

1983

# INTERNATIONAL MONETARY FUND

November 28, 1983

TO : Mr. Palmer

FROM: G.G. Johnson 

## Singapore - Consultation Cycle

When the draft summing up for Singapore came around, at Mr. Beveridge's suggestion the language on the consultation cycle was changed to be consistent with the present intention (see attachment). Mr. Aghevli was prepared to explain why the change was being made, but as no E.D. raised the question of the cycle he did not have an opportunity to do so. No one remarked on the difference between the cycle mentioned in the summing up and that originally proposed in the staff appraisal.

Attachment

SUR/83/37

CONFIDENTIAL

November 18, 1983

The Chairman's Summing Up at the Conclusion of the  
1983 Article IV Consultation with Singapore  
Executive Board Meeting 83/155 - November 16, 1983

Executive Directors expressed broad support for the thrust of the appraisal in the staff report for the 1983 Article IV consultation with Singapore. They commended the authorities' outstanding success in promoting rapid capital formation, which had underpinned high rates of growth in output and exports. Prudent financial policies had been instrumental in maintaining a strong currency, low inflation, and continued balance of payments surpluses. Despite the adverse impact of weak external demand on export performance, a relatively high growth rate had still been achieved in 1982, on the strength of increased domestic demand.

Directors noted that increased budgetary expenditures, particularly on the housing program, had exerted a countercyclical influence on overall demand in 1982. The continuation of the housing program and the construction of a mass rapid transit system would be major sources of public sector demand in the medium term. The financing of those development expenditures should not pose major difficulties, in view of the anticipated rapid growth of income and the high buoyancy of the tax revenues; however, the expansion of the public sector could increase pressures on an already tight labor market, particularly if the recovery of external demand were sustained. Directors urged that flexibility should be maintained in the implementation of development projects. They noted that the Government's financial operations as a whole continued to exert a contractionary impact on domestic liquidity, thereby inducing inflows of net foreign assets and facilitating the maintenance of a strong currency and low inflation.

Given the close link between domestic and international financial markets, Directors agreed that the authorities' policy focus on maintaining a strong and stable currency rather than on the control of monetary aggregates was appropriate. In the context of exchange rate management, Directors underscored the continued need to strike a balance between moderating external inflation through exchange rate management and protecting external competitiveness. In that regard, and in view of the Fund's surveillance duties, Directors suggested that the provision of more complete statistical information by Singapore would be desirable. They took note of the continuing growth of Singapore as a major financial center and of the Government's exchange and fiscal policies to promote that development.

It was observed that the openness of the global trading and financial system had been of considerable benefit to Singapore's development as a major regional financial center. In that connection, I join others in hoping that Singapore will accept the quota increase proposed under the Eighth Review, which would bring Singapore's quota more in line with its significant position in the world economy.

It is expected that the next Article IV consultation with Singapore will be held by March 1985.



# Office Memorandum

*Mr Palmer*

TO Mr Van Houtven

DATE November 14, 1983

FROM Tun Thin *yes*

SUBJECT Singapore Consultation Cycle in the Summing Up

Please note that the next consultation date given in the Summing Up is March 1985, which implies a 15-month mission cycle, although the staff report recommends a 12-month cycle. If necessary, the staff will explain at the Board the understanding reached with the authorities regarding the scheduling of missions (see attached memo and the MD's comment).

Attachment

cc Mr Guitian ✓  
Mr Collins



# Office Memorandum

cc DIV.  
BA

OCT 27 1983

TO The Managing Director

FROM P.R. Narvekar *PRN*

SUBJECT Singapore--Consultation Cycle

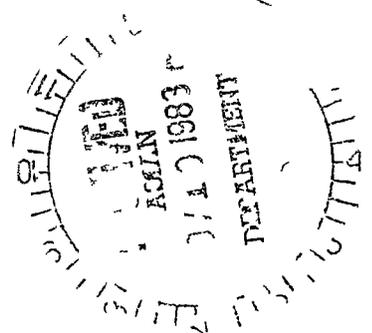
DATE October 26, 1983

On the draft staff report for the Article IV consultation with Singapore, you had asked whether this would not be a good case for the long consultation cycle. As you may recall, the Singapore authorities have always held the view that Singapore's strong financial position justified less frequent consultations. While the staff would not dispute this view, there has been some concern that, if Singapore was placed on a long cycle, the delays in arranging a suitable date could result in consultations in fact taking place every two years, a pattern which was followed in the previous four consultations. As a compromise, an understanding was recently reached between Mr Tun Thin and Dr Richard Hu, the Managing Director of the MAS (Mr Tun Thin's memorandum of September 26 to Mr Dale, copy attached) to place Singapore on a 12-month cycle but to schedule consultations every 15 months.

Why not say it?

## Attachment

cc The Deputy Managing Director  
Mr Palmer  
Mr Collins





## A Comparison of Financial Policies in Singapore and Hong Kong

Valuable insight into the economic factors underlying Hong Kong's recent financial difficulties is gained by contrasting its policies with those of Singapore. Financial policies of the two were quite similar until 1979 but, thereafter, Hong Kong's policies were more expansionary than those of Singapore. During the 1970s, both economies enjoyed a high growth rate, a low inflation, a strong balance of payments, and a stable currency. Since 1980, however, the two economies have followed divergent paths, Singapore has continued to enjoy prosperity and financial stability, while conditions in Hong Kong have deteriorated sharply. Although political uncertainties in Hong Kong have been the paramount reason for this deterioration, the conduct of financial policies has been a contributing factor.

Both Singapore and Hong Kong provide near textbook examples of a small open economy. External trade is the dominant form of economic activity, in both cases, foreign trade is equivalent to more than twice the value of GDP. The importance of foreign trade and the virtual absence of trade restrictions or domestic price controls have meant that movements of domestic prices have closely followed those of foreign prices. Since both Singapore and Hong Kong are international financial centers, their domestic money markets are closely tied to foreign money markets. Consequently, policy makers are confronted with a choice of controlling either the exchange rate or the money supply. In this setting, the Singapore authorities have sought to maintain a strong and stable exchange rate and have allowed the domestic money

supply and interest rates to move under the influence of market forces. The Hong Kong authorities pursued a similar policy during 1970s, since 1980, however, they have attempted to insulate the economy from the upsurge in foreign interest rates and, as a result, set in motion forces that contributed to the weakening of the Hong Kong dollar.

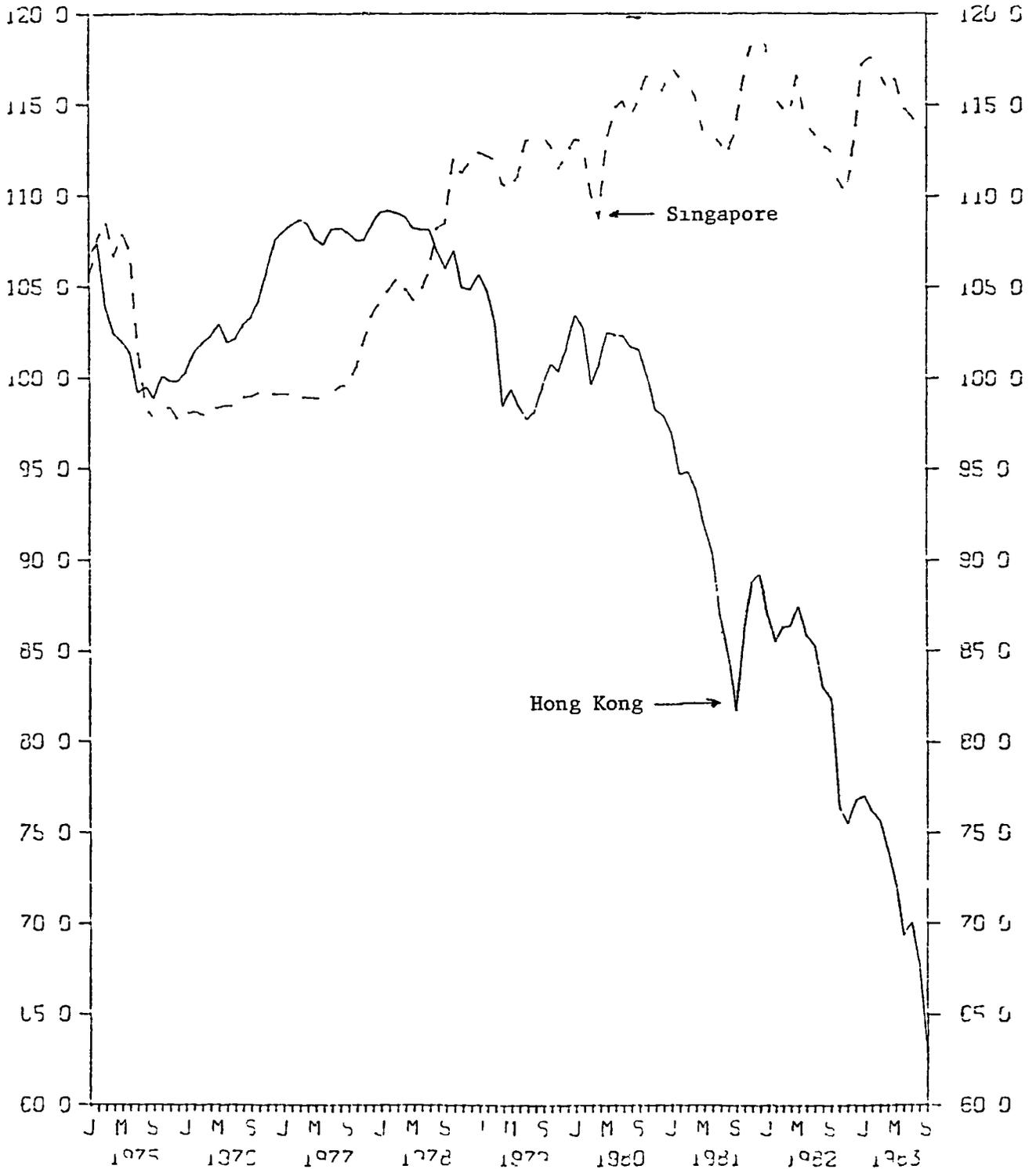
Financial management during the 1970s

With the breakdown of the Bretton Woods system in the early 1970s, both Singapore and Hong Kong switched from a fixed exchange rate policy to a managed float (Singapore adopted a managed float in 1973 and Hong Kong in 1974). In both cases, financial policies were focused on maintaining a strong and stable currency. The Singapore dollar appreciated by 10 percent against the U.S dollar during the period 1974-79, while the Hong Kong dollar moved, with no apparent trend, in a narrow range around HK\$5 per US\$1 (Chart 1)

During this period, budgetary discipline was the cornerstone of financial management in both Singapore and Hong Kong. Surpluses incurred by the public sector consistently exerted a strong contractionary impact on reserve money and created a chronic excess demand for liquidity. This excess demand induced large capital inflows and placed upward pressure on the value of the currency. The authorities' intervention in the foreign exchange market to neutralize the impact of capital inflows on the exchange rate precluded control over the domestic money supply or interest rates, as a result, monetary expansion was highly variable and dependent on the magnitude of capital inflows. Movements in domestic interest rates closely paralleled those in foreign interest

Chart 1

Exchange Rate Indices for Hong Kong and Singapore, 1975-83 <sup>1/</sup>  
(1974=100)



Source IFS

<sup>1/</sup> Defined as U S dollar per unit of local currency A depreciation is indicated by a downward movement in the index

rates. An appreciating currency limited Singapore's inflation to 3 per cent per annum during 1974-79, while a stable exchange rate kept Hong Kong's inflation close to the world inflation of 7 percent. Conservative financial management in both cities created a virtuous cycle of a strong currency, relatively low inflation, and balance of payments surpluses.

These similarities, however, mask important differences in the conduct of monetary policy and in institutional arrangements. Prior to 1974, both Singapore and Hong Kong operated monetary policy under a currency board system which barred the creation of domestic currency unless it was fully backed by foreign exchange. After 1974, Singapore continued this policy, while Hong Kong switched to a system that made domestic credit creation independent of foreign exchange flows.

In Singapore, the authorities have conducted a passive monetary policy. Since 1975, when Singapore abolished its cartel system of interest rate quotations, domestic interest rates have been totally market-determined. The high degree of financial integration has kept domestic interest rates in Singapore within a narrow margin of foreign rates (allowing for forward cover). A stable currency, liberal exchange regime, and tax incentives have encouraged the rapid growth of the Asian Dollar Market in Singapore. In 1982, there were 157 banks with assets of over US\$100 billion compared with 56 banks with total assets of US\$10 billion in 1974.

In Hong Kong, domestic currency is issued by two commercial banks-- the Chartered Bank (CB) and the Hongkong and Shanghai Banking Corporation

(HSBC) Prior to 1974, these banks were required to deposit with the authorities the foreign currency equivalent of their note issue, but in 1974 the authorities began accepting deposits in domestic currency which freed domestic credit creation from the balance of payments constraint. Thereafter, Hong Kong's monetary policy was based on the control of domestic interest rates, which were set by a cartel arrangement among major banks led by CB and HSBC. The domestic interbank market was dominated by CB and HSBC by virtue of their size--they had more than 50 percent of the deposits in Hong Kong dollars--and their ability to create reserve money. The effectiveness of the cartel was further enhanced by restrictions on the establishment of new banks. During the period 1974-79, the cartel broadly followed a passive policy of adjusting domestic interest rates in line with movements of foreign rates, although the level of domestic rates was kept somewhat below that of foreign rates.

The cartel arrangement in Hong Kong had a major impact on the structure of the financial system. In response to the limit on domestic interest rates and new banks, deposit-taking corporations (DTCs) were established outside the cartel. DTCs engaged in most banking functions but were prohibited from accepting demand deposits. These companies were lightly regulated--only HK\$2 million in capital was required and no legal liquidity requirements were imposed until 1980. By offering somewhat higher interest rates on deposits, these corporations expanded their deposit base by over 100 percent per annum from 1977 to 1981, by 1982, the deposits of DTCs amounted to about half of the

deposits of the banking system. With this fast growth, DTCs were under great pressure to lend, but their ability to make high quality loans was hampered by the long-standing business relationships between commercial banks and preferred customers. As a result, DTCs became the major lenders to real estate developers during the construction boom prior to 1981, nearly 45 percent of the loan portfolio of DTCs was in real estate.

