



ECONOMIC AND SOCIAL COUNCIL

Thursday, 24. February 1966,
at 3.10 p.m.

Fortieth Session

OFFICIAL RECORDS

NEW YORK

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President: Mr. Tewfik BOUATTOURA (Algeria).

Present:

Representatives of the following States: Algeria, Cameroon, Canada, Chile, Czechoslovakia, Dahomey, Ecuador, France, Gabon, Greece, India, Iran, Iraq, Luxembourg, 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.

Observers for the following Member States: Cuba, Denmark, Hungary, Ireland, Italy, Japan, Mauritania, Mexico, Poland, Sudan, Trinidad and Tobago, Turkey.

Observers for the following non-member States: Federal Republic of Germany, Switzerland.

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

The representative of the International Atomic Energy Agency.

The representative of the Contracting Parties to the General Agreement on Tariffs and Trade.

AGENDA ITEM 3

Report of the International Monetary Fund (*continued*) (E/4141 and Add.1)

1. Mr. PARTHASARATHI (India) said that the world payments situation had undergone many changes since the early post-war years, and the policies of the International Monetary Fund (IMF) had been progressively adapted to changing needs. As the Managing Director had emphasized in his statement (1404th meeting), it was only right that the Fund should devote its attention to solving the problem of international liquidity, and his delegation noted with satisfaction that there would soon be a sizable increase in the Fund's resources, although it was a matter of opinion

whether that increase would be sufficient to meet the needs of both the developing and the developed countries.

2. There was a tendency in certain quarters to believe that the problem of international liquidity affected only the highly industrialized nations, but other members of the Fund were clearly also interested, and the creation and distribution of any new reserves must be on a world-wide scale. There was some concern among developing countries that their interests might not be adequately safeguarded in any arrangement which might emerge from the discussions in the Group of Ten. It was significant that the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD) was studying the report of the Expert Group on International Monetary Issues,^{1/} and the developing countries had presented a memorandum^{2/} on that subject which was to be forwarded to IMF. He hoped that the Fund would give full consideration to the findings of the Expert Group and to the views submitted by the developing countries.

3. As the Managing Director of the Fund had pointed out, international liquidity was the business of the Fund, and any scheme of reserve creation must start out from a recognition of the legitimate reserve needs of both developed and developing countries. The developing countries had complex and difficult balance-of-payments problems and must therefore share fully in the benefits of any new scheme for the creation of reserves. Those problems were caused by complex economic and social factors, and it must also be remembered that the developing countries had to overcome handicaps inherited from conditions which had extended over a period of centuries. Short-term liquidity and longer-term aid had to be viewed in conjunction, and the world economy could function healthily only with a steady and growing transfer of real resources from the richer to the poorer countries. The developing countries had to increase their exports and foreign exchange earnings, and for that purpose needed greater internal and external investment, as well as freer access to world markets. The Fund would no doubt work towards the removal of trade restrictions in the developed countries and the widening and strengthening of world capital markets.

4. Although the Fund provided an important compensatory financing facility, only three countries had availed themselves of it in the three years of its existence, and there was a consensus among developing countries that the scheme was rather limited in scope. He therefore welcomed the Managing Director's statement that the subject was under active

^{1/} International Monetary Issues and the Developing Countries (United Nations publication, Sales No.: 66.II.D.2).

^{2/} TD/B/57, annex I, and TD/B/57/Corr.1.

study in the Fund and that proposals to improve the usefulness of the facility might soon be made.

5. The usefulness of the Fund might also be increased by reviewing certain of its lending policies. The Fund had moved in the direction of virtual automaticity of the gold tranche, which was likely to be of more benefit to the richer than to the poorer countries. As the Expert Group on International Monetary Issues had pointed out in their report, there was a case for more liberal policies in the higher credit tranches. He was confident that those and other problems would be tackled by the Fund in the best interests of all countries.

6. Mr. RANKIN (Canada) said that the importance of the Fund's central role in international payments had been demonstrated by its activities during 1965. In that period, drawings by the two major reserve countries had accounted for the greater portion of the foreign exchange assistance provided by the Fund, but a number of developing countries had also received direct balance-of-payments assistance. Two important measures had been taken to strengthen the liquidity position of the Fund and its ability to provide balance-of-payments support. First, the General Arrangements to Borrow had been extended for four years from October 1966 and were to be reviewed in the light of further experience before October 1968. Secondly, there had been a general increase in quotas, and several developing countries had increased their quotas under the terms of the decision on compensatory financing, which was itself under review.

