IRAN - ~~Documents~~ - 1981

RM 1984-0112

MEDAI COUNTRY FILES

Box 37
FILE 6

#17094

0137 EST

440040 FUN UI

IRAN

213967 MZBK IRREF TO YOURTELEX WE REPEAT OUR MESSAGE DATED NOV 14,1981

PLEASE AVOID DUPLICATION QUOTE

XXXXXXX

NOV,14,1981

TO:INTERFUND,WASHINGTON.D.C

FROM:BANK MARKAZI IRAN.TERAN

RECEIVED
I.M.F.
1981 NOV 16 AM 8:00
CABLE
ROOM

477059

ORIG: MED
CC: MR. ABDOLLAHI
MR. RAY
MR. YAQUB
MR. PRUST

ATT: MR SHALAN,

THANK YOU FOR YOUR PROMPT REPLY TO OUR TELEX ON NOV12.
YOUR PROPOSED TIME OF VISIT IS QUITE AGREEABLE TO US.
WE ARE STILL WAITING FOR THE DETAILS MENTIONED IN OUR
PREVIOUS TELEX REAGARDS INTERNATIONAL DEPT MARKAZBANK
UNQUOTE MARKAZBANK

Details of mission members, to arrange visas

213967 MZBK IR

440040 FUND UIM

IRAN

213968 VZBK IRNOV,14,1981

RECEIVED
I.M.F.

1981 NOV 14 AM 10:51

CABLE
ROOM

476995

TO : INTERFUND , WASHINGTON D.C.

FROM: BANK MARKAZI IRAN,T EHRAN

ATT: MR. SHAALAN,

THANK YOU FOR YOUR PROMPT REPLY TO OUR TELEX ON NOV 12.
YOUR PROPOSED TIME OF VISIT IS QUITE AGREEABLE TO US .
WE ARE STILL WAINTING FOR THE DETAILSTO

ZAI

U5Z 8 974

This message received in a garbled condition:

☑ It has been serviced and good copy will be provided when received.

☐ It will be serviced if you so desire, contact the Cable Room 3325.

043=897' 53)3/ .

REGARDS

INTLBN DEPT, MARKAZBANK

213968 MZBK IR+

SEC 17/OCR REV 1
4-23-80

IMF OFFICIAL MESSAGE

WASHINGTON, D.C. 20431

7

MARK XX FOR SERVICE
(XX) TELEX
( ) FULL RATE
( ) CODE

ADDRESS

MR. MANAVI-RAD
DIRECTOR, INTERNATIONAL DEPARTMENT
BANK MARKAZI IRAN
TEHRAN, IRAN

DEC 30 PM 2:47

TEXT

THIS IS FURTHER TO MR. RAY'S CABLE TO YOU DATED DECEMBER 21. IN ORDER TO FACILITATE MISSION ARRANGEMENTS, I WOULD BE MOST GRATEFUL IF YOU COULD ADVISE BY TELEX OF ANY STEPS TO BE TAKEN IN WASHINGTON TO OBTAIN VISAS FOR MISSION MEMBERS AND ON BEST MEANS OF SECURING HOTEL RESERVATIONS.

WITH BEST PERSONAL REGARDS,

SHAALAN

INTERFUND

DISTRIBUTION

cc: (by MED)
Mr. Abdollahi
Mr. Palmer (ETR)
Mr. Yaqub
Mr. Noursi
Mr.Lee (ETR)
Mr. Prust
Mrs. Roberts

DO NOT TYPE HERE

SPECIAL INSTRUCTIONS

TEXT MUST END HERE

DRAFTED BY: J. Prust EXT. 77175 DEPARTMENT: MED DATE: 12/30/81

NAME (TYPE): A.S. Shaalan NAME (TYPE): (**)

FOR CABLE ROOM USE ONLY TYPE ** ON LAST OR ONLY PAGE OF MESSAGE

No. of words 2 min Log 046642 Route ITT Operator JJ

SIGNATURE ______ SIGNATURE ______

SEC-17/OCR REV 1
4-23-80

Pamela

IMF OFFICIAL MESSAGE
WASHINGTON, D.C. 20431

MARK XX FOR SERVICE
(XX) TELEX
( ) FULL RATE
( ) CODE

ADDRESS

MR. MANAVI-RAD
DIRECTOR, INTERNATIONAL DEPARTMENT
BANK MARKAZI IRAN
TEHRAN, IRAN

TEXT

THANK YOU FOR YOUR CABLE DATED NOVEMBER 14, 1981 ADDRESSED TO MR. SHAALAN. IN HIS ABSENCE I WISH TO INFORM YOU THAT THE FUND STAFF TEAM WILL BE HEADED BY MR. MUHAMMAD YAQUB, ASSISTANT DIRECTOR, MIDDLE EASTERN DEPARTMENT, AND INCLUDE MR. DAVID NOURSI AND MR. DAN LEE. THEY ARE EXPECTED TO ARRIVE IN TEHRAN ON FEBRUARY 19, 1982 AND DEPART FROM THERE ON FEBRUARY 25. THEIR EXACT ARRIVAL SCHEDULE WILL BE CABLED TO YOU LATER. IN THE MEANTIME WE WOULD APPRECIATE INITIATION OF ARRANGEMENTS FOR THEIR VISAS. IT WOULD ALSO BE APPRECIATED IF THE BANK MARKAZI COULD KINDLY GUIDE US ON THE CHOICE OF ACCOMMODATION IN TEHRAN AND IF POSSIBLE ASSIST IN MAKING NECESSARY RESERVATIONS. THE MISSION WILL NEED A SUITE AND TWO SINGLE ROOMS WITH BATH.

WITH BEST PERSONAL REGARDS
RAY
INTERFUND

DISTRIBUTION

Mr. Abdollahi
Mr. Shaalan
Mr. Palmer (ETR)
Mr. Yaqub
Mr. Noursi
Mr. Lee (ETR)
Mr. Prust
Mrs. Roberts

pl type ew
10 pitch

DO NOT TYPE HERE

SPECIAL INSTRUCTIONS

TEXT MUST END HERE

DRAFTED BY: M.Yaqub EXT. 76531 DEPARTMENT: MED DATE: 21 Dec. 81

NAME (TYPE): A.S. Ray NAME (TYPE): (**)

FOR CABLE ROOM USE ONLY

TYPE ** ON LAST OR ONLY PAGE OF MESSAGE

No. of words 4 min Log 645211 Route ITT Operator JJ

SIGNATURE SIGNATURE

Office Memorandum

December 11, 1981

To: Mr. Dale

From: A.S. Shaalan

Subject: Staff Visit to Tehran

As I verbally informed you, we had proposed to the Iranian delegation to the Annual Meetings an informal visit to Tehran of two to three staff members to initiate a process for regular contacts and consultations with the new Iranian authorities. The Iranian authorities have now informed us of their agreement to the above proposal. We therefore propose to send for about a week in February 1982 to Tehran a staff team consisting of Mr. M. Yaqub (Head) and Mr. D. Noursi (both of MED), and Mr. Dan Lee (ETR).

In view of the sensitivities of the Iranian authorities we have selected the staff of nationalities that we feel would be acceptable to them. However, as an extra precaution I may check with Mr. Abdollahi before informing the Iranian authorities in Tehran about the composition of the mission.

As is normally done, we propose to get in touch with the UN Security Advisor about one week in advance of the departure date of the mission to insure that it is reasonably safe for them to visit Tehran.

May I have your approval please?

12-14-1981

Mr. Shaalan:

Mr. Noursi will have just returned from Lebanon. Would it not be possible to assign someone else

S.H

bcc: Mr. El Selehdar
Mr. Hitti
Mr. Palmer
Mr. Lee
Mr. Noursi
Mr. Prust

The Deputy Managing Director   November 12, 1981

A. Shakour Shaalan

Mission to Iran

As you recall, during the annual meetings we had a meeting with the Iranian delegation about a possible informal staff visit more in the nature of a get-acquainted-mission than anything else. At the time the Iranians thought that was a good idea. Following up on that, after clearing it with you, I telexed the Iranian authorities to see if they were still interested in such a mission. Today I received the attached reply. sSubject to your approval, I propose to advise the authorities that we are tentatively thinking of sending two to three people early in February. I have not decided on the composition of the mission but will consult with you on that at a later date.

cc: The Managing Director
    Mr. Carter

Date: 11/12		Rec'd	Fwd'd
Shaalan, A.S.	3-314		
Ray, A.S.	3-320		
El Selehdar, A.K.	3-320		
Hitti, S.H.	3-314		
Crockett, A.D.	3-314		
von Post, S.	3-300		
Tomasson, G.	3-300		
Jakubiak, H.	3-401		
Rose, J.W.	3-214		
Fayad, I.M.	3-300		
Roberts, P.M.	3-314		
Division A			
Karamali, B.A.	3-300		
Boutros Ghali, M.	"		
Geadah, S.	"		
Kawar, S.	"		
Kayoumy, A.	"		
Nashashibi, K.	"		
Khan, J.	"		
Division B			
Yaqub, M.	3-214		
Hosny M.	"		
Niebling, M.	"		
Prust, J.	"		
Division C			
Abed, G.	3-300		
Blalock, J.	"		
Hill, J.	"		
Noursi, D.	"		
Short, B.	"		
Division D			
Drees, F.	3-401		
Borpujari, J.	"		
Ishii, S.	"		
Shadman, M.	"		
Taha E.	"		
Thayanithy, S.	"		
FILES	3-314		

Remarks

Orig: Mr. Shaalan
cc: Mr. Ray
Division

cc: Mr. Abdollahi

RECEIVED
I.M.F.

1981 NOV 12 AM 8:36

CABLE
ROOM

476738

0820 EST

440040 FUND UI

IRAN

213968 ZBK IRNOV 12, 1981

TO: INTERFUND, WASHINGTON DC

FROM: BANK MARKAZI IRAN , TEHRAN

MR. SHAALAN

TEST: 19

FOLLOWING YOUR TELEX REGARDING YOUR INTEREST IN THE VISIT OF TWO OR THREE FUND STAFF TO IRAN, WE WILL BE PLEASED TO WELCOME THEM HERE IN THE ISLAMIC REPUBLIC OF IRAN.

WE HOPE THIS VISIT WOULD BE FRUITFUL AND IS ALSO ASSOCIATED WITH A SINCERE ACQUAINTANCE WITH THE AUTHORITIES OF THE ISLAMIC REPUBLIC.

FURTHERMORE , KINDLY FURNISH US WITH FULL DETAILS OF THE DELEGATION, SO THAT ARRANGEMENTS COULD BE MADE FOR THEIR ENTRY VISA THROUGH THE MINISTRY OF FOREIGN AFFAIRS AND THE EMBASSY OF THE ISLAMIC REPUBLIC XXX IN WASHINGTON.

LOOK FORWARD TO MEETING YOUR DELEGATIONS IN TEHRAN

BEST REGARDS,

INTL, DEPT, [redacted] MARKAZBANK

213968 MZBK IR

440040 FUND UI

TEST NUMBER:

- [x] CHECKS
- [ ] DOES NOT CHECK, IT HAS BEEN SERVICED.

SV

CABLE ROOM

SEC 17 OCR REV 1
4-?-80

IMF OFFICIAL MESSAGE

WASHINGTON, D.C. 20431

MARK XX FOR SERVICE
(XX) TELEX
(   ) FULL RATE
(   ) CODE

ADDRESS

Mr. MANAVI-RAD
DIRECTOR, INTERNATIONAL DEPARTMENT
BANK MARKAZI IRAN
TEHRAN, IRAN

DISTRIBUTION

Mr. Abdollahi
Mr. Ray
Mr. Yaqub
Mr. Prust

TEXT

THANK YOU FOR YOUR TELEX DATED NOVEMBER 12, 1981 CONVEYING AGREEMENT OF THE AUTHORITIES OF THE ISLAMIC REPUBLIC OF IRAN TO A VISIT OF A TWO TO THREE MEMBER FUND STAFF MISSION TO TEHRAN.

KEEPING IN VIEW OUR PRESENT WORK SCHEDULE, WE PROPOSE A VISIT OF ABOUT ONE WEEK TO TEHRAN IN FEBRUARY 1982 IF THIS IS CONVENIENT TO THE AUTHORITIES OF THE ISLAMIC REPUBLIC OF IRAN. PLEASE CONFIRM IF THIS IS AGREEABLE. I SHALL SHORTLY BE SENDING YOU DETAILS ON THE COMPOSITION OF THE MISSION.

WITH BEST REGARDS

SHAALAN

INTERFUND

DO NOT TYPE HERE

SPECIAL INSTRUCTIONS

TEXT MUST END HERE

DRAFTED BY MYaqub EXT 76531 DEPARTMENT MED DATE 11/12/81

NAME (TYPE) NAME (TYPE) (**)

FOR CABLE ROOM USE ONLY

TYPE ** ON LAST OR ONLY PAGE OF MESSAGE

No. of words Log Route Operator

SIGNATURE SIGNATURE

Office Memorandum

TO : The Deputy Managing Director DATE: November 12, 1981

FROM : A. Shakour Shaalan

SUBJECT : Mission to Iran

As you recall, during the annual meetings we had a meeting with the Iranian delegation about a possible informal staff visit more in the nature of a get-acquainted-mission than anything else. At the time the Iranians thought that was a good idea. Following up on that, after clearing it with you, I telexed the Iranian authorities to see if they were still interested in such a mission. Today I received the attached reply. Subject to your approval, I propose to advise the authorities that we are tentatively thinking of sending two to three people early in February. I have not decided on the composition of the mission but will consult with you on that at a later date.

cc: The Managing Director
Mr. Carter

MR. ALI MAHAVI-RAD XX

DIRECTOR, INTERNATIONAL DEPARTMENT

BANK MARKAZI IRAN

TEHRAN, IRAN

AS YOU KNOW IT IS QUITE COMMON FOR THE FUND STAFF TO GO ON INFORMAL VISITS TO MEMBER COUNTRIES IN ADDITION TO THEIR REGULAR VISITS FOR FORMAL ARTICLE IV CONSULTATIONS.

cc: Mr. Abdollahi
Mr. Yaqub
Mr. Prust

YOU MAY PLEASE RECALL THAT AT THE TIME OF THE ANNUAL MEETINGS I HAD RAISED THE QUESTION ON THE POSSIBILITY OF AN INFORMAL VISIT TO IRAN OF TWO TO THREE FUND STAFF MEMBERS TO ACQUAINT THEMSELVES WITH THE OFFICIALS IN THE MINISTRY OF FINANCE AND THE BANK MARKAZI AND TO EXCHANGE VIEWS ON MATTERS OF MUTUAL INTEREST.

I WOULD GREATLY APPRECIATE IT IF YOU COULD KINDLY LET ME KNOW THE REACTION OF THE IRANIAN AUTHORITIES TO THE ABOVE PROPOSAL.

