

**ECONOMIC
AND
SOCIAL COUNCIL**

**CONSEIL
ECONOMIQUE
ET SOCIAL**

RESTRICTED

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18 September 1947

ORIGINAL: ENGLISH

COMMITTEE ON NEGOTIATIONS WITH SPECIALIZED AGENCIES

SUMMARY RECORD OF THE FIFTY-SEVENTH MEETING

Held at Lake Success, New York on Friday,

15 August 1947, at 3:30 p.m.

Present:

Chairman:	Mr. Papanek	(Czechoslovakia)
Rapporteur:	Mr. Kotschnig	(United States of America)
	Mr. Blais	(Canada)
	Mr. Cha	(China)
	Mr. de Clermont-Tonnerre	(France)
	Mr. Lunde	(Norway)
	Mr. Veysey	(United Kingdom)
Trusteeship Council:		
	Mr. Heyward	(Australia)
Secretariat:	Mr. Owen	(Department of Economic Affairs)
	Mr. Schachter	(Department of Legal Affairs)
	Mr. Hudson	(Department of Economic Affairs)
	Mr. Krcmery	(Joint Division of Co-ordination and Liaison)

Continuation of the discussion of the draft Agreements with the International Bank for Reconstruction and Development and the International Monetary Fund

Mr. KOTSCHNIG, Rapporteur, speaking as the representative of the United States, expressed the opinion that it was very important to have an agreement with the Bank and Fund. He believed that confidence would develop after the agreement had been reached and the Organizations had gained experience in co-operation.

Mr. LUNDE (Norway) considered that the whole agreement would set a bad precedent. The efficiency and smooth functioning of the United Nations /in relationship

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In relationship to the Bank and Fund would be sacrificed by a loose agreement. He believed that the agreement would be unsatisfactory not only to United Nations but also to the Bank and Fund. He thought that under the provisions proposed by the Bank for the relationship agreement, it would be difficult to call the Bank a specialized agency on the same basis as the other specialized agencies. He made a general reservation as to the spirit of the agreement and as to the possibility of recognizing the Bank and the Fund under the suggested terms as specialized agencies within the meaning of the Charter.

Mr. KOTSCHNIG (United States of America) pointed out that the Bank and Fund had always been held up as the first examples of "specialized agencies." He believed that there could be no doubt of the intention of the framers of the Charter in regarding the Bank and Fund as among the most important of the specialized agencies. He felt it would be difficult now to put them in a different category.

Mr. LUNDE (Norway) felt that it should be pointed out to the representatives of the Bank and Fund that there were a number of doubtful questions on which the Committee made a general reservation. He believed that these questions should be referred to the Council and to the General Assembly for further study.

Mr. BLAIS (Canada) felt that the agreement should be negotiated and pointed out that the General Assembly could decide that it should be revised.

Mr. VEYSEY (United Kingdom) expressed the view that all specialized agencies were not of the same type, and that differences in agreements might well be justified. In this particular case it was necessary to come to an agreement, and the differences which the Committee conceded were justifiable.

Mr. CHA (China) agreed on the importance of reaching an agreement with the Bank and Fund.

Article I, General, Paragraph 3

Mr. KOTSCHNIG (United States of America) presented the following text of paragraph 3 which had been drafted by the representatives of the Bank and Fund:

"The Bank is subject to certain necessary limitations for the safeguarding of confidential material furnished to the Bank by its members or others, and nothing in this Agreement shall be construed to require the Bank to furnish any information the furnishing of which would, in its judgement, constitute a violation of the confidence of any of its members or anyone from whom it shall have received such
/information, or

information, or which would otherwise interfere with the orderly conduct of its operations."

Mr. de CLERMONT-TONNERRE (France) stated that he was prepared to accept the paragraph in question if reciprocity were provided for. He pointed out that it was really a question of form. The United Nations had confidential information which would not be presented to the Bank, just as the Bank did not wish to pass on certain types of confidential information to the United Nations. He suggested inserting the words, "The United Nations" before the words "Bank" so as to read, "The United Nations and the Bank are subject to certain limitations for the safeguarding of confidential material..."

DECISION: It was agreed to accept the paragraph with the addition of the wording on reciprocity suggested by Mr. de CLERMONT-TONNERRE (France).

Article II, paragraph 1 - Reciprocal Representation

The CHAIRMAN stated that the end of the first paragraph had been left open for further discussion.

