it would, in the view of his delegation, be preferable for it to adopt a simpler and more incisive text along the lines of the resolution recently approved by the Economic and Social Council, which would only reflect political concepts to the exclusion of all the technical aspects of monetary reform. If his suggestion was unacceptable and the Committee continued its consideration of draft resolution A/C.2/L.1199/Rev.1, his delegation reserved the right to revert to the text in greater detail.

14. Mr. GATES (New Zealand) observed that the current world financial instability and the trade measures linked to it were harmful to New Zealand.

15. Since New Zealand's interests in that issue were similar to those of the majority, his delegation would have liked to join the 90 sponsors of draft resolution A/C.2/L.1199/Rev.1 in urging the General Assembly to seek a just and equitable solution which took into account the interests of all Member States. It had therefore been a great disappointment to be presented with that text, since it was not a global resolution but a statement by developing countries about their special preoccupations by which those countries sought to impose their own solutions on the rest of the world. He was disappointed that the group of 77 was apparently intent on having the resolution entered in the Official Records of the United Nations without leaving room for compromise or change. While the Group of 77 might feel it had discovered the international monetary situation and knew all the possible remedies, his delegation wished to inform the Group that it also understood and had experienced some of the problems. If the text was voted upon, his delegation would have to vote against the draft resolution as now worded. The draft expressed the point of view of only one Group in the United Nations and the solutions which it proposed were not applicable to Member States as a whole. If the sponsors of the draft agreed to make it clear that the conditions enumerated in operative pragraph 4, subparagraphs *(a)* to *(g)*, represented the views of the Group of 77 enunciated at Lima and not those of the General Assembly, his delegation would be prepared to vote for the draft resolution as a whole, even though it would make reservations on some of its provisions.

16. Mr. JOSEPH (Australia) said that his delegation had great difficulty in accepting draft resolution A/C.2/L.1199/Rev.1, which essentially reflected the views of the developing countries on the international monetary situation rather than those of the world community at large.

17. Of course, if put to the vote, the draft resolution would be adopted, since the developing countries commanded a majority; however, he expressed the hope that those countries would understand that the developed countries could in no circumstances vote for that text. As the United Kingdom representative had observed at a previous meeting, there was no reference in the draft to resolution 26.9 of the International Monetary Fund adopted in September; that was surprising in view of the fact that in paragraph 4 *(b)* the sponsors stressed the need to strengthen IMF. The developing countries seemed to feel somewhat apprehensive and suspicious with regard to the International Monetary Fund. However, their interests

would certainly be taken into consideration by the Fund since they were represented in it; furthermore, it was clearly stated in resolution 26.9 that all members of the Fund should participate in the solution of monetary problems. While recognizing that the Group of 10 could not be left to carry out monetary reform on its own, he personally felt that the language of draft resolution A/C.2/L.1199/Rev.1 reflected a kind of chauvinism on the part of the Group of 77, since every preambular paragraph and every operative paragraph referred to the needs of the developing countries. While his delegation certainly did not deny the importance of taking those needs into account, it could not support a text which really amounted to a resolution of the Group of 77. The developing countries were not the only ones whose interests should be taken into account–the International Monetary Fund should take into consideration the interests of the world community as a whole.

18. In operative paragraph 4, the Committee was called upon to set out the considerations and guidelines to be taken into account in the reform of the international monetary order. Article 55 of the Charter stated that the United Nations should "promote" solutions of international economic problems; it was therefore open to doubt whether the General Assembly was competent to suggest solutions to the current monetary crisis. In his view, an eventual solution would necessarily be of a highly technical nature, and it therefore unquestionably lay within the competence of the International Monetary Fund. The United Nations could of course draw the attention of all States to the existing situation and express the hope that all competent organs–especially the International Monetary Fund–would be able to find a speedy solution to the crisis; if, however, it also attempted to spell out the major steps to be taken, it would be encroaching on a sphere of competence which rightly belonged to the International Monetary Fund. Accordingly, he supported the proposal of the Netherlands delegation to replace the beginning of operative paragraph 4 of the draft resolution by a text in which the General Assembly took note of the recommendations and guidelines contained in the Declaration of Lima.

