

1652nd meeting

Tuesday, 10 December 1974, at 11.10 a.m.

Chairman: Mr. Jihad KARAM (Iraq).

A/C.2/SR.1652

AGENDA ITEM 12

Report of the Economic and Social Council [chapters II, III (sections A to D), IV, V² (sections A to D and G) and VII (sections 1 to 3)] (*continued*)* (A/9588, A/9592, A/9599, A/9633, A/9648, A/9649, A/9656, A/9699, A/9716 and Corr.1, A/9761, A/9814, A/9855, A/C.2/289, A/C.2/291, A/C.2/293, A/C.2/L.1342, E/5425 and Corr.1 and Add.1, E/5467, E/5473, E/5499, E/5501, E/5519, E/5585 and Corr.1, E/5587 and Add.1-4, E/C.8/21)

REFORM OF THE INTERNATIONAL MONETARY SYSTEM (*concluded*)** (A/C.2/L.1373/REV.1)

1. Mr. GARCIA BELAUNDE (Peru) introduced the revised draft resolution on reform of the international monetary system (A/C.2/L.1373/Rev.1) and drew attention to a number of additional changes in the text which had emerged from intensive consultations, some of which were set forth in an informal document before the Committee (Conference Room Paper No. 1). The changes to be made to the text as it appeared in document A/C.2/L.1373/Rev.1 were as follows:

2. The end of the fifth preambular paragraph should read: "has been closely examined and the technical feasibility thoroughly explored".

3. In operative paragraphs 1 and 2, the words "in line with" should be replaced by "taking full account of"; in addition, in paragraph 2, the words "resolution 3202 (VI), with national anti-inflationary policies and take into account" should be revised to read: "resolution 3202 (S-VI), in line with national anti-inflationary policies that take into account".

4. Paragraph 4 should be replaced by the following text:

"4. *Notes with satisfaction* the recognition by the Board of Governors of the International Monetary Fund of the importance of the transfer of real resources to developing countries and the need for the efficient functioning of the international adjustment process, and welcomes the decision that the new Interim Committee of the International Monetary Fund will supervise the management and adaptation of the international monetary system, including the continuing operation of the adjustment process, and, in this connexion, review developments in global liquidity and the transfer of real resources to developing countries."

5. Paragraph 5 should end with the words: "from import and capital export restrictions applied by developed countries".

* Resumed from the 1649th meeting.

** Resumed from the 1649th meeting.

6. Paragraph 7 should be replaced by the following text:

"7. *Further stresses* that the improved management of the international economy both in the short and long terms requires a tripartite approach encompassing measures in the monetary, development, financial and commercial spheres, and that, in order to be fully responsive to development requirements of developing countries, the reformed monetary system should be developed in conjunction with parallel arrangements for the expansion of the exports of the developing countries and an acceleration in the flow of real resources to them, having regard to the special problems of the least developed among them, under favourable terms and conditions, consistent with their development needs."

7. The following words should be added at the end of paragraph 8 (*d*): "bearing in mind that these objectives are also to be pursued in the multilateral trade negotiations".

8. A new paragraph should be inserted between paragraphs 8 and 9, reading as follows:

"9. *Invites* all States to respond to the generally recognized or mutually agreed development needs and objectives of developing countries by promoting increased net flows of real resources to the developing countries from all sources, taking into account any obligations and commitments undertaken by the States concerned, in order to reinforce the efforts of developing countries to accelerate their economic and social development."

9. The existing paragraph 12 should be replaced by the following text:

"*Welcomes* the establishment by the International Monetary Fund of the oil facility as well as the new extended facility under which developing countries should be able to receive medium-term balance-of-payments finance under more favourable terms and conditions, and urges the need to examine immediately the question of improving the terms and conditions of both facilities with a view to making them more responsive to the balance-of-payments needs of the developing countries."

10. Paragraph 13 should be deleted.

11. Paragraph 14 should be replaced by the following text:

"*Stresses* the need in reconsidering the quota system of the International Monetary Fund to, *inter alia*:

(a) Take fully into account the requirements of developing countries for, and their ability to contribute to, balance-of-payments finance;

(b) Reflect recent changes in balance-of-payments positions and creditor positions of the members of the Fund;

(c) Increase the over-all participation of developing countries in the decision-making process of the Fund, bearing in mind the measures referred to in subparagraphs (a) and (b) above.”

12. Paragraph 15 (c) should be replaced by the following text:

“(c) Should take into account the concern of developing countries with regard to the distribution of world liquidity.”

