### AGENDA ITEM 12

**International conference to be held during the International Women's Year: question of the change of venue of the Conference (E/L.1615, annex)**

53. The PRESIDENT said that if there were no objections he would take it that the Council decided to accept with appreciation the invitation of the Government of Mexico to act as host to the Conference (see E/L.1615, annex), which would be held from 23 June to 4 July 1975 during the International Women's Year.

*The decision was adopted* [*decision 58 (LVII)*].

54. Mr. BARCELO (Mexico) assured the Council that his Government would do everything possible to ensure the success of the Conference.

*The meeting rose at 5 p.m.*

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# 1927th meeting

**Tuesday, 26 November 1974, at 10.50 a.m.**

*President*: Mr. Aarno KARHILO (Finland).

E/SR.1927

### *Tribute to the memory of U Thant, former Secretary-General of the United Nations*

1. The PRESIDENT paid tribute on behalf of the members of the Council to the memory of the former Secretary-General of the United Nations. U Thant had devoted all his energies to the pursuit of the economic and social objectives of the Organization. He had been deeply sensitive to humanitarian and human rights questions but had also made the United Nations aware of the problems of development. He had believed that economic development was an integral part of international co-operation and that the economic and social well-being of mankind constituted the common concern of all Member States.

2. Mr. de SEYNES (Under-Secretary-General for Economic and Social Affairs) said that the staff of the Secretariat and he himself had been saddened by the news of U Thant's death.

3. The attainment by a citizen of the third world of the highest office in the United Nations had been an event in itself and had helped to develop reflection and awareness within the Organization. The former Secretary-General had further strengthened the commitment of all the members of the Secretariat to the third world. No one could be indifferent to the warmth of his personality, his natural kindness and his faith in the destiny of mankind, which had been a constant source of inspiration to all.

*On the proposal of the President, the members of the Council observed a minute of silence in tribute to the memory of U Thant, former Secretary-General of the United Nations.*

### AGENDA ITEM 4

**Report of the International Monetary Fund (E/5584)**

4. Mr. WITTEVEEN (Managing Director of the International Monetary Fund), introducing the annual report of the Fund (IMF), said that since he had spoken to the Council a year earlier, at the resumed fifty-fifth session (1883rd meeting), there had been great turmoil in the international economic situation. Everywhere inflation continued apace, while signs of recession were emerging in some major countries and massive imbalances had developed in international payments. The international economic institutions had not confronted such a set of complex and grave problems since their foundation.

5. Because of the international character of those difficulties, every Government had to undertake determined and persistent application of remedial action, taking due account of its repercussions on other countries. More than ever before, economic interdependence required national policies to make a positive contribution towards global solutions and the burden of adjustment to changing circumstances to be shared by individual nations in proportion to their economic strength. It was well known that many of the developing countries most severely affected by recent developments did not possess the reserves of economic strength to carry out those adjustments by themselves without causing the most serious economic and human consequences.

6. At their Annual Meeting the Governors of IMF had universally recognized that the need for international co-operation, both to harmonize national actions and to relieve situations of extreme distress, had never been more compelling. The Fund was intensifying its efforts, through close consultations with members and through its system of balance-of-payments financing, to promote national policies conducive to a solution of the world-wide problems faced by all, and was giving particular attention to facilitating the transfer of real resources to its economically weaker members.

7. IMF would be strengthened in its task in the coming period by the establishment of two new committees, the Interim Committee of the Board of Governors of the Fund on the International Monetary System and the Joint Ministerial Committee of the Boards of Governors of the World Bank and the Fund on the Transfer of Real Resources to Developing Countries, whose short title was the Development Committee. A very important feature of the composition of both Committees was that it had been based on the constituencies of member countries that appointed or elected Executive Directors, so that practically all member countries, developed and developing, were represented.

8. The work of the Development Committee should help IMF, the World Bank and the international community generally to deal more effectively in both the short term and the longer term with some of the problems of developing countries. The Committee had agreed at its first meeting that the immediate focus of

its work would be on the analysis of the situation of the most seriously affected developing countries and the least developed countries and of measures to adjust to the new international outlook for commodity prices. The Fund would do all it could to ensure that the Chairman of the Committee, Mr. Henri Konan Bédié, and its Executive Secretary, Mr. Henry J. Costanzo, received the support needed to pursue that important work.

9. The Interim Committee, which was intended to become a permanent council of IMF by amendment of the Fund's articles, would have the task of reporting to and advising the Board of Governors in connexion with the management and adaptation of the international monetary system. It would add to the Fund's structure a new forum of national financial leaders, who would help to bring the political judgement of members more closely to bear upon the problems at the centre of the Fund's concerns. The Committee at its first meeting at the beginning of October had set out for itself a programme of work which reflected very closely the current concerns of the Fund's membership. In the context of the recycling issue, the Committee had asked the Executive Directors of the Fund to consider, as a matter of urgency the adequacy of existing private and official financing arrangements, to report on the possible need for additional arrangements, including enlarged financing arrangements through the Fund, and to present for consideration by the Committee proposals for dealing with the problem. The Committee had also stated its intention to discuss as a matter of priority the adjustment process, quotas in the Fund, and amendments to the Fund's articles, including amendments on gold and the link between the allocation of special drawing rights (SDRs) and the provision of development assistance.