WITH BEST REGARDS,

SHAALAN

INTERFUND

MY:jh 7-4401 MED 11/6/81

A. Shakour Shaalan **

SEC-17/OCR REV 1
4-23-80

IMF OFFICIAL MESSAGE

WASHINGTON, D.C. 20431

ADDRESS

MR. ALI MANAVI-RAD
DIRECTOR, INTERNATIONAL DEPARTMENT
BANK MARKAZI IRAN
TEHRAN, IRAN

MARK XX FOR SERVICE
(XX) TELEX
( ) FULL RATE
( ) CODE

DISTRIBUTION

Mr. Abdollahi
Mr. Yaqub
Mr. Prust

TEXT

AS YOU KNOW IT IS QUITE COMMON FOR THE FUND STAFF TO GO ON INFORMAL VISITS TO MEMBER COUNTRIES IN ADDITION TO THEIR REGULAR VISITS FOR FORMAL ARTICLE IV CONSULTATIONS.

YOU MAY PLEASE RECALL THAT AT THE TIME OF THE ANNUAL MEETINGS I HAD RAISED THE QUESTION ON THE POSSIBILITY OF AN INFORMAL VISIT TO IRAN OF TWO TO THREE FUND STAFF MEMBERS TO ACQUAINT THEMSELVES WITH THE OFFICIALS IN THE MINISTRY OF FINANCE AND THE BANK MARKAZI AND TO EXCHANGE VIEWS ON MATTERS OF MUTUAL INTEREST.

I WOULD GREATLY APPRECIATE IT IF YOU COULD KINDLY LET ME KNOW THE REACTION OF THE IRANIAN AUTHORITIES TO THE ABOVE PROPOSAL.

WITH BEST REGARDS,

SHAALAN

INTERFUND

DO NOT TYPE HERE

SPECIAL INSTRUCTIONS

TEXT MUST END HERE

DRAFTED BY: MY:jb EXT. 7-4401 DEPARTMENT: MED DATE: 11/6/81

NAME (TYPE): A. Shakour Shaalan NAME (TYPE): (**)

FOR CABLE ROOM USE ONLY

TYPE ** ON LAST OR ONLY PAGE OF MESSAGE

No. of words 4 min Log 637505 Route RCA Operator BJ

SIGNATURE: SIGNATURE:

Mr. Shaalan

Office Memorandum

MEMORANDUM TO THE FILES

October 1, 1981

Subject: Meeting with Iranian Delegation on Wednesday, September 30 at 3:00 p.m.

Fund Representatives	Iranian Representatives
Mr. Shaalan	Mr. A. Manavi-Rad, Director General, Bank Markazi Iran
Mr. Mookerjee	Mr. Morteza Abdollahi, Executive Director
Mr. Yaqub	
Mr. Quirk	
Mr. Prust	

The first items discussed were data reporting to the Fund and the posibility of a mission to Iran. Mr. Manavi-Rad explained the reasons for their inability to provide to the Fund the usual information. Because of the war with Iraq, certain types of information (particularly relating to Iran's external position) had been classified as secret; this was a political decision. However, other types of information (e.g. on foreign exchange regulations) were available and Mr. Manavi-Rad said they would be glad to provide any material of this sort that may be needed. Mr. Manavi-Rad said that because of the war (and the associated restrictions on data availability) and the general security situation in the country, it would not be appropriate for a regular Fund mission to visit Iran in the near future. However sentiment toward the Fund in Iran had recently improved somewhat and Mr. Manavi-Rad responded favorably to the staff's suggestion of a possible short informal visit by a couple of Fund staff members. He undertook to take this up with the Governor of the Central Bank on returning to Iran.

The staff also raised the question of the dispute with Da Afghanistan Bank over the surrender and exchange of Iranian banknotes. Mr. Manavi-Rad outlined some of the difficulties that the Iranian authorities faced in meeting Afghanistan's request, notably that in the absence of supporting documentation there could be no guarantee that the banknotes in question had been legally exported from Iran. Moreover, even if they had, Iran was not legally bound to exchange them. However, it might be possible to find some mutually satisfactory solution. Mr. Manavi-Rad said he would look into the matter and ensure that the staff received a formal reply to their earlier letter; this reply might simply say that the matter was being pursued bilaterally with Da Afghanistan Bank.

Jim Prust

Jim Prust

cc: Mr. Shaalan
Mr. Mookerjee
Mr. Yaqub
Mr. Abed
Mr. Quirk

Orig: Shaalan
cc: Yaqub/Prust

Cable address: MARKAZBANK
Telex Nos.: THN 2359
THN 2503
P. O. Box 3362

475251

Our Ref. No. 365 475251

Date: 6th Sept. 1981

Orig: Mr. Shaalan
cc: Mr. Yaqub/Prust

BANK MARKAZI IRAN

(THE CENTRAL BANK OF IRAN)
Ferdowsi Avenue, Tehran, Iran

(DISTRIBUTED AGAIN) ~~ORIG: MED~~
ORIG: SEC
CC: MD
DMD
MR. ABDOLAHI
MED

Mr. Leo Van Houtven
The secretary
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. Van Houtven

Following our cable of August 18,1981, regarding the appointment of Mr. Mohsen Nourbakhsh, I am enclosing the translation of the decree of Minister of Economic Affairs and Finance, whereby Mr. Nourbakhsh has been appointed as Governor of Bank Markazi Iran.

RECEIVED
INTERNATIONAL
MONETARY FUND
1981 SEP 24 AM 10: 45
COMMUNICATIONS
DIVISION

Yours sincerely,

Director
International Dept.
A. Manavi-Rad

IN THE NAME OF THE ALMIGHTY

Islamic Republic of Iran
Ministry of Economic Affairs and Finance.

H.E.Dr. Mohsen Nourbakhsh,

You are herewith appointed to the office of the Governor of Bank Markazi Iran. In administrating the affairs of that institution and performing the relevant duties, you shall act in conformaity with legal rules and regulations. I pray to the God Almighty for your success in acheiving the aims of islamic revolution of Iran.

Hossein Namazi
Minister of Economic
Affairs and Finance

I certify that the above translation is true and correct and conforms with the original text.

M. ROUHANI

M. Rohani

Vice Governor
Bank Markazi Iran

Date: 8/26/81

		Rec'd	Fwd'd
~~Shaalan, A.S.~~	3-314		
Ray, A.S.	3-320		
El Selehdar, A.K.	3-320		
Hitti, S.H.	3-314		
Crockett, A.D.	3-314		
von Post, S.	3-300		
Tomasson, G.	3-300		
Jakubiak, H.	3-401		
Rose, J.W.	3-214		
Fayad, I.M.	3-300		
Roberts, P.M.	3-314		
Division A			
Karamali, B.A.	3-300		
Boutros Ghali, M.	"		
Kawar, S.	"		
Kayoumy, A.	"		
Khan, J.	"		
Division B			
Yaqub, M.	3-214		
Dajani, T.	"		
Hosny M.	"		
Niebling, M.	"		
Division C			
Abed, G.	3-300		
Blalock, J.	"		
Noursi, D.	"		
Short, B.	"		
Division D			
Drees, F.	3-401		
Ishii, S.	"		
Taha E.	"		
Thayanithy, S..	"		

FILES 3-314

Remarks ETR to reply.

Orig: Mr. Shaalan
cc: Division

440040 FUND UI

3812246EUZON G

25.8.81. REF: 7104 VMH/EUROMONEY EDIT

2

ATTENTION

(1) EXCHANGE AND TRADE RELATIONS DEPARTMENT

(2) MIDDLE EAST ECONOMICS DEPARTMENT

RE IRANIAN EXCHANGE REGULATIONS AND ECONOMICS POSITION

ORIG: MR. FINCH

cc: LEG
MED

46957

WE WOULD BE MOST GRATEFUL FOR INFORMATION (IF POSSIBLE BEFORE AUGUST 23) ON:

1. PRINCIPAL EXCHANGE REGULATIONS PRESENTLY OPERATING
2. SYSTEM USED TO DETERMINE THE OFFICIAL EXCHANGE RATE OF THE RIAL
3. PARALLEL EXCHANGE MARKET AND INTEREST RATE STRUCTURE
4. LATEST ECONOMIC DATA (I.E. GNP, INFLATION, CURRENT ACCOUNT, BUDGET, DEFICIT, RESERVES ETC.)

MANY THANKS FOR YOUR HELP

REGARDS

MICHAEL PROWSE

EUROMONEY+

440040 FUND UIO

Aug 26, 1981

Date:		Rec'd	Fwd'd
~~Shaalan, A.S.~~	~~3-314~~		
Ray, A.S.	3-320		
El Selehdar, A.K.	3-320		
Hitti, S.H.	3-314		
Crockett, A.D.	3-314		
von Post, S.	3-300		
Tomasson, G.	3-300		
Jakubiak, H.	3-401		
Rose, J.W.	3-214		
Fayad, I.M.	3-300		
Roberts, P.M.	3-314		
Division A			
Karamali, B.A.	3-300		
Boutros Ghali, M.	"		
Kawar, S.	"		
Kayoumy, A.	"		
Khan, J.	"		
Division B			
Yaqub, M.	3-214		
Dajani, T.	"		
Hosny M.	"		
Niebling, M.	"		
Division C			
Abed, G.	3-300		
Blalock, J.	"		
Noursi, D.	"		
Short, B.	"		
Division D			
Drees, F.	3-401		
Ishii, S.	"		
Taha E.	"		
Thayanithy, S..	"		

FILES 3-314

Remarks ______________________________

Orig: Mr. Shaalan
cc: Mr. Yaqub

AUG - 7 1981

Gentlemen:

I write with reference to the exhibit of currencies of member countries located in the lobby of the Fund's headquarters.

We have been advised that Iran's currency now includes new notes which would be appropriate for display in our exhibit in place of the old notes previously on display. It would be appreciated, therefore, if the Bank Markazi would send to the Fund two identical notes of this new issue for our exhibit. We prefer, if possible, to display notes of a representative denomination in common use which would have a low monetary value. The notes should be regular currency, not specimen notes. The reason for requesting two identical notes is to enable us to exhibit both sides of a particular note.

In addition, if Iran has a coin equal to one rial, it would be appreciated if you would send us two such coins to be exhibited alongside the notes.

If you are able to respond to this request, would you please send the notes and coins by registered airmail. You may consider this letter your authority to debit the Fund's No. 2 Account with the value of the notes and coins and with the expense of forwarding them to the Fund.

Sincerely yours,

Walter O. Habermeier
Treasurer

CC:MR.ABDOLLAHI
TRE
C.FILES
MED

Bank Markazi Iran
P.O. Box 3362
Teheran, Iran

M. Chamberlain
MC/RJF:mad
8/7/81

(Cleared with Mr. Dajani, MED)

Date: 7/29/81

		Rec'd	Fwd'd
~~Shaalan, A.S.~~	~~3-314~~		
Ray, A.S.	3-320		
El Selehdar, A.K.	3-320		
Hitti, S.H.	3-314		
Crockett, A.D.	3-314		
von Post, S.	3-300		
Tomasson, G.	3-300		
Jakubiak, H.	3-401		
Rose, J.W.	3-214		
Fayad, I.M.	3-300		
~~Roberts, P.M.~~	3-314		
Division A			
Karamali, B.A.	3-300		
Boutros Ghali, M.	"		
Kawar, S.	"		
Kayoumy, A.	"		
Khan, J.	"		
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Yaqub, M.	3-214		
Dajani, T.	"		
Hosny M.	"		
Niebling, M.	"		
Division C			
Abed, G.	3-300		
Blalock, J.	"		
Noursi, D.	"		
Short, B.	"		
Division D			
Drees, F.	3-401		
Ishii, S.	"		
Taha E.	"		
Thayanithy, S..	"		

FILES 3-314

Remarks

Cable address: MARKAZBANK
Telex No: THN 21 - 2359
THN 21 - 2603
P. O. Box 3362

474512 Our Ref. No.... 0010

Date:.. -8.JUL.1981

Orig: Mr. Shaalan/Pam
cc: Division

BANK MARKAZI IRAN
(THE CENTRAL BANK OF IRAN)
Ferdowsi Avenue, Tehran, Iran

ORIG: TRE
CC: MD
DMD
MR. ABDOLLAHI
ETRD
MED
SEC
MR. DANNEMANN
MR. BOUTER
MS. BAGARES

To Our Correspondents:

Dear Sirs,

We take pleasure in informing you that His Excellency Mohsen Noorbakhsh has been appointed Governor of Bank Markazi Iran as of June 13, 1981.

His Excellency Mohsen Noorbakhsh's specimen signature appears below.

Please acknowledge receipt.

Faithfully yours,

Asghar F. Kashan	H. Azarmahd
Asghar F. Kashan	H. Azarmahd
Vice Governor	Vice Governor

RECEIVED
INTERNATIONAL
MONETARY FUND
1981 JUL 28 PM 2:48
COMMUNICATIONS
DIVISION

(1)

Specimen signature of His Excellency
Mohsen Noorbakhsh

Mohsen Noorbakhsh

form 21 - 500 c - 150 f - 3/54

JUN 30 1981

Messrs. Ray/Shaalan/Hitti/
Crockett/Jakubiak

Dear Sir:

As you may know, the International Monetary Fund has recently taken a decision on borrowing by the Fund from central banks and other official institutions. This decision makes it possible for central banks to invest foreign exchange reserves in SDR-denominated assets issued by the Fund and thus assist the Fund in the financing of its "enlarged access" policy. A number of central banks have already indicated that they are willing to make such investments. In view of the general interest that the central banks and monetary authorities of Fund members may have in such investments, we have prepared a brief explanatory note, which I enclose, outlining the main characteristics of the assets to be issued by the Fund and the nature of the arrangements envisaged with the central banks.

I would very much appreciate it if you would inform me by telex in the near future if you would be interested in receiving a proposal from the Fund. We would, of course, be pleased to supply you with any further information you might require.

Very truly yours,

Walter O. Habermeier
Treasurer

Enclosure

CC: TRE
MR. ABDOLAHI
MED

Governor
Bank Markazi Iran
P.O. Box 3362
Teheran, Iran

Date: 5/13/81		Rec'd	Fwd'd
~~Shaalan, A.S.~~	3-314		
Ray, A.S.	3-320		
El Selehdar, A.K.	3-320		
Hitti, S.H.	3-300		
Crockett, A.D.	3-314		
von Post, S.	3-300		
Tomasson, G.	3-300		
Jakubiak, H.	3-401		
Rose, J.W.	3-214		
Fayad, I.M.	3-300		
Roberts, P.M.	3-314		
Division A			
Karamali, B.A.	3-300		
Boutros Ghali, M.	"		
Kawar, S.	"		
Kayoumy, A.	"		
Khan, J.	"		
Division B			
Yaqub, M.	3-214		
Dajani, T.	"		
Hosny M.	"		
Niebling, M.	"		
Division C			
Abed, G.	3-300		
Barth, R.	"		
Blalock, J.	"		
Noursi, D.	"		
Short, B.	"		
Division D			
Drees, F.	3-401		
Ishii, S.	"		
Taha E.	"		
Thayanithy, S..	"		
FILES	3-314		

Remarks ______________________________

Orig: Mr. Shaalan
cc: Messrs. Yaqub/Tomasson

INTERNATIONAL MONETARY FUND
WASHINGTON, D.C. 20431

CABLE ADDRESS
INTERFUND

CC: TRE
MR. ABDOLAHI
MED

MAY 11 1981

Dear Sirs,

Thank you for your telex of April 13, 1981 in which you requested some further information regarding transactions and operations in SDRs. This letter briefly explains the types of transactions and operations that Fund members, as participants in the SDR Department, may enter into by agreement with other participants and institutions prescribed by the Fund as "other holders" of SDRs.

