

E/SR.1355-1363

*Prefatory fascicle*



**ECONOMIC AND SOCIAL COUNCIL**  
**OFFICIAL RECORDS**

**THIRTY-EIGHTH SESSION**

**22-26 March 1965**

**UNITED NATIONS**

**New York, 1965**

v

## INTRODUCTORY NOTE

The *Official Records of the Economic and Social Council* consist of records of meetings, annexes to those records and supplements. The records of meetings include corrections requested by delegations and such editorial modifications as were considered necessary. A check list of the documents mentioned during the session is included in the prefatory fascicle.

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Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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### Abbreviations

ACC	Administrative Committee on Co-ordination
FAO	Food and Agriculture Organization of the United Nations
IAEA	International Atomic Energy Agency
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund

CORRECTIONS TO THE RECORD OF THE 1361<sup>st</sup> MEETING RECEIVED FROM  
THE INTERNATIONAL MONETARY FUND TOO LATE FOR INCORPORATION  
IN THE FINAL TEXT

*Paragraph 32, the last sentence should read as follows:*

It must be remembered that IMF was working in a specifically defined area and that the means at its disposal must be used for purposes within that area.

*Paragraph 33, the second and third sentences should read as follows:*

At the same time, the Fund realized the limits of its possibilities and understood that it could not deal with problems of harmonizing the fiscal and economic policies of member States. Nor did it try to influence the political decisions which States must take. The Fund's primary role was to provide the technical . . .

*Paragraph 34, second sentence:*

For normal read natural

*Replace paragraph 35 by the following text:*

35. The Fund was not hostile to the modern trend towards economic integration and while it was not able to extend financial assistance to regional groupings it had every sympathy with them and did give support and assistance to member Governments participating in them.

*After paragraph 38, add a new paragraph to read as follows:*

39. The Fund recognized the responsibilities it had as a member of the United Nations family of organizations. It was happy in its relations with Mr. de Seynes and his staff. It noted that the United Nations Conference on Trade and Development had areas of responsibility that differed from those of the Fund. The Fund would be glad to co-operate within its field. The United Nations, and particularly the Economic and Social Council, and the Fund had common goals. He sincerely hoped that they would be united in their progress toward these goals.

*Renumber the last paragraph accordingly.*

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Mrs. Sylvia Meagher, Liaison and Reports Officer

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## INTERNATIONAL FINANCE CORPORATION

## INTERNATIONAL DEVELOPMENT ASSOCIATION

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Mr. M. Rosen, Executive Vice-President of the Corporation  
Mr. Federico Consolo, Special Representative for United Nations Organizations  
Mr. Lewis Perinbam, Liaison Officer with the United Nations

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\*

\* \*

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Mr. Evgeny Piskarev, Representative of the Director-General, Liaison Office with the United Nations

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## Non-governmental organizations

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AGENDA FOR THE THIRTY-EIGHTH SESSION  
adopted by the Council at its 1355th meeting, on 22 March 1965

1. Election of President and Vice-Presidents for 1965.
2. Adoption of the agenda.
3. Report of the International Monetary Fund.
4. (a) Report of the International Bank for Reconstruction and Development and the International Development Association;  
(b) Report of the International Finance Corporation.
5. Water desalination in developing countries.\*
6. Work programme of the United Nations in the economic, social and human rights fields.
7. Review and reappraisal of the Council's role and functions.
8. Question of a meeting of the ad hoc Working Group on the Question of a Declaration on International Economic Co-operation.\*\*
9. Elections.
10. Confirmation of members of functional commissions of the Council.
11. Financial implications of actions of the Council.
12. Consideration of the provisional agenda for the thirty-ninth session and establishment of dates for opening debate on items.

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\*At its 1358th meeting, on 24 March 1965, the Council decided to include this item in the provisional agenda for its thirty-ninth session.

\*\*At its 1358th meeting, on 24 March 1965, the Council decided to defer consideration of this question until after the twentieth session of the General Assembly.

## CHECK LIST OF DOCUMENTS

*Note.* Listed below are the documents referred to during the thirty-eighth session. The relevant agenda item is given only in the case of documents of that session. An asterisk (\*) after the agenda item indicates that the document is published in the corresponding fascicle of the *Official Records of the Economic and Social Council, Thirty-eighth Session, Annexes.*

<i>Document No.</i>	<i>Title</i>	<i>Agenda item</i>	<i>Observations and references</i>
E/3725	Report of the <u>ad hoc</u> Working Group established under Council resolution 875 (XXXIII) on the question of a declaration on international economic co-operation		<u>Official Records of the Economic and Social Council, Thirty-fifth Session, Annexes, agenda item 3</u>
E/3992	Note by the Secretary-General transmitting to the Council the annual report of the International Bank for Reconstruction and Development and the International Development Association for 1963-1964	4	Mimeographed. For the report, see International Bank for Reconstruction and Development; International Development Association, <u>Annual Report, 1963-1964</u> (Washington, D.C.)
E/3992/Add.1- E/3993/Add.1	Note by the Secretary-General transmitting to the Council a summary of developments in the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation from 1 July 1964 to 1 March 1965	4	Mimeographed
E/3993	Note by the Secretary-General transmitting to the Council the eighth annual report of the International Finance Corporation, 1963-1964	4	Mimeographed. For the report, see International Finance Corporation, <u>Eighth Annual Report, 1963-1964</u> (Washington, D.C.)
E/3997	Review of the pattern of conferences and Calendar of Conferences for 1965 — consequential amendments to the rules of procedure of the Council: note by the Secretary-General		Mimeographed
E/4000	Provisional agenda for the thirty-eighth session of the Council: note by the Secretary-General	2	Mimeographed. For the agenda, see p. xiii above
E/4003	Note by the Secretary-General transmitting to the Council the report of the International Monetary Fund for the fiscal year ended 30 April 1964	3	Mimeographed. For the report, see International Monetary Fund, <u>Annual Report of the Executive Directors for the Fiscal Year ended April 30, 1964</u> (Washington, D.C.)
E/4003/Add.1	Note by the Secretary-General transmitting to the Council a summary of the activities of the Fund from 1 May 1964 to 31 January 1965	3	Mimeographed
E/4006	Water desalination in developing countries with special reference to costing procedures: report of the Secretary-General	5*	
E/4007	Note by the Secretary-General	9	Ditto

<i>Document No.</i>	<i>Title</i>	<i>Agenda item</i>	<i>Observations and references</i>
E/4008 and Add.1-3	Election of one third of the membership of functional commissions of the Council; note by the Secretary-General	9	Mimeographed. For the list of members, see <u>Official Records of the Economic and Social Council, Thirty-eighth Session, Supplement No. 1, "Other decisions taken by the Council during its thirty-eighth session"</u>
E/4009 and Add.1 and 2	Election of seven members of the Committee on Housing, Building and Planning; note by the Secretary-General	9	Mimeographed. For the list of members, see <u>Official Records of the Economic and Social Council, Thirty-eighth Session, Supplement No. 1, "Other decisions taken by the Council during its thirty-eighth session"</u>
E/4010	Consideration of the provisional agenda for the thirty-ninth session; note by the Secretary-General	12	Mimeographed
E/4011	Note by the Secretary-General	6*	
E/4012	Communication from the Permanent Representative of Iraq transmitting an explanatory memorandum in connexion with the item of the provisional agenda for the thirty-ninth session entitled "Relations with the Organization of Petroleum Exporting Countries"	12	Mimeographed. Referred to the thirty-ninth session
E/4013 and Add.1	Confirmation of members of functional commissions of the Council; note by the Secretary-General	10	Mimeographed. For the list of members confirmed, see <u>Official Records of the Economic and Social Council, Thirty-eighth Session, Supplement No. 1, "Other decisions taken by the Council during its thirty-eighth session"</u>
E/4014	Credentials of representatives to the thirty-eighth session of the Council; report of the President and the Vice-Presidents		Mimeographed
E/AC.24/L.240	Statement by the Under-Secretary for Economic and Social Affairs at the 258th meeting of the Co-ordination Committee		Ditto
E/AC.24/L.240/Add.1	Explanatory note by the Under-Secretary for Economic and Social Affairs		Ditto
E/L.1069 and Add.1 and 2	Election of members of the Executive Board of the United Nations Children's Fund; note by the Secretary-General	9	Mimeographed. For the list of members, see <u>Official Records of the Economic and Social Council, Thirty-eighth Session, Supplement No. 1, "Other decisions taken by the Council during its thirty-eighth session"</u>
E/L.1070	Arrangement of business at the thirty-eighth session of the Council; working paper prepared by the Secretary-General	2	Mimeographed
E/L.1071	Organization of the work of the thirty-ninth session; note by the Secretary-General	12	Mimeographed. Replaced by E/L.1071/Rev.1
E/L.1072	Statement by the Under-Secretary for Economic and Social Affairs at the 1358th meeting of the Council	7	Mimeographed. For summary, see E/SR.1358, paras. 8-11

<i>Document No.</i>	<i>Title</i>	<i>Agenda item</i>	<i>Observations and references</i>
E/RES/1051 (XXXVIII)-1052 (XXXVIII)	Resolutions adopted by the Council during its thirty-eighth session		See <u>Official Records of the Economic and Social Council, Thirty-eighth Session, Supplement No. 1, resolutions 1051 (XXXVIII)-1052 (XXXVIII)</u>
ST/ECA/82	<u>Water Desalination in Developing Countries</u>	5	United Nations publication, Sales No.: 64.II.B.5
ST/ECA/86	<u>Water Desalination: proposals for a costing procedure and related technical and economic considerations</u>	5	United Nations publication, Sales No.: 65.II.B.5



**ECONOMIC AND SOCIAL COUNCIL**

*Thirty-eighth Session*  
OFFICIAL RECORDS

Monday, 22 March 1965,  
at 3.30 p.m.

**NEW YORK**

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*Acting President:* Mr. Akira MATSUI (Japan).

*President:* Mr. Akira MATSUI (Japan).

**Present:**

Representatives of the following States, members of the Council: Algeria, Argentina, Austria, Canada, Chile, Czechoslovakia, Ecuador, France, Gabon, Iraq, Japan, Luxembourg, Pakistan, Peru, Romania, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following States, additional members of the sessional committees: Cameroon, Denmark, Ghana, India, Madagascar, Mexico, United Arab Republic, United Republic of Tanzania.

Observers for the following Member States: Australia, Byelorussian Soviet Socialist Republic, China, Colombia, Cuba, Finland, Greece, Hungary, Israel, Italy, New Zealand, Nigeria, Norway, Philippines, Spain, Sweden, Trinidad and Tobago, Tunisia, Ukrainian Soviet Socialist Republic.

Observers for the following non-member States: Federal Republic of Germany, Republic of Korea, 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 Finance Corporation; International Development Association.

The representative of the International Atomic Energy Agency.

Opening of the session

1. The ACTING PRESIDENT declared open the thirty-eighth session of the Economic and Social Council.

Tribute to the memory of Mr. Gheorghe Gheorghiu-Dej, President of the Romanian People's Republic

*On the proposal of the Acting President, the members of the Council observed a minute's silence in tribute to the memory of Mr. Gheorghe Gheorghiu-Dej.*

2. Mr. ARKADYEV (Union of Soviet Socialist Republics), Mr. HAJEK (Czechoslovakia), Mr. VIAUD (France), Mr. PACHACHI (Iraq), Mr. DJOUDI (Algeria) and Mr. S. KHALIL (United Arab Republic) expressed their sympathy for the family of the deceased and the Government and people of Romania.

Statement by the Acting President

3. The ACTING PRESIDENT extended congratulations on behalf of the Council to the representative of the USSR on the occasion of the recent achievement by Soviet astronauts.

AGENDA ITEM 1

Election of President and Vice-Presidents for 1965

4. The ACTING PRESIDENT invited nominations for the office of President of the Economic and Social Council.

5. Mr. Osman ALI (Pakistan) nominated the Acting President, Mr. Akira Matsui (Japan).

6. Mr. TREMBLAY (Canada) and Mr. ARKADYEV (Union of Soviet Socialist Republics) seconded the nomination.

*Mr. Matsui (Japan) was elected President by acclamation.*

7. The PRESIDENT invited nominations for the office of first Vice-President of the Council.

8. Mr. BENITES (Ecuador) nominated Mr. Adnan Pachachi (Iraq).

9. Mr. ARKADYEV (Union of Soviet Socialist Republics) and Mr. CHIBA (Japan) seconded the nomination.

*Mr. Pachachi (Iraq) was elected first Vice-President by acclamation.*

10. The PRESIDENT invited nominations for the office of second Vice-President of the Council.

11. Mr. WALDHEIM (Austria) nominated Mr. Jiří Hájek (Czechoslovakia).

12. Mr. ARKADYEV (Union of Soviet Socialist Republics) and Mr. VIAUD (France) seconded the nomination.

*Mr. Hájek (Czechoslovakia) was elected second Vice-President by acclamation.*

AGENDA ITEM 2

Adoption of the agenda (E/4000, E/L.1070)

13. The PRESIDENT drew attention to paragraph 2 of the note by the Secretary-General on the provisional



agenda for the thirty-eighth session of the Economic and Social Council (E/4000) and to paragraph 3 of the working paper prepared by the Secretary-General on the arrangement of business at the thirty-eighth session (E/L.1070).

14. Mr. VIAUD (France) proposed that a new item entitled "Election of the Chairman of the Co-ordination Committee" should be placed on the agenda, as the election was urgent and did not appear to be covered by any of the present agenda items.

15. Sir Keith UNWIN (United Kingdom) said that, although he sympathized with the French representative's desire that that election should take place as soon as possible, he doubted the propriety of including a point which would be dealt with by the Co-ordination Committee, on the agenda of the plenary.

16. Mr. PACHACHI (Iraq) agreed that the Council should decide to elect the Chairman of the Co-ordination Committee at the current session, but he did not think that there was any need for a separate agenda item. To the best of his recollection that was not the usual procedure.

17. Mr. KITTANI (Secretary of the Council) said that there had been no separate agenda item in the past.

18. The PRESIDENT suggested that he should convene the Co-ordination Committee immediately after the meeting or the following day in order to elect the Committee's Chairman.

*It was so decided.*

19. Mr. DJOUDI (Algeria) proposed that the order of items 6 and 7 should be reversed. Thus the item entitled "Work programme of the United Nations in the economic, social and human rights fields" would become item 6, and the item entitled "Review and reappraisal of the Council's role and functions" would be item 7.

*It was so decided.*

20. Sir Keith UNWIN (United Kingdom) proposed that the elections to the Technical Assistance Committee and the Committee for Industrial Development should be postponed pending a decision on the enlargement of the membership of the Council, as suggested in paragraph 2 of the note by the Secretary-General (E/4000). If the Council proceeded to the elections immediately and any of the members it elected subsequently became members of the Council, supplementary elections would have to be held. It would be simpler to convene a single short meeting of the Council to deal with the elections after the membership of the Council in 1966 had been decided by the General Assembly.

21. Mr. CHIBA (Japan) agreed. It might be advisable to postpone also the elections to the Governing Council of the Special Fund pending a decision on the merger between the Special Fund and the Expanded Programme of Technical Assistance (EPTA).

22. Mr. VIAUD (France) supported the United Kingdom representative's proposal regarding the postponement of the elections to the Technical Assistance Committee and the Committee for Industrial Development, which was the only possible procedure. On the other hand, he was not in favour of the postponement

suggested by the Japanese representative, as the merger between EPTA and the Special Fund was merely a plan that had been mooted, whereas the enlargement of the membership of the Council was on the provisional agenda of the twentieth session of the General Assembly.

23. Mr. ARKADYEV (Union of Soviet Socialist Republics) supported the postponement proposed by the United Kingdom representative. On the other hand, like the French representative, he could see no reason for deferring the elections to the Governing Council of the Special Fund.

24. The PRESIDENT suggested that the Council should adopt the provisional agenda appearing in the note by the Secretary-General (E/4000) with the understanding that item 9 (Elections) would not include elections to the Technical Assistance Committee and the Committee for Industrial Development.

*With the above changes, the agenda appearing in document E/4000 was adopted.*

#### AGENDA ITEM 5

Water desalination in developing countries (E/4006, ST/ECA/86)

25. The PRESIDENT drew attention to the report of the Secretary-General (E/4006), particularly paragraphs 16 to 18. The Council had before it a report entitled Water Desalination: proposals for a costing procedure and related technical and economic considerations (ST/ECA/86); it should also bear in mind the original report entitled Water Desalination in Developing Countries (ST/ECA/82).

26. Mr. TREMBLAY (Canada) said that his Government had recently focussed attention on the complex problems, both technical and economic, of water desalination in developing countries and had carefully studied the original report and the Secretary-General's report. It fully supported the proposals for further studies contained in paragraph 18 of the latter. Since the report on costing procedures (ST/ECA/86) had just been issued, the Government of Canada had not yet been able to study it. However, the report should provide an opportunity to evaluate costing procedures in the direction and scale of further proposed activities in the field of water desalination.

27. Canada was particularly interested in recent indications that heavy-water moderated nuclear reactors might be the form of nuclear energy most adaptable to water desalination. Extensive Canadian experience with such reactors might enable Canada to make a significant contribution to the further evolution of the technology of water desalination.

28. Mr. CHIBA (Japan) welcomed the fact that technical assistance for water desalination had been extended to six of the developing countries covered in the original report (ST/ECA/82) and that the Secretariat was extending short-term assistance in the preparation of requests to the Special Fund. His delegation also welcomed the signing of a formal agreement between the United States and the USSR providing for co-operation in developing methods for desalting water. He expressed the hope that the results of the work undertaken under the agreement

would be made public, if possible through the United Nations. He was pleased to learn also that preparations were under way for an interregional seminar on the economic applications of water desalination and that arrangements had been made jointly by the seminar and the International Symposium on Water Desalination being organized in Washington, D.C. by the United States Government.

29. It was highly satisfactory that the water desalination study group had completed its work on costing procedures. Its report (ST/ECA/86) should be given expert study. He therefore supported the recommendation contained in paragraph 16 of the Secretary-General's report (E/4006). He also endorsed the recommendation in paragraph 17 regarding the strengthening of co-operation among agencies working on desalination problems and the intensification of the Secretariat's role as a clearing-house for exchange of information and as a focal point for co-operation in the field of desalination. He reserved his delegation's position regarding the proposals for further studies contained in paragraph 18 until after the forthcoming session of the Advisory Committee on the Application of Science and Technology to Development.

30. Mr. ARKADYEV (Union of Soviet Socialist Republics) stressed the great and ever-growing importance of water desalination. As was rightly noted in the preface to the Secretary-General's report on Water Desalination in Developing Countries (ST/ECA/82), even countries with abundant water resources would face severe regional problems in the near future. The problem of ensuring an adequate water supply for the world's rapidly expanding population went far beyond the mere technology of desalination. By the turn of the century the world's population would be close to 7,000 million. But the developing countries, with the highest birth rates, already saw their economic development seriously hampered by inadequate water supplies. The report described some of the ways in which those countries were tackling the problem, and while desalination plants had an important role to play, it could be seen that effective solutions must be sought on a considerably wider front.

31. Even the USSR, with its abundance of rivers and lakes, continued to be plagued by the problem of periodic drought, particularly in the regions of Central Asia; almost 80 per cent of the country's rivers lay in Siberia and the Far East, only 20 per cent debouching in the most thickly populated and industrially developed areas. However, much had been done to redistribute the country's vast water resources; with the aid of great canals, dams, reservoirs and irrigation systems, desert areas in various parts of the country had been brought under cultivation and whole new regions opened up for development. At the same time, the problem of salinated soils was being successfully tackled with the aid of new, highly mechanized irrigation systems and the cultivation of crops, like rice, which thrived in salty soils.

32. Nevertheless, the problem of extracting fresh water from salt and brackish water was one of the most acute facing the modern world, especially the developing countries. Even with the largest dams, it

was possible to do only so much; despite the Aswan complex under construction in the United Arab Republic, for example, 37 per cent of the Republic's territory would remain desert. It was natural that such countries should look to the ocean wastes as a possible source, particularly since it had become apparent that nuclear energy could be used to produce large quantities of fresh water at very low cost. The USSR had already accumulated considerable experience in that field, and a number of nuclear-powered desalination plants were to be built in various parts of the country. The use of nuclear power for desalination had the further advantage that the fuel presented no transport problems and appropriate plants could accordingly be set up anywhere. In the opinion of his delegation, the International Atomic Energy Agency (IAEA) would be playing an important role in using nuclear power for that particular aspect of desalting. That had been stressed in the agreement on water desalination recently concluded between the USSR and the United States.

33. The time had come for a determined attack on the problem of desalination, with the close co-operation of scientists from all over the world. It was rightly recommended, in paragraph 17 of the Secretary-General's report (E/4006), that the exchange of technical information should be stimulated and that the United Nations Secretariat could act as a clearing-house for such exchange. His delegation also supported the proposal to hold an inter-regional seminar on the economic applications of desalination. He would suggest, however, that the seminar should encompass not only the work of the United Nations and the relevant specialized agencies, but also that of other interested organizations and scientific institutes in particular countries, in order to avoid duplication and unnecessary expense and to concentrate efforts.

34. Both the regular programme of technical assistance and the Special Fund should devote a certain share of their resources to desalination. A great deal could also be accomplished on a bilateral basis, as his country had found in its dealings with a number of developing countries. Meanwhile, there was much to be done, particularly in the matter of international co-operation. Recalling that his country had recently signed an agreement with the United States providing for co-operation in developing methods for desalting water, he expressed the hope that such international co-operation would be backed up by the United Nations and its agencies.

35. Mr. PACHACHI (Iraq) said that his country enjoyed an abundance of fresh water but fully realized the importance of desalination, particularly for the developing countries of the Middle East. Throughout its history Iraq had been able to obtain water supplies from its two mighty rivers. Besides harnessing them for its own use, it had offered to divert some of their waters for the benefit of its neighbours. His delegation was particularly glad to note that desalination projects had been started in the United Arab Republic, Saudi Arabia and Kuwait.

36. Much technical work remained to be done in desalination and the Secretariat should continue its technical studies in co-operation with such other interested bodies as UNESCO and IAEA. It was

particularly important to explore the possibilities of using atomic energy for desalting processes. As the representative of Japan had pointed out, the United Nations could play an important role both in stimulating the exchange of information and in organizing seminars and symposia. Above all, the United Nations could provide direct assistance to the developing countries from such sources as the Special Fund and the projected capital development fund. While not belittling bilateral assistance, he stressed that the bulk of the aid in desalination should come from international sources.

37. Mr. BLAU (United States of America) said that, as the world's population increased and as the world became more highly industrialized, there was no more pressing problem than the provision for additional water supplies. In view of recent discoveries and developments which were about to take place, there was every hope that sound and economic methods would be devised of making the vast resources of salt and brackish water in the world available for human, agricultural and industrial use. His delegation welcomed the documents which the Secretariat had prepared, particularly the one containing proposals for a costing procedure (ST/ECA/86), which should be of great use for engineers and executives contemplating undertakings in this field. He recalled that the United States had now signed a formal agreement with the Government of the USSR providing for co-operation in developing methods for desalting water and was also going ahead with arrangements for the holding of an international symposium on water desalination in Washington, D.C. in October 1965 in co-operation with UNESCO. His Government had also made plans with the Government of Israel for providing assistance to that country in desalination.

38. Turning to the Secretary-General's report (E/4006), he agreed that the Council should draw the proposed costing procedure to the attention of Governments (para. 16) and also that the Secretariat could serve as a focal point for the exchange of information and for co-operation in the field of desalination (para. 17). However, the recommendation that the Secretariat should go ahead with further studies (para. 18) might be somewhat premature. It would be wiser to take stock of already existing work in international agencies and Member States before embarking on new studies.

39. Mrs. RAMAHOLIMIHASO (Madagascar) welcomed the studies prepared by the Secretariat and the formal agreement reached between the United States and the Soviet Union. The survey on Water Desalination in Developing Countries (ST/ECA/82) could be of vital importance for those countries in their efforts to increase their natural resources and overcome their economic difficulties. Madagascar, for example, was doing its utmost to increase the water supplies in its arid southern regions in order to increase agricultural production, develop industry and attract tourists. It was therefore particularly interested in the costing procedures described in the study group's report on water desalination (ST/ECA/86), for the Government would inevitably have to bear any costs of converting sea water into fresh water.

40. Mr. MWALUKO (United Republic of Tanzania) said that, although in his country there was abundant rainfall at times, the central, northern and western regions often suffered from drought. Tanzania was making every effort to increase its water supply from underground rivers, but the water obtained from many of its artesian wells was often unfit for human consumption. As a rapidly developing nation with a steadily rising population, Tanzania was profoundly interested in the techniques described in the Secretariat documents, particularly those involving the use of atomic energy and those aimed at reducing the cost of desalination. He agreed that the United Nations could play a useful role as a clearing-house for the exchange of information and that the bulk of the technical assistance in desalination should be channelled through the United Nations family of organizations.

41. Mr. S. KHALIL (United Arab Republic) said that the question of water was crucial for his country, 97 per cent of which was desert. It had started to harness the waters of the Nile by building the Aswan dam and was now deeply interested in the possibilities of desalination. It had already done some original research, which it had made available to the Advisory Committee on the Application of Science and Technology to Development. He strongly endorsed the view of the Iraqi representative that assistance in solving desalination problems should be channelled through the United Nations and its agencies. As research in that field was very costly, assistance from the United Nations and under bilateral agreements was essential to the developing countries. In addition, he felt that a proportion of the funds of the future capital development fund should be earmarked for research on desalination.