10. At the Fund's annual Meeting early in October 1974, there had been a general consensus that the world economy was in the throes of a very difficult and serious situation, even apart from the massive disequilibrium in international payments. The evidence that had accumulated since then had reinforced those views on the gravity of the situation. The rate of price inflation remained very high, while trends in real activity were considerably weaker than had been generally expected some months earlier.

11. Discussions at the Annual Meeting had highlighted the widespread concern that member countries felt about inflation. They considered the current rates of price increase intolerable and believed that failure to contain inflation would pose a major threat to their collective well-being. At the same time, with current growth rates in the major industrial countries low or negative, programmes to fight inflation encountered the painful dilemma of attempting to make significant progress on the price front without pushing the economy into severe recession. The task that national authorities faced in walking that tightrope was all the more difficult because of the economic instability arising from the unprecedentedly large deficits in the current account positions of oil-importing countries.

12. It seemed that the policy intentions of most Governments followed the lines suggested in the annual report of the Fund. They were generally prepared to accept subnormal growth rates over an extended "cooling-off" period for the purpose of reducing inflationary pressures and changing the prevailing inflationary psychology. They were willing to incur the risks involved in such a policy approach, but had ruled out severe recession and massive unemployment as a method of controlling inflation. In order to avoid such unacceptable conditions, national authorities would have to watch the changing economic situation very closely and very carefully, with a readiness to adapt their policies as soon as it seemed desirable, taking account both of time-lags in the effectiveness of policy instruments and of the interdependence of developments in different countries. Furthermore, whenever policies of relaxation or reflation seemed clearly indicated, it would be crucially important to avoid over-reacting, inasmuch as resorting to sharply expansionary measures of the kind often adopted in the past could easily revive or intensify inflationary pressures and expectations. Especially with regard to the interdependence of the policies of different countries, consultations within the Fund could be of great importance in the current situation. The Fund staff was engaged in special consultations with a number of member countries and that would help it to prepare an analysis of the world economic outlook for discusssion in the Interim Committee.

13. With regard to the question of balance-of-payments adjustment and financing, he said that in the Fund's annual report the 1974 balance-of-payments surplus on current account of the major oil-exporting countries had been estimated at $65 thousand million, representing an increase of some $60 thousand million over their 1973 current account surplus. That estimate had been made some months earlier, but more recent information on the prices of crude oil and the volume of oil exports did not suggest that it should be modified greatly. The reasons why higher oil prices had had such a dominant impact on international payments had become well known: oil was the single most important commodity in international trade in terms of value; in the short run, the elasticities of demand for oil and of supply of alternative sources of energy were low, and the enlarged oil incomes were concentrated in a small number of countries, with very small populations, whose expenditure on imports could not approach the prospective build-up in their export earnings for some time.

14. In those circumstances, IMF and the international community generally had a twofold responsibility. First, it was necessary to determine which kinds of policy were conducive to an appropriate world adjustment pattern, and which were not. Secondly, members should be able to finance their oil deficits in the short run, for an attempt by oil-importing countries, as a group, to eliminate the deficit arising from higher oil prices too quickly through excessively deflationary demand policies, restrictions on trade and payments, or general resort to exchange rate depreciation would be extremely dangerous. Such measures could only shift the payment problems from one country to another and would damage world trade and economic activity. Fortunately, that had already been widely recognized at the Rome meeting of the Committee of 20 January 1974. Subsequently, when that Committee had agreed on a programme of immediate action in June 1974, it had included in the programme a declaration by which countries could pledge themselves in a voluntary basis not to introduce or intensify trade or other current account measures for balance-of-payments purposes without a finding by the Fund that there was balance-of-payments justification for such measures. So far, 12 member countries, holding about 40 per cent of the voting power in the Fund, had made that pledge. While adoption of the declara-

tion was voluntary, he urged other members to follow their example.

15. In the course of 1974 private financial markets had provided the principal means for absorbing capital flows reflecting the surpluses of the oil-exporting countries and the counterpart deficits of the oil-importing countries. The oil-exporting countries had also provided financing directly or through a number of existing or newly established institutions. They had made substantial commitments to economic assistance for developing countries. However, for a large part of those commitments the rates of disbursement had understandably been slow. Although disbursements were likely to increase with time, they could not be expected to assume large proportions within a short period. As the Council was aware, IMF itself, applying the conclusions of the Rome meeting, had set up a special oil facility to help members to cope with the deterioration in their payments positions. For that purpose, the Fund had arranged to borrow approximately SDR 3 thousand million from several oil-exporting and other countries. Under that facility the Fund had to date provided financial assistance of SDR 1.1 thousand million for 29 countries. Considerably further use of that facility was expected in the weeks to come.

16. In general, it could be said that those arrangements had so far helped the countries concerned to avoid severely deflationary policies and competitive exchange rate action. While some countries had tended to tighten their restrictions on trade and payments during the year, those measures had been limited in scope and it was to be hoped that they would remain so. For many countries the Fund's oil facility had certainly been a major factor, especially in the latter part of 1974, in helping to avoid restrictions or unduly abrupt adjustment.

17. It seemed clear that adjustment to higher levels of oil prices would take a number of years. Energy conservation, adjustment of production and consumption patterns, and the development of alternative sources of energy would all take time. The increase in the oil-exporting countries' demand for imports would also be relatively slow in its operation. Those facts were further reasons for countries to set the process of adjustment in motion as soon as possible by appropriate policies, which should be pursued with persistence.