The collapse of real estate prices in 1982 created a situation where property values no longer covered DTCs' outstanding loans. Thus, when major real estate companies (e.g., Carrion and Eda Investments) went bankrupt, a number of DTCs failed. These adverse financial conditions also affected commercial banks, the Hang Lung Bank with 28 branches was forced to seek financial assistance from the authorities in September 1983. The already unsettled situation in the financial system prompted the authorities to undertake their first rescue operation in Hong Kong's history.

#### Financial Management in the 1980s

Because the economies of Singapore and Hong Kong are highly open, they were severely buffeted by the external shocks of the early 1980s, particularly by the sharp rise in international interest rates. Policymakers of the two economies responded differently to these developments. The Singapore authorities continued to pursue a passive monetary policy and, thereby, accepted higher domestic interest rates, while the Hong Kong authorities decided to prevent an increase in domestic interest rates by adopting a more expansionary credit policy. As a result,

Singapore remained on its virtuous cycle, while Hong Kong set in motion economic forces that produced higher inflation and eroded the currency's external value (Table 1).

Table 1. Singapore and Hong Kong Selected Economic Indicators  
(Percentage change)

	Annual average 1974-79		1980		1981		1982	
	Singa- pore	Hong Kong	Singa- pore	Hong Kong	Singa- pore	Hong Kong	Singa- pore	Hong Kong
Broad money	13	24	24	39	22	27	16	42
Inflation	3	7	9	15	8	14	4	10
Exchange rate <sup>1/</sup>	2	--	3	-4	3	-11	-5	-15
Real GDP	8	11	10	12	10	11	6	2

Source Data Fund

<sup>1/</sup> Negative sign indicates a depreciation against the U.S. dollar.

During 1980-81, broad money in Hong Kong rose by an annual average of 33 percent and placed pressure on the exchange rate. The currency's weakness created a forward discount on Hong kong dollars, enlarging the difference between domestic interest rates and covered foreign interest rates. In response to the higher rate of return on foreign assets, foreign currency deposits rose by 80 percent in 1981 or four times the growth rate for deposits in domestic currency. The increased demand for foreign assets by Hong Kong residents contributed to the 15 percent depreciation of the Hong Kong dollar during 1980-81.

The vicious cycle of a depreciating currency and continuing shift toward foreign assets that was established during 1980-81 was reinforced

by economic developments in 1982. The fiscal balance, which had been consistently in surplus, turned to a substantial deficit in 1982 (equivalent to 2 percent of GDP). This deficit was financed by domestic currency creation which only exacerbated the monetary situation, broad money growth increased to 42 percent. In addition, the economic incentive to hold deposits in H.K. dollars was diminished by the abolition, in February 1982, of the 10 percent withholding tax on interest earned from foreign currency deposits, a similar tax on earnings from domestic currency deposits was retained. Domestic residents quickly converted domestic currency into foreign currency. In late 1982, uncertainties concerning Hong Kong's political future were added to the economic factors encouraging a shift toward foreign assets. By end-1982, foreign currency deposits accounted for 40 percent of broad money compared to 13 percent at end-1980.

As a result of the political and economic factors, the Hong Kong dollar depreciated by 23 percent over the 12-month period ending August 1983, in early September 1983, it plummeted by 21 percent, moving from HK\$7.6 per US\$1 to a record low of HK\$9.6 per US\$1. To restore confidence and break the downward spiral of the currency, the authorities took several measures. First, domestic interest rates were raised by 4-1/2 percentage points to 16 percent. Second, the currency board system was reinstated on October 17. Under the new system, newly issued Hong Kong dollars are fully backed with foreign exchange at a fixed rate of HK\$7.8 per US\$1. Finally, the authorities abolished the withholding tax on interest earnings from local currency deposits.

After the announcement of these measures, the exchange rate, which had already recovered to HK\$8.2 per US\$1 in response to the interest rate actions, strengthened further to HK\$7.8 per US\$1 and has since remained there.

Monetary and exchange rate policies in Hong Kong have come full circle and rejoined those of Singapore. It is too early, however, to tell whether Hong Kong will be able to overcome the effects of the political uncertainties and maintain confidence.



# Office Memorandum

*Mr. Palmer*

*cc: Mr. Blusson*

TO : The Managing Director

DATE: October 26, 1983

FROM : P.R. Narvekar *PRN.*

SUBJECT : Singapore--Consultation Cycle

On the draft staff report for the Article IV consultation with Singapore, you had asked whether this would not be a good case for the long consultation cycle. As you may recall, the Singapore authorities have always held the view that Singapore's strong financial position justified less frequent consultations. While the staff would not dispute this view, there has been some concern that, if Singapore was placed on a long cycle, the delays in arranging a suitable date could result in consultations in fact taking place every two years, a pattern which was followed in the previous four consultations. As a compromise, an understanding was recently reached between Mr. Tun Thin and Dr. Richard Hu, the Managing Director of the MAS (Mr. Tun Thin's memorandum of September 26 to Mr. Dale, copy attached) to place Singapore on a 12-month cycle but to schedule consultations every 15 months.

## Attachment

cc: The Deputy Managing Director  
Mr. Palmer ✓  
Mr. Collins



# Office Memorandum

TO The Deputy Managing Director

DATE September 26, 1983

FROM Tun Thin *TJ*

SUBJECT Singapore Consultation Cycle

I held a meeting yesterday with Dr Richard Tsu Tau Hu, the Managing Director of the Monetary Authority of Singapore. We agreed to place Singapore on a 12-month consultation cycle with the understanding that the staff would exercise some flexibility and schedule consultations about every 15 months.

cc The Deputy Managing Director  
Mr Finch  
Mr Carter  
Mr Collins

INTERNATIONAL MONETARY FUND OCT 21 1983

October 21, 1983

TO : THE MANAGING DIRECTOR

FROM: WILLIAM B. DALE *WBD*

SUBJECT: Singapore--1983 Art. IV Staff Report

*This is a very good report on an economy that has an excellent record over a period of many years as to financial and economic management. I recommend approval.*

*ye ?  
a minor - page 17  
ye  
Oct. 25. 83*

*Mr Palmer*

*Mr. Johnson - it  
done DF ✓*

*mm mb*

*mm*



# Office Memorandum

10/11/83

TO The Managing Director  
FROM Tun Thin and Donald K. Palmer *SPM*  
SUBJECT Singapore--Staff Report for the  
1983 Article IV Consultation

DATE: October 11, 1983

Attached for your approval is the Staff Report on Singapore.

This paper has been cleared with Messrs. Chandavarkar (TRE) and Silard (LEG).

## Attachment

cc: The Deputy Managing Director (on return) ✓  
TRE  
LEG  
Mr. Collins

policy and low inflation rates abroad, the authorities are in a better position to maintain domestic price stability without continued appreciation of the currency.

Over the medium-term, public investment is being stepped up further in line with plans to substantially increase the supply of housing and to build a Mass Rapid Transit system. Financing of these programs should not pose a problem, given the buoyancy of the tax system and the substantial domestic savings provided through the Central Provident Fund. However, flexibility in implementing public investment programs and in utilizing foreign workers is needed to ensure that labor market constraints do not inhibit rapid export growth.

Given the excellent record of economic management and the fundamental strength of the economy, it should not be surprising that the staff has not encountered significant differences of views as regards the appropriateness of the broad policy stance for the present and prospective situation. The Singapore economy serves as an excellent example of the virtues of financial prudence and free trade.

It is recommended that the next Article IV consultation with Singapore be held on the standard 12-month cycle.

*Isn't  
this a <sup>can</sup> longer?  
for a cycle*



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CC: ETR

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FROM MONETARYSINGAPORE SERIAL 136 15 OCT 83

MR BIJAN B AGHEVLI  
CHIEF, DIVISION C  
ASIAN DEPARTMENT  
INTERFUND  
WASHINGTON DC

FURTHER TO OUR TELEX OF 23 SEPTEMBER 1983, WE REGRET TO INFORM YOU THAT WE ARE UNABLE TO PROVIDE YOU WITH THE ADJUSTED MONETARY AND RESERVES DATA REQUESTED IN YOUR TELEX OF 14 SEPTEMBER AS THIS WOULD ENTAIL RELEASE OF SENSITIVE UNPUBLISHED DATA. ALSO THE STOCK SERIES NOW PROVIDED TO THE IMF IS CONSISTENT WITH OUR PUBLISHED ACCOUNTS. FURTHERMORE, FOR SOME OF THE STOCK SERIES THAT YOU REQUESTED, WE HAVE TO ACCUMULATE FLOW DATA FROM AN ORIGINAL POINT BUT WE DO NOT HAVE THE DETAILED PAST RECORDS TO DO THIS. REGARDS.

DR TEH KOK PENG  
MANAGER  
ECONOMICS DEPARTMENT  
THE MONETARY AUTHORITY OF SINGAPOR

440040 FUND UI

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TIME: 00:45 10/15/83 EDT  
CONNECT TIME : 147 SECONDS





# Office Memorandum

1) CDF  
2) DKP B

TO : The Deputy Managing Director

DATE: September 26, 1983

FROM : Tun Thin *TT*

SUBJECT : Singapore: Consultation Cycle

I held a meeting yesterday with Dr. Richard Tsu Tau Hu, the Managing Director of the Monetary Authority of Singapore. We agreed to place Singapore on a 12-month consultation cycle with the understanding that the staff would exercise some flexibility and schedule consultations about every 15 months.

cc: Mr. Finch ✓





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FROM MONETARYSINGAPORE SERIAL 219 23 SEP 83

MR BIJAN B AGHEVLI  
CHIEF, DIVISION C  
ASIAN DEPT  
INTERFUND  
WASHINGTON DC

REYRTEL OF SEPT 14, WE ARE PUTTING UP MATTER FOR  
MAS MANAGEMENT DECISION. WILL INFORM YOU OF OUTCOME  
AS SOON AS POSSIBLE.

REGARDS

SHIRLEY LOW  
MONETARY SINGAPORE

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JVJ  
REPLY VIA ITT

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TIME: 00:14 09/23/83 EDT  
CONNECT TIME : 233 SECONDS



# IMF OFFICIAL MESSAGE

WASHINGTON, D. C. 20431

DO NOT SOFT ROLL EXCEPT  
WHEN ALIGNING INTO LINE 23

START ADDRESS IN THE BOX	23	MR. TEH KOK PENG	D O N O T T Y P E E H E R E	
	22	MANAGER, ECONOMIC DEPARTMENT		
	21	MONETARY AUTHORITY OF SINGAPORE		
	20	SINGAPORE		
	19			
	START TEXT HERE	18		RE. MR. GAN TANG LIP'S TELEX TO MR. AGHEVLI OF
		17		JULY 27, THE REQUEST FOR MEETINGS WITH THE CHAIRMAN OF
		16		THE MONETARY AUTHORITY, THE MINISTER OF FINANCE, AND
		15		THE PERMANENT SECRETARIES OF THE MINISTRIES OF TRADE
		14		AND INDUSTRY AND OF FINANCE, SHOULD BE VIEWED PRIMARILY
		13		AS SEEKING COURTESY CALLS. I WOULD BE MOST GRATEFUL
		12		FOR YOUR ASSISTANCE, AFTER DISCUSSION WITH MR. AGHEVLI
		11		FOLLOWING HIS ARRIVAL, IN ARRANGING APPROPRIATE
		10		COURTESY CALLS OR POLICY DISCUSSIONS FOR THE TEAM
		9		OUTSIDE OF M.A.S. AND GUIDANCE ON THE TOPICS THAT MIGHT
		8		APPROPRIATELY BE COVERED IN EACH VISIT.
		7		REGARDS.
		6		TUN THIN
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*1. Mr. Palmer*  
*2. ETR Files*

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*DAS* *Tun Thin*



# IMF OFFICIAL CABLE

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1983 JUL 27 AM 8:21

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FROM MONETARY SINGAPORE SERIAL 217 27 JUL 83

MR BIJAN B AGHEVLI  
CHIEF, DIVISION C

ASIAN DEPARTMENT  
INTERFUND  
WASHINGTON DC

RE YOUR TELEX OF 13 JUL 83 REGARDING PROPOSED IMF TEAM'S MEETING WITH THE MINISTER OF FINANCE AND THE PERMANENT SECRETARIES OF THE MINISTRIES OF FINANCE, AND TRADE AND INDUSTRY.

WE WOULD LIKE TO KNOW WHETHER THE TEAM'S VISIT INVOLVES DISCUSSIONS ON SPECIFIED TOPICS OR MERELY A COURTESY CALL. IF THE FORMER, PLEASE SPECIFY TOPICS THAT WILL BE DISCUSSED.

PLEASE REPLY WITHOUT DELAY.

REGARDS.

