financing of projects in the State sector. As mentioned by the representative of Yugoslavia, the Bank financed projects both in the public and in the private sectors.

75. The representative of Japan had asked whether the Bank would support the proposed United Nations revolving fund for natural resources exploration. A study on the Bank's role in the development of mineral resources, a sector in which its operations had not always been consistent, was being carried out and would be considered by the Bank's Executive Directors in December. He could not pre-empt their role in making final policy decisions as to the position of the Bank. The balance between natural resources development on the one hand and population growth and increasing affluence on the other was a very serious problem which the world had to face. He was inclined to believe that the type of activity recommended by the Economic and Social Council and to be considered by the General Assembly would be in the interest of developing and developed countries alike. However, he could not comment on the Bank's role in that area until his Directors had considered the matter, as they were expected to do before the end of the year.

76. The PRESIDENT said that several questions were constantly being raised in the Council. The question of the contradiction between economic growth and social progress had been raised at Geneva, and he recalled that a suggestion for the establishment of a United Nations panel of experts to consider that question in depth had been put forward. Such a panel should meet for two or three months, and if it could not provide agreed solutions, it should at least produce agreed alternatives. The Council would benefit from the establishment of such a panel, particularly for the mid-term review exercise. The Bank had also offered its assistance in that important conceptual research. It was important that new arrangements should be made for the exchange of views between the Economic and Social Council and the World Bank Group, and he hoped that, in 1974, more time would be allocated to that dialogue.

77. If he heard no objection, he would take it that the Council decided to take note with appreciation of the report of the International Bank for Reconstruction and Development and the International Development Association and of the report of the International Finance Corporation.

It was so decided.

The meeting rose at 5.50 p.m.

1883rd meeting

Tuesday, 16 October 1973, at 10.50 a.m.

President: Mr. Sergio A. FRAZÃO (Brazil).

E/SR.1883

AGENDA ITEM 3

Report of the International Monetary Fund (E/5422)

1. Mr. WITTEVEEN (Managing Director, International Monetary Fund) said that it was a great privilege for him to address the Economic and Social Council for the first time as Managing Director of IMF and to present the Fund's report for 1973.[1]

2. The Fund was naturally concerned primarily with the monetary aspects of international co-operation. Those aspects should not, however, be viewed in isolation, since international financial conditions strongly influenced world trade and the economic growth of all countries. He would first, therefore, summarize recent developments in the world economy.

3. In the industrial countries, following a two-year period of economic slow-down, there had been an acceleration of economic activity in 1972 and the first half of 1973. In the developing world, growth had been relatively well sustained in recent years at an average rate of more than 6 per cent. The recent strength of economic activity had been accompanied by a worsening of inflationary trends. In many developing countries the rate of price inflation appeared to have risen sharply in 1971. Developed and developing countries alike were, therefore, currently in the throes of what was undoubtedly the worst bout of inflation the world had experienced in 20 years. It was a world-wide problem which would require action at both the national and international levels. At the national level, the main responsibility naturally fell on the large industrial countries because of their dominant position in the world economy. It was clear that a satisfactory anti-inflation programme would require a wide range of policy instruments. Appropriate monetary and fiscal policies would be needed to ensure that demand grew in line with productive potential, and they would have to be accompanied by an effective incomes policy. At the international level, national monetary policies would have to be co-ordinated, at least to the extent that the effect of one country's policy on the balance of payments of others did not defeat commonly agreed objectives.

4. There was reason to believe that the international forces feeding inflation had of late been weakening. The increase in the prices of primary commodities seemed to have reached its peak. More importantly, the far-reaching currency realignments of recent years appeared to be producing the desired improvement in the over-all structure of international payments, a development that would curtail the growth of international liquidity and hence its expansionary side-effects on domestic monetary policies.