42. Mr. DE GREGORIO (Chile) said that Chile, much of whose mineral wealth lay in desert areas, had a special interest in desalination. His delegation would have liked to discuss the documents before the Committee in detail but unfortunately had not received them in time. It would no doubt have comments to make on the subject at the Council's summer session. Chile welcomed the agreement between the United States and the Soviet Union and hoped it would yield results of value to the developing and other countries.

43. Mr. PISKAREV (International Atomic Energy Agency) said that the Agency's concern with the applications of nuclear power naturally led it to take an interest in desalination. A nuclear reactor could be used to produce the energy (heat or electricity) needed to operate a desalination process. A distinction must be made between progress in the technology of desalination and progress in the technology of the various types of energy sources that could be used to operate the desalination process. As regards desalination proper, work was progressing on a number of different techniques for converting sea or brackish water into fresh water. Over thirty desalting plants were at present operating or under construction, ranging in capacity from 250,000 to over 3 million gallons per day. Nearly all were situated in arid areas or on islands. The most common processes used heat directly, mostly by flash distillation. Present techniques made it possible to produce water at less than \$1 per thousand gallons, provided the

output was of the order of 1 million gallons per day or more. That figure was much too high for agricultural purposes, for which the cost should be less than 10 cents per thousand gallons, but was cheap enough for many municipal and industrial uses. It was anticipated that during the next decade the cost of desalted water could be brought down to a half or a third of its present price, which would permit its use for certain types of agriculture. That would be achieved by improving desalination techniques, increasing the size of plants and using cheaper energy from large nuclear reactors. Nuclear energy was not currently used for desalination, but studies had shown that the prospects for its use in large plants were favourable. That was especially true for dual-purpose installations producing power and water simultaneously. Most of the present desalting plants had been constructed in the last ten years and progress in desalination technology was likely to be rapid, regardless of the source of energy. Since the cost of energy represented a major component of the cost of fresh water, the use of nuclear energy for desalination would depend on progress with regard to its cost of production.

44. It was clear from the foregoing that at present nuclear energy could only be considered when the demand for fresh water for domestic and industrial consumption, or the combined demand for freshwater for those purposes and electricity, justified a large plant. In other words, it could be considered only for a reasonably large urban or industrial complex. The main need was to proceed from theoretical studies to demonstration installations, especially of dual-purpose plants. Only thus would it be possible to obtain definite cost figures. A useful demonstration project would have a capacity of some 300 megawatts (thermal) and would cost about \$25 million. It was likely that one such plant would be constructed during the next few years.

45. The Agency had set up a panel of member States which met periodically to review the latest technological developments and its own desalination activities. It had recently published a technical report on the subject, Desalination of Water Using Conventional and Nuclear Energy.<sup>1/</sup> It was prepared to support research and had awarded a research contract to an institute in Israel.

46. With a view to possible nuclear demonstration installations, the Agency had made a survey of the

<sup>1/</sup> International Atomic Energy Agency, Technical Reports Series No. 24 (Vienna, 1964).

opportunities for desalination and electricity production plants in southern Tunisia. Its observers were being invited to take part in study groups convened as a consequence of the bilateral agreements concluded by the United States with Israel and the United Arab Republic respectively. The Third International Conference on the Peaceful Uses of Atomic Energy, for the scientific aspects of which the Agency had been responsible, had shown that nuclear power was on the verge of becoming competitive with conventional power throughout the world. A number of countries were investigating ways of using nuclear power for desalination, in particular the Soviet Union and the United States, which had recently concluded an agreement on co-operation in desalination. In that agreement they undertook to share the information they exchanged with the Agency and to invite its observers, in appropriate cases, to symposia and scientific meetings. That confirmed the Agency's role as a focal point for international co-operation on the nuclear aspects of desalination. The Agency had submitted a proposal in that connexion to the Advisory Committee on the Application of Science and Technology to Development. It had also taken part in the discussions of the study group which had been convened in connexion with the preparation of the report on proposals for a costing procedure and related technical and economic considerations (ST/ECA/86). It looked forward to further co-operation in such matters with the United Nations and the specialized agencies.

47. Mr. WHYTE (United Kingdom) said that his delegation was deeply interested in water desalination in the developing countries and in the possibility of the United Nations acting as a clearing-house for information and a co-ordinator of activities in that field. The report on costing procedures required very careful study; he therefore proposed that the question of water desalination should be placed on the agenda of the Council's thirty-ninth session, when that report could be more thoroughly discussed than at present. In the meantime, the Secretariat should continue to carry out the work specified in Council resolution 1033 A (XXXVII).

48. Mr. CHIBA (Japan) suggested that the United Kingdom representative's proposal should be discussed under item 12 (consideration of the provisional agenda for the thirty-ninth session and establishment of dates for opening debate on items).

*It was so decided.*

The meeting rose at 6.20 p.m.



# ECONOMIC AND SOCIAL COUNCIL

Thirty-eighth Session

OFFICIAL RECORDS

Tuesday, 23 March 1965,  
at 11 a.m.

NEW YORK

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<i>Agenda item 6:</i>	
<i>Work programme of the United Nations in the economic, social and human rights fields . .</i>	7

*President:* Mr. Akira MATSUI (Japan).

### *Present:*

Representatives of the following States, members of the Council: Algeria, Argentina, Austria, Canada, Chile, Czechoslovakia, Ecuador, France, Gabon, Iraq, Japan, Luxembourg, Pakistan, Peru, Romania, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following States, additional members of the sessional committees: Cameroon, Denmark, Ghana, India, Iran, Madagascar, Mexico, United Arab Republic, United Republic of Tanzania.

Observers for the following Member States: Australia, Byelorussian Soviet Socialist Republic, China, Colombia, Cuba, Finland, Greece, Hungary, Ireland, Israel, Italy, New Zealand, Norway, Philippines, Spain, Sweden, Trinidad and Tobago, Tunisia, Turkey, Ukrainian Soviet Socialist Republic.

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.

## AGENDA ITEM 6

Work programme of the United Nations in the economic, social and human rights fields (E/4011)

1. The PRESIDENT drew attention to the note (E/4011) in which the Secretary-General, in accordance with Economic and Social Council resolution 1046 (XXXVII), reported on the progress made towards the presentation to the Council at its thirty-ninth session of a work programme of the United Nations in the economic, social and human rights fields.

2. Mr. WURTH (Luxembourg) said that the preparation of a logical work programme and the evaluation of its budgetary implications raised many technical and administrative difficulties. In order to ease the task of the Secretariat, the sponsors of resolution 1046 (XXXVII) had therefore deliberately avoided going into

details. In reality, that resolution was merely a step towards a better presentation of the United Nations budget. It was particularly urgent to improve the budgetary presentation of the work programme of the United Nations in the economic, social and human rights fields; in view of the limited resources of the United Nations and the increasing extent of its activities, a system of priorities had to be established. He trusted that the question would be discussed in greater depth at the Council's thirty-ninth session.

3. The consultations with the secretariats of the regional economic commissions were praiseworthy. Consultation with the Advisory Committee on Administrative and Budgetary Questions would likewise be extremely useful. His delegation was less concerned with the separate presentation of a statement of budgetary resources and a work programme than with the integration of the work programme in the budget. That was why, although it awaited with keen interest the first part of the report referred to in paragraph 3 of the note by the Secretary-General (E/4011), it attached greater importance to the second part, which would combine the details of the work programme (listed under the major organizational units) with an indication of the financial resources required. His delegation also considered that the system sketched out in resolution 1046 (XXXVII) could be worked out in greater detail at a later date in the light of the experience acquired.

4. Mr. WILLIAMS (United States of America) said that the type of information requested was of great importance. If the Council was to ensure maximum concentration of effort and resources in certain fields in which action was particularly necessary, it must have before it the requisite documentation enabling it to analyse the work programme and its budgetary implications. It was worth pointing out, in that respect, that so far the relevant reports had always been submitted too late. Such reports should be submitted as early as possible, so that Governments could take their decisions in good time. It was particularly to be hoped that the report referred to in paragraph 3 of the note by the Secretary-General would be circulated well before the opening of the thirty-ninth session.

5. Mr. ARKADYEV (Union of Soviet Socialist Republics) expressed surprise that nothing had yet been done to permit the enlargement of the Council, regarding which recommendations had been made involving a conference for the purpose of reviewing the Charter. It was regrettable that the nine extra members provided for were not able to share in the Council's decisions. Even the developing countries had apparently given up pressing for such a conference, although the participation of some of them in the Council's work could set a new direction for the programmes of the United Nations in the economic and social fields. The need for increased participation by developing coun-

tries in the Economic and Social Council was fully vindicated in General Assembly resolution 1916 (XVIII), which dealt with United Nations activities in the social field, particularly in the developing countries.

6. The developing countries must undertake substantial social reforms. The task of the Economic and Social Council was to help them as much as possible in that endeavour by giving them the benefit of the experience of more developed countries. The USSR delegation had drawn attention on many occasions to the inadequacy of United Nations activities in the social field. Problems such as raising the levels of living and the more equitable distribution of national income were never studied. Similarly, there was never any question of studying ways of enabling the people of developing countries to enjoy such benefits as free medical services, universal education, technical and professional training and the improvement of the level of instruction. Where under-employment was concerned, the Council seemed to feel that it had solved the problem by adopting a resolution on the matter, whereas, on the contrary, it should press the countries concerned to give the problem very serious attention.

7. Under Article 55 of the Charter, the Economic and Social Council was responsible for studying a number of problems independently of any action already undertaken in that connexion by the specialized agencies or the countries affected by those problems. In fact, in the social field the specialized agencies could be said to be waiting for the United Nations to map out a line of action for them. The United Nations organs which dealt with social questions should therefore call on the countries which had experience in particular fields and could give sound advice. For example, the USSR, to name only one country, was perfectly familiar with the question of free medical services. Another important problem was that of children. That problem should not be left to the United Nations Children's Fund (UNICEF), but should be the subject of planning at the national level. It was not simply a question of supplying milk to children, but of providing them with schools, physical training and leisure activities. The Council had also neglected the problem of illiteracy, although it was impossible to improve the level of education in a country without dealing with that problem, which affected even developed countries. The United Nations might with advantage study the method used by certain Latin American countries, particularly Cuba, or by Arab States, which had successfully mobilized their national resources to combat illiteracy. The general problem of education was very closely linked with that of development. Literacy was therefore of fundamental importance. No less important was the agrarian problem: in many parts of the world the peasants tilled land over which they had no rights, and great estates belonged to a few very rich landowners, many of them foreigners. The situation was all the more serious as many of the developing countries had predominantly agricultural economies. The United Nations should help the Governments of newly independent countries to improve their system of land tenure, *inter alia*, by organizing exchanges of views on the matter. He understood that only one Secretariat official was assigned to study such questions—clearly an unsatisfactory state of affairs. The United Nations should begin immediately to prepare for the World Land Reform Conference which was

to be held in the spring of 1966 on land tenure questions.

8. The problems of unemployment and under-employment were also extremely important, particularly where they affected not only older workers but also the younger generations. The consequences of that social evil were felt in all aspects of economic and social life. It was clearly a problem that could only be solved from within; nevertheless, the United Nations could give useful advice to Governments, act as a catalyst and help to spread information on the subject. The next United Nations report on social problems should be entirely devoted to the unemployment and under-employment of youth.

9. There were other problems requiring study, particularly working conditions, the consequences of automation, the importance of the public sector in economic and social affairs, the organization of medical services, the elimination of the economic and social after-effects of colonialism, and so forth. The United Nations should attack those problems in a more thorough manner, laying stress on the strengthening of national sovereignty and the elimination of foreign domination of the economy of the newly independent countries, the development of education and the use of modern techniques. All those questions were closely linked and deserved careful study, but the agendas of the various United Nations bodies were overloaded with unreal problems and problems of secondary importance. In the field of human rights in particular, there was an enormous amount still to be done. For example, a special recommendation from the General Assembly had been needed before the problem of racial discrimination had been tackled. The implementation of the various principles, declarations and conventions on human rights, colonialism, racial discrimination, apartheid, forced labour and slavery, genocide, equal treatment for men and women, political freedom, etc., was far from being assured. Council resolution 1015 (XXXVII) could constitute a good basis for work in that field. The International Year for Human Rights should not be celebrated solely by ceremonies, but also and above all by the universal and effective observance of human rights. All Member States should begin by ratifying the numerous human rights conventions.

10. He hoped that the report which would be presented to the Council at its thirty-ninth session would be more concrete and more satisfactory than earlier reports. It was certainly praiseworthy to be concerned with the problems of community development, but in such important matters as agricultural development the United Nations must prepare meaningful reports of practical use to the countries concerned. The essential problems must be dealt with first.

11. Mr. ARCA PARRO (Peru) said that he could well understand the astonishment that the brevity of the note by the Secretary-General (E/4011) had provoked. Council resolution 1046 (XXXVII) was possibly rather vague on that point and perhaps the Secretariat was still feeling its way. At all events, it must now come to grips with the matter. To recapitulate yet again the work accomplished within the limits of the United Nations Development Decade, however useful such a recapitulation might be, was not enough; it was necessary to determine to what extent the programmes

undertaken had been successful and had yielded the expected results. Stock-taking was called for, the reasons for successes and failures must be analysed and, in the light of the experience gained, a more rational distribution of resources in accordance with clear priorities should be ensured. The opinion of United Nations experts should be compared with the testimony of recipient countries and non-governmental institutions. It would then be possible to determine whether the economic and social bodies of the United Nations had fulfilled expectations and there would be a sound basis on which to proceed to the review and re-appraisal of the Council's role and functions in the light of the Charter. A clarification and perhaps an extension of the scope of resolution 1046 (XXXVII) would then enable the Secretariat to pursue its task on a somewhat more solid basis.

12. Mr. PACHACHI (Iraq) remarked that the debate on substantive questions normally took place at the summer session. There were two reasons why the question of the work programme was included in the agenda of the current session: first, the previous report had been considered insufficient, as was indicated in the third preambular paragraph of resolution 1046 (XXXVII); secondly, a report of such importance was generally submitted too late. The Secretariat had therefore been requested to report to the thirty-eighth session on the progress made towards the presentation of the work programme. The Secretary-General's note (E/4011) was certainly brief and shed no light on the

nature of the report to be presented at the thirty-ninth session. One of the Council's great weaknesses was that the volume of its work was increasing while the level of expertise available to it was going down; but considered views could hardly be formed if the Secretariat issued its report so late that Governments were unable to study it properly. He hoped that Governments would receive the next report at least one month before the opening of the thirty-ninth session.

13. Mr. HILL (Deputy Under-Secretary for Economic and Social Affairs) assured the Council that, despite its brevity, the report was the result of numerous consultations and much thought; it was the firm hope of the Secretariat that the report to be presented at the thirty-ninth session would prove more satisfactory than the one preceding it and would enable the Council to examine the work programme with full knowledge of its budgetary implications. The documents would be circulated in good time and the USSR representative's remarks and suggestions would be taken into account.

14. The PRESIDENT suggested that the Council should take note of document E/4011 and that it should urge the Secretariat to press on with its work and to present its report in time for the Governments to be able to examine it carefully before the opening of the thirty-ninth session.

*It was so decided.*

The meeting rose at 12.45 p.m.



**ECONOMIC AND SOCIAL COUNCIL**

Tuesday, 23 March 1965,  
at 3 p.m.

Thirty-eighth Session

OFFICIAL RECORDS

NEW YORK

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*President:* Mr. Akira MATSUI (Japan).

*Present:*

Representatives of the following States, members of the Council: Algeria, Argentina, Austria, Canada, Chile, Czechoslovakia, Ecuador, France, Gabon, Iraq, Japan, Luxembourg, Pakistan, Peru, Romania, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following States, additional members of the sessional committees: Cameroon, Denmark, Ghana, India, Iran, Madagascar, Mexico, United Arab Republic, United Republic of Tanzania.

Observers for the following Member States: Byelorussian Soviet Socialist Republic, China, Colombia, Costa Rica, Cuba, Greece, Ireland, Israel, Italy, New Zealand, Norway, Philippines, Sweden, Thailand, Trinidad and Tobago, Turkey, Uganda.

Observer for the following non-member State: 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.

AGENDA ITEM 7

Review and reappraisal of the Council's role and functions

1. The PRESIDENT invited preliminary comments.
2. Mr. TREMBLAY (Canada) said that the need for review and reappraisal had arisen not only because of the passage of time but because of the decision to establish the United Nations Conference on Trade and Development (UNCTAD) as an organ of the General Assembly. UNCTAD was only the most recent of a long series of specialized bodies. There had also been a parallel development of the specialized agencies, which had been drawn into increasingly close contact with the United Nations proper. All those developments, with increasing emphasis on specialization, reflected the changing needs of a changing world. It was not surprising that they entailed changes in the role of the Council

itself, for the founders of the United Nations could hardly have foreseen the role it would be called upon to play twenty years after its creation. It was a pity that during those twenty years, reasoned debate on emerging economic and social trends had to give way to the pressing need for action to promote economic and social development. Whenever a new body had been created, it should have been possible for the Council to withdraw from the debate, leaving the responsibilities for detailed action to specialists. In the case of UNCTAD, the process had reached a new level; it would be absurd for the twenty-seven members of the enlarged Council to discuss the trade requirements of the developing countries when a better qualified and larger body had made those needs its special concern. The Council should be happy to delegate its responsibilities in that and other fields to specialized bodies.

3. That did not mean that the Council no longer had a useful role to play. On the contrary, its role had become more complex and more difficult. It had two major responsibilities. First, it had a legislative obligation towards its functional commissions and their subsidiary bodies, whose resolutions must be approved by it if they were to take effect at the international level. The Council should be circumspect when considering the texts recommended to it and members should resist the temptation of merely speaking for the record. Secondly, it must act in areas which did not fall within the terms of reference of any of the specialized bodies. In considering such matters, the Council should bear in mind the relative importance of the different activities. However, the Council's major role was to assess and co-ordinate the efforts of the international community to promote development.

4. In setting up specialized bodies to deal with specific problems, the Council had run into another difficulty, that of ensuring that those bodies worked smoothly within some generally approved pattern. But if the idea of joint action was to have any meaning, there must be some body to assess all the aspects of development; under the United Nations Charter, that was the role of the Economic and Social Council. None of what he had said was new. Indeed, the most significant developments in the Council's work over the past two years had been in the field of co-ordination. A definition of "co-ordination" was necessary. It was often conceived of as a restraining function to ensure that the limited resources were used for the most urgent activities, but it had a more vital aspect: that of appraising existing activities with a view to identifying gaps, shifting emphasis and indicating new directions. The Council should be not only a focus for international thinking on the problems and policies of development, but a catalyst which should give impetus to the action initiated by other United Nations bodies. Because of the very variety of the specialized agencies, there was a



danger of a haphazard approach to economic and social development. The Council should keep a watchful eye on the working of the complex international machinery and see that it ran smoothly.

5. Some members feared that a strengthened Council might intervene in the substantive work of the specialized bodies, particularly UNCTAD. In his delegation's view, the Council should not become involved in UNCTAD's operations, but ensure the smooth working of the machinery. The Governments represented on the Council were also represented in UNCTAD and other bodies; co-ordination within individual Governments should guarantee co-ordination at the international level. The Council should develop its role of co-ordination at the policy level. That would be no easy task but it was worth while. Some minor reforms of the Council's methods of work might be desirable and should be studied in detail at the thirty-ninth session. But the major concern should be, not to shore up the position of the Council at any price, but to use the Council to the advantage of all.

6. Mr. WALDHEIM (Austria) said that, under the Charter, the Council was responsible for the orderly development of the economic, social and human rights activities of the United Nations proper, and for co-ordinating the same activities of the United Nations family as a whole. Its functions were, first, to provide a forum for a high-level exchange of views on economic and social policy and development; secondly, to co-ordinate the programme and activities of the United Nations system of organizations; and thirdly, to provide policy guidance and assume over-all responsibility for the economic and social activities of the whole United Nations system.

7. Not only the enlargement but the change in the character of the Organization's membership over the last twenty years had necessitated a review of the membership of the main organs. Austria, fully aware of the need for adaptation, had been one of the first countries to ratify the Charter amendments enlarging the membership of the two Councils. A more balanced geographical distribution and greater representation of the new African and Asian countries would help to increase confidence in the Council.

8. Governments should be given time to study the problems involved and to make constructive proposals. The division of work between the Council and the newly constituted Trade and Development Board would be a major task, but until the terms of reference of the new bodies were defined, the Council could come to no decision. His delegation therefore agreed with previous speakers that the present item should be placed on the agenda of the thirty-ninth session and remain on the agenda of future sessions until an acceptable solution had been found. The Council was fully competent to undertake the reappraisal, but that did not affect the authority of the General Assembly to make the final decision on the future role and functions of the Council. The records of the discussions on the item at the current session and the previous session should prove helpful to the Assembly in its consideration of the matter.

9. Under Chapter X of the Charter, the Council was responsible for co-ordinating the activities of the

United Nations and the specialized agencies in the economic, social and human rights fields. With the expansion of United Nations activities into the fields of trade and development, the need for co-ordination was even greater than before. His Government did not wish to hamper the activities of the new trade organs in any way, particularly the efficient planning of their programme, but there was an imperative need for co-ordination of all United Nations economic activities at some point. He trusted that the reappraisal of the Council's functions would be approached in a spirit of open-mindedness and co-operation, and that prejudice and past disappointments would be disregarded so that the enlarged Council would become a forum in which economic and social development problems could find a satisfactory solution.

10. Mr. WURTH (Luxembourg) said that the present review and reappraisal of the Council's role and functions was particularly important because of the continuing growth of United Nations economic activities. Although that growth was being temporarily slowed down by the financial crisis, the creation of trade and development machinery marked the beginning of an enormous expansion of economic and social activities. The General Assembly's work in that field had become heavier and much more difficult over the last few years; it would therefore have an even greater need of the Council than in the past. The Council had three major responsibilities, as defined in the Charter. First, it was the directing body for all the economic and social programmes of the United Nations proper; in that field, the integration of the budget and the programme of work would facilitate the Council's work and make its action more effective. Secondly, it was the co-ordinator of the economic activities of the United Nations and specialized agencies. Thirdly, it was the body responsible for formulating world economic policy.

11. It was for Member States to ensure that the Council functioned effectively. There were two main ways in which that could be done. First, it must be sufficiently representative. The General Assembly had already taken action to enlarge the Council's membership to twenty-seven; the nine future new members were already participating in the Council's work. Secondly, the Council's machinery must be fully adapted for its work. The time for a re-evaluation had obviously come. Nevertheless, if the Council was to adapt smoothly to its new functions, over-hasty action must be avoided. His delegation was ready to participate in a discussion of the subject at the thirty-ninth session, but he did not think that any rigid schedule should be adopted.

12. Mr. THORMANN (International Federation of Christian Trade Unions) welcomed the fact that the need for a review and reappraisal of the Council's role and functions had been generally recognized. That need arose not only from the implementation of the recommendations of UNCTAD but from various continuing trends. Over the last decade, concern had repeatedly been expressed over the failure of the Organization as a whole, and of the Council in particular, to carry out its responsibilities under Chapters IX and X of the Charter. The need to achieve the goals laid down in Article 55 of the Charter was

universally recognized and the means to do so were available; but the measure of success had been disappointing. The International Federation of Christian Trade Unions trusted that the present discussion would mark the beginning of a break-through to better things.

13. In establishing consultative status for non-governmental organizations, the founders of the United Nations had wished to ensure that governmental and inter-governmental initiatives would always be adequately attuned to the hopes and aspirations of mankind. Such organizations were in a specially good position to help the United Nations to keep the social dimensions of economic progress in proper focus. At the thirty-seventh session of the Council, the Secretary-General himself had stressed that economic progress had no meaning if it was not closely related to social aspirations (1320th meeting, para. 8). And yet, as the Under-Secretary for Economic and Social Affairs had stated to the Co-ordination Committee at the same session (E/AC.24/L.240), there was a tendency for economic and social questions to be dealt with outside the system of the Council. He trusted that the enlargement of the Council—which should become a fact in the near future—would correct that trend by making the Council more representative of the whole United Nations membership.

14. Mr. RAMOS (Argentina) said that his delegation had favoured the inclusion of the present item on the agenda of the current session because of the complexity of the problems involved. For the same reason, the item should be retained on the agenda of the thirty-ninth session, when it could be considered in the light of the decisions taken at the first session of the Trade and Development Board. In considering the relationship between the Council and the Trade and Development Board, the legal position should be borne in mind. Under Article 22 of the Charter, the General Assembly was entitled to establish such subsidiary organs as it deemed necessary for the performance of its functions. The Board was a subsidiary organ of the General Assembly which had been given highly important responsibilities, particularly with respect to the developing countries. On the other hand, under Article 7 of the Charter, the Council was established as one of the principal organs of the United Nations. The Council's two main responsibilities were to direct economic and social programmes of the United Nations and co-ordinate the work of the United Nations family in that field. As far as co-ordination was concerned, that point had been made clear in paragraphs 20 and 22 of General Assembly resolution 1995 (XIX).

15. As to its future functions, the Council should give careful consideration to all points, particularly its relations with the trade and development machinery; in particular, it should decide what functions were subsidiary and what steps should be taken to avoid duplication. What was required was an over-all reappraisal of the Council's functions in relation to the principles of the Charter, the directives of the General Assembly and the decisions of the Trade and Development Board. It was clear that the Council was the body responsible for formulating economic and social policy.

