



ECONOMIC AND SOCIAL COUNCIL

Monday, 19 December 1966,
at 3.25 p.m.

Resumed Forty-first Session
OFFICIAL RECORDS

NEW YORK

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President: Mr. Tewfik BOUATTOURA (Algeria).

Present:

Representatives of the following States members of the Council: Algeria, Cameroon, Canada, Chile, Czechoslovakia, Dahomey, 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.

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

The representative of the International Atomic Energy Agency.

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

AGENDA ITEM 11

Report of the International Monetary Fund (concluded) (E/4282)

1. Mr. KOTSCHNIG (United States of America) said that his delegation welcomed the report of the International Monetary Fund^{1/} which was transmitted to the members of the Council by a note of the Secretary-General (E/4282), and, in particular, the second and third chapters of the report. It was gratifying that, with the admission of Singapore and Guyana, the membership of the International Monetary Fund (IMF) had now reached 105, and that Indonesia would soon be readmitted.

^{1/} International Monetary Fund, Annual Report of the Executive Directors for the Fiscal Year ended April 30, 1966 (Washington, D.C.).

2. The general increase in IMF quotas, which had come into effect earlier in the year, was to be welcomed, as was the expansion of the Fund's compensatory financing scheme. The arrangements for joint meetings between the Fund's Executive Directors and the deputies of the Group of Ten—the first meeting having already been successfully held—would help to ensure that the views of all countries would be heard in discussions concerning reform of the international monetary system; they also inspired confidence that both developed and developing countries would benefit from any new arrangements. The Fund clearly had a leading role to play in reshaping that system—a matter in which all countries were interested. Another area in which the Fund was making a significant contribution was that of technical assistance to developing countries. The continued growth in the work of the Fiscal Affairs Department and the Central Banking Service and the expansion of the training programme of the IMF Institute were gratifying.

3. The United States shared the Managing Director's concern at the precarious state of world food supplies and had made strenuous efforts to alleviate the situation and to increase world food production. That problem was one of the many related factors which must be taken into account in approaching development problems.

4. Mr. PARTHASARATHI (India) said that it was appropriate that the Council was considering the report of the International Monetary Fund soon after its presentation to the Board of Governors and he hoped that the practice would continue. There had been a gratifying expansion of the Fund's activities during the year under review, and his delegation particularly welcomed the recent increase in quotas and the liberalization of the Fund's compensatory financing facility.

5. Despite the encouraging increase in world production and trade, the fact remained that the economic growth of developing countries was falling behind that of richer nations: the flow of aid to those countries had stagnated, the targets of the United Nations Development Decade had not been achieved, and there had been deterioration in the developing countries terms of trade. Nevertheless, those countries had continued to add to their reserves but only by cutting back vital imports. As the Managing Director of IMF had rightly pointed out, the imposition of higher interest rates in the developed countries to reduce excess demand had adversely affected capital flows to the developing countries without creating equilibrium in the domestic economies concerned. A concentrated effort should therefore be made to eliminate the overpricing of capital and to effect, through appropriate international agencies, the transfer of urgently needed resources to the developing countries.

6. The most important aspect of the Fund's work was international liquidity and the creation of a new reserve asset. The schemes for the creation of additional liquidity within the Fund or through an affiliate of the Fund were broadly acceptable to the Indian delegation, which had already emphasized the need for a truly international approach to the problem. Some progress had been made at the first joint meeting between the Executive Directors of IMF and the deputies of the Group of Ten, and it was now essential to take adequate account of the interests of all countries in the creation, distribution and management of any new reserve asset. It was encouraging that the discussions concerning international monetary reform were now on a broader basis, since the world could no longer be divided into different countries or groups of countries with different rights and responsibilities in international monetary management.

7. It was to be hoped that the problem of international monetary reform would be approached with the future rather than the past in mind, especially as far as the role of gold and discriminatory elements in reserve creation or management were concerned. A contingency plan should be prepared as early as possible and the question of international monetary reform should be tackled in the same far-sighted and progressive spirit that had guided the decisions taken at Bretton Woods.

8. Mr. Amjad ALI (Pakistan) agreed that the practice of discussing the Fund's report at a resumed session of the Council should be continued. Although world production and trade had shown an encouraging increase, the share of the developing countries was still regrettably inadequate. The high levels of investment which were required for high rates of economic growth could only come from external assistance, which had stagnated in recent years, or from domestic savings, which depended partly on economic activity within the country concerned and partly on foreign exchange receipts. Unfortunately, however, the developing countries' terms of trade continued to deteriorate and a number of countries were seriously affected by fluctuations in commodity prices. It was therefore surprising that the Fund provided assistance to countries experiencing balance-of-payments difficulties but was not prepared to help developing countries to avoid those difficulties through the stabilization of commodity prices. In the recent cocoa negotiations, the producer countries had made a number of substantial concessions, including an agreement to pay a levy of 1 cent per pound to finance the buffer stock; it was therefore strange that the pre-financing required was not forthcoming, especially since it would be needed for only three or four years and would be backed by the full security of the levy system.