19. With regard to paragraph 4 *(e)*, he reiterated his delegation's reservation concerning the proposal to create a link between Special Drawing Rights (SDRs) and additional resources for financing development as an integral part of the new international monetary system. The considerations which should govern the creation of the SDRs were not the same as those which should govern the creation of additional resources. If a link was to be created between SDRs and additional resources for financing development, it would be possible to imagine circumstances in which additional SDRs would be created under the pressure of demands from the developing countries for increased resources. In such a case, SDRs would no longer be fulfilling their original purpose. The result would be an inflationary trend and SDRs would soon become discredited as a reserve currency when in fact consideration was currently being given to the possibility of making SDRs the basis of the new monetary system, in place of the dollar and gold.

20. Furthermore, if a link was created between SDRs and additional resources for financing development, the developed countries, being obliged to allocate part of their SDRs to development assistance, would automatically reduce the volume of their regular assistance programmes accordingly. The creation of SDRs was designed to reduce to some extent the scale of the balance-of-payments problems of the aid-granting countries; it was obvious that when those countries had corrected the imbalance in their balance of payments, they would be able to increase the volume of their assistance.

21. He felt that the question dealt with in paragraph 4 *(g)* was extremely important. While he wished to make it clear that the voting structure of IMF should not in his view remain unalterable, that was a question that lay within the exclusive competence of the Fund itself, and the General Assembly had no competence in the matter.

22. His delegation would be able to support draft resolution A/C.2/L.1206 with some changes, since it was an expression of the concern felt by the world community.

23. His delegation suggested that a reference to International Monetary Fund resolution 26.9 should be included in the second preambular paragraph by inserting the words "resolution 26.9 of the International Monetary Fund and" after the words "taking fully into account".

24. With regard to the operative paragraph of the draft resolution, he said that the text presented no difficulties for him as an Australian; however, in order to facilitate a consensus, he suggested that it should be amended so as to meet the possible objections of the highly industrialized countries. To that end, it would be useful to delete several pejorative phrases. The question of import surcharges and cuts in the level of aid granted to the developing countries seemed to him to be inextricably linked with the question of currency realignment and the removal of non-tariff barriers faced by some highly industrialized countries in the markets of other highly industrialized countries. If that link was reflected in the operative paragraph of the draft resolution, he felt that most delegations, and certainly his own, would be able to vote for the draft resolution without reservations–provided, of course, that some reference was made in the preamble to the International Monetary Fund and its resolution 26.9.

25. Mr. HEMANS (United Kingdom), recalling that he had already stated his delegation's position on draft resolution A/C.2/L.1199/Rev.1, noted that one delegation had asked the sponsors whether there was a link between their resolution and draft resolution A/C.2/L.1206. The text of the second preambular paragraph of the former draft resolution was almost identical to that of the first preambular paragraph of the latter. It could therefore legitimately be asked whether draft resolution A/C.2/L.1206 was not to some extent intended to supersede draft resolution A/C.2/L.1199/Rev.1. He would be grateful to the sponsors of the two draft resolutions for an answer to that question.

26. Like the representatives of the Netherlands and Australia, he could not conceal his surprise at the fact that draft resolution A/C.2/L.1206 made no mention of the International Monetary Fund. He therefore supported without reservation the Australian proposal concerning the

second preambular paragraph and hoped that the sponsors could accept it; if so, his delegation would be in a position to vote in favour of the draft resolution.

27. He joined the representative of France in appealing to the sponsors of draft resolution A/C.2/L.1199/Rev.1 not to put that document to the vote. His delegation, like that of France, thought it would be very unfortunate if the developing countries used their votes to get the General Assembly to endorse a declaration that was drawn up outside the United Nations. If draft resolution A/C.2/L.1199/Rev.1 was adopted, his delegation would regard it as a reaffirmation of the Lima Declaration, not as a genuine expression of the will of the United Nations. He appealed to the developing countries to be prudent and not to endanger the atmosphere prevailing in the Committee or prejudice the third session of UNCTAD. He fully understood that it was difficult for the developing countries to accept amendments to a declaration that had originated with their ministers, and considered, therefore, that the proposal of the French representative was a very apt one.