GAN TANG LIP  
MONETARY AUTHORITY OF SINGAPORE

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VVVVG  
REPLY VIA ITT

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TIME: 04:52 07/27/83 EDT  
CONNECT TIME : 131 SECONDS

# IMF OFFICIAL MESSAGE

WASHINGTON, D. C. 20431

DO NOT SOFT ROLL EXCEPT WHEN ALIGNING INTO LINE 23

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23 DR. TSU TAU HU

22 MANAGING DIRECTOR

21 MONETARY AUTHORITY OF SINGAPORE

20 SINGAPORE

18 CONGRATULATIONS ON YOUR APPOINTMENT AS MANAGING DIRECTOR

17 OF THE MONETARY AUTHORITY. I LOOK FORWARD TO MEETING YOU

16 DURING OUR FORTHCOMING VISIT FOR THE 1983 ARTICLE IV

15 CONSULTATION. I WOULD GREATLY APPRECIATE IT IF IN ADDI<

14 TION TO YOURSELF WE COULD ALSO MEET WITH THE CHAIRMAN OF

13 THE MONETARY AUTHORITY OF SINGAPORE, THE MINISTER OF

12 FINANCE, THE PERMANENT SECRETARY OF THE MINISTRY OF TRADE

11 AND INDUSTRY, AND THE PERMANENT SECRETARY OF THE MINISTRY

10 OF FINANCE.

9 WE HAVE ENCOUNTERED SOME DIFFICULTY IN RECONCILING

8 THE FINANCIAL DATA AND I WOULD APPRECIATE IT IF WE COULD

7 BE PROVIDED WITH CONSISTENT DATA RELATING TO THE FOLLOWING

6 SERIES UPON OUR ARRIVAL IN SINGAPORE.

5 1. MONETARY SURVEY DATA AS REPORTED IN INTERNATIONAL

4 FINANCIAL STATISTICS AND IN THE MAS MONTHLY STATISTICAL

3 BULLETIN, TABLE 1.2 ARE NOT CONSISTENT FOR YEARS PRIOR TO

2 1982. PLEASE PROVIDE REVISED DATA FOR NET FOREIGN ASSETS

1 (LINE 31N, IFS), NET CREDIT TO GOVERNMENT (LINE 32AN),

SPECIAL INSTRUCTIONS

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TELEX NO.:

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EXT.: 57341 DEPT.: ASD DATE: 7/13/83

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AUTHORIZED BY NAME (TYPE): BIJAN AGHEVLI

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B. Aghevli

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**IMF OFFICIAL MESSAGE**  
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23	DR. TSU TAU HU		
22	SINGAPORE		D O N O T T Y P E H E R E
21	PAGE TWO		
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19			
18	AND NET OTHER ITEMS (LINE 37R).		DISTRIBUTION
17	2. THERE ARE DIFFERENCES BETWEEN CHANGES IN OFFICIAL		
16	RESERVE HOLDINGS AS REPORTED BY THE MAS AND THOSE REPORTED		
15	IN BALANCE OF PAYMENTS DATA PUBLISHED IN THE ECONOMIC		
14	SURVEY OF SINGAPORE. PLEASE RECONCILE THESE DIFFERENCES.		
13	3. THERE ARE ALSO DIFFERENCES BETWEEN NET LENDING TO		
12	GOVERNMENT REPORTED IN THE MONETARY SURVEY OF MAS		
11	(TABLE 1.2) AND DATA ON GOVERNMENT FINANCING REPORTED IN		
10	THE BUDGET TABLES, I.E., SM/82/184, P. 24, TABLE 9. ALSO,		
9	THE CONSOLIDATED PUBLIC SECTOR ACCOUNTS AS DATA PROVIDED		
8	IN TABLE 31 OF LAST YEAR'S QUESTIONNAIRE APPEAR TO OVER-		
7	STATE THE OVERALL DEFICIT FOR FISCAL YEARS 1980 AND 1981.		
6	PLEASE UPDATE AND REVISE THESE DATA AND PROVIDE IF		
5	POSSIBLE PROJECTIONS FOR FISCAL YEAR 1983.		
4	REGARDS		
3	AGHEVLI		
2	INTERFUND		
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# IMF OFFICIAL MESSAGE

WASHINGTON, D. C. 20431

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23 MR. GAM TANG LIP

22 MONETARY AUTHORITY OF SINGAPORE

21 SINGAPORE

20

19

18 BRIEF CURRICULUM VITAE OF MISSION MEMBERS IS AS FOLLOWS:

17 AGHEVLI--JOINED THE FUND IN 1972 AFTER RECEIVING PHD  
16 FROM BROWN UNIVERSITY. ADVISOR IN EXCHANGE AND TRADE  
15 RELATIONS DEPARTMENT (1981), ADVISOR IN ASIAN DEPARTMENT  
14 (1982), CHIEF OF DIVISION C IN THE ASIAN DEPARTMENT SINCE  
13 MAY 1983.

12 BABAN--JOINED THE FUND IN 1971 AFTER RECEIVING PHD  
11 FROM UNIVERSITY OF MANCHESTER (UK). SENIOR ECONOMIST IN  
10 EXCHANGE AND TRADE RELATIONS DEPARTMENT (1979-81), SENIOR  
9 ECONOMIST IN DIVISION D OF ASIAN DEPARTMENT SINCE 1982.

8 DI CALOGERO--JOINED THE FUND IN 1971 AFTER RECEIVING  
7 M.PHIL. FROM COLUMBIA UNIVERSITY. ECONOMIST IN DIVISION  
6 C OF THE ASIAN DEPARTMENT.

5 CITRIM--JOINED THE FUND IN 1982 AFTER RECEIVING PHD  
4 FROM UNIVERSITY OF MICHIGAN. ECONOMIST IN DIVISION E OF  
3 THE ASIAN DEPARTMENT.

2 REGARDS,

1 AGHEVLI, INTERFUND

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DRAFTED BY  
NAME (TYPE): B. AGHEVLI

EXT.: 72925 DEPT.: ADD DATE: 7/8/83

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AUTHORIZED BY  
NAME (TYPE): B. AGHEVLI

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NAME (TYPE):

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*B* *Aghevli*

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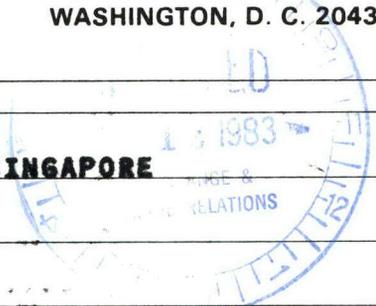
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ETRD



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03 JUL -8 PM 9:52



# IMF OFFICIAL CABLE

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RCV: @1IM/1.01891 LINE: 1

1983 JUL -4 AM 9: 16

545165

0448 EST  
440385 FUND UI

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ORIG: ASD

ORCHID R328174

CC: LTRD

FROM MONETARY SINGAPORE

SERIAL 32

4 JUL 83

BIJAN B AGHEVLI  
ASIAN DEPARTMENT  
INTERFUND  
WASHINGTON DC

WE WOULD APPRECIATE RECEIVING THE CURRICULUM  
VITAE OF THE IMF STAFF TEAM FOR THE COMING 1983  
IMF CONSULTATION OF SINGAPORE AS SOON AS POSSIBLE.



REGARDS,

GAN TANG LIP  
THE MONETARY AUTHORITY OF SINGAPORE

440385 FUND UI  
VVVV  
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TIME: 04:48 07/04/83 EDT  
CONNECT TIME : 94 SECONDS

*James Guitan*  
*2) ETR file*

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1982 MAR -2 AM 8: 16

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488234

ORIG: ASD  
CC: ETR

RCA MAR 01 2320#  
INTERFUND WSH

FROM MONETARYSINGAPORE SERIAL 51 2 MAR 82

MR P R NARVEKAR  
INTERFUND  
WASHINGTON D C

REYRTEL DATED 26 FEB 1982. WE ARE AGREEABLE TO YOUR PROPOSAL  
TO HOLD 1982 ARTICLE IV CONSULTATION ON SINGAPORE DURING 31  
MAY - 11 JUNE 1982.

REGARDS.

LIM KIM SAN  
MANAGING DIRECTOR  
MONETARYSINGAPORE#  
INTERFUND WSH  
VVVV



SECRET

OFFICIAL MESSAGE

INTERNATIONAL MONETARY FUND

Washington, D C 20431

Telex   
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ADDRESS

THE MONETARY AUTHORITY OF SINGAPORE

P.O. BOX 52

SINGAPORE 0106

REPUBLIC OF SINGAPORE

Special Instructions

P. NO. 10

1. ON JUNE 17, 1981 THE EXECUTIVE BOARD APPROVED THE OPERATIONAL BUDGET FOR THE QUARTERLY PERIOD JUNE-AUGUST 1981. TOTAL TRANSFERS BY THE FUND PROVIDED FOR IS SDR 1,752.4 MILLION OF WHICH SDR 500 MILLION IS IN SDRS AND THE REMAINDER IN CURRENCIES. THE CURRENCIES INCLUDE MAXIMUM USE OF SDR 12.8 MILLION IN SINGAPORE DOLLARS.

2. TOTAL RECEIPTS OF CURRENCIES BY THE FUND PROVIDED FOR IS SDR 300.7 MILLION. WITHIN THIS TOTAL, THE BUDGET ENVISAGES MAXIMUM USE OF SDR 1.3 MILLION IN SINGAPORE DOLLARS.

3. FOR YOUR INFORMATION, THE EXECUTIVE BOARD DECIDED THAT IN IMPLEMENTING THE BUDGET, SDRS AND CURRENCIES WOULD BE USED IN BROAD PROPORTION TO THE AMOUNTS INCLUDED FOR USE IN TRANSFERS AND RECEIPTS. IF YOUR CURRENCY WERE SOLD YOU WOULD MOST LIKELY BE REQUIRED /C

Distribution

CC TRE  
MD  
DMD  
HR KHARMAWAN  
LEG  
RES  
ASB  
ETR  
SEC

MESSAGE MUST END HERE

Drafted by A. Moustapha  
Department TRE  
Date 6/17/81

A.M. Al-Samarrie

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NAME (TYPE)

SIGNATURE

FOR CABLE ROOM USE ONLY

No of words 5 Min

Log 609271

Route WUI

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# OFFICIAL MESSAGE

## INTERNATIONAL MONETARY FUND

Washington, D C 20431

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THE MONETARY AUTHORITY OF SINGAPORE

- 2 -

Special Instructions

↓ TO EXCHANGE IT AND IF YOUR CURRENCY WERE SPECIFIED  
FOR USE BY OTHER MEMBERS TO MAKE PAYMENTS TO THE FUND,  
YOU WOULD MOST LIKELY BE REQUIRED TO PROVIDE YOUR  
CURRENCY TO THOSE MEMBERS. THESE EXCHANGES WOULD BE  
IN ACCORDANCE WITH PROCEDURES YOU HAVE AGREED WITH  
THE FUND UNDER RULE 0-4 AND RULE 0-6 OF THE FUND'S  
RULES AND REGULATIONS.

TEST NO.  
TREASURER'S  
INTERFUND

Distribution

MESSAGE MUST END HERE

Drafted by A. Noustapha, sv  
Department TPE  
Date 6/17/81

A.A. Al-Samarrie

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FOR CABLE ROOM USE ONLY

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Operator \_\_\_\_\_



1980

NOV 19 1980

Sir:

This is to acknowledge, on behalf of the Managing Director, your cable of November 17, 1980 notifying the Fund that Singapore consents to the increase in its quota in the International Monetary Fund from SDR 49 million to SDR 92.4 million, in accordance with Board of Governors Resolution No. 34-2, entitled "Increases in Quotas of Members—Seventh General Review," adopted December 11, 1978.

As you are aware, the increases in quotas under the Seventh General Review will not take effect until all of the conditions in the Resolution are met. Your Government will be notified in due course concerning the timing and operational details for payment of the increase in subscription.

Very truly yours,

Leo Van Houtven  
Secretary

Honorable Goh Keng Swee  
Governor of the International  
Monetary Fund for Singapore  
c/o The Monetary Authority of Singapore  
P. O. Box 52  
Singapore 1, Republic of Singapore

CC: MD  
DMD  
MR. KHARMAW AN  
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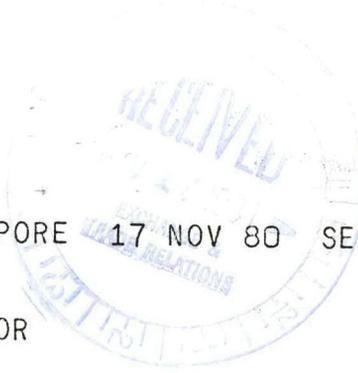
1980 NOV 17 AM 7:44

CABLE  
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435140

ORIG: SEC (MRS. LONG)  
CC: MD  
DMD  
MR. KHARMAWAN  
LEG  
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RCA NOV 16 2106  
INTERFUND WSH



FROM MONETARY SINGAPORE 17 NOV 80 SERIAL 97

THE MANAGING DIRECTOR  
INTERFUND  
WASHINGTON DC

I AM DULY AUTHORISED AND DIRECTED BY THE GOVERNMENT OF SINGAPORE TO NOTIFY YOU THAT SINGAPORE HEREBY CONSENTS TO THE INCREASE IN ITS QUOTA TO SDR 92.4 MILLION IN ACCORDANCE WITH PARAGRAPH 1 OF THE BOARD OF GOVERNORS' RESOLUTION NO. 34-2 ON 'INCREASES IN QUOTAS OF FUND MEMBERS - SEVENTH GENERAL REVIEW'.

WE UNDERSTAND THAT PAYMENT OF 25 PER CENT OF THE QUOTA INCREASE IN SDRS AND THE BALANCE IN SINGAPORE DOLLARS IS TO BE MADE WITHIN 30 DAYS OF THE DATE ON WHICH THE FUND DETERMINES THAT THE PARTICIPATION REQUIREMENT HAS BEEN MET, OR THE DATE OF CONSENT TO QUOTA INCREASE, WHICHEVER IS LATER.

DR GOH KENG SWEE  
GOVERNOR FOR SINGAPORE

⊕  
INTERFUND WSH

VVVV  
2129 11/16

VIA WUI  
INTERFUND WSH

1) Mr. Palmer  
2) ~~Mr. Palmer~~  
3) ETR files

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M.F.

429522  
23 SEP 80

FROM MONETARY SINGAPORE SERIAL 191<sup>4</sup>

MR TUN THIN  
INTERFUND  
WASHINGTON DC  
USA



ORIG: ASD  
CC: ETR

THANK YOU FOR YOUR TELEX OF 13 SEP 80. WE HAVE SCHEDULED  
A PROGRAMME FOR 1 TO 3 OCT 80 FOR MR ANOOP SNGH. THE  
TENTATIVE PROGRAMME IS AS FOLLOWS:-

DAY 1 - DISCUSSION WITH MAS OFFICIALS:-

- A) HEAD, EXTERNAL DIVISION, ECONOMICS DEPT.
- B) HEAD, MONEY MARKET, BANKING DEPT.
- C) DEPUTY MANAGER, ECONOMICS DEPT.

DAY 2 - DISCUSSION WITH:-

- A) MANAGER, FOREIGN EXCHANGE AND MONEY MARKET,  
THE CHARTERED BANK.
- B) MANAGER, ASIAN CURRENCY UNIT, CITIBANK.
- C) MANAGER, CHARLES FULTON (S) PTE LTD

DAY 3 - DISCUSSION WITH CHIEF MANAGER AND 2 SEPUTY MANAGERS  
OF THE INTERNATIONAL DEPT, THE MONETARY ATHORITY  
SINGAPORE.

