

date the provisions of the International Convention for the Safety of Life at Sea, 1960, and the other the Athens Convention of 1974 relating to the Carriage of Passengers and their luggage by Sea, 1974. A third international conference had been convened by IMCO in April 1975, the Conference on the Establishment of an International Maritime Satellite System, a second session of which was to be held in 1976.

58. With reference to agenda item 18, on marine questions, he said that the comprehensive documents E/5650 and Corr.1 (study prepared by the Secretary-General on uses of the sea) and E/5676 (report of ACC on marine science and its applications: spheres of competence and work programmes of United Nations organizations and agencies contained fairly clear information on activities of the various agencies in that field. He drew particular attention to work on the preservation of the maritime environment and the transfer of technology in the maritime field. IMCO had been concerned with the prevention of marine pollution from the very beginning, and in 1973 the IMCO Assembly had established the Marine Environment Protection Committee, whose main function was to administer and co-ordinate all aspects of IMCO's work relating to the prevention and control of marine pollution from ships. In addition to considering and formulating techniques,

procedures and arrangements for preventing marine pollution from ships and dealing with incidents in that sphere, the Committee also served as a forum for exchange of views and information and helped in the transfer of technology from the developed to the developing countries. It had already played and would continue to play a significant part in the efforts of the United Nations system to preserve and enhance the quality of the world's seas and oceans.

59. As part of its continuing activities, IMCO co-operated closely with other United Nations bodies and agencies. For example, it co-operated with UNEP and had participated in the Inter-Governmental Meeting on the Protection of the Mediterranean convened by UNEP early in 1975; again, UNEP had agreed in principle to contribute \$60,000 towards the cost of a symposium on the prevention of marine pollution from ships, to be held in 1976 under the joint sponsorship of IMCO and the Government of Mexico.

60. The annual report of IMCO had already been circulated and was to be the subject of an in-depth examination at the sixty-first session of the Economic and Social Council. He was ready to answer any questions delegations might wish to ask.

The meeting rose at 12.45 p.m.

1955th meeting

Thursday, 3 July 1975, at 3.20 p.m.

President: Mr. I. A. AKHUND (Pakistan)

E/SR.1955

AGENDA ITEM 3

General discussion of international economic and social policy, including regional and sectorial developments (*continued*) (E/5654, E/5665, E/5681 and Add.1-4, E/5682, E/5692, E/5699, E/5713)

1. Mr. BINACHI (International Civil Aviation Organization) said that air transport, which was an indispensable tool of economic development, was sensitive to fluctuations in the world economic situation. In that sector, the results for 1974 could have been better. Scheduled traffic had increased, but its growth had been considerably less than the average for the preceding years although the rate of increase remained satisfactory in a number of regions. Non-scheduled traffic had declined. The airlines' difficulties were partly due to the increase in operating expenses, which had been greater than that in operating revenues despite increases in fares. To that had to be added other problems, in particular the tourist industry which had been affected by inflation.

2. In view of the seriousness of the situation, the ICAO Assembly had decided at its last session to examine some of the major issues on a world-wide basis. The ICAO Council had been directed to consult the Contracting States and the appropriate world-wide and regional bodies about the major

economic problems confronting air transport which were not already being dealt with through ICAO bodies and to draw up a plan for consideration of those matters by a special conference or session of the ICAO Assembly. In 1974, ICAO had continued to foster the solution of many technical, economic and legal issues civil aviation had to face, including problems of the environment. The Council had decided in favour of stricter control of aircraft noise, and the secretariat had set up a study group on aircraft engine emissions as part of the ICAO Action Programme regarding the environment. Also, the preliminary work had been completed for the commercial operation of the Concorde and the Tupolev 144 supersonic aircraft which were planned to enter into service in 1976.

3. ICAO was continuing to concern itself with questions of safety. The number of aircraft accidents in scheduled services had declined from 1973 to 1974. The organization had also concerned itself with technical measures aimed at preventing acts of air piracy. In 1974, it had adopted, for that purpose, a new annex to the Convention on International Civil Aviation, and had updated its Security Manual. The three ICAO conventions dealing with offences involving unlawful interference had recently been ratified by many countries. Thanks to the action taken by States and the vigilance of the airlines, the number of aircraft hijackings and cases of sabotage had significantly decreased.