There are seven categories of bilateral transactions and operations in SDRs as follows:

(1) Spot purchases or sales of SDRs against currency (or another monetary asset other than gold) at the official exchange value of the SDR as determined by the Fund;

(2) Swap arrangements, in which SDRs can be exchanged, at the official exchange rate, for a currency (or another monetary asset other than gold) with an agreement to reverse the exchange at a specified future date. The exchange rate for the reversal can be decided by agreement between the parties concerned;

(3) Forward operations, in which SDRs may be bought or sold for delivery at a future date against currency (or another monetary asset other than gold) at an exchange rate agreed between the parties;

(4) Loans, in which the interest rate and maturity may be agreed between the parties and repayment of the loans or payments of interest may be made in SDRs or by other means if desired;

(5) Settlement of financial obligations;

(6) As security for the performance of financial obligations, in either of two ways: (a) in a pledge, with the SDRs earmarked for the duration of the pledge in a special register kept by the Fund in the SDR Department; or (b) in a transfer-retransfer agreement, under which SDRs would be transferred as security for the performance of an obligation and would be returned to the original transferor when its obligations under the agreement had been fulfilled; and

(7) Donations (grants).

c. file

In these transactions or operations the amounts and most other details are left for the parties to agree. However, the exchange rate to be used for a loan or the settlement of a financial obligation must be the official value for the currency involved as determined by the Fund on the basis of the so-called representative rate of the currency concerned. In the two instances referred to, this requirement has been established in order to ensure that the user of SDRs receives equal value irrespective of which currency is received. In addition, in order for the Fund to record transfers of SDRs, it is necessary for both parties to any SDR transaction or operation to notify the Fund of the type of SDR use involved, the amount to be transferred, the value date and in some cases additional information regarding the terms and conditions agreed. The requirements vary according to the type of SDR transfer involved and the precise details are set out in the relevant Articles of Agreement, Rules and Regulations and decisions of the Executive Board. The relevant texts are attached for your convenience, together with some Executive Board papers dealing with these uses of SDRs, which you may find of interest.

In the interests of promoting the role of the SDR, the Fund stands ready to assist Fund members and other holders that are interested in engaging in transactions and operations in SDRs. In order to assist enquirers we would therefore be grateful to learn if you are interested in any one or all of the above transactions and operations, in what amounts, and any preferences you may have as regards timing.

If you have any further questions, please do not hesitate to be in touch with us.

Sincerely yours

W. O. Habermeier

W. O. Habermeier
Treasurer

Attachments

Bank Markazi Iran
P. O. Box 3362
Teheran, Iran

INTERNATIONAL MONETARY FUND

Mr. Shaalan.

Letter and memorandum, as drafted, were despatched May 11. ETR are reticent about chasing Mr. Abdollahi but will inform us of developments.

JR.

J. W. Rose

6/30

Office Memorandum

Orig: Mr. Shaalan
cc: Mr. Yaqub
Messrs. Abed/Noursi

To Rose

TO : The Acting Managing Director

DATE May 8, 1981

FROM : Subimal Mookerjee SM

SUBJECT : Exchange of Iranian Banknotes--Inquiry by Da Afghanistan Bank

Mr. Jewayni, Governor of Da Afghanistan Bank, has written to Mr. Finch requesting the Fund's assistance in the exchange of a shipment of demonetized Iranian currency notes tendered to the Iranian central bank. The attached letter to Mr. Jewayni and memorandum to Mr. Abdollahi, Executive Director for Iran, represent the first stage of our inquiries into this matter.

For your approval.

cc: Mr. Shaalan ✓
Mr. Nicoletopoulos

Attachments

Mr. Rose.

Could you please follow up on this and let me know the outcome. Thanks

SSh.
June 29.

DRAFT
May 6, 1981

Dear Mr. Jewayni:

In response to your letter of April 5, 1981 requesting the Fund's assistance in the exchange of certain demonetized Iranian currency notes tendered by the Da Afghanistan Bank to the Bank Markazi Iran, we are working to see if there is anything we can do to resolve your problem. The Legal and Middle Eastern Departments have been given your letter and a study is being made of the scope of the Fund's jurisdiction under Article VIII in this matter. However, you should know that this study has not so far revealed any precedents which relate directly to the issues you have raised, so we are at present uncertain as to how much we can do.

In order to pursue this matter further we may need more information from you regarding the tendering of the demonetized notes by Da Afghanistan Bank. However, as a first step, we are contacting the Executive Director for Iran to give him your letter and to ask him for information, including information concerning the current Iranian regulations.

We will be in touch with you again when we have made some progress.

With best regards,

Sincerely yours,

C. David Finch
Director
Exchange and Trade Relations Department

Mr. G.H. Jewayni
Governor
Da Afghanistan Bank
Kabul
Afghanistan

DRAFT #3
May 6, 1981

To: Mr. Abdollahi

From: C. David Finch, A. Shakour Shaalan, and George P. Nicoletopoulos

Subject: Exchange of Iranian Banknotes--Inquiry by Da Afghanistan Bank

The Governor of Da Afghanistan Bank has written to the Fund (see letter of April 5, 1981 to Mr. Finch, attached) in connection with certain Iranian currency notes tendered by Da Afghanistan Bank to the Bank Markazi Iran. According to the Governor of Da Afghanistan Bank, an amount of demonetized Iranian currency notes collected from Afghans who had returned to Afghanistan was forwarded to the Bank Markazi Iran several months ago for exchange. He has advised the Fund that, while on an earlier occasion the amounts sent were exchanged, the result was different in this last case. The Governor of Da Afghanistan Bank has asked for the Fund's assistance in seeking a resolution of this problem.

We would appreciate your assistance in this matter. In particular, it would be helpful to have your Iranian authorities' understanding of the circumstances of the incident referred to in the Governor's letter. We would also appreciate being sent the regulations that bear on the matter, including the demonetization order, and the present exchange control regulations with respect to the export and import of banknotes and the redemption of banknotes by the Bank Markazi Iran. In addition, your answers to the following questions would be of assistance to us in this matter:

(1) What were the effective dates of demonetization of rial banknotes and the expiration date for the permissible exchange of old notes for new notes? Were different dates applicable to domestic and foreign holders or for private and official holders? Are any of the old notes which have been tendered by Da Afghanistan Bank still legal tender in Iran?

(2) As reported in the survey of Iran's exchange system at the end of 1980 prepared for the Fund's <u>Annual Report on Exchange Arrangements and Exchange Restrictions, 1981</u>, the text of which was approved by Iran, travelers are permitted to take out of Iran domestic currency banknotes to the value of Rls 20,000 and this was understood to include notes of all denominations. Have there been any changes in this regulation since December 31, 1980?

(3) Does the Bank Markazi Iran undertake to accept Iranian banknotes tendered by foreign central banks and to provide in exchange (a) the equivalent amount in foreign exchange, (b) a credit at the Bank Markazi Iran in Iranian currency? Are such arrangements in effect with Da Afghanistan Bank? If the arrangements are for foreign exchange, which currency is used and which exchange rate is applied in such settlements?

(4) In the case of demonetized notes, what provisions are in effect vis-à-vis foreign central banks for the exchange of old notes for new notes?

Attachment

Telex: No. 23

Mr. C. David Finch
Director
Exchange and Trade Relations-
Department
International Monetary Fund
Washington D.C. 20431
U. S. A.

cc: Mr. Mookerjee
Mr. McLenaghan

Cable Address. DAFBANK
Code Peterson's 3rd Ed
Mosse

Our Ref. Sec.487

Date. Apr. 5,1981

Dear Mr. Finch:

We would like to have IMF's advice and, if possible, also assistance in the resolution of a problem, Da Afghanistan Bank has run into with Bank Markazi Iran, in connection with demonetisation of certain Iranian currency notes effected by Iranian authorities around the middle of last year.

As you may, perhaps, be aware, thousands of Afghan labour have in the recent years, crossed over the borders to take up employment in Iran. Remittances out of their savings from their earnings there to Afghanistan for support of their family members is a common feature of this labour exodus. Considering the general backwardness of these simple and mostly illiterate workers, it is not surprising that a good part of these remittances is in the form of transfer of Iranian bank notes into Afghanistan, the existence of free and open money bazaar in Afghanistan and Iran, perhaps, facilitating this process. Thus, it happened that when the demonetisation of the bank notes took place in Iran, some amount of such notes was held within Afghanistan among the Afghan people, mostly by the erstwhile workers in Iran, who had just returned to Afghanistan. The money bazaar does not, obviously, provide the facility for exchange of the demonetised bank notes into legal tender; nor are the holders in a position to know and comply with all the official procedures and other formalities connected with such exchange.

It is under these circumstances, and at the persistent request of our nationals and as a result of cables sent by Bank Markazi Iran to our Bank that, Da Afghanistan Bank arranged for the collection of the demonetised notes from the holders and undertook to tender the notes to the Iranian central bank, namely, Bank Markazi Iran, for exchange. This action of ours, is, we believe, entirely in accord with accepted international practice, besides being in conformity with Bank Markazi Iran's own regulations and the advice we have received from that Bank itself, in this regard. Whil the settlement of the matter was being protracted, I wrote to Mr. Morteza Abdollahi, our Executive Director in the Fund, last January requesting his good offices in the settlement of this issue.

Meanwhile, we tendered the demonetised bank notes to Bank Markazi Iran at Teheran a few months ago for exchange. The Bank accepted the notes in a container without inspection and gave a receipt to our representative. He was told that a decision will be taken later. To our utter dismay, the Bank has recently refused to have the notes exchanged. Further, we were told that the bank notes tendered by Da Afghanistan Bank had been confiscated, on the ground that these notes were smuggled notes and the Bank refused to hand back the demonetised notes tendered by us.

The argument about the notes being all smuggled notes cannot bear a moment's scrutiny. The Bank informed us by cable that they were taking these notes out of circualation and we informed them that we are sending the amounts in our possession or collected before the expiry date. They had previously accepted similar bank notes of R. 10,000 denomination for the credit of our account. How and why the second shipment is considered smuggled banknotes is difficult to understand. We informed them and declared them at the airport at Teheran. Besides, export of currency notes are being permitted by Iran. Thus, travellers leaving Iran, are, as you are aware, permitted, since June 1973, to take freely upto Rials. 20,000. Besides, there is also the human aspect, namely, the earnings of thousands of our workers in Iran under very difficult conditions, which are being jeopardised by this decision on the part of the Bank Markazi Iran.

I shall be very thankful, therefore, if you will kindly let us have your ideas and advice, as to what we can do now to redress this patently unjust decision of Bank Markazi Iran. I shall thank-you, if will please consult with Mr. Shalaan and the Fund's Legal Counsellor also, for their suggestions on this issue. As I have noted at the outset, we would very much appreciate, if the IMF can use its good offices with the Bank Markazi Iran in this behalf. In my opinion, such an action will be quite within the competence of the International Monetary Fund, for, one of its objectives is "to promote international monetary cooperation". We shall, of course, provide fuller details and documentation, which may be required.

I hope to hear from you at your earliest convenience.

With best personal regards,

Sincerely Yours,

G.H. Jewayni

G.H. Jewayni.
Governor
Da Afghanistan Bank.

Orig: Mr. Shaalan
cc: Mr. Yaqub
Messrs. Abed/Noursi

CHECK SERVICE

Telex ☒
Night Letter ☐
Full Rate ☐
Code ☐

OFFICIAL MESSAGE
INTERNATIONAL MONETARY FUND
Washington, D.C. 20431

DISPATCHED IMF 1981 MAY 7 PM 6:03

TIME RECEIVED

ADDRESS

MR. G.H. JEWAYNI
GOVERNOR
DA AFGHANISTAN BANK
KABUL, AFGHANISTAN

Special Instructions

THIS IS TO ACKNOWLEDGE RECEIPT OF YOUR LETTER OF APRIL 5, 1981, REQUESTING FUND'S ASSISTANCE IN THE EXCHANGE OF IRANIAN CURRENCY NOTES TENDERED TO BANK MARKAZI IRAN. WE ARE PRESENTLY WORKING ON THIS MATTER AND WILL CONTACT YOU AGAIN AS SOON AS POSSIBLE. LETTER FOLLOWS.

BEST REGARDS
FINCH
INTERFUND

Distribution
Mr. Shaalan

MESSAGE MUST END HERE

Drafted by: PJQuirk:mm
Department: ETR
Date: April 7, 1981

Subimal Mookerjee
NAME (TYPE) SIGNATURE

NAME (TYPE) SIGNATURE

FOR CABLE ROOM USE ONLY

No. of words: 60wds Log: 601242 Route: WUI Operator: MRA

Mr. Shaalan

Orig: Messrs. Shaalan/Ray
cc: Mr. Yaqub
Mr. El Selehdar

April 30, 1981

MEMORANDUM FOR FILES

Subject: United States Iranian Assets Control Regulations

A meeting on the above-mentioned subject was held with Mr. Syvrud, Alternate Executive Director for the United States, on April 27, 1981. Staff members present were Messrs. Finch, Nicoletopoulos, Hernandez-Cata, and McLenaghan.

Mr. Nicoletopoulos, on the authorization of the Acting Managing Director, described for Mr. Syvrud the position of the staff with respect to the amendments to the above regulations that were issued in January 1981, as outlined in the memorandum to Management of April 24 by Messrs. Finch, Nicoletopoulos, and Robichek. Mr. Nicoletopoulos emphasized the following points:

1. With one exception, the restrictions on payments and transfers for current international transactions involving Iran that were introduced in the Iranian Assets Control Regulations of November 1979, as amended, had now been eliminated.

2. The exception related to a continuing prohibition on transactions involving stand-by letters of credit, performance bonds, and similar obligations with respect to Iran entered into prior to January 19, 1981.

3. It was the staff's understanding, after talking to lawyers from the U.S. Treasury, that this prohibition would not be terminated in the near future.

4. In the view of the staff this measure involved a restriction in terms of Article VIII, Section 2; the Treasury lawyers had not disagreed with this interpretation.