18. Very difficult problems remained for the immediate future. From the best indications available, the prospect for 1975 was that, despite further substantial growth in the imports of the oil-exporting countries and possible increases in foreign aid and investment abroad by them, they would have a basic surplus of about the same magnitude as in 1974. Oil-importing countries, as a group, would therefore incur a corresponding basic deficit.

19. The extent to which private financial markets would be able to continue their intermediation between surplus and deficit countries in 1975 was difficult to judge. It was widely believed, however, that it would be unwise to expect that they would play as large a relative role as in 1974. In fact, available information indicated that financing through those markets had slowed down sharply in recent months. Banks had run into a number of limiting factors in the wake of their early strong expansion after the rise in oil prices. In that situation there could be no assurance that funds would necessarily find their way to individual deficit countries in amounts corresponding to their requirements.

20. Those considerations all suggested a greater need for recycling through official channels in 1975. There was broad agreement on that. Various channels were under review. A number of bilateral loan agreements with oil-producing countries had already been concluded. The European Economic Community had decided to set up a Common Market loan arrangement. The Fund's Executive Directors were considering ways in which the Fund's oil facility might appropriately operate in 1975.

21. Because of the many uncertainties about the flows of funds through other channels in 1975, the total size of the facility to be set up in the Fund for 1975 might have to be, at least to some extent, open-ended. It was probable, however, that the Fund would have to play a considerably expanded role of intermediation in 1975 compared with 1974. That would mean larger borrowings by the Fund from the oil-exporting countries and possibly from a few industrial countries in a strong payments position. The experience the Fund had acquired and the machinery that already existed should make it possible to set arrangements in train for 1975 within a very short time after a decision.

22. Recently, in a speech given at the University of Chicago, the United States Secretary of State had publicly proposed a loan and guarantee facility for the major industrial countries associated with the Organisation for Economic Co-operation and Development (OECD), to supplement existing channels of financing. That proposal had subsequently been elaborated by the United States Treasury Secretary and, together with the parallel suggestions made by the Secretary-General of OECD, was being studied by all concerned; many details, of course, had still to be worked out. The United States authorities had underlined the fact that their proposal was meant to supplement private and official channels, including IMF which they continued to see as "the permanent institution providing the basic financial support for a well-functioning world economy". The scheme they proposed would provide an additional insurance against financing difficulties among the major industrial countries in the current emergency situation.

23. It had been recognized from the beginning that the IMF oil facility could not be a complete answer to the needs of the weaker developing countries in financing the higher cost of oil imports. Many of those countries were already over-extended in respect of their short-term and medium-term borrowing; any addition to their debt-service burden would be fatal. They were also unfavourably affected by the rising prices of their non-oil imports, on the one hand, and the sharp fall in the prices of primary products from their recent very high levels, on the other. Moreover, recessionary tendencies in the industrial countries might well have an adverse effect on their external payments position. They therefore needed assistance of a highly concessional character.

24. In recent months, and particularly since the adoption by the General Assembly of the Programme of Action on the Establishment of a New International Economic Order (resolution 3202 (S-VI)), notable progress had been made in identifying those countries most seriously affected and in starting to mobilize assistance for them. The United Nations Emergency Operation, which had been established as part of the Programme, had played a useful role in that area under the guidance of Mr. Prebisch, and IMF had been

closely associated with the work of the Operation. Despite those efforts, the concessional aid received by the most seriously affected developing countries so far in 1974 had proved inadequate and a major effort should be made to enhance the flow of such aid in 1975.

25. IMF had been examining possibilities of lightening the interest burden on the use of the Fund's oil facility by those countries in 1975. As in 1974, the rate of charge on the use of the oil facility would have to be closely related to the interest rate paid by the Fund on borrowings for the facility, which in turn would be related to prevailing market conditions. The Fund was, however, now considering possible ways of arranging an interest subsidy for the most seriously affected countries.

26. In their statements, the Secretary of State and the Treasury Secretary of the United States had suggested the establishment of a trust fund, managed by IMF, which would receive contributions from member countries of the Organization of Petroleum Exporting Countries and other sources, and offer credit at relatively low cost and on moderately long maturities. He was sure that that suggestion, along with others that had recently been put forward, would receive the urgent attention of both the Interim Committee and the Development Committee.

27. Clearly, as the necessary adjustments took place, the Fund would gradually have to move from the question of oil deficits and their financing to the general problems of temporary balance-of-payments financing. It was important to ensure that IMF would continue to be equipped to respond to the requirements of its membership. In the course of 1974 there had been a substantial increase in the use of the Fund's regular facilities. For instance, drawings under normal tranche policies had increased from SDR 733 million in 1973 to SDR 2,276 million so far in 1974, and under the compensatory financing facility from none to SDR 107 million.

28. There were a number of areas for improvement of IMF facilities; in some fresh progress had been made and in others the Fund was currently at work. For example, in September the Fund had taken an important step in setting up an "extended Fund facility" under which the Fund, in certain circumstances, would be prepared to give special assistance to members to meet their balance-of-payments deficits for longer periods and in amounts larger in relation to quotas than had been the practice. The establishment of an extended facility had been one of the matters to which the Programme of Action adopted by the General Assembly at its sixth special session of the previous May had requested the Fund to give early attention.