7. There had been a gratifying record of expansion in another important type of assistance provided by the Fund, namely, its technical assistance activities through the International Monetary Fund Institute, the Central Banking Service, and the Fiscal Affairs Department. Although the effect of those activities might be felt only gradually, they were of great importance and complemented the annual consultations with each member of the Fund. Those consultations, which the Canadian Government found useful and worthwhile, provided each member with an opportunity to review its economic situation and policies with an independent and objective external authority, and had enabled the Fund to build up a unique store of knowledge and experience which it was able to translate into practical advice and action to further economic and financial stability. In that connexion, he noted that chapter 3 of the Fund's annual report gave a full and penetrating analysis of the fiscal problems facing developing countries and the policies to be followed in solving them. The report also contained various observations on the debt burdens of developing countries and debt re-negotiations. The responsibility for preventing the development of untenable debt structures in developing countries was clearly a joint one.

8. Canada, which was heavily dependent on exports for its economic well-being, attached great importance to ensuring an adequate supply of international liquidity. It recognized the liquidity needs of developing countries, particularly those which were heavily dependent on exports of primary products, to meet fluctuations in export earnings, and it was important

that the reserve needs of those countries should be taken into account in any reform of the international monetary system.

9. The Canadian delegation had noted with interest the suggestion of the Managing Director of the Fund that a multiple approach to the provision of additional liquidity could be equitable and acceptable. Constructive results could flow from the discussions which had taken place in a number of different forums. As a participant in the Group of Ten, Canada hoped that the industrialized countries' search for agreement could facilitate the wider agreement on which international monetary reform would be based. His delegation believed that IMF should continue to play a central role in the international monetary system.

10. Mr. SULAIMAN (Pakistan) said that one subject of pressing concern to the Fund was the terms of international trade. Whereas the export earnings of the developing countries had not achieved the expected level, partly because of falling prices of primary products, prices for the manufactured goods which they imported had risen. As the Managing Director of the Fund had pointed out, the balance-of-payments position of the developing countries had thus been adversely affected by price movements. The increasing disparity between the rich and poor nations could only be remedied by the adoption of a self-adjusting mechanism, whereby those who benefited from fluctuations in the terms of trade agreed to make payments to those who suffered from such fluctuations. In that connexion it was interesting to note that the total loss of developing countries through adverse terms of trade exceeded the total aid which they had received. Aid was often extended to them on commercial terms and tied to procurement from the lender country. The level of aid to developing countries had remained stagnant at about the 1963 level, despite their increasing needs.

11. The compensatory financing facility which IMF had introduced in 1963 operated only within the normal three to five-year term, and did not therefore offer a solution to problems arising from a long-term decline in commodity prices. He hoped that the present close examination by the Fund of the compensatory financing facility would enable a scheme to be evolved which would more adequately take care of fluctuations beyond the control of developing countries.

12. Because of the urgent need to keep the pace of economic development ahead of the rate of population growth, developing countries had sometimes been compelled to finance long-term development plans by other long-term borrowing, and the debt situation of the developing countries was consequently becoming increasingly serious. The Fund was to be congratulated on its assistance in debt re-negotiations, but his delegation felt that the Fund's authority and influence could be increasingly directed towards securing more liberal terms for loans themselves, rather than easing the terms when repayment difficulties became acute. The Fund could give a lead by easing its terms for borrowings by developing countries to offset fluctuations beyond their control, as distinct from those for borrowings by the developed countries to maintain their prosperous economies.

13. The Fund's excellent studies of international liquidity demonstrated that the existence of adequate reserves was in the interest of all countries, since a general inadequacy would result in reluctance to extend inter-governmental credit, restrictions on payments and trade, and a fall in international prices. The Fund had not only expanded its credit facilities, but had also contributed towards international consideration of the problem. He hoped that the important problem of international liquidity would continue to be tackled by an international organization such as IMF, rather than by any restricted group.

14. The Fund was doing excellent work in the sphere of technical assistance, and the International Monetary Fund Institute was making a valuable contribution towards increasing specialized and technical knowledge of a complex subject.

15. His delegation expressed its warm appreciation of the valuable role played by IMF under the able and distinguished leadership of its Managing Director.

16. Mr. VARELA (Panama) said that the slow progress being made by the developing countries, to which the Managing Director of the Fund had referred, should be a matter of concern to the representatives of those countries. Because of the lack of rational and agreed principles of interdependence among peoples, certain negative factors were obstructing economic development and social progress. The decline in commodity prices was directly affecting the developing countries. Another negative factor was the United States policy aimed at establishing an equilibrium in its balance of payments and restricting investment of capital in the developing countries. The indebtedness of the developing countries was a further serious problem which required study. The servicing of their external debt was endangering the liquidity of the developing countries, yet they needed external financing in order to accelerate their development.

