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Resumed Forty-first Session

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CONTENTS

President: Mr. Tewfik BOUATTOURA (Algeria).

Present:

Representatives of the following States members of the Council: Algeria, Cameroon, Canada, Chile, Czechoslovakia, Dahomey, Ecuador, France, Gabon, Greece, India, Iran, Iraq, Luxembourg, Morocco, Pakistan, Panama, Peru, Philippines, Romania, Sierra Leone, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Venezuela.

Observers for the following Member States: Belgium, China, Libya, Turkey.

Representatives of the following specialized agencies: International Labour Organisation; Food and Agriculture Organization of the United Nations; International Bank for Reconstruction and Development; International Monetary Fund.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 11

Report of the International Monetary Fund (E/4282)

1. Mr. SCHWEITZER (Managing Director of the International Monetary Fund), presenting the annual report of the International Monetary Fund for 1966,[1] said that one of the most encouraging aspects of the development of the world economy over the last few years had been the steady growth in the volume of world production (50 per cent since 1958) and world trade (70 per cent since 1958). The fact that trade had been growing even faster than output reflected the growing interdependence of the world economy, which was increasingly obtaining the benefits of an international division of labour.

2. The rise in world trade in recent years had been dominated by the extremely high level of economic activity in the industrial countries. After a decline in 1965, the aggregate rate of growth of the industrialized countries had increased slightly in 1966, and the average growth rate of those countries since 1963 had been almost 5 per cent per annum. Unfortunately, the industrial countries had not always succeeded in reconciling the objectives of economic growth and full employment with those of price stability, so that all of them had needed to take measures to curb excessive pressures of demand on their resources. Economic growth required high levels of investment, but the savings available for that purpose proved inadequate when the current spending of the private and public sectors was not kept in check. One natural result of the shortage of liquidity was for interest rates to rise, particularly if the restraining influence on demand was exercised principally by means of monetary instruments. Thus, the comprehensive use in the last few years of those methods had helped to drive up interest rates to levels not experienced since the early nineteen-twenties.

3. One could understand the reasons prompting Governments to prefer monetary measures to fiscal ones, whose adoption might entail longer legislative processes and be politically more contentious. But the effects of monetary measures were not necessarily achieved more quickly or reversed more easily than those of fiscal measures. Moreover, monetary measures could produce an undesirable effect on the balance of payments; for example, countries which despite domestic overstrain were in surplus on their external accounts had no need of the capital inflow which higher interest rates might induce, and in fact such an inflow might make the adjustment of their domestic economy more difficult. The operation of the international adjustment process had been less than satisfactory in that respect. Tight money in the United States in the past year had helped to produce a sharp reduction in the net outflow of capital, but the potential benefits had been diminished by the policy of other developed countries having a surplus.

4. Scarce money and high interest rates in the industrial countries had inevitably had some repercussions on the net flow of capital to the developing countries. Yet the giving of aid by the developed countries should have high priority and should be shielded from action which those countries might need to take to deal with balance-of-payments problems. An increased volume of aid would help to speed up development in the poorer countries and to diminish the differences in income which separated nations. Unfortunately, despite the rapid rise in the incomes of the developed countries, the amount of aid flowing

[1] International Monetary Fund, Annual Report of the Executive Directors for the Fiscal Year ended April 30, 1966 (Washington, D.C.), transmitted to the Economic and Social Council by a note of the Secretary-General (E/4282).

from them to the developing countries had shown barely any increase since the beginning of the United Nations Development Decade. For a few years, the developing countries had received higher prices for their primary commodity exports but, after 1964, the prices of primary commodities had declined while the prices of the manufactured goods imported by the developing countries had continued to rise; that adverse movement in their terms of trade had impeded efforts to strengthen their external financial position and to accelerate economic growth.