29. The new facility, the main beneficiaries of which were likely to be the developing countries, could be applied in two types of situation: a country in which the economy had been suffering serious payments imbalance relating to structural maladjustments in production, trade, and prices would receive assistance in support of a comprehensive programme of action, covering a period of two or three years, that included policies of the scope and character required to correct the imbalances; aid could also be given where a country's economy was suffering from slow growth and an inherently weak balance-of-payments position which prevented pursuit of an active development policy. The latter type of situation might be associated with dependence on one or two export commodities and the inadequacy of monetary and fiscal institutions for mobilizing domestic savings—a situation not uncommon in many of the least developed countries. Such countries needed long-term assistance to carry out a well-conceived development programme aimed at assisting the authorities in developing their monetary and fiscal instruments and in pursuing appropriate trade and exchange policies in order to establish the conditions necessary for a successful development effort. The new facility would undoubtedly strengthen the Fund's ability to assist its developing members in achieving economic progress.

30. The expanded needs of IMF member countries that were likely to result from the general expansion of the world economy in recent years would argue for a substantial strengthening of the ability of the Fund to grant conditional credit through an increase in quotas. The general review of quotas in which the Fund was engaged was one of the priority tasks the Interim Committee had set itself. It was a task which involved a number of thorny problems, apart from the basic issue of the over-all magnitude of the role that the Fund was to play. There was another difficult quest: that of adjusting the relative participation of different members and groups of members in the provision of resources to the Fund, access to those resources, and the taking of decisions.

31. There was also the question of the payment of the increase in quota subscriptions which, under the existing Articles of Agreement, had to be made partly in gold, and the necessity of amending the Articles of Agreement to permit payment otherwise than in gold. The amendment of the provisions of the Articles of Agreement was among the subjects which the Interim Committee intended to take up as a matter of priority in its work programme, and amendments on gold and on the "link" had been specially noted by the Committee in that connexion. The Executive Board of the Fund had been working on draft amendments and would be reporting on its work to the Interim Committee in January 1975.

32. The many difficult tasks which he had outlined called for the greatest possible effort from all who were involved in international economic co-operation, whether they were from industrialized or developing countries, from countries that had suffered from natural disasters or from those countries which had the good fortune to be richly endowed with natural resources. He remained convinced that the current difficulties called, more than ever before, for truly multilateral solutions, in which the specialized agencies of the United Nations had a unique and challenging responsibility.

33. Mr. ROUGET (Federal Republic of Germany) said that world-wide inflation jeopardized economic progress and democracy and, consequently, the basis of social justice. IMF had a key role to play in overcoming the current crisis. It was especially well placed to assist in the recycling of oil money because it offered attractive and internationally guaranteed investment opportunities and was in a position to channel to individual countries the funds they needed. His Government agreed with the analysis of the situation made by Mr. Witteveen and with the policy he had proposed for

solving current problems. It was itself trying to curb inflation through a policy of stability, but it was aware of the risk of recession which that entailed.

34. His delegation was particularly interested in the oil facility described by Mr. Witteveen and hoped that instrument could be further developed.

35. Mr. ROUGÉ (France) said that he first had a few comments to make on the procedure and methods of work of the Economic and Social Council and of the United Nations system as a whole. The Managing Director of IMF, like the President of the World Bank at the 1924th meeting of the Council, had preferred not to burden his statement with technical details, but rather to direct the attention of the members of the Council to matters directly within its competence. He had, therefore, described the current world economic situation as it was seen by the staff of the Fund, explained the most important of current monetary problems, urged Governments to behave responsibly and given a brief outline of the work of the Fund in 1974. All that could have been done in Geneva at the fifty-seventh session of the Council without in any way detracting from the authority of the Annual Meeting of the Governors of the World Bank and IMF. Consequently, he asked Mr. Witteveen, as he had already asked Mr. McNamara, to consider introducing his report at the summer session of the Council.

36. Moreover, at the very moment when the Council was listening to the Managing Director of IMF, the General Assembly had before it a draft resolution on the reform of the international monetary system for discussion in the Second Committee. The absence of any link between the two items showed once again the absurdity of the working methods of the United Nations system.

37. His final procedural comment concerned the respective roles of the United Nations and IMF: IMF should be seen as the international community at work on settling monetary problems. It was, therefore, senseless to claim that the Council and the General Assembly had the greater authority and that the Fund was a subsidiary body, or, conversely, that the Fund was sovereign in its own field. The truth was that the Fund's activities were part of the over-all plans approved in New York by the representatives of its member countries and that technical solutions should be evolved in Washington by the Fund's specialist organs.

38. Turning to the report of IMF he said that the role of the Fund was to operate an effective system of international payments, to assist in the solution of urgent topical problems and to promote the development of the developing countries, the latter being the long-term objective *par excellence*. The future international economic order required that those tasks should be carried out more carefully than ever. IMF should not be afraid to continue to demonstrate its usual firmness with regard to exchange rates. The authority it exercised in that field was that of the international community itself. Its quasi-jurisdictional monitoring function was in the real interest of all States. His delegation agreed entirely with the way in which Mr. Witteveen, to judge from his own words, saw that discipline.

39. With regard to the reform of the international monetary system, he felt that it was important to bear in mind the need to apply as early as was practicable the future system, which would involve stable exchange rates based on fixed and adjustable parities.