4. Referring to the constant progress in the technical assistance provided by ICAO with the financial assistance of UNDP and funds-in-trust, he mentioned in particular a recent project carried out in co-operation with other international organizations which was aimed at determining how air transport could contribute to the economic development of African countries. That project would be the first in a series devoted to several regions. Within the framework of its various technical assistance activities, ICAO had worked in close co-operation not only with the specialized agencies but also with regional civil aviation bodies.

5. Lastly, he emphasized that ICAO was strongly aware of the contribution that civil aviation could make to the improvement of human and economic relations throughout the world and of the importance of co-operating with the other specialized agencies and with the United Nations. He looked forward with confidence to the results of the seventh special session of the United Nations General Assembly, which should give a further impulse to the activities of the United Nations system as a whole.

6. Mr. WITTEVEEN (Managing Director, International Monetary Fund) said that economic developments in the industrial countries during 1974 had been marked by a pronounced weakness in real activity and by a short acceleration in price increases. The recession had become more serious in 1974 and the first half of 1975 than had been expected and inflation had increased. According to estimates by IMF, aggregate output of the industrial countries was expected to turn upwards in the second half of 1975 and to continue rising in the first half of 1976, while price inflation should slow down. However, because of the severity of the recession and the uncertainties of the present economic situation, the economic recovery was expected to be relatively modest, in its earlier phase at least. Economic forecasting and policy formulation were, however, unusually hazardous at the present time. National authorities faced the difficult challenge of steering a middle course between policies that permitted an unduly rapid expansion of demand which could make for new instability, and unduly cautious policies that prolonged the under-utilization of resources.

7. The economic recession that had developed in the industrial countries since 1973 had had a noticeably depressive effect on trade and activity in the rest of the world. It seemed reasonable to ask countries that carried special weight in the world economy – in particular, the United States of America, the Federal Republic of Germany and Japan – to do all they could through their policies to restore economic growth, but it would not be reasonable to expect them, in addition to the action already taken, to take expansionary measures that might provoke new inflationary pressures.

8. With regard to international payments, sizeable imbalances still characterized the external positions of industrial countries; however, the burden of current account deficits had tended to shift from the industrial countries to others, particularly developing countries that were not oil producers. The over-all situation and prospects for the latter group had sharply deteriorated: their combined deficit on

current account had increased, while the volume of their exports had risen very little in 1974 and was expected to decline in 1975 in common with the volume of imports. External financing appeared to be a critical problem for many of those countries for some time to come. Particularly severe problems faced the group of developing countries regarded as the most seriously affected. Many developing countries might have to contemplate a considerable reduction in their net reserves in order to finance current account deficits in 1975. Countries that had borrowed to the limit of their capacity had an urgent need for capital on concessionary terms or for outright grant assistance. The borrowing countries should follow policies that increased their creditworthiness while the capital-exporting countries should encourage the necessary flows of financial assistance.

9. IMF had been working in several fields to overcome those problems. The oil machinery which it had set up in 1974 to help member countries meet balance-of-payments problems caused by the increased cost of oil imports had provided assistance in 1974 to 40 members, to the value of nearly SDR 2,600 million. The Executive Directors of the Fund had decided that the same facilities should be extended to members to assist them with their oil deficits in 1975, and it would have nearly SDR 4,000 million available in 1975 through loans from oil-exporting and industrial countries. A special account was also to be established to assist the most seriously affected developing countries to pay the interest due on the oil loans. The credits made available by IMF under the oil machinery fell outside the normal quota limits that were generally applicable to members' use of its resources. The distinction made between oil deficits and deficits arising from other causes would eventually cease to be appropriate, and a modification of that approach was therefore being envisaged after 1975. In that connexion, particular importance attached to the revision of the quotas.

10. The Development Committee established by the World Bank and IMF to deal with various aspects of the transfer of real resources to developing countries had urged the Executive Directors of IMF to give high priority to a study of the establishment and financing of a special Trust Fund. They were also considering appropriate modifications of IMF's facilities with regard to compensatory financing for fluctuations in export earnings and assistance to members in connexion with their contributions to international buffer stocks.