5. Nevertheless, the developing countries as a group had continued to add to their exchange reserves and to maintain a modest rate of economic growth. In most countries that rate had exceeded the rate of population growth sufficiently to permit a slight improvement in living standards. In many cases the improved rate had been accompanied by a rise in exports. Unfortunately, many developing countries had suffered continued inflation, which had subjected available resources to acute pressure and had aggravated already difficult structural problems. The comparative unevenness in the pattern of growth of the developing countries had been reflected in unevenness in their acquisition of international reserves. But higher external receipts and the comparatively slow rise in imports in 1965 and 1966 had resulted in a significant reconstitution of reserves of the developing countries as a group. There was, however, a comparatively large number of developing countries whose reserves were still extremely low. In countries where standards of living were low, it remained difficult to allocate resources between expanding the production of goods for consumption and investing in long-term undertakings such as the diversification of economies and the increase of exports. That dilemma had been heightened in the last few years by the precarious state of food supplies. The Director-General of the Food and Agriculture Organization of the United Nations had called attention to the fact that the poor harvests of the previous year had followed a long period in which food production had only barely kept up with the rapidly mounting population. With the depletion of grain stocks, mainly in North America, the world food situation was now more precarious than at any time since the period of acute shortage immediately after the Second World War. The hazards of the weather and the possibility of crop failure were among the risks endangering the economic development of the many members of IMF which relied heavily on the export of primary products.

6. In 1963, IMF had established a system of compensatory financing to assist members experiencing payments difficulties produced by a temporary shortfall in export receipts. Drawings under the 1963 decision had normally been limited to 25 per cent of a member's quota. In response to a recommendation adopted by the United Nations Conference on Trade and Development (UNCTAD) in 1964 and to suggestions made by a number of IMF Governors in 1965, the Fund had modified the system: the maximum limit on outstanding drawings had been increased from 25 to 50 per cent of the quotas, but the amount of such drawings might not ordinarily increase by more than 25 per cent of the member's quotas during any twelve-month period. Drawings under that new scheme would be outside the Fund's tranche policies and would not affect the member's ability to draw under those policies; provision had also been made to enable members to take full advantage of the "floating" character of compensatory drawings. Countries making compensatory drawings would repurchase their currency from the Fund within three to five years, in accordance with the Fund's established policies. In the three months since the new compensatory financing scheme had been established, drawings had already been approved for two members. He was confident that the extension of that facility would strengthen the Fund's stabilizing influence not only on the domestic economies of the developing countries but also on the expansion of world trade. The compensatory financing facility had been developed within the established policies of the Fund under which the Fund's resources were to be used for meeting only temporary balance-of-payments problems and to give countries time to cope with those problems. With the same ends in view, the Fund offered its members advice on how to anticipate and overcome such difficulties and provided technical assistance to countries requesting it. The activities of IMF's Fiscal Affairs Department and the Central Banking Service had been expanded, and the IMF Institute had continued to give courses on monetary policy and analysis in English and French, and was preparing courses to be conducted in Spanish.

7. The total of Fund quotas, which had amounted to the equivalent of just over $9,000 million at the end of 1958, now amounted to the equivalent of almost $21,000 million. The Fund also had access to the equivalent of $6,000 million of supplementary resources under its General Arrangements to Borrow. In 1965 the Arrangements had been renewed for a period of four years from October 1966. Furthermore, in August 1966, the Fund had obtained from the Italian Government a five-year loan of lire equivalent to $250 million, on substantially the same terms as those on which resources were made available under the General Arrangements to Borrow.

8. During the first eleven months of 1966, the Fund had approved twenty-four stand-by arrangements in the amount of nearly $550 million; all of them had been for the developing countries, and $375 million remained undrawn. Two countries—India and the United States—had made large drawings not related to stand-by arrangements. In nearly twenty years of existence, the Fund had devoted $12,800 million to currency drawings; almost half that sum had been drawn since the end of 1963, and three fifths of that had been drawn by the reserve currency countries—the United States and the United Kingdom. In the past few years, those two countries had also received various forms of special short-term financial assistance, mostly from their partners in the General Arrangements to Borrow.

9. The position of the reserve centres was, of course, especially significant because a large proportion of the world's reserves was held in the form of financial claims on those centres. Those claims, together with gold and reserve positions in the Fund, constituted the aggregate of world reserves. The total level of world resources had been growing relatively slowly

since the end of 1964. Foreign exchange reserves had been lower in June 1966 than they had been at the end of 1964, and gold reserves had remained virtually unchanged. The rise in world reserves between the end of 1964 and June 1966 had come essentially from an increase in members' reserve positions in the Fund. It could no longer be said that continuing deficits in reserve centres automatically added to the supply of liquidity. There seemed little prospect that the flow of gold would increase in the near future. It seemed likely, therefore, that the period immediately ahead would be one of comparatively slow growth in international reserves.