Mr. KOTSCHNIG (United States of America) suggested adding the word "particular" before "concern".

Mr. de CLERMONT-TONNERRE (France) stressed the importance of pressing for the retention of this clause. This would not be objectionable to the Bank and Fund since they would retain fully authority to determine what were questions of particular interest to the United Nations. Therefore, they would not be called upon to invite United Nations representatives to all meetings.

Mr. BLAIS (Canada) agreed with Mr. de CLERMONT-TONNERRE (France) that this clause should be retained. He suggested that if the Bank and Fund insisted, the word "particular" could be inserted.

Mr. OWEN (Secretariat) stated that from his discussions with the Bank and Fund, he understood that the Bank and Fund were not willing to accept the clause even with the changes suggested.

Mr. KOTSCHNIG (United States of America) suggested another alternative to read: "Representatives of the United Nations shall be invited to participate without vote in other meetings of the Bank and Fund."

Mr. OWEN (Secretariat) suggested for consideration the wording: "...in meetings called by the Bank for the purpose of discussing matters of concern to the United Nations."

DECISION: The sentence proposed by Mr. KOTSCHNIG (United States of America) was adopted.

Article III - Agenda Items

Mr. KOTSCHNIG (United States of America) stated that the Bank would
/not accept

not accept Article III as it stood. He felt that it might accept it, if the clause "and of the Executive Directors as may be appropriate." was removed.

Mr. BLAIS (Canada) suggested substituting the phrase "...and other appropriate meetings".

DECISION: The suggestions of Mr. KOTSCHNIG (United States of America) and Mr. BLAIS (Canada) were adopted.

Article IV - Consultation and Recommendations, paragraphs 2 and 3

Mr. LUNDE (Norway) felt that paragraph 2 went too far and would be unacceptable to the General Assembly.

Mr. OWEN (Secretariat) suggested that the second paragraph might be acceptable to the Bank, with the deletion of the second half ("...and in due course to report to the United Nations on the action taken by the Bank or by its members to give effect to such recommendations or on the other results of its consideration.") and with the addition of the words, "...subject to prior consultation..". It would read as follows: "The Bank agrees to arrange, subject to prior consultation, for submission as soon as possible, to its appropriate organs, of formal recommendations which the United Nations may make to it."

Mr. LUNDE (Norway) asked for an explanation of the words, "...subject to prior consultation..". He felt that under such a clause, no recommendation to the Bank would be made if the representatives of the Bank were opposed to it, and he was therefore opposed to the sentence.

DECISION: The sentence as set out above was adopted.

Article IV, paragraph 3

A revised text agreed between the legal advisors of the United Nations and the Bank and Fund was distributed. It read as follows:

"The United Nations recognizes that the action to be taken by the Bank on any loan is a matter to be determined by the independent exercise of the Bank's own judgment in accordance with the Bank's Articles of Agreement. The United Nations recognizes, therefore, that it would be sound policy, that, recommendations made to the Bank by the United Nations or by any of its organs with respect to reconstruction or development plans, programmes or projects should not include recommendations that such plans, programmes or projects should or should not be financed by the Bank, or with respect to terms or conditions upon which financing by the Bank should be done. The Bank recognizes that it would be sound policy for the United Nations and its organs to make recommendations with respect to the technical aspects of reconstruction or development plans, programmes or projects.

/Mr. LUNDE

Mr. LUNDE (Norway) was prepared to accept the first sentence of this article. As for the second sentence, he considered that it went too far. In his opinion the paragraph should end with the word "Agreement".

Mr. de CLARMONT-TONNERRE (France) agreed. He felt that the last two sentences did not add anything.

Mr. KOTSCHNIG (United States of America) felt that if the two sentences were taken out, the Bank would refuse to accept the Article. He believed that the two sentences were really desirable, especially the last one which was important from the point of view of the United Nations.

Mr. VEYSEY (United Kingdom) said that the Committee had no right to sign away the rights of the United Nations. The revised paragraph was similar to the previous draft of the Bank which the Legal Department had said it was not within the power of the Council to accept.

Mr. SCHACHTER (Legal Department) stated that the clause as it was now drafted was not of a binding character. It was a statement of policy, not a definite obligation. It was for that reason that the legal advisors had inserted the phrase "...it would be sound policy..".