PLEASE LET S KNOW WHETHER YOU WOULD LIKE US TO ARRANGE  
HOTEL ACCOMODATION FOR MR SINGH. MAY I SUGGEST THAT HE  
WRITES DIRECTLY TO MR LEONG KWOK KEE, MANAGER OF OUR FINANCE  
AND ADMINISTRATION DEPARTMENT WHEN HIS TRAVEL PLANS ARE FIRM  
SO THAT AN OFFICIAL FROM THE AUTHORITY COULD MEET HIM ON  
ARRIVAL.

IF WE CAN BE OF FURTHER ASSISTANCE, PLEASE DO NOT HESITATE  
TO LET US KNOW.

BEST REGARDS.

MICHAEL WONG PAKSHONG  
MANAGING DIRECTOR  
MONETARY SINGAPORE

CORR: PARA 1 LINE 2 MR ANOOP SNGH SHOULD READ AS MR ANOOP SINGH,  
PARA 1 DAY 3, LINE 1 SEPUTY SHOULD READ AS DEPUTY

PARA 2 LINE 1 S SHOULD READ AS US<sup>⊕</sup>  
INTERFUND WSH  
VVVV  
WUI TELEX TO JAPAN-AREA CODE 781

⊕

INTERFUND WSH

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INTERFUND WSH

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1980 SEP 10 AM 8:05

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1) ~~Mr. Palmer~~  
2) ~~Mr. Hines~~  
3) ETR files

CABLE  
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ORIG: ASD  
CC: ETR

FROM MONETARY SINGAPORE

SERIAL 83

10 SEP 80

MR R SALGADO  
ADVISER, ASIAN DEPARTMENT  
INTERFUND  
WASHINGTON DC



CPI - ALL ITEMS	M114.3,	J114.6,	JUL115.6
FOOD	M111.8,	J112.1,	JUL113.0
RICE AND OTHER CEREALS	M114.6,	J115.3,	JUL117.9
HOUSING	M116.7,	J117.0,	JUL117.1
CLOTHING	M105.6,	J105.8,	JUL106.7
TRANSPORT	M128.0,	J128.5,	JUL129.1
MISCELLANEOUS	M112.3,	J112.5,	JUL115.0
WPI - ALL ITEMS	A150.6,	M151.3,	J152.8
FOOD	A124.0,	M124.1,	J122.8
BEVERAGES AND TOBACCO	A138.4,	M138.7,	J139.4
CRUDE MATERIALS	A181.0,	M171.9,	J172.4
MINERAL FUELS	A244.3,	M254.0,	J255.3
ANIMAL AND VEGETABLE OILS	A97.0,	M92.3,	J85.0
C CHEMICALS AND CHEMICAL PRODUCTS	A148.4,	M150.4,	J149.5
MANUFACTURED GOODS	A124.0,	M124.5,	J125.2
MACHINERY AND			





# Office Memorandum

TO : Mr. Salgado

DATE: June 13, 1980

FROM : Anand G. Chandavarkar *AGC*

SUBJECT : Singapore--Briefing Paper for 1980 Article IV Consultation--Comments

## II. Recent Economic Developments

Wages Policy: There seems to be a contradiction between "...upward adjustment in wage rates following the recommendation of a 14 per cent wage increase by the National Wages Council" on page 3 (second paragraph) and the statement on page 9 (section 4) which refers to the National Wages Council's recommendation of a 14 per cent increase in average earnings of workers. There is a conceptual and empirical distinction between "wage rates" and "average earnings". Typically, one would expect earnings to exceed wage rates because of fringe benefits, wage drift, and such other factors. Consequently, the percentage increases cannot be identical for the two magnitudes.

### Control of Liquidity (pp. 3-4)

After stating that "the authorities have used such measures as intervention in the foreign exchange market, rediscounting of commercial bills and open market operation with Treasury bills to influence the growth of liquidity" it is said that the former two measures were used primarily to add liquidity... What then was the role of the third measure, viz., open market operations, in relation to liquidity? Open market operations are also used to promote the gilt edged market, quite independently of liquidity considerations. Besides, they are not necessarily confined to Treasury bills; they can cover other government securities etc. Also to the extent that rediscounting of commercial bills comprises the special rediscount facility for export bills it is quite unrelated to control of liquidity.

### 2. International Reserve and Exchange Rate (page 8, first complete paragraph)

You may consider a redraft along the following lines:

...the staff team will review with the authorities their reserve management policies and objectives". Omit "for medium term" which is needlessly restrictive.

### 3. Reserve Requirements for Banks (pp. 8-9)

This section could be more appropriately recaptioned "Institutional and Regulatory Developments in the Banking System". We would also suggest adding the following at the end of the section "The Mission will review the latest developments in: (a) the Asian Dollar Market (offshore banking) in both the primary and secondary markets including turnover, yield and maturity pattern etc; and the gold market (spot and futures)."

4. Wage Policy

Could this section be better described as incomes policy?

Page 10. The causal connection between high wages and the reduction of "retained earnings" is not obvious. The distribution of corporate profits between "dividends" and "retained earnings" for reserves etc. in fact depends on a variety of other factors (e.g., tax laws, management policies regarding future growth, and resort to capital markets through public issue of stocks etc.).

6. Quota Increase

This may be revised as follows:

"The mission will also inquire as to when Singapore expects to be able and willing to consent to the increase in its quota under the Seventh General Review; what steps (legislative and financial) have been taken so far by the authorities; and what steps will still be necessary before such a consent might be forthcoming."

Relations with the Fund

SDR position: Insert "net" before cumulative allocations.

cc: Mr. Tun Thin  
Mr. Woodley  
Mr. Palmer ✓  
Mr. Beveridge  
Mr. Evans  
Mr. Rhomberg

ITT World Communications Inc.

1000 EDT\*  
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FROM BANK OF SIERRA LEONE 5/6/80

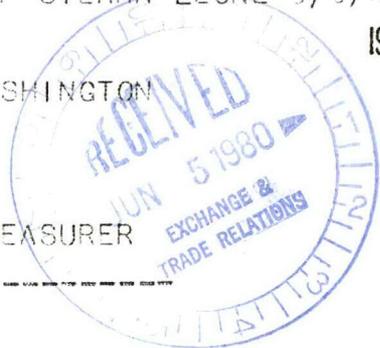
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MR. MOGAE  
AFR  
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ATTN THE TREASURER

DUE TO BALANCE OF PAYMENTS DIFFICULTIES, WE WOULD LIKE TO  
REPURCHASE STAND-BY PURCHASES OF AUGUST 29 1977 AND SEPTEMBER  
29 1977 EQUIVALENT TO SDR 5.0 MILLION AND SDR 2.0 MILLION, RESPEC-  
TIVELY, UNDER THE FOLLOWING SCHEDULE:

- NOT LATER THAN SEPTEMBER 27 1980 SDR 0.75 MILLION
- NOT LATER THAN MARCH 28 1981 SDR 1.00 MILLION
- NOT LATER THAN SEPTEMBER 28 1981 SDR 1.25 MILLION
- NOT LATER THAN MARCH 28 1982 SDR 2.75 MILLION
- NOT LATER THAN AUGUST 15 1982 SDR 1.25 MILLION

REGARDS  
COPPERSAFE FREETOWN

~~TESTED FOR 14,000,000~~

~~TEST NO 750~~

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ions Inc.

ITT World Communications Inc.

TEST NUMBER: \_\_\_\_\_

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FROM MONETARY SINGAPORE SERIAL 280  
CABLE ROOM 24.5.80

ORIG: ASD  
CC: ETRD

MR TUN THIN  
INTERNATIONAL MONETARY FUND  
ASIAN DEPARTMENT  
INTERFUND

RE YOUR TELEX OF MAY 21 1980, POSTPONEMENT OF ARTICLE IV  
CONSULTATION BY TWO WEEKS ACCEPTABLE. NEW DATES JUNE 30 -  
JULY 11. PLEASE CONFIRM.

MONETARY SINGAPORE  
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INTERFUND WSH  
VVVV

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# OFFICIAL MESSAGE

## INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

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MR. MICHAEL WONG PAKSHONG  
MANAGING DIRECTOR  
MONETARY AUTHORITY OF SINGAPORE  
SINGAPORE

Special Instructions

18 AS AGREED THROUGH MR. KHARMAWAN, A STAFF TEAM WILL  
17 VISIT SINGAPORE TO HOLD THE 1980 ARTICLE IV CONSULTATION  
16 DISCUSSIONS DURING JUNE 16-28. TEAM WILL CONSIST OF  
15 MESSRS M. RANJI P. SALGADO (ADVISOR, ASIAN DEPARTMENT),  
14 M. ISHIHARA (ECONOMIST, ASIAN DEPARTMENT), I.S. KIM  
13 (ECONOMIST, ASIAN DEPARTMENT), W.J. SHIELDS (ECONOMIST,  
12 TREASURER'S DEPARTMENT), AND MRS GRACIELA MARTIN (SECRETARY,  
11 ASIAN DEPARTMENT). ARRIVAL INFORMATION WILL BE COMMUNICATED  
10 LATER.



Distribution

9 REGARDS  
8 WOODLEY, ACTING DIRECTOR, ASIAN DEPARTMENT  
7 INTERFUND

Division D  
Room 4-414

CC: ASD  
ETRD



MESSAGE MUST END HERE

Drafted by: M. Ranji P. Salgado:gem  
Department: Asian  
Date: April 24, 1980

W. John R. Woodley

NAME (TYPE)

*W. Woodley*  
SIGNATURE

NAME (TYPE)

SIGNATURE

FOR CABLE ROOM USE ONLY

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OFFICIAL MESSAGE

INTERNATIONAL MONETARY FUND

Washington, D C 20431

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ADDRESS

THE MONETARY AUTHORITY OF SINGAPORE

P.O. BOX 33

SINGAPORE 1

REPUBLIC OF SINGAPORE

Special Instructions

NO. 3

1. ON MARCH 12, 1980 THE EXECUTIVE BOARD APPROVED THE OPERATIONAL BUDGET FOR THE PERIOD MARCH - MAY 1980.

TOTAL TRANSFERS BY THE FUND ARE ESTIMATED AT

SDR 800 MILLION AND ARE INTENDED TO BE MADE WITH

CURRENCIES UP TO THE EQUIVALENT OF SDR 400 MILLION

AND WITH SDRS UP TO SDR 400 MILLION. THE CURRENCIES

INCLUDE SDR 7.2 MILLION IN SINGAPORE DOLLARS.

2. FOR YOUR INFORMATION, THE EXECUTIVE BOARD DECIDED

THAT IN IMPLEMENTING THE BUDGET, CURRENCIES AND SDRS

SHOULD BE USED IN BROAD PROPORTION TO THE AMOUNTS

INCLUDED FOR USE IN TRANSFERS. IF YOUR CURRENCY

WERE SOLD YOU WOULD MOST LIKELY BE REQUIRED TO

EXCHANGE IT IN ACCORDANCE WITH PROCEDURES YOU HAVE

AGREED WITH THE FUND UNDER RULE D-4 OF THE FUND'S

RULES AND REGULATIONS.

TEST NO.

TREASURER'S INTERFUND

Distribution

CC: TRE  
MD  
DMD  
MR. KHARMAWAN  
LEG  
RES  
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Drafted by AFMoustapha/ch  
Department TRE  
Date March 12, 1980

Anne Marie Al-Samarrie  
NAME (TYPE) SIGNATURE  
NAME (TYPE) SIGNATURE

FOR CABLE ROOM USE ONLY

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1079

September 1979

SINGAPORE

Delegation: Hon. Sui Sen, Minister of Finance, and Mr. M. W. Pakshong, Managing Director of the Monetary Authority of Singapore. It is not expected that they will visit you, but the following is a guide in case they do.

I. Topics for Discussion

1. Domestic inflation

The inflation rate, particularly of wholesale prices, has accelerated markedly to 11 per cent in the 12-month period ending in June 1979 mainly because of higher prices of imports. It is expected that the authorities will be able to keep the situation under reasonable control and that prices will decelerate during 1980.

2. Balance of payments

Larger current account deficits are expected for 1979 and 1980. In order to keep foreign reserves relatively stable, substantial capital inflows will be necessary. These appear feasible.

3. Exchange rate

The effective exchange rate of the Singapore dollar gradually appreciated during the 18 months ending in June 1979, but the change has not been large. In view of present uncertainties in the world economy there seems no reason to question the appropriateness of present policies.

## II. Background

### 1. Fund relations

Singapore has not availed itself of the Fund's resources. It participated in the SDR scheme in November 1978 and received an allocation of SDR 5.1 million in January 1979. Singapore received 23,757 fine ounces of gold in the first three phases of distribution and received US\$3.5 million in the direct distribution of profit.

### 2. Political situation

The political situation continues to be stable, the People's Action Party led by Prime Minister Lee Kuan Yew maintained its majority in the by-elections held in February 1979.

### 3. Economic developments in 1979 and 1980

The economic growth rate for 1979 is expected to be 7-8 per cent, somewhat lower than the 8.6 per cent recorded in 1978. The slowdown is mainly a result of both slowing exports arising from the developed countries' economic sluggishness and their resort to increasing protectionism. A less buoyant growth rate may continue into 1980. Following a 3.5 per cent rise during 1978, the rate of increase in wholesale prices accelerated to about 11 per cent during the one-year period ending in June 1979, due mainly to sharp rises in the prices of crude materials and imported manufactured goods. These developments will be transmitted to consumer prices as well as in the GNP deflator through 1980. Prices are expected to increase by 8-10 per cent during 1979, but to slow down in the course of 1980.

The current account deficit is expected to expand in both 1979 and 1980, mainly as a result of rising import prices. A major portion of the deficit is expected to be financed by long- and short-term capital inflows, as in the past, and international reserves are expected to increase.

### 4. Exchange rate developments

Following a 3 per cent appreciation in 1978, the trade-weighted effective exchange rate of the Singapore dollar rate appreciated by 0.7 per cent and 0.2 per cent during the first and second quarters of 1979, respectively. The effective rate adjusted for relative wholesale prices in Singapore's major trading partners 1/ remained almost unchanged during the 15 months ending in March 1979.

---

1/ Staff calculations.