10. The problem of devising an acceptable way of meeting the reserve needs of the world economy had been actively studied in the Fund and elsewhere during 1966. Study of the possible creation of new reserve instruments had been one of the most important activities of the Fund in 1966, and there had also been discussions among the Deputy Ministers and Governors of the ten countries which participated in the General Arrangements to Borrow (the Group of Ten). Valuable contributions had also been made in the report of the Group of Experts on International Monetary Issues 2/ appointed by UNCTAD and in the statement of views expressed at the second meeting in April 1966 by the Governors of Latin American central banks known as the Declaration of Jamaica. In order to facilitate the study of the liquidity problem, it had been agreed that the deputies of the Group of Ten should have a series of meetings with the Executive Directors, who represented the interests of all 105 members of IMF; the first of those joint meetings had been held at Washington in November and the second would be held in London in January 1967. There was already a convergence of views on various points: that the creation of new reserves should be based on a collective judgement of global needs and not on the balance of payments needs of individual countries; that any decision to create reserves should be taken in order to meet long-term needs, not to operate a counter-cyclical policy; and lastly, that new reserves would be distributed to all Funds members on the basis of their Fund quotas or a similar formula which took into account the economic size of countries. Nevertheless, much remained to be done to create a generally acceptable medium of reserves and work out machinery providing safeguards against excessive reserves creation.

11. The world community had reached a new and extremely important stage in the evolution of the international monetary system, and he hoped that agreement would soon be reached on a contingency plan for the equitable creation of international liquidity. The proper functioning of the international monetary system was in the interest of all countries, and it was imperative that all reasonable steps should be taken to ensure the continued interchange of goods and services within as wide a system of multilateral trade and payments as was possible.

12. Mr. SEYDOUX (France) said that as the report of the International Monetary Fund showed, the Fund's operations had steadily expanded since the inaugural meeting of the governors of Savannah in March 1946, the assistance granted to member States during the financial year under review having amounted to some $2,800 million. That figure doubtless included drawings made to permit the payment of the gold portion of the general increase in quotas; nevertheless, it was a record amount which clearly reflected the importance of the Fund's role in international co-operation. The United States and the United Kingdom had been the main beneficiaries of the Fund's operations; their borrowings still represented almost two thirds of the net financial assistance which the Fund made available to its whole membership. The fact that those two countries had between them utilized so large a proportion of the Fund's assets for their own use merited the Council's attention, especially since the two countries had up to the present played a special role in the operation of international monetary machinery. The drawings had been made primarily in continental European currencies, in particular, in the currencies of the European Common Market countries, which had thus been required to provide the main part of the resources used by the Fund. Continental Europe had thus increased its contribution to more than $3,500 million, of which nearly $1,000 million had been contributed by the French authorities. Those operations had caused a drop in the Fund's holdings in various European currencies; on 31 October 1966 those holdings had represented only from 10 to 35 per cent of the quotas of members belonging to the Common Market, even though the countries in question had in the meantime paid in their share of the general increase in quotas.

13. In contrast with those developments, the rate of economic growth of the industrialized countries had continued to be satisfactory; for the first time in the history of the post-war years virtually all of them had a high level of employment. Those facts had of course to be qualified in the light of recent events, in particular the drastic measures the United Kingdom had had to take, measures whose courage the French Government appreciated.

14. The French authorities, which were pursuing a policy of close monetary co-operation, had made every effort to keep interest rates in Paris lower than those prevailing elsewhere, despite the outflow of capital which had occurred in consequence. In the same spirit, the French Government had decided to liberalize still further the system of foreign banking operations and to take steps to ensure the progressive liberalization of arrangements for the issue of foreign loans on the French market. At the same time it had introduced a bill for the abolition of exchange controls. As far as the developing countries were concerned, he welcomed certain encouraging trends in the development of their internal situation, and particularly the improvement of their current balances of payments.