13. The sponsors hoped that the new text would be adopted by consensus.

14. Mr. BRITO (Brazil) said he regretted that the fifth preambular paragraph and operative paragraph 4 had been reformulated. In his view, the feasibility of the link between development finance and special drawing rights allocation was already fully established. The original formulation of paragraph 4 had been more positive, since it had stated clearly that the efficient functioning of the adjustment process required adequate levels in the transfer of real resources to the developing countries. Unfortunately, that idea had been lost in the new formulation of the paragraph.

15. His delegation was gratified at the establishment of the joint World Bank/IMF Development Committee under the chairmanship of the Minister of Finance of the Ivory Coast.

16. Mr. AL-EBRAHIM (Kuwait) said that, although his delegation was prepared to join in the consensus on the revised draft resolution, it reserved the right to comment on the new version of paragraph 4 in the plenary.

17. Mr. CHANG Hsien-wu (China) said that it was a right of the developing countries to participate in the formulation of international monetary policy, and China strongly supported that right. Furthermore, his delegation deplored the fact that the World Bank and IMF had exerted economic pressure on some third-world countries and, despite the decision adopted by the General Assembly in its resolution 2758 (XXVI), had retained representatives of the Chiang Kai-shek clique in their organizations, thus maintaining an erroneous two-China position and hostility towards the Chinese people. For those reasons, China would not participate in the draft resolution.

18. The CHAIRMAN suggested that draft resolution A/C.2/L.1373/Rev.1 should be adopted without a vote.

The draft resolution, as revised, was adopted.

19. Mr. TANABE (Japan) said that he had joined in the consensus in a spirit of compromise and co-operation. With regard to paragraph 2, however, it should be noted that Japan had made reservations on several points when the General Assembly had adopted the Programme of Action contained in resolution 3202 (S-VI); it maintained those reservations. In connexion with paragraph 8 (d), he recalled that Japan had reserved its position on paragraphs 25 and 26 of the International Development Strategy at the time

of its adoption and had not changed its attitude. Lastly, his delegation felt some anxiety with regard to paragraph 14 because the three objectives stated in the subparagraphs could be discussed only after the completion of studies on the over-all adjustment of the IMF quota system.

20. Mr. AMIRDZHANOV (Union of Soviet Socialist Republics) said that, while his delegation accepted the adoption of the draft resolution by consensus, it had not participated in the consultations on the reform of the international monetary system and did not consider itself bound by that decision. He wished to confirm his delegation's position on the significant role of gold in the international accounts system and the urgent need for more extensive talks on that subject.

21. Mr. EKBLOM (Finland) noted with satisfaction that the difficulties which the original text of the draft resolution had created for his delegation had been eliminated in the revised version, so that his delegation had been able to support the general thrust of the text adopted by the Committee. He regretted, however, that paragraph 12 did not state that the oil facility established by IMF, while being fully responsive to the balance-of-payments needs of the developing countries, could also serve the developed countries in accordance with the Fund's regulations. He had consented to the adoption of the text by consensus on the clear understanding that paragraph 12 did not infringe the rights of the developed countries.

22. Mr. WRIGSTAD (Sweden) expressed appreciation to the sponsors of the revised draft resolution for their willingness to accommodate his delegation's views on most problems. He shared the view of the representative of Finland concerning paragraph 12; the oil facility was intended for both the developed and the developing countries.

23. Mr. MORDEN (Canada) said that he was grateful to the sponsors of the revised text for the changes they had made in paragraph 11 to meet the concerns expressed by his delegation. On the other hand, a detailed discussion of monetary issues should not be taking place in the Second Committee, but rather in the various organs specifically established for that purpose.

24. His delegation had doubts regarding the provisions in the revised draft resolution which tied trade arrangements closely to monetary measures; trade depended on a great many factors independent of monetary developments and vice versa. With respect to the various references to past decisions of the General Assembly, such as the adoption of the International Development Strategy and of the Programme of Action contained in Assembly resolution 3202 (S-VI), any explanations of vote made by Canada at the time of those decisions were to be regarded as a clear indication of government policy on the issues involved; those statements of policy remained in effect until such time as a different policy might be enunciated.

25. With regard to specific provisions, his delegation interpreted the fifth preambular paragraph in the strictest sense; the viability of any monetary system containing a link must be judged as a whole and could be known only when all its principal features were settled. Paragraphs 8 (c)

and 8(d) referred to certain targets in a time-bound framework which had not been accepted by the Canadian Government. Paragraph 12 should have been drafted in terms of the provision of medium-term financing which would be conditional on the implementation of appropriate programmes. Finally, he interpreted paragraph 14 as being directed at the need for changes in voting power within IMF and not at the system for determining the share of the voting power itself held by various countries.