16. It would be helpful if the Secretariat could prepare a document to facilitate the Council's considera-

tion of the item at the next session in the light of the present discussion, the decisions taken at the first session of the Trade and Development Board, and the legal provisions pertaining to the matter.

17. Mr. WILMOT (Ghana) said that his delegation still maintained the view it had expressed at the thirty-seventh session: that the present reappraisal was too important to be undertaken by any other body than the General Assembly. It was obvious that the matter could not be fruitfully discussed at the present time, as the situation would not be clear until the Trade and Development Board had met and taken its decisions. The earliest possible moment at which the Council could really begin its reappraisal was therefore its thirty-ninth session.

18. He welcomed the fact that the USSR had ratified the amendment to the Charter enlarging the membership of the Security Council and the Economic and Social Council. His delegation had always maintained that the membership of the principal organs of the United Nations should reflect the total membership of the Organization. It had therefore co-sponsored the resolutions adopted by the General Assembly enlarging the membership of the sessional committees and of the two Councils. Any reappraisal of the Council's role and functions should begin with a consideration of its composition: unless it was representative of the entire membership of the Organization, it could not function satisfactorily.

19. The developing countries were and always would be concerned with that matter. He supported the Argentine suggestion that the Secretariat should prepare a document to facilitate the Council's consideration of the item at its thirty-ninth session. In the meantime, the Secretary-General might be asked to ascertain the views of Member States, the specialized agencies and the International Atomic Energy Agency with a view to making their views available to the Council at that session.

20. Mr. DE GREGORIO (Chile) said that any comments made at the present stage must be preliminary and could not entail any commitment. In his delegation's view, the Council should become the executive agency, with full powers, for certain economic and social activities of the United Nations, but those activities should be strictly defined. The importance of the Council had inevitably declined somewhat as other members of the United Nations family had grown in strength and independence. Many international agencies, moreover, had only courtesy ties with the Council. Nevertheless, the Council had succeeded in focusing attention on economic problems of fundamental importance and it had become evident that their solution required the establishment of special machinery with full powers. As a result, UNCTAD had been convened and had become a permanent body. Chile would give the new machinery its full support. It should be as independent as possible and have the widest possible powers. It should be recognized as the world forum for settling trade and development questions, a view which had been expressed by the *Ad Hoc* Committee on Latin American Co-ordination in a declaration adopted at Lima in December 1964.

21. It would be premature, however, to discuss in detail what the Council's new functions should be.

Although the Trade and Development Board was already in existence, its subsidiary organs had not yet been assigned their final terms of reference. The membership of the Council had not been modified sufficiently to give due representation to the newly independent countries of Africa and Asia. The only way they could make their views known would thus be through a regular meeting of the General Assembly. In these circumstances, Chile could not agree to any substantive discussion of the Council's future functions, but it would not be opposed to a preliminary exchange of views. Naturally, no discussion in the Council would prejudice decisions which only the General Assembly could take.

22. Mr. MWALUKO (United Republic of Tanzania) said that a review and reappraisal of the Council's role and functions could only be carried out by a truly representative body. The Council was not such a body. Only about 11 per cent of its members were African, whereas African States had about 30 per cent of the seats in the General Assembly. Although the General Assembly had sought to rectify the situation by adopting resolution 1991 (XVIII), the developed countries had so far failed to ratify the proposed amendment of the Charter. It was precisely those countries which had caused the decline in the Council's effectiveness by exploiting their dominant position to run it in accordance with their own wishes and which were now pressing for review and reappraisal. In that connexion, he welcomed the recent ratification of the Charter amendment by the Soviet Union. His delegation was in favour of a review and reappraisal, but in the right place. Since the constitutional crisis through which the Organization was passing affected all aspects of its activities, that place was the General Assembly and he hoped that it would be possible to take the matter up at its twentieth session.

23. Mr. CHIBA (Japan) said that a review of the Council's role could be undertaken without infringing the General Assembly's right to take the final decisions. The establishment of the new trade and development machinery would have a great impact on the structure of the United Nations and duplication of work must be avoided. There were aspects of economic affairs, however, which the new machinery would not cover and the Council would still bear important responsibilities under the Charter for social affairs and human rights. It would also still be responsible for co-ordinating all United Nations activities in the economic, social and human rights fields and its functions in that respect might well be expanded. It should also continue programme evaluation. A thorough study of its new role might be undertaken at the next or subsequent sessions.

24. Mr. ARCA PARRO (Peru) said that there seemed to be no disagreement about the need for a review and reappraisal of the Council's role and functions, but merely about the extent of that review. Some were pessimistic about the Council's future. In the course of his long association with the Council, he had frequently heard pessimism expressed with regard to proposals that had later proved very successful. For example, doubts had at first been expressed about the need for the Economic Commission for Latin America, which had since not only given much assistance to the countries of the region, but had established an entire new

philosophy of development, leading to the holding of the United Nations Conference on Trade and Development and the movement towards economic integration in Latin America. Similarly, the Population Commission had proved a most valuable body despite the misgivings that had attended its creation. Since the Organization had achieved such successes in the economic and social fields, it might appear that the Council's original terms of reference were still adequate. But great changes had occurred in the world since the drafting of the Charter. Apart from the political evolution which had led to the great rise in United Nations membership, there had been unprecedented scientific advances; demographic trends had taken an unexpected turn; the harnessing of nuclear power and the investigation of outer space had opened up new prospects. However far-sighted the founders of the United Nations had been, they could not have foreseen all those developments. It was therefore natural that the Organization should take stock and see where it had achieved its original aims, where it had fallen short and where it had gone further. A study of the legal position might be advisable, as the representative of Argentina had suggested. The Council was obviously too small, but it was not clear on what principle it should be expanded. The reason why its membership had been originally fixed at eighteen was not evident. It might have been more sensible to make it a percentage of the Assembly's membership. At the same time it must be representative of all trends in the world community. That meant recognition of the fact that, while the world was divided into two main groups of countries, the developed and the developing, there were many subdivisions within those groups. The subject was one of great complexity. Before it could be discussed in detail, some documentary background would be needed and the Secretariat might be requested to prepare it.

25. Mr. HASEGANU (Romania) said that the number and importance of the problems before the Council increased every year, and a reappraisal of the Council's role and functions could establish what had been constructive and appropriate in its past work over many years and also what had impeded it. Such a reappraisal was all the more pertinent since a new economic organ, the United Nations Conference on Trade and Development, had been created. But, from a practical point of view, a useful discussion of the matter could be held only after the Trade and Development Board had been constituted and had organized its work. He shared the view that discussion in the Council should not prejudice the work and decisions of the first session of the Board. He would be in a better position to express an opinion at the thirty-ninth session.

26. Mr. VIAUD (France) said that the functions of the Council were clearly defined in Chapters IX and X of the Charter. Its main purpose was to stimulate joint action by Governments and by the international bodies concerned, aimed at the economic and social advancement of the developing countries. Any doubts which persisted about its role could only be resolved by a return to the Charter.

27. The Charter also gave the Council a dual function: to enable Member States to compare their views on the world's main economic problems, and to ensure co-ordination of the activities of the United Nations and the

specialized agencies in the economic and social fields. Some of those activities—labour, education, financial matters—already lay within the competence of the specialized agencies. But whenever a new activity had impelled the Organization to undertake specific action, the Economic and Social Council had not hesitated to establish the bodies it required for that purpose—as in the case of technical assistance, industrialization, etc. It had never been a practice of the Council to usurp the functions of the technical bodies it had set up, or to keep them under close control. The French delegation felt that an unreal problem had emerged from the controversy which had arisen as to the respective roles of the Council and UNCTAD. The Council was not equipped to deal with the technical problems of international trade. That was the responsibility of UNCTAD. On the other hand, at its own level the Council had the responsibility of bringing into focus the influence which trade could exert on the economic development of the under-developed countries. The Council's annual debates on the world economic situation and the problems of development could provide the necessary intellectual stimulus for the Governments and international organizations which took part in them to examine world economic problems within a world-wide framework.

28. Similarly, in the exercise of its co-ordinating functions, the Economic and Social Council should regard itself as the irreplaceable body within which the activities of the United Nations and the specialized agencies were fitted together and brought into line. That task could be properly accomplished only if the Council avoided becoming bogged down in details and restricted itself to the discussion of priority activities. In order to do so, it must take care that its work programme and its budget were continually adjusted to each other. The Administrative Committee on Co-ordination (ACC) was in a position to give the Council valuable assistance in that respect. The association of the President of the Council and the Chairman of the Co-ordination Committee with the work of ACC was likely to improve co-ordination between those two bodies considerably. The discussion and comparison of the work programme and the budget might be left to a body smaller than the Co-ordination Committee, such as the Special Committee on Co-ordination or any other organ that the Council might decide to set up.

29. The future role of the Economic and Social Council and the reappraisal of its activities depended to a large extent on a rational division of responsibility between the Council and the General Assembly. Some of the countries long represented on the Council felt that it could not do its work without relying on smaller subsidiary bodies to prepare its discussions. Other members, who had joined the Organization at a later date, felt that the Council was no longer representative and was not discharging its functions properly. There was some truth in both those views. If the Council was properly to carry out the duties laid upon it by the Charter, it must obviously be fully representative. The French delegation had expressed the view that it should be enlarged, when the question had come up for discussion; but the Council could play no really useful role in the Organization, even with a membership of twenty-seven, unless the countries now constituting the majority in the General Assembly attached real importance to its activities and were willing to regard it as

the organ competent to prepare the Assembly's debates and recommendations on the problems which were of concern to the Organization in the economic and social fields.

30. Mr. PACHACHI (Iraq) said that, while the economic and social activities of the United Nations had increased in importance over the years, the effectiveness of the Council in handling those matters had correspondingly declined. That paradox was at the root of all the Council's difficulties. He agreed with the representative of France that, according to the Charter, the Council had been clearly designated as the central United Nations organ responsible for economic and social development. He also welcomed the planned enlargement of the Council which would remedy the deficiencies in its composition.

31. The main problem, therefore, did not now lie in the provisions of the Charter or in the membership of the Council. It lay in the Council's methods of work. According to the Charter, the Council was responsible for the formulation of general economic and social policy and also for co-ordination. In both the Council had failed to live up to expectations, partly because its membership had not reflected the various currents of opinion in the international community and partly, as Mr. Viaud had pointed out, because it had become bogged down in detail. The Council had delegated co-ordination to the Administrative Committee on Co-ordination, but that body suffered from certain built-in weaknesses. It was a consultative rather than a co-ordinating committee and it reached its decisions only on the basis of general compromises. As long as the Council was satisfied with that kind of co-ordination, it could never fulfil its functions under the Charter. If it was to exert greater influence and power in the field of co-ordination, it must tighten up its co-ordinating machinery. There was nothing wrong with compromise but in the economic and social field it could be carried too far.

32. In order to strengthen its role as a policy-maker, the Council must concentrate on certain basic problems and not dissipate its energies on matters which could be far better handled by smaller bodies. To formulate policy, it must have all the necessary facts at its disposal and a clear order of priority drawn up in the light of budgetary limitations. At the moment, there was no adequate machinery for helping the Council achieve that objective. In short, the Council must overhaul its present co-ordinating machinery and develop new machinery for its policy-making role.

33. Mr. WILLIAMS (United States of America) said that there was already a considerable measure of agreement in the Council on the question of reappraisal. That realization showed that the Council was determined to reflect the world's changing needs. Change was the only alternative to stagnation.

34. It was therefore surprising that some members seemed to be reluctant to begin the reappraisal. They should remember that the Council was only starting a lengthy discussion of the subject and not reaching any firm conclusions at the present stage. The provision of assistance to millions in the developing countries who were grappling with hunger, illiteracy and disease lay at the very heart of the Council's functions. It was for that reason that the Secretary-

General had suggested at the thirty-seventh session (1320th meeting) that the time was ripe for a review. The task could not be done easily or quickly. Lengthy preparation would be required. In 1954, Governments had submitted their views on the reappraisal and a similar approach might be adopted in the present case. He was not making any formal proposal to that effect but stressed that new ideas should be sought from all possible sources.

35. It had been often charged that the composition of the Council was outdated and failed to reflect the present membership of the General Assembly. But recognition of that fact had already led to the election of nine additional members of the sessional committees who were participating fully in the discussions. It was unimaginative to suggest that the Council should await national parliamentary action on the Charter amendment before it began its own reappraisal. By taking up that question, the Council would not be prejudging any issues because it was not going to take a vote for the moment and, in any case, the General Assembly would have a chance to review and discuss the Council's actions. It would be extremely useful for the Council to identify the problems involved and the areas of agreement among its members, if only to avoid repetition of the same issues in the General Assembly.

36. It was also unrealistic to recommend no action by the Council until the Trade and Development Board had met in April. There would be no harm in beginning the discussion at the current session and continuing it at the summer session in the light of what the Board had decided. Before the thirty-ninth session the Secretariat might be asked to obtain the comments of the specialized agencies and of Member States, but in any case the Council should begin forthwith.

37. Sir Keith UNWIN (United Kingdom) agreed with the representative of France that, in order to solve its organizational problems, the Council must return to the Charter. There was nothing wrong with the Council's functions as defined therein, although it might be argued that they were not being properly carried out. The Council had moved from the path of discussion to the path of action. It might be accused of not being active enough but at least it had changed its approach. The Council had also been criticized for being small and unrepresentative, but those faults were being remedied; the twenty-seven countries present and taking part in the current session were already in a position to discuss the matter, to the extent that it

could be usefully discussed at the current and even the thirty-ninth sessions. No final decision could be reached during 1965 since the review was a lengthy and complicated matter. However, a considerable amount of preparation could and should be done, and in that respect he sympathized with the Argentine representative's proposal that the Secretariat could obtain the views of the specialized agencies and of Governments as a basis for discussion at the thirty-ninth session of the Council and at the twentieth session of the General Assembly. The Permanent Representative of Iraq had suggested that it was up to the Council to tackle its own problems, through its own methods and procedures. By 1966 the Council might be ready to consider specific proposals for adoption. He suggested that the report of the current session should contain a formal request that the Secretariat should assemble a preliminary body of facts and of ideas on the improvements necessary in the operation of the Council.

38. Mr. HAJEK (Czechoslovakia) said that the Council had not fully satisfied expectations, despite an increase in both the quantity and the quality of its work. It was therefore right that the functions and structure of the Council and its subordinate organs and its relations with UNCTAD should be examined, with a view to providing new impetus. The Council should concentrate in the future on implementing development programmes, assisting democratic social reforms and liquidating the economic and social consequences of colonialism. Many of the principles contained in the Final Act of UNCTAD could also be applied to activities concerned with such matters as economic and social planning, development co-operation and scientific progress. In all these activities, the experience and interests of all regions of the world would have to be taken into account.

39. In reappraising the Council's social work, greater account should be taken of the need for the intensified development and progress of the developing countries, in accordance with General Assembly resolution 1916 (XVIII). The experience of both industrialized and developing countries should be studied with a view to finding solutions to specific social problems of literacy, health, education, employment and housing. Social problems of a more general nature also had a particular bearing on economic development. All those activities would have to be properly co-ordinated with other United Nations organs.

The meeting rose at 6.20 p.m.



**ECONOMIC AND SOCIAL COUNCIL**

Wednesday, 24 March 1965,  
at 11 a.m.

Thirty-eighth Session  
OFFICIAL RECORDS

NEW YORK

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*President:* Mr. Akira MATSUI (Japan).

*Present:*

Representatives of the following States, members of the Council: Algeria, Argentina, Austria, Canada, Chile, Czechoslovakia, Ecuador, France, Gabon, Iraq, Japan, Luxembourg, Pakistan, Peru, Romania, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following States, additional members of the sessional committees: Cameroon, Denmark, Ghana, India, Iran, Madagascar, Mexico, United Arab Republic, United Republic of Tanzania.

Observers for the following Member States: Australia, Byelorussian Soviet Socialist Republic, China, Colombia, Cuba, Finland, Greece, Haiti, Ireland, Israel, Italy, Nepal, New Zealand, Nigeria, Philippines, Spain, Sweden, Trinidad and Tobago, Tunisia, Turkey.

Observer for the following non-member State: Switzerland.

Representatives of the following specialized agencies: International Labour Organisation; 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.

Statement by the President

1. On behalf of the Council, the PRESIDENT congratulated the United States on its latest achievements in outer space.

AGENDA ITEM 7

Review and reappraisal of the Council's role and functions (continued)

2. Mr. S. KHALIL (United Arab Republic) considered that it was too early for any useful discussion of item 7. On the one hand, the problem was far too large, and could not be seriously considered except on the basis of the voluminous documentation to be prepared by the Secretariat, while on the other hand the debate could not be limited to the mere question of co-ordination or to the determination of the future relationship between the Economic and Social Council and the Trade and Development Board. It was only logical to wait until the latter organ had held its first session. Such was the position of principle of the United Arab Republic.

3. That being understood, he had some preliminary remarks to make regarding the points made during the discussion. Some representatives had expressed the view that the United Nations Conference on Trade and Development (UNCTAD) should be subordinate to the Economic and Social Council; but while it was true that General Assembly resolution 1995 (XIX) established UNCTAD as an organ of the General Assembly and provided for co-operation between it and the Economic and Social Council, that did not involve any subordination; the two organs must evolve side by side, and not compete with one another. Moreover, as the representative of Canada had pointed out at the 1357th meeting, it would be absurd for the Council to discuss the trade and development needs of the developing countries when a new and much more broadly-based organ had been set up for that very purpose. That was yet another reason not to subordinate UNCTAD to the Council, since such an act might bring to nothing all the efforts to achieve greater effectiveness in that sphere. Finally, the new machinery had not yet been fully perfected, and its organization, functioning and arrangements for co-operating with the Council were yet to be discussed at the next session of both the Trade and Development Board and the General Assembly.

4. For those reasons, his delegation considered that the Council should begin by reviewing its past activities, with special emphasis on the weak spots, so that there could be a useful discussion on how to remedy them. The General Assembly would then consider the preliminary reports on the Council's activities, after which the question of the Council's future role and functions could be taken up.

5. Mr. BENITES (Ecuador) thought that it would be useful for the Council to carry out an immediate and searching evaluation of its activities with a view to improving its methods of work. The question was not one of a power struggle between different organs

of the United Nations, but of better utilization of their capacities in the interest of international co-operation. The United Nations must be dynamic, and must not become the tool of a policy based on the maintenance of a balance of power. The dynamic interpretation of the Charter had brought about the emancipation of many peoples which had only a short time previously been under colonial rule. The paradox was, however, that considerable differences in degree of economic development still existed in an increasingly interdependent world, and the decisions taken at the Geneva Conference represented a step towards a levelling of those differences. It was for those reasons that Ecuador gave its fullest support to the Conference and to the Trade and Development Board, while hoping that the interdependence of economic and social issues would remain the legitimate concern of the Economic and Social Council. The two organs should be mutually complementary, but the Council's functions should nevertheless be reviewed so that it could adapt itself to the new requirements. That task could not be begun at the current session, however. He too was of the opinion that the Secretariat must assemble systematic documentation regarding the suggestions, decisions and action of the Economic and Social Council, the Trade and Development Board and the specialized agencies if the Council was to have an objective basis for its discussions at its following session.

6. Mr. HIREMATH (India) felt that it was premature to consider the present agenda item until the Council had a clearer idea of how the new body would function. However, the preliminary exchange of views had served its purpose; there was even some measure of agreement that the Council should be primarily concerned with co-ordinating activities and defining policies, without encroaching on the work of the Trade and Development Board. But those ideas would have to be debated at length. It was important, at all events, that the Secretariat should provide the fullest possible documentation in good time for the Council's next session.

7. Mr. DJOUDI (Algeria) said that it was his delegation's wish that the two bodies should supplement rather than compete with each other. As the role of the Conference would soon be determined, there was no need to hurry the discussion. It would doubtless be useful to hold consultations with the Trade and Development Board. In the meantime, the exchange of views had not been without interest and those views would certainly be taken into account at the Council's next session.

8. Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs) said that he was grateful for the opportunity to put forward certain ideas on behalf of the Secretary-General, to whose statements at the thirty-seventh session of the Council (1320th and 1326th meetings) the present discussion was in part due. Ideas sometimes took a path in the course of a debate which their originator could not have accurately foreseen. The Secretariat had the impression that as far as the reappraisal of the Council's role was concerned, they had prematurely crystallized around certain points which were not essential. The delimitation of functions between the new and the old machinery, for example, about which some delegations seemed to

have serious misgivings, represented in the Secretary-General's opinion only a very small part of the problem, and by far the easiest to solve. The functions laid down for the Conference on Trade and Development had been defined very precisely and questions relating to areas of interest common to the new and the old machinery, far from leading to conflicts of competence, ought to be susceptible of solution quite naturally in the light of experience. At all events, the General Assembly was the only body indisputably competent to solve any conflicts. He hoped that the discussion would have helped to dispel the idea in the minds of some delegations that there was a question of rivalry between two sets of organizations, an idea which had certainly not been in the Secretary-General's mind when he had made his proposals to the Council at the thirty-seventh session.

9. Yet another impression emerged from the debate, showing that it would be better not to let ideas crystallize prematurely. Some statements had implied that the Council was engaged in working out an overall plan to give it a new lease on life so that it could carry out its task more effectively than in the past. Since the situation was different for each of the Council's main functions, the Secretariat considered that it would be better to examine those functions one by one, in order to see why the Council had not been able, in each particular case, to discharge its responsibilities under the Charter and what should be done to enable it to do so. The Soviet Union representative had mentioned a number of economic and social fields of vital importance which, although within the purview of the Council, had perhaps not always received sufficient attention. The situation in each of those fields and the remedies to be adopted should be considered not only in a big general debate on structure and organization, but also, and even more thoroughly, when problems of substance were examined. The debate on structure and organization, although necessary, should not, therefore, reach a conclusion until the discussion of specific problems had made it possible to determine for each particular field what progress should be made, what methods should be adopted and what machinery should be established or improved. The answers might differ according to the subject.

10. At the 1357th meeting the representative of Iraq had spoken of the Council's function of formulating economic and social policies and had stressed the need for the Council to ensure that it had the benefit of all the expertise it needed for that difficult task. Personally, he thought that that was the key to the problem and that although the power of policy decision in the strict sense rested in the last analysis with the General Assembly, the Council could play a leading role for the Assembly by acting as what was sometimes called a "meditation room", provided that in each particular field it had available to it the expertise necessary to distinguish itself by the quality of its views and reports. The problem differed according to the field. When the technical expertise had already been organized and analysed by a specialized agency, the work of that agency had to be placed in the more general context of the Council in order to determine more precisely how it would fit into a general policy of world development. That was a problem which the Economic and Social Council had never completely

solved. In other fields, in which expertise was assembled by functional, i.e., expert, commissions, it would be necessary for the Council to scrutinize the reports of those commissions more carefully and not confine itself to taking note of them and for it to consider how to improve the performance of each commission, if necessary, in order to improve the performance of the Council itself and of the system centred on it. There were yet other fields, some of which were apparently arousing increasing interest, where the mobilization of expertise had not yet been organized but where it would be possible to discover methods of doing so by studying the actual problems involved.

11. In conclusion, he considered that if the opinion he had just expressed met with the Council's approval, the process of reviewing the role and functions of that body should continue over a fairly long period of time, in each of its subsidiary bodies, during their consideration of each agenda item, and not exclusively in a general debate on organization and structure. When the Secretary-General had made his statement at the thirty-seventh session of the Council, he had wished to imbue the Council with a "spirit of reform" which would inspire it in each of its actions and in each of its organs in the years to come, rather than to invite it to conduct a major debate within a limited period. Nevertheless, the Secretariat was, of course, at the Council's disposal to prepare whatever documentation it might deem necessary.

12. Mrs. WRIGHT (Denmark) asked that the statement by the Under-Secretary for Economic and Social Affairs should be issued in extenso.

*It was so decided.*<sup>1/</sup>

13. Mr. ARKADYEV (Union of Soviet Socialist Republics) stated that the USSR delegation had never thought that there could be any question of rivalry between the Council and the United Nations Conference on Trade and Development, if only because the General Assembly had very clearly defined the relationship between the two bodies. He reserved the right to comment at the appropriate time on the Council's work programme in the economic field.

14. Sir Keith UNWIN (United Kingdom) thought that it would be a pity simply to cut short the consideration of agenda item 7 without any work being accomplished between the end of the current session and the opening of the thirty-ninth session. It might be advisable for the delegations which had formulated definite proposals to propose to the Secretariat a passage relating to those proposals, to be inserted in the Council's report, and for the Council to request the Secretary-General to assemble and classify the new elements that had arisen during the discussions and to consult with the Governments.

15. Mr. WALDRON-RAMSEY (United Republic of Tanzania) considered that the summary records of the meetings gave a sufficiently complete account of the Council's debates and that it would be contrary to earlier decisions for the Council to take any official action on that question before its thirty-ninth

session. There was nothing to stop delegations that wished to do so from consulting directly with the Secretariat, which could if necessary sound out other delegations.

16. Mr. QUAO (Ghana) thought on the contrary that some preparatory work must be done by the Secretariat if there was to be any useful debate at the thirty-ninth session. The Council should therefore adopt a text of some kind presenting the proposals which had arisen during the current session and should request the Secretariat to prepare the necessary documents for the next session.

17. The PRESIDENT suggested that the delegations which had formulated definite proposals should meet together informally to prepare a text to be inserted in the Council's report.