15. As at 30 April 1966, twenty-seven developing countries had been making use of the facilities offered by the Fund. The increase in the number of countries taking advantage of international monetary co-operation was not in itself a disquieting phenomenon; on the contrary, it was to be welcomed, as long as repayment terms remained satisfactory. On

2/ International Monetary Issues and the Developing Countries (United Nations publication, Sales No.: 66.II.D.2.).

the other hand, relatively little use had been made of the compensatory financing arrangements for offsetting fluctuations in the export earnings of the primary producing countries. In 1966, only two countries had made drawings under those arrangements. That meant that the downward trend in commodity prices had again, during the year under review, not been unduly pronounced. The Fund had nevertheless decided in September to relax its drawing requirements while at the same time raising maximum drawings from 25 to 50 per cent of a member's quota. His delegation welcomed that reform, in which the French representatives had taken an active part.

16. The Fund's report noted that there had been important developments in 1966 with respect to the problem of international liquidity and the possible creation of additional reserves. France's position on that question was well known. His delegation shared the general view that for the present the problem was not a shortage of liquidity. Indeed, it wondered whether a problem was not being caused by excess liquidity, to the extent that it was responsible for the present difficulties in the functioning of the international monetary system. To increase liquidity in those circumstances would have the effect of aggravating the inflationist pressures which could only too easily endanger the equilibrium of the more precarious economies. Nor did it appear likely that there would be a shortage of liquidity in the immediate future. So long as the balance-of-payments deficits of the reserve-centre countries continued, the global volume of liquidity would be bound to increase under the combined effects of the evolution of gold reserves, drawings on the Fund and increased foreign assets in pounds and dollars.

17. In that connexion, it would not be amiss to recall that the study of the liquidity problem had been based on the assumption that the United States balance of payments would be redressed. As a result of measures taken after 1963, the United States deficit had in fact decreased significantly, to such an extent that the United States authorities had anticipated that the complete restoration of its balance of payments would be achieved by the end of 1966. That target-date had had to be abandoned for well-known reasons, and no one could now make serious predictions as to the date of the probable restoration of the United States balance of payments. That was the main reason why the French Government considered it untimely to begin negotiations on that problem immediately. Even if in the more distant future the development of production and trade should prove to be hampered by a shortage of means of settlement, there were no grounds for the view that the creation of liquidity would be the most appropriate solution. In any case, it would be unreasonable to embark on that course after the idea of making a careful study of gold problems and exploring the possibility of making broader use of the credit facilities which the Fund made available to its members had been rejected. It was with that consideration in mind that the representatives of France had requested a broadening of the agenda of the conversations between the Group of Ten and the Executive Directors of the Fund: it would be paradoxical if, when the framework of the conversations was being broadened internationally, their scope was restricted to the controversial and somewhat premature question of the artificial creation of reserves, the practical results of which would in any case be quite limited as far as the developing countries were concerned.

18. The developing countries knew that they had little to gain from the creation of liquidity: if their share in the new resources was fixed in proportion to their Fund quotas, ninety countries would share about one third of the new reserve assets while the other two thirds of the new resources would be distributed among only ten industrialized countries. Moreover, the developing countries were not at the present time suffering more from a shortage of reserves than were the industrialized countries: the report of IMF showed that the ratio between reserves and the annual amount of imports was not appreciably higher in the case of the developed countries than in that of the developing countries. The projects now being canvassed should not divert the Council from the fundamental problem of under-development, which were the low rate of capital formation and the inadequate income of the primary producing countries. No one should have any illusions in that respect: the action needed lay not in the monetary field but in that of trade and aid. An easy-money policy, whose harmful effects at the national level were recognized, would not produce any better results at the international level. It could not affect the fact that the developing countries' production and sales were actually limited to certain agricultural products and a few raw materials whose prices, moreover, were unstable and frequently unremunerative. It would not relieve the industrialized countries of the need to transfer part of their production and their capital to the developing countries. Recent progress in co-operation between the developed countries still further underscored the inadequacy of economic co-operation between the industrialized and the developing countries. Efforts to achieve equilibrium would be further hampered if, contrary to the approach repeatedly advocated by France, the reform of the international monetary system continued to be given priority over efforts to stimulate development aid.

19. The Economic and Social Council should therefore try to find more general remedies. There were two major direct methods of bringing about the transfer of wealth: to provide direct economic and technical assistance and to increase the export earnings of the primary producing countries. France's policy towards the under-developed countries continued to be based on those two approaches.