5. Recent developments in exchange markets had had their effect on the scale of the Fund's financial operations. In the first place, uncertainties about exchange rates might have deterred certain countries from incurring debt obligations in foreign currencies. More

[1] International Monetary Fund, *Annual Report, 1973* (Washington, D.C.)

importantly, the rapid growth of global liquidity, in which most members of the Funds had shared, had diminished the need for recourse to the Fund's facilities. Finally, the fact that many major countries had allowed their currencies to float meant that speculative pressures did not necessarily result in reserve drains.

6. All those factors had helped to reduce, in the previous year, the scale of the Fund's financial operations, which were, however, still substantial. Members' purchases of currencies and special drawing rights (SDR) had amounted to the equivalent of nearly SDR 1,200 million in the fiscal year ended 30 April 1973; half of that amount had been accounted for by the purchases of developing countries. Thirteen standby arrangements had been concluded during the fiscal year 1972/1973 and 11 arrangements had so far been concluded in 1973, all with developing countries. In addition, during the previous year and a half, 13 developing countries had made use of the Fund's compensatory financing facility to cope with shortfalls in their export earnings or had drawn on the Fund to finance their contributions to buffer stock schemes.

7. Meanwhile, the Fund's other activities had continued on the expanded scale of recent years. In the previous fiscal year, the Fund had held consultations with 85 countries. Requests for technical assistance from developing countries — chiefly in the fields of central banking, fiscal administration and policy, and financial statistics—had expanded.

8. In recent months, developing countries had expressed concern about the effects of inflationary developments abroad in undermining their domestic stabilization measures. They had strongly reiterated that concern at the Fund's recent annual meeting. In its consultations and other contacts with those countries, the Fund had been giving particular attention to assisting them in making appropriate adaptations in their policies.

9. As to the future, other areas in which changes in international conditions might cause problems for the developing countries, whose economies were particularly vulnerable, could be foreseen. The developing countries should, in particular, make provision for a return to lower levels of primary commodity prices. In addition, many developing countries had benefited recently from ready access to substantial flows of private capital from the Euro-currency markets. In his opinion, however, it would be a mistake to rely too heavily on such sources of funds, for a contraction of that market would complicate the management of external indebtedness for those countries which had become too dependent on that source of finance.

10. Turning to the reform of the international monetary system, he said that the Bretton Woods system had finally collapsed at the beginning of 1973, with the widespread floating of currencies. Before the collapse, however, the attempts made to preserve the system had resulted in a vast build-up of dollars in the hands of central banks outside the United States. That growth in international liquidity had played its part in stimulating inflation.

11. The thorough overhaul of the international monetary system had two major objectives. One was to achieve a system of balance-of-payments adjustment which would be more effective and timely in its operation, and give reserve centres the same facilities for adjustment as other countries. The second was to establish a system of settling payments imbalances which would make it possible to bring the world's supply of monetary reserves under effective international control.

12. The pursuit of those two major objectives gave rise, in turn, to other issues, such as the nature and composition of the assets to be used as international reserves, the manner in which existing holdings of national currencies in reserves would be dealt with, and what the system of exchange-market intervention would be. Once those questions were examined, it was natural that other aspects of the monetary system, including the operation of the Fund and of the SDR system, should come under review. The difficulties of the task arose not only from the sheer scope and complexity of the issues under review and the way in which they intermeshed, but also from the need to reconcile many different national positions. As matters stood, the 20 constituencies represented on the Committee of 20[2] could speak for all 126 members of IMF, and a consensus had to emerge as a result of a gradual process of mutual persuasion and accommodation.

13. Discussions had already led to agreement on a number of points of principle. It was agreed, for instance, that the exchange-rate system should remain based on stable but adjustable par values. However, the permissible margins of fluctuation of currencies, in all countries, should be wider than those formerly applied, and there should be provision for floating in particular circumstances. It was also agreed that the obligation to adjust should apply symmetrically to surplus and deficit countries, and it was recognized that in establishing the need for adjustment, both statistical indicators and qualitative assessment should play a part. Further, the use of balance-of-payments controls on current transactions was to be avoided as far as possible, and capital controls were not to be used for the purpose of maintaining inappropriate exchange rates.