40. The recycling of capital had been referred to in the context of current economic problems. That process should operate in such a way as to provide creditor States with assets commensurate with their needs and result in a tolerable level of indebtedness for debtor countries. IMF should reconcile the requirements of creditors and debtors, and assume responsibility for the recycling of capital derived from the export of certain raw materials.

41. Mr. CHANG Hsien-wu (China) said that, like the World Bank Group, IMF had not only exerted economic pressure on some third-world countries, but had also refused to implement General Assembly resolution 2758 (XXVI). His delegation had time and again condemned those organizations for their policy of hostility towards the Chinese people. To date, however, they were still keeping in their organizations representatives of the Chiang Kai-shek clique, which had been repudiated long ago by the Chinese people, and were erroneously attempting to create "two Chinas". Mr. NcNamara, President of the World Bank, had tried to justify himself by claiming at the 1924th meeting that he was waiting for China's clarification on certain questions. It was known to all that the World Bank and and IMF must unconditionally implement the resolution of the General Assembly by expelling the representatives of the Chiang Kai-shek clique and severing all ties with it. Self-justifications would be of no avail and would ultimately serve only to expose those organizations' hostility towards the Chinese people.

42. Mr. TANABE (Japan) said that his delegation had carefully studied the report of IMF (E/5584). In the past year, changes in the world economic situation had been brought about by a combination of political and economic factors. More vigorous efforts to find solutions to the current problems were therefore necessary. At the annual meeting of IMF in September 1974, the representative of the Japanese Government had urged that efforts to curb inflation should be given priority. That would require international co-operation, and each country, while taking measures at the national level, should take fully into account the possible effects of its actions upon the economies of other countries. At the same time, action should be taken to cope with economic recession.

43. The drastic changes which had affected the balance-of-payments structure were so closely related to the state of the world economy that stability must be restored, so as to re-establish a steady pace of economic development. For example, "oil dollars" should be recycled through multilateral channels. His delegation had high hopes of IMF and other international financial institutions, but all countries, both oil-producers and oil-consumers, should make every effort to bring about the smooth recycling of "oil dollars". His delegation welcomed the strengthening of that process of recycling through the establishment in June 1974 of the IMF oil facility, primarily for use in financing the essential imports of developing countries. It also welcomed the establishment on 15 September 1974 of the Extended Fund Facility, which would offer medium-term loans to the developing countries.

44. IMF and the World Bank had decided to establish a joint committee to study the transfer of real resources to developing countries, the Development Committee.

His delegation anticipated that the committee would have the immediate task of analysing the flow of financial resources to the most seriously affected developing countries and the least developed countries, as well as dealing with the recycling of "oil dollars". He hoped that, in addition, the committee would tackle the medium-term and long-term problems related to the transfer of real resources to developing countries. The need for co-operation with the United Nations and OECD in order to avoid possible duplication should be borne in mind.

45. Lastly, his delegation regretted that the early realization of the reform of the international monetary system had become difficult because of the drastic changes in the world economic situation. However, it felt satisfaction at the decision of the Committee of 20, in June 1974, to take temporary measures leading to gradual reform. Some of those measures had already been implemented and it was to be hoped that the others would be implemented smoothly, thus contributing to the gradual establishment of a stable international monetary system.

46. Mr. AMIRDZHANOV (Union of Soviet Socialist Republics) said that the current economic crisis was the most serious one experienced by the capitalist countries since the Second World War. Inflation was becoming worse, while production was declining and unemployment was increasing. The energy crisis was contributing to the gravity of the situation and to the disequilibrium of world trade, thus jeopardizing the development of the developing countries. The Economic and Social Council might therefore have expected to find in the IMF report an analysis of the true causes of the current situation. One cause was the militarization of the economies of the capitalist countries, as advocated by certain circles which rejected détente. Another was the activities of transnational corporations, particularly in developing countries. Those corporations' short-term assets alone were known to be more than twice the size of the resources of all financial institutions in the capitalist countries. They were constantly moving their funds from country to country, taking advantage of fluctuations in exchange rates in order to make profits. Of course, such movements of capital only increased monetary difficulties and contributed to economic upheavals. As long as the activities of transnational corporations were not subject to any controls, IMF would be incapable of ensuring the smooth functioning of the international monetary system.

47. The current economic crisis was harmful to the economies and the development of developing countries and was making their external debt burden even heavier. Yet IMF had not given any convincing answers to questions concerning the developing countries and had done nothing to resolve difficulties in the spirit of the Programme of Action adopted at the sixth special session of the General Assembly. It was unrealistic to try to solve current problems by means of partial measures. That was why the USSR was not participating in the work on reform of the international monetary system and felt in no way bound by the decisions taken in that respect. His delegation wished to stress that the negotiations should be conducted on a broader basis.

48. Lastly, the Soviet Union had always been opposed to the monopoly of a few currencies in the monetary field; the rightful role of gold should be restored through the establishment of a fairer price.

49. Mr. AKHUND (Pakistan) said that IMF would gain in stature by implementing General Assembly resolution 2758 (XXVI) on the restoration of the lawful rights of the People's Republic of China in the United Nations. That decision was unambiguous, and its implementation should not be postponed on any pretext.