III Summary Data<sup>1/</sup>

IMF (as of August 31, 1979)

Exchange rate regime	Since late 1975, the Singapore dollar has been pegged to an undisclosed trade-weighted basket of currencies of major trading partners, with margins		
Exchange rate	S\$2 17 = US\$1		
Quota	SDR 49 million		
Use of Fund resources	None		
	<u>1978</u>	<u>1979</u> <sup>2/</sup>	<u>1980</u> <sup>2/</sup>
<u>GDP</u>			
At constant prices			
(annual rate of increase)	8 6	7 5	6 0
Per capita GDP (SDR)	2,643	3,021	3,263
<u>Inflation (average annual rate)</u>			
Consumer prices	4 8	9 0	5 0
Wholesale prices	1 6	10 0	6 0
<u>Central Government budget</u>			
(in millions of S\$) <sup>3/</sup>			
Revenues	4,017 (12 2)	4,196 (4 4)	4,610 (10 0)
Expenditures	3,835 (13 1)	4,102 (7 0)	4,520 (10 0)
Surplus or deficit (-)	182	94	90
Borrowing from banking system	1,675	1,809	
<u>Money and credit (rate of increase during year)</u>			
Total liquidity	10 8	12 6	9 2
Total domestic credit	16 1	14 1	9 2
<u>Balance of payments (in millions of SDRs)</u>			
Exports	7,621 (15 2)	9,890 (29 8)	11,600 (17 3)
Imports	9,558 (15 3)	12,140 (27 0)	14,500 (19.4)
Goods and services (net)	-591	-630	-1,050
Nonmonetary capital (net)	1,745	1,330	2,000
Overall balance	1,154	700	950
<u>Gross official reserves</u>			
(SDR mn, end of year)	4,070	4,205 <sup>4/</sup>	
- In months of merchandise imports during the following year	4.0	3 5	
<u>External terms of trade</u>			
(1975=100)	97 6 (-2 0)	99 3 (1 7)	99 1 (-0 2)

<sup>1/</sup> Figures in parentheses are percentage changes<sup>2/</sup> Staff estimates<sup>3/</sup> Fiscal year ending March 31 of a given year<sup>4/</sup> As of the end of March 1979

Developments in Restrictive Practices in Asian  
Countries During the First Half of 1979

SINGAPORE

Import taxation and import surcharges

In January 1979 customs duties were abolished on a number of tariff items.

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# OFFICIAL MESSAGE

## INTERNATIONAL MONETARY FUND

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Washington, D.C. 20431

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THE MONETARY AUTHORITY OF SINGAPORE  
SINGAPORE 1, REPUBLIC OF SINGAPORE

Special Instructions

18

NO. 7

17

1. ON JUNE 20, 1979 THE EXECUTIVE BOARD APPROVED THE  
OPERATIONAL BUDGET FOR THE PERIOD JUNE - AUGUST 1979.

16

15

TOTAL PURCHASES AND OTHER USES OF THE FUND'S RESOURCES  
ARE ESTIMATED AT SDR 800 MILLION AND INTENDED TO BE

14

13

MADE IN SDRS UP TO SDR 550 MILLION AND CURRENCIES  
EQUIVALENT TO SDR 250 MILLION, WHICH INCLUDE THE

12

11

EQUIVALENT OF SDR 10 MILLION IN SINGAPORE DOLLARS.

10

9

2. FOR YOUR INFORMATION THE EXECUTIVE BOARD DECIDED THAT  
IN THE IMPLEMENTATION OF THE BUDGET, THE AMOUNT OF SDRS

8

7

MENTIONED ABOVE SHOULD BE USED FIRST AND THEREAFTER  
CURRENCIES SHOULD BE SOLD IN PROPORTION TO AMOUNTS INCLUDED

6

5

IN THE BUDGET. HOWEVER, MINOR USE OF SOME CURRENCIES MAY  
BECOME NECESSARY IN THE MEANTIME. IF YOUR CURRENCY WERE

4

3

SOLD YOU WOULD MOST LIKELY BE REQUIRED TO EXCHANGE IT IN  
ACCORDANCE WITH PROCEDURES YOU HAVE AGREED WITH THE FUND

2

1

UNDER RULE 0-4 OF THE FUND'S RULES AND REGULATIONS.

TEST NO. TREASURER'S INTERFUND

MESSAGE MUST END HERE

Distribution

- CC: TRE
- MD
- DMD
- MR. KHARMAWAN
- LEG
- RES
- ASD
- ETR
- SEC

Drafted by: ITran/am  
Department: TRE  
Date: June 20, 1979

Anna Watkins  
NAME (TYPE)  
NAME (TYPE)

[Signature]  
SIGNATURE  
[Signature]  
SIGNATURE

FOR CABLE ROOM USE ONLY

No. of words: 4 min.

Log: 471676

Route: ITT

Operator: HS

1978

NOV 16 1978

Sir:

This is to acknowledge your letter of November 2, 1978, notifying the Fund that the Government of Singapore undertakes all the obligations of a participant in the Special Drawing Rights Department of the International Monetary Fund, in accordance with the laws of Singapore and that it has taken all steps necessary to enable the Government of Singapore to carry out these obligations.

Your request concerning an allocation of special drawing rights beginning with the next allocation after Singapore becomes a participant, pursuant to Article XVIII, Section 2(d) of the Articles of Agreement, is being brought to the attention of the Executive Board of the Fund.

Very truly yours,

  
Leo Van Houtven  
Secretary

The Honorable  
Michael Wong Pakshong  
Managing Director  
The Monetary Authority of Singapore  
SIA Building  
Robinson Road  
Singapore

CC: MD  
DMD  
MR. KHARMAWAN  
ASD  
LEG  
RES  
ETRD  
TRE  
SEC

  
MCStark:mlk 11/14/78  
*mlk*

454858



# The Monetary Authority of Singapore

SIA Building  
Robinson Road  
Singapore  
Telephone: 2225511

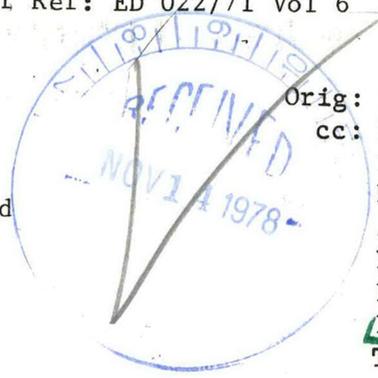
*Handwritten signatures and initials: "John", "M B", "see", "1", "3", "B"*

MANAGING DIRECTOR

Our Ref: ED 022/71 Vol 6

Date: 2 Nov 78

The Secretary  
International Monetary Fund  
Washington, D.C. 20431  
United States of America



Orig: SEC 1  
cc: MD  
DMD  
Mr. Kharmawan  
ASD  
LEG  
RES  
ETR  
TRE

Dear Sir

The undersigned has been authorised by the Government of Singapore to state on behalf of Singapore that Singapore undertakes all the obligations of a participant in the Special Drawing Rights Department in accordance with the laws of Singapore, and that it is taking all steps necessary to enable it to carry out all of these obligations.

It is hereby requested that the Executive Board of the Fund decide under Article XVIII, Section 2(d) of the Articles of Agreement that Singapore shall receive allocations of special drawing rights, beginning with the next allocation after it becomes a participant, on the basis of its quota in the Fund.

Yours faithfully

*Handwritten signature of Michael Wong Pakshong*

MICHAEL WONG PAKSHONG

RECEIVED  
INTERNATIONAL  
MONETARY FUND  
COMMUNICATIONS  
DIVISION  
1978 NOV 14 AM 9:42

RECEIVED  
I.M.F.

1978 OCT 27 AM 8:54

357494

CABLE  
ROOM

FROM MONETARY SINGAPORE SERIAL 230 27.10.78

ACTING MANAGING DIRECTOR  
INTERFUND  
WASHINGTON DC 20431  
USA

ORIG: MD  
CC: DMD  
MR. KHARMAWAN  
LEG  
RES  
TRE  
ETR  
SEC  
EURO  
WHD  
ASD  
AFR  
MED



SINGAPORE CABINET DECIDED LAST NIGHT TO PARTICIPATE IN SDR DEPARTMENT AND TO ACCEPT FULL SPECIAL INCREASE IN QUOTA UNDER SEVENTH REVIEW. MICHAEL WONG PAKSHONG WILL CABLE FUND OFFICIALLY.

REGARDS

TUN THING

Global

Global Telegram

Global Telegram



# Office Memorandum

TO The Managing Director

DATE July 19, 1978

FROM Tun Thin and Donald K Palmer <sup>JKS?</sup>

SUBJECT Article IV Consultation with Singapore--Executive Board  
Discussion on July 21, 1978

The staff report on the Article IV consultation with Singapore was issued before the guidelines on Article IV consultation reports were formulated. To forestall extensive Board discussion, it would be helpful at the beginning of the meeting to point out that the explicit reference in the staff appraisal on the consistency of exchange rate policy with the principles of Article IV 1/ will not be made in other staff reports on Article IV consultation.

In view of Singapore's excellent growth record and price performance, Executive Directors are likely to be uniformly complimentary on these aspects of policy. Where controversy may arise is on the balance of payments. The staff's position, as described in the staff appraisal, is (1) international reserves have been rising, but in proportion to imports so that the surplus cannot be regarded as excessive, (2) more expansionary fiscal and monetary policy would meet the demand for domestic liquidity and so reduce the capital inflow, and (3) some further moderate appreciation of the effective exchange rate may also be appropriate.

It is possible that the staff's position will be controversial. The main questions that could arise are

- (1) Should Singapore be regarded as a "surplus" country with a need to adjust when the current account is in deficit and the reserve increase is matched year after year by what could be volatile short-term capital movements?
- (2) Should the rate not be appreciated more to eliminate the surplus?
- (3) Have restrained financial policies caused the capital inflow and would more relaxed policies reduce the inflow?

To cover these contingencies, a general statement following the staff appraisal is attached together with alternative paragraphs on some issues.

cc DMD  
Mr Ware  
Mr Van Houtven



# Office Memorandum

TO : The Managing Director  
The Deputy Managing Director

FROM : Tun Thin and Donald K. Palmer

SUBJECT : Singapore ~~E~~ Executive Board Consideration of Article IV  
Consultation Report, July 10

DATE: July 3, 1978

We do not expect that the substance of the staff appraisal contained in the Singapore consultation report would provoke much controversy among Executive Directors. In particular, the staff view that Singapore's exchange rate policy was appropriate would probably find general support. In that event, you could conclude the discussion with remarks such as the following:

"The Executive Directors have indicated widespread support for the views expressed in the staff appraisal contained in the report on the 1978 consultation discussions with Singapore."

You should be aware, however, that Singapore was the only case on which there was initially a difference of views among members of the committee on exchange rate surveillance. It is not impossible that some Executive Directors also may express themselves in favor of a policy of faster appreciation in Singapore. If such a view is at all widely held, your summary will have to reflect this by including a phrase to that effect, e.g.,

"some Executive Directors have expressed doubts about some aspects of Singapore's exchange rate, however, ...."

Quite apart from the substance of the staff appraisal, it is virtually certain that Messrs. Kharmawan, Kafka, Deshmukh, and Al-Atrash will find objectionable the manner in which the staff view on Singapore's exchange rate policy is expressed in that appraisal. In that event, you may wish to note that the Singapore report was circulated before the Executive Board meeting on Papua New Guinea when the question was first raised by Mr. Kafka. The staff has prepared and will send you on Wednesday a draft of an internal guidance note on operational matters arising out of last Tuesday's Board discussion. You may wish to use the occasion of the Board discussion on Singapore to clarify that future Article IV staff reports will not include language to the effect that the member's exchange rate policy is "consistent" with the principles of Article IV. You could also use some of the points in the proposed guidance note as a basis for clarifying that the staff will continue to express its views on specific factors relevant to consideration of a member's exchange rate policy.

The offending portions are those contained in the portions in brackets in the following two paragraphs of the Singapore appraisal:

Under the prevailing institutional setup, there are large financial surpluses in the public sector. The effective sterilization of these has led to short-term capital inflows to provide adequate domestic liquidity. During the past four years,

much of these capital inflows have been added to official reserves. This has raised questions about whether the surplus should be regarded as excessive and whether there is a case for further exchange rate appreciation. The staff believes that the authorities have put forward a strong case justifying their present reserve level and the further increase projected for 1978 does not seem excessive. However, the staff has encouraged the Singapore authorities to begin the process of reducing the public sector surplus and implementing measures to mitigate the impact of the remaining surplus on short-term capital flows.

Existing exchange arrangements have produced a relatively stable trade-weighted rate with some strengthening of the Singapore dollar since mid-1977. The staff considers that such a policy of moderate appreciation is an appropriate response to recent and prospective balance of payments trends. The staff's balance of payments projections for 1978 and available price and cost comparisons also suggest that the exchange rate policy of Singapore is consistent with the principles of Article IV.

cc Mr Polak  
Mr Van Houtven  
Mr Ware



# Office Memorandum

TO : Mr. Woodley

DATE: June 14, 1978

FROM : Anand Chandavarkar *ACH*

SUBJECT : Singapore - 1978 Article IV Consultation Draft Staff Report -  
Comments - Your memorandum of June 12, 1978

## Page 2

Second paragraph, second line from top, correct the typo' to "proportion".

## Page 3

The first sentence (The close integration with the world economy . . . makes the Singapore economy highly sensitive to international influences . . . no sustained significant deviations of domestic prices and interest rates from international trends can occur) does not seem consistent, at least in respect of interest rates, with the position taken on page 7 (3. Domestic liquidity - second paragraph, last paragraph, last two sentences), viz, that "external funds are not attracted by interest rate differentials as interest rates in Singapore have remained somewhat below international levels . . . over the past year, the mechanism has worked under conditions of an increasing interest rate differential . . . close to 2 percentage points below international rates . . ." Since this differential is said to be only partly offset by the discount on forward foreign exchange, what, in fact, are the factors responsible for the persistent and now increasing interest rate differential? Some elucidation of this aspect would be very helpful, particularly in view of the dismantling of the inter-bank interest rate cartel agreement on July 15, 1975.

As regards the constraints (which also includes the 100 percent 'de jure' foreign exchange cover for legal tender currency) on independent demand management policies, is it not arguable that the present exchange rate regime permits greater flexibility of domestic policies than heretofore?