Mr. KOTSCHNIG (United States of America) felt that the paragraph satisfied the requirements of the Charter, that the legal advisors had already reached agreement on the clause, and it would be a mistake on the part of the Committee to go against it.

Mr. GONZALES (Chile) considered the second sentence very cumbersome.

Mr. SCHACHTER (Secretariat) indicated that the drafting could be improved but emphasized that it was important to make it clear that the paragraph did not contain an absolutely binding obligation, but was merely a statement of what would be sound policy.

Mr. LUNDE (Norway) felt that a declaration of what would be sound policy had no place in a formal agreement.

DECISION: The first sentence was unanimously adopted. The second sentence was referred to the Legal Department for redrafting.

Article VI - Security Council

Mr. LUNDE (Norway) asked what would happen if, after a loan had been granted to a Member Government, economic sanctions were applied against that Member Government.

Mr. KOTSCHNIG (United States of America) stated that the Bank was pledged to give due regard to the decisions of the Security Council.

Mr. OWEN (Secretariat) said that his attention had been called by the Department of Security Council Affairs to the fact that Articles 41 and 42 of the Charter were closely related. Article 42 dealt with military sanctions, including some economic implications. Article 41 made no
/provisions for

provisions for military sanctions. Therefore, it was possible to mention Article 42 without Article 41 in this case, but not Article 41 without Article 42.

Article VII - Assistance to the Trusteeship Council

The CHAIRMAN called upon the representatives of the Trusteeship Council to give their views on the two suggestions which had been made in the negotiations held earlier in the afternoon.*

Mr. HEYWARD (Trusteeship Council) stated that the Trusteeship Council was satisfied with the willingness of the Bank and the Fund to exchange information, and that it would not be necessary to write the fact into the Article on Assistance to the Trusteeship Council. The Trusteeship Council was pleased to note the statement that the Bank would be agreeable to the clause that it would have due regard for the decisions of the Trusteeship Council. With regard to the question of rendering assistance, the Trusteeship Council did not regard that assistance as being purely financial. Should the Bank not be willing to write this in, the Trusteeship Council requested the following formulation which represented a further compromise:

"The Bank agrees that it will, within the terms of its Articles of Agreement, and subject to Article IV of this Agreement, render assistance to the Trusteeship Council in accordance with Article 91 of the Charter."

Mr. KOTSCHNIG (United States of America) proposed to offer the following alternatives to the Bank and Fund Negotiators:

"The Bank agrees to co-operate with the Trusteeship Council in the carrying out of the functions and to pay due regard to any relevant decisions of the Trusteeship Council".

or

The Bank agrees that it will, within the terms of its Articles of Agreement and subject to Article IV of this Agreement, render assistance to the Trusteeship Council in accordance with Article 91 of the Charter."

DECISION: It was agreed to offer the above alternative paragraphs for the consideration of the Bank and Fund negotiators.

Article X, paragraph 3

The following redraft, presented by the Bank, was introduced to the Committee:

"The United Nations agrees that, in the interpretation of paragraph 3 of Article 17 of the United Nations Charter, it will take into consideration that the Bank does not rely for its annual budget upon contributions from its Members and that the appropriate

* See Summary Record of the Fifty-Sixth Meeting, document E/C.1/SR.56.

authorities of the Bank exercise sole competence over the form and content of such budget."

In addition, the Bank had suggested that there should be recorded in the report of the negotiations as the view of the Committee that as a matter of policy, no recommendations regarding the Bank's budget should be made under Article 17 of the United Nations Charter.

Mr. LUNDE (Norway) felt that the suggestion was not in conformity with Article 17, paragraph 3 of the Charter. The text was very vague. Everything depended upon the interpretation that was given to it.

Mr. SCHACHTER (Legal Department) pointed out that the proposed text had been carefully drafted so as to conform with Article 17, paragraph 3 of the Charter, and at the same time to recognize the facts regarding the administrative budget of the Bank. Thus the proposed text made it clear that the Charter provision applied to the Bank as a legal matter, but recognized that the manner in which it would be applied in a particular case was a matter of policy for the General Assembly. He saw no legal objection to the proposed text.

The CHAIRMAN suggested that the words "exercise sole competence over.." be replaced by the words "..enjoy full autonomy in deciding the form..".

DECISION: It was decided to accept the text as amended, but not to make any statement for the record that the Assembly should not make any recommendations on the budget.

The meeting rose at 5:00 p.m.