28. Mr. ARUEDE (Nigeria), in reply to the United Kingdom representative, said that he was among the sponsors of the two draft resolutions and he recognized that the text of the first preambular paragraph of draft resolution A/C.2/L.1206 was practically identical to the second preambular paragraph of draft resolution A/C.2/L.1199/Rev.1. That was because the two draft resolutions were intended to be complementary, not contradictory. He wished to emphasize that the sponsors of draft resolution A/C.2/L.1206 had taken care that there should be no contradiction between their text and that of draft resolution A/C.2/L.1199/Rev.1.

29. Draft resolution A/C.2/L.1206, as the representative of Pakistan had explained when introducing it at the 1425th meeting, dealt with the short-range aspects of the international monetary situation. The uncertainty caused by the present monetary crisis must not continue, since long-range international monetary problems could not be solved in an atmosphere of uncertainty. The sponsors of the draft resolution had intentionally chosen 1 December as the date for submitting it to the Committee so that its submission would coincide with the opening of the meeting of the Group of 10 in Rome, as they felt that the General Assembly should exert whatever pressure it could on the Group of 10 so that it would settle the question of parities as soon as possible.

30. Since draft resolution A/C.2/L.1199/Rev.1 dealt with short-range as well as long-range problems, it was impossible to replace it by draft resolution A/C.2/L.1206, or vice versa. Any comments on those two draft resolutions would certainly be useful both to the Committee and to the sponsors, and he therefore appealed to all delegations to give their views. He wished to emphasize the importance of obtaining as large a majority as possible in favour of the draft resolution, as it would be unacceptable for it to be regarded as the work of an exclusive group.

31. The sponsors would take into account the comments that had already been made on draft resolution A/C.2/L.1206.

32. Mr. ALULA (Ethiopia) said that no country, whether developed or developing, was unaware of the international monetary crisis. He pointed out, however, that although the developed countries were making real efforts to solve the present monetary problems, they were excluding the developing countries from their discussions. That was improper since the crisis also affected the developing countries; they, too, had a right to try to solve the problem, and that right should be recognized. If the developed countries which had shown that they did not favour draft resolution A/C.2/L.1199/Rev.1 recognized that right, they would realize that the developing countries could be considered as partners in the monetary field. All the developing countries had a currency based on the French franc, the pound sterling or the United States dollar, and they held their reserves in those currencies. They were therefore victims of a monetary crisis for which they were not reponsible, and their exports suffered as a result. He deplored the fact that the exchange rate for the currencies of the developing countries was established without regard to the purchasing power of those countries; the cost of living sometimes increased rapidly in the developed countries while it remained practically static in the developing countries. Moreover, the inflationary measures taken by the developed countries affected the developing countries, which did not benefit from any compensatory measures. Because all monetary measures affected their economies, the developing countries felt that they should not be excluded from the discussions of the ten Powers which managed the world monetary system. The developing countries therefore requested the developed countries to show understanding and a constructive spirit and to adopt the draft resolution under consideration.

33. The provisions of subparagraph 4 *(a)* were in everyone's interest. Although one representative had said that subparagraph 4 *(a)* to *(g)* dealt with technical questions, he felt that they dealt rather with political considerations based on considerations of a technical nature, as was appropriate in economic matters. International monetary problems were wide in scope and could not be solved solely by experts. As subparagraph 4 *(a)* indicated, the interests of the developing countries had to be taken into account when international monetary reform was carried out, especially because the dollar played an important role in all countries.

34. In conclusion, he said that draft resolution A/C.2/L.1199/Rev.1 in no way contradicted that submitted by the Pakistan delegation.

35. Mr. RANKIN (Canada) said he understood the preoccupations of the two previous speakers concerning the reserves of the developed countries. Canada had allowed the Canadian dollar to float freely since May 1970 because it could no longer support it at the pegged rate; that action, which had been taken in opposition to the principles of the International Monetary Fund, had increased the price of Canadian exports and lowered the price of its imports. No country, therefore, including the sponsors of draft resolution A/C.2/L.1199/Rev.1, was more interested than Canada in finding a solution to the international monetary problem.