14. It was generally agreed that the SDRs should become the primary reserve asset of the new system, while reserve currencies and gold would have a continuing, but declining, role. Settlement of payments imbalances would generally be through the transfer of assets rather than the accumulation of liabilities, and countries would co-operate in limiting and financing disequilibrating flows under surveillance of the Fund. The reformed monetary system should also contain arrangements to promote the transfer of real resources from developed to developing countries.

15. There remained, however, a number of contentious issues, mostly regarding the means of implementing objectives that were generally supported. For example, opinions differed on the precise nature of the pressures that seemed necessary and the mechanism for authorizing their use. Another open question was whether the conversion operations required for settling payments surpluses and deficits should be discretionary or mandatory. Also left for further study was the question whether the familiar system of pegging exchange rates in terms of one or two principal reserve currencies should be largely replaced by a system of multicurrency intervention.

16. Other questions remaining to be settled included what to do with existing holdings of national currencies in reserves, how much freedom countries should retain

[2] Committee on Reform of the International Monetary System and Related Issues.

regarding the composition of their reserves, how SDRs should be valued in terms of currencies and exactly what role gold should play in the monetary system. Lastly, a controversial point that was of interest to the developing countries was how to improve the flow of resources from developed to developing countries. Some developing countries hesitated to accept the principle, favoured by many countries, that a link should be created between the allocation of SDRs and the financing of economic development.

17. At the Nairobi meeting of the Committee of 20, the members had set themselves a deadline of 31 July 1974 for settling the main outstanding issues, thus demonstrating their determination to reach agreement on those issues as a matter of urgency. The Fund should, however, in the interests of all its membership, do what it could to maintain a maximum of order and international co-operation during the present transitional situation. For example, it might consider introducing at least some of the elements of the reform in advance of the legal adoption of new Articles of Agreement. At the same time, the Fund would continue to assess its existing policy with a view to improving the usefulness of its assistance, particularly financial assistance, to the developing countries.

18. Action taken in the monetary field should be reinforced by the liberalization of trade and improved international allocation of investment capital. The multilateral trade negotiations under GATT would be important in that field. Developed countries must strengthen their efforts to close the gap between existing levels of development aid and agreed targets. Moreover, the study of the role played by multinational corporations should help to ensure that foreign investments would foster economic development without harmful social and political consequences.

19. The immediate task was to bring inflation under control and to restore confidence in international currency relationships. The Fund stood ready, as it had in the past, to assist countries in the difficult process of policy formulation.

20. Mr. WANG Tzu-chuan (China) said his Government insisted that IMF should expel the Chiang-Kai-shek clique in accordance with General Assembly resolution 2758 (XXVI).

21. Mr. FACK (Netherlands) welcomed Mr. Witteveen as the new Managing Director of IMF and hoped that he would continue to promote and further expand the close co-operation between IMF and the Economic and Social Council. It was encouraging to note that the Fund was increasingly concerned with the impact of the developments in the international monetary field on the position of the developing countries and that it was thereby playing an important role in the implementation of the International Development Strategy for the Second United Nations Development Decade (General Assembly resolution 2626 (XXV)). The annual report of IMF also showed the complexity of the monetary problems those countries had to face and the need, in any reform of the monetary system, to take full account of the changing structural relationships in the field of trade and aid between the developing countries and the industrial world. Development co-operation should not be limited to the creation of a "link" between the future allocation of SDRs and development financing but should also include other elements, such as the need for an integrated debt and credit policy, foreign private investment and the role of multinational corporations and their effect on monetary issues, compensatory financing and buffer-stock financing.

22. In that connexion, his Government welcomed the Managing Director's statement that the Fund would continue to assess its existing policies with a view to improving the usefulness of its assistance to the developing countries. He hoped that full agreement on monetary reform could be reached by 31 July 1974, enabling the Fund to make its full contribution to the implementation of the Strategy.