50. No one could dispute the gravity of the international economic situation described by Mr. Witteveen. In addition to the imbalances in the payments situation and the threat of world-wide recession, many countries were experiencing hunger, social breakdown and political turmoil. Nor did anyone question the need to fight inflation, which threatened the developed countries, of course, but was disastrous for the developing countries, whose economies were considerably more vulnerable.

51. Much had been said in the past year about the concept of interdependence, but it seemed that, in some of the specialized agencies, there was no true appreciation of all the concrete implications of that concept. It was not merely a question of assuring the supply of raw materials to the industrialized countries at prices which would not impair their economic viability; nor was it enough to keep the peoples of the poorer countries alive through food aid and emergency assistance. It must be understood that those difficulties were the result of the failure of the world community to respond to the increasingly obvious need to restructure world economic relations on a more equitable and rational basis. The current crisis could not be resolved unless there was an awareness of the need for a better world economic equilibrium. Indeed, that was the fundamental approach of the Programme of Action adopted by the General Assembly at its sixth special session.

52. Such an integrated approach was not merely desirable; it was essential. The problem of inflation could not be solved in a purely national context, or even within the framework of the OECD countries. The maintenance of growth rates in the developed countries depended on sustaining a growth in demand. Since consumption was already high, and most of the essentials of life provided for, any additional demand was in some respects artificial or unproductive. That, together with the fact that prevailing production patterns were irrational, was the reason for the current inflation. A potentially huge demand existed in the developing countries. A growth in the economies of those countries could therefore contribute to resolving the economic dilemma of the developed nations and to rectifying, partially at least, their balance-of-payments deficits.

53. His delegation welcomed the renewed interest exhibited by IMF in measures to promote the transfer of concessional assistance and greater financial resources to the developing countries, and hoped that Mr. Witteveen's efforts would be successful. However, it was disappointing to note that the question of a link between SDRs and development assistance was still only in the study stage. The feasibility of such a link had for long been proved. The integrated approach which was needed to resolve the current economic crisis made it necessary to ensure that there was no dichotomy between policy decisions taken by various organiza-

tions of the United Nations. His delegation therefore hoped that the essential relationship between the reform of the monetary system and the question of development would be adequately maintained although those matters were currently under consideration by two separate committees of the Fund.

54. Actually, a solution was closer than ever before. The financial surpluses generated by the so-called energy crisis could find avenues for productive use in the developing countries. By generating greater demand in those countries, they could provide the means to redress the payments deficits of the industrialized nations. No solution should disregard that possibility, which alone could bring stability to the world economy.

55. Mr. MACKENZIE (United Kingdom) noted that the Managing Director of IMF had rightly stressed interdependence and the need for a truly multilateral solution to the monetary problem. Interdependence implied co-operation and a more universal approach to world monetary problems, and in that connexion the fruitful co-operation between IMF and the Economic and Social Council was gratifying.

56. The IMF report had been prepared in mid-August, and it laid particular stress on the dangers of inflation. Since then, however, the international community seemed to have become increasingly seized of the growing risks of world-wide recession and unemployment. The role of IMF would be crucial in helping the international community to preserve economic stability and to tackle its problems in a concerted fashion. The inflation of the past months might well have been fuelled in many countries, including his own, by excess demand. During the first half of the year there had been a world-wide fall in output, reflecting the tighter monetary and fiscal control maintained by many countries as a means of countering inflation. In the meantime, the earnings of the oil producers had rapidly built up. The fact that the latter countries had not immediately had reason to spend their full earnings, together with tighter monetary and fiscal measures in the consumer countries, had contributed to the contraction of world demand, thus creating the risk of a slump. The United Kingdom Chancellor of the Exchequer had recently set out the British Government's view that it was in the interest of all members of the international community to seek an orderly adjustment to the massive transfer of financial resources and, that being so, four obligations were crucial: first, an obligation on the oil-consuming nations to live with substantial deficits on oil account for the time being; secondly, an obligation on all developed countries to ensure that the massive problems of the less developed countries were not exacerbated by insufficient demand for their products; thirdly, an obligation on those countries which had deficits on their non-oil trade to work towards balance; fourthly, an obligation on surplus countries to enable them to do so.

57. It was encouraging to see that there was growing international recognition of the cumulative danger of inward-looking national measures to restrain demand, or of seeking to cover the whole of the oil deficit with exports. In that connexion, IMF would seem to have a valuable role to play through its oil facility. His Government considered that that was a most effective short-term measure, and it was on the basis of its success that the British Government had proposed a new IMF facility, developed in stages as funds accrued to the oil producers and the parallel needs of consumers grew. That was not proposed as a complete answer to the recycling problem, but as a contribution by his Government in a matter of urgent concern. It had already received significant support, and the new Interim Committee of the Fund, which had succeeded the Committee of 20, had instructed the Fund to undertake an urgent study in that whole area.

58. The Development Committee, within which some of the work of the Committee of 20 was to be continued, would provide a valuable forum for discussion at a high level of developmental problems. It had already set itself a formidable work programme, including a review of the implementation of a link between development finance and SDRs if such a link was proposed by the Interim Committee. The United Kingdom Government was very much in favour of such a link, and it welcomed the wide-ranging acceptance of the principle of a link. Considerable progress had been made in that connexion, although a number of complex questions had yet to be resolved.

59. In conclusion, he said that IMF had a central role to play in the solution of major international economic problems, and he commended the Managing Director of the Fund for the foresight and energy with which he had responded to the demands of his position.