*It was so decided.*

#### AGENDA ITEM 8

Question of a meeting of the ad hoc Working Group on the Question of a Declaration on International Economic Co-operation

18. Mr. HASEGANU (Romania) stressed that it was important to draw up a declaration on the principles of international economic co-operation. The General Assembly had been the first to recognize that in its resolution 1942 (XVIII). The United Nations Conference on Trade and Development, in its Final Act,<sup>2/</sup> had also recognized the need for agreement on the principles of international co-operation and had recommended continued efforts in that regard. The Council had given proof of its own interest by establishing the ad hoc Working Group.

19. The Working Group had been given a very complex task; and to carry out that task successfully, it had to be representative. The Group had so far formulated only a very few principles. It would prove considerably more effective if its membership was sufficiently increased to ensure a better representation, on a proportional basis, of all the geographic regions of the world. His delegation considered that the reasons why the Working Group's session had been postponed were still valid; nevertheless, it would not oppose the holding of such a session if the Council so desired. Faithful to the spirit of General Assembly resolution 1942 (XVIII), his delegation would support any initiative that would hasten the definition and adoption of the principles of international economic co-operation.

20. Mr. BACKES (Austria) considered that the situation was in no way different from that which had obtained in August 1964, since the General Assembly had been unable, at its nineteenth session, to undertake consideration of the activities of UNCTAD. It would therefore be logical to postpone consideration of the question of a meeting of the ad hoc Working Group until a session of the Council subsequent to the twentieth session of the General Assembly.

21. Mr. ARKADYEV (Union of Soviet Socialist Republics) thought that the Romanian representative had

<sup>1/</sup> The complete text of the statement made by Mr. de Seynes was circulated as document E/L.1072.

<sup>2/</sup> Proceedings of the United Nations Conference on Trade and Development, vol. 1, Final Act and Report (United Nations publication, Sales No.: 64.II.B.11).



been right to stress the importance of drawing up a declaration on international co-operation. Nevertheless, the work of the *ad hoc* Working Group was not new, and the Council had already taken note of it. The views of the Romanian and Austrian representatives could therefore be combined: in the course of informal discussions on that subject, it had been suggested that account should be taken of a new factor, i.e., the establishment of UNCTAD. In order that the Conference should not remain unaware of the work already done by the *ad hoc* Working Group in that field, the Council could send to the Trade and Development Board the Working Group's report containing the principles on which agreement had already been reached; there would then be nothing to prevent the adoption of the Austrian proposal. In that way practical action would be taken with regard to the principles that had already been drafted.

22. Mr. VIAUD (France) observed that the draft declaration on international economic co-operation covered a very wide field since its principles related to economic and social policies as well as trade policies. His delegation had no objection to the idea that those principles should be referred to the Trade and Development Board for its consideration. But that would be useful only in respect of the principles relating to trade, since the other principles did not come within the purview of UNCTAD. At the same time, the mere fact that the Economic and Social Council drew the attention of the Trade and Development Board to the principles of trade policy contained in the draft declaration could in no way be taken to signify approval of those principles.

23. With regard to the date on which the Council should refer those principles to the Trade and Development Board, the most favourable time would be when the Board examined the recommendation of UNCTAD on the principles of trade policy and its recommendation on long-term trade agreements.

24. As regards the other principles which were being considered by the *ad hoc* Working Group, the Economic and Social Council could resume its examination of them after the twentieth session of the General Assembly.

25. The PRESIDENT, taking into account the views that had been expressed, suggested that the Council should not discuss the question until after the twentieth session of the General Assembly. In the meantime, however, and as the USSR representative had proposed, the report of the *ad hoc* Working Group established under Council resolution 875 (XXXIII) on the question of a declaration on international economic co-operation (E/3725) should be transmitted to the Trade and Development Board.

*It was so decided.*

## AGENDA ITEM 12

Consideration of the provisional agenda for the thirty-ninth session and establishment of dates for opening debate on items (E/4010, E/4012, E/L.1071)

26. The PRESIDENT asked whether any delegations had comments to make on the provisional agenda for the thirty-ninth session contained in the note by the Secretary-General (E/4010). He recalled that at the

Council's 1355th meeting the United Kingdom representative had proposed that the question of water desalination should be included as an additional item in the agenda of the thirty-ninth session.

27. Mr. ARKADYEV (Union of Soviet Socialist Republics) thought that the expression "social planning" in item 18 (b) was not sufficiently precise. He therefore proposed that it should be replaced by an expression such as "social programmes and targets", which would be more in keeping with the wording of operative paragraph 5 of General Assembly resolution 1916 (XVIII); the sub-item would then read: "Report on social programmes and targets for the second half of the Development Decade".

28. The PRESIDENT considered that amendment to be acceptable and said that in the absence of any formal objection the provisional agenda, as amended and with the addition of the question of water desalination, would be regarded as approved.

*It was so decided.*

29. The PRESIDENT drew attention to the note by the Secretary-General on the organization of the work of the thirty-ninth session (E/L.1071) and invited the Council to adopt its calendar of work now in order to enable the Secretariat to go ahead with preparations for the Council's forthcoming session at Geneva.

30. Mr. PACHACHI (Iraq) requested that item 32 entitled "Relations with the Organization of Petroleum Exporting Countries", which was scheduled for discussion in the fourth week, should be examined by the Council during the first week and, if possible, immediately after the adoption of the agenda.

31. Mr. WILLIAMS (United States of America) expressed the hope that all the necessary documents, particularly those concerning items to be dealt with in the first week, would be made available to delegations well before the start of the thirty-ninth session.

32. Mr. HIREMATH (India) inquired on what date and in which organ the question of water desalination would be first taken up.

33. Mr. VIAUD (France) asked whether item 3 entitled "World economic trends", scheduled to be examined by the Council during the second week, would not be referred, as usual, to the Economic Committee so that delegations might, if they so desired, prepare and discuss draft resolutions. Since Iraq had requested that the question of relations with the Organization of Petroleum Exporting Countries should be placed on the Council's agenda, the Council might perhaps consider next the possibility of examining the whole question of relations with inter-governmental and regional organizations. He was simply making a suggestion and not asking for the inclusion of such an item in the agenda of the thirty-ninth session. Like the United States representative, he would urge that the documents needed for the consideration of the various questions on the agenda should be made available early so that Governments might have time to study them.

34. Mr. KITTANI (Secretary of the Council), replying to the various questions raised, said firstly, that item 32 could be taken up during the first week of the session. The Secretariat would do everything possible

to make the documentation available in good time, although difficulties sometimes arose because certain documents were prepared by outside bodies. The question of water desalination would be examined first by the Economic Committee during the third week. He stated for the benefit of the French representative that any agenda item appearing in the document under consideration could, after a preliminary discussion in the Council, be referred to one of the Committees and that item 3 was no exception to that rule.

35. Mr. VIAUD (France) thanked the Secretary for his statement. However, if the note by the Secretary-General (E/L.1071) was revised, he would prefer that the fact that item 3 would be referred to the Economic Committee should be explicitly mentioned for the information of the Governments concerned.

36. Mr. ARKADYEV (Union of Soviet Socialist Republics), referring to paragraph 4 of that note, said that it would be preferable not to take a decision, at the current session, on the establishment of a committee on questions relating to the Special Fund and the Ex-

panded Programme of Technical Assistance, but to defer consideration of that matter until the thirtieth session.

37. The PRESIDENT suggested that the Council should approve the time-table contained in document E/L.1071, with the amendments and additions that had been proposed.

*It was so decided.*

#### AGENDA ITEM 10

Confirmation of members of functional commissions of the Council (E/4013 and Add.1)

38. The PRESIDENT suggested that the Council should confirm Mrs. Jeanne Rousseau, the representative of Mali, and Miss Nancy Kajumbula, the representative of Uganda, as members of the Social Commission.

*It was so decided.*

The meeting rose at 1.5 p.m.



**ECONOMIC AND SOCIAL COUNCIL**

Wednesday, 24 March 1965,  
at 3 p.m.

*Thirty-eighth Session*  
**OFFICIAL RECORDS**

**NEW YORK**

**C O N T E N T S**

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*President:* Mr. Akira MATSUI (Japan).

*Present:*

Representatives of the following States, members of the Council: Algeria, Argentina, Austria, Canada, Chile, Czechoslovakia, Ecuador, France, Gabon, Iraq, Japan, Luxembourg, Pakistan, Peru, Romania, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following States, additional members of the sessional committees: Cameroon, Denmark, Ghana, India, Iran, Madagascar, Mexico, United Arab Republic, United Republic of Tanzania.

Observers for the following Member States: Australia, Brazil, Byelorussian Soviet Socialist Republic, China, Colombia, Cuba, Ethiopia, Finland, Greece, Haiti, Ireland, Israel, Ivory Coast, Malaysia, Mali, Morocco, New Zealand, Nigeria, Philippines, Senegal, Spain, Sudan, Sweden, Trinidad and Tobago, Tunisia, Turkey, Ukrainian Soviet Socialist Republic.

Observer for the following non-member State: Switzerland.

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 Finance Corporation; International Development Association.

The representative of the International Atomic Energy Agency.

*In the absence of the President, Mr. Pachachi (Iraq), first Vice-President, took the Chair.*

**AGENDA ITEM 9**

Elections (E/4007, E/4008 and Add.1-3, E/4009 and Add.1 and 2; E/L.1069 and Add.1 and 2)

*At the invitation of the President, Mr. MacLaren (Canada), Mr. Cubillos (Chile), Mr. Muraoka (Japan) and Mr. Neagu (Romania) acted as tellers.*

**FUNCTIONAL COMMISSIONS**

*Statistical Commission*

1. The PRESIDENT invited the Council to elect six members of the Statistical Commission to serve from 1 January 1966 for a term of four years.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

Japan . . . . .	18
Union of Soviet Socialist Republics. . . . .	18
United States of America . . . . .	17
Canada . . . . .	16
Belgium . . . . .	13
Morocco . . . . .	12
China . . . . .	9
Malaysia . . . . .	3

*Having obtained the required majority, Belgium, Canada, Japan, Morocco, the Union of Soviet Socialist Republics and the United States of America were elected members of the Statistical Commission.*

2. The PRESIDENT invited the Council to elect one member of the Statistical Commission to serve for the remainder of the term of Indonesia, which would expire on 31 December 1967.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

China . . . . .	9
Malaysia . . . . .	8
Pakistan . . . . .	1

3. The PRESIDENT announced that, no State having obtained the required majority, a second vote would be taken in accordance with rule 68 of the rules of procedure of the Council.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

China . . . . .	10
Malaysia . . . . .	8

*Having obtained the required majority, China was elected a member of the Statistical Commission.*

*Population Commission*

4. The PRESIDENT invited the Council to elect six members of the Population Commission to serve from 1 January 1966 for a term of four years.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

Japan . . . . .	17
Peru . . . . .	17
Union of Soviet Socialist Republics . . . . .	17
United States of America . . . . .	17
United Kingdom of Great Britain and Northern Ireland . . . . .	15
Cameroon . . . . .	10
Syria . . . . .	10
Greece . . . . .	3

*Having obtained the required majority, Japan, Peru, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America were elected members of the Population Commission.*

5. The PRESIDENT announced that, since Cameroon and Syria had received 10 votes each, a further ballot would be held, confined to those two States.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

Cameroon . . . . .	9
Syria . . . . .	9

6. The PRESIDENT announced that, as the result of the first ballot had been a tie, a second ballot would be held in accordance with rule 68 of the rules of procedure.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

Cameroon . . . . .	9
Syria . . . . .	9

7. The PRESIDENT announced that, as the vote had again resulted in a tie, the election would be decided by lot in accordance with rule 68 of the rules of procedure.

*Having been drawn by lot, Cameroon was elected a member of the Population Commission.*

*Social Commission*

8. The PRESIDENT invited the Council to elect seven members of the Social Commission to serve from 1 January 1966 for a term of three years.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

United States of America . . . . .	18
Union of Soviet Socialist Republics . . . . .	17
Netherlands . . . . .	15
France . . . . .	14
Israel . . . . .	12
Upper Volta . . . . .	12
China . . . . .	10
Syria . . . . .	9
Congo (Brazzaville) . . . . .	6
Mauritania . . . . .	4
Spain . . . . .	3
Chile . . . . .	1
Gabon . . . . .	1
United Republic of Tanzania . . . . .	1

*Having obtained the required majority, China, France, Israel, the Netherlands, the Union of Soviet Socialist Republics, the United States of America and Upper Volta were elected members of the Social Commission.*

9. The PRESIDENT invited the Council to elect one member of the Social Commission to serve for the remainder of the term of Indonesia, which would expire on 31 December 1966.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

Mauritania . . . . .	11
Congo (Brazzaville) . . . . .	5
Syria . . . . .	5
Spain . . . . .	1

*Having obtained the required majority, Mauritania was elected a member of the Social Commission.*

*Commission on Human Rights*

10. The PRESIDENT invited the Council to elect seven members of the Commission on Human Rights to serve from 1 January 1966 for a term of three years.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

Argentina . . . . .	18
Senegal . . . . .	18
Ukrainian Soviet Socialist Republic . . . . .	18
Chile . . . . .	17
Sweden . . . . .	17
New Zealand . . . . .	16
United States of America . . . . .	16
Libya . . . . .	4
Union of Soviet Socialist Republics . . . . .	1

Having obtained the required majority, Argentina, Chile, New Zealand, Senegal, Sweden, the Ukrainian Soviet Socialist Republic and the United States of America were elected members of the Commission on Human Rights.

#### Commission on the Status of Women

11. The PRESIDENT invited the Council to elect seven members of the Commission on the Status of Women for a three-year period beginning 1 January 1966.

A vote was taken by secret ballot.

Number of ballot papers:	13
Invalid ballots:	0
Number of valid ballots:	18
Required majority:	10

#### Number of votes obtained:

Chile . . . . .	18
Mexico . . . . .	18
Poland . . . . .	18
Finland . . . . .	17
France . . . . .	17
Honduras . . . . .	14
Liberia . . . . .	13
Mauritania . . . . .	7
Upper Volta . . . . .	2
Norway . . . . .	1
United Republic of Tanzania . . . . .	1

Having obtained the required majority, Chile, Finland, France, Honduras, Liberia, Mexico and Poland were elected members of the Commission on the Status of Women.

12. The PRESIDENT invited the Council to elect one member to serve the remainder of the term of Indonesia, which would expire on 31 December 1967.

A vote was taken by secret ballot.

Number of ballot papers:	18
Invalid ballots:	0
Number of valid ballots:	18
Required majority:	10

#### Number of votes obtained:

Japan . . . . .	15
Mauritania . . . . .	3

Having obtained the required majority, Japan was elected a member of the Commission on the Status of Women.

#### Commission on Narcotic Drugs

13. The PRESIDENT invited the Council to elect seven members of the Commission on Narcotic Drugs, in accordance with Council resolution 845 II (XXXII), for a three-year term beginning 1 January 1966.

A vote was taken by secret ballot.

Number of ballot papers:	18
Invalid ballots:	0
Number of valid ballots:	18
Required majority:	10

#### Number of votes obtained:

Hungary . . . . .	17
Mexico . . . . .	17

United Arab Republic . . . . .	16
Federal Republic of Germany . . . . .	13
Iran . . . . .	13
Nigeria . . . . .	12
Republic of Korea . . . . .	12
Morocco . . . . .	9
Jamaica . . . . .	6
Libya . . . . .	3
Bolivia . . . . .	1
New Zealand . . . . .	1

Having obtained the required majority, the Federal Republic of Germany, Hungary, Iran, Mexico, Nigeria, the Republic of Korea and the United Arab Republic were elected members of the Commission on Narcotic Drugs.

#### SPECIAL COMMITTEE ON CO-ORDINATION

14. The PRESIDENT invited the Council to elect eleven members of the Special Committee on Co-ordination, in accordance with Council resolution 920 (XXXIV), for a term of office ending 31 December 1965.

Algeria, Argentina, Austria, Canada, France, Japan, Luxembourg, Romania, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States of America were elected members of the Special Committee on Co-ordination by acclamation.

#### COMMITTEE ON HOUSING, BUILDING AND PLANNING

15. The PRESIDENT invited the Council to elect seven members to serve on the Committee on Housing, Building and Planning from 1 January 1966 for a term of three years.

A vote was taken by secret ballot.

Number of ballot papers:	18
Invalid ballots:	0
Number of valid ballots:	18
Required majority:	10

#### Number of votes obtained:

Colombia . . . . .	16
Turkey . . . . .	16
United States of America . . . . .	15
Japan . . . . .	14
Czechoslovakia . . . . .	13
India . . . . .	13
Gabon . . . . .	11
Nigeria . . . . .	8
Sudan . . . . .	6
Syria . . . . .	5
Pakistan . . . . .	3
United Republic of Tanzania . . . . .	2
Cameroon . . . . .	1
Guatemala . . . . .	1
Iran . . . . .	1
Spain . . . . .	1

Having obtained the required majority, Colombia, Czechoslovakia, Gabon, India, Japan, Turkey and the United States of America were elected members of the Committee on Housing, Building and Planning.

16. The PRESIDENT invited the Council to elect one member to serve on the Committee on Housing,

Building and Planning for the remainder of the term of Indonesia, which would expire on 31 December 1966.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10
<i>Number of votes obtained:</i>	
Pakistan . . . . .	13
United Republic of Tanzania . . . . .	3
Nigeria . . . . .	1
Syria . . . . .	1

*Having obtained the required majority, Pakistan was elected a member of the Committee on Housing, Building and Planning.*

#### GOVERNING COUNCIL OF THE SPECIAL FUND

17. The PRESIDENT invited the Council to elect four members from the more developed countries to serve on the Governing Council of the Special Fund for a term of office to begin immediately and end on 31 December 1967.

*Denmark, France, the United Kingdom of Great Britain and Northern Ireland and the United States of America were elected members of the Governing Council of the Special Fund by acclamation.*

18. The PRESIDENT invited the Council to elect four members from the less developed countries to serve on the Governing Council of the Special Fund for a term of office to begin immediately and end on 31 December 1967.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10
<i>Number of votes obtained:</i>	
Brazil . . . . .	16
Venezuela . . . . .	14
India . . . . .	12
Iraq . . . . .	10
Cameroon . . . . .	9
China . . . . .	7
Tunisia . . . . .	1

*Having obtained the required majority, Brazil, India, Iraq and Venezuela were elected members of the Governing Council of the Special Fund.*

19. The PRESIDENT invited the Council to elect four members from the more developed countries to serve on the Governing Council of the Special Fund from 1 January 1966 for a term of three years.

*Canada, Japan, Sweden and the Union of Soviet Socialist Republics were elected members of the Governing Council of the Special Fund by acclamation.*

20. The PRESIDENT invited the Council to elect four members from the less developed countries to serve on the Governing Council of the Special Fund from 1 January 1966 for a term of three years.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10
<i>Number of votes obtained:</i>	
Tunisia . . . . .	18
Peru . . . . .	17
Poland . . . . .	17
Greece . . . . .	14
China . . . . .	5
Philippines . . . . .	1

*Having obtained the required majority, Greece, Peru, Poland and Tunisia were elected members of the Governing Council of the Special Fund.*

#### EXECUTIVE BOARD OF THE UNITED NATIONS CHILDREN'S FUND

21. The PRESIDENT invited the Council to elect ten members of the Executive Board of the United Nations Children's Fund to serve from 1 February 1966 for a term of three years.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10
<i>Number of votes obtained:</i>	
Australia . . . . .	16
Peru . . . . .	16
Sweden . . . . .	16
Switzerland . . . . .	16
Turkey . . . . .	16
United Kingdom of Great Britain and Northern Ireland . . . . .	15
Ethiopia . . . . .	14
Bulgaria . . . . .	13
Philippines . . . . .	12
Senegal . . . . .	12
Haiti . . . . .	11
Nigeria . . . . .	9
Iraq . . . . .	8

*Having obtained the required majority, Australia, Bulgaria, Ethiopia, Peru, the Philippines, Senegal, Sweden, Switzerland, Turkey and the United Kingdom of Great Britain and Northern Ireland were elected members of the Executive Board of the United Nations Children's Fund.*

#### AD HOC WORKING GROUP ON SOCIAL WELFARE

22. The PRESIDENT invited the Council to elect one member of the ad hoc Working Group on Social Welfare to replace Indonesia.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

Iraq . . . . .	6
Malaysia . . . . .	4
Mauritania . . . . .	4
Uruguay . . . . .	3
Honduras . . . . .	1

23. The PRESIDENT said that, as no country had obtained the required majority, a special ballot would be held, confined to Malaysia and Mauritania, for the purpose of reducing the number of candidates to two, in accordance with rule 68 of the rules of procedure.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10
<i>Number of votes obtained:</i>	
Malaysia . . . . .	10
Mauritania . . . . .	8

24. The PRESIDENT announced that a further ballot, confined to Iraq and Malaysia, would now be held, in accordance with rule 68 of the rules of procedure.

*A vote was taken by secret ballot.*

<i>Number of ballot papers:</i>	18
<i>Invalid ballots:</i>	0
<i>Number of valid ballots:</i>	18
<i>Required majority:</i>	10

*Number of votes obtained:*

Iraq . . . . .	9
Malaysia . . . . .	9

25. The PRESIDENT said that he had been informed that Iraq would withdraw its candidature. As only one candidate therefore remained, he suggested that the Council should elect that candidate by acclamation.

*Malaysia was elected a member of the ad hoc Working Group on Social Welfare by acclamation.*

The meeting rose at 6.15 p.m.



## ECONOMIC AND SOCIAL COUNCIL

Thirty-eighth Session

OFFICIAL RECORDS

Tuesday, 25 March 1965,  
at 10.55 a.m.

NEW YORK

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*President: Mr. Akira MATSUI (Japan).*

**Present:**

Representatives of the following States, members of the Council: Algeria, Argentina, Austria, Canada, Chile, Czechoslovakia, Ecuador, France, Gabon, Iraq, Japan, Luxembourg, Pakistan, Peru, Romania, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following States, additional members of the sessional committees: Cameroon, Denmark, Ghana, India, Iran, Madagascar, Mexico, United Arab Republic, United Republic of Tanzania.

Observers for the following Member States: Australia, Byelorussian Soviet Socialist Republic, China, Colombia, Cuba, Greece, Hungary, Ireland, Israel, Italy, Nepal, New Zealand, Sweden, Trinidad and Tobago, Tunisia, Turkey.

Observer for the following non-member State: Switzerland.

Representatives of the following specialized agencies: International Labour Organisation; Food and Agriculture Organisation 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.

## AGENDA ITEM 3

Report of the International Monetary Fund (E/4003 and Add.1)

1. The PRESIDENT welcomed the Managing Director of the International Monetary Fund (IMF) and invited him to take a seat at the Council table.
2. Mr. SCHWEITZER (Managing Director of the International Monetary Fund), presenting the annual report of the Fund,<sup>1/</sup> said that, convinced as he was of the importance of maintaining and strengthening international co-operation in the economic and social field, he welcomed the establishment of the United Nations

<sup>1/</sup> International Monetary Fund, Annual Report of the Executive Directors for the Fiscal Year ended April 30, 1964 (Washington, D.C.), and supplementary information for the period from 1 May 1964 to 31 January 1965. Transmitted to the Economic and Social Council by notes of the Secretary-General (E/4003 and Add.1).

Conference on Trade and Development (UNCTAD) as an organ of the General Assembly. He was confident that there would be close collaboration between the Fund and the Trade and Development Board.

3. In December 1963 he had told the Council (1311th meeting) about favourable developments in the world payments situation. First, the United States had been meeting with encouraging success in its efforts to narrow the deficit in its balance of payments; secondly, for the first time for several years there had been a strong and general rise in the prices of primary commodities. The world as a whole had been experiencing an unusually high rate of growth in output and trade. Since that time, progress had continued but had not been uniformly satisfactory. A number of industrial countries had found that their high rate of economic expansion was threatening internal financial stability and in some cases their balance of payments as well. In the course of 1964 almost all the principal countries of Europe, as also Japan, had introduced measures to curb inflation. Thus, although a climate of prosperity, accompanied by generally good markets for primary products, had on the whole been maintained throughout 1964, the expansionary forces had lost some of their momentum by the end of the year.

4. Several industrial countries had indeed encountered difficulties with their balance of payments, particularly Italy and the United Kingdom. At the same time, although the United States had achieved notable improvements in certain elements of its international payments situation in 1964, its over-all deficit for the year had not been markedly lower than that recorded in 1963. The current account surplus had grown considerably, but had been largely offset by a sharp increase in the outflow of private United States capital, chiefly in the form of bank loans and short-term commercial credits. That outflow had been influenced by a number of factors, among them the continued attractiveness of investment opportunities in Europe and Japan and the differing credit and interest rate policies pursued in Europe and North America. In Europe, both short-term and long-term interest rates had risen strongly during the year and there had been a general tightening of credit policies. In the United States, on the other hand, long-term interest rates had remained virtually stable in 1964, while short-term rates had risen only moderately towards the end of the year. As a result of the new financial measures recently announced by the United States, there was a prospect that its over-all deficit might in the near future be substantially reduced. In 1964 most countries of the European Common Market area had applied policies designed to curtail excessive pressure of demand; as a result there had been a slow-down in the rate of growth for the area as a whole and some strengthening of the area's balance of payments position on current as well as on capital



account. The remarkable turn-about within a few months in Italy, from a severe exchange crisis to a substantial over-all surplus in its payments, was worthy of mention. The growth of the Italian economy had, however, been severely checked and the authorities were now engaged in its reactivation. There were also signs of relaxation of restraint in Japan, where an impressive increase in exports had brought the current balance of payments nearer to equilibrium.