36. To resolve the situation, there was a question as to whether Governments should take decisions of a technical

or political nature. With regard to the Ethiopian representative's suggestion that decisions should be essentially political, he observed that technical matters were central to politics and that before taking a decision, a Head of State had to seek the advice of technical experts.

37. The provisions of operative paragraph 4 of draft resolution A/C.2/L.1199/Rev.1 were not necessarily in the interests of the developing countries. Although the latter should definitely participate in discussions leading to solutions to the monetary crisis and see that their interests were respected, he wondered whether operative paragraph 4, which set forth certain considerations and guidelines to be taken into account in the reform of the international monetary system, was addressed to the developing countries, to the developed countries or to the International Monetary Fund. In his view, those considerations and guidelines could work against either the developing or developed countries. For example, paragraph 4 *(c)* provided for the establishment of a satisfactory structure of exchange rates maintained within narrow margins; wider margins, however, could be in the interests of all countries, and it was a matter for experts to determine. He therefore suggested that the sponsors of the draft resolution should ask the International Monetary Fund to take their interests into account, without forcing it to adopt any particular measure of their own choosing.

38. The suggestion made by the Netherlands delegation would certainly receive the full support of his delegation. He also agreed with the remarks made by the representative of Australia in his very full statement.

39. He suggested that the draft resolution under consideration should be submitted as a declaration of the Group of 77 and revised accordingly. His delegation would agree to the sponsors reformulating their draft resolutions so as to present them as a declaration of the Group of 77, but would oppose such a text if it was submitted as a General Assembly resolution.

40. Mr. OGISO (Japan) said that a detailed examination of the international monetary problem should be made by a competent organ in the United Nations system, such as the International Monetary Fund. Although it was appropriate for the Members of the United Nations to show general concern about the international monetary situation in order to achieve the goals and objectives of the International Development Strategy, the detailed examination of the problem should be made by experts, in view of its highly technical and complex nature. His delegation did not consider that such expertise was to be found in the General Assembly and did not feel that a resolution such as that contained in document A/C.2/L.1199/Rev.1 would help to resolve thhe international monetary problem.

41. The current economic situation posed a danger to the world economy as a whole. If the current instability continued, the trade of both the developed and the developing countries would be affected. The solution of the problem depended largely on the new economic order to be established by the developed and the developing countries. Draft resolution A/C.2/L.1199/Rev.1 did not reflect the universal nature of the problem, but seemed rather to be based on the assumption that it was the developing countries that suffered most as a result of the monetary crisis. According to the draft resolution, it was only by adhering to the principles of the Lima Programme of Action—a document which had been adopted by the developing countries alone—that the problem could be resolved. The draft resolution under consideration was unacceptable as a General Assembly resolution since it mentioned only the interests of the developing countries; his delegation was opposed to its adoption.

42. Draft resolution A/C.2/L.1206 was much less objectionable. Its operative paragraph called upon the developed market economy countries to take certain steps to remedy the present international monetary situation. In view of the fact that the draft resolution was proposed by the developing countries, his delegation noted that they recognized that the developed market economy countries had a major role to play in the adjustment of the present situation. Moreover, his delegation understood the deep concern of the developing countries over the current international monetary situation and would view the draft resolution sympathetically. Nevertheless, it regretted that in the second preambular paragraph no mention was made of resolution 26.9 adopted by the Board of Governors of the International Monetary Fund and was of the opinion that the "final reform" mentioned in the operative paragraph should be worked out and put into effect by the competent organ of the United Nations system in accordance with the relevant procedures of that organ.