## Page 8 (footnote)

It is stated that the large errors and omissions category consists mainly of trade credit which is not recorded separately. This is questionable unless this presumption has now been conclusively established by the results of the survey of inter-company financing initiated in 1976. Since the net errors and omissions represent a very mixed bag of entries arising from underestimation and incomplete coverage of current account items (e.g. the substantial barter and unrecorded trade with Indonesia) and partly from unrecorded private capital movements, it is therefore very unlikely that "trade credit" alone would represent the bulk of errors and omissions. Estimates for "other short term capital of private non-monetary sections" (items 28 and 29 of the Standard Presentation in the Fund BOP Year Book) are not available, and the amounts that should be entered here fall into net errors and omissions (item 45). In the light of this, and any other information the mission has, this footnote may please be appropriately amended.

Page 9 (Table 7 - BOP Summary)

The clubbing of "short term capital" with errors and omissions is rather unusual if one looks at past presentations of Singapore's BOP tables in Staff Reports, REDs and in the Fund's Yearbooks. Since unrecorded capital items, both short and long term, fall under "errors and omissions", it would be simpler and more logical to retain a single entry for net errors and omissions, of which unrecorded capital is only one subset. Of course, the classification of errors and omissions as part of short term capital, excluding groups D and F, in Table 1 (Analytic Presentation) of the Fund's BOP year book, while arbitrary is in conformity with the standardized framework of the Analytic Presentation in the Year Book. Nevertheless, to maintain comparability with past data, both the present Staff Report and RED could follow the Standard rather than the Analytic Presentation. In any case, the steady rise of the net errors and omissions item over 1975-1978 merits some explanation.

Page 11 (Asian Currency Market)

This section is purely descriptive, and does not illuminate some pertinent policy aspects like e.g. the extent of the secondary (brokers' or dealers') market for bonds, whether the differential between Euro-currency rates and AC rates has narrowed over the years etc.

Page 15 (1st complete paragraph, third line from top)

Is the capital-output ratio referred to (a) aggregate or sectoral, (b) average or marginal? This may be clarified.

Page 17 (Fund Relations with Singapore)

Please make the following amendments

Singapore's quota is currently SDR 37 million, and it has consented to an increase of SDR 12 million as compared to the maximum authorized increase of SDR 73 million over the previous quota of SDR 37 million. If it wishes, Singapore would be able to consent to a further increase up to the maximum during the period in which consents are permitted under the Sixth General Review of Quotas. Presently, the Fund's holdings of Singapore currency amount to 74.67 per cent of quota.

Since the official price of gold has been abolished, delete the reference to the official value (SDR 0.6 million) of gold distribution.

In the paragraph on the Trust Fund, insert the EBD number of the decision.

to include Singapore in the list of countries

The following item may be added

Technical assistance    The Fund has provided technical assistance to Singapore through its Bureau of Statistics, Central Banking Service, Exchange And Trade Relations Department, and Fiscal Affairs Department

cc    Mr    Evans  
      Mr    Mookerjee ✓  
      Mr    Young

Mr. Neiss

June 14, 1978

S. Mookerjee

Singapore

I am attaching some comments by Mr. Hino whom I asked to read the paper. I wonder whether something could be said on the questions raised in the second and last paragraphs of the note.

On page 14 of your text, you note that should external inflow in 1978 be larger than now estimated, a review of exchange rate policy would be warranted. Could a similar thought be added to the last paragraph of the appraisal (page 16)?

SUBJECT COPY

*Mr Mookerjee*

Messrs Young and Mookerjee

June 12, 1978

W John R Woodley

Singapore - Exchange Rate Policy

At the last meeting of the Surveillance Committee, questions were raised by the Research Department concerning Singapore's exchange rate policy. It was proposed to discuss this matter further after the draft staff report on the Article IV consultation is available. The report has been circulated to departments today, and I suggest a meeting as soon as possible

RECEIVED  
I.M.F.

1978 JUN -8 AM 9:12

342970

CABLE  
ROOM

ORIG: ASD  
CC: ETR

*cc: Mr. McKeenaghaw*

FROM ORCHID RS21382 SERIAL 62 3.6.78

MR HUBERT NELSS  
INTERNFUND  
WASHINGTON DC



RE YOUR TELEX OF JUNE 6, MONTHLY AVERAGE OF 3-MONTH  
FORWARD RATES OF SINGAPORE DOLLAR AGAINST US DOLLAR JANUARY  
1976 THROUGH MAY 1978 ARE AS FOLLOWS:

- 2.4904, 4313, 4333, 4340, 4711, 4673, 4695
- 4614, 4533, 4534, 4493, 4526, 4573, 4569,
- 4536, 4614, 4569, 4595, 4514, 4399, 4415
- 4145, 3777, 3471, 3232, 3147, 3007, 3127,
- 3229.

ON EXCHANGE CONTROL, OUR CIRCULAR TO BANKS ETC, READS:

''THIS IS TO INFORM YOU THAT WITH EFFECT FROM  
1 JUNE 1978, ALL PERSONS WILL BE EXEMPTED FROM THE  
PROVISIONS, OBLIGATIONS, ETC, IMPOSED UNDER THE  
VARIOUS SECTIONS OF THE EXCHANGE CONTROL ACT  
(CHAPTER 245). THIS MEANS THAT NO EXCHANGE CONTROL  
FORMALITIES OR APPROVALS ARE REQUIRED FOR ALL FORMS  
OF PAYMENTS OR CAPITAL TRANSFERS. ANY LIMIT OR  
RESTRICTIONS ARE STILL IMPOSED UNDER THE  
SECOND EDITION OF THE EXCHANGE CONTROL MANUAL DATED  
1 JANUARY 1977 ARE ABOLISHED.''

International Telex Western Union International, Inc.

International Telex Western Union International, Inc.

CORRECTION "INTERNFUND" TO "LEEE TO "INTERFUND" "ETC"  
TO "ETC"

IN BROAD TERMS, THIS MEANS THAT:

1 INVESTMENTS IN ANY CURRENCY CAN BE FREELY MADE  
INSTEAD OF BEING LIMITED TO A MAXIMUM OF S\$500,000  
FOR INDIVIDUALS AND S\$5 MILLION FOR COMPANIES.  
RETENTION OF FOREIGN CURRENCIES IN ANY AMOUNT IS THEREFORE  
PERMITTED.

"CORRECTION "S&500,300" TO "S&500,000" RP1 "S&500,000"

2 SINGAPORE INSTITUTIONS AND INDIVIDUALS NO LONGER  
REQUIRE APPROVAL TO BORROW OR TO LEND IN FOREIGN CURRENCIES

3 PROCEEDS FROM EXPORTS OF GOODS TO COUNTRIES OUTSIDE  
THE SCHEDULED TERRITORIES ARE NOT LONGER SUBJECT TO  
THE CONDITION THAT THEY MUST BE BROUGHT BACK TO  
SINGAPORE WITHIN SIX MONTHS FROM DATE OF EXPORT.

CORRECTION FOR 2 "NO LONGER" TO "NO LONGER"

4 ALL COMPANIES AND INDIVIDUALS CAN FREELY DEAL IN  
SPOT AND FORWARD FOREIGN CURRENCIES.

International Tele...  
Western Union International, Inc.  
International Tele...  
Western Union International, Inc.

Western Union International, Inc.  
International Tele...  
Western Union International, Inc.

CORRECTION''PSE ICUEEEE IGNORE ''?EEEEE ''U''

5 BANKS CAN ALSO DEAL FREELY IN THE FOREIGN EXCHANGE MARKET. NO PRESCRIBED LIMITS ARE IMPOSED BY THE MONETARY AUTHORITY BUT BANKS ARE REQUIRED TO SUBMIT MONTHLY RETURNS.

6 MERCHANT BANKS AND OFFSHORE BANKS ARE ALSO TO DEAL FREELY IN THE FOREIGN MARKET. THIS INCLUDES DEALINGS WITH NON-BANK CUSTOMERS WITH WHOM THEY HAVE NOT BEEN PERMITTED TO DO BEFORE EXCHANGE CONTROL LIBERALISATION.

7 FINANCE COMPANIES ARE NOT PERMITTED TO DEAL IN FOREIGN EXCHANGE BECAUSE OF THE PROVISIONS OF THE FINANCE COMPANIES ACT.

XXXXXX

8 NO RESTRICTIONS ARE IMPOSED ON THE ASIAN CURRENCY UNITS' TRANSACTIONS WITH RESIDENTS. THE ONLY RESTRICTION IS THAT THERE SHOULD BE NO S& DEALINGS BY ASIAN CURRENCY UNITS

TAN GEOK LIM  
MONETARY SINGAPORE  
e  
INTERFUND WSH  
ORCHID R321332VVCV  
VIA ITT  
V

14

440040 FUND UI

ZCZC TLE210 VIA ITT PIA124 MP1417 TX2955

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I.M.F.

UIWA CV RSSE 312

SINGAPORE 345/333 30 1255 1978 MAY 30 AM 10: 10

341752

CABLE  
ROOM

Orig: TRE  
cc: Mr. Kharmawan  
ASD  
LEG  
RES  
ETR  
SEC



TREASURER  
INTERFUND  
WASHINGTON DC

REFERENCE YOUR TELEX OF MAY 10, 1978.

1 THIS IS TO INFORM YOU THAT SINGAPORE WILL ESTABLISH THE FOLLOWING PROCEDURES UNDER THE SECOND AMENDMENT FOR THE PROMPT EXCHANGE OF CURRENCY IN CONNECTION WITH THE OPERATIONS AND TRANSACTIONS OF THE FUND CONDUCTED THROUGH THE GENERAL RESOURCES ACCOUNT.

COL 10, 1978. 1

PAGE2 TX2955

2 WHEN SINGAPORE'S CURRENCY IS SOLD BY THE FUND OR IS TO BE USED IN A REPURCHASE SINGAPORE WILL EXCHANGE THE BALANCE OF ITS CURRENCY SOLD BY THE FUND, OR WILL MAKE AVAILABLE THE NECESSARY BALANCE OF ITS CURRENCY, FOR US DOLLARS. IN A REPURCHASE TRANSACTION US DOLLARS SHOULD BE

ITT COMMUNICATIONS INC.

ITT COMMUNICATIONS INC.

itions Inc.

COL 2

PAGE 3 TX2955

PAID TO THE ACCOUNT OF THE  
MONETARY AUTHORIT OF SINGAPORE MAINTAINED WITH THE FEDERAL  
RESERVE BANK OF NEW YORK.

3 IN ACCORDANCE WITH RULE O-6(A) AND (B) EXCHANGES OF CURRENCY  
UNDER PARAGRAPH 2, ABOVE, WILL BE MADE AT AN EXCHANGE RATE  
BETWEEN THE TWO CURRENCIES CORRESPONDING TO THEIR EXCHANGE RATES

COL 3 O-6(A) (B) 2,

PAGE4 TX2955

AGAINST THE SDR ON THE DATE OF DISPATCH OF THE FUND'S INSTRUCTION  
FOR THE TRANSACTION. IN ACCORDANCE WITH RULE O-6(C) THE VALUE DATE  
FOR AN EXCHANGE OF CURRENCY WILL BE THE THIRD BUSINESS DYA AFTER  
THE DATE OF DISPATCH OF THE FUND'S INSTRUCTIONS OR AS CLOSE  
THERETO AS IS PRACTICABLE.

COL O-6(C) FUND'S

PAGE5 TX2955

4 THE ABOVE-MENTIONED PROCEDURES WILL ALSO BE APPLIED BY SINGAPORE IN CONNECTION WITH (1) OTHER TRANSFERS OF SINGAPORE'S CURRENCY BY THE FUND TO MEMBERS AND (2) OPERATIONS AND TRANSACTIONS IN WHICH A MEMBER IS REQUIRED TO PAY SINGAPORE'S CURRENCY TO THE FUND.

5 WE REQUEST THAT CURRENCIES ACQUIRED BY SINGAPORE

COL 4 (1) (2) 5

PAGE6 TX2955

FROM THE FUND BE EXCHANGE D FOR US DOLLARS TO BE PAID TO THE ACCOUNT OF THE MONETARY AUTHORIT OF SINGAPORE, MAINTAINED WITH THE FEDERAL RESERVE BANK OF NEW YORK. IF WE NEED TO OBTAIN CURRENCIES TO MAKE PAYMENTS TO THE FUND, WE WISH TO ACQUIRE THEM AGAINST THE SAME

COL SINGAPORE,

440040 FUND UIM

0214 EDT

440040 FUND UI

ZCZC TLD423 VIA ITT PIA125 <sup>RECEIVED</sup> MAY 30 18 TX2955

UIWA CV RSSE 033

1978 MAY 30 AM 10 10

341753

SINGAPORE 345/333 30 1255 <sup>CABLE</sup> ROOM 33 FREELY

TREASURER

INTERFUND

WASHINGTON DC

FREELY USABLE CURRENCY.

6 WE SHALL PROVIDE ADEQUATE NOTICE IF THERE IS A CHANGE IN THE  
FREELY USABLE CURRENCY INDICATED IN PARAGRAPHS 2 AND 5.

OUR TEST KEY NUMBER IS ~~44~~.

MONETARY SINGAPORE

COL 6 2 5. ~~44~~.

Test no does not check message being serviced

NNNN

ITT World Communications Inc.

ITT World Communications Inc.

ITT World Communications Inc.

ITT World Communications Inc.

INTERNATIONAL MONETARY FUND

Mr Moxkagie ,

This is the back =  
ground material  
for the meeting on  
Singapore on  
Wednesday 2 30  
(meeting room opposite  
Mr Woodley's office)

Hubert Neiss

Singapore--External Position

I Background

1 Recent balance of payments developments and outlook for 1978

Over the past several years, Singapore's balance of payments has shown overall surpluses, deficits on the current account being more than offset by net inflows on the capital account and errors and omissions. Within the current account, the trade balance has been in deficit and the services account in surplus (mainly because of transportation and tourism). The net inflow of capital has consisted mainly of direct investment and short-term private capital. The basic balance, following moderate to large deficits during 1970-74, has remained roughly in equilibrium. Thus, the major source of overall surpluses has been the inflows of short-term capital which includes also a large part of errors and omissions <sup>1/</sup>

Table 1 Balance of Payments Summary <sup>1/</sup>

(In millions of SDRs)

	1974	1975	1976	1977	1978 Forecast
Trade balance	-1,883	-1,965	-1,917	-1,567	-1,494
Net services and transfers	963	1,467	1,306	1,090	964
Current balance	-920	-498	-611	-477	-530
Long-term capital, net	559	550	663	453	459
Basic balance	-361	52	52	-24	-71
Short-term capital and errors and omissions	763	220	275	296	318
Overall balance	402	272	327	272	247

Source Department of Statistics, Singapore

<sup>1/</sup> Table 1 of the Appendix contains the details

Staff projections for 1978 do not show a major change in Singapore's external position. While export growth is expected to decline for the second consecutive year from 23 per cent in 1977 to 19 per cent in 1978, import growth is expected to increase marginally from 13 per cent in 1977 to 15 per cent in 1978. Export volume growth would be lower, owing mainly to the effects of

<sup>1/</sup> Singapore's balance of payments includes a large "errors and omissions" category, consisting probably of most of the trade credit, some current transactions and some short-term capital flows between the Asian Currency Market and Singapore residents

protectionism in several industrial countries. Import volume growth would increase slightly, owing to a revival of investment which would more than offset the effects of smaller export growth. Some increase in long-term capital inflows is expected for financing the recovery in investment and a probable build-up of petroleum stocks. Thus, equilibrium in the basic balance would be maintained, and the overall balance would continue to be in moderate surplus.