26. Despite the changes that had been made, his delegation was not satisfied with the over-all balance of the draft resolution, for it emphasized virtually exclusively those aspects of monetary issues which had attracted the interest of the developing countries. In the view of his delegation, the maintenance of secure conditions for payment flows—confidence in markets, in international adjustment mechanisms and in compensatory financial flows—continued to depend on healthy economies at every stage of development and on well-understood reciprocal obligations among them.

27. Mr. PETRONE (Italy) said that his delegation's support of paragraphs 1 and 2 of the draft resolution did not indicate any change in its position on the references to monetary arrangements in the resolutions adopted at the sixth special session of the General Assembly. It regretted that no mention had been made in paragraph 11 of the desirability of particularly favourable conditions for the least developed countries, and it considered that the oil facility referred to in paragraph 12 could be utilized by both developing and developed countries.

28. Mr. PATTISON (United Kingdom), referring to paragraphs 1 and 2 of the draft resolution, recalled his delegation's reservations concerning section II of the Programme of Action in General Assembly resolution 3202 (S-VI). With regard to paragraph 8(c), the United Kingdom's progress towards the development aid target of 0.7 per cent of gross national product would depend on the pace of its economic recovery and the other calls on its resources. His delegation interpreted paragraph 14 to mean that the revision of the quota system of IMF would be conducted according to the existing rules and regulations of the Fund. While simultaneous progress of the type called for in the fourth preambular paragraph and operative paragraph 7 was desirable, it was not always possible; his delegation would not wish progress in some areas to be restricted by delays in others.

29. Mr. KOCH (Federal Republic of Germany), referring to paragraphs 1 and 2 of the draft resolution, also recalled the reservations expressed by his delegation at the sixth special session of the General Assembly concerning the resolutions adopted at that time. His delegation felt that negotiations on the reform of the international monetary system should be conducted within the appropriate organs of IMF and therefore interpreted the draft resolution, particularly paragraphs 14 and 15, in the light of the appropriate decisions of the Fund.

30. Mr. CURTIN (Australia) said his delegation viewed the international debate on the reform of the international monetary system as a critical element in moves towards a new international economic order. The reserve situation of

many developing countries was daunting, and the problem must be tackled by the international community as a whole. Although his delegation was happy that the draft resolution had been adopted by consensus, it would have preferred different formulations, especially in paragraphs 8(b), 11, 14 and 15.

31. Mr. de BEIR (Belgium) said that his delegation would have preferred paragraph 8(b) of the draft resolution to read:

“(b) To take into account the interests of developing countries with regard to access to financial markets”.

32. It would also have preferred a more general text in place of paragraphs 14(a) and 14(b), reading:

“Stresses the desirability of adapting the quota structure to reflect changes in the balance-of-payments positions of member countries and in their ability to contribute”.

33. Paragraph 14(c) in its present form also seemed unacceptable to his delegation, which believed that increased participation in the decision-making process of IMF could only be the consequence, and not the objective, of a review of the quota system.

34. Mr. KRIZHANOVSKY (Ukrainian Soviet Socialist Republic) said that, while his delegation had not opposed the adoption of the draft resolution by consensus, its doubts concerning the possibility of solving the contemporary monetary crisis within the context of IMF, which it had expressed on the occasion of the adoption of General Assembly resolution 3084 (XXVIII), still remained. Events subsequent to the adoption of that resolution had shown the invalidity of the concept of floating exchange rates and the ineffectiveness of the Committee of 20. References in the preambular paragraphs of the draft resolution to new organizational arrangements within IMF showed that there were now even greater differences of opinion in the capitalist world on how to solve the current problems. Their solution demanded radical deflationary measures on a broad international scale, including restoration of the convertibility of national currencies and elimination of the main causes of inflation, namely, the unprecedented arms race and the balance-of-payments and budget deficits of the leading capitalist countries.

35. In the view of his delegation, there must be broadly based international participation in efforts at international monetary reform. His delegation was opposed to the continuation of a monopoly of one or two currencies and to any reduction of the role of gold, the official price of which should be set at a just and economically warranted level.