9. Pakistan welcomed the expansion of the compensatory financing facility, but prices sometimes continued to fall beyond the present repurchase period of three to five years, and further studies should be initiated with a view to meeting such contingencies.

10. The prospects for the trade of developing countries were not bright. Commodity prices remained low, and the access of developing countries to world

markets was still difficult. The Kennedy Round might improve the situation but the long list of exceptions did not inspire optimism. The serious problem of food shortages was being tackled in many developing countries, including Pakistan, but little headway could be made if the capital required for agricultural growth and improvement was not forthcoming.

11. The problem of international liquidity was of concern to all countries, and it was therefore encouraging that the framework of discussion was being enlarged so as to enable both developing and developed countries to participate and to benefit from any new arrangements.

12. Mr. VARELA (Panama) said that internal balance-of-payments difficulties should not deter the developed countries from providing capital to finance development in developing countries. While problems of international liquidity were both complex and serious, the most urgent need was to accelerate the economic growth of developing countries by supplementing their efforts and improving their terms of trade. As long as that was not done, liquidity problems would continue to arise, and it was therefore to be hoped that the Fund would study international liquidity in close relation to development financing and the improvement of the developing countries' terms of trade.

13. Mr. DJOUDI (Algeria) felt it was undesirable for the Council to take up the reports of the International Monetary Fund and the International Bank for Reconstruction and Development and its affiliates at the very end of its resumed summer session. It might be better if the Council considered additional reports from those bodies or heard statements from their high-ranking representatives during its debate on the world economic situation at the regular summer session.

14. Mr. VIAUD (France) agreed. The activities of the Fund and the Bank were too important to be left for hasty discussion at the end of the General Assembly when delegations had little time to examine the reports and prepare serious statements on them.

15. Mr. SCHWEITZER (Managing Director, International Monetary Fund) said that, although IMF was doing its utmost to improve the world monetary situation, the nature of the resources at its disposal necessarily meant that its activities were confined to a limited and specialized field. Nevertheless, it welcomed its co-operation with the Council and with the United Nations Conference on Trade and Development.

16. It was not for IMF to concern itself with the organization of the Council's work but he stressed that the Fund's report should be discussed as soon as possible after it had been issued. The Fund was ready to co-operate with the Council in ensuring that its work was smoothly organized and would be prepared, if necessary, to participate in the Council's debate on the world economic situation during the regular summer session.

17. He agreed with most of the speakers at the previous meeting that the international monetary system should be reformed, particularly with a view to securing additional international liquidity. Never-

theless, increased liquidity was no panacea; it could not be substituted for increased aid to the developing countries nor for measures designed to improve primary commodity markets. The statutes of IMF prevented it from participating directly in the financing of commodity stocks but it could help exporting countries when they suffered declines in their export earnings or were faced with special financial problems as a result of market fluctuations. Both developed and developing countries had an equal interest in the proper functioning of the international monetary system and in the provision of additional liquidity. The lack of such liquidity would inevitably result in trade and aid restrictions which would hit the developing countries the hardest. He assured the Council that the Fund was doing its utmost to reach agreement on the principles which should govern international monetary reform.

18. The PRESIDENT proposed that the Council should take note with satisfaction of the report of the International Monetary Fund.

It was so decided.

AGENDA ITEM 14

Appointment of a member of the Advisory Committee on the Application of Science and Technology to Development (E/4288)

19. Mr. DJOUDI (Algeria) said his country had the most serious reservations about the proposal made in document E/4288. Mr. Abba Eban had already served on the Advisory Committee on the Application of Science and Technology to Development for several years and it would be much more appropriate if the representative of a developing country were to replace him.

20. Mr. KADRY (Iraq), Mr. AHMED (Pakistan) and Mr. FILALI (Morocco) associated themselves with the reservations expressed by the representative of Algeria.

21. Mr. VARELA (Panama) felt that the Council should endorse the nomination proposed by the Secretary-General out of respect for him and his unanimous re-election to a further term of office.

22. Mr. FILALI (Morocco) said that the reasons for the reservations expressed had already been stated by the representative of Algeria and they did not imply the slightest criticism of the Secretary-General.

23. The PRESIDENT proposed that the Council should approve the recommendation made by the Secretary-General (E/4288).

It was so decided.

AGENDA ITEM 9

Basic programme of work of the Council in 1967 and consideration of the provisional agenda for the forty-second session (E/L.1147 and Add.1 and 2, E/L.1148 and Add.1)

24. Mr. KOTSCHNIG (United States of America) supported the proposals made by the Secretary-General in paragraphs 5, 7, 8 and 10 of the draft programme of work for 1967 (E/L.1147).