23. In conclusion, he expressed the hope that IMF, together with other specialized agencies, would actively work together with the Council for strengthening the cohesion and efficiency of the United Nations system and for the review of the agreement between the United Nations and the agencies, which the Council had decided to undertake in 1974.

24. Mr. ABHYANKAR (India) said that his delegation had always recognized the usefulness and importance of having the IMF report presented by its Managing Director. However, as in the case of the presentation of the World Bank Group's reports the day before, India was concerned at the failure to take full advantage of the opportunity thus afforded to Member States for setting up a fruitful dialogue with high-ranking international civil servants. He urged the members of the Economic and Social Council to consider means that would enable them to hold a productive exchange of views both with the President of the World Bank and with the Managing Director of IMF.

25. He had noted a number of interesting points in the Managing Director's presentation, and he believed that technical assistance activities in particular should, in view of their importance, be the subject of an exchange of views and an assessment that would make it possible to improve and develop them.

26. The main subject of concern, however, was the reform of the international monetary system. Contrary to earlier hopes, it had not been possible to reach agreement on a preliminary draft reform. As the Managing Director had said, many important questions still remained to be settled. However, the developing countries too were interested in settling those questions and had a right to hope that the reform would have a favourable effect on international economic relations as a whole.

27. His delegation was convinced that technical measures would not suffice to solve the monetary problems. The developed countries should understand that they, like the rest of the international community, had a responsibility for the problems of income distribution. The solution of the monetary problem was therefore conditioned by the solution of the problems of development. To solve those problems, SDRs should be made a reserve currency, avoiding the creation of a two-level system in which SDRs would coexist with other reserve currencies.

28. It had become evident at Nairobi that not everyone favoured the establishment of a link between SDRs and development financing. Studies showed, however, that such a step was feasible, and it would be unfortunate not to grasp that opportunity for setting up a stable monetary system. His delegation hoped that the reform of the international monetary system would give the developing countries the importance they deserved by reason of their number and their population.

29. In conclusion, he urged that efforts should be made to establish a genuine dialogue between the Council and high-ranking international civil servants such as the President of the World Bank and the Managing Director of IMF.

30. The PRESIDENT said that he shared that view. The enlargement of the Council should serve as the occasion for establishing a system that made possible a more fruitful dialogue, in order that the visit of the President of the Bank and the Managing Director of the Fund should not be limited to a simple presentation of the reports on the activities of their agencies.

31. Mr. MACKENZIE (United Kingdom) agreed that it was desirable to establish a continuing dialogue between the United Nations on the one hand and the World Bank Group and IMF on the other.

32. In his remarks on the advances made towards the adoption of monetary reform, the Managing Director had pointed out that a considerable number of problems still remained to be solved. Those problems, while complicated, were extremely urgent, and he therefore hoped that the Committee of 20, in which the developing countries participated, would achieve results by July 1974. His delegation had noted with interest the Managing Director's comments concerning the role he expected IMF to play during the transitional phase.

33. His delegation supported the idea of establishing a link between the allocation of SDRs and development assistance, provided that such a link did not impair the purpose of the reform. Some progress had been made in that connexion; in particular, it was now being more and more readily acknowledged that decisions concerning the creation of liquidity must be taken on the basis of monetary needs. Nevertheless, there were still some unresolved questions. For instance, there was a tendency in some quarters to think that the question of the link between SDRs and development assistance was an issue between the developing and the developed countries. That was not so, as the discussions in the Committee of 20 had shown. The question of the allocation of SDRs was extremely important, and they should be distributed in such a way as to benefit the poorer countries.

34. Success in the negotiations that had begun in the Committee of 20 and as part of the international trade negotiations at Tokyo would give a new impetus to the Second Development Decade.

35. Mr. RASAPUTRAM (Sri Lanka) said that any reform of the international monetary system must take into account the special needs of developing countries. Clearly, the balance-of-payments difficulties of those countries were due to the need to import productive resources in order to exploit their natural and human resources. Any device to assist only temporary balance-of-payments difficulties would be inadequate; what those countries needed was a long-term capital inflow to enable them to increase their exports in order to pay for imports and debt-servicing.