17. It was encouraging that the countries accounting for two thirds of the membership of the Fund had agreed to increase their quotas. That should enable the Fund to take more flexible, expeditious and timely action to resolve liquidity problems and deal with situations requiring compensatory financing. The Managing Director of the Fund should continue to study and analyse those problems and should also intensify the training of persons who would be able to give positive guidance to the developing countries in dealing with their financing problems.

18. Mr. POLIT-ORTIZ (Ecuador) said that the modern world was made up of more than 118 sovereign nations, living in an atmosphere of growing nationalism. They were divided into industrialized nations and a larger group of more than 100 non-industrialized nations. Production of the non-industrialized countries could not increase at the same rate as in the industrialized countries and the rate of population growth in the former countries was so high that it practically cancelled out any economic gains which they managed to achieve. The non-industrialized countries were compelled to make superhuman efforts in order to emerge from their plight. They suffered from a number of handicaps that hampered development: low

level of domestic savings, a shortage of trained personnel, inadequate transport and communications, and a lack of familiarity with marketing techniques. Furthermore their efforts towards development engendered inflationary processes which affected the level of their reserves and necessitated drawings on IMF.

19. The Fund had liberalized the conditions under which its resources could be made available to members faced with liquidity problems. However, the conditions imposed meant, in effect, that the country concerned had to halt its development programmes. He wondered whether the Fund should not make a distinction between the liquidity problems which arose in major industrialized countries, such as the United States of America and the United Kingdom, owing to a high rate of business investment abroad or of government spending on foreign military aid programmes, and, on the other hand, the problems of developing countries, arising from declining prices for their products, poor harvests or increased consumer demand. The developing countries had not benefited from the boom conditions which the industrialized countries had been enjoying for many years. It was traditionally argued that the prosperity of the industrialized countries was the guarantee for the progress of countries producing primary products. The facts of the present day, however, seemed to weaken that classic argument on which the establishment of the Fund had been based twenty-one years ago.

20. At present, liquidity problems were being considered behind closed doors by the industrialized countries. He was glad that the Managing Director of the Fund recognized the need for the participation of the developing countries in the consideration of those problems. If the present system of international trade did not allow the developing countries to build up savings so that they could pursue their development plans and lead their peoples out of poverty, another system must be found. It was clearly impossible for the modern world, reduced in size through progress in communications, to continue with a minority enjoying prosperity and the majority living in abject poverty. The Managing Director's excellent report made it clear that he was aware of that problem, but it was one which must always be borne in mind.

21. Mr. ROOSEVELT (United States of America) wished to clarify certain facts in the light of some remarks which had been made. As the Managing Director of the Fund had said, the policies undertaken by the United States in dealing with its balance-of-payments problem had been planned to avoid harm to developing countries or to any country in a weak payments position. The voluntary restraint programme did not apply to developing countries, and the interest equalization tax also provided for exemption of developing countries. The United States Government was well aware of the need not to impede assistance to developing countries, and positive measures in aid of investment in developing countries such as the investment guarantee under the programme of the Agency for International Development were being continued.

22. He thoroughly agreed with the Managing Director's observation concerning the importance of ensuring that the maintenance of a balance in United States international accounts did not adversely affect the world economy, and his country would co-operate fully in that regard.

23. The PRESIDENT said that a hearing had been requested by the International Confederation of Free Trade Unions (ICFTU). He recalled that the Council had decided, at the 1403rd meeting, to suspend rule 86 of its rules of procedure and take decisions on such requests on an *ad hoc* basis. He suggested that the Council should decide to grant a hearing to ICFTU.

It was so decided.

24. Mr. BARTON (International Confederation of Free Trade Unions) said that the fact that his organization was offering some comments in connexion with the report of IMF reflected an important development in the thinking of the free trade union movement. Free trade unions were becoming increasingly aware of the importance of the international monetary system, and were studying the problem at the national and at the international level. The international monetary system could have a considerable influence on economic growth, living standards and the expansion of employment throughout the world, as well as on the development of the developing countries.

25. The existing monetary system had helped to avoid major economic depressions, and ICFTU, while recognizing the need for reform, would oppose any reform which would introduce in the system such rigidity that the danger of a major recession would be increased.