60. Mr. LUCHTERHAND (German Democratic Republic) said the report before the Council and the introductory remarks by the Managing Director of IMF showed that the nature of the Fund's activities had not changed and that it continued to give priority to safeguarding the interests of the major imperialist countries in the Fund. The report confirmed that the Fund's anti-inflation programme and its measures to deal with the capitalist monetary crisis had proved ineffective. In fact, capitalist inflation was spreading and growing worse. The devaluation of the dollar and of other capitalist currencies was continuing; in capitalist countries, speculation on capital markets and on the stock exchange and the rates of inflation were reaching record levels. In those countries, where the burden of inflation was shifted on to the workers, unemployment and social conflicts were on the increase.

61. Those difficulties could no longer be concealed, and the IMF report had had to acknowledge that the capitalist world was up against the most difficult economic problems since the end of the Second World War. There could be no question of controlling inflation through IMF, as contemplated by the Managing Director of the Fund at the twenty-eighth session of the General Assembly. Contrary to all that had been stated in IMF, there was to date no concrete plan for the reform of the international capitalist monetary system. While the report said that the developing countries were most seriously affected by the capitalist inflation and monetary crisis, no constructive proposals whatsoever were made on how to solve those problems in the interest of the peoples of those countries. Like other international capitalist finance organizations, IMF considered a lowering of peoples' living standards to be the principal method of mobilizing financial resources and of temporarily slowing down inflation.

62. The report attempted to pass over in silence the main causes of inflation and monetary crisis, which lay in the capitalist system itself. It failed to mention the arms race in the interest of monopoly profit, although arms limitation measures were a major subject of

debate at the current session of the General Assembly and were an obvious prerequisite for the curbing of inflation. Nor did the report mention another important cause of inflation, namely, the colonialist and neo-colonialist methods of exploitation used by national and transnational corporations, which were the first to benefit from inflation. The currency manipulations of international financial corporations were one of the causes of the official or virtual devaluation of the dollar, the French franc, the pound sterling, the yen and lira in the spring of 1974.

63. He was surprised that the basic political issues of international economic co-operation and the decisions taken at the sixth special session of the General Assembly, which had a direct impact on the developing countries, were not reflected in the report. His delegation believed that the IMF oil facility, designed to offset balance-of-payments deficits arising from higher petroleum prices, failed to meet the economic and social needs of the developing countries, as set forth in the Declaration and the Programme of Action. Apart from the small volume of funds flowing through that channel, interest and repayment terms limited the number of borrowers among the developing countries from the outset. Nor did the fact that IMF gave priority to an international recycling of the financial resources of oil-producing countries really help to solve the problems of developing countries. In essence, the recycling of funds through IMF was designed to make additional resources available to capitalist industrial countries and to protect the interests of private capitalist banks. Moreover, the establishment of the Development Committee would hardly enable developing countries to participate as equals in the consideration of international currency and finance matters and in IMF decision-making.

64. While the capitalist monetary system had been constantly shaken by acute crises, the rouble—the collective socialist international currency—had proved to be the most stable currency in the world. On that basis the economic relations of the States members of the Council for Mutual Economic Assistance (CMEA) were developing in a planned and stable manner, and the most recent decisions of CMEA also offered the developing countries the opportunity of taking part in international payment transactions on the basis of the rouble.

65. Like the other socialist countries, the German Democratic Republic was not responsible for the capitalist monetary crisis and for reforming the capitalist monetary system. His delegation advocated giving all interested countries the opportunity of participating with equal rights in the consideration of monetary, trade and financial prrohlems, and believed that that could best be done within the framework of the United Nations Conference on Trade and Development (UNCTAD); it took the opportunity to express again its support for the recommendations made by UNCTAD at its third session.

66. In conclusion, he wished to point out once again the frequent use made in the IMF report of such designations as "German imports", "German authorities" and "Germany" when referring to the Federal Republic of Germany. He hoped that, in the future, terms would be used that took account of the fact that the German Democratic Republic and the Federal Republic of Germany were two independent, sovereign States Members of the United Nations.

67. Mr. SHEMIRANI (Iran) thanked the Managing Director of IMF for his interesting introductory statement on the report of the Fund. However, he had a few observations to make. First, referring to the IMF oil facility, he stressed that his Government had been one of the first to welcome its establishment and had made a substantial contribution. However, it was disappointed to note that no major developed country had made any sizable contribution to the facility, which had originally been designed to receive contributions not only from the oil-producing countries but also from all the industrialized countries. In fact, the developing countries were suffering not solely from the increase in the oil prices but also, and especially, from the increase in the prices of other products, particularly the manufactures, food-stuffs and other goods which they imported from the developed countries. In that respect, it should be noted that both inflation and the slowing-down of the growth rate in many countries had started long before the increase and adjustment of the price of oil. These two phenomena should be considered separately and should not be linked to the measures taken by the oil-producing countries to protect their vital interests.

68. With regard to the surplus funds held by the oil-producing countries—a figure of $65 thousand million had been quoted, and other exaggerated figures had also been mentioned—it should be made clear that no precise data were at present available concerning the amount involved. Furthermore, it should be noted that Iran, which had difficult problems to cope with and which had revised its economic development plans, was able to absorb much of the income derived from the exploitation of its natural resources; nor was it necessary to dwell on the bilateral and multilateral assistance which it provided to many countries and to IMF and other financial institutions. He believed that other oil-producing countries would increase their capacity to absorb the earnings from oil which they needed to implement their economic development plans.