Mr. Murgescu (Romania), First Vice-President, took the Chair.

20. Mr. Donald MACDONALD (Canada) said that his country attached great importance to the International Monetary Fund's contribution to the successful functioning of the international payments system. Impressive progress had been made in international monetary co-operation, the balanced expansion and growth of international trade, the promotion of exchange stability, the avoidance of competitive exchange depreciation, and, more generally, the establishment of a multilateral system of payments. By making available substantial medium-term credits to countries in

temporary balance-of-payments difficulties, the Fund had enabled them to make necessary adjustments. Since its establishment, the Fund had grown in membership and resources. In that connexion, his delegation welcomed the increase in quotas which had taken place in 1965. Canada, with fifteen other countries, had been granted a special increase, enabling its quota to be raised from $550 million to $740 million. In recent months, the Fund had completed a re-examination of its compensatory financing facility, and the new proposals which had been approved by the Executive Directors would add a welcome degree of flexibility to the existing arrangements.

21. With regard to international monetary reform, the Fund's studies had shown the need for a modification of the international monetary system. One essential modification concerned the need to devise and set up adequate machinery for the management of a new international reserve asset. The progress made in that field had been inadequate in many respects. He hoped that the joint meetings planned between the Executive Directors of the Fund and the deputies of the Group of Ten would pave the way to a satisfactory solution of the problem. At the first of those meetings, an area of agreement had emerged on the principal characteristics of any future reform of the international monetary system. It was generally agreed that any arrangements for the creation of a new reserve asset should be closely associated with the Fund and that all countries should participate in the reserve assets thus created. He shared the view of the Managing Director of the Fund that the joint meetings of the Executive Directors and the deputies of the Group of Ten would help to ensure speedy progress towards a consensus.

22. Sir Edward WARNER (United Kingdom) said the report of IMF showed that a record number of countries had been helped by the Fund in 1965. His country had particular reason to be glad of the existence of the Fund, and was appreciative of the manner in which the Managing Director and his staff had dealt with the United Kingdom's special problems. The United Kingdom Government welcomed the decision which had been taken since the publication of the report to extend and improve the arrangements adopted in 1963 for compensatory financing of deficits resulting from export shortfalls. That decision had enabled many of the Fund's members to obtain increases in their quotas. Only three countries, however, had made use of the arrangements for special compensatory drawings. It might well be that the arrangements would in future be useful to a greater number of IMF members.

23. Referring to the question of international liquidities, he observed that only a scheme commanding general international assent could be of any use. The essential fact was that liquidity had recently increased less than in past periods. World gold reserves had increased by only $250 million in 1965, compared with $840 million in 1963 and $750 million in 1964. There was little prospect that within the next two years world liquidity would expand at the same rate as during the nineteen-fifties or the early years of the present decade. That was why the United Kingdom attached great importance to speedy agreement on a plan for the deliberate creation of reserves, which, as had been generally agreed at the November meeting, should be distributed to all Fund members, on the basis of IMF quotas.

24. Mr. PIÑERA (Chile) welcomed the fact that IMF was giving greater attention to the transfer of resources from the developed to the developing countries, so that that problem was still receiving high priority. The Managing Director of the Fund had rightly pointed out that the volume of assistance had not increased at the same rate as the incomes of the industrial countries. The Chilean delegation felt that the Bretton Woods Agreements should be continuously and constructively revised, for the present-day world was no longer what it had been in the immediate post-war period, and other organizations, particularly the International Bank for Reconstruction and Development, which had established the International Finance Corporation and the International Development Association, had taken account of the changes which had occurred. The developing countries could not be satisfied with loans granted on the customary business terms, and the Bank and its affiliates, was now granting them the long-term loans at reasonable interest rates which they needed. By developing compensatory financing facilities, IMF had shown that it too was aware of current needs.

25. The Economic and Social Council had been right to express the view that UNCTAD should be associated in the study of international monetary questions, for UNCTAD was not only more representative than IMF but approached such problems in a different spirit. It was therefore encouraging that a constructive dialogue had begun between UNCTAD experts and representatives of IMF; he hoped that the Fund would give consideration to the views of other organizations besides the Group of Ten. Given co-operation between IMF, UNCTAD and the Group of Ten, the problem could be placed in a genuinely international context and the needs of the developing countries could be given their proper weight.