5. The continued expansion of economic activity in the industrial nations had again led to a considerable increase in both the volume and the value of world trade. During the period from September 1963 to September 1964, the value of trade had risen by about 13 per cent over the level of the previous twelve-month period. The demand for most primary products had remained strong throughout 1964 and their prices had been, on average, about 5 per cent higher than in 1963. As a result, the rise in the value of exports of primary products had kept pace with the expansion of world trade.

6. That was why the developing countries as a whole had been able to add to their exchange reserves throughout 1963 and well in 1964, although towards the end of 1964 those reserves had ceased to grow and in many countries had begun to decline.

7. At the beginning of 1965 the situation had become more difficult. Developments would depend in large part on whether the efforts of some major industrial countries to stabilize costs and prices could be offset by the expansionary influence expected in others, chiefly Italy, Japan, Canada and the United States. It was to be welcomed that the steps taken by the United States to improve its own balance of payments and reduce the outflow of capital had been designed to have no adverse effect on the world economy as a whole. The balance of payments of the primary-producing countries might be less favourable in 1965 than in 1964 because of the decline in the demand for primary commodities and the rise in imports of those countries.

8. The difficult payments position of the United Kingdom and the continued deficit in the United States had evidently, early in 1965, been increasing the strains in the international monetary system. It was important that surplus countries should follow policies that would permit the expansion of the world economy to continue.

9. Turning to the Fund's operations, he said that the main feature in 1964 had been the large financial assistance that the Fund had given to industrial nations. Total drawings from the Fund during the year had risen to nearly \$1,950 million—more than double the amount provided by the Fund in 1962 and 1963 together. That figure had been principally accounted for by drawings made by three industrial members—Italy, the United Kingdom and the United States—totalling \$1,750 million. By contrast, repayments made to the Fund in 1964 by the developing countries had exceeded their new drawings, which had been the smallest for five years. In the early months of 1965, however, their drawings had risen substantially and several new stand-by arrangements had been made. Indeed, since 1 January the Fund had entered into stand-by arrangements with nine non-industrial countries for a total of almost \$450 million, including one of \$200 million for India.

10. The drawings made by Italy and the United States had not extended beyond the gold tranche and had been the first use those countries had made of the Fund's resources. The Italian drawing, made in March 1964 for an amount equivalent to \$225 million, had been supplemented by \$1,000 million in credit facilities negotiated abroad by the Italian authorities. The dramatic recovery in Italy's reserves had permitted the repayment of its outstanding drawings from the Fund in September. During the year, the United States had made drawings to a total of \$600 million under stand-by arrangements. Those drawings had marked the end of a long period, extending over most of the post-war years, in which the United States had been the main provider of financial assistance to other members through the Fund. Up to the beginning of 1964, more than \$4,300 million had been drawn from the Fund in dollars, but in recent years European currencies had progressively replaced the dollar in Fund drawings. Even so, United States dollars continued to be drawn from the Fund, and during the period in which the United States had drawn other currencies to the value of \$600 million, 300 million United States dollars had been drawn by other countries. The outstanding drawings by the United States therefore amounted to \$300 million only.

11. The largest single transaction in 1964 had been a drawing of \$1,000 million made by the United Kingdom under a stand-by arrangement approved by the Fund in August 1964. The United Kingdom payments position had deteriorated during the summer, so that full use of the drawings available under the stand-by arrangement had become necessary by November. By then, short-term capital movements had created a need for the support of special short-term credit facilities, provided to the extent of \$3,000 million by eleven industrial nations and the Bank for International Settlements.

12. To meet the United Kingdom request for a drawing, the Fund had sold \$250 million of its gold holdings, borrowed \$405 million in currencies from eight participants in the General Arrangements to Borrow, and provided the remaining \$345 million from its currency holdings. In all, the United Kingdom drawing had been made up of eleven currencies, a fact that was in itself an example of co-operation among Fund members. That was the first occasion on which the Fund had used the resources available to it under the General Arrangements to Borrow agreed to in 1962. The transaction had demonstrated the practical value of the Arrangements and had shown that the Fund's members were determined to defend the stability of the international monetary system.

13. In March 1964 the Fund had set up a stand-by arrangement for Japan. No drawings had been made under the stand-by and it had not been renewed. He noted with pleasure the vitality of the Japanese economy and he paid a tribute to the efficient and courteous manner in which the Japanese Government had acted as host to the Fund's annual meeting held in Tokyo in September 1964.

14. He had dwelt at some length on the position of the Fund's industrial members because they accounted for more than 70 per cent of the world's imports and were, of course, the chief markets for the goods sold

by the developing countries. The best service that the developed countries could render to the developing countries was to assure them of access to growing markets. The economic growth of the developing countries was in itself a cardinal feature of a healthy world economy. It was that concept of world economic interdependence that formed the philosophical basis of UNCTAD.

15. As in previous years, a large part of the Fund's work in 1964 had been concerned with the developing countries, which far outnumbered the industrial members of the Fund and which made the greatest use of its consultative and technical services. In the past ten years, outstanding drawings of the developing countries had steadily risen; at the end of 1964 they had been nearly \$1,300 million, about seven times greater than in 1955. In 1964, nineteen developing countries had used the Fund's financial resources, and sixteen of the nineteen stand-by arrangements that the Fund had been maintaining for members at the end of the year had been for developing countries. The newest area of expansion of the Fund's activities in recent years had been Africa.

16. There were two questions of special concern in connexion with the developing countries. First, several of them had difficulties in meeting heavy repayments and servicing foreign debts. Those debts reflected in large part short-term credits made available by the industrial nations. Several developing countries which had placed undue reliance on short and medium-term external credit had reached a position where the incidence of repayments and interest payments would soon place a disproportionate burden on their foreign earnings. That discouraged foreign investment and jeopardized their economic growth. Suppliers' credits had an appropriate place, but they should not be used indiscriminately to finance longer-term development projects. The Fund had participated in several inter-governmental conferences called to arrange the re-financing of such debts. The real need, however, was for both debtor and creditor countries to exercise proper restraint to prevent the build-up of excessive indebtedness.

17. The second problem was inflation; it was now generally accepted that inflation could bring no lasting benefit to the cause of economic development. Nevertheless, measures to preserve stability, or to eradicate existing inflation, demanded of Governments considerable determination to withstand strong political, social and economic pressures. Those pressures had been accentuated by the very progress already achieved, which had made the peoples more impatient to raise their level of living. Commendable as that progress was, there must be effective resistance to inflationary pressures, or financial imbalance would become progressively worse.

18. The emergence of many newly independent countries had increased the need for technical assistance in the fields of central banking and monetary control. The new Central Banking Service, established by the Fund in 1964, was actively engaged in advising on several central bank proposals and in the administration of a number of institutions, for which it was also providing executive staff. The Fiscal Affairs Department was already functioning and provided

assistance on all aspects of taxation, tax policy and budgetary control. The Fund also proposed to establish a panel of fiscal experts on whom it could draw for periods such as a year, at the request of member countries. The Fund had been fortunate in having the benefit of helpful working relations between the Fiscal Affairs Department and the United Nations and provided technical assistance to the Democratic Republic of the Congo in collaboration with the United Nations.

19. In addition, the Fund had established the IMF Institute in May to be responsible for all of its training activities. In 1964, the Institute had organized two special courses, conducted in French, for high officials from seventeen French-speaking countries in Africa and South-East Asia. The Institute had recently begun its first regular four-and-a-half months' course. Courses in French and English would be a regular feature of the training programme, which would cover financial analysis and national and international monetary and financial policy.

20. The Fund had also expanded its publications, notably by the introduction of a quarterly, The Fund and Bank Review: Finance and Development, which was available in English, French and Spanish. In addition, at the request of the United Nations, the Fund and the International Bank for Reconstruction and Development (IBRD) had assumed full responsibility for the publication entitled Direction of Trade.

21. Since 1947, fifty-six countries had used the Fund's financial resources, and total drawings amounted to over \$9,000 million. About 60 per cent of that total had been drawn by industrial countries and the balance by nearly forty developing countries in all parts of the world. The Governors of the Fund were considering the proposals submitted to them by the Executive Directors for a general increase of 25 per cent in members' quotas, together with larger increases for sixteen countries whose quotas were considered to be out of line as a result of their recent economic development. If all proposed increases became effective, total quotas would rise from the current level of about \$16,000 million to about \$21,000 million. That would be a substantial strengthening of the Fund's resources and would increase its ability to meet requests from its members. Quota increases were normally payable 25 per cent in gold and the balance in the national currencies of the members concerned. That principle had been upheld, but the Executive Directors had decided on the adoption of procedures to mitigate the impact which the additional gold payments might have on the reserve positions of individual members. He hoped that members with not less than two-thirds of total quotas in the Fund would be able to complete the necessary legislative procedures in time to permit the quota increases to become effective later in 1965.

22. The increase in quotas was only one step in the continuous evolution of the international monetary system. The additional resources thus available to the Fund could help members in their efforts to correct temporary balance-of-payments disequilibria without resort to measures destructive of national or international prosperity. In addition to conditional liquidity, there was another important type of liquidity, namely, reserves which countries had at their dis-

posal. Would they be adequate in the future? The balance-of-payments deficits of the United States and, to a lesser extent, the United Kingdom had been the source of large additions to the monetary reserves of other countries. If those deficits were to be substantially reduced, the provision of other types of reserves, though still a long-term need, would become more pressing. The study of international liquidity had been in progress in the Fund and elsewhere, but there was a considerable diversity of views on the subject and simple or early answers were not to be expected. No satisfactory outcome was possible which did not recognize that the supply of reserves must be a matter of conscious international decision, and that the procedures through which the growth of world reserves was controlled and influenced must take into account the interests of countries at all stages of economic development. The recent practical examples of international financial co-operation were gratifying indications that the present international monetary system was capable of orderly evolution.

23. Mr. VIAUD (France) congratulated the Managing Director on his efforts to expand and diversify the activities of the International Monetary Fund. During the past financial year, the Fund had increased its financial assistance to member States experiencing balance-of-payments difficulties and its technical assistance, especially to the developing countries, and it had collaborated in studies on the operation of the international monetary system.

24. Financial assistance had been of particular benefit to the developing countries in enabling them to deal with the vicissitudes of their balance of payments, but it was interesting to note that those countries' repayments in 1964 had exceeded their drawings. The reason for that situation was probably the rise in world prices of raw materials, which had also made it possible to limit the extent to which countries resorted to compensatory financing. Such financing was nevertheless extremely useful, because the rise was not irreversible. Actually the problem of markets for the developing countries could be solved only by an international regulation of trade which would guarantee those countries stable and remunerative prices for their raw materials and preferences for their manufactures.

25. He stressed the role of France and the European Economic Community in enabling the Fund to meet the requests for drawings submitted to it. Since 1959, the Fund had used francs in an amount roughly equivalent to \$850 million. The net amount of drawings made by third countries in Common Market currencies had exceeded \$2,000 million. The Fund had thought it advisable to reconstitute its assets in those countries' currencies, of which its holdings at the end of 1964 had amounted to over \$1,000 million. Those figures showed that the Community had become the main source on which the Fund could henceforth draw to meet members' needs.

26. As regards technical assistance, he drew attention to the enlightened opinions and useful recommendations of the Fund and to the very real services rendered by the expert missions and the IMF Institute. He welcomed the establishment of the twentieth executive director post, which enlarged the participation of

the African States in the Executive Board and gave it a more balanced geographical representation.

27. Although the French Government had accepted the principle of increased quotas at the annual meeting held in Tokyo in September 1964, it had not approved the procedures. The special measures subsequently contemplated to mitigate the impact on the reserve currency countries of the payment in gold of one quarter of the quota increases had not in its opinion been justified, given the practice so far followed by the Fund with regard to the rules governing the way in which quotas must be paid.

28. The improvement of the world monetary system was a difficult problem which necessarily gave rise to divergent opinions, even though the ultimate objective was shared by all. France, for its part, had advocated more strict observance of the law as regards the way in which the main industrial countries settled their reciprocal deficits and balance-of-payments surpluses; it was still convinced that far-reaching reforms of the world monetary machinery would serve the interests of the industrial and the developing countries alike. If the existing defects were to lead to a major economic disorder, the latter, whose economies were still fragile, would, in all likelihood, suffer more.

29. Mr. HIREMATH (India) thought that the recommendation on quotas was timely and demonstrated the unanimity of views on the need to increase international liquidity and, for that purpose, the resources of the International Monetary Fund. Would those resources suffice to meet legitimate requests? No definite answer could be given, but the developing countries could hardly do otherwise than ask the Fund to help them to solve their unforeseen difficulties, and the strengthening of the Fund was therefore highly important for them. He welcomed the adoption of procedures for mitigating the impact of gold payments; the possibility of making special drawings whereby those payments could be spread over five years would be much appreciated by the developing countries. The procedure for mitigating the secondary effects of gold payments on the reserve currency countries seemed to be a wise compromise.

30. The increase in quotas was, however, only one step towards the establishment of an orderly international monetary system. The fact that the drawings of three industrial countries had exceeded twice the total drawings of all countries during the previous two years—to which the stand-by assistance given to the United Kingdom by some central banks and certain countries should be added—showed how essential was greater international co-operation and how justified were continuing studies in that field.

31. Two trends emerged from the probable development of world trade and international payments. On the one hand, in view of the gradual reduction in the United States balance-of-payments deficit, other means of increasing international liquidity would have to be found; previously the dollars held in reserve by many countries had been available. Consultations would have to be held for that purpose. On the other hand,

recent trade and payments experience emphasized the need to ensure that in order to solve their balance-of-payments difficulties the developed countries did not impose recession conditions on the developing countries.

32. Mr. Schweitzer had been pessimistic about the world demand for products from the developing countries in 1965. Half-way through the United Nations Development Decade, the annual rate of economic growth had reached only half the expected figure. A further decline in world demand would further hamper the efforts of the developing countries to accelerate their development. It would be unfortunate if in the attempt to solve their own difficulties the developed countries were to adopt policies which would bring about a sharp drop in demand for products from the developing countries. The structural changes which the latter were carrying out required large imports of capital; that was a sufficiently distressing problem of itself and there was no need to add to it the risk of cyclical changes in the world demand for primary commodities and the drop in expected export earnings which they would cause. The compensatory financing arrangements which had made it possible to liberalize drawing conditions for the primary exporting countries whose earnings had suddenly declined were unquestionably valuable but they could only be regarded as a palliative. The real solution lay in preventing the problem from arising and that depended essentially on the developed countries.

33. He commended the Fund for its efforts, which had enabled the developing countries to be given assistance in various new forms that were prized as highly as direct financial aid. He hoped that all members would give the Fund their full support.

34. Sir Keith UNWIN (United Kingdom) congratulated Mr. Schweitzer on his penetrating survey which brought out clearly how widespread was discussion in the world about improving the international monetary system and increasing the supply of liquidity. The International Monetary Fund had and should continue to have an important role in the handling of those problems. Its clearly defined functions—which some considered too limited—had made its great success possible; he referred in that connexion to the transactions of which his own country had been the beneficiary and emphasized that they had all been short-term operations, not long-term assistance. He emphasized also the importance of the periodic missions of experts which provided valuable information both for the Fund and for the countries concerned. The Fund had shown flexibility in adapting its policies to meet the changing needs of the world by providing the stand-by facility. It was right that members should not be able to use their drawing rights unconditionally: the Fund must impose conditions when its funds were limited—but the stand-by made it possible to draw substantial sums at very short notice. There was also the decision governing the selection of currencies for use in Fund transactions: in addition to dollars, a large number of convertible currencies had been used when they were in a strong position internationally, and by that means the Fund had contributed to international monetary stability.

35. Third, there was the decision taken early in 1963<sup>2/</sup> on the compensatory financing of export fluctuations affecting countries with small resources or no reserves. A considerable number of countries had taken advantage of the provision to apply for increases in their quotas over the past two years, but only two countries had applied for drawings in the special so-called "compensatory finance 'tranche'". That perhaps meant that the type of export shortfall envisaged had happily not been widespread in the past two years.

36. There was every indication that the Fund planned to continue its programme of adapting itself to changing needs. The Executive Board, for instance, had recommended increases in quotas to the Governors. It was essential that the Fund should ensure its own liquidity and see that its members' drawing rights moved in step with their growing requirements. It was therefore important that countries which were at any given time in surplus should move in step with those in deficit. He hoped that all members of the Fund, particularly those with strong currencies, would feel able to take up the increases which the Executive Board had allotted to them.

37. There were those who thought that there was too much international liquidity. However, increasing Fund quotas was one way of increasing liquidity which offered strong safeguards against the risk they feared since, apart from the gold "tranche", drawing rights in the Fund were conditional and the Fund was able to set its own conditions. While the quota increase should ensure a reinforcement for the time being in the supply of conditional liquidity in the world, the debate continued whether some means should be devised of increasing the supply of owned reserves. It must be emphasized that a claim on the Fund was a good asset in itself; it could arise from making currency available to the Fund. The United Kingdom hoped that the solution to the liquidity problem would be found within the framework of the Fund's activities.

38. There had been considerable discussion in the past two months of a possible return to gold. If that suggestion meant a return to something like the pre-1931 standard, it was difficult to escape the view that it would lead in the wrong direction. The search for a solution must be pursued with all goodwill and co-operation. The President of the French Republic had recently recognized that the Fund was the appropriate forum for such discussions.

39. An argument not infrequently heard in United Nations circles was that international discussions of the liquidity problem were oriented too heavily towards the needs of the developed countries, at the expense of the developing countries. There was also a tendency to confuse liquidity and long-term assistance for development. Liquidity was mainly a problem of the developed countries, but it was in the interests of the developing countries as much as any others that the problem should be successfully tackled. The supply of liquidity should be adequate to permit the expansion of international trade, which was one main condition for the development of developing countries.

<sup>2/</sup> International Monetary Fund, *Annual Report of the Executive Directors for the Fiscal Year ended April 30, 1963* (Washington, D.C.), pp. 196-199.

The balance-of-payments difficulties of some of the major capital-exporting countries could not fail to slow down that expansion. However, that interrelationship between trade and development on the one hand and international liquidity on the other must not have the effect of gradually turning the Fund into another institution for giving aid. The Fund had a well-defined function to perform and care must be taken not to diminish its effectiveness by entrusting to it tasks more effectively performed by others.

40. In conclusion, the Fund had a special contribution to make, directly as well as indirectly, to the problems of the developing countries. Those countries were having their quotas increased and were also being given the facility of the compensatory finance "tranche". The Fund's annual report, which was before the Council, referred to the problem of international indebtedness of which Mr. Schweitzer had also spoken. The United Kingdom Government hoped that the Fund would be able to give more attention to that problem, in consultation with the IBRD, other international organizations concerned and creditor and debtor countries alike. He wished to commend the Fund for the technical assistance it had given in the fields of central banking and monetary control, its training facilities and especially the IMF Institute. He assured Mr. Schweitzer that he could count on the full co-operation of the United Kingdom in the future.

41. Mr. PEREZ LOPEZ (Mexico) noted that in 1964 international economic activity had continued to expand, despite weaknesses in certain areas. The continued prosperity of the industrial countries had helped to increase the volume of imports from developing countries and to improve the prices of primary commodities. In 1964, too, the increase in international co-operation at the monetary level had helped to correct external disequilibrium and to stabilize foreign exchange markets. The problem of the resources which should be available to the monetary authorities of the different countries to make up the deficits in their balance-of-payments was still being studied closely. In that regard, the conclusion had been reached that the present international monetary system was well suited to meet the needs of a steady growth in world trade and international finance, but that it would nevertheless be advisable to increase international liquidity to keep pace with the development of world trade and the increased flow of capital following the return to currency convertibility. That did not mean that it was necessary to make any immediate radical changes in the institutions and machinery of the present international monetary system, since the level of international liquidity appeared to be adequate for all foreseeable needs.

42. Adequate international liquidity was an important condition for the development of economic activity and world trade, on which depended the increase in exports of the developing countries which was an essential feature of their economic and social progress. That development was a long-term problem. It was the responsibility of the International Monetary Fund to help the developing countries to cover the provisional deficit in their balance of payments by granting them credits to supplement their own resources and to prevent their adopting hasty measures which might

harm their economy. Since its establishment, the Fund had been an important source of aid for those countries, their drawings having amounted to 37 per cent of the total drawings. Over and above the normal drawing entitlement, the Fund had provided for the possibility of compensatory financing to cover short-term fluctuations in the export earnings of the developing countries. Moreover, in the opinion of his delegation, the Fund had made an important contribution to the steady progress of the developing countries by granting such aid only on condition that those countries adopted certain measures which would help to ensure monetary stability.

43. His delegation considered that monetary stability was an indispensable condition for the sustained development of a country's production of goods and services. It was difficult to achieve, particularly in the developing countries, where the desire to raise the level of living of low-income groups rapidly had led the authorities to adopt inflationary measures in an attempt to force the rate of growth of the available resources. The experience acquired during the twenty post-war years, however, showed that the countries which had systematically adopted inflationary policies had quickly discovered that such policies really delayed development, discouraged voluntary effort, imposed hardships on the social classes dependent upon fixed incomes and placed severe pressure on the balance-of-payments. It was true that the maintenance of the value of the currency and the existence of realistic exchange rates could not in themselves lead to economic development but did constitute two essential factors without which the best conceived long-term policies would be in vain.

44. The Fund, by spreading such ideas, had made a definite contribution to the balanced growth of the developing countries.

45. Mr. TAKIGAWA (Japan) recalled that at the nineteenth annual meeting of the IMF and the IBRD and its affiliates, held at Tokyo, the participants had recognized the need for strengthening international liquidity and for promoting economic progress in the developing countries. With regard to the first point, his delegation noted that international liquidity would be strengthened through the increase of the contributions of member States. It was desirable that the resources of the Fund should continue to grow in the future, and in that connexion his delegation hoped that factors such as the rate of economic growth and the pace of trade expansion of member States would be taken into account in determining the amount by which their contributions should be increased. The problem of the long-term strengthening of international liquidity was at present being studied by the Fund and other bodies. His delegation looked forward to hearing the results of those studies. It was convinced that the foundation of the international monetary system was the confidence which the countries of the world placed in it. That confidence had been fittingly demonstrated in the gesture of international solidarity on the occasion of the "sterling crisis".

46. The second problem discussed at the nineteenth annual meeting of the IMF had been the question of economic development in the developing countries. A great deal of work had already been done in that area.

For example, an important decision had been taken in February 1963 regarding compensatory financing in the event of short-term fluctuations in export receipts. In that area, as in others, the role played by the Fund in promoting the development of those countries had gradually been expanded. Since 1964 the Fund had provided technical services for the establishment and management of new central banks in developing countries. It also gave those countries assistance in the fiscal field and advice on economic questions. Those activities of the Fund helped countries to frame sound fiscal and monetary policies.

47. With regard to the United Nations Conference on Trade and Development, it should be noted that certain recommendations which had been adopted implied an intensification of the activities of the IMF, the IBRD and its affiliates.

48. Turning to the economic situation of Japan itself, he said that at the end of 1963 the Japanese Government had adopted a tight money policy with a view to improving the nation's balance-of-payments position and stabilizing the commodity price trend. The steady increase in governmental and personal consumption expenditures would probably maintain demand at its present level, but investments during the fiscal year ending 31 March 1964 would probably fall short of

those of the previous fiscal year; some signs of slackening were noticed also in equipment investments, which had been rising steadily since 1963. With regard to the balance-of-payments in the fiscal year 1964, imports had remained steady, while exports had increased at a more rapid pace than had been expected. That trend was due to such factors and favourable conditions on the international market and the increasingly competitive position of Japanese industries on that market. The trade-account balance for the fiscal year 1964 was expected to show a credit of some \$150 million. Deficits in the invisible trade account were likely to increase but with a favourable balance anticipated in capital transactions, the nation's over-all international account for the fiscal year 1964 would almost attain a balance.

49. In April 1964 his country had become a member of the Fund and of the Organisation for Economic Co-operation and Development. Thus the convertibility of the national currency had been restored and the Japanese economy had been integrated into the international economy. As a member of the international economic society, Japan intended to co-operate as much as possible with international institutions such as the Fund and thus contribute to the peace and welfare of the whole world.

The meeting rose at 1.5 p.m.



**ECONOMIC AND SOCIAL COUNCIL**

Thursday, 25 March 1965,  
at 3 p.m.

Thirty-eighth Session

OFFICIAL RECORDS

NEW YORK

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*President:* Mr. Akira MATSUI (Japan).

*Present:*

Representatives of the following States, members of the Council: Algeria, Argentina, Austria, Canada, Chile, Czechoslovakia, Ecuador, France, Gabon, Iraq, Japan, Luxembourg, Pakistan, Peru, Romania, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following States, additional members of the sessional committees: Cameroon, Denmark, Ghana, India, Iran, Madagascar, Mexico, United Arab Republic, United Republic of Tanzania.

Observers for the following Member States: Australia, Bulgaria, Byelorussian Soviet Socialist Republic, China, Colombia, Cuba, Finland, Greece, Hungary, Ireland, Italy, New Zealand, Philippines, Spain, Sweden, Thailand, Trinidad and Tobago, Tunisia, Turkey.

Observer for the following non-member State: Switzerland.