36. Mr. OLIVERI LOPEZ (Argentina) said, with regard to the fifth preambular paragraph of the draft resolution, that in the view of his delegation the feasibility of a link between development finance and special drawing rights had been fully established. He regretted that it had been necessary, for the sake of compromise, to make changes to paragraph 4 as it appeared in document A/C.2/L.1373/Rev.1; the text was now far less clear. Reform of the

international monetary system was essential for the establishment of the new international economic order, and he believed that the General Assembly was fully competent to set guidelines for international monetary policy. As his delegation had stated previously, any opportunities for the developed countries to shift the burden of their past mistakes on to the developing countries should be precluded. The draft resolution as adopted was positive, however, in its reference to a tripartite approach. International monetary reform would be impossible so long as restrictive policies and practices continued and the possibilities for the transfer of real resources and technology to the developing countries remained limited.

37. Mr. ATANGANA (United Republic of Cameroon) expressed regret at the changes made to paragraph 4 as it appeared in document A/C.2/L.1373/Rev.1. The final version of paragraph 14, on the other hand, was satisfactory.

38. Mr. ARMENDARIZ (Mexico) said he was particularly pleased that the draft resolution took a global approach to international monetary problems. The programme of work for the Interim Committee of IMF referred to in paragraph 4, including in particular the question of the equity of the adjustment process, was especially important. His

delegation also welcomed the references in the draft resolution to the resolutions adopted at the sixth special session of the General Assembly.

39. Mr. KJELDGAARD-OLESEN (Denmark) said that his delegation interpreted paragraph 12 in the same way as the delegations of Finland and Sweden. Its acceptance of the need for a review of the quota system of IMF, as referred to in paragraph 14, did not change its position concerning the system for the distribution of voting power within the Fund.

40. Mr. HUME (United States of America) said his delegation would have preferred to have the idea formulated in paragraph 8(d) expressed in the language of article 18 of the draft Charter of Economic Rights and Duties of States. His Government supported a review of the quota system of IMF, but it interpreted paragraph 14 as in no way affecting the right of the Fund to conduct that review in accordance with its own rules and regulations. His delegation was pleased that the joint World Bank/IMF Development Committee was to be under the chairmanship of the Minister of Finance of the Ivory Coast.

The meeting rose at 1.10 p.m.

1653rd meeting

Wednesday, 11 December 1974, at 3.15 p.m.

Chairman: Mr. Jihad KARAM (Iraq).

A/C.2/SR.1653

AGENDA ITEM 12

Report of the Economic and Social Council [chapters II, III (sections A to D), IV, VI (sections A to D and G) and VII (sections 1 to 3)] (concluded) (A/9588, A/9592, A/9599, A/9633, A/9648, A/9649, A/9656, A/9699, A/9716 and Corr.1, A/9761, A/9813, A/9855, A/C.2/289, A/C.2/291, A/C.2/293, A/C.2/L.1342, E/5425 and Corr.1 and Add.1, E/5467, E/5473, E/5499, E/5501, E/5519, E/5585 and Corr.1, E/5587 and Add.1-4, E/C.8/21)

WORLD FOOD CONFERENCE (concluded)* (A/9603/ Add.1 (part V), A/C.2/L.1390, 1416, 1421 and 1424)

1. Mr. HAMID (Sudan), Vice-Chairman, introduced draft resolution A/C.2/L.1421, relating to the World Food Conference held in Rome from 5 to 16 November 1947. He pointed out some changes to be made in the text. In operative paragraph 8, the number of members nominated by the Economic and Social Council should be 36; moreover, in the penultimate line of the English text of that paragraph the full stop between the words "every year" and "Retiring" should be replaced by a comma, and in the final line of the English text the word "will" should be replaced by the word "to". In foot-note 1, the following

figures should be inserted in the blank spaces to read: "9 members from African States; 8 members from Asian States; 7 members from Latin American States; 8 members from Western Europe and other States and 4 members from the Socialist States of Eastern Europe".

2. The draft resolution under consideration was the outcome of intensive consultations, aimed at arriving at a consensus. The main concern of all delegations was that the World Food Council should be elected by the current General Assembly, and that the Council should be able to hold its first session as soon as possible. It was therefore important to have the secretariat for the Council established and operating immediately. Questions had been raised as to the framework within which the Secretary-General of the United Nations should act and consult with the Director-General of FAO regarding the setting up of the secretariat of the World Food Council. Obviously that depended on how the Committee and ultimately the General Assembly, interpreted paragraphs 11 and 12.

3. Resolution XXII of the Conference¹ provided that the World Food Council would be an organ of the United Nations which would report to the General Assembly through the Economic and Social Council. That was

* Resumed from the 1641st meeting.

¹ See E/5587, chap. VI.