26. Mr. POLIT (Ecuador) observed that the needs of the developing countries with regard to international liquidity were different from the needs of the great industrial Powers, whose currencies were used as international reserves. The Managing Director of IMF had stressed the economic problems of the members of the Fund and the need to work out a method for creating international liquidity through the combined efforts of all the countries concerned. The debates which had taken place in the Second Committee of the General Assembly testified to the importance of that issue. The deficit in the United States balance of payments could not continue indefinitely without jeopardizing the equilibrium of the international monetary system; the pound sterling was no longer playing its traditional role; and it was doubtful whether gold production was rising fast enough to meet the needs of the international community. In the circumstances, an increase in international liquidity was of definite importance to the developing countries. In that connexion, the Second Committee had urged that an effort should be made to increase the participation of all countries in the preparation and implementation of the international monetary reform; his delegation welcomed the an-

nouncement in the report of the Fund that future negotiations on the question of reform would be expanded.

AGENDA ITEM 7

Elections (concluded)

TERM OF OFFICE OF THE SIXTEEN MEMBERS OF THE COMMITTEE FOR PROGRAMME AND CO-ORDINATION

27. The PRESIDENT said that, at the previous meeting, the representative of the United Republic of Tanzania had proposed that the Council should decide that members of the Committee for Programme and Co-ordination should serve initially for three years, and that the five additional members to be appointed for the general review should also serve for three years.

28. Mr. Donald MACDONALD (Canada) said that he endorsed the proposal of the United Republic of Tanzania, provided that it was clearly understood that the Council was not cancelling, but merely suspending for three years, the implementation of the relevant provision of operative paragraph 1 of Council resolution 1187 (XLI).

29. Mr. CARANICAS (Greece) said that he would endorse that proposal provided that it was not taken to constitute a precedent.

30. Mr. COX (Sierra Leone) supported the proposal of the representative of the United Republic of Tanzania and associated himself with the remarks of the representative of Greece.

31. Mr. KOTSCHNIG (United States of America) supported the proposal and reminded the Council that, at the summer session, considerable stress had been laid on the fact that in view of the task they would have to perform, the members of the Committee for Programme and Co-ordination should be experts. It would be highly desirable to retain the same membership for the first three years by merely suspending the application of the principle of rotation for those three years.

32. Mr. VARELA (Panama) stressed the point he had raised at the previous meeting: that a Council resolution could be amended only by another resolution. He would support a draft resolution to suspend the application of the principle of rotation during the first three years of the Committee's existence, but he felt that it would be setting a dangerous precedent to refrain from carrying out a resolution simply because members had agreed not to do so. He would vote against any suspension of the effects of a resolution unless such suspension had been called for in another resolution.

33. Mr. AHMED (Pakistan) said that all the members of the Council agreed on the essential point and were willing to suspend the application of the principle of rotation for the first three years. The formal aspect of the question was relatively unimportant: the Secretariat could prepare a text in which the Council referred to its original resolution and decided to suspend the application of the principle of rotation for three years.

34. Mr. RAHNEMA (Iran) said that he had no objection to the suspension of the application of the principle of rotation, if that was the Council's wish. However, there was some danger of a lack of continuity at the end of the first three years: the Council would then have to change the membership of the Committee for Programme and Co-ordination entirely, though in view of the importance of its permanent responsibilities, continuity was precisely what the Committee needed. It might perhaps be possible to arrive at a gentleman's agreement under which the members of the Committee elected for one year would be re-elected for two years and those elected for two years would be re-elected for an additional year, thus ensuring the continuity of the Committee's membership. He would not press his proposal however, if it would create any difficulties: he too was prepared to support the proposal of the representative of the United Republic of Tanzania and agreed with the representative of Panama that a suitable draft resolution should be submitted to the Council.

35. The PRESIDENT, noting the Council's view that members of the Committee should be elected for a term of three years, asked the Secretary of the Council to prepare a draft resolution along those lines.