36. There was no doubt that the Bretton Woods system had served the interests of the developed countries more than those of the developing countries. The creation of the Committee of 20 had made negotiation and discussions on the reform of the international monetary system truly international, and it was to be hoped that developing countries would continue to have their rightful place in such consultation and negotiation. It could not be denied that the present monetary crisis had damaged the economies of many developing countries, and the reduction in the purchasing power of their reserves had occurred alongside a decline in the terms of trade. Although the losses of developing countries could not be made good, the reform of the international monetary system should at least take their interests into account. The system eventually devised should have a truly international character in accordance with the principle of international co-operation enunciated in the International Development Strategy.

37. The creation of SDRs had been a significant advance, but it had left two issues unsolved, namely, the need to link development finance with SDRs and the manner of distributing SDRs. Developing countries like Sri Lanka were distributed by the opposition of some developed market economies to the linking of newly created international liquidity with development needs. One argument against the link had been that it could cause inflation. That would no doubt happen if two thirds of the allocation were distributed among the inflation-prone developed countries. Any increase in foreign exchange availability for developing countries, on the other hand, would result in the importing of real resources for development and the expansion of employment. The fear might be that import demand, if diverted to developing countries, would cause further inflation. But that need not be so, as the amount of new money created had to be considered as a flow rather than a stock of money. There was no doubt that part of the SDR creation would increase trade in developing countries and add to real resources, and sooner or later help to increase productivity. The principle of linking SDRs to development assistance should therefore be established, especially since official development assistance had fallen far short of the target set by the Development Strategy.

38. His delegation welcomed the fact that the World Bank was providing a large volume of assistance to the least developed countries, with particular reference to the development of agriculture. Along with that, it would be necessary to organize commodity stabilization schemes, or even a guaranteed price scheme for primary commodities. Such a scheme would have to be financed and worked out through the co-operation of developed countries, primary producers and international organizations such as IMF, the World Bank and UNCTAD. Very often countries tried to diversify their economies by turning to the cultivation of other commodities, thus causing prices for such commodities to decline in the world market. Tea was a good example of that. It was therefore necessary that the international financial organizations should take a part in designing a guaranteed price scheme for commodities.

39. In summary, his delegation urged action in the following areas: establishment of the link between SDRs and additional development finance; review of the IMF voting system to ensure greater participation of developing countries; review of the operations of IMF, in particular longer-term financing for both loan repayment and stand-by agreements, and a modification of the system of compensatory financing; examination of ways and means to channel excessive liquidity holdings of developed countries to increase the flow of long-term financing to developing countries.

40. Finally, his delegation supported the Chinese delegation and called on IMF to expel Taiwan and restore to the People's Republic of China its lawful rights.

41. Mr. SMIRNOV (Union of Soviet Socialist Republics) stressed the harmful effects of the international monetary crisis, which was disrupting the economies of capitalist and third-world countries, making the main problem of the capitalist countries, inflation, more acute, and helping to spread the inflation from country to country. The monetary crisis was linked to the chronic deficit in the balance of trade of countries holding large liquidity reserves. The trade deficit had caused a decline in the value of the dollar and an increase in dollar holdings abroad. The flood of dollars produced chaos in the capitalist economy, and it could not be denied that multinational corporations were largely responsible for the situation.

42. The creation of the Committee of 20, with the participation of developing countries, had raised many hopes. However, as might have been expected, the crisis had flared up again even before the meeting in Nairobi, thus indicating that the breakdown of the system was continuing. Nor, in fact, had the creation of the Committee of 20 proved to be a solution; the intention had been that the Committee should submit a plan for reform at the Nairobi meeting, but the disagreements had been such that submission of the plan had been postponed until 31 July 1974. There was disagreement both among the Western Powers themselves—concerning adjustment of the balance of payments, support for exchange rates, convertibility of currencies and the role of gold—and between capitalist and third-world countries. Many countries felt that a system of floating exchange rates was no solution, and the majority advocated fixed parities, with rates floating only as an exception. Thus, it was apparent that the Nairobi meeting had been a failure, having brought to light such fundamental disagreements. Moreover, the new deadline proposed for submitting a reform plan was considered by many to be unrealistic. It was regrettable that IMF continued to serve primarily the interests of the Western countries.