5. Although a case could be made for the view that the remaining restriction constituted a residual item of the restrictions originally notified to the Fund in terms of E.B. Decision No. 144, the staff inclined to view that the restriction could no longer be justified on grounds of national or international security.

6. Since the U.S. authorities were expected to inform the Fund officially within the next few days of the amendments to the regulations, the staff and Management felt that it was appropriate for these views to be made known to Mr. Syvrud for transmittal to his authorities.

Mr. Syvrud, in reply, asked if the restriction could continue to come under Decision No. 144 since it had originated in measures that had their basis in the dispute with Iran involving international security. Mr. Nicoletopoulos acknowledged that it was open to a member to represent that a restriction had been introduced or maintained on grounds of national or international security but in the circumstances of the U.S. restriction the staff felt that it would be difficult to defend that position in the Executive Board if such a representation were challenged. He added that it was proposed to circulate the United States' notification, and the amendments to the regulations, to the Executive Board for information. The accompanying staff paper would indicate that with one exception the restrictions introduced during 1979 and 1980 had been eliminated, that this matter would be reviewed with the U.S. authorities, and that in the meantime no action by the Executive Board will be proposed. Mr. Finch added that this review could take place in the period prior to the Article IV consultation discussions scheduled for the end of May. If not, it would need to be handled within the context of the consultation, bearing in mind that Article IV consultations comprehend consultations under Article VIII. He added that in light of the discriminatory nature of the restriction, and the fact that it was not expected to be eliminated in the near future, approval of the restriction would not be proposed.

Mr. Syvrud promised to transmit the staff's views on this matter to his authorities so that they could be taken into account in the preparation of the notification to the Fund of the new regulations.

John B. McLenaghan
Division Chief
Exchange Restrictions Division
Exchange and Trade Relations Department

cc: Mr. Finch
Mr. Nicoletopoulos
Mr. Shaalan
Mr. Hernandez-Cata

Date: 4/27/81		Rec'd	Fwd'd
~~Shaalan, A.S.~~ (cancel)	~~3-314~~		
~~Ray, A.S.~~	3-320		
El Selehdar, A.K.	3-320		
Gerakis, A.S.	3-401		
Hitti, S.H.	3-300		
Crockett, A.D.	3-314		
von Post, S.	3-300		
Jakubiak, H.	3-320		
Rose, J.W.	3-300		
Tomasson, G.	3-300		
~~Roberts, P.M.~~	3-314		
Division A			
Karamali, B.A.	3-300		
El-Khouri, S.	"		
Kawar, S.	"		
Noursi, D.	"		
Khan, J.	"		
Division B			
Yaqub, M.	3-214		
Barth, R.	"		
Kayoumy, A.	"		
Taha, E.	"		
Division C			
Abed, G.	3-300		
Blalock, J.	"		
Short, B.	"		
Thayanithy, S.	"		
Division D			
Drees, F.	3-401		
Dahl, G.	"		
Dajani, T.	"		
Niebling, M.	"		

FILES 3-314

Remarks

Orig: Messrs. Ray/Shaalan
cc: Mr. Yaqub
Mr. El Selehdar

Office Memorandum

TO : The Managing Director
The Deputy Managing

DATE: April 24, 1981

FROM : C. David Finch, George Nicoletopoulos, and E. Walter Robichek

SUBJECT : United States Iranian Assets Control Regulations

We have been reviewing amendments to the United States Iranian Assets Control Regulations and related Executive Orders that were issued following the agreement of January 19, 1981 between the United States and Iran relating to the release of the U.S. hostages in Iran. These measures revoked, inter alia, certain trade and financial sanctions and prohibitions against transactions involving Iran that were introduced in November 1979. It is our conclusion that with one exception the new regulations have effected the withdrawal of the restrictions on payments and transfers for current international transactions involved in the earlier measures. These were the restrictions in respect of which the United States notified the Fund on November 28, 1979, in accordance with Executive Board Decision No. 144-(52/51) adopted August 14, 1952 (Restrictions for Security Reasons) (EBD/79/293, 11/29/79; EBD/80/113, 4/28/80; and EBD/80/137, 5/14/80).

The exception relates to transactions involving stand-by letters of credit, performance bonds and similar obligations entered into prior to January 19, 1981; these remain subject to the prohibitions and other procedures contained in the original regulations. In our view this measure involves an exchange restriction subject to the Fund's approval jurisdiction under Article VIII, Section 2.

We have explored the nature of the new regulations with certain U.S. officials, including lawyers of the Treasury, and have informed them of the staff's view that a restriction subject to approval under Article VIII, Section 2 is involved. It is our impression that the authorities do not expect to terminate the restriction in the near future.

The important question to be considered at this point concerns the treatment of this restriction by the Fund. We expect that the United States authorities will notify the Fund officially in the coming week of the new regulations, and that the justification of the remaining restriction will be in terms of national emergency. Such reliance would prove awkward. Although open to argument, the staff is inclined to the view that the restriction could no longer be justified on grounds of national or international security. In contrast, it might be argued that the invocation of Decision No. 144 is properly a matter for the member introducing or maintaining a restriction and that it is for the Executive Board to form a judgment on the issue. Furthermore, in considering the restriction other than on grounds of national or international security, the staff would not recommend the approval of the Fund under Article VIII in view of the discriminatory nature of the restriction and the apparent inability of the U.S. authorities to represent that the measure is temporary.

Subject to your concurrence, we will discuss the matter with Mr. Syvrud, and we will inform him that in the paper to the Executive Board accompanying these regulations the staff would indicate that with one exception the restrictions introduced during 1979 and 1980 have been eliminated. The paper would also note that this matter will be reviewed with the authorities and that in the meantime no action by the Executive Board is proposed.

In discussing this matter with Mr. Syvrud, we see advantages in making known to him the staff's views on the restriction, as outlined above. By so doing, the staff would be in a better position to explore further with the authorities the possibility of eliminating the restriction. On this point we would welcome your reaction.

I approve this course of action as you suggest.

cc: Middle Eastern Department
Mr. Watson

OFFICIAL MESSAGE
INTERNATIONAL MONETARY FUND
Washington, D.C. 20431

CHECK SERVICE
- Telex [X]
- Night Letter [ ]
- Full Rate [ ]
- Code [ ]

1981 APR 24 PM 6 09
TIME RECEIVED

ADDRESS

THE HON. ALI REZA NOBARI
GOVERNOR
BANK MARKAZI
TEHRAN, IRAN

Special Instructions

REFERENCE LETTER OF FUND MARCH 30, 1981 REQUESTING VOTE OF IRAN ON PROPOSED RESOLUTIONS ON INCREASE OF QUOTA OF SAUDI ARABIA AND THE SIZE AND COMPOSITION OF THE EXECUTIVE BOARD. VOTE OF IRAN NOT YET RECEIVED.

NO PARTICULAR FORM OF VOTE IS REQUIRED SO LONG AS THE COMMUNICATION TO THE FUND INDICATES CLEARLY WHETHER YOU APPROVE OR DISAPPROVE THE PROPOSED RESOLUTIONS. TO BE VALID VOTE MUST BE RECEIVED AT THE SEAT OF THE FUND ON OR BEFORE 6:00 P.M. WASHINGTON TIME ON MONDAY, APRIL 27, 1981.

WOULD VERY MUCH APPRECIATE YOUR ATTENTION TO THIS MATTER.

KINDEST REGARDS,

RAY

INTERFUND.

Distribution

cc: Mr.Abdollahi
Mr.Shaalan

MESSAGE MUST END HERE

Drafted by: ASR:cn
Department: MED
Date: April 24, 1981

A. S. Ray
NAME (TYPE)

SIGNATURE

NAME (TYPE)

SIGNATURE

FOR CABLE ROOM USE ONLY

No. of words: 3min
Log: 598458
Route: RCA
Operator: CJ

SEC-17/OCR

0448 EST⊕

440040A FUND UI

IRAN

213120 VWCU IRAPR,13,1981

RECEIVED I.M.F. Orig: Mr. Shaalan
cc: Messrs. Yaqub/Rose

1981 APR 13 AM 7:43

CABLE ROOM

451151

ORIG: TRE
CC: MR.ABDOLAHI
MED

TO : INTERFUND WASHINGTON D.C.

FROM: BANK MARKAZI IRAN , TEHRAN

RE YOUR TELEX OF 8TH APRIL 1981 REGARDING OPERATION IN SDR. SINCE WE INTEND TO MAKE A THOROUGH STUDY OF THE SUBJECT AND PREPARE A REPORT ON IT, WE SHALL VERY MUCH APPRECIATE IT IF YOU WOULD FURNISH US WITH DETAILS CONCERNING PURCHASES, SALES, SPOT AND FORWARD TRANSACTIONS, LOANS, DEPOSITS AND SETTLEMENTS OF SDR. REGARDS FOREIGNDEPARTMENT MARKAZBANK

213120 MACU IR⊕

440040A FUND UI

0131 EST⊕
440040 FUND UI
IRAN
213965 V

4

Orig: Messrs. Ray/Shaalan
cc: Messrs. Yaqub/Rose

BK IRMARCH 30, 1981

RECEIVED
I.M.F.

FROM: BANK MAKRAZI IRAN

TO: MR. SHAKOUR SHAALAN, DIRECTOR 1981 MAR 30 AM 7: 39

449566

MIDDLE EAST DEPARTMENT, INTERFUND, WQASHINTON D.C.9

CABLE
ROOM

ORIG: MR. SHAALAN
CC: MR. ABDOLLAHI
MR. FAWZI

WITH REFERENCE TO ~~XXX~~X YOUR CABLE DATED MARCH 11,1981
TO GOVERNOR NOBARI PLEASE NOTE THAT THE REQUIRED DATA ON
IRAN'S BALANCE OF PAYMENT AND NATIONAL INCOM ARE BEING SENT
VIA APR MAIL STOP ~~XXXXX~~XX REGARDS E.RASHIDZADEH VICE GOVERNOR
MAKRAZBANK
213965 MZBK IR⊕
440040 FUND UI

cc: Mr. Abdolahi
Mr. Fawzi

Orig: Messrs. Ray/Shaalan
cc: Messrs. ~~Yaqub~~/Rose

BANK MARKAZI IRAN
(THE CENTERAL BANK OF IRAN)

BANK MARKAZI IRAN

Vice - Governor

Tehran

March 28,1981

EB/20

Mr. S. Shaalan,
Director, Middle East Department,
International Monetary Fund,
Washington D.C. 20431
U.S.A.

Dear Mr. Shaalan,

With reference to your cable dated March 11,1981 enclosed please find the latest figures relating to Iran's balance of payments and national accounts.

Sincerely,

E. Rashidzadeh

E. Rashidzadeh

(Millions of U.S. Dollars)

Current Account of the Iranian

Balance of Payments

	1356 (1977/78)	1357 (1978/79)	1358 (1979/80)
Current Balance	+3,037	-1,353	+9,046
Exports:	28, 460	20,422	24,753
Goods	(32,974)	(16,203)	(21,634)
Services	(4,486)	(4,219)	(3,119)
Transfers	(-)	(-)	(-)
Imports:	25,423	21,775	15,707
Goods	(18,394)	(13,872)	(10,717)
Services	(6,904)	(7,888)	(4,975)
Transfers	(125)	(15)	(15)

(Billions of Rials)

Gross Domestic Product and National Income of Iran

at Current Market Prices

	1356 (1977/78)	1357 (1978/79)	1358 (1979/80)
GDP	5,581.2	5,145.3	5,599.6
National Income	5,483.2	4,944.0	5,463.5

CHECK SERVICE

Telex [X]
Night Letter [ ]
Full Rate [ ]
Code [ ]

OFFICIAL MESSAGE
INTERNATIONAL MONETARY FUND
Washington, D.C. 20431

TIME RECEIVED

ADDRESS

THE HONORABLE ALI REZA NOBARI
GOVERNOR
BANK MARKAZI IRAN
P.O. BOX 3362, TEHERAN, IRAN

Special Instructions

BALANCE OF PAYMENTS AND NATIONAL ACCOUNTS DATA FOR IRAN FOR 1978 AND 1979 (REFERRING TO YEARS ENDING MARCH 1979 AND MARCH 1980, RESPECTIVELY), WHICH ARE NEEDED IN CONNECTION WITH THE FORTHCOMING EIGHTH GENERAL REVIEW OF QUOTAS, ARE NOT AVAILABLE TO THE FUND. SHOULD BE GRATEFUL FOR YOUR HELP IN PROVIDING US AT EARLIEST CONVENIENCE WITH AVAILABLE 1978 AND 1979 DATA ON GDP AND NATIONAL INCOME AT CURRENT MARKET PRICES, CURRENT RECEIPTS (COMPRISING MERCHANDISE EXPORTS, GROSS SERVICES AND PRIVATE TRANSFERS) AND EXTERNAL CURRENT PAYMENTS (COMPRISING MERCHANDISE IMPORTS, GROSS SERVICES AND PRIVATE TRANSFERS).

BEST REGARDS.

SHAALAN

INTERFUND

Distribution

cc: Mr. Abdolahi
Mr. Yaqub
Mr. Fawzi

MESSAGE MUST END HERE

Drafted by: S.I.FAWZI:mp
Department: MED
Date: 3/11/81

A.S. SHAALAN
NAME (TYPE) SIGNATURE

NAME (TYPE) SIGNATURE

FOR CABLE ROOM USE ONLY

No. of words: Log: Route: Operator:

SEC-17/OCR
9-2-76

Orig: Mr. Shaalan
cc: Mr. Yaqub/Mr. Rose

MEMORANDUM

March 17, 1981

To:

MD
DMD
Mr. Abdollahi
MED
LEG
ETR
TRE
STAT
BOP
SEC
Publications
Cable Room

From: Communications Division

Subject: Resumption of Mail Service to Iran

Regular mail service to Iran has been restored. Therefore, all documents, publications, and letters will again be accepted for mailing in the usual manner.

✓

Orig: Mr. Shaalan
cc: Mr. Yaqub

Cable dispatched - February 20, 1981

Re: Share of Iran in the Profits of the Gold Sales by the Fund

cc: MD
DMD
MR. ABDOLLAHI
MR. ANSON
MR. BUIRA
MR. DE GROOTE
MR. DRABBLE
MR. FINAISH
MR. HIRAO
MR. IAREZZA
MR. JALAL
MR. KAFKA
MR. KHARMAWAN
MR. KIINGI
MR. LASKE
MR. LOVATO
MR. MENTRE
MR. NANA-SINKAM
MR. NARASIMHAM
MR. POLAK
MR. PROWSE
MR. SIGURDSSON
MR. SYVRUD
MR. ZHANG
MR. VISAGIE
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OFFICIAL MESSAGE
INTERNATIONAL MONETARY FUND
Washington, D.C. 20431

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ADDRESS

THE HONORABLE ALI-REZA S. NOBARI
GOVERNOR OF THE INTERNATIONAL MONETARY FUNDFFOR IRAN
BANK MARKAZI IRAN
TEHERAN, IRAN

Special Instructions

I AM PLEASED TO BE ABLE TO TRANSMIT TO YOU THE TEXT OF THE DECISION TAKEN BY THE EXECUTIVE BOARD CONCERNING THE SHARE OF IRAN IN THE PROFITS OF THE GOLD SALES BY THE FUND. IN SENDING THIS DECISION TO YOU, I HAVE BEEN ASKED BY THE EXECUTIVE BOARD TO DRAW YOUR ATTENTION TO PARAGRAPH 2 OF THE DECISION AND I THEREFORE APPEAL TO THE AUTHORITIES OF IRAN TO CONSIDER WHETHER THEY COULD MAKE A CONTRIBUTION TO THE RESOURCES OF THE TRUST FUND. I HOPE THAT IRAN WILL BE ABEE, AS CIRCUMSTANCES EVOLVE, TO RESPOND POSITIVELY TO THIS APPEAL.