26. While ICFTU could not comment on the various proposals which had been put forward, it believed that the competent authorities should show a greater sense of urgency. Even for the industrial countries, the shortage of liquidity was an immediate problem, and the policy aimed at curbing the outflow of money from the United States of America was already affecting money markets in Western Europe where, in a number of cases, money was rapidly growing dearer. The real urgency of reform was apparent, however, when the liquidity problem of the developing countries was considered.

27. In the view of ICFTU, a reform should serve the following purposes:

(a) To provide, in the long run, sufficient international liquidity to facilitate economic growth in industrial and developing countries;

(b) To help to prevent balance-of-payments difficulties;

(c) To allow, in the event of serious balance-of-payments difficulties, equilibrium to be restored over a period long enough to avoid measures which might disturb the domestic economy and jeopardize the employment situation in the country concerned;

(d) To distribute monetary reserves more evenly between advanced and developing countries, as well as among the countries in each group.

28. The ICFTU favoured a link between the creation of new assets and the creation of development funds.

Such a link would represent a new form of aid, ensuring that the aid efforts of the advanced countries would grow in step with their growing wealth.

29. A link with the creation of development funds would not make additional monetary reserves any more costly than under a gold standard. Under the gold standard, too, the acquisition of reserves was paid for by the surrender of real resources. The difference would be that those resources, instead of being transferred to the gold producers, would go to the countries where they were most needed.

30. The reform should also ensure that the developing countries had sufficient liquidity to cope with short-term fluctuations in their balance of payments without putting a brake on development efforts.

31. Finally, due representation of developing countries in devising the reform and in administering the reformed system was a vital aspect of any reform.

32. Mr. SCHWEITZER (Managing Director of the International Monetary Fund) said that the Fund would take careful note of the comments and suggestions which had been made by representatives.

33. On the question of international liquidity, it would be the view of the Fund that all members should participate in any decisions, and that any new reserve assets should be distributed equitably among members.

34. As far as the United States balance-of-payments problem was concerned, the existence of that problem had helped in the past to increase international liquidity, but its persistence beyond a certain point could have the opposite effect, as dollars formerly held as reserves might be converted into gold. The solution of that problem was thus a precondition for efforts to create new international liquidity.

35. The question of how much liquidity should be created was one which needed careful study; he believed that the Fund had been the first body to examine that question from an economic standpoint. He considered it necessary, in order to provide a solid basis for the creation of new reserves, that the richer countries should participate in such creation.

36. As regards the means of creating new reserve assets, there were still many questions on which no agreement had yet been reached. However, once general line of agreement had been found, he believed that the final decisions should be taken in genuinely international bodies, in which the developing countries had a voice.

37. He did not think there was any incompatibility in one agency making available liquidities both conditionally and unconditionally. At present, in the case of drawings within the gold tranche, the Fund made liquidity available unconditionally. International liquidity embraced all the resources available to countries: assets held in gold at one extreme and those in the higher credit tranches of the Fund at the other. In his view, it was desirable that supervision of the growth of the aggregate of those resources should be exercised by a single authority.

38. With regard to the relations between the Fund and UNCTAD, liquidity questions were within the competence of the Fund but naturally not in its exclusive competence. Any group of countries could organize a reciprocal credit system among themselves. It was also a fact that the countries known as the Group of Ten inevitably had a major role and a major responsibility. UNCTAD, in view of its wide membership, was also fully entitled to study the question and express its views. The Fund maintained close links with all such groups and bodies. The organs of the Fund would take into account all points of view, and no aspect of the question and no legitimate interest would be ignored.

39. It had been said that all international institutions were going through a period of change, and that applied to the Fund as well. The Executive Board of the Fund was at present re-examining the evolution of the Fund's policies since its foundation in the light of changes in the world situation. He did not think that he could give any assurance that there would be a profound change in policy. In his view, the efforts being made by the Fund to help members in balance-of-payments difficulties were reasonable; the Fund also took into account, as far as possible, problems of members requiring urgent assistance because of special circumstances beyond their control.

40. It had been suggested that the Fund could try to distinguish between categories of countries, especially with regard to the "rate of interest" on drawings. The Articles of Agreement of the Fund required that charges should be uniform, and the Fund interpreted that as meaning that they should be uniform for all member countries in the same situation. He would merely say that, although rates might seem high in the higher credit tranches, the average rate over the full period of drawing appeared very reasonable when compared with normal monetary rates.