Representatives of the following specialized agencies: 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; International Finance Corporation; International Development Association.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 3

Report of the International Monetary Fund (E/4003 and Add.1) *(concluded)*

1. Mr. GELBER (Canada) congratulated the Managing Director of the International Monetary Fund (IMF) on his annual report<sup>1/</sup> and on the illuminating statement he had made at the previous meeting. The Canadian delegation warmly welcomed the measures taken during the year to expand the services provided by the

<sup>1/</sup> International Monetary Fund, *Annual Report of the Executive Directors for the Fiscal Year ended April 30, 1964* (Washington, D.C.), and supplementary information for the period from 1 May 1964 to 31 January 1965. Transmitted to the Economic and Social Council by notes of the Secretary-General (E/4003 and Add.1).

Fund. In particular it strongly supported the establishment of the IMF Institute, the Central Banking Service and the Fiscal Affairs Department. The training programme to be offered by the Institute was adapted to meet the varying needs of member States and the interests of as large a number of candidates as possible. One innovation which was especially satisfying to his delegation was the decision to provide instruction in two languages. The technical assistance to be provided through the Fiscal Affairs Department and the Central Banking Service would enable the Fund to respond to the special circumstances of individual members requesting advice on tax and budgetary matters and on the establishment of a Central Bank.

2. During the past year, the Fund had met the needs of members making drawings, even though total drawings outstanding had risen by nearly \$1,000 million. Its ability to provide the various currencies required was due in part to new policies and techniques. Perhaps the single most important new development during the year had been the activation of the General Arrangements to Borrow in connexion with the drawing in December 1964 by the United Kingdom. The association of Switzerland with those Arrangements was to be welcomed. The sale of gold by the Fund and additions to the number of currencies which could be drawn were further evidence of the varied resources at its disposal. Another important development had been the use of the technique whereby countries were in effect enabled to make repurchases in United States dollars even though the Fund's holdings of that currency exceeded 75 per cent of the United States quota. That technique had at the same time provided support for the United States balance of payments. Mention should also be made of the quota adjustments under the terms of the Decision on Compensatory Financing of Export Fluctuations,<sup>2/</sup> which increased present drawing rights. Finally, his Government strongly supported the recommendation by the Board of Executive Directors to the Board of Governors for a general increase in quotas of 25 per cent. Such an increase would help satisfy the growing demand for international liquidity, but would not in itself provide a complete solution. His delegation therefore welcomed the Fund's decision to continue its study of the international payments system in conjunction with other bodies.

3. Mr. RAMOS (Argentina) expressed his delegation's appreciation of the report. In addition to its strictly financial functions, the Fund had undertaken activities relating to general economic development. It had thus been able to make an analysis of economic trends during the past year and a half which was, in the

<sup>2/</sup> *Ibid.*, *Annual Report of the Executive Directors for the Fiscal Year ended April 30, 1963* (Washington, D.C.), pp. 196-199.

main, encouraging. The period had been marked by economic progress shared more evenly than for a long time among the different parts of the world. A particularly encouraging aspect was that the primary producing countries had enjoyed an unusually large rise in their export earnings. As a result of that rise, and of a certain increase in international financial aid, the balance of payments of the developing countries as a group had improved by \$1,500 million. That clearly showed that efforts to achieve financial equilibrium, and thus economic and social progress, for the developing countries by improving their terms of trade were not misguided. The report also stated that, if those trends were more than temporary, there would be more encouragement for the inflow of foreign capital to those countries, thus making it possible to achieve development objectives which the developing countries could not finance solely from foreign earnings. Whether or not those trends were to become permanent depended on the industrial rather than the developing countries. His delegation therefore shared the Fund's view that the industrial countries should consider doing anything in their power, by fiscal or other means, to stimulate capital exports to the less developed countries, and welcomed its efforts to gain greater access for the products of the latter to the markets of the former. The improvement in the developing countries' balance of payments was of general benefit, as the Fund indicated when it attributed the increase in international liquidity during the period under review largely to that improvement.

4. His Government considered it a very good sign that nineteen new members had joined the Fund, with quotas totalling some \$320 million. It particularly welcomed the increases in the quotas of other members, including some of the most needy. It likewise welcomed the authorizations for changes in par values and establishment of initial par values by the Fund in order to help stabilize the exchange rates of the developing countries' currencies.

5. In the strictly financial field, the Fund had continued its highly constructive activities. If it had not expanded more, that was mainly due to the relative lack of resources. Its constant consultations and exchanges of information with the Governments of member States were of great importance, enabling it to base its assistance on a knowledge of their real needs. Its contacts with other international agencies operating in related fields had been close, which could only be beneficial. The technical assistance it gave to the newer countries in such matters as banking legislation, statistics and monetary stabilization undoubtedly helped them to make good the lack of trained and experienced national staff and to start their financial careers on a good basis. His delegation also approved of the training programmes for officials from member States conducted by the Fund, which were to be centralized in the IMF Institute. Those programmes, which mainly benefited the new countries of Africa, showed how interested the developing countries were in the Fund's activities.

6. Bearing in mind the problems of the developing countries, the Fund might establish more flexible conditions for drawings and repurchases. International liquidity, despite the recent increase, was still a sub-

ject of great importance and should be given thorough study by the Fund with the participation of the developing countries. In view of the importance the Fund attached to the system of compensatory financing of fluctuations in export earnings, it should immediately increase the present percentages and thus make the system more automatic and flexible. It should study the possibility of helping to solve regional payments problems and, to that end, should participate more actively in Latin American countries' efforts towards economic integration. International monetary co-operation was one of the basic aims of the Fund, and since it was also an aim of economic integration, action by the Fund in that field would be fully justified. The technical assistance available in such fields as banking, taxation and budgetary affairs should be widely publicized so that as many countries as possible could benefit from it. Finally, the Fund and other specialized agencies should undertake the studies recommended by the United Nations Conference on Trade and Development (UNCTAD) as soon as possible, particularly with regard to compensatory financing to offset the deterioration in the terms of trade and the burden of excessive foreign debt servicing on developing countries.

7. Mr. WILLIAMS (United States of America) expressed appreciation of the report of the Fund, particularly parts II and III, and the Managing Director's statement. During the period under review, his Government had made its first drawing under its stand-by agreement and had sold the currencies which it had thus acquired to members of the Fund which had drawings outstanding and kept their reserves mainly in United States dollars. Such drawings by the United States and other countries had again proved the value of the Fund to all member Governments. The Fund's value to developing countries had been demonstrated in a variety of ways during the period covered by the report. Twenty-three of the twenty-seven countries making purchase transactions or stand-by arrangements had been developing countries. When the Directors of the Fund had approved the scheme for compensatory financing, they had decided that the Fund should consider requests for quota readjustments from countries exporting primary products. That was of particular benefit to countries with relatively small quotas since it increased the Fund's ability to respond favourably to their requests for assistance. His delegation hoped that the Governors of the Fund would soon approve the proposal to provide for a 25 per cent increase in general quotas as well as appropriate selective quota increases. Such increases would enable the Fund to meet the needs of a growing world economy and to play the central role in the international monetary system intended by its founders. The United States particularly welcomed those provisions that would minimize the impact of the quota increase on reserve positions, especially those of reserve currency countries.

8. It should not be overlooked that the consultations which the staff of the Fund held with all countries provided a particularly valuable form of technical assistance, especially to new Governments faced with all the complex and technical problems related to monetary and fiscal policies. Apart from that, the Fund had recently increased its ability to provide technical assist-



ance through three new channels, the Central Banking Service, the Fiscal Affairs Department and the expanded IMF Institute, a development which his delegation welcomed. The United States shared the Fund's conviction that fiscal and monetary policies should be designed to encourage capital formation through various forms of domestic savings and hoped that its increased capacity to provide technical advice and assistance would contribute to that goal. It noted with pleasure the Fund's intention to develop co-operative relations with UNCTAD.

9. The Managing Director had mentioned the measures taken by the United States in February 1965 to improve its international payments situation. Those measures were designed particularly to limit the outflow of capital which had kept the United States in a deficit position despite an increased surplus in its trade account. Full account had been taken of the needs of the less developed countries and the President of the United States had expressed his country's intention to continue to supply private and public funds to less developed countries. The United States had, for example, continued to exempt developing countries from its interest equalization tax, now extended to bank loans of one year or more.

10. The Fund played an important role in the world economy and an indispensable role in international finance, not only through its actions but also through its studies of long-term issues.

11. Mr. ARCA PARRO (Peru) said that the report of the Fund and the Managing Director's statement revealed world economic trends that were of importance to both the developed and the developing countries. He welcomed the Managing Director's observation that the Fund intended to co-operate closely with the new Trade and Development Board.

12. It was natural that advanced as well as developing countries should wish to make the utmost use of the Fund's facilities. That had in fact been done over the past year by the United Kingdom, for instance Peru, on the other hand, which had been a firm supporter of the Fund for many years, had made far less use of its resources than it was entitled to do. Nevertheless it had used some of the Fund's other services, and he was certain that other countries at the same stage of development would also find them useful. It was encouraging that the expansion of economic activity in the industrial countries over the past year had been accompanied by a rise in the value of the exports of the primary producing countries, but that did not necessarily reflect steady economic growth in the latter countries. Indeed, even a 5 per cent increase in the favourable trade balance might not mean more than economic growth of 1 per cent in a developing country, which was far below the target set for the United Nations Development Decade. The developing countries must not only increase their production, they must also sell their products on world markets. But even if they sold at advantageous prices, that did not necessarily mean an improvement in their balance-of-payments position, for the gain in export earnings was often offset by a rise in the prices of imports and also by higher costs of production due to such factors as rises in wages.

13. Although its economic development was far from being as rapid as could be desired, Peru had made and was continuing to make great social strides, which was part of his Government's policy. Economic and social progress were only two sides of the same coin. Economic development without social progress meant the enrichment of a minority, whereas the aim was a better life for everyone. Success depended not only on the improvement of Peru's terms of trade, but also on a strong balance-of-payments position. Short-term palliatives were of little use; what was required was a radical change in the concepts underlying world trade. The developing countries expected a great deal in that connexion from the new trade and development machinery. They must be protected from sudden falls in the price of their primary exports; although Peru had a relatively diversified economy, a drop in the price of sugar, for instance, had had a serious effect on its economy. In addition, if export earnings were to be increased, the developing countries must be able to sell their larger production. At the present time it would be pointless for them to step up output of such minerals as gold and silver, because the prices on the world market were artificially controlled by the big producers. It was clear that such problems could not be solved by exclusively financial action. A combined attack was required. A great deal could therefore be expected of the co-operation between the Fund and the Trade and Development Board.

14. He recognized that the Fund was concerned with financing and not with modifying the pattern of international trade. Nevertheless, the two problems were closely linked. He therefore welcomed the Fund's decision to establish new advisory services, particularly the Fiscal Affairs Department, which would be of the greatest use to the Latin American countries. As Peru knew from experience, a change in the tax system was useless unless it was accompanied by a change in the methods of administration and collection. It was essential to increase tax revenue in the developing countries, because the Governments of those countries had to do more than those of the advanced countries to promote social progress.

15. Mr. PACHACHI (Iraq) said that the picture of the IMF's activities which emerged from the report and the statement of the Managing Director was one of considerably increased activity. During the past year, drawings had been greater than ever, a large number of countries, particularly under-developed ones, had availed themselves of the Fund's services, and new facilities, including the Central Banking Service and the Fiscal Affairs Department, had been created. Those were welcome developments. Nevertheless, although the developing countries had made more use of the Fund's services than ever before, it was still the developed countries that had made the biggest calls on the Fund. That was due primarily to the nature of the Fund's activities, which were focused on short-range difficulties in the balance of payments.

16. One disturbing point which emerged from the Managing Director's statement was that the coming year was expected to be difficult. His warning that there had already been some decline in the rate of growth of international demand for imports, which

had been accompanied by some signs of a weakening in the international prices of primary commodities, was most disquieting for the developing countries, particularly as it came in the middle of the Development Decade. It was therefore a matter of grave concern that the rate of economic growth, which was still far short of the target, might be slowed down even further by a monetary crisis.

17. The problem now facing international monetary circles was whether the present system was adequate to sustain a growing international economy. The Fund's reserves had a key role to play in solving that problem. The Fund was intended to serve as a shock absorber when short-term deficits in certain countries placed a strain on the international monetary system, as had been the case during the past year when the difficulties encountered by the United States and the United Kingdom had threatened to have a major impact on world markets. The question which now arose was whether sterling and the dollar should continue to be the basis of the international monetary system; a return to something like the gold standard had been suggested. It was too early to form a final judgement, but he felt that a return to gold might have a depressing influence on international trade, in which case it would be disadvantageous to the developing countries. It had also been suggested that a system of variable exchange rates might solve the problem. The disadvantage of that idea was that the whole international monetary system would be subject to weaknesses and fluctuations. Furthermore, it might be impossible to take essential steps in time because of the complications involved. The Managing Director felt that the solution was to strengthen and improve the existing system and that recent developments were gratifying indications that it was capable of orderly evolution.

18. As a developing country, Iraq's position was dictated by the need for an international monetary system which would ensure the continuing expansion of trade and the improvement of economic conditions. It might be true that the present system was capable of an orderly evolution, but that was not certain. The matter could not be settled in the present forum, although the current exchange of views was welcome. Henceforth, whatever system was evolved must take account of the primary interest of developing countries. The Fund and other United Nations bodies had a moral obligation to assist them to achieve their development aims during the Development Decade. He was gratified that the Fund would take account of that fact in evolving a system to counteract monetary fluctuations. That point emerged clearly from all the Fund's documents.

19. Mrs. WRIGHT (Denmark) expressed her delegation's satisfaction with the report of the Fund and the statement by the Managing Director. During almost seven years of expanding world production and trade the Fund had proved its ability to render immediate and effective help to member countries. That had enabled the industrial countries to maintain a high level of employment, and their demand for imports of primary commodities had stimulated development in the primary producing countries. The higher prices for primary commodities should improve opportunities

in the less developed countries and encourage the inflow of foreign capital where the climate for investment was favourable. Movements of private capital were sensitive to political developments, and hostile attitudes towards foreign investments in one country might seriously affect the prospects for capital exports, not only to that country but to other countries as well. In foreign trade, both investing and developing countries ought to adopt new attitudes, a fact on which the Secretary-General of UNCTAD and the Managing Director of the Fund were in agreement. The developing countries should improve the investment climate and the industrial countries should do everything in their power to stimulate the export of capital and assist the developing countries in diversifying their production, particularly of goods which could be exported to capital-exporting countries. The developing countries' main source of finance would continue to be bilateral and multilateral aid, according to the Fund, but if bilateral aid was to be used as effectively as possible, it should not be tied to purchases in the country providing it unless that was completely justified. The Fund was in a position to make aid dependent on the adoption of procedures designed to avoid the disruption of economic development and to promote exchange rate stability and productive resources. The Fund's ability to act in such ways was in no small measure due to the new tools it had developed in recent years. Her delegation was glad to learn that the Fund was endeavouring to enlarge its resources to deal with strains on the international monetary system due to pressure on a major currency. The Fund had encouraged deficit countries to adopt such remedies as were least harmful to other countries and had encouraged surplus countries to follow policies permitting the present expansion of the world economy to continue.

20. Another source of satisfaction was the Fund's efforts to assist new countries to establish and develop their monetary and financial institutions, particularly through the new Central Banking Service and Fiscal Affairs Department. The increasing emphasis laid by the Fund on education and training was also welcome. Its operations in that field had enabled participants in seminars and courses from developing countries to gain a better understanding of the role of financial policy in over-all economic development and to master the technique of analysis necessary for planning the use of foreign exchange resources.

21. In order to achieve the aims of the Development Decade, it was necessary for all the United Nations economic organs to reinforce each other. The advice and guidance of the specialized agencies was essential in that connexion. The role of the Council as a coordinating agency acquired more and more significance as old institutions developed new procedures to speed up the development of the less developed countries, not only through aid but also through trade.

22. Mr. QUAO (Ghana) said that the report revealed that the balance of payments of the developing countries was precarious. Following favourable trading conditions in 1963, the fall in the international prices of primary commodities was likely to lead to an unfavourable balance of payments and a net reduction in the exchange holdings of the developing countries

in 1965. Urgent measures were needed, particularly for countries such as Ghana, whose economy depended mainly on exporting cocoa. Because of the depletion of its foreign exchange reserves, Ghana had been forced to impose restrictions in order to continue with development programmes previously financed from export earnings. Since cocoa buyers were reluctant to consider a stabilization of the world price of cocoa, the countries constituting the Cocoa Producers' Alliance had been forced to adopt drastic measures in the hope of securing a higher price. He hoped that the Fund, the new trade and development machinery and other relevant organs would take the urgent international action which was needed.

23. Africa's monetary problems were both national (the need for efficient monetary and fiscal systems) and continental (the need for a common monetary zone, a customs union and an inter-African payments union). Inter-African trade would be of great help but was severely hampered because most African States were still in either the sterling or the franc zone. The establishment of African currencies and financial institutions was therefore a field in which assistance from the Fund would be appreciated.

24. The efforts of the Fund with regard to the growing foreign indebtedness of the developing countries were gratifying, but any solution to the problem of deteriorating foreign exchange holdings could only be temporary. Far-reaching measures were required to ensure fair returns for the primary exports of the developing countries. He welcomed the co-operation and assistance of the Fund and hoped that they would have a positive impact on the economies of the developing countries.

25. Mr. CUBILLOS (Chile) said that there must be a vigorous monetary flow between the developed and developing countries. Although the report of the Fund showed that there was continued prosperity in the developed countries despite their balance-of-payments problems and a general rise in the income of the developing countries, much needed to be done to ensure adequate growth. A rise in the price of primary commodities was not sufficient to create a balanced economy in the developing countries; more markets for their manufactured goods were also needed, so that they could diversify their production.

26. Like many other countries, Chile had a mounting foreign debt, because domestic savings were too low to finance development. The only solution was to increase exports, and he hoped that the IMF, in co-operation with the Trade and Development Board, would make every effort to facilitate trade, in accordance with the recommendation contained in annex A.IV.19 of the Final Act of the United Nations Conference on Trade and Development.<sup>3/</sup>

27. Mr. POLIT (Ecuador) recalled that Mr. Schweitzer had referred to the difficulties which some of the more developed countries had experienced in their balance of payments. Such difficulties inevitably had a limiting effect on the financial aid which those countries extended to the less developed countries.

While President Johnson had recommended that the measures taken to remedy the deficit in the United States balance of payments should not affect the movement of United States capital to the developing countries, the United States Congress had nevertheless stressed that the foreign aid programme should have a minimum adverse impact on the United States balance of payments. In other words, the main criterion in judging whether or not a request for financial aid should be accepted was not its impact on the recipient country but rather its impact on the balance of payments of the donor. Very serious restrictions were thus being placed on the aid which the United States could provide to the developing countries and particularly those of Latin America.

28. The Managing Director had also pointed out that the prices of primary commodities had plunged downwards again after a slight recovery in 1963. That downward trend had affected the prices of sugar, coffee, cocoa and bananas, all exported by Ecuador. With such low prices, Ecuador and the other developing countries had little hope of strengthening their international reserves and of increasing their investments in industrialization programmes. The developing countries were forced to devote an increasing proportion of their export earnings towards paying their external debts. Either those debts would have to be repudiated or the international financial bodies would have to consolidate them and grant the developing countries longer periods for repayment and lower rates of interest.

29. The developing countries were also faced with the serious problem of their growing populations, which inevitably affected their balance of payments. As their populations grew, they had to make larger investments in order to create more sources of employment, produce more food, develop exports and make more infrastructural and social investments. But how could they make such investments when their exports were fetching such low prices on the international market? The situation in the developing countries was in sharp contrast to that in the more industrialized ones. For how much longer could the peoples of the developing countries continue to suffer from hunger, unemployment, and lack of education, housing and clothing? To speak to them of monetary stability was senseless. For them monetary stability was synonymous with poverty and a dose of inflation was preferable if it brought them some relief from their suffering.

30. At the previous meeting the representative of France had spoken in favour of assigning a more important role to the currencies of the European Common Market and, in particular, to the franc. However, if France wished to boost its own currency, it should also be ready to increase its imports from Latin America. Monetary stability could not be considered as an end in itself but only as part of the general concept of economic development. Ecuador had every faith in the Fund but felt that it should be reminded of the difficulties of the developing countries.

31. Mr. ARKADYEV (Union of Soviet Socialist Republics) said that, while the report gave a good general analysis of the world economic situation, it was lacking in incisiveness. Practical steps were urgently needed to assist the developing countries, which were victims

<sup>3/</sup> See Proceedings of the United Nations Conference on Trade and Development, vol. I, Final Act and Report (United Nations publication, Sales No.: 64.II.B.11), p. 53.

of the present monetary system. The United Nations Conference on Trade and development had at least taken decisions and made positive recommendations, whereas the Fund was still discussing the problems or taking short-term regulatory measures. He hoped that it would act on, rather than merely note, the recommendations of UNCTAD and take practical steps to assist the developing countries.

32. Mr. SCHWEITZER (Managing Director of the International Monetary Fund) said, in reply to the remarks of the Soviet Union representative, that he fully realized the need for providing practical assistance to the developing countries. He also viewed monetary stability not as an end in itself but as an essential part of economic development. It must be remembered that the Fund was working in a very limited sector and had very limited means at its disposal.

33. It was generally agreed that the technical assistance extended by the Fund and its training programme had been a useful contribution to the development of the developing countries. At the same time, the Fund realized the limits of its possibilities and understood that it was far from achieving the aim of fiscal harmonization to which one representative had referred. No two countries had the same financial problems and the Fund's primary role was to provide the technical means of implementing decisions which countries themselves had reached independently. The role of IMF had been described as therapeutic. That might be true, but it was also true that few doctors were loved and surgery was rarely appreciated. The real aim of IMF was to make a proper diagnosis, taking into account the individual circumstances of each country.

34. Criticism had been made of the Fund because it had extended a larger volume of assistance to the more industrialized countries than to the less developed ones. But that was quite normal. The monetary problems of the developed countries were much vaster than those of the developing countries and had repercussions which spread over the whole international monetary system. However, the number of times that the Fund had acted to help the smaller countries was much more frequent. Also, the assistance given to such countries and the periods for which it was given were quite considerable when viewed in the light of the magnitude of their monetary problems and of their economies.

35. The Fund was ready to continue its present policy and it planned a whole series of new projects for helping the developing countries. It was not hostile to the modern trend towards economic integration and welcomed all efforts to eliminate trade barriers and achieve greater economic co-operation. At present, it was not able to extend its assistance to regional groupings but it had every sympathy with them.

36. The plan for a general increase of 25 per cent in members' quotas had met with almost unanimous support, although it had been suggested by one representative that the Executive Directors, in deciding upon such a step, had infringed the Fund's statutes. He wished to assure that representative that the decisions taken conformed in both spirit and letter to the statutes. There had merely been a difference of opinion as to the practical measures to be taken to implement the statutes. In any case, such a limited measure as an increase in quotas would not bring about any radical change in the international monetary system.

37. In all international monetary questions there was no real conflict of interests between the different countries. All countries, whatever their situation, had an interest in maintaining a stable international monetary system. All countries lived within the system and must obey its rules. All countries wanted the system to further the development of international trade and the economic growth of the whole world. The richer countries, in particular, had a special interest in maintaining the system and it was natural that they should be called upon to provide the necessary help to make the system work.

38. The present monetary system could certainly be criticized, but since the Second World War it had undoubtedly contributed to world economic progress. As long as long-term reforms had not been achieved, it must be made to work. The IMF remained at the centre of the present monetary system and he was convinced that the system should be developed and improved rather than abolished and replaced by something different.

39. The PRESIDENT suggested that the Council should adopt a draft resolution taking note of the report of the International Monetary Fund.

*It was so decided.*

*The meeting rose at 5.55 p.m.*



**ECONOMIC AND SOCIAL COUNCIL**

*Thirty-eighth Session*

OFFICIAL RECORDS

Friday, 26 March 1965,  
at 10.50 a.m.

**NEW YORK**

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*President:* Mr. Akira MATSUI (Japan).

*Present:*

Representatives of the following States, members of the Council: Algeria, Argentina, Austria, Canada, Chile, Czechoslovakia, Ecuador, France, Gabon, Iraq, Japan, Luxembourg, Pakistan, Peru, Romania, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following States, additional members of the sessional committees: Cameroon, Denmark, Ghana, India, Iran, Madagascar, Mexico, United Arab Republic, United Republic of Tanzania.

Observers for the following Member States: Bulgaria, Byelorussian Soviet Socialist Republic, China, Colombia, Cuba, Finland, Greece, Hungary, Ireland, Israel, Italy, Nepal, Philippines, Senegal, Spain, Sweden, Thailand, Trinidad and Tobago, Turkey.

Observer for the following non-member State: 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; International Finance Corporation; International Development Association.

The representative of the International Atomic Energy Agency.

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

AGENDA ITEM 4

- (a) Report of the International Bank for Reconstruction and Development and the International Development Association (E/3992 and Add.1);
- (b) Report of the International Finance Corporation (E/3993 and Add.1)

1. The PRESIDENT welcomed Mr. George D. Woods, President of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA), and the International Finance

Corporation (IFC), and invited him to take a seat at the Council table.

2. Mr. WOODS (President of the International Bank for Reconstruction and Development), presenting the annual report of IBRD and IDA<sup>1/</sup> and of IFC,<sup>2/</sup> said that during the past fifteen months the Bank and its affiliates had extended a record volume of finance for economic development. During 1964 the Bank, IDA and IFC had made commitments totalling a record amount of nearly \$1,200 million. IDA credits alone had amounted to \$418 million, and its total commitments had now passed the \$1,000 million mark. The new countries of Africa had benefited most from that expansion. Eighty-four countries had now been assisted by the Bank group of institutions, and the aggregate volume of financing since the beginning of the group's operations now exceeded the figure of \$9,500 million.