Distribution

THE DECISION IS AS FOLLOWS:

QUOTE 1. THE EXECUTIVE BOARD HAS CONSIDERED THE REQUEST OF THE IRANIAN AUTHORITIES THAT IRAN'S SHARE OF THE PROFITS FROM THE SALE OF GOLD BE TRANSFERRED TO IRAN AND HAS DECIDED THAT THE TRANSFER SHALL BE CARRIED OUT. 2. THE EXECUTIVE BOARD ALSO DECIDED THAT AN APPEAL SHOULD BE MADE TO THE IRANIAN AUTHORITIES TO EXAMINE, IN THE LIGHT OF IRAN'S CIRCUMSTANCES, IF AND IN WHAT MANNER THEY /C

MESSAGE MUST END HERE

Drafted by:
Department:
Date:

NAME (TYPE) — J W Lang, Jr SIGNATURE

NAME (TYPE) — SIGNATURE

FOR CABLE ROOM USE ONLY

No. of words: 19min Log: 585056-57 Route: WUI Operator: FJ

SEC-17/OCR
9-2-76

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OFFICIAL MESSAGE

INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

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TIME RECEIVED FEB 20 PM 6 27

ADDRESS

Special Instructions

Cleared with
Mr. Nicoletopoulos

- 2 -

COULD CONTRIBUTE TO THE RESOURCES OF THE TRUST FUND, AS MANY OTHER MEMBER COUNTRIES HAVE DONE, FOR THE BENEFIT OF THE MEMBER COUNTRIES RECEIVING ASSISTANCE FROMTMHE TRUST FUND. IT WAS UNDERSTOOD THAT THIS APPEAL WOULD NOT DELAY THE TRANSFER OF PROFITS TO IRAN IN ACCORDANCE WITH 1 ABOVE. UNQUOTE.

THE TREASURRR'S DEPARTMENT WILL COMMUNICATE WITH YOU SEPARATELY REGARDING THE TRANSFER PROCEDURE.

J. DE LAROSIERE
MANAGING DIRECTOR
INTERFUND

Distribution

MESSAGE MUST END HERE

Drafted by: DWilliams/JWLang?RLey:jeb
Department: Secretary's
Date: February 20, 1981

Joseph W. Lang, Jr. — NAME (TYPE) — JWLang, Jr — SIGNATURE

NAME (TYPE) — SIGNATURE

FOR CABLE ROOM USE ONLY

No. of words: Log: Route: Operator:

SEC-17/OCR
9-2-76

Mr. Skaalan

Office Memorandum

To: Files Date: February 18, 1981

Subject: EBM February 18: Iran - Direct Distribution of Profits from Sale of Gold (EBS/80/246) 1/

At issue was Iran's failure to implement the recommendations of OPEC Finance Ministers in Manila in 1976 in not authorizing the transfer of its share of the profits from gold sales made by the Fund for the benefit of the developing countries and its claim for transfer to it of such share of profits.

In opening the discussion, Mr. Abdollahi expressed surprise that the issue needed to be brought to the Executive Board. The staff had recognized Iran's legal right to the profits; the Finance Ministers' recommendations should not have been expected to be followed automatically. Iran was economically and financially unable to forego the profits. The Fund should resist political pressures: there was a threat of deterioration in Iran's relations with the Fund.

Thereafter, Executive Directors sympathetic to Iran's position variously expressed recognition of the voluntary nature of the contribution of profits; the deterioration in Iran's financial position; and the fact that seven out of eight of the contributing OPEC countries had fulfilled their recommendation (Messrs. de Groote, Finaish, Nimatallah, Kharmawan, Price, and Iarezza). Other Executive Directors less sympathetic argued that the recommendations of the eight OPEC Finance Ministers were integral to the whole Trust Fund package and with varying degrees of emphasis pressed Iran to reconsider its position; urged Management to enter negotiations with Iran; and to delay a Board decision on the matter (Messrs. Prowse, Syvrud, Sigurdsson, Mentre de Loye, Drabble, Laske, Hirao, and Zhang). Most Executive Directors in both camps were anxious that the list of eligible countries for Trust Fund loans should not be reconsidered as a result of any decision on the Iranian request.

Mr. Abdollahi put the Executive Board on notice that there was no possibility of Iran reconsidering its position.

The Managing Director in summing up recorded that Executive Directors wanting a deferment of a decision had 31 per cent voting powers; the majority of other Directors were in favor of meeting the request from Iran. In this light, he concluded that:

1. In view of the legal case, the transfer of profits to Iran was agreed and would be executed.

2. A number of Directors urged Iran to reconsider and see if and how they could contribute to the Trust Fund.

3. There was no willingness to reopen the complex matter of the eligible list.

1/ Discussion also covered "Direct Distribution of Profits from the Sale of Gold to Members in the List of Developing Countries (EBS/80/157)."

Firstly, Messrs. Caranicas, de Vries, and Buira then reserved their position as regards point (3) in its application to Israel, Greece, and Spain (not on the list). Following, Mr. Syvrud initiated further discussion of the accounting of the vote for deferment of a decision. While eventually the Managing Director's summing up of the conclusions of the meeting was accepted, the discussion provoked him to express his disappointment at resistance in some places to finalizing the matter: he also paid tribute to Mr. Finaish for his part in resolving the issue, and mentioned his success in mobilizing Libya to contribute its profits to the Trust Fund.

John Rose

cc: Mr. Shaalan
Mr. Ray
Mr. Hitti
Mr. Yaqub

Orig: Mr. Shaalan
cc: M/s Yaqub/Dajani

Office Memorandum

TO : The Managing Director
The Deputy Managing Director

DATE: February 11, 1981

FROM : Joseph Lang JWL

SUBJECT : Seventh Review of Quotas--Iran: Extension of Period of Consent

I was approached this morning by Mr. Shadman, asking whether the Legal Department had yet come to a view with respect to a question raised by Mr. Abdollahi whether it would be possible, should the period for consent to a quota increase lapse, to have a decision taken by the Board that it would give sympathetic consideration to a later request from Iran for the new quota. (A note on Mr. Abdollahi's question dated February 5 is attached for reference). Since speaking with Mr. Shadman, I have received an opinion from Mr. Nicoletopoulos on this question (copy also attached). Mr. David Williams has raised several points with respect to Mr. Nicoletopoulos' memorandum (copy attached). Prior to responding to Mr. Abdollahi's query, I should appreciate your guidance.

Attachments

cc: Mr. Habermeier/Mr. Williams
Mr. Nicoletopoulos
Mr. Shaalan

Mr. Nicoletopoulos February 5, 1981

Joseph Lang

Iran--Extension of Period for Consent

I had a brief word with Mr. Abdollahi this morning explaining that any further request for an extension of the period for Iran's consent to its quota increase under the Seventh General Review should not be considered as automatic and that any request for a further extension should be supported by very strong reasons. Mr. Abdollahi said he hoped to make a case and will be in touch with us early next week, following contacts he would be having with his Central Bank. Meanwhile, he asked whether it would be legally possible to let the period for consent lapse, but with a decision taken by the Executive Board that, should Iran be able to come in with a later request for the same quota increase, the Executive Board would recommend to the Board of Governors acceptance of the new quota. Mr. Abdollahi believed a similar procedure had been used in the past. I said the context of the Eighth General Review might make such an approach difficult, but that I would put the legal question to you.

cc: Acting Managing Director
Mr. Habermeier
Mr. Shaalan

JWLang:jeb

Office Memorandum

TO : Mr. Joseph Lang

DATE: February 10, 1981

FROM : George P. Nicoletopoulos. GPN.

SUBJECT : Seventh Review of Quotas: Iran: Extension of Period for Consent

As you know, the Executive Board has extended the period for consents to increases in quotas after the participation requirement had been met on every occasion of a general increase in quotas. These extensions have continued for the benefit of only a few members as long as any of them have been apparently in the process of obtaining legal authority to accept the increase and pay for it. In the past the extensions have ceased only when it became apparent that further extensions would be unlikely to be helpful. Even in some of these cases, as in SM/72/263 (12/15/72), at the end of the Fifth General Review, the staff has noted the appropriateness of sympathetic consideration to any ad hoc request for an increase by a member that had not consented. In Board of Governors Resolution No. 25-2, adopted December 10, 1969, such a request by Laos was honored.

Therefore it would appear to be appropriate to propose another brief extension of the period for consents to increases under the Seventh Review, together with a remark that any member that had not consented by the end of the extended period could expect sympathetic consideration of a subsequent request for an ad hoc increase. Mr. Williams informs me that this approach is acceptable to the Treasurer's Department.

cc: Mr. Shalaan
Mr. Williams

Office Memorandum

TO : Mr. Lang DATE: February 11, 1981

FROM : David Williams DW

SUBJECT : Seventh Review of Quotas: Iran: Extention of Period for Consent

I would wish also to add two points to Mr. Nicoletopoulos' memorandum on the above topic of today's date.

1. We understand that Mr. Abdollahi willwish to request an extension of the period for consent. We should deal with this matter only if there is such a request, and the staff should take no initiative itself. Furthermore, if Mr. Abdollahi does not request that "sympathetic consideration" be given after the period of consent lapses we should not offer it.

2. We should first check with the Managing Director on whether he would support a request for an extension, particularly in current circumstances.

cc: Mr. Habermeier
Mr. Nicoletopoulos
Mr. Shaalan

Duplicate Mr Shaalan ✓

Office Memorandum

Orig: Mr. Shaalan
cc: Messrs. Drees/Taha

TO : Mr. Lang DATE: February 11, 1981

FROM : David Williams DW

SUBJECT : Seventh Review of Quotas: Iran: Extention of Period for Consent

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2. We should first check with the Managing Director on whether he would support a request for an extension, particularly in current circumstances.

cc: Mr. Habermeier
Mr. Nicoletopoulos
Mr. Shaalan ✓

Duplicate

Orig: Mr. Shaalan
cc: Messrs. Drees, Tab

Office Memorandum

TO : Mr. Joseph Lang

DATE: February 10, 1981

FROM : George P. Nicoletopoulos G.P.N.

SUBJECT : Seventh Review of Quotas: Iran: Extension of Period for Consent

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cc: Mr. Shalaan
Mr. Williams

Date: 2/6/81

		Rec'd	Fwd'd
~~Shaalan, A.S.~~	3-314		
Ray, A.S.	3-320		
El Selehdar, A.K.	3-320		
Gerakis, A.S.	3-401		
Hitti, S.H.	3-300		
Crockett, A.D.	3-314		
von Post, S.	3-300		
Jakubiak, H.	3-320		
Rose, J.W.	3-300		
Tomasson, G.	3-300		
~~Roberts, P.M.~~	3-314		
Division A			
Karamali, B.A.	3-300		
El-Khouri, S.	"		
Kawar, S.	"		
Noursi, D.	"		
Khan, J.	"		
Division B			
Yaqub, M.	3-214		
Barth, R.	"		
Kayoumy, A.	"		
Taha, E.	"		
Division C			
Abed, G.	3-300		
Blalock, J.	"		
Short, B.	"		
Thayanithy, S.	"		
Division D			
Drees, F.	3-401		
Dahl, G.	"		
Dajani, T.	"		
Niebling, M.	"		

FILES 3-314

Remarks ______________________________

Orig: Mr. Shaalan
cc: Messrs. Yaqub/Dajani

Office Memorandum

TO : Mr. Nicoletopoulos

DATE: February 5, 1981

FROM : Joseph Lang JWL

SUBJECT : Iran--Extension of Period for Consent

I had a brief word with Mr. Abdollahi this morning explaining that any further request for an extension of the period for Iran's consent to its quota increase under the Seventh General Review should not be considered as automatic and that any request for a further extension should be supported by very strong reasons. Mr. Abdollahi said he hoped to make a case and will be in touch with us early next week, following contacts he would be having with his Central Bank. Meanwhile, he asked whether it would be legally possible to let the period for consent lapse, but with a decision taken by the Executive Board that, should Iran be able to come in with a later request for the same quota increase, the Executive Board would recommend to the Board of Governors acceptance of the new quota. Mr. Abdollahi believed a similar procedure had been used in the past. I said the context of the Eighth General Review might make such an approach difficult, but that I would put the legal question to you.

cc: Acting Managing Director
Mr. Habermeier
Mr. Shaalan

SHAALAN, A.S.
ROOM 3-314 01

August 21, 1981

SECRETARY'S CIRCULAR NO. 81/139

To: Members of the Executive Board

From: The Acting Secretary

Subject: Iran - Governor of the Fund

The Fund has been informed of the appointment of Mohsen Nourbakhsh, Governor of Bank Markazi Iran, as Governor of the Fund for Iran.

Other Distribution:
Department Heads

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

SHAALAN, A.S.
ROOM 3-314 01

EBD/81/188

July 23, 1981

To: Members of the Executive Board

From: The Secretary

Subject: United States - Payments Restrictions for Security Reasons

In the attached memorandum dated July 20, 1981, the Alternate Executive Director for the United States has provided the Fund with a complete set of documents relating to the Iranian Assets Control Regulations. These documents comprise the original regulations which were notified to the Fund in November 1979, the amendments introduced before and after January 19, 1981, the relevant Executive Orders, and the recent decision of the United States Supreme Court upholding the validity of the Executive Orders and the Regulations.

The original regulations were circulated to the Executive Board in EBD/79/273 on November 29, 1979, and amendments to them were circulated in EBD/80/113, Sup. 1 on April 29, 1980, and were noted in EBD/80/137 on May 14, 1980. The effect of the changes in the regulations introduced subsequent to January 19, 1981 was noted in the staff report for the 1981 Article IV consultation with the United States (SM/81/157, 7/14/81).

Copies of the documents referred to in the communication from the Alternate Executive Director for the United States are available in the Archives, Room 1-303, Extension 73103 if any Executive Director wishes to see them.