41. Reference had also been made to regional arrangements designed to bring about integration, including payments agreements. The Fund was very sympathetic towards all efforts for regional co-operation. In the matter of payments agreements, its approach would be that all such agreements which could reasonably be seen as steps towards wider multilateralization were to be welcomed. The statutes of the Fund did not allow it to contribute to a working fund for such agreements, but if the participation of members in regional arrangements produced payments difficulties, they could be taken into account in any requests for drawings.

42. The importance of co-operation between the Fund and the International Bank for Reconstruction and Development had rightly been stressed, and the Fund would do its utmost to co-ordinate its activities with that agency in the monetary and development fields.

AGENDA ITEM 5

Report of the Secretary-General on the activities of the Centre for Industrial Development pursuant to the recommendations of the United Nations Confer-

ence on Trade and Development (continued)* (E/4131 and Corr.1; E/L.1105)

43. Mr. ROOSEVELT (United States of America) expressed his delegation's appreciation of the Secretary-General's report (E/4131 and Corr.1), which he hoped would be referred to the appropriate organs of UNCTAD. He introduced draft resolution E/L.1105 submitted by his own delegation and those of Gabon, Peru and Romania. The annotated list of the problems of procedure, administration and relationship referred to in the operative paragraph of the draft resolution would help to ensure that the Ad Hoc Committee on the United Nations Organization for Industrial Development covered all the pertinent points in the course of its work.

44. Mr. FERNANDINI (Peru) emphasized that the request made in draft resolution E/L.1105, of which his delegation was a co-sponsor was not for a document concerning the terms of reference of the United Nations Organization for Industrial Development. Those terms of reference should be formulated by the national delegations. The basic elements were to be found in the documents mentioned in paragraph 6 of General Assembly resolution 2089 (XX) of 20 December 1965.

45. The General Assembly having taken the important step of deciding to establish the United Nations Organization for Industrial Development, the next task was to determine the structure and operational arrangements for that body, which should be oriented towards practical action and place special emphasis on direct assistance to help the developing countries achieve an accelerated rate of industrialization. The Centre for Industrial Development had done numerous research surveys but little practical work. The aim of the new body would be to promote the accelerated industrial development of the developing countries, with special emphasis on the manufacturing sector. The use of modern techniques for the production of consumer and capital goods for expanded domestic and external markets should be encouraged. The new organization could also make studies and surveys which should be closely related to the practical requirements of operational activities. Such work would promote a better understanding of the problems and processes of industrial development.

46. As part of its activities, the new organization should promote and recommend measures at the national, regional and international level to accelerate the industrialization of the developing countries. It should help Governments to formulate national policies and programmes for the expansion of the industrial sector and the establishment of manufacturing industries. It should encourage regional planning for industrial development and, in that connexion, recommend special measures to give extra impetus to the economic growth of the more backward developing countries. It should see that full use was made of the resources of the developing countries, so that they could increase their industrial productivity and diversify their economies, and it should assist in the formulation of credit policies designed to promote industrial expansion and exports of manufactures and semi-manufactures from the developing countries. Studies should be made

*Resumed from the 1403rd meeting.

of demand in domestic and external markets and of the supply of raw materials. An effort should be made to see that the less developed countries were using all the most modern methods of production and enjoying the benefits of the latest scientific research. Assistance should be given to training programmes and an effort should be made to improve instruction and administration in the field of technology, production and industrial programming and planning. Information on all aspects of industrialization should be collected, analysed and disseminated. Assistance should be given under the United Nations Development Programme and other voluntary programmes.

47. The Industrial Development Board should develop guiding principles for United Nations activities in the field of industrial development. It should examine and approve the programme of activities of the United Nations Organization for Industrial Development, co-ordinate United Nations industrial development activities and report on those activities to the Economic and Social Council and the General Assembly; it should also adopt the necessary measures for realization of the organization's objectives. The Board should mobilize and allocate resources for the industrialization of the developing countries and should request the Executive Director to prepare any necessary reports, studies or other documents. There should be close and continuous ties with the regional economic commissions and other organs of the United Nations family. The Board should submit an annual report to the General Assembly through the Economic and Social Council. It should establish any necessary subsidiary organs, such as committees of experts.

48. The Executive Director should submit to the first session of the Board a report on the measures taken by the Secretary-General for the establishment of the United Nations Organization for Industrial Development, including the organization of its secretariat. He should also submit a report on existing operational activities related to industrial development, proposals for the organization's work programme and budget estimates for the execution of the work programme proposed.