43. The socialist countries wished to emphasize that the monetary crisis was a world problem affecting the interests of all States and that any reform must take into account the interests of the developing countries. They were opposed to any continuation of the monopoly of one or two currencies and considered that the price of gold should be maintained at a reasonable level.

44. Mr. SANDERS (United States of America) welcomed the progress achieved towards reform of the monetary system. There were still many issues to be resolved, including the practical aspects of an effective adjustment machinery which would enable countries to take decisions within a framework of general convertibility. It was to be hoped that, as a result of sustained efforts at the technical level and general goodwill, agreement would be reached by the spring of 1974. The Fund would have to equip itself to play its proper role as the central organ of the future system.

45. Mr. BRITO (Brazil) associated himself with those speakers who had stressed the importance of dialogue with the World Bank and IMF because the matters with which the Council and the General Assembly were concerned were influenced by the activities of the Bank and by monetary reform.

46. In view of the fact that the process of reform was incomplete, it was difficult to pass any final judgement. Nevertheless, his delegation was gratified that it had been conceded that the new monetary system should aim at a freer flow of resources from developed countries to the developing countries. His delegation also stressed the importance of the participation of developing countries in the process of reform, within the framework of the Committee of 20. Furthermore, since developing and developed countries alike were affected by the arrangements to be adopted for balance-of-payments adjustments, an integrated mechanism should be devised.

47. In view of the inadequacy of the resources devoted to development assistance, it was essential to take positive measures regarding the proposed link between SDRs and development assistance. He was glad that measures had already been taken in that field; it was to be hoped that the political will of all countries would make it possible to make the necessary arrangements quickly.

48. The position of the Latin American countries with regard to international monetary reform had been explained in detail at Nairobi; those countries could not agree to a reform which did not provide for a transfer of real resources to developing countries, adjustment machinery which did not put all countries on an equal footing, a system of convertibility which would needlessly limit the way in which international reserves were used and, in particular, the right of developing countries to use those reserves to promote their development, or lastly, a mechanism which would result in the over-creation of SDRs and thus restrict the participation of countries in the creation of new liquidity.

49. Mr. GARCÍA BELAÚNDE (Peru) stressed the complexity of the monetary problem and noted with satisfaction that attempts were being made to find practical solutions to the crisis. His delegation considered that any solution to that complex problem should take into account the interests of developing countries. Owing to their economic weakness, those countries had suffered greatly from the instability of the situation. In order to reach a lasting solution, a way had to be found to increase the transfer of real resources.

50. He observed that certain countries were still opposed to the idea of a link between the allocation of SDRs and development financing, but he was convinced that such a link was the most effective means of promoting development.

51. His delegation had listened with satisfaction to the statement made by Mr. Witteveen and hoped that the obstacles to monetary reform would be overcome in the near future.

52. Mr. ROUGÉ (France) said that what the international community expected of IMF was a certain degree of monetary order, which was as necessary to life and increased well-being as food, health, science or culture. That organization therefore carried a heavy weight of responsibility, and it should be put in a position to pursue its task. In line with the thinking of the Bretton Woods negotiators, his Government refused to be satisfied with any so-called monetary system based on complete *laissez-faire* in which there was no room for organized international co-operation. The fact that the breakdown of the system devised in 1945 had not as yet had unduly serious effects was no proof that the world could do without rules and without IMF forever.

53. Nevertheless, the importance of the problem should not serve as a pretext for transferring the negotiations to the Council or the General Assembly. The specialists in the Fund's administration, its Board of Governors and the Committee of 20 should be left free to carry out their difficult task; it would suffice if the Managing Director saw to it that they were kept fully informed of the discussions in the Council and of its resolutions.