Att: (1)

Other Distribution:
Department Heads

MEMORANDUM

To: The Managing Director Date: July 20, 1981

From: Donald E. Syvrud, U.S. Alternate Executive Director

Subject: Amendments to U.S. "Iranian Assets Control Regulations"

In November 1979, the United States notified the Fund, under decision 144-(52/51), of the Iranian Assets Control Regulations. The United States subsequently has provided to the Fund staff all amendments to these regulations.

Enclosed is a complete set of the regulations as initially issued and all amendments issued to date, along with the relevant Executive Orders. Also enclosed is the recent decision of the United States Supreme Court which discusses the exercise of the national emergency powers of the President of the United States.

Enclosures:

Executive Orders 12170, 12205, 12211, 12276 through 12285, 12294.
Regulations issued Nov. 15, 1979, as amended Nov. 16, 20, 21, and 26, 1979; Dec. 3, 4, 19, and 28, 1979; Jan. 9, Feb. 26, April 9, 21, May 2, 13, June 3, 4, 8, and 16, and July 7, 1981.
Opinion of the United States Supreme Court.

February 19, 1981

SHAALAN, A.S.
ROOM 3-314 13

To: Senior Staff

From: The Secretary's Department

Subject: Executive Board Meeting 81/23, February 18, 1981*

Iran - Direct Distribution of Profits from Sale of Gold; and Direct Distribution of Profits from Sale of Gold to Members in the List of "Developing Members"

Staff Representatives: Nicoletopoulos, Williams
Discussion: 1 hour, 55 minutes

Executive Board considered a communication from Iran informing the Fund of Iran's decision to claim its share of direct distribution of profits from IMF sale of gold (EBS/80/173, 7/31/80), a report by DMD on the matter (EBS/80/246, Supplement 1, 11/10/80) and papers relating to Board Decision No. 5479 on list of "developing members" entitled to receive direct distribution of profits from the sale of gold (EBS/80/157, 7/16/80; and EBS/81/36, 2/17/81).

EDs unanimously agreed that Iran had legal right to its share of the profits from gold sales by the Fund. Several speakers noted, however, that there had been an expectation that Iran would forego its share of profits from gold sales, based on the recommendations of the Ministerial Committee on Monetary and Financial Matters of OPEC Member Countries in its Manila Communiqué of October 6, 1976. That expectation, they said, had been taken account of in the adoption of Decision No. 5479, and the erosion of that expectation would be unfair to those who had then agreed to the list. A number of EDs felt that, at the least, the discussion should be postponed and Iran should be given an opportunity to reconsider its request. One speaker proposed that the request be modified in such a way that Iran would receive a lesser share of the profits. After further discussion, it was agreed to accede to Iran's request for its full share but that the Fund would appeal to Iran to contribute to the Trust Fund if its economic situation improved.

While it was noted that reopening the discussion on the list of countries eligible to receive profits from the sale of gold by the Fund was possible--and some speakers reserved their right to do so--the majority felt that such a move would be unwise.

Secretary's understanding of the decision being circulated.

- over -

*Précis for limited distribution; not basis for official action.

Decisions taken since previous Board meeting to be recorded in minutes of Meeting 81/23

Meetings of the International Wheat Council - Fund Representation (EBD/81/37)

Executive Board Travel (EBAP/81/46, EBAP/81/47, EBAP/81/49)

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

IMMEDIATE ATTENTION

EBS/81/39

CONFIDENTIAL

February 19, 1981

To: Members of the Executive Board

From: The Acting Secretary

Subject: Iran - Direct Distribution of Profits from Sale of Gold

There is attached for the information of the Executive Directors, the summing up by the Chairman of yesterday's Executive Board discussion dealing with the distribution of profits from the sale of gold, together with the Acting Secretary's understanding of the decision taken on this matter by the Executive Board.

This decision will be transmitted to Iran during the course of business tomorrow.

Att: (1)

The Chairman's Summing Up
Executive Board Meeting 81/23, February 18, 1981

Perhaps I could try to sum up the sense of the meeting on the questions that we have just been discussing:

First, I have heard no voice questioning the legal right of Iran to request and receive its share of the profits from the gold sales. I therefore consider it to be the unanimous position of the Board that Iran has a legally valid claim. No one has said that this request was not legally founded. If there is any doubt in any Director's mind on this aspect, I would like him to raise his hand. So that is the first point.

Second, the proposal to postpone the taking of a decision was not supported by a majority in this Board. Thus, the taking of a decision will not be postponed.

Third, the majority of those who have spoken on the matter have given unambiguous support to Iran's request as it has been presented, but I note that a number of Directors have also appealed to Iran to reconsider, if and when possible, its position and relinquish all or a part of its share of the profits or make a contribution for the benefit of the member countries that have been receiving assistance from the Trust Fund.

Finally, among those who have expressed a view on the subject under discussion, a very clear majority has expressed itself against the reopening of the matter of the list of member countries that are entitled to a direct distribution of profits from the sale of gold. I note however that three Directors wished to reserve the positions of certain of their countries.

Accordingly, our decision could be formulated in the following way:

1. The Executive Board has considered the request of the Iranian authorities that Iran's share of the profits from the sale of gold be transferred to Iran and has decided that the transfer shall be carried out.

2. The Executive Board also decided that an appeal should be made to the Iranian authorities to examine, in the light of Iran's circumstances, if and in what manner they could contribute to the resources of the Trust Fund, as many other member countries have done, for the benefit of the member countries receiving assistance from the Trust Fund. It was understood that this appeal would not delay the transfer of profits to Iran in accordance with 1 above.

1. IRAN - DIRECT DISTRIBUTION OF PROFITS FROM SALE OF GOLD; AND DIRECT DISTRIBUTION OF PROFITS FROM SALE OF GOLD TO MEMBERS IN THE LIST OF "DEVELOPING MEMBERS"

The Executive Directors considered a communication from Iran informing the Fund of Iran's decision to claim its share of the direct distribution of profits from Fund sales of gold (EBS/80/173, 7/31/80), a report by the Managing Director on the matter (EBS/80/246, Supplement 1, 2/6/81), and papers relating to Executive Board Decision No. 5479-(77/110) TR on the list of developing countries entitled to receive a direct distribution of profits from the sale of gold (EBS/80/157, 7/16/80; and EBS/81/36, 2/17/81).

Mr. Abdollahi made the following statement:

Let me begin by expressing regret, on the part of my Iranian authorities, that the Board has once again to face the topic of the distribution to Iran of profits from the sale of gold. They fully recognize--and wish to remind others of--the many intricacies of the long and tedious negotiations that led to the adoption of Executive Board Decision No. 5479-(77/110) TR on July 25, 1977, and they have no desire to reopen those discussions. Indeed, they were surprised that management found it necessary to bring their request to the Board at all. The Iranian Government strongly believes that, once the formal claim requesting Iran's share of the profits from the sale of gold was presented, the Fund should not have withheld Iran's share. The staff has repeatedly endorsed Iran's legal right to demand its share of these profits and, in the latest document on this subject (EBS/80/157), has reaffirmed its view. Paragraph (c) on page 7 of EBS/80/157 reads:

> It follows that, under the decision taken at Executive Board Meeting 77/110, the Fund could not, as a legal matter, withhold the profits from a member that is included in the list if the member makes clear its decision not to contribute the profits to the Trust Fund.

This conclusion, which has been repeated on other occasions as well, is based on paragraph 4 of Executive Board Decision No. 5479-(77/110) TR, which reads in part:

> Having taken into account the decision and the responses referred to in 2 and 3 above, the Executive Directors decide that the members listed in the table attached to this decision...shall be eligible to receive direct transfers of profits.

The text of the decision is, and has always been, very clear on two points:

(1) Oil producers, including Iran, were on the list because they were developing countries; and,

(2) As the staff points out in EBS/80/157, "the Board, nevertheless, did not make the execution and completion of irrevocable transfers from these eight OPEC members a legal condition for their inclusion in the list of members eligible to receive the direct distribution of profits."

Let me focus the attention of the Board on the legality of Iran's request, which is clearly related to the principle by which the Fund should demonstrate persistence and respect in applying its rules and regulations to the conduct of its functions and responsibilities. This principle is not only important for Iran, but for others as well. It is within this framework that the question should be raised whether it is appropriate for this institution to permit itself to be subjected to political pressures, or whether it would be more prudent to refute these pressures and to allow the laws made by members themselves to govern the Fund's course of action. I need not remind members that the rule of law is the best guarantor of the interests of each and every member, especially the smaller nations. If Iran is unable to exercise its rights, in spite of a significant amount of clear evidence, it would set a precedent for future unfortunate decisions that may be taken against other members at other times. If Board decisions could be easily reinterpreted and perhaps revised, no Fund members would be safe or protected.

The staff suggests that the decision of the Ministers of Finance of the eight OPEC members to recommend to their respective governments to voluntarily contribute their share of these profits to the Trust Fund not only created an expectation on the part of the Board for such donations, but created further an understanding that these recommendations would be followed automatically. This suggestion, in our view, is highly questionable. Let me take this opportunity to remind the Executive Directors that, as early as November 1975, and during the discussion of the Fund's policies on gold, significant support was expressed for the original list of developing countries, including oil and non-oil developing countries, with many and at times significant variations in their state of economic conditions. Directors who supported the list did so for different reasons, which ranged from political expediency to an insistence by some that they be listed among the developing countries--in spite of their financial position which they felt was not a true representation of the nature of their economic development--to, finally, the belief by others that the Interim Committee had already indirectly endorsed the list and that it would have been inappropriate for the Board to change it.

A few expressed the hope that countries in a strong financial and external position would find it possible to contribute their share of profits on a voluntary basis to the Trust Fund. Directors representing some of the industrial countries expressed dissatisfaction with the list, feeling it should be more limited and, at a minimum, exclude oil producers. However, it was clear that these Directors did not represent the majority view. Following the discussions at EBM/75/173 and EBM/75/174, the Chairman, in his concluding remarks, stated inter alia that:

> There seemed to be rather widespread support for the list, although some Executive Directors had put forward the suggestion that countries with a relatively high income per head or with comfortable reserves should voluntarily make contributions to the Trust Fund from their share of the profits that were to be transferred to them. Such an action could have important beneficial effects.

Furthermore, in response to the remarks made by this chair at EBM/76/27 on 2/27/76 that "the acceptance of the list should not be made conditional on the promise of a member to give up its share," the Chairman declared that "his proposal was not to make acceptance of the list conditional on countries saying that they would either opt out or make a contribution to the Trust Fund."

The chairman had stated earlier that "it was suggested that the Fund would express the strong hope that any member on the list that was in a position to do so would voluntarily forgo, for the benefit of the Trust Fund, part or all of its shares of the gold profits." (EBM/76/26, 2/27/76)

The following points seem to have been made:

(1) There was widespread support for the list.

(2) There was widespread appeal for a voluntary contribution by any country in a position to make one.

(3) The appeal for voluntary contributions was quite independent of whether or not a member was going to be included in the list.

The 1976 Manila communiqué of the Ministerial Committee on Monetary and Financial Matters of OPEC Member Countries was issued primarily due to these countries' desire to assist low-income developing countries. This communiqué stressed two points:

(1) The Ministers' decision was a proposal to their respective governments; and

(2) any action on the part of the OPEC governments would be completely voluntary.

The fact that the Ministers, in their communiqué, had decided only to "recommend to their governments to donate...," and the earlier developments I have mentioned, clearly rule out any obligation of OPEC countries on this front.

Iran's position on this issue had been clearly and repeatedly stated in the course of the many discussions of the Board on this subject. In the Executive Board Meeting of July 25, 1977, in which the final decision on the list was adopted, the Executive Director representing this chair clearly indicated that:

> The Fund should certainly not discriminate against the major oil exporting countries. If all the relatively well-to-do countries in the list under Alternative A decided not to contribute their share of the gold profits voluntarily, it should be understood that there was no moral or other obligation for any member on the list to make a contribution. (EBM/77/110, 7/25/77)

Given this background, it is indeed difficult to accept that the Board had been led to assume that the Ministers' recommendations would be followed automatically. It is also clear that Iran, at least, has not contributed toward the creation of such an impression and, if the other OPEC countries on the list have chosen to donate their shares to the Trust Fund, their decisions have been voluntary and not as an end result of an agreement to donate their shares in order to be included in the list. If any such commitment had been made, the language of the decision might have taken another form.

Iran, like other OPEC countries, has a long history of providing both multilateral and bilateral assistance to developing countries. And Iran's record of cooperation with, and assistance to, this institution has been graciously acknowledged by the Executive Board, the management and the staff on many different occasions. My authorities would like to assure the developing countries of their commitment to pursue this course. While Iran's commitment under the previous regime had been based primarily on political ambitions, our young Islamic Revolutionary Government, prompted by idealogical considerations, has a much more genuine commitment to this cause. My authorities continue to place significant emphasis on this issue and encourage all members with a comfortable financial position to voluntarily assist this institution; and we, ourselves, would hope to be able to resume such assistance as soon as circumstances permit.

Despite its moral commitment to the LDCs, Iran is not economically and financially in a position to be able to forgo its share of the profits from gold sales. Due to the detrimental economic policies of the previous regime in Iran--which led the economy into an almost paralyzed situation--and the drastic reorganization of the economy, which the Revolutionary Government had found necessary to adopt, the financial and nonfinancial resources of Iran have come under tremendous strain. Furthermore, the illegal freezing of Iran's foreign reserves by the Government of the United States, the economic sanctions imposed on Iran by the so-called industrial countries, and the unfortunate war imposed on Iran, along with many internal problems, have resulted in near depletion of our foreign reserves. Iran's oil revenues have declined substantially and, in fact, in the first six months of the Iranian calendar, commencing March 21, prior to the start of the war imposed on Iran, the average daily import of oil had declined to one seventh of what it had been two years previously. The present economic difficulties of my country are rather obvious and need no documentation.

My Government strongly believes that its legal position is quite clear and that it is within its rights to claim an immediate payment of Iran's share of the profits from the Fund's gold sales. I would like to caution the Executive Directors to assess carefully the implications of an adverse decision on Iran's request. There must be no doubt that, after receiving very unjust treatment by the Executive Board on the question of the freezing of Iran's foreign assets, an adverse decision on this issue, particularly when the legal situation is so clear, would only serve seriously to deteriorate Iran's relations with this institution. But, the implications of such a decision will cover an even wider spectrum. They would introduce a completely new definition of voluntary contributions to the activities of this institution which, in our view, would be harmful. Also, many of the present creditor countries of the Fund that do not enjoy a significant voting bloc in the Board will have to wonder if their present cooperation with and assistance to this institution will not be held against them in their time of need. But perhaps the most significant impact will be the dangerous loss of respect for the decisions of a Board which is controlled by a few and can so easily reinterpret an existing decision. This, I suggest, will in time prove most damaging to the Fund and its members.

Finally, Mr. Chairman, the Iranian Government feels strongly that this Board has no choice but to approve its request. I do sincerely hope that my colleagues on the Board, in view of Iran's very clear legal claim, will support my Government's position.