49. Mr. ASTROM (Sweden) said that the United Nations Organization for Industrial Development, should provide central leadership for and ensure co-ordination of United Nations industrial development activities, so that a global strategy for industrialization might be developed. Since the organization had been created late in the history of United Nations activities in the economic and social fields, it was especially important to lay solid foundations for the new body and to see that it had the right relationship with other organs in the United Nations family. Suitable preparation should therefore be made for the work of the Ad Hoc Committee. His delegation welcomed the suggestions made in that connexion by the Commissioner for Industrial Development and those contained in the draft resolution. The documentation to be prepared should be ready at least three weeks before the Ad Hoc Committee commenced its work. The views expressed in the Council and any other information or suggestions submitted by members would also constitute useful working material for the Committee.

50. The research activities of the United Nations Organization for Industrial Development should have a practical orientation and be adapted to the operational needs and specific functions of the organization. There should be co-operation and liaison with all other organizations engaged in similar research. Basic research should be undertaken on the pattern of industrialization to be followed by the different developing countries if they were to make optimum use of their resources. In that connexion, the Secretary-General's report (E/4131 and Corr.1) contained useful comments on the choice facing the developing countries between industries geared to the domestic market and export industries. The United Nations could provide useful advice in that regard.

51. Because of their small domestic markets, many developing countries needed to develop their industries on the basis of regional co-operation. The investigation mentioned in paragraph 4 (f) of the Secretary-General's report would be of great value. The activities of the United Nations Organization for Industrial Development relating to trade promotion should be co-ordinated with those of UNCTAD and GATT so as to avoid duplication. In order to supplement action at the international level, the developed countries themselves should provide information concerning openings in their markets for products from the developing countries. The Mexican project mentioned in paragraph 5 of the Secretary-General's report was of interest in that connexion.

52. If the urgent problem of the industrialization of the developing countries was to be solved, the combined efforts of the developed and developing countries would be needed. It was to be hoped that such co-operation would be displayed in the creation and functioning of the new organization.

53. Mr. IONASCU (Romania) said that draft resolution E/L.1105 was a positive contribution to the preparations for the establishment of the organization. Industrialization occupied a central place in Romania's efforts to develop its economy and his country had shown its interest in the question at the regional level in the Economic Commission for Europe and at the international level in the Economic and Social Council. He hoped that the draft resolution would be adopted and that it would facilitate the very important work of the Ad Hoc Committee on the United Nations Organization for Industrial Development.

54. Mr. ADIL (Pakistan) asked whether the request for documentation made in draft resolution E/L.1105 was intended to supplement or amend the provisions of operative paragraph 6 of General Assembly resolution 2089 (XX). That paragraph seemed to cover all the information which should be made available to the Ad Hoc Committee.

55. Mr. ROOSEVELT (United States of America) said that the draft resolution was intended only to supplement the provisions of the paragraph 6 in question.

56. Mr. MAKEEV (Union of Soviet Socialist Republics) said that the Soviet delegation attached great importance to the need to increase the export earnings of developing countries by implementing the recommendations of UNCTAD. Many countries were se-

riously concerned at the balance-of-payments problems of developing countries, the lack of adequate reserves, and the discriminatory measures taken by some Western countries and closed economic groups. If the developing countries were to carry out their development programmes, there must be an increase in their export earnings, and the Soviet Union continued to favour an expansion of trade and co-operation between countries as a means of achieving that end. In 1965, Soviet imports from developing countries had increased by 16 per cent, while exports to them had risen by 20 per cent. His country had signed trade agreements with the United Arab Republic, India and Pakistan.

57. The Secretary-General's report on the activities of the Centre for Industrial Development (E/4131 and Corr.1) showed that the Centre was playing a specific and useful role in industrial development. The Soviet delegation noted with satisfaction that there was a continuous exchange of information between the Centre and the UNCTAD secretariat, and hoped that the

two bodies would continue their close working relationship, so that their resources could be utilized to the full to ensure the implementation of the recommendations of the Conference. With reference to paragraph 4 (c) of the report, he recalled that resolutions of the General Assembly had called for a reverse flow of capital from the developing countries to the developed countries. The developing countries should avoid capital investment by foreign monopolies. That approach was not always taken into account by the Secretariat in the preparation of information.

58. His country had fully supported General Assembly resolution 2089 (XX) establishing the United Nations Organization for Industrial Development, and would submit substantive comments concerning that body in the Ad Hoc Committee. The Soviet delegation supported draft resolution E/L.1105.

Draft resolution E/L.1105 was adopted unanimously.

The meeting rose at 5.50 p.m.