43. Mr. SANTA-CRUZ (Chile) said that although it was true that the action of the sponsors of draft resolution A/C.2/L.1199/Rev.1 was without precedent in that the text proposed had been worked out by the Group of 77 and that if it was put to a vote it would certainly be adopted, it was also true to say that the problem it dealt with was also without precedent. It was not a question of numerical strength as opposed to economic strength, as the representative of France had contended, since, despite the undemocratic situation which prevailed in the world in general, democratic laws continued to have the upper hand. The draft resolution was nothing but an expression of protest by the majority of mankind against the management of the monetary system by a small number of countries which paid no heed to the interests of the developing countries. It was that management which had caused crisis after crisis and which had provoked the crisis which was currently affecting the developing countries to such an extent that their difficulties exceeded the benefits they derived from international co-operation. The successive monetary crises which had hit the world economy, namely the pound sterling crisis, the French franc crisis and then the dollar crisis, had been overcome thanks to palliatives worked out without any effort being made to ascertain to what extent they might harm the developing countries. It was absurd to fail to recognize that, simply because the dollar was an international currency, the dollar crisis was producing real economic turmoil in the developing countries, most of which had dollar reserves.

44. The developing countries had welcomed the commodity agreements and the Generalized System of Preferences, the object of which was to facilitate the access of basic commodities to the markets of the developed countries. The United States market was one of the most

attractive, particularly for countries which already benefited from preferences granted by the European countries and which now had to share the advantages thereof with other countries of the third world. Now, as a result of the economic policies of the developed countries which were completely alien to the developing countries, the dollar crisis was destroying those advantages because of the inconvertibility of that currency and of the surcharge which had been imposed indiscriminately on all imports contrary to commitments entered into within the framework of the International Development Strategy and the Inter-American Economic and Social Council. It was only normal that the developing countries should have reacted with determination, and even with anger. They could not be expected to refrain from appealing to the General Assembly, which was the most important world body, to adopt a resolution on the matter.

45. Despite the resolution of the Trade and Development Board under which the developing countries should participate fully in the reform of the international monetary system, there was nothing to indicate that any action had been taken in that direction and the reform of the monetary system seemed to remain the exclusive preserve of the Group of 10. The developing countries feared, therefore, that if they did not take energetic steps immediately they might find themselves faced with a fait accompli at the third session of UNCTAD. If draft resolution A/C.2/L.1199/Rev.1 was not in accordance with resolution 26.9 of the Board of Governors of the International Monetary Fund, that was because the draft resolution under consideration was perhaps a result of under-development, and that in turn probably devolved from the nature of the Fund, whose decisions did not take into account the far-reaching political consequences they might have. He regretted that the representative of the Netherlands had said that the adoption of the draft resolution would in no way change the position of the developed countries. He was surprised that the representative of Canada had asked that the draft resolution should be presented to the Assembly as a document of the Group of 77 since, under Article 18, paragraph 3, of the Charter, the rule of the majority must prevail in the United Nations in the same way as in a democratic country like Canada. He also disagreed with the representative of France, who thought that the draft resolution might jeopardize the discussions that were to take place at Santiago. On the contrary, it would be impossible to reach agreement on that question at the third session of UNCTAD if it did not remain open to discussion. Unlike the representative of France, he did not believe that the draft resolution might weaken the solidarity of the developing countries and that that solidarity had not been seriously put to the test. On the contrary, it had been singularly strengthened by the monetary crisis and, if it were in any danger, he was convinced that any effort aimed at dividing the developing countries was doomed to failure. Almost all the representatives of the developed countries had said that they approved the main tenor of the draft resolution. He therefore appealed to them to produce a document containing operative paragraphs 1, 2 and 3 of draft resolution A/C.2/L.1199/Rev.1 and the essential points in operative paragraph 4. Such a document would correct the technical defects of the draft resolution under consideration. The socialist countries of Eastern Europe had expressed reservations regarding the strengthening of the international monetary system. He asked them to understand that the sponsors of the draft resolution wished to strengthen that system because they did not find the structure and procedures of the International Monetary Fund satisfactory and they were convinced that the restructuring of that organization would make it more democratic and better able to serve the interests of all countries.

46. Mr. PATAKI (Hungary) recalled that his delegation was one of those which had tried to make a detailed analysis of the present monetary crisis in the Western economies. It had pointed out that the monetary problems did not result from the shortcomings of the Bretton Woods system but rather were inherent in the nature of the so-called free-market economies and were further aggravated by the economic consequences of questionable political objectives in some leading Western countries. It had also drawn attention to the close relationship between exchange rates and foreign trade and the negative effect inflation was bound to exert on both. Together with other delegations, it recognized the grave economic consequences of the present monetary crisis for the developing countries.