Mr. de Groote considered that the general matter of the direct distribution of profits from the sale of gold to members, as well as the specific claim by Iran, had to be settled soon; he hoped that the

Executive Board would not postpone any further the taking of a decision on Iran's claim. He could support Mr. Abdollahi's request that Iran should be given the full amount of its share from the profits of IMF gold sales without further conditions.

There were three reasons for his support, Mr. de Groote continued. First, Iran had a legal right to its share of the profits. There was clear evidence in the staff papers and in previous discussions that Iran's earlier decision to forgo its rightful share had been voluntary. It would be against legal principles now to insist that Iran's right to its share no longer existed. Second, although Iran had been among the eight OPEC countries whose stated intention to forgo their shares of the profits from gold sales had been regarded as essential to the arrangements for the gold sales and the Trust Fund, Iran's participation had been based on a surplus balance of payments situation that no longer existed. Indeed, if a similar group were to be formed today, Iran would not be included. Finally, Iran's request should be supported as a way of encouraging cooperation between Iran and the Fund in future. Iran's present difficulties were evident, and he would be happy to see the day when the authorities were prepared to receive a Fund mission and begin discussions on appropriate means of resolving those difficulties. The active participation by Mr. Abdollahi in the Executive Board would contribute to that end, and it was thus important for the Fund to act properly to restore relations with Iran in future.

Mr. Prowse agreed that there was no argument about Iran's legal right to its share of the profits from the sale of gold by the Fund. However, the 1976 Manila communiqué of the Ministerial Committee on Monetary and Financial Matters of OPEC Member countries had been an important element in agreements that had been reached with respect to arrangements for the Trust Fund. In the circumstances, he recognized and could understand two different points of view on the matter of Iran's claim.

One way of resolving the issue, Mr. Prowse continued, would be to follow Mr. de Groote's suggestion and take a decision in the present meeting. Alternatively, the Executive Board might feel the need to review the list of members eligible to receive a direct distribution of profits from the sale of gold, although he was uncertain whether such a review would in fact solve the problem. He had noted that the Governor of Bank Markazi, in his July 31, 1980 communication to the Executive Board, had indicated a willingness to provide more details in connection with Iran's claim, and he had looked forward to those details. Certainly, Mr. Abdollahi had provided an extensive commentary on the matter, although he had not had time to reflect on it. He wondered whether there was any intention by Mr. Abdollahi to circulate his statement or to provide an update of the letter from the Governor of Bank Markazi that would allow Executive Directors further to refine their thinking with respect to Iran's claim. He also wondered whether, since the letter from Bank Markazi, there had been an opportunity for discussion between the Iranian authorities and either the Fund staff or management to ensure that there was a complete understanding of the points made on both sides of the issue. A mutual understanding would be beneficial, and a circulated statement by Mr. Abdollahi might provide the basis for discussion that would help to reach it.

Mr. Finaish considered that Mr. de Groote had raised the main points relating to the issue in question. The case was of obvious interest to his constituency because it represented both some of the Trust Fund beneficiaries as well as five of those OPEC countries that had already decided voluntarily to make a contribution to the Trust Fund of their share of the profits of gold sales. Moreover, he had participated in the 1975 Executive Board discussions on the list of beneficiaries in connection with gold sales and had later attended the OPEC meeting in Manila; indeed, he had been involved in the drafting of the 1976 Manila communiqué. He had no doubts with respect to Iran's legal rights and saw little need to elaborate on the conclusion in the staff paper that "the Fund could not, as a legal matter, withhold the profits from a member that is included in the list if the member makes clear its decision not to contribute the profits to the Trust Fund." In recommending that their governments make voluntary contributions to the Trust Fund by forgoing their share of profits of gold sales, the OPEC Finance Ministers had perhaps created certain expectations in the Executive Board, but it had been made clear that their contributions would be voluntary, and the Fund had no power to oblige countries to make them.

He would of course welcome a contribution by Iran if that country was in a position to make one, Mr. Finaish continued. However, Iran had indicated that its situation was difficult; indeed, as noted by Mr. de Groote, Iran's current position would probably not be strong enough for it to be included today in a list of OPEC contributors. Several OPEC countries--Indonesia, Nigeria, Algeria, Gabon, and Ecuador--had not been included in the 1976 list of contributors because they had not been considered in sufficiently strong positions to make a contribution at that time; Iran was in a similar situation at present.

Based on the arguments he had outlined, Mr. Finaish considered that Iran's request should be decided upon in the present meeting. There was no useful purpose in postponing the decision, and accommodating Iran's request would, as emphasized by Mr. de Groote, contribute to cooperation between Iran and the Fund. Mr. Abdollahi had stated the intention of his authorities to exercise their right to Iran's share of the profits from gold sales, although he had also implied that Iran would resume its aid to LDCs when it was in a position to do so.

With respect to paragraph (d) on page 7 of EBS/80/157, Mr. Finaish stated that he found it difficult to justify a reconsideration of the list of countries eligible to receive profits from the sale of gold by the Fund on the grounds that the compilation of that list had been based on the expectation by the Executive Board that certain members on the list would forgo the distribution of profits from the sale of gold to which they were entitled. While he did not doubt that certain expectations had been created, it should be remembered that seven of the eight countries that had declared their intention to forgo their share of the profits had already contributed those shares to the Trust Fund; only Iran had not done so because it was facing certain difficulties. He might see the logic of reopening the question of the list of developing countries if a larger number of the OPEC contributors had decided not to forgo their share of the profits, but since only one country had done so--and for good reasons--the matter of the list should not be reopened. If it was, practical considerations would have to be faced if more members wished to be included. If the matter was to be reopened and the list was to grow, where would the resources come from to meet members' needs? Also, some of those who had agreed voluntarily to contribute their share of the profits might have second thoughts about their decision if the list was changed, which would lead to serious complications. Given the considerations he had mentioned, it was probably best to accept Iran's request for its full share--and hope that its circumstances would improve--without reopening the complicated matter of the list of developing countries.

Mr. Syvrud noted that, when the issue in question had previously been discussed, the authorities of the Socialist People's Libyan Arab Jamahiriya had not yet agreed to transfer their share of profits from the sale of gold to the Trust Fund; he was pleased that they had now done so. He continued to believe that Iran should also accept the recommendations of the eight OPEC Finance Ministers that their governments return to the Trust Fund any gold profits they would have otherwise received provided certain other relatively better-off LDCs were excluded from the list of eligible developing countries. Israel, Spain, and Greece had been excluded from the list, and all of the original eight OPEC governments except Iran had now agreed to forgo their share of the profits from gold sales. The recommendations of the OPEC Finance Ministers had been an integral and essential part of the efforts to finance the Trust Fund for the benefit of developing countries, and the United States and others had agreed to the list of developing countries and to the entire arrangement on the basis of expectations related to those recommendations. For Iran now to demand its share of the profits from gold sales would be unfair to the OPEC countries that had fulfilled their voluntary commitments, unfair to the countries like Spain, Greece, and Israel that had been excluded from the list on the understanding that included OPEC countries would not benefit, unfair to the low-income LDCs that expected to share the gold profits that were being sought by Iran, and unfair to those countries, like the United States, that had agreed to the arrangements on the assumption that the voluntary commitments by all eight OPEC countries would be honored. The fact that conditions had now changed in Iran should not lead to a change in Iran's voluntary commitments, which had been based on the country's economic situation when the overall agreement had been reached.

He accepted the fact that the Fund could not, as a legal matter, withhold the profits from a member that was included in the list of those eligible to receive a share of those profits, Mr. Syvrud continued. The Fund could of course decide on a different list although, as noted by

Mr. Finaish, reopening the list might lead to unfortunate complications. His preference was to postpone any decision on the distribution of profits from gold sales to Iran in order to give Executive Directors more time to consider the most recent information that had been provided by Mr. Abdollahi. In the meantime, he urged management to consult with the Government of Iran with a view to achieving an acceptable solution of the issue.

Mr. Nimatallah expressed his support for Iran's request to receive its share of profits from the sale of gold. However, he hoped that any decision to accede to Iran's request would not open the door for others to make similar requests.

Mr. Kharmawan considered that the time had come to reach a conclusion with respect to the claim by the Iranian authorities, discussions on which had already been postponed for too long. As noted in the staff paper, and reiterated by previous speakers, Iran had a legal right to its share of the profits from the sale of gold by the Fund. There had been an understanding that a certain number of OPEC countries on the list would voluntarily contribute their share of the profits to the Trust Fund, and those voluntary commitments had been fulfilled by seven of the eight countries, so that the expectations of others had been almost entirely met. In the present circumstances of Iran, which had been clearly outlined by Mr. Abdollahi, the decision by the Iranian authorities to exercise their right to the share of the profits from the sale of gold was understandable.

In the past, Iran had been active in helping to alleviate the plight of poorer developing countries, Mr. Kharmawan continued, and Mr. Abdollahi had indicated that Iran would resume its aid activities as soon as it was again in a position to do so.

He hoped that Iran's decision to claim its share of the profits from the sale of gold by the Fund would not lead to reopening of the list of those eligible to receive a share of such profits, Mr. Kharmawan remarked. Long discussions and many compromises had been required before agreement on the list had been reached, and he would not be happy if discussion of the issue were to be reopened. The simplest solution to the matter would be to recognize the right of Iran to its share of the profits from the sale of the Fund's gold--particularly since none of the seven OPEC countries that had contributed their share to the Trust Fund had objected to such a move--and not to reopen the matter of the list of those countries eligible to receive a share of the profits from the sale of gold by the Fund.

Mr. Price said that he regretted that the economic circumstances of Iran had deteriorated to the extent that the authorities no longer felt able to honor the intention Iran had communicated to the management of the OPEC Special Fund in 1976. While he continued to prefer that Iran donate its share of profits from gold sales for the benefit of the poorer members of the Fund--as the other seven OPEC members concerned had generously done--it was clear that the Iranian authorities wished to exercise their claim and that the Fund could not, as a legal matter, prevent them from doing so. He noted that the Iranian request had received the support of Executive Directors representing members that were among the potential beneficiaries of an Iranian donation and, in the circumstances, he supported the request. He did not feel that such a change from what had been expected was sufficient grounds for reopening the entire list of members eligible to receive profits from the Fund gold sales.

Mr. Abdollahi commented that more information on the Iranian situation could certainly be provided if that was the desire of the Executive Board. However, he had felt that the economic situation in Iran was so obvious that it was unnecessary to review data with respect to foreign reserves, GNP, and the rates of growth, unemployment, and production.

To those Executive Directors who had suggested that there had been an expectation based on an undertaking by Iran to contribute to the Trust Fund its share of the profits from the sale of gold by the Fund, Mr. Abdollahi noted that there had never been "an undertaking" by Iran as such; indeed, the chair representing Iran had clearly indicated on the date of the decision on the list that there was no moral or other obligation for Iran or any of the other seven OPEC countries to contribute to the Trust Fund. Iran had been included in the list in 1976 based on two criteria: foreign exchange reserves, and per capita income. The decision to include Iran had not been based on any expectation that it might contribute its share of profits from the sale of gold by the Fund to the Trust Fund. Finally, with respect to the suggestion to defer discussion on Iran's claim, his authorities believed that the matter had already been postponed for too long and the only solution to the matter would be to approve Iran's request at the present meeting.

Mr. Sigurdsson remarked that the countries in his constituency had asked him to appeal to the Iranian authorities to reconsider whether, in spite of its economic difficulties, Iran could not find some way of adhering to the 1976 OPEC recommendation that the eight countries should contribute their share of profits from the sale of gold to the Trust Fund. There was no question about Iran's legal right to its share of those profits, and it was clear that any contribution to the Trust Fund was voluntary. However, his authorities would regret it if any of the expected contributions to the Trust Fund were to disappear. In that connection, he recalled that paragraphs 2 and 3 of the July 1977 decision defining the list of those countries eligible to receive profits from the sale of gold by the Fund had welcomed the recommendation of the Ministers of Finance that the eight OPEC countries should contribute to the Trust Fund as well as the intention of certain other member countries to do the same. Those "pledges" had created a well-founded expectation on the part of the potential beneficiaries of the Trust Fund and could be regarded, de facto, as being among the premises upon which the list of countries established at that time had been founded. Finally, whatever the outcome of the discussion on Iran's claim, the Nordic countries believed that the Fund should avoid any changes in the list of countries attached to Executive Board Decision No. 5479, unless such changes were explicitly based on the same criteria that had been used to establish the list in the first place.

Mr. Iarezza observed that he had heard no argument against Iran's legal claim to its share of the profits from the sale of gold by the Fund; and he saw no alternative but to agree to the request submitted by the Iranian authorities. He was certain that the Government of Iran wished to help alleviate the difficulties of lower-income countries, and he urged it to do so as soon as Iran's economic situation warranted. He saw no need to reopen the matter of the list of countries eligible to share in the profits from the sale of gold by the Fund, particularly given the difficulties such a move would create.

Mr. Narasimham stated that he could support the Iranian request, both on legal grounds and on the basis of the present economic situation in Iran. He was aware of the generous assistance that Iran had in the past provided to other developing countries, both bilaterally and multilaterally, and he hoped that Iran's circumstances would improve soon to permit the country to resume its assistance to others, even perhaps through the Fund.

Mr. Mentré de Loye stated that his position was similar to that of Mr. Sigurdsson. He hoped that the Iranian authorities would reconsider their claim, particularly in view of the resumption of oil exports by Iran, because it was clear that the needs of the low-income countries had increased, and a contribution by Iran to the Trust Fund would be a gesture that would be appreciated by all member countries. Still, there was no legal ground on which to challenge Iran's claim, if the authorities continued to pursue it.

Mr. Drabble said that he wished to join Mr. Mentré de Loye and Mr. Sigurdsson in appealing to the Iranian authorities to reconsider their claim to a share of the profits from the sale of gold by the Fund. He accepted the fact that Iran's claim could not be challenged on legal grounds and, like others, he did not wish to see any reopening of the discussion of the list of members eligible to receive a share of the profits. Still, there were certain practical considerations that should perhaps be mentioned. Although there remained a significant balance of resources in the Trust Fund, a large proportion of the funds had already been disbursed, based on certain assumptions about the total amount that would be available for use. It was true that, since Iran and the seven other OPEC countries had expressed a willingness voluntarily to contribute to the Trust Fund, the economic circumstances of Iran had changed dramatically, leading the authorities to decide not to contribute their share of the profits from the sale of gold by the Fund to the Trust Fund. In the circumstances, and given the expectations of the beneficiaries of the Trust Fund, he wondered whether it might be possible for Iran to show a willingness to forgo that part of its share of the profits--on a proportional basis--that had already been disbursed through the Trust Fund as of July 31, 1980, the date on which Iran had first made its request.