36. Mr. KITTANI (Secretary of the Council) read out a text which, he hoped, could be adopted without first being circulated in writing:

"The Economic and Social Council,

"Recalling its resolution 1187 (XLI) of 17 November 1966,

"Decides, notwithstanding the provisions of paragraph 1 of that resolution, that the term of office of the sixteen members of the Committee for Programme and Co-ordination elected at the 1454th meeting of the Council held on 17 December 1966 shall be for three years ending on 31 December 1969."

37. Mr. VARELA (Panama) formally introduced that text as a draft resolution.

The draft resolution was adopted without objection.

AGENDA ITEM 15

Amendments to rules 20, 22 and 23 of the rules of procedure of the Economic and Social Council concerning the Vice-Presidents of the Council (E/4291)

38. The PRESIDENT invited the Council to consider the amendments proposed by the representative of the Philippines to rules 20, 22 and 23 of the rules of procedure of the Economic and Social Council concerning the Vice-Presidents of the Council (E/4291). Under rule 88 of the rules of procedure, the rules could not be amended until the Council had received a report on the proposed amendment from a committee of the Council; but under rules 87 and 89, a rule of procedure could be suspended by the Council. He therefore suggested that the Council should suspend the application of rule 88 of the rules of procedure for the purpose of considering the proposal of the representative of the Philippines.

It was so decided.

39. Mr. LOPEZ (Philippines) said that the number of members of the Council had increased by a third and that there should logically be a corresponding increase in the number of Vice-Presidents. Members of the Council undoubtedly agreed that the time had come to revise the Council's rules of procedure; at the summer session, moreover, the Secretary-General had drawn attention to the need for a revision of the rules to bring them into line with the new conditions created by the enlargement of the Council's membership and responsibilities and by its increased duties of co-ordination. He proposed that the rules of procedure should be amended to increase the number of Vice-Presidents from two to three, remove any distinction between the Vice-Presidents and have them preside over the three sessional committees of the Council in rotation. The question of which committee should be presided over by each Vice-President could be decided by the President and the Vice-Presidents at each session in such a way as to best serve the interests of the Council, in particular, in the light of the qualifications of the Vice-Presidents. He hoped that his draft amendment could be adopted quickly.

40. Mr. FERNANDINI (Peru) supported the Philippine representative's proposal, but thought that the new text of rule 20 should be completed by a second sentence as follows: "The President, in consultation with the members of the Council, shall determine the committee to be presided over by each Vice-President."

41. Mr. CARRASQUERO (Venezuela) said that while he was prepared to support the Philippine amendments, there was some lack of cohesion between the different rules; in particular, the amendment to rule 23 did not specify whether, in the case envisaged, the new President would be elected from among the Vice-Presidents or the members of the Council.

42. Mr. MUZIK (Czechoslovak) said he supported in principle the amendments proposed by the Philippine representative, but there were some other points which should be cleared up and either incorporated in the amendments or recorded in the report of the Council. The First and Second Vice-Presidents had hitherto been elected in accordance with certain traditions, which would now have to be modified. It should now be decided that the five groups of countries, and not only three, should be represented among the officers of the Council. The principle could perhaps be stated in an annex similar to that relating to paragraph 1 of General Assembly resolution 1990 (XVIII), which might serve as a basis for the establishment of a similar system in the Council, but with the separation of the African and the Asian States. There would then be five groups each having a representative among the officers, who would comprise a President and four Vice-Presidents. The Chairman of the Committee for Programme and Co-ordination might be considered in that connexion. He hoped that an agreement could be arrived at to provide a link between the current practice and the practice which would be inaugurated on 1 January 1967 if the Philippine amendments were approved.

43. Mr. RAHNEMA (Iran) said he thought the Philippine amendments useful while recognizing the pertinence of the Czechoslovak proposal, which deserved consideration. For that matter, there were other problems which should be considered. A link would have to be made between past practice and the new practice. It would be useful in that connexion if the various interested delegations could consult together with a view to submitting a draft resolution taking account of all the different viewpoints. It should also be made clear in the draft resolution whether the three Vice-Presidents would be appointed by the President or elected by the Council, like the President himself.