47. He agreed with draft resolution A/C.2/L.1199/Rev.1 in so far as it sought to eliminate those features of the present Western monetary system which discriminated against developing countries and to counteract the adverse economic effects on the latter. While recognizing the positive intentions of the draft resolution, he pointed out that the history of the International Monetary Fund, which it was proposed to strengthen, was characterized by ever-increasing turmoil and imbalances, of which the present crisis was but a logical culmination. An entirely new method was needed which could only result from long study, preparation and discussion. His delegation would not, therefore, oppose the draft resolution, but would abstain.

48. Mr. KHALIL (Egypt) noted with pleasure that draft resolution A/C.2/L.1199/Rev.1 was arousing great interest among the developed countries. The representatives of those countries had stressed the responsibility the developing countries would incur if they put it to the vote. The fact that the developing countries were in the majority was not a curse, as they were only asking in a modest way that their rights be respected, their economies being particularly vulnerable to crises such as that currently affecting the dollar. He reminded the representatives of the developed countries that, at the last meeting of the International Monetary Fund and the World Bank Group, the Chancellor of the Exchequer of the United Kingdom had said the monetary situation was of particular importance for the developing countries and that financial instability and trading restrictions were a real tragedy for them. It could not be expected that the current situation would cause less anxiety in developing countries than in a developed country. It was incorrect to claim that draft resolution A/C.2/L.1199/Rev.1 failed to mention the effects of the monetary situation on the developed countries since it was stated in the fourth preambular paragraph that the "trade war" among the developed market economy countries would have disasterous effects on all countries. It was logical that the sponsors should lay the stress on the

developing countries because they were particularly vulnerable to that sort of crisis.

49. Immediately after the Second World War most of the developing countries had had a balance-of-payments surplus which, because of a steady deterioration in the terms of trade to the advantage of the developed countries, had become a deficit in the 1950s. That was due to the very nature of the international monetary system. It had been recognized at Bretton Woods that the system would be unfair to the developing countries. The Havana Conference had been a complete failure because the developing countries had not been treated on the same footing as the developed countries. UNCTAD had been established to correct that inequality. The developing countries had no confidence in the International Monetary Fund because the Group of 10 was in a privileged position and took unilateral decisions affecting all countries. It could not be denied that the prosperity of the developed countries was due in part to the co-operation of the third world which had always observed the rules of the international monetary system. To refuse them any share in the formulation of decisions affecting the monetary system was equivalent to a denial of the responsibilities inherent in international co-operation.

50. The General Assembly was the most important international body; no one could object, therefore, to its considering the monetary question on the grounds that it was a matter for more specialized organs. The legitimate requests in the draft resolution did not include any technical points which exceeded the competence of the sponsors; the technical aspects of the monetary question should not be considered as so many taboos. Instead of attempting to create an atmosphere of mutual trust, the sponsors were being criticized for counting on their voting power to ensure adoption of the draft resolution, whereas it was the developed countries which wielded such power in the International Monetary Fund.

51. If note were to be taken of the requests and needs of the developing countries when working out a new monetary system, the present crisis would be the last. The developing countries did not wish to be dependent on the decisions of the International Monetary Fund until they had a larger number of votes. In that respect, the fact that the report and the Fund's resolution 26.9 included no mention of a link between Special Drawing Rights and additional development financing should not prevent the developing countries from requesting such a link.

52. The representative of Canada had stated that the action taken to float the Canadian dollar was "clean", but two months earlier the President of the *Dresden Bank* had said it was difficult to lay down rules for governing foreign exchange fluctuations and that there were no legitimate or illegitimate "clean" or "dirty" methods of doing so. The developing countries were submitting draft resolution A/C.2/L.1199/Rev.1 because they could not accept that monetary questions should remain the exclusive preserve of a club of specialists.

The meeting rose at 6 p.m.