11. For some years the reform of the international monetary system had been on the agenda of almost every meeting of finance ministers or experts. It had become apparent that the Bretton Woods system set up in 1944, which had made a major contribution, was no longer suited to the present situation and would have to be replaced. In the last four years, IMF had held a number of meetings to design a new system but it had not yet proved possible to reach agreement. Considerable time was required to devise a system that was appropriate to a world in rapid change and therefore in increased uncertainty. The situation was very different from what it had been 30 years before and the greater complexity of the international economy of to-day made the job of monetary reform more

difficult. The reform had progressed less rapidly than had been hoped but had not been abandoned. It should be an evolutionary process in which agreed purposes were defined and steps taken to achieve them over time.

12. While the discussions proceeded under the pressure of economic events, far-reaching changes had occurred in international relationships, of which the most important related to exchange rates. The par value system had clearly ceased to operate and at the present time the member countries of IMF had a variety of exchange régimes. The industrialized countries floated their currencies independently or as a group, while most of the non-industrial countries, faced with new uncertainties, had elected to peg their exchange rates. Most developing countries still maintained a fixed link with the currency in which they traditionally operated in the exchange market, a system which had several advantages but also certain drawbacks. A few countries had recently chosen to peg their currencies to the SDR in the hope of reducing price fluctuations which were inevitable so long as the exchange rates among major currencies were changing and which were felt far more severely when a country's currency was tied to one other currency only. The par value system had been an international safeguard, and with its removal there was a risk that countries might conduct their external policies at the expense of other countries.

13. In order to protect the international community against that risk, the Executive Directors of IMF had adopted guidelines for the management of floating exchange rates in June 1974, which reflected the general agreement that the behaviour of Governments with respect to exchange rates should continue to be a matter for consultation with and surveillance by IMF. Exchange rate policies could be effectively monitored in relation to those guidelines. Substantial oscillations in exchange rates continued to take place and the medium-term trend of exchange rates had not always been satisfactory. The application of those guidelines was important. The difficulties and uncertainties due to the measures that many countries had taken to finance their deficits, whose medium-term consequences could not be foreseen with any certainty, complicated the task of the monetary authorities and IMF in judging when and in what manner it was advisable to act to influence exchange rates.

14. IMF had also decided on a new method of valuation of SDR, linking the unit to a "basket" of 16 currencies. That introduced a relatively stable asset in a world in which other reserve assets, both currencies and gold, were subject to wide price fluctuations. The role of the SDR as a unit of

account was increasing outside IMF, but its place as a reserve asset was still modest. The major reforms were thus still to be made. At the present time efforts were concentrated on the amendments that should be made in IMF's Articles of Agreement to improve its operations. The Interim Committee of the International Monetary System at its January 1975 meeting had defined more precisely the subjects for those amendments, with the emphasis on gold and exchange rates and draft amendments had been prepared. At its last meeting, the Interim Committee had not reached full agreement on all the matters before it but the differences of opinion had been substantially narrowed. With respect to gold, agreement had been reached on three basic principles, namely that its role should be further reduced in favour of SDR, that the official price of gold should be abolished, and that the obligation to use gold in payments between IMF and its members should be abolished. Agreement had also been reached in principle on the sale of a portion of IMF's gold on the market or to members and the use of the profits for the benefit of the developing countries. Those profits could be used to create the special trust fund which had already been considered. However, it had been agreed that IMF should keep most of its gold, subject to any future decision which might be taken on the matter by a very large majority.

15. The Interim Committee had also considered the problems of exchange rates. Agreement had been reached on certain fundamental principles but substantial differences still remained on the question of whether countries should commit themselves to return to a par value system and how much they should be allowed to float their currencies once there had been a substantial return to par values. Discussions were proceeding, and he hoped that the remaining differences would be smoothed out and the technical problems with regard to the amendment of the Articles of Agreement resolved in the coming months. That would not, however, dispose of the subject of monetary reform. IMF would continue to concern itself with major questions such as the actual reduction of the role of gold and reserve currencies and the expansion of the role of SDR as the main reserve asset in the context of better control of the growth of international liquidity.

16. In a world economy that was becoming increasingly integrated, countries' economic and social systems, policies and interests remained very different. It was vital therefore to have closer and more effective international co-operation. Monetary reform was an arduous task but it was worth the maximum effort and perseverance.

The meeting rose at 4.10 p.m.