3. The Bank had given serious thought to improving the terms of its loans, in order to lighten the burden of debt service, where the situation warranted such action, by extending loans to thirty-five years or extending the period of grace before repayment to ten years.

4. Whereas the Bank had formerly concentrated its activities on transport and electric power, it was now active, together with IDA and in collaboration with FAO and UNESCO, in increasing farm productivity and developing education and, with IFC, in assisting in the growth and diversification of industry. Where agriculture was concerned, the Bank and IDA were taking a growing interest in large land development programmes, comprising measures, for instance, in the fields of training, farm credit, fertilizers and pesticides, transport and research. With respect to education, it was clear that one of the main obstacles to development was the lack of trained manpower, especially administrators, teachers and technicians. The Bank and IDA could not hope to solve that problem to any significant extent from the financial point of view, but they were seeking to finance projects which would offer satisfactory means of overcoming the obstacles. During 1964, IDA had broken new ground in assistance to industry by making a \$90 million credit to India to finance the import of components and materials needed for the full utilization of existing industrial facilities. The results had been particularly satisfactory and a further credit to India

<sup>1/</sup>International Bank for Reconstruction and Development; International Development Association, *Annual Report, 1963-1964* (Washington, D.C.), and supplementary information for the period from 1 July 1964 to 1 March 1965. Transmitted to the Economic and Social Council by notes of the Secretary-General (E/3992 and Add.1).

<sup>2/</sup>International Finance Corporation, *Eighth Annual Report, 1963-1964* (Washington, D.C.), and supplementary information for the period from 1 July 1964 to 1 March 1965. Transmitted to the Economic and Social Council by notes of the Secretary-General (E/3993 and Add.1).

was now in process. The Bank was also studying the possibility of making loans to IFC, without any government guarantee, in a total amount up to four times the Corporation's capital and surplus. When the requisite amendments to the Articles of Agreement of the Bank and the Articles of Agreement of IFC had been approved, about \$400 million would be added to the potential resources of IFC. In addition, although IFC was required under its charter to invest only in private enterprises because the management of State enterprises might be subject to political pressures, the Corporation was now re-examining its policies in that connexion, since it was aware that in some member countries private industry lacked the capital and management personnel needed for the advancement of industrialization.

5. One of the major problems encountered by the Bank and IDA was to find well-conceived national projects which they could finance. The two institutions had not enough staff to give all the assistance necessary in that connexion; they could, however, discuss with the borrower what kinds of technical assistance were needed and could give advice on how best to obtain the help of consulting engineers, economists or other experts. When the loan was finally made to the countries concerned, the Bank or IDA included in it the amount necessary to reimburse the borrower for the cost of technical services needed both for planning and for the later execution of the project. In the case of countries which were not able to bear the expense of pre-investment surveys, the two institutions might even pay the foreign exchange cost of consultant services. That was being done in Nigeria in the case of certain highway surveys, in East Pakistan in the case of waterways development, and in the Philippines in connexion with determining the future water needs of Manila. Meanwhile, the Bank was continuing to act as executing agency for nine pre-investment studies financed by the United Nations Special Fund.

6. The Bank group of institutions intended to press those efforts further. Two offices were being established, at Nairobi and Abidjan, to help member countries to identify development projects and to study them in detail. Under arrangements with FAO and UNESCO, those two agencies were helping to identify and prepare specific agricultural and educational projects, leaving the appraisal and, in suitable cases, the financing of the projects to the Bank and IDA. The Economic Development Institute, which was an organ of the Bank, was also extending its work. The Institute's activities now included the evaluation of projects.

7. Adequate project preparation was particularly important, since neither general programmes nor supplies of capital would accomplish much unless the countries concerned could bring together for the execution of the projects the right technology, competent management and manpower with the requisite blend of skills.

8. The Bank was pursuing its close interest in the broader aspects of development planning. It had already sent a mission to Brazil to review that country's economic conditions and prospects and to study the Government's development programme. It had also

sent a mission to Morocco. Another mission had just left for Turkey, where it would appraise the country's economic position and its prospects for the use of assistance from IBRD. The Bank continued to advise member Governments in many parts of the world and to recruit on their behalf experts to deal with special problems in the development field.

9. The essential purpose of the Bank's technical assistance was to improve the quality of the economic performance of the developing countries. Among the devices it employed in that cause were the consortia for aid to India and Pakistan and the "consultative groups" of capital-exporting countries and international agencies interested in the development of particular countries. Those groups offered the developing countries technical assistance and an orderly flow of investment directed to priority needs. Their members had the opportunity to consult among themselves and with the recipient country on the best means of strengthening the development efforts of the country concerned. The Bank had decided to redouble its efforts in that respect and to take the lead in organizing consultative groups without waiting, as at present, until the countries concerned had a well-defined economic programme.

10. A primary mission of the Bank was to channel the flow of capital from the developed countries to the developing countries. The Bank was intensifying its efforts to raise money that year and to that end it had sold bond issues in the United States, Canadian and German capital markets. The cost of money was rising; nevertheless, the Bank intended to hold the interest rate on loans to the less developed countries at 5 1/2 per cent. It was, however, increasing the interest rate for loans to member countries which were able to borrow elsewhere a substantial part of the capital they needed.

11. Debt service continued to be a heavy burden for the developing countries. The IDA had been established five years earlier to ease the burden by making funds available over long periods. Thanks to action taken during 1964 to replenish them, IDA's convertible funds amounted to an aggregate of about \$1,600 million. Considering, however, that those resources would be committed by the summer of 1966, it was to be hoped that the Bank would be able to make grants to IDA and that all the members of the Bank would increase their contributions.

12. Private savings were an essential source of capital for economic development. The confidence of the private investor must, however, be strengthened. To that end the Bank had sponsored a proposal for an international convention which would establish a centre for the conciliation or arbitration of investment disputes arising between foreign investors and Governments. The text of the convention was being transmitted to member States and would shortly be made public. There were convincing reasons to believe that the adoption of such a convention would increase the flow of capital from the private investor to the developing countries which became parties to the convention.

13. It should also be noted that one of the principal obstacles to economic development was the population explosion in the developing countries. It was to be

hoped that it would soon be possible to attack the problem without restraints or reservations.

14. At the request of the United Nations Conference on Trade and Development (UNCTAD), the Bank had agreed to undertake a number of studies on how conditions of trade and economic development might be improved. One such study dealt with a proposal that funds for IDA-type loans should be borrowed in the capital markets and that the difference between the borrowing and lending interest rates should be subsidized by the industrialized countries. Another study concerned a system of supplementary financing to mitigate the effects on development plans of long-term and unpredictable fluctuations in commodity prices. The Bank was also studying the use and terms of suppliers' credits and the possibilities for establishing a system of multilateral investment insurance.

15. The ambitions of the under-developed countries in the sphere of trade and economic development were being more clearly articulated; on the other hand, in many capital-exporting countries there was growing disillusionment with the way in which aid was administered and used. It would be disastrous if the discontent of the countries concerned were to lessen the world's commitment to economic growth. Uninterrupted financial support from capital-exporting countries was essential, as was the determination of the recipient countries to ensure that external assistance would be used with the maximum effectiveness.

16. Mr. VIAUD (France) said that he was glad to note that in 1964 the IBRD and its affiliates, under the leadership of their President, had continued and expanded their mission of assistance to the developing countries. Bank loans had totalled \$728 million and IDA had provided the equivalent of \$418 million. The IFC, for its part, had granted credits totalling \$25 million. If to those sums were added the credits granted by developed countries participating in the consortia, the total for 1964 was more than \$2,500 million.

17. The Bank had endeavoured to improve the geographical distribution of the loans: the credits allocated to African countries had risen from \$11 million in 1963 to \$107 million in 1964. There had also been innovations in the objects for which the loans were granted; in recent months loans had been made for agriculture, education and more and more assistance to the industrialization of developing countries. Those three areas were priority sectors with which the Bank was rightly concerned. On the question of methods, he wished to stress his interest in the new procedure of combining a Bank loan with an IDA credit, which thanks to the longer amortization periods and lower interest rates of IDA, reduced the total burden on the borrowing country's balance of payments. The Bank had also been studying for several years the possibility of setting up joint operations, i.e., of joining with a particular country to provide another country with medium-term credits enabling it to carry out programmes approved by the Bank. Lastly, the Bank had made a distinction in the interest rates on its loans, charging an additional 1/2 per cent to those of its members which usually had access to the capital market. That measure allowed it to

grant preferential treatment to the developing countries. It was encouraging to see the Bank applying that preferential treatment, which was not yet accorded sufficient recognition in trade matters.

18. The United Nations Conference on Trade and Development had referred several recommendations to the Bank for study. His delegation was waiting to learn the Bank's conclusions before taking a firm position on some of them. It would give very careful consideration to the conclusions arrived at by the Bank services regarding the Horowitz proposal on a Development Financing Plan<sup>3/</sup> for increasing the capital flow to the developing countries by opening the private capital markets of the industrial countries. The French Government considered that the study on the machinery for settlement by arbitration and conciliation of investment disputes, requested by the Conference in the recommendation contained in annex A.IV.12 of the Final Act of the Conference,<sup>4/</sup> would be calculated to promote investment in the developing countries as soon as it had been widely read in the recipient countries and in the capital-exporting countries. If the former decided to encourage the use of private capital, they should naturally grant such capital basic guarantees and security.

19. Another recommendation, contained in annex A.IV.14 of the Final Act,<sup>5/</sup> had dealt with the problems of credit insurance and suppliers' credits. While approving such a study by the Bank in principle, his delegation at Geneva had expressed reservations about the substance of the document annexed to the recommendation, which advocated the establishment of a "multilateral inter-governmental credit insurance institution", since the need for such an institution was not at once apparent. The Bank's report would therefore be all the more useful.

20. A fourth study, in which his delegation had the greatest interest, concerned compensatory financing.<sup>6/</sup> While it considered that the real solution lay in the organization of commodity markets to maintain stable and remunerative prices, France hoped that the Bank's study would provide information on the effectiveness of a compensatory system as a short-term solution to the problems created for developing countries by fluctuations in earnings from exports. That was a point to which the Trade and Development Board and the Conference should direct their full attention as soon as the Bank's conclusions were made known. In conclusion, he said that his delegation considered it important that permanent relations should be established, within the United Nations family, between the Bank and the new trade and development bodies.

21. Mr. CHAKRAVARTY (India) congratulated Mr. Woods on the progress, in both quality and quantity, made by the institutions headed by him during the

<sup>3/</sup> International Bank for Reconstruction and Development, The Horowitz Proposal: A Staff Report (Washington, D.C., February 1965). Transmitted to the United Nations Conference on Trade and Development by a note of the Secretary-General of the Conference (TD/B/C.3/1).

<sup>4/</sup> See Proceedings of the United Nations Conference on Trade and Development, vol. 1, Final Act and Report (United Nations publication, Sales No.: 64.II.B.11), p. 49.

<sup>5/</sup> Ibid., p. 50.

<sup>6/</sup> Ibid., p. 52 (annex A.IV.18).

past year. Seventeen new countries had joined IBRD and IDA, bring the total membership of the Bank to 102. The Bank, IDA and IFC had extended loans totaling \$1,200 million to thirty-five countries. The extension of IDA's activities was a matter of particular satisfaction. The over-all financial position of the Bank had continued to grow in strength and its bond issues in international financial markets continued to command confidence and support.

22. Of the new initiatives taken by the Bank and IDA, he stressed particularly the increased emphasis on loans for agriculture and educational projects, the extension of a loan for industrial imports and the increased interest of the Bank in organizing consultative groups for aid to developing countries. Those initiatives were proof of the Bank's awareness of the changing demands of economic development and of its flexibility, which could only be a matter for congratulation. The Council should particularly welcome the closer co-operation between the Bank and its affiliated organizations and between the Bank and other United Nations bodies such as FAO, UNESCO and the Special Fund. The Bank had also agreed to undertake several studies which UNCTAD had asked it to make. The expertise acquired by the Bank gave assurance that its contribution in that field would be useful.

23. The very process of economic development created increasingly heavy debt repayment liabilities for developing countries. The Bank had sought to liberalize the terms of its own loans and those made by developed countries; nevertheless the most advantageous loan conditions were still offered by IDA. For that reason, the Bank was to be congratulated on having transferred \$50 million to IDA during the previous financial year. There could be no doubt that IDA had an increasing role to play, and the question of placing sufficient funds at its disposal was one which deserved the full attention of the Bank.

24. The IFC had been a most useful instrument for encouraging private capital investment, which was increasingly needed in the developing countries. Another most praiseworthy step taken in that field was the formulation of a draft International Convention on Settlement of Investment Disputes. He wished Mr. Woods every possible success in his efforts.

25. Mr. CHIBA (Japan) noted with satisfaction the expansion of the activities of the Bank and its affiliates, which would make a notable contribution to the balanced development of the world economy. It was interesting to note that the Bank, while continuing to give priority to investment in infrastructure, had begun to take a greater interest in agriculture and education, fields whose importance could not be over-emphasized.

26. At its annual meeting held in Tokyo in September 1964, the Board of Governors of the Bank had unanimously adopted two particularly welcome proposals, one of which provided for the transfer to IDA of a portion of the Bank's profits, and the other for Bank loans to IFC. Another welcome initiative of the Bank was the proposal to draft an International Convention on Settlement of Investment Disputes. His delegation hoped that, once that Convention had been drawn up

in its final form, as many developing countries as possible would become parties to it.

27. He was gratified to note that the Bank, IDA and IFC, together with the International Monetary Fund, were playing an increasingly important role in the United Nations Development Decade. Co-operation between those agencies and other United Nations institutions was being steadily strengthened: the Bank, for example, had been the executing agency for nine pre-investment projects of the Special Fund, of which six had already attracted considerable productive investment. The co-operation between the IBRD and the Special Fund was particularly valuable in the sphere of infra-structure projects, which were difficult to finance on international capital markets. The Bank and its affiliates had also recently concluded co-operation agreements with UNESCO and FAO; it would be useful if the Council could be kept informed of the implementation of those agreements. Lastly, a Liaison Committee had been established in October 1964 between the United Nations and IBRD and IDA for the exchange of views and periodical consultations on aid programmes and plans; it would also be useful if the Council could be informed of the activities of that Committee. Such information would assist the Council in fulfilling its co-ordination responsibilities.

28. Mr PEREZ LOPEZ (Mexico) referred to the magnitude of the needs of the developing countries and welcomed the flexibility shown by the Bank and IDA in extending their activities to projects in the fields of agriculture and education, while continuing to give priority to infra-structure programmes. The increased participation of the Bank and its affiliates in the financing of manufacturing industries, particularly through IFC, would also be especially fruitful. The Bank's flexibility had been further demonstrated by the interest it had shown in financing local expenses of development projects and by its granting of loans for the purchase of equipment and raw materials for industry in order to permit fuller use of existing production capacity. He also noted the support given by the Bank to the establishment of regional groupings designed to broaden national markets. The extension of loans to State undertakings was also a new factor to be welcomed.

29. He was glad to note the increasing importance which the Bank attached to the problem of the developing countries' ability to make payments in foreign currencies. According to the Economic Survey of Latin America, 1963,<sup>7/</sup> debt service for the Latin American countries amounted, on the average, to 27 per cent of their export earnings. The IBRD agencies could help to relieve the pressure which that situation put on the balance of payments of the countries concerned, by extending repayment periods, reducing interest rates and other charges and by allowing an additional grace period. Debtor nations for their part could reduce debt service charges by avoiding commitments for excessive short-term credits and concentrating on the execution of projects which yielded or saved foreign currency.

30. However, an inflow of foreign capital would not in itself guarantee economic development: the develop-

<sup>7/</sup> United Nations publication, Sales No.: 65.II.G.1.



ing countries also had to have projects which were sufficiently well thought out and integrated into the national economic plan to be worth submitting to foreign sources of financing. The preparation and choice of projects was greatly facilitated when there was a world programme of economic development which took into account the relationship between the different sectors of production. The Bank and its affiliates had assisted greatly both in the preparation of projects and in the formulation of national development programmes. Short and long-term economic policies were more likely to succeed if the developing countries were able to stabilize the value of their currency and maintain a realistic rate of exchange.

31. With regard to the draft convention on conciliation or arbitration procedures for settling investment disputes, Mexico made no distinction between domestic and foreign investment. The Mexican Government assured a "favourable climate" for both because Mexico had never had any foreign exchange control, its national currency had always been freely convertible and its rate of exchange had remained stable for eleven years, during which period the rate of growth of the gross national product had averaged 6.3 per cent yearly. In addition, there had been thirty years of political stability and domestic tranquillity.

32. His delegation would like to see IFC extend its activities, in co-operation with the private sector in developing countries, both in the financing of industrial projects and in the promotion of internal savings through the establishment of industrial development finance companies.

33. The Bank, IDA and IFC had so far succeeded in aiding the developing countries, permitting them the freedom of action necessary in order to avoid inflation or an excessive braking of economic activity.

34. Mr. Osman ALI (Pakistan) noted with satisfaction the growth of the Bank's activities and its increased flexibility. In illustration, he referred to the industrial credit recently extended to India to enable manufacturers in selected industries to import components and raw materials on a scale not previously possible. His delegation would like to see the Bank and the industrialized countries extend further loans of that type, as they were of great help in making full use of production capacity, thus stimulating export earnings and domestic savings.

35. His country shared the Bank's view that agriculture was essential to economic development. He was glad to note, therefore, the increasing emphasis on assistance to agriculture in the Bank's activities. However, the loans granted had so far covered only the purchase of agricultural equipment. His Government hoped that they would also be available for the purchase of fertilizers, which played a key role in agricultural progress. Fertilizer production was still far below demand in Pakistan; it was therefore necessary to import fertilizers from abroad and loans from the Bank would help to solve the resultant foreign exchange problem.

36. Another commendable initiative of the Bank was its decision to provide finance for local expenditure on certain high-priority projects. He paid tribute to the Bank's efforts to persuade capital-exporting coun-

tries to soften the terms of their loans in order to reduce the heavy debt burden on the recipient countries. The Bank was also to be congratulated for its decision to vary its own interest rates according to the nature of the assistance project and the financial situation of the recipient country. Nevertheless, IDA still provided loans at the most advantageous rate. His delegation was therefore pleased to note that the Bank had transferred \$50 million to IDA and that several Governments had pledged contributions to the Association. Recent developments had shown that the Bank and its affiliates were fully aware of the needs of developing countries and of how best to meet those needs.

37. Mr. DJOUDI (Algeria) said he was pleased to note that the expansion of the Bank's activities had been accompanied by geographical diversification to the benefit of Africa. Algeria was glad of the relations which it maintained with the Bank and with IDA, and it noted with interest the plan to spread the repayment of loans over a period of thirty-five years, to be followed by a ten-year period of grace.

38. The collaboration with FAO and UNESCO upon which the Bank had embarked would serve to prevent duplication of efforts in the future. Agriculture was, of course, a basic starting point, but education at all levels was very important and was a prime concern of Algeria, which allocated 25 per cent of its budget to education. Where agriculture was concerned, Algeria had taken an essential step by setting up management committees elected by the agricultural workers. That action had produced encouraging results. Algeria was looking forward with interest to the publication of the study on the development of African agriculture which had been announced. He agreed with the President of the Bank that the need was for administrators and technicians; the Economic Development Institute would help to solve the problem of training certain administrators. With respect to project preparation, he had noted the sending of missions of consultants to advise interested countries; the question of collaboration by Resident Representatives in project preparation had already been raised in the Technical Assistance Committee and in the Governing Council of the Special Fund. Thus, the activities of the Bank combined with those of the Resident Representatives would help in the formulation of projects and would acquaint national administrators with methods of drafting requests.

39. His delegation noted with satisfaction the Bank's new attitude to the financing of State enterprises. That change gave grounds to expect that the Bank would not discriminate between developing countries.

40. In conclusion, he was pleased to note the importance which the Bank attributed to the decisions of the Geneva Conference, and the expression of its desire to collaborate with the Trade and Development Board, to which it had recently submitted an initial report.

41. Mr. RAMAHOLIMIHASO (Madagascar) recalled that the Bank, which had once been a reconstruction agency, had now become an agency for development. At the United Nations Conference on Trade and Development, the Bank had taken a forward-looking

position and had agreed to undertake a study of the possibility of increasing the volume of private capital for long-term, low-interest loans, and of establishing a system for helping countries whose development programmes were threatened by an excessive drop in export earnings. That new orientation of the Bank's financial policy would undoubtedly prove advantageous to the developing countries and particularly to the African countries, which were the last to benefit from services provided by the Bank and its group of agencies. The needs of the countries were immense and ranged from agriculture, which was the main industry of the majority of them, to industrialization. The international financial institutions would each have a part to play: the Bank for infra-structure, the International Finance Corporation for industrial investment and the International Monetary Fund for balance of payments questions. Although the recent rise in primary commodity prices had stimulated the economy of many countries, all primary-producing countries had not derived equal benefit from the increase. Moreover, the outlook for the future was generally unfavourable, as a further deterioration in the terms of trade was anticipated. The international financial institutions would therefore be called upon to play an active part in all those aspects of economic development, particularly in technical assistance for the training of personnel and for the preparation and execution of national development plans.

42. Mr. RAMOS (Argentina) said that his country attached great importance to the Bank's activities, which had made possible the execution of large-scale projects—particularly in the field of electric power and transport—for which private financing was difficult to obtain and for which the developing countries' own resources were inadequate. It was also encouraging to note that IBRD was giving its support to projects related to the development of agriculture, industry and education. The fact that the Bank had made loans and transferred funds to IFC and IDA in order to obviate certain limitations imposed by its Articles of Agreement and to speed up the execution of those projects, was proof of the Bank's desire to contribute to the solution of development problems. The Bank was also to be congratulated for its decision to vary its interest rates to lighten, where necessary, the burden which debt service charges represented for certain countries. He was also glad to note the commencement of co-operation between the Bank and UNCTAD. He wished to emphasize the importance of the assistance rendered by the Bank in making inventories and preparing plans for the development of national resources: its impartial technical opinions were particularly valuable for would-be investors and they had recently been of great assistance in connexion with the execution of Argentina's national development plan. He concluded by congratulating the IFC authorities on the clarity of their report and on the success of their activities.

43. Sir Keith UNWIN (United Kingdom) said that the Council was taking part in a veritable metamorphosis of the United Nations, in which there was an increasingly systematic concentration on the problems of economic under-development. The establishment of a permanent Conference on Trade Development should

not be allowed to obscure the work being done by existing organizations, such as the IBRD and its affiliates, whose functions were becoming increasingly important.

44. It was sometimes said that the Bank had been established only for the purpose of repairing the damage caused by the last war. That was true at the start, but the situation had changed since then. The recipients of loans totalling \$5,000 million, by the end of June 1964 were headed by India, then Japan, followed by Algeria, Argentina, Brazil, Colombia, Mexico, Pakistan, Thailand and Yugoslavia. Moreover, the membership and the outlook of the Bank had changed, and the form and terms of its assistance were no longer the same. The IDA had been established to ease the problem of the indebtedness of the developing countries, and he recalled that his Government had not only consistently given IDA its support but had provided the second largest contribution to its resources and had supported the recommendation contained in annex A.IV.5 of the Final Act of the Conference,<sup>8/</sup> which called for continued contributions. The Bank itself was now in a position to vary some of its loan terms in order better to meet the needs of the financial situation of the recipient countries. The member countries of the Organization for Economic Co-operation and Development were also seeking to achieve the same objective. The Bank had also examined the Horowitz proposal and would soon publish a study on the joint proposal of the United Kingdom and Sweden for increasing the resources available for development.

45. In that connexion, he noted that the Bank and its affiliates were concentrating increasingly on fields of activity which had not hitherto attracted the attention and investment which they required, particularly agriculture and education. The IDA had introduced a new kind of industrial credit and IFC, which was able to lend to private enterprises without any government guarantee, would be able to increase its contribution when the Bank was authorized to advance funds to it. In addition to the problem of resources there was also the problem of the absorptive capacity of the developing countries, and the assistance that the Bank was affording to those countries in the preparation of projects and the training of staff was to be welcomed. Regional banks also had a part to play in regional development; the United Kingdom had provided assistance to the Inter-American Development Bank and had promised it to the African Development Bank, and was watching with interest the discussions concerning the establishment of a development bank in Asia.

46. The United Kingdom supported the Bank's proposal for an international convention which would establish a centre for settling investment disputes between Governments and provide investors with a machinery for arbitration and conciliation. Such a centre would encourage the investment of private capital, which was an important element in economic development.

<sup>8/</sup> See Proceedings of the United Nations Conference on Trade and Development, vol. I, Final Act and Report (United Nations publication, Sales No.: 64.II.B.11), p. 46.

47. In conclusion, he stated that his Government regarded the IBRD and its affiliates as essential agencies in the multilateral development field. Their consultative groups and consortia had made an effective contribution to development which could no doubt be further improved. They had shown imagination and an ability to adapt themselves with flexibility to increasing difficulties. An international institution such as the Bank with a reputation for competence and impartiality had an authority and a political independence which must often be the envy of Governments operating bilateral assistance programmes.