Mr. Laske agreed with others that there were no legal grounds on which to deny Iran's claim. However, he shared the feelings of those who hoped that the Iranian authorities would reconsider their request and show their willingness to cooperate with the Fund, perhaps by following the suggestion made by Mr. Drabble.

Mr. de Vries stated that, since his chair had never been happy with the decision establishing the list of countries eligible to receive profits from the sale of gold by the Fund, he found it difficult to take a position on Iran's request. Mr. Abdollahi had rightly noted that, under the existing decision, Iran's request could not be denied. However, it was clear that the decision had been reached only after long discussions and on the basis of intricate understandings, some of which would not be fully honored if the Executive Directors were to accede to Iran's request. If forced to take a position on the matter, he would abstain, and he joined those Directors who had called on Iran to reconsider its request in a spirit of cooperation.

Mr. Hirao remarked that, like Mr. Syvrud, his preference was to postpone any decision on Iran's request, which involved delicate and complex questions of equity. It was possible that an acceptable solution might be reached if more time was given for further consultation between the Iranian authorities and the management of the Fund.

Mr. Zhang stated that he supported the request by the Iranian authorities and agreed with those who felt that the question of the list of countries eligible to receive profits from the sale of gold by the Fund should not be reopened.

Mr. Caranicas commented that he found it difficult to follow the argument of those who believed that the matter of Iran's claim should be settled quickly and without any reconsideration of the list, which had been the outcome of lengthy and protracted negotiations. Certain countries, including his own, had been excluded from the list, despite his Government's promise voluntarily to contribute 25 per cent of the profits it had expected to receive. In the end, the famous "Alternative B" had been accepted--which had excluded Greece and three other countries--based on the promise of certain OPEC countries included on the list voluntarily to contribute their share of the profits to the Trust Fund. It was well understood that there was no legal basis on which Iran could be forced to abide by its intention, and he recognized that the economic and financial conditions in Iran had changed considerably since 1977. However, the countries not on the list had agreed to their exclusion in the expectation that Iran and the other seven OPEC countries would forgo their share of the profits. It was now apparent that that expectation would not be met as far as Iran was concerned. He therefore wished to reserve the position of Greece and its right perhaps to reopen the debate on the list, particularly since economic conditions in countries like Israel and Greece had also deteriorated sharply since 1977. To be fair to all parties, it might be better to wait until the end of 1981 to take a decision on Iran's request, although he would not object if Directors wished to take a decision on it at the present meeting.

Mr. Abdollahi observed that the economic situation in Iran had not improved since the communication to the Fund by the Governor of the central bank of Iran on July 31, 1980. Indeed, while Iran had again begun to export oil, the volume being exported was nowhere near the level it had reached before the beginning of hostilities between Iran and Iraq. Internal factors indicated that the economic situation in Iran had deteriorated since July, with foreign exchange reserves at a level only 17-18 per cent of that which had existed prior to the freeze of Iranian assets by the United States. Foreign exchange revenue was insufficient to cover imports, and unemployment had risen considerably. In the circumstances, the Iranian authorities felt unable to reconsider their claim to Iran's share of the profits from the sale of gold by the Fund, and he did not believe that a postponement of the issue would lead to any change in their position.

The Chairman observed that, on legal grounds, no one had questioned Iran's claim to its share of the profits from gold sales by the Fund. A number of Directors had requested a postponement of the decision on Iran's request, although the majority of speakers had given support to that request as formulated. Several speakers had appealed to Iran to reconsider its claim if and when its situation warranted. In the circumstances, a decision might be formulated to state that, in view of the legal case made by the Iranian authorities, it was agreed to transfer to Iran its share of the profits from the gold sales by the Fund and that the transfer would be executed, although a large number of Executive Directors had appealed to the Iranian authorities to re-examine, if circumstances permitted, the possibility of contributing to the Trust Fund. It was also clear from the discussion that there was no desire on the part of the Executive Board to reopen the complex matter of the list of countries eligible to receive a share of profits from the sale of gold by the Fund.

He wished to pay a particular tribute to Mr. Finaish, who had played an important role in the efforts to reach a solution with respect to the matters under discussion, the Chairman continued. The skill exercised by Mr. Finaish in convincing one of the countries in his constituency to abandon its share of the profits from gold sales had made it easier to take a decision on the Iranian request.

Mr. de Vries, commenting on the Chairman's preliminary summing up, wondered what had been meant by the suggestion "that there was no desire on the part of the Executive Board" to reopen the issue of the list of countries eligible to receive profits from the sale of gold by the Fund. The Israeli authorities felt that the understanding on which the list had been agreed would be changed by a decision by the Executive Board to allow Iran to claim its share of the profits. He hoped that it was understood that Israel, and other countries excluded from the list, would not be denied an opportunity to make a case for their inclusion if they so desired.

The Chairman observed that any country could at any time request that its case be reconsidered. He had intended in his summing up only to say that those who had favored reopening the list were in the minority and that there was a strong sentiment among Board members not to reopen the issue of the list.

Mr. Caranicas remarked that it might have been fairer for the Chairman to state that the overwhelming majority of the Board did not wish to reopen the list but that some Directors had indicated that they might do so. On another matter, he wondered whether he and Mr. de Vries--who had indicated that they would abstain in a decision on Iran's request--had been counted among those who had favored a postponement of the decision.

The Chairman stated that, since Mr. Caranicas had supported Mr. Syvrud's request for a postponement, he had been counted among those favoring postponement.

Mr. Buira said that he did not know whether his Spanish authorities would be inclined to ask the Executive Board to reconsider Spain's exclusion from the list, although their position might be influenced by the attitude of others. At present, the Spanish authorities would probably go along with the decision as formulated by the Chairman.

Mr. Syvrud asked whether Mr. Sigurdsson, in appealing to the Government of Iran to adhere to the understanding voiced by the OPEC Ministers in the 1976 Manila communiqué, had implied that more time should be taken while that appeal was being made.

Mr. Sigurdsson replied that he had not questioned Iran's legal claim to its share of the profits from the sale of gold by the Fund, although he had appealed to the Iranian authorities to reconsider whether, in spite of the country's economic difficulties, they might find some way of adhering to the recommendations of the OPEC Ministers in Manila in 1976. Mr. Syvrud seemed to be suggesting that, since Iran's reaction to an appeal might take time, those making such an appeal might be counted among those who had favored postponement of the decision on Iran's request. A recounting along those lines might lead to the necessity for a change in the Chairman's summing up and in the decision. However, for his own part, he had no difficulty with the summing up made by the Chairman.

The Chairman observed that, if those favoring an appeal intended to be counted among those favoring a postponement of the decision on Iran's request, the sense of the meeting might be somewhat different. Mr. Syvrud seemed to be suggesting that a certain amount of time be given to Iran to consider the appeal and that the share of the profits from the sale of gold by the Fund would not be handed over to the Iranian authorities until that time period had expired and a response to the appeal had been received. He had not understood such a procedure to be in the minds of those making an appeal to Iran, and he could see a number of complications involved. Still, discussion of the matter could be reopened if Executive Directors so wished.

Mr. Mentré de Loye stated that what he had in mind was a letter to be sent to the Iranian authorities indicating that there was a desire in the Executive Board to have them take a second look at their request, possibly with a view to modifying it along the lines of Mr. Drabble's suggestion, particularly in view of the situation of the low-income countries. If the reply from the Iranian authorities was negative and their position was confirmed, the transfer of the profits from the sale of gold by the Fund could be made to Iran.

Mr. Drabble indicated that his position was slightly different from that of Mr. Mentré de Loye and Mr. Sigurdsson. In making his appeal, he had placed considerable weight on the reply of the Iranian authorities, which Mr. Abdollahi had judged would be negative. He was prepared to accept Mr. Abdollahi's statement that nothing would be gained by delaying a decision on the Iranian claim any further; and he was thus prepared to take a decision at the present meeting but to indicate that there had been support in the Board for an appeal to the authorities.

Mr. Abdollahi remarked that recent discussions with the Governor for Iran made it clear that there would be no change in Iran's position whether or not a letter was sent by the Board, because the Government of Iran saw no likely improvement in the Iranian economic situation in the near future.

Mr. Kharmawan commented that, since Mr. Sigurdsson had indicated satisfaction with the Chairman's preliminary summing up, and since Mr. Abdollahi had made it clear that there was no possibility for reconsideration by Iran of its claim at present, a decision should be taken by the Executive Board along the lines formulated by the Chairman.

Mr. Buira said that he also could support the Chairman's preliminary summing up, particularly since no one had questioned Iran's right to claim its share of the profits from the sale of gold by the Fund. Further postponement of a decision on Iran's request would seem to be an infringement upon Iran's legal rights.

Mr. Kafka remarked that he could fully support the formulation presented by the Chairman.

The Chairman made the following summing up in concluding the discussion:

> First, I have heard no voice questioning the legal right of Iran to request and receive its share of the profits from the gold sales. I therefore consider it to be the unanimous position of the Board that Iran has a legally valid claim. No one has said that this request was not legally founded. If there is any doubt in any Director's mind on this aspect, I would like him to raise his hand. So that is the first point.

Second, the proposal to postpone the taking of a decision was not supported by a majority in this Board. Thus, the taking of a decision will not be postponed.

Third, the majority of those who have spoken on the matter have given unambiguous support to Iran's request as it has been presented, but I note that a number of Directors have also appealed to Iran to reconsider, if and when possible, its position and relinquish all or a part of its share of the profits or make a contribution for the benefit of the member countries that have been receiving assistance from the Trust Fund.

Finally, among those who have expressed a view on the subject under discussion, a very clear majority has expressed itself against the reopening of the matter of the list of member countries that are entitled to a direct distribution of profits from the sale of gold. I note however that three Directors wished to reserve the positions of certain of their countries.

The Executive Board then adopted the following decision:

1. The Executive Board has considered the request of the Iranian authorities that Iran's share of the profits from the sale of gold be transferred to Iran and has decided that the transfer shall be carried out.

2. The Executive Board also decided that an appeal should be made to the Iranian authorities to examine, in the light of Iran's circumstances, if and in what manner they could contribute to the resources of the Trust Fund, as many other member countries have done, for the benefit of the member countries receiving assistance from the Trust Fund. It was understood that this appeal would not delay the transfer of profits to Iran in accordance with 1 above.

Decision No. 6748-(81/23), adopted
February 18, 1981

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/81/22 (2/13/81) and EBM/81/23 (2/18/81).

2. INTERNATIONAL WHEAT COUNCIL - MEETINGS - FUND REPRESENTATION

The Executive Board approves Fund representation at meetings organized by the International Wheat Council to be held in London, as set forth in EBD/81/37 (2/11/81).

Adopted February 17, 1981

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

February 18, 1981

SHAALAN, A.S.
ROOM 3-314 13

To: Senior Staff

From: The Secretary's Department

Subject: Executive Board Meeting 81/22, February 13, 1981*

Togo - Stand-By Arrangement

Staff Representatives: Taplin, Kanesa-Thasan
Discussion: 25 minutes

EDs supported Togo's request for a stand-by arrangement and observed that Togo faced major financial imbalances resulting from over-expansionary fiscal and monetary policies introduced in mid-1970s. Authorities, however, were commended for improvements in financial management and for fulfilling all but one of performance criteria of previous stand-by arrangement. Speakers noted that economic difficulties had been further compounded by heavy external borrowing and high debt service payments; therefore, rescheduling of large part of repayments and further improvement in management of public debt seen as essential. Number of speakers said that since Togo's economic difficulties were largely structural, extended arrangement should be considered at later stage. Decision adopted.

Korea - 1980 Article IV Consultation and Stand-By Arrangement

Staff Representatives: Szapary, Palmer
Discussion: 2 hours, 15 minutes

Chairman's summing up to be circulated. Decision concluding 1980 Article XIV consultation adopted.

EDs stated that, given extraordinary circumstances, it was justified for stand-by request to exceed normal quota limits. Other speakers, however, expressed concern because Korea is sufficiently creditworthy to borrow on private markets. Decision adopted.

Iran - Extension of Consent Period for Quota Increase

Discussion: 10 minutes

EDs considered request that period of consent for quota increase for Iran be extended to March 16, 1981. Decision adopted.

- over -

*Précis for limited distribution; not basis for official action.

Decisions taken since previous Board meeting to be recorded in minutes of Meeting 81/22

Western Samoa - Technical Assistance (EBD/81/35)
Executive Board Minutes (EBD/81/32)
Executive Board Minutes (EBD/81/34)
Executive Board Travel (EBAP/81/42, EBAP/81/43, EBAP/81/44, EBAP/81/45)

FOR AGENDA

EBS/80/246
Supplement 1

CONFIDENTIAL

February 6, 1981

To: Members of the Executive Board

From: The Acting Secretary

Subject: Iran - Direct Distribution of Profits from Sale of Gold

Attached for the convenience of the Executive Directors is the section of EBS/80/246 (dated November 10, 1980) dealing with the distribution of profits from the sale of gold with respect to Iran. It is being reissued as documentation for the Board Meeting scheduled for discussion on Wednesday, February 18, 1981. The communication from the Governor of the Central Bank of Iran (EBS/80/173, 7/31/80) will also be brought to the agenda on that date.

This subject was originally on the agenda for discussion on December 10, 1980 but it was postponed at the request of an Executive Director. The final disbursement of loans by the Trust Fund was postponed by the Executive Board to the end of March 1981 after the issuance of EBS/80/246, and the reference to January 1981 in the last paragraph of the attachment should be understood in this light.

Att: (1)

November 10, 1980

To: Members of the Executive Board

From: The Managing Director

Subject: Iran--Direct Distribution of Profits from Sale of Gold

The Iranian authorities have not authorized the irrevocable transfer of any part of Iran's share of the profits from gold sales made by the Fund for the benefit of the developing countries. Iran's total share in the total profits that were for direct distribution to the developing countries amounts to US$30,487,673 and this amount is held in the Trust Fund pending such authorization.

In June 1980 (see Buff 80/138, 6/26/80), the Iranian authorities informed the Fund that "the Government of Iran sees itself eligible to receive the full amount of its share from the profit of the IMF's gold sale..." On July 16, 1980, a staff paper on Direct Distribution of Profits from the Sale of Gold to Members in the List of "Developing Members" was issued for discussion in the Executive Board. In EBS/80/173 (7/31/80), the Governor of the Central Bank of Iran requested a postponement of Executive Board discussion of EBS/80/157 "so that more detailed evidence could be presented and I or a representative of Bank Markazi could attend the meeting. I request that at least three weeks' notice is given to us of any future Board discussion involving Iran". The Executive Board agreed to postpone its discussion until after the 1980 Annual Meetings.

The staff was not able to arrange a meeting with the Iranian authorities at the time of the Annual Meeting. The Executive Board will recall that the final disbursement of loans by the Trust Fund is planned to be made toward the end of January 1981. I propose that this matter be discussed at the meeting of the Executive Board tentatively scheduled for Wednesday, December 10, 1980, and the Iranian authorities be informed accordingly.