## 2 Exchange rate

The Singapore dollar, which had floated during June 1973 to late 1975, has since been pegged to a trade-weighted basket of currencies of major trading partners, within margins. Details have not been disclosed by the authorities.

The effective exchange rate (trade-weighted) has appreciated during 1974-76 (Chart 1). After an increase in relative prices in 1974, Singapore's price performance has subsequently been better than that of its trading partners.

Table 2 Effective Exchange Rate and Relative Prices<sup>1/</sup>  
(1973 = 100)

	Nominal Effective Exchange Rate <sup>2/</sup> A	Singapore Wholesale Prices B	Trading Partners Wholesale Prices <sup>3/</sup> C	Relative Prices <sup>4/</sup> $D = \frac{C}{B}$
1974	104	126	121	96
1975	108	124	133	107
1976	109	132	145	110
1977	108	138	155	112

Sources International Financial Statistics and staff calculations

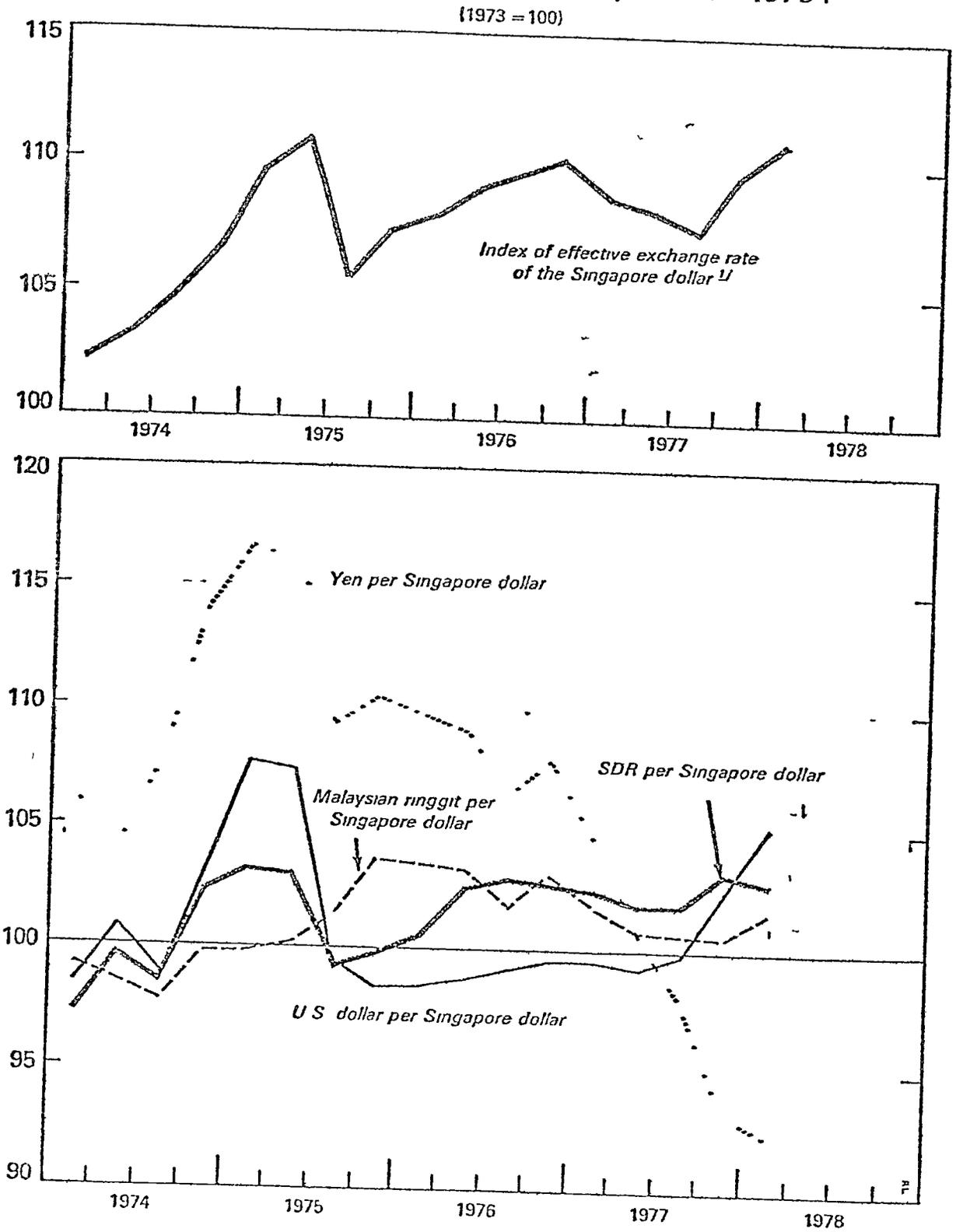
<sup>1/</sup> Appendix Tables 2 and 3 contain the quarterly data

<sup>2/</sup> Trade-weighted

<sup>3/</sup> Trade-weighted average of wholesale prices of ten major trading partners. Malaysia, the United States, Japan, Australia, the United Kingdom, Germany, Thailand, France, the Netherlands, and Saudi Arabia

<sup>4/</sup> Trading partners' prices relative to Singapore prices

CHART 1  
SINGAPORE  
INDICES OF NOMINAL AND EFFECTIVE EXCHANGE RATES  
OF THE SINGAPORE DOLLAR, 1974 I - 1978 I



Source: I.F. International Financial Statistics and Annual Departmental Publications. Calculations by Trade Weighted.

## II Factors Relevant for Assessing the Present Exchange Rate

There is a variety of theoretical viewpoints--partly conflicting--on the working of the exchange rate mechanism, moreover, it is probably different from country to country. It is, therefore, necessary to examine various indicators which reflect the influence of the exchange rate, and to try to establish a consistent picture as a basis for assessing the appropriateness of exchange rate policy. The following criteria have been selected: reserve levels, overall balance, basic balance, purchasing power parity, export competitiveness, and growth performance.

### 1 International reserves

Official international reserves have increased about in line with imports, and their average level has remained equivalent to some five months of retained imports 1/

Table 3 International Reserves

(End of period)

	In Millions of SDRs	In Months of Retained Imports	
		Preceding Year	Succeeding Year
1974	2,297	4.9	5.0
1975	2,568	5.6	5.0
1976	2,895	5.6	5.0
1977	3,167	5.5	5.2 <u>1/</u>
1978	3,414 <u>2/</u>	5.5	5.1 <u>2/</u>

Source: Monetary Authority of Singapore

1/ Staff forecasts

2/ 1979 imports were derived using the average annual growth of the preceding five years

### 2 Overall balance of payments

The overall balance of payments surpluses have been the result of short-term capital inflows, in response to relatively tight monetary conditions in Singapore resulting from structural surpluses of public sector operations. The public sector has maintained a significant contractionary effect on domestic liquidity mainly because of large surpluses of the Central Provident Fund (CPF) 2/ and also because of surpluses in the government budget. This effect has only partly been offset by the expansionary operations of the Monetary Authority of Singapore. In the virtual absence of capital controls, and given a pegged exchange rate, the excess demand for liquidity by residents has been covered by inflows of foreign short-term capital. These inflows have amounted to roughly the annual increase in total demand for liquidity (money plus quasi-money). At the same time, these inflows have kept interest rate differentials between Singapore and abroad within narrow limits.

1/ Retained imports have constituted about 80 per cent of total imports

2/ These surpluses are being invested in government bonds, and the Government deposits the proceeds from bond sales with the Monetary Authority of Singapore

Table 4. Factors Affecting Domestic Liquidity

(Changes, in millions of Singapore dollars)

	1974	1975	1976	1977
Net domestic assets				
(Private)	44	-181	-443	-515
(Public)	(700)	(849)	(744)	(872)
	(-656)	(-1,030)	(-1,187)	(-1,387)
Net foreign assets	1,367	1,772	1,568	767
Other items (net)	-589	-451	-87	352
Money plus quasi-money	821	1,239	1,038	603

Source: Monetary Authority of Singapore.

### 3. Basic balance

Basic payment flows have been rather steady since 1974 (see Table 1). The deficit on the trade account and the current account has changed little, and the current account deficit has been offset by a roughly equal amount of net inflow of private foreign investment. The latter consists mostly of direct investment in manufacturing.

### 4. Purchasing power parity

The data given in Table 2 indicate that the appreciation of the effective exchange rate of the Singapore dollar during 1973-77 has been roughly in line with Singapore's better relative price performance, although this does not apply to individual years.<sup>1/</sup>

Table 5. Indicator of Relative Purchasing Power

(1973 = 100)

	Relative Purchasing Power <sup>1/</sup> D/A <sup>2/</sup>
1974	92
1975	99
1976	101
1977	104

Sources: International Financial Statistics and staff calculations.

<sup>1/</sup> Effective exchange rate adjusted for changes in relative prices.

<sup>2/</sup> Letters refer to Table 2.

<sup>1/</sup> For a variety of reasons, data used for purchasing power comparisons have a considerable margin of error.

5 Export competitiveness

Unit labor cost in Singapore relative to that in major competitor countries has improved in recent years, mainly as a result of moderate wage policies. The authorities have sought to limit wage increases to productivity increases through national wage guidelines which have provided for annual increases of 6 to 7 per cent during the past four years. However, this was not fully reflected in relative export prices which to a large extent reflect the behavior of import prices due to the high import content of Singaporean exports. In fact, the indicator for overall export competitiveness shows some weakness in 1976 and 1977 (Chart 2) 1/

Table 6 Indicators of Competitiveness

(1973 = 100)

	Industrial Countries' Export Prices in U S Dollars Relative to Singapore Export Prices <u>1/</u>	Unit Labor Cost Relative to Singapore in		
		Taiwan <sup>2/</sup>	Korea <sup>2/</sup>	Japan <sup>2/</sup>
1974	88	95	107	109
1975	99	97	90	112
1976	97	116	112	112
1977	96	122	128	126

Sources Monetary Authority of Singapore, IFS, and staff calculations

1/ Quarterly movements are shown in Chart 2

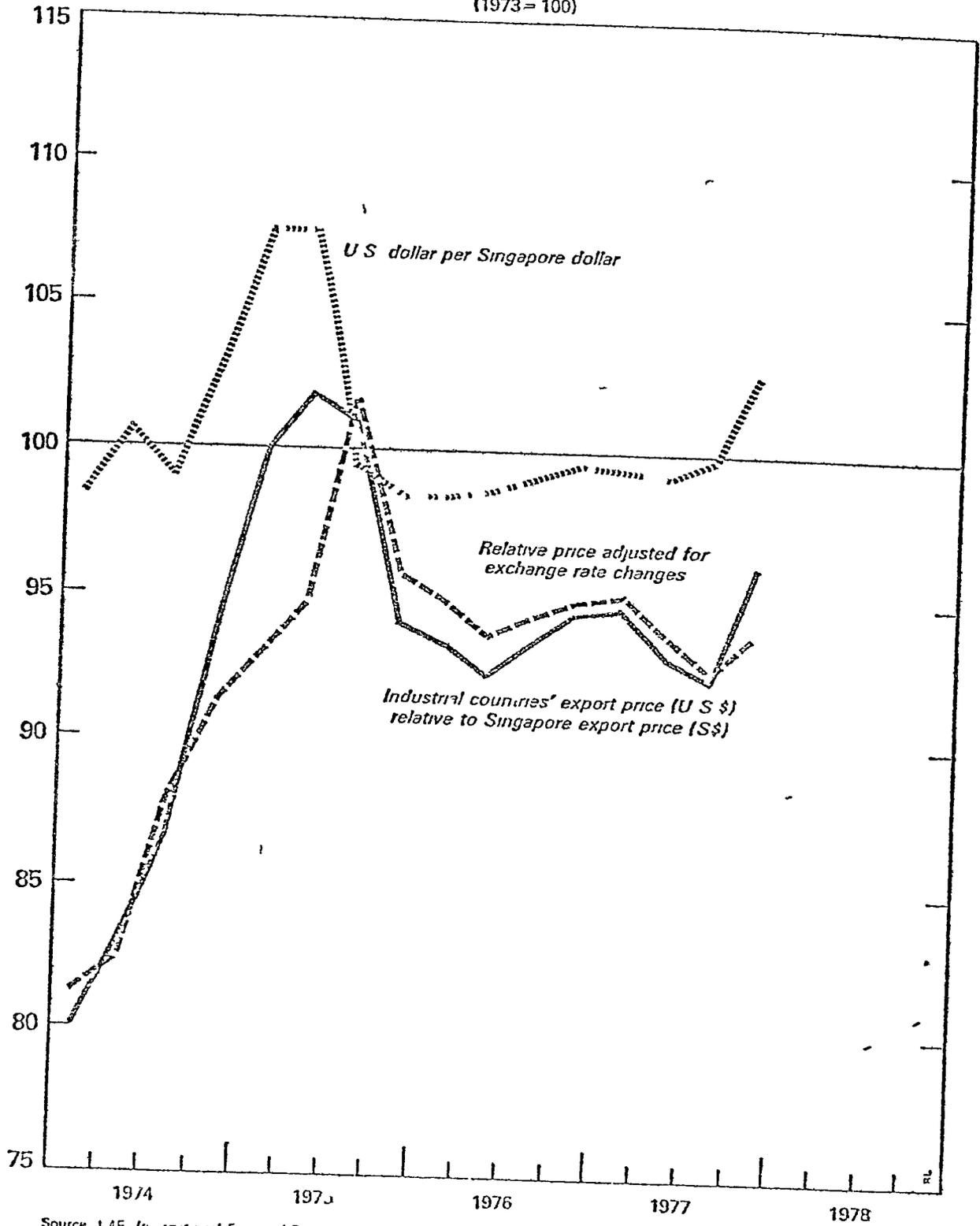
2/ Unit labor cost data relate to manufacturing sector and have been converted to U S dollars for intercountry comparison

6 Growth performance

Although Singapore's growth has been affected by the world recession, the average growth in real GDP during 1974-77, 6.4 per cent, was relatively high by international comparison. In 1978, a growth rate of 7.5 per cent is expected, and over the medium term, the Singapore Government aims at an annual rate of 8 per cent.

1/ Because of the high import content of domestic consumption and investment, no meaningful comparison of prices of import substitutes relative to import prices can be made

CHART 2  
SINGAPORE  
COMPETITIVENESS OF SINGAPORE EXPORTS, 1974-77  
(1973=100)



Source: IAF International Financial Statistics

Table 7 Growth of Real GDP

	<u>Per Cent</u>
1974	6 3
1975	4 1
1976	7 3
1977	8 0
1978	7 5 <u>1/</u>

Source Monetary Authority  
of Singapore

1/ Estimate

### III Staff Assessment

During the past four years (1974-77), Singapore's reserve level has remained stable in relation to imports. Although there are no generally accepted objective criteria for assessing the adequacy of a country's reserves, Singapore's reserves cannot be considered excessive, given a number of special features of its economy--the virtual absence of restrictions on both current and capital transactions, its growing role as a regional financial center, and the high share of international transactions in relation to the domestic economy. The overall balance of payments surpluses, though persistent, have been modest and--given the structural financial surpluses of the public sector--have provided the necessary support to the expansion of domestic liquidity required to maintain a relatively high domestic growth performance. At the same time, price and wage developments have been satisfactory. The effective exchange rate has appreciated, and there has been no significant change in Singapore's relative purchasing power and competitiveness.

In 1978, equilibrium in the basic balance is expected to continue under similar conditions as last year, and the projected further growth in reserves will provide an adequate cushion to absorb any effect of the recent liberalization of remaining exchange controls. As reserves will be approaching the authorities' target level and as long as the authorities perceive underlying external conditions as remaining unchanged, they envisage greater financial expansion as a principal means of adjustment.1/

Under these conditions, the staff considers the present exchange rate policy appropriate and, in the staff's opinion, no specific measures of exchange rate policy are required in the foreseeable future.

---

1/ The recent staff mission suggested channeling CPF surpluses back to the banking system and raising government investment expenditures

Table 1 Singapore Balance of Payments, 1974-78

(In millions of SDRs)

	1974	1975	1976	1977 (Preliminary)	1978 (Forecast)
Exports of goods <sup>1/</sup>	4,588	4,185	5,359	6,616	7,886
Imports of goods <sup>1/</sup>	-6,471	-6,150	-7,276	-8,183	-9,380
Trade balance	-1,883	-1,965	-1,917	-1,567	-1,494
Export of services	1,943	2,497	2,520	2,664	2,948
Import of services	-948	-998	-1,172	-1,532	-1,942
Transfers (net)	-32	-32	-42	-42	-42
Current account balance	-920	-498	-611	-477	-530
Private long-term capital	559	543	628	349	424
Of which Direct investment	496	503	564	291	370
Government long-term capital	-	7	35	104	35
Basic balance	-361	52	52	-24	-71
Short-term capital (including error and omission and valuation adjustment)	763	220	275	296	318
Overall balance <sup>2/</sup>	402	272	327	272	247
Reserve change (net)					
(Increase in assets - )					
IMF accounts	-402	-272	-327	-272	-247
Monetary authorities	-	-	-	-	-
Government	-417	-507	-779	-439	-
	15	235	452	167	-
Reserves (end of period)	2,297	2,568	2,895	3,167	3,414
In months of retained imports	4.9	5.6	5.6	5.5	5.7

Sources Department of Statistics, Singapore; the Monetary Authority of Singapore; and staff estimates.

<sup>1/</sup> Including entrepot trade<sup>2/</sup> Change in international reserves of MAS and Government.

Note Valued at SDR = S\$2.9307 for 1974, SDR = S\$2 8791 for 1975, SDR = S\$2 8526 for 1976, SDR = S\$2 8480 for 1977, and SDR = S\$2.8327 for 1978 (average for the first two months of 1978).

Table 2 Singapore Exchange Rates<sup>1/</sup>

		Effective Exchange Rate May 1971 = 100					Malaysian Ringgits Per S\$	Japanese Yen Per S\$
		Export weighted	Import weighted	Trade weighted	US\$/S\$	SDR/S\$		
1971		101.1	100.4	100.7	0 3281	0.3271	0 9909	114.2
1972		103 3	101.9	102 4	0.3560	0.3279	0.9985	107 9
1973		109 5	107.4	108.1	0 4092	0 3432	0.9995	111 0
1974	I	109 1	107.0	107 7	0 4026	0 3337	0 9921	117 7
	II	109.8	108 0	108 6	0 4127	0.3421	0 9854	115 2
	III	111 1	109 6	110 1	0 4048	0 3386	0 9766	119 3
	IV	113 0	111 9	112 2	0 4219	0.3509	0.9972	126 6
1975	I	116 2	115.0	115.4	0 4402	0.3539	0 9989	129 1
	II	119 7	117 3	116 6	0 4401	0 3535	1 0010	128 7
	III	112 8	109 9	110 9	0.4068	0.3409	1.0130	121 2
	IV	114.7	111.9	112 8	0 4027	0 3423	1 0360	122 2
1976	I	115.7	112.5	113.6	0 4025	0 3451	1 0350	121 7
	II	117 1	113 6	114 8	0 4037	0 3517	1 0320	120 8
	III	118.7	113 3	115 5	0.4056	0 3530	1 0180	118 0
	IV	119 3	114 2	115.9	0.4071	0 3525	1.0290	119 5
1977	I	117.9	112 5	114 4	0 4066	0.3515	1.0170	116 1
	II	117 6	111.8	113.8	0 4059	0.3495	1.0070	111 7
	III	117 0	111.1	113.1	0 4083	0.3499	1.0060	108 7
	IV	120 0	112.8	115 3	0.4195	0.3539	1.0050	103 6
1978	I	122.0	113.9	116.7	0.4305	0.3527	1 0160	102 3

Sources: IFS, Asian Department calculations.

<sup>1/</sup> Period averages, except effective exchange rates which refer to end of period.

Table 3 Singapore Purchasing Power Parity Computations

(1973 = 100)

	Effective Exchange Rate <sup>1/</sup> (1)	Domestic Whole- sale Prices (2)	Wholesale Prices of Trading Partners <sup>2/</sup> (3)	Relative Whole- sale Prices (4)=(3)/(2)	Relative Price Ad- just- Effective Exchange Rate (5)=(4)/(1)
1974	I	102 3	125 9	115 3	91 6
	II	103 2	127 4	119 3	93 6
	III	104 6	126 8	124 1	97 9
	IV	106 6	125 6	126 9	101 0
1975	I	109.6	123 0	130 5	106 1
	II	110 8	121 5	132 4	109 0
	III	105 4	125 3	133 8	106 8
	IV	107 2	128 5	136 4	106 1
1976	I	107.9	131.1	140.7	107 3
	II	109 1	132 4	144 2	108 9
	III	109 7	133 1	147 4	110 7
	IV	110.1	135 1	149.6	110.7
1977	I	108.7	137 9	152 6	110.6
	II	108.1	139 0	154 2	110.9
	III	107 4	139 4	156 4	112 2
	IV	109 5	139 3	158 0	113 4

<sup>1/</sup> Trade weighted,

<sup>2/</sup> Trade weighted average of wholesale prices of ten major trading partners.

Mr. Sturc

INTERNATIONAL MONETARY FUND

May 23, 1978

Mr Tun Thin

You might be interested  
in the attached analysis on your  
paper on Singapore prepared for  
the Surveillance Committee

Attachment

Ernest Sturc

TO : Mr. Palmer

FROM : Paul K. Woolley *PKW*

SUBJECT : Singapore: External Position

DATE: Mau 17, 1978

To judge from the thrust of the staff assessment, this paper is addressed to the subject of the appropriateness of Singapore's exchange rate policy. This being so, there appear to be one or two omissions.

1. One of the consistent features of the balance of payments in recent years has been the short-term capital inflows which have been approximately equal to the overall surplus in each of the last four years. The paper would, therefore, benefit from fuller explanation of the nature and reasons for these inflows. It would be useful for example, to provide a table comparing interest rates in Singapore with those prevailing elsewhere, e.g., the Eurodollar rate, interest rates in neighboring countries, Australia, etc. Information on interest differentials would help to determine whether Singapore was providing "abnormal encouragement to capital flows" by the pursuit for balance of payments reasons of monetary and other domestic financial policies (see The Principles of Fund Surveillance Over Exchange Rate Policies in "Surveillance Over Exchange Rate Policies", SM/77/81, 4/14/78). The interest differentials would preferably be shown in both covered and uncovered form and would, therefore, call for data on the forward exchange rate for the Singapore dollar. The paper should, in any case, make some reference to the forward market, especially as the staff assessment mentions a potential build-up of speculative flows.

2. A paper assessing a country's exchange rate policy should certainly contain a section outlining the restrictive system for current payments as well as capital control arrangements. The present paper makes passing reference to capital controls but none to the restrictive system.

The paper contains a section on growth without indicating how this is relevant to the assessment of exchange rate policies. Is the purpose to demonstrate that Singapore has been successfully pursuing growth-oriented policies which benefit the international community by increasing the economy's import-absorbing capacity? The argument needs to be spelled out clearly.

It is difficult to accept any of the arguments in the final paragraph of the staff assessment:

(a) There is a reference to the possibility of considerably larger inflows of short-term capital attributable to "speculation". Is the reader to infer that the market may soon believe the exchange rate to be undervalued and that if the Singapore dollar was floating freely, market forces would push it higher? If this is the case, the burden of proof would be on the authorities to show why the rate should be less than would prevail if the market was left to float.

*\* This para. was dropped in the final version  
which is attached*

(b) The assessment concludes that more expansionary domestic financial policies would be of little help in curbing these inflows. The paper does not indicate the nature of the present domestic financial policies or their relationship to capital inflows. However, if one is right in assuming that these domestic financial policies are giving rise to relatively high interest rates which are, in turn, attracting capital inflows, then a more expansionary approach would appear a good solution to the curbing of capital inflows via the interest rate mechanism.

(c) The assessment states that an appreciation of the exchange rate within the margins would be of little help in curbing the expected inflows. If the capital inflows are being attracted mainly by the prospect of an appreciation rather than the interest differential, why should appreciation not reduce or even reverse these flows? Furthermore, why should any appreciation be confined within the margins around the peg to the basket?

In coming to the conclusion that capital controls may be the appropriate policy, the paper is advocating a measure that is one of the triggers for a discussion with a member in the Principles of Fund Surveillance. It may be better to assess the alternative policy options more fully before making this recommendation.

5  
INTERNATIONAL MONETARY FUND

3  
May 23, 1978

Mr Tun Thin

You might be interested  
in the attached analysis on your  
paper on Singapore prepared for  
the Surveillance Committee

Attachment

(

Ernest Sturc



# Office Memorandum

CONFIDENTIAL

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DATE: Mau 17, 1978

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## Singapore

The currency of Singapore is the Singapore Dollar. Exchange rates are computed from the value of the Singapore dollar which is determined on the basis of the fixed relationship of the Singapore dollar to a trade-weighted basket of currencies representing Singapore's major trading partners. The exchange rate of the Singapore dollar in terms of the U.S. dollar, the intervention currency, is determined in the foreign exchange market. The monetary authority of Singapore intervenes to maintain an orderly market. The buying and selling rates for the U.S. dollar on April 3, 1978 were S\$2.3025 and S\$2.3035, respectively, per US\$1. Rates for other currencies are established on the basis of the daily rates for the U.S. dollar and their cross rates in international markets. Authorized banks are free to deal spot and forward in all currencies. Singapore and Brunei currency notes and coins are freely interchangeable, at par and without charge, in Singapore and Brunei. There are no taxes or subsidies on purchases or sales of foreign exchange.

440040 FUND UI  
ORCHID RS21382  
ORCHID RS21382

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I.M.F.

1978 MAY -8 AM 9:03

339211

CABLE  
ROOM

FROM ORCHID RS21382 SERIAL 50 8.5.78

INTERNATIONAL MONETARY FUND  
WASHINGTON

ORIG: ETR  
CC: MR. KHARMAWAN  
ASD  
MR. McLENAGHAN

ATTN: MR PALMER

REFERENCE YOUR TELEX OF 3 MAY. THE BUYING AND  
SELLING RATES FOR THE US\$ ON 3 APRIL 78 WERE S\$2.3025 AND  
S\$2.3035 RESPECTIVELY PER US\$1. WE HAVE GIVEN YOU THE RATES  
FOR 3 APRIL AS 1 APRIL WAS A SATURDAY,

MICHAEL WONG PAKSHONG  
MANAGING DIRECTOR  
MONETARY SINGAPORE

☒

440040 FUND UI  
ORCHID RS21382VVV

**SPECIAL DELIVERY  
CABLE**

SECRET

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Code

OFFICIAL MESSAGE  
INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

SPATCHES  
115

077 MAY -3 AM 11:49

TIME RECEIVED

ADDRESSES

~~Mr. Michael Wong Pakshong~~  
~~Managing Director~~  
~~Monetary~~  
~~Singapore~~

Special Instructions

18 Reurcab of April 28, 1978 and the notification by  
17 Singapore of exchange arrangements under Article IV,  
16 Section 2(a). In terms of previous cable on this subject  
15 from Fund Secretary dated April 1 (see especially  
14 paragraph 2(2)), please advise buying and selling rates  
13 for U.S. dollar in effect on date of Second Amendment  
12 (April 1, 1978). If you agree, we would propose to  
11 incorporate these rates in description for Singapore.

Distribution

cc: Mr. Kharmawan  
ASD

10 Regards  
9 Palmer  
8 Interfund

MESSAGE MUST END HERE