54. His delegation had followed attentively the statements made in the Assembly's Second Committee on the problems of reforming the international monetary system and it considered that, as Mr. de Seynes had said in his introductory speech,[3] the fundamental problem at the moment was inflation. It was precisely in order to combat inflation that, in his delegation's view, it was of particular importance to restore a monetary order worthy of the name.

55. It seemed, in fact, that the existing system favoured the building up of inflationary pressures and their transmission from one country to another; it deprived Governments of the support which IMF had formally given them in implementing a policy of monetary reorganization and stabilization. The restoration of proper discipline would also have favourable consequences in other fields of concern to the majority of the Member States of the United Nations. It would remove one of the main obstacles to establishing the proposed link between the creation of SDRs and development aid. Under the existing system either floating currencies made it futile to accumulate reserves or the reserves were made up of virtually non-convertible currencies: in neither case was it advisable to create additional SDRs.

56. Furthermore, the improvement of the adjustment machinery should help to overcome the balance-of-payments difficulties which the developed countries put forward from time to time to justify the inadequate volume of their foreign aid.

57. In conclusion, he expressed the hope that during the forthcoming review and appraisal of the International Development Strategy, the views of the Fund would be conveyed to the Committee on Review and Appraisal and to the Economic and Social Council, after discussion by the IMF Board of Governors. It appeared that the United Nations, like the Fund and member countries, had everything to gain from closer co-operation in the implementation of the Strategy.

58. Mr. OLIVERI LÓPEZ (Argentina) said that his country's position had already been explained at the Joint Annual Meetings of IMF and IBRD in Washington in September 1972 and in Nairobi in September 1973. He wished to point out, as had the Indian representative, that the euphoric atmosphere which had prevailed after the Washington meeting had not survived the Nairobi meeting. In fact, no progress towards reform had been made at the latter meeting. In the view of his delegation, reform should make it possible to increase the flow of resources to developing countries. He supported the principle of establishing a link between the allocation of SDRs and development financing. Consideration should also be given to the special position of the least developed among the developing countries.

59. He noted with satisfaction that some measures proposed were likely to effect permanent improvements in the monetary system. Nevertheless, many of the measures currently contemplated did not go to the root of the problem and, in view of their makeshift character, could result in delaying a definitive solution to the monetary problem and the selection of a new system.

The meeting rose at 12.45 p.m.

[3] See *Official Records of the General Assembly, Twenty-eighth Session, Second Committee,* 1516th meeting.

1884th meeting

Tuesday, 16 October 1973, at 3.15 p.m.

President: Mr. Sergio A. FRAZÃO (Brazil).

E/SR.1884

AGENDA ITEM 3

Report of the International Monetary Fund (*concluded*) (E/5422)

1. Mr. HAQ (Pakistan) said his delegation agreed that there was a need for a more comprehensive dialogue between IMF and the Council. However, it had been disheartened by the dialogue at the current session. Two meetings had been scheduled for a discussion of the Fund's report, and initially there had been no speakers for the afternoon meeting, possibly because delegations had not had time to reflect upon what had taken place at the Joint Annual Meeting of IMF and IBRD, held at Nairobi in September 1973, study the documents properly and formulate their ideas. Furthermore, it was only at the last minute, with the assistance of the secretariat of the Council, that his delegation had received a copy of the summary of the Fund's report (E/5422). If that was to be the pattern of the dialogue in future, perhaps the time devoted to the report should be curtailed rather than increased.

2. In view of the wide areas of disagreement which persisted in the IMF Committee of 20, the deadline of 31 July 1974, which had been fixed for settling the main outstanding issues was perhaps too optimistic. Although the objectives were clear, conflicting national positions could not be reconciled unless it was recognized that the developing countries had a vital stake in the negotiations and that they must be assured proper safeguards. Their currencies and economies were much more vulnerable to the pressures of an unstable monetary system than those of the developed countries, as was borne out by the fact that the recent instability had caused an effective 2 per cent devaluation of the