44. Mr. MAKEEV (Union of Soviet Socialist Republics) reminded the Council that he had refrained from opposing the inclusion of the Philippine amendments in the agenda on the clear understanding that the Council would not necessarily be required to adopt them at the current session if they raised difficulties. If they were acceptable to all members, his delegation would support them. He endorsed the views expressed by the Czechoslovak representative; he was in favour of increasing the number of the Council's Vice-Presidents, but considered that rule 20 of the rules of procedure should provide that the President and three Vice-Presidents and the Chairman of the Committee for Programme and Co-ordination should be elected in accordance with the principle of equitable geographical distribution and on the basis of rotation among the different groups of countries. The Council's current practice should be followed so that representatives of the various groups of countries would discharge the presidential functions in rotation. The extremely important principle of rotation could be stated in the Council's report, in order to avoid any conflict which the new system might give rise to. It should not be difficult to find a generally acceptable formula.

45. Mr. KOTSCHNIG (United States of America) supported the Philippine amendments, which he thought very simple and very fair in that they eliminated discrimination among the chairmen of the three sessional committees. The Council should take a decision now on the matter; otherwise it would waste a year. He also supported the Peruvian proposal, which tended in the same direction as the Philippine amendments and clarified them. On the other hand, he had been surprised by the Czechoslovak representative's proposal, which, while undoubtedly sound, raised fundamental issues affecting the whole question of increasing the number of officers, geographical distribution, rotation and so forth. There was also a technical problem: when the Committee for Programme and Co-ordination met, before the next session of the Council, it would have to elect its Chairman. Would it thereby at the same time be electing a Vice-President of the Council? That seemed impossible. The Czechoslovak proposal went far beyond the Philippine proposal. If the Council, nevertheless, decided to take it into consideration, it should set up a committee to study the Czechoslovak proposal and report on it during 1967. That should be done without deferring any decision on the matter of the Philippine amendments, which would be unfortunate. He therefore suggested that the Council should proceed in two stages; it should vote immediately on the

Philippine amendments and then proceed to consider the Czechoslovak proposal.

46. The PRESIDENT said it would be useful if the Philippine representative could after the meeting call together all delegations which had made suggestions and try to reach an agreement on the amendments.

47. Mr. MAKEEV (Union of Soviet Socialist Republics), speaking on a point of order, said that the United States representative had misunderstood the Czechoslovak proposal. He would not like the Council to rise while retaining a false impression of it.

48. Mr. LOPEZ (Philippines) said that the amendments he was proposing were simple; their text was reproduced in document E/4291, to which the sentence proposed by the Peruvian representative should be added. The Czechoslovak proposal was not an amendment submitted in due form, and could therefore be recorded in the report of the Council or be formulated as a separate draft resolution. Neither in the case of the Council nor of the General Assembly were the principles of equitable geographical distribution and rotation mentioned in the rules of procedure; they were always dealt with in a resolution.

49. Mr. MUZIK (Czechoslovakia) said that he had not proposed the creation of a fourth vice-presidency. The Philippine draft amendments remained intact, but in order to ensure equitable geographical distribution, account should be taken of the Chairman of the Committee for Programme and Co-ordination, and that point could be dealt with in an annex to the resolution, as had been done in the case of General Assembly resolution 1990 (XVIII).

50. Mr. RAHNEMA (Iran) said that in supporting the Czechoslovak proposal he had had in mind what the Philippine representative had said. Amendments should be as simple as possible. The principles of rotation and equitable geographical distribution could be studied during 1967. It would be preferable for the moment that the Council confine itself to the Philippine amendments, without introducing any new ideas.

51. Mr. MAKEEV (Union of Soviet Socialist Republics) said that he had no objection to the Philippine amendments and was prepared to support them, provided that at the same time as the Council adopted a new rule 20 it also approved a text on the officers of the Council, including among their number the Chairman of the Committee for Programme and Co-ordination, in the light of the principles of equitable geographical distribution and rotation. Those details need not necessarily be included in the rules of procedure itself but might be dealt with in a resolution or be noted in the report. His delegation considered it essential, however, that the Council should take the two decisions jointly, not separately. An agreement could easily be reached before the Council's next meeting.

52. The PRESIDENT repeated his request to the Philippine representative to call together after the meeting all delegations which had made suggestions, with a view to the drafting of a text which would be universally acceptable.

53. Mr. VARELA (Panama) supported the President's suggestion and formally moved the adjournment of the meeting.

In the absence of any objection, the motion was adopted.

The meeting rose at 1.15 p.m.

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