69. He agreed with the Managing Director of IMF, that a change in the pattern of consumption in developed countries was necessary in addition to the search for new energy sources, particularly in the most highly developed countries, whose resources were much greater than those of the oil-producing countries and which were better placed to help the developing countries, including those most seriously affected by the crisis.

70. He agreed with the representative of Pakistan that it was absolutely essential to change the structure of international economic relations in order to meet the needs of developing countries. He also wished to stress a point that was fundamental for his Government, namely, that all short-term measures, such as the establishment of the oil facility, were mere palliatives. The only effective solution to the long-term problems was a change in the structures of the world economy. In his delegation's view, the concept of multilateral assistance now had a new meaning; it was no longer a humanitarian question but a necessity for the international community.

71. Mr. WITTEVEEN (Managing Director of the International Monetary Fund) thanked those delegations that had commended the work done by the Fund. He noted that the representative of the Federal Repub-

lic of Germany agreed with the analysis of the world economic situation made by IMF and that he had stressed the need for Governments to move with the utmost caution in dealing with rapid inflation, bearing in mind the dangers of recession and unemployment. He also noted that the representative of France agreed with the analysis made by IMF and that he had stressed the importance of problems of financing and the central role which IMF must play in that field. With regard to the question raised by the representative of the People's Republic of China concerning the status of China in the Fund, he said that the Executive Directors, the executive organ of IMF, had considered the question in October 1973, following a communication from the Government of the People's Republic of China. At the request of the Executive Directors, arrangements were made for a representative of the Fund to meet with the representative of the People's Republic of China to the United Nations, in order that the Fund might be provided with certain necessary information. So far, such information had not been provided.

72. He was pleased to note that the representative of Japan agreed with his analysis of the international economic situation, and he shared his view that the new Development Committee must not duplicate the work of other United Nations bodies and OECD. The representative of Pakistan had stressed the need to increase the transfer of real resources to the developing countries; he (Mr. Witteveen) agreed that the gravity of the economic situation in some developing countries called for such action, but it would be difficult to obtain more aid from the developed countries, which at present had serious balance-of-payments problems, although it was absolutely essential that the industrialized countries should maintain their assistance to the developing countries. Furthermore, he believed that IMF should do its utmost to help the developing countries, particularly those most seriously affected by the current crisis, and that they should benefit as a matter of priority from the oil facility of the Fund. He was glad that the United Kingdom representative had approved the development of the facility; he agreed with him that in combating inflation, account must be taken of the dangers of recession, and in particular of unemployment. He stressed the need also for international co-operation, in view of the close interdependence of countries with regard to development. IMF was studying those problems and would produce an analysis of the world economic situation. He thanked Iran for its support of the Fund's oil facility and appreciated its disappointment that the industrialized countries were not making a greater contribution; it must not be forgotten, however, that they themselves were in a difficult financial situation. They would surely not refuse to give their support when they were in a position to do so; Canada and the Netherlands were already prepared to make a contribution. With regard to the surplus of $65 thousand million held by the oil-producing countries, he was aware that, as the representative of Iran had pointed out, those countries were using the funds to accelerate their own development. In reply to the representative of France, he announced that he might be able, in the future, to present the IMF report at the summer session of the Economic and Social Council.

73. Mr. CHANG Hsien-wu (China), replying to the Managing Director of IMF, said that he could not accept the explanations which the latter had given to justify the Fund's position towards the People's Republic of China. Once again, he recalled that the General Assembly had decided, in its resolution 2758 (XXVI), to expel forthwith the representatives of Chiang Kai-shek from the place which they unlawfully occupied at the United Nations and in all the organizations related to it. Many United Nations agencies had implemented the resolution, but the World Bank and IMF continued to ignore it. IMF must unconditionally implement that resolution. He thanked the representative of Pakistan for his support.

74. The PRESIDENT said that, if there was no objection, he would take it that the Economic and Social Council decided to take note with appreciation of the report of IMF.

*The decision was adopted* [*decision 61 (LVII)*].

*The meeting rose at 1.05 p.m.*

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# 1928th meeting

**Tuesday, 26 November 1974, at 3.20 p.m.**

*President*: Mr. Aarno KARHILO (Finland).

E/SR.1928

## AGENDA ITEM 6

**World Food Conference:**

- **(*a*) Report of the World Food Conference (E/5586, E/5587 and Add.1-4);**
- **(*b*) Emergency measures in regard to the supply of fertilizers and pesticides (E/5596)**

1. Mr. HANNAH (Deputy Secretary-General of the World Food Conference), introducing the report, in provisional form, of the World Food Conference (E/5587 and Add.1-4) on behalf of the Secretary-General of the Conference, said that he had accepted a role in the secretariat of the World Food Conference only because of his belief that the gravest responsibility facing the entire world was the problem of feeding the hungry people in the developing countries. That problem should be of direct concern to all people of all races, all religions, all colours and all political or economic persuasions. The Conference had accomplished far more than could have been realistically expected by even the most optimistic. In that respect, he wished to thank the Under-Secretary-General for Economic and Social Affairs, the members of the Economic and Social Council secretariat and the Chairman of the Preparatory Committee for their role in ensuring the success of the