25. Mr. MacLAREN (Canada) supported the proposal put forward in paragraph 10 of the same document; but wondered whether it would not be better to discuss land reform and environmental pollution mentioned in paragraphs 5 and 7, at the forth-third session rather than at the forty-second and forty-fourth sessions respectively, since those two subjects involved co-ordination with other members of the United Nations family.

26. Sir Edward WARNER (United Kingdom) asked the Secretary of the Council what arrangements were being made for meetings of the sessional committees of the Council under the new procedures.

27. Mr. KITTANI (Secretary of the Council) pointed out that the documents the Council was considering were, in effect, a draft programme of work for 1967 and a provisional agenda for the forty-second session of the Council. At the opening of the forty-second session, the Council would approve the organization of work at that session. The Secretariat, in drawing up the programme, had attempted to divide the items between the two sessions in 1967 along the lines laid down in Council resolution 1156 (XLI). At the spring session, in addition to plenary meetings, there would therefore be a full programme of meetings of the Social and Economic Committees, and only a few meetings of the Co-ordination Committee; whereas the summer session would be primarily devoted to plenary discussion of economic and social policy questions and consideration of co-ordination matters in plenary session and in the Co-ordination Committee. The report on progress in land reform, as an economic item requiring study in depth, had therefore been provisionally assigned to the spring session.

28. Mr. VIAUD (France) said that the arrangements suggested in documents E/L.1147 and Add.1 and 2 and E/L.1148 for the forty-second and forty-third sessions of the Council were generally acceptable. He thought, however, that a decision on the meeting of the ad hoc working group on the question of a declaration in international economic co-operation (E/L.1147, para. 10) should be deferred until the forty-second session. Moreover, since the Council would be chiefly responsible for implementing the recommendations of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies, it might wish to consider those recommendations earlier than the forty-third session, as mentioned in part II section (p) of document E/L.1148. He accordingly suggested that the draft programme for the spring and summer 1967 sessions should provide specifically for consideration of the report of the Ad Hoc Committee of Experts^{2/} or of a Secretariat document summarizing the recommendations and conclusions in the report which required action by the Council.

29. The draft list of items for the forty-third session included a number of economic and social matters which might well require meetings of the Economic and Social Committees; if that were the case, the workload of delegations would not have been significantly alleviated. Moreover, his delegation had proposed (1450th meeting) that the opening date of the

^{2/} Official Records of the General Assembly, Twenty-first Session, Annexes, agenda item 80, document A/6343.

summer 1967 session should be advanced to 4 or 5 July and would be glad if the Council decided on that proposal at the current session, since a decision at the forty-second session in May 1967 would be too late.

30. Mr. Amjad ALI (Pakistan) said that his delegation appreciated the reasons for the apparent departure from the planned division of work between the spring and summer sessions referred to by the representative of Canada and was prepared to endorse the suggestions in paragraphs 5 to 9 of document E/L.1147. It might be advisable, however, for the Council to maintain its decision to defer until the forty-third session the question of a meeting of the ad hoc Working Group mentioned in paragraph 10.

31. Mr. HILL (Secretariat) said that the implementation of General Assembly resolution 2188 (XXI) concerning the enlargement of the Committee for Programme and Co-ordination would affect the schedule of meetings for 1967, because, in addition to the meetings planned for that Committee in the pattern of conferences for 1967,^{3/} it was estimated that the enlarged Committee would require a further four weeks to carry out the work specified in the Assembly resolution. The Secretariat would prepare a document for the following meeting giving suggested dates for all meetings of the Committee in 1967, so that members of the Council could consider how the arrangements for the spring and summer sessions might be affected.

32. Mr. ZOLLNER (Dahomey) hoped that the document to be prepared by the Secretariat would indicate whether the arrangements for meetings of the en-

larged Committee for Programme and Co-ordination would prevent the Council, if it so desired, from convening its summer session a week earlier than had originally been planned.

33. Sir Edward WARNER (United Kingdom) requested that the document should also indicate which of the meetings of the Committee were to be held in New York and which at Geneva.

34. Mr. VIAUD (France) said that his delegation did not see any pressing reason why the meetings of the enlarged Committee for Programme and Co-ordination—a Committee of the General Assembly which would not be concerned exclusively or even primarily with co-ordination matters—need to be closely co-ordinated with those of the Council. It might meet, for instance, after the summer session and the Council could, in that event, consider its report at a resumed session.

35. Mr. KITTANI (Secretary of the Council) said that he wished to correct the impression that the reorganization of the Council's work would not bring about a substantial reduction in the amount of work to be done at the summer session. At the summer 1966 session, for example, there had been twenty-three meetings of the Social Committee and twenty-one meetings of the Economic Committee; in 1967, the Social Committee would hold few, if any, meetings during the summer session and most of the meetings of the Economic Committee would also take place during the spring session, with the possibility of remitting any outstanding items for consideration during the summer session which was expected to consist primarily of plenary meetings and meetings of the Co-ordination Committee.

The meeting rose at 5.40 p.m.

^{3/} *Ibid.*, agenda item 75, document A/6437.