48. Mr. GELBER (Canada) said that his country supported the change in emphasis in the Bank's policies, which brought to sound financial management the flexibility needed in the present circumstances. He also welcomed the co-operation between the Bank, FAO and UNESCO, which would allow a concentration of efforts in the fields of agriculture and education, that were of such importance for developing countries. In general, the expansion of the Bank's technical assistance activities should be encouraged. Moreover, the co-operation and co-ordination which the Bank could provide would help to improve the efficiency of the capital and technical resources now flowing to developing countries. The Bank might also be able to play a more active role in connexion with the more

important projects financed under bilateral aid programmes if full use was made of the potential in the consortia and in the Bank's consultative groups.

49. His delegation considered that the Bank and its affiliates had a great advantage in being able to combine contributions made by Governments with those made by private capital. He welcomed the measures taken to enable IFC to borrow from the Bank itself, which would help to increase its resources and give greater scope to private initiative and private capital in the work of development.

50. He also welcomed the additional flexibility in the terms of the Bank's loans and particularly the extension of loans to meet import requirements of capital equipment, raw materials and components for industry, for all too often industrial capacity was far from being exploited to the full. In conclusion, his delegation welcomed the fact that the Bank proposed to transfer additional funds to IDA to enable the latter to increase its volume of long-term credits at low rates of interest. All those activities were a clear indication that strong multilateral institutions were an indispensable addition to bilateral assistance programmes.

The meeting rose at 1.15 p.m.



ECONOMIC AND SOCIAL COUNCIL

Friday, 26 March 1965,  
at 2.30 p.m.

Thirty-eighth Session

OFFICIAL RECORDS

NEW YORK

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*President:* Mr. Akira MATSUI (Japan).

*Present:*

Representatives of the following States, members of the Council: Algeria, Argentina, Austria, Canada, Chile, Czechoslovakia, Ecuador, France, Gabon, Iraq, Japan, Luxembourg, Pakistan, Peru, Romania, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following States, additional members of the sessional committees: Cameroon, Denmark, Ghana, India, Iran, Madagascar, Mexico, United Arab Republic, United Republic of Tanzania.

Observers for the following Member States: China, Cuba, Finland, Ireland, Israel, Italy, New Zealand, Philippines, Spain, Sweden, Trinidad and Tobago, Turkey.

Observer for the following non-member State: Switzerland.

Representatives of the following specialized agencies: 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 Finance Corporation; International Development Association.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 4

- (a) Report of the International Bank for Reconstruction and Development and the International Development Association (E/3992 and Add.1) (concluded);
- (b) Report of the International Finance Corporation (E/3993 and Add.1) (concluded)

1. Mr. PACHACHI (Iraq) expressed satisfaction at the increase in the activities of the International Bank for Reconstruction and Development (IBRD) and its affiliates over the past year. He particularly welcomed the replenishment by more than \$750 million of the resources of the International Development Association (IDA). There had been a gratifying diversification of the Bank's activities in agriculture and education, but insufficient emphasis was still being given to industry, although the IDA credit enabling India to import industrial components and materials was a welcome new venture.

2. The Bank and its affiliates were still committed to aiding private industries, but in many countries only the State had sufficient capital for large-scale industrial expansion, and industrial development, particularly in the developing countries, could not and should not be entirely private. He hoped that the Bank would recognize the importance of State industries in the developing countries, and in this connexion he welcomed the statement by the President of the Bank at the 1362nd meeting that he was re-examining policy in that regard.

3. The difficulty of insufficient and inadequately prepared projects was likely to continue as long as there was a shortage of trained personnel in the developing countries. He welcomed the Bank's readiness to finance pre-investment projects and to give technical assistance through regional seminars and the Economic Development Institute. The close co-operation between the Bank and its affiliates was an important contribution towards fulfilling the objectives of the United Nations Development Decade.

4. Mr. WILLIAMS (United States of America) expressed appreciation of the past achievements and future plans of the Bank and its two affiliates. He noted that, of the total record commitment last year amounting to nearly \$1,200 million, the Bank group extended \$380 million, or about 80 per cent, to developing nations. His Government was glad to see that twenty-one new members had joined those institutions and welcomed the agreements between the Bank and FAO and between the Bank and UNESCO, which were already being implemented through field missions. The Bank group's activities in education deserved particular emphasis. Their value could not be measured merely in terms of money since they

affected the whole development of the societies concerned. His delegation therefore noted with pleasure the credits for education extended by IDA to Nigeria, Pakistan, the United Republic of Tanzania, and Tunisia and the first Bank education loan to the Philippines.

5. The Bank continued to play an important role as an executing agency for the Special Fund. No less than twenty-one Special Fund projects had been placed under its administration in the five years of the Fund's existence. The Bank's technical assistance activities were another important aspect of its operations. Assistance in the preparation of national development plans, measures to promote the establishment of regional economic bodies and technical training courses sponsored by the Economic Development Institute were all evidence of the Bank's awareness that development depended on people as well as capital.

6. The replenishment of IDA's resources by additional contributions totalling more than \$750 million and by a grant to it from the Bank would assure the continuation of its invaluable work. His Government was pleased to have subscribed \$312 million of that total. With those additional resources, IDA would be able to continue to provide credits on liberal terms. But, as the President of the Bank had stated, consideration would soon have to be given to further replenishment. It was noteworthy that the Bank itself had liberalized its terms in appropriate cases by lengthening loan maturities and grace periods. The studies on development finance undertaken by the Bank at the request of the United Nations Conference on Trade and Development (UNCTAD) would provide useful information and help Governments to decide on policies.

7. He wished to draw special attention to the Bank group's increased financing of industrial undertakings. Over 20 per cent of the previous year's commitments to the developing countries—approximately \$180 million—had been made in that field, with which the Council had recently been particularly concerned. His delegation welcomed credits of the type extended to India by IDA to meet the need for foreign exchange with which to import component and spare parts for capital goods industries. It also supported the Bank's proposed augmentation of the resources of the International Finance Corporation (IFC), which would lead to further financing of industrial activities. The Bank's willingness to organize and participate in various consortia and consultative groups was a valued indication of its co-operation in assistance efforts. His delegation was glad to hear that the Bank intended to take the lead, as appropriate, in organizing additional consultative groups.

8. His Government intended to rely increasingly on those financial institutions. It was proud of its support for them and confident that they would make still greater progress in the future.

9. Mrs. WRIGHT (Denmark) said that the activities of the Bank and its affiliates had reached new record levels, and the efficient use of resources had opened up new prospects of assistance for the developing countries. She praised the excellent training programme of the Economic Development Institute, the

diversification of activities and the efficient management of the Bank.

10. She asked the President of the Bank whether he could indicate the main points of the forthcoming preliminary report concerning the United Kingdom and Swedish initiative on supplementary financing measures, and whether some further technical guidance could be given to Governments regarding development financing plans, to help them answer the many questions raised in the report of the Bank's staff entitled The Horowitz Proposal.<sup>1/</sup>

11. Mr. PITHER (Gabon) said that Gabon received substantial assistance from the Bank and its institutions for vital development projects. They benefited both the rural and the urban population, and were concerned mainly with deforestation and transport, to enable food to be imported on a large scale. An efficient infra-structure of rail and port facilities was necessary for a modern integrated economy, and he therefore welcomed the joint project of the Bank and the Special Fund to build a railway to transport iron ore from the Mekambo mines to a seaport near Libreville.

12. Mr. QUAO (Ghana) expressed satisfaction that many African countries had benefited from the expanded activities of the Bank, and hoped that something might be done in the future to alleviate the increasing difficulties of many developing countries in servicing loans. Despite increasing industrialization, agriculture remained for many African countries the basis of a sound economy, and he welcomed the joint efforts of the Bank, its affiliates and FAO to promote the diversification and modernization of agriculture. He looked forward to the publication of the study of agriculture in Africa south of the Sahara.

13. It was important to encourage the flow of capital into the developing countries, and in this connexion he hoped that effective assistance would be extended to State-owned industries as well as private undertakings. Countries should not be penalized for adopting a form of government unpopular with investors, and capital investment should be based on considerations of stability and the safeguards available, rather than the political system in the country concerned. He therefore hoped that every assistance would be given by the Bank to encourage capital investment in the developing countries. He also hoped that some of the Bank's experience and funds would be made available to the new African Development Bank.

14. Mr. POLIT (Ecuador) said that, after the somewhat disturbing and depressing statement made by the Managing Director of the International Monetary Fund (IMF) at the 1360th meeting, it was encouraging to hear the President of IBRD. The Ecuadorian Government wished to congratulate him on the Bank's report<sup>2/</sup> and on the impetus that he had given to the Bank's operations. It was clear from the report that the Bank

<sup>1/</sup> Transmitted to the United Nations Conference on Trade and Development by a note of the Secretary-General of the Conference (TD/B/C.3/1).

<sup>2/</sup> International Bank for Reconstruction and Development; International Development Association, Annual Report, 1963-1964 (Washington, D.C.), and supplementary information for the period from 1 July 1964 to 1 March 1965. Transmitted to the Economic and Social Council by notes of the Secretary-General (E/3992 and Add.1).

was a real development institution, ready to finance any project that would contribute to the economic and social development of the requesting country. Between July 1963 and 1 March 1965, the Bank had granted 103 loans totalling \$1,945 million, an impressive record.

15. There were some points, however, such as the disbursement policy and extra charges relating to loans, which left much to be desired, for they increased the real cost of loans to the borrowing Governments. The need for economic development to be accompanied by social progress had been stressed by several delegations, but no one had yet pointed out the serious repercussions of the population explosion on development in both those fields. An annual rate of population growth of 2 per cent represented a very serious problem for the developing countries. In the case of Ecuador, it was 3 per cent, which meant that the population would double in less than one generation. Unemployment and under-employment were much greater in those countries than could be judged from the statistics, which included thousands of hawkers among the employed. Finding work for the 30,000 to 40,000 persons who entered the labour market annually in Ecuador was a serious problem. The situation of Brazil and India in that respect was even worse. How were those Governments to find work for so many people? And how were discontent, social unrest and political extremism to be avoided?

16. In view of the urgency of those problems, the developing countries were naturally anxious to start on their development programmes as soon as possible. It was therefore regrettable that they had to wait so long after a loan was approved for the actual payment to be made. In the meantime, they had to pay the commitment charge, which was really only another way of raising the rate of interest on the loan. He proposed that the Board of Governors of IBRD should give the problem its attention as a matter of priority. The report showed that only 50 per cent of the loans granted by the Bank during the year covered by the report, and only 30 per cent of the loans granted by IDA, had actually been paid. The delay placed Governments in an awkward position, also. When a loan was approved, it was announced in the local Press and the public expected work to begin forthwith. When work did not start because the money had not been disbursed, the public began to doubt the Bank's intention to grant the loan, and the Bank came in for criticism which was not always justified. It would be better for the Bank not to announce approval of a loan until payment could be made.

17. The high salaries paid to foreign technicians were a heavy burden for the developing countries, particularly as the technicians arrived before the project was due to begin in order to check calculations. That work might be done by local technicians, to be selected by the Bank, or technicians from other developing countries, who did not expect such high salaries. The additional cost of loans resulting from commitment charges and the payment of high salaries made loans from the Bank and IDA so much dearer that Governments sometimes preferred to apply to private banking institutions or investors; although the

rates of interest were higher, there were no additional charges and the money was available sooner.

18. If the waiting period was radically reduced, commitment charges could be practically eliminated; or the Bank might use some of its \$97 million income to relieve the developing countries of that burden, instead of transferring half of it to IDA. That would reduce the real rate of interest on loans and improve relations between the Bank and the debtor countries. He was sure that the President of the Bank, who was so deeply concerned to serve the interests of the developing countries, would give those comments due consideration.

19. Mr. DE GREGORIO (Chile) noted that the Bank and its affiliates had again achieved a record level of investments during the past year. His country particularly appreciated the efforts which the Bank and IDA were making to help the developing countries in education and agriculture. If Chile was to become an industrialized country, it must produce an abundance of cheap food. At the moment, agricultural costs were high and productivity low; during the last twenty years per capita agricultural production had remained at \$44 per year. To remedy that situation the Chilean Government had initiated a comprehensive programme of land reform to be financed by special additional taxes. In addition, the Bank was to provide a loan of \$19 million to the Chilean Government for the improvement of agricultural equipment, and a loan of \$5 million to the Chilean Development Corporation — *Corporación de Fomento de la Producción (CORFO)* — for the improvement of milk production. Those loans were an example of fruitful co-operation between the Bank and the under-developed countries in the implementation of specific projects. He hoped that trend would be continued in the future.

20. A particularly welcome development was the credits which IDA had extended to India for industrial imports. They showed that IDA was not a static institution but was responding with imagination to the real needs of the developing countries. He hoped that in the future similar credits would be extended to enable the developing countries to finance their exports of manufactures and thus be able to compete with the industrialized countries. Also encouraging was the assistance that the Bank and IDA were giving to the developing countries in technical training for they were quite unable to achieve their economic objectives without an adequate supply of skilled labour. That assistance coincided with the efforts which Chile was making to improve education at all levels, to combat illiteracy and to raise the educational standards of the workers.

21. Chile welcomed the liberalization in the terms extended by the Bank and hoped that the Bank would follow the recommendations adopted by UNCTAD. It looked forward to close co-operation between the Bank and the Trade and Development Board.

22. Mr. ARKADYEV (Union of Soviet Socialist Republics) said that his country was not a member of the Bank or IDA but, as a member of the Council, felt entitled to criticize their operations and to determine how far they were in keeping with the United Nations Charter. In spite of the remarks made by the President of the Bank, Mr. Woods, it was clear that the Bank

and its affiliates were doing little to encourage the economic development of the developing countries, to remedy the deficit in their balance of payments, to combat their inflation or to relieve their indebtedness. The terms of the loans extended by the Bank were unsatisfactory and impeded rather than encouraged the economic growth of the poorer countries. Above all, the Bank and its affiliates were not laying sufficient emphasis on industrialization. Those institutions were advancing considerable sums for pre-investment surveys and other academic studies, but what the developing countries required was assistance in constructing and equipping factories.

23. At the same time, the Bank and its group of affiliates were much more concerned with infrastructural investment than with investment in industry proper. If the IBRD was really to live up to its name and help countries in their reconstruction efforts, it must change its traditional policy. In particular, it must abandon its bias towards private enterprise and extend credits more readily to State undertakings. Private enterprise ran counter to the real aims of the developing countries because it sought only profit rather than their advancement. There was also a tendency to apply political pressure on recipients and to shun countries with socialist forms of government.

24. Many of the developing countries had complained that the charges for loans were too high. The interest rate of 5 1/2 per cent charged by the Bank was similar to that charged elsewhere in the money market and also tended to serve as a standard for credits extended by other bodies. The profits made by the Bank were so vast that it could well consider reducing its interest. The Bank resembled a commercial bank rather than an international organization designed to serve the developing countries.

25. He noted from the Bank's report<sup>3/</sup> that a preliminary draft Convention on Settlement of Investment Disputes between States and Nationals of Other States had been drawn up by the Bank and was being discussed by legal experts. However, such a convention should rather be discussed by the United Nations itself.

26. The same criticisms applied to IDA and IMF. As the representatives of Iraq and Ghana had pointed out, the former should do more to assist the State sector, while the latter had been more concerned with currency difficulties than with the real problems of development. The Fund was dominated by some ten States seeking to preserve an outmoded monetary system which benefited only themselves.

27. The Bank and its affiliates, as well as the Fund, should adhere more closely to the economic objectives of the United Nations as defined in the Charter and do more to provide real assistance to the developing countries.

28. Mr. WOODS (President of the International Bank for Reconstruction and Development) welcomed the understanding and encouragement that had been voiced for the work being done by the Bank, IDA and IFC.

He was particularly happy that the group's efforts to improve the terms of loans to developing countries had received strong endorsement.

29. The stimulating comments made by the USSR representative were interesting. It was quite true that the Bank group had given special importance to assistance for laying an adequate infra-structure in the developing countries. He failed to see how industrialization could proceed without such an infra-structure. The group hoped to be able to expand its activities for the promotion of industrialization.

30. It would be entirely wrong to assume that there was anything in the policy of the Bank which would preclude the extension of loans to such countries as Indonesia, Ceylon and the United Arab Republic merely because of the socialistic nature of the economies. Indeed, Yugoslavia, which had the same type of economy, was one of the five or six largest borrowers from the Bank at the present time. No applications for loans from the three countries he had mentioned were under consideration at present, but during the past month a team had gone to Ceylon to advise the Government on the best way to proceed with its economic development programme. If the Bank group were to help Ceylon, it probably would be through technical assistance and the extension of credit by IDA.

31. The philosophy of the Bank with regard to the nationalization of private enterprise was very clear: the Bank felt that reasonable compensation should be negotiated, settled and paid within a reasonable length of time. The Bank's concern with state-owned industries was a concern with regard to the management of those industries. The Bank was considering that problem and hoped to be able to frame a constructive answer for it.

32. He felt proud of the figure of over \$1,000 million that the Bank had put into private industry. He himself believed in private enterprise, but, as President of the Bank, he recognized that loans should not be denied to countries that had chosen other systems.

33. Being from a private-enterprise background, he believed in competition, and believed it would be a healthy thing if the Soviet Union would go into competition with the Bank group in providing finance on more attractive terms. The Bank would be perfectly happy for any country, anywhere, to put an industrial structure on the infra-structure built with the help of the Bank group.

34. It would be difficult to beat the Bank group's effort. The \$1,600 million made available to IDA by the capital-exporting countries, which he had mentioned at the 1362nd meeting, had been in the form of donations and it was being used to extend fifty-year credits to the poorest countries. Those countries paid no amortization or interest during the first ten years and only 1 per cent amortization per year during the next ten, the remaining 90 per cent being amortized over the next thirty years. The only charge was a service fee of 3/4 of 1 per cent. He would be happy to see like terms of development assistance being extended by countries that were not members of the Bank/IDA family. That would be for the good of the

<sup>3/</sup> International Bank for Reconstruction and Development; International Development Association, Annual Report, 1963-1964, p. 12.

developing countries, which was the sole concern of the Bank.

35. He welcomed the support expressed for the draft Convention on Settlement of Investment Disputes between States and Nationals of Other States. He trusted that Governments would shortly take action to bring the Convention into force, and that the amendments to the agreements between the Bank and IFC and the Bank and IDA would shortly be ratified so that the Bank could replenish the funds of the two other organizations. That would have the effect of increasing the flow of capital to the developing countries. The Bank was studying other measures also to achieve the same purpose.

36. Regarding the two points raised by the Danish representative, he regretted that he was unable to offer any detailed comment at the present time on the proposal by the United Kingdom and Sweden; that proposal was being studied by the Bank, and the Secretary-General of UNCTAD was not dissatisfied with the progress being made. As to the Horowitz proposal, the Bank would be prepared to join in discussions of it when it arose in later meetings within its competence.

37. He welcomed co-operation between the Bank group and the other members of the United Nations family and trusted that it would increase, to the greater benefit of the developing countries.

38. Mr. Saad KHALIL (United Arab Republic) said that Mr. Woods had given the impression that no compensation had been offered to the concerns that had been nationalized in the United Arab Republic. That was quite untrue, for the Government had offered fair compensation in spite of the long and unfair exploitation by those concerns.

39. Apart from that, the Bank was not entitled to act as a trustee of foreign exploitation; it went even so far as to take a stand against countries exercising their sovereign right of nationalization. However, he would like to draw attention to Mr. Woods' statement that the Bank had at present no applications for loans from the United Arab Republic, and that that implied the Bank was ready to grant loans to his country, if requested.

40. Although he had not intended to participate in the present debate, as he had the floor he wanted to make some remarks in connexion with the item under discussion.

41. The rumour, to which the representative of the United Kingdom had referred at the previous meeting, that IMF and IBRD — which had supposedly been created to help the expansion of world trade and the realization of world economic welfare — were mainly aiding the advanced countries, could be explained only by the facts that were available; while the economies of the advanced countries were flourishing and prices of their exports were rising, the exports of developing countries had a tendency to decline in volume as well as in price, as had been indicated at the 1360th meeting by the Managing Director of IMF.

42. In order to rescue the pound sterling, international efforts had been mobilized so that within eighteen or twenty-four hours over \$3,000 million had been subscribed for that purpose. On the other hand, despite

the warning given at the same meeting by the Managing Director of IMF, namely that the current year would be a difficult one for the developing countries, Mr. Khalil came to the conclusion that nothing whatsoever was being done to offset those difficulties. All that was done was to debate the problem here very nicely. But that was all.

43. While the developing countries were still suffering from a shortage of available loans to carry out their development plans, astonishingly<sup>3</sup> enough it was stated in the report of IBRD that the Bank's liquid position was such that it had been unnecessary to raise new money during the year.<sup>4</sup> It was a strange situation when the institution, which should devote itself to helping the developing countries, had the capacity to render greater assistance but did not.

44. The envisaged amendment that would enable the Bank to transfer funds to IFC was unjustifiable, as long as Governments of developing countries were in need of loans. While he had nothing against private enterprise—for every country was free to choose its economic system—he wished to point out that the jurisdiction of IFC was exclusively for aiding private enterprise. The Bank, whose main task was to help Governments, envisaged swelling the resources of IFC; that could not be regarded as the proper step. He himself had grave doubts about the way in which loans were made by IFC; he would like to know exactly what companies were receiving help. It seemed more than likely that IFC was backing privately-owned companies for the benefit of foreign investors. After all, the net income of the Bank was partially the result of guarantees given by Governments on granted loans. The priority therefore should be placed on enabling Governments to obtain the loans they needed before thinking of diverting the resources of the Bank in other directions.

45. The situation was deplorable. As had been pointed out in the debate, action to stabilize currencies was of little consequence to people who were starving, and social-economic development was not possible without financial help. It was intolerable that those poor nations should not be able to obtain something to which they were unquestionably entitled—the means of furthering their economic and social development.

46. The PRESIDENT suggested that the Council should adopt the following draft resolution:

"The Economic and Social Council

"Takes note of the report of the International Bank for Reconstruction and Development and the International Development Association and the report of the International Finance Corporation."

*It was so decided.*

AGENDA ITEM 7

Review and reappraisal of the Council's role and functions

*(resumed from the 1358th meeting and concluded)*

47. The PRESIDENT said that agreement had been reached on a text for inclusion in the Council's report on item 7 of its agenda.

<sup>4</sup>/ Ibid., p. 17.



48. Mr. KITTANI (Secretary of the Council) read out the following text:

"A preliminary discussion was held on the item 'Review and reappraisal of the Council's role and functions' and it was agreed to continue this discussion at the thirty-ninth session of the Council. The Secretary-General was requested to invite States Members of the United Nations or the specialized agencies or the International Atomic Energy Agency to submit their views on this subject. He was further requested to transmit these views to the next session of the Council along with such documentation as would facilitate the discussion in the Council and later in the General Assembly."

49. Mr. ARCA PARRO (Peru) noted that there was no specific reference in the text to the suggestion made by the representative of Argentina and supported by others that the Secretariat should prepare a working paper on the subject for the Council.

50. Mr. RAMOS (Argentina) said that he was satisfied with the text. The Secretary-General would presumably include any relevant legal texts in the documentation he was requested to transmit to the Council.

51. Mr. KITTANI (Secretary of the Council) said that it would be for the Secretary-General to interpret his obligation to provide documentation, taking into account the discussion in the Council.

52. Mr. WALDRON-RAMSEY (United Republic of Tanzania) suggested that, in the last sentence, the words "and later" should be replaced by "as well as".

*It was so agreed.*

53. Mr. ARKADYEV (Union of Soviet Socialist Republics) proposed that the words "or the specialized agencies or the International Atomic Energy Agency" should be deleted.

*It was so agreed.*

*The text, as amended, was adopted.*

#### AGENDA ITEM 11

##### Financial implications of actions of the Council

54. The PRESIDENT stated that the Council's actions at its current session had no financial implications.

##### Meetings between the Administrative Committee on Co-ordination, the officers of the Council and the Chairman of the Council's Committee on Co-ordination

55. The PRESIDENT drew the Council's attention to the fact that, in resolution 1043 (XXXVII), it had decided that the next informal meeting between the Administrative Committee on Co-ordination, the officers of the Council and the Chairman of the Council's Committee on Co-ordination should be held in the spring of 1965. Various considerations, however, made it preferable that the next such meeting should be held during the early stages of the Council's 1965 summer session at Geneva.

*It was so agreed.*

##### Date for receipt of applications from non-governmental organizations for consultative status

56. The PRESIDENT reminded the Council that, at its thirty-seventh session, it had decided to convene the Committee on Non-Governmental Organizations in the autumn, rather than during the first three months of the year as in the past. In a note submitted to the Council at its resumed thirty-seventh session (E/3997), the Secretary-General suggested that, as a consequence of such a decision, the closing date for the receipt of applications from non-governmental organizations for consultative status should in future be 1 June, instead of 1 November as stipulated in Council resolution 288 B (X). The Council might wish to adopt that suggestion.

*It was so decided.*

##### Opening date of the thirty-ninth session

57. Mr. WILLIAMS (United States of America) suggested that in order to avoid clashing with the United Nations anniversary celebrations at San Francisco and the second Asian-African Conference at Algiers, it might be advisable to postpone the opening of the thirty-ninth session from 29 to 30 June 1965.

*It was so agreed.*

##### Closure of the thirty-eighth session

58. After the customary exchange of courtesies, the PRESIDENT declared the thirty-eighth session of the Council closed.

*The meeting rose at 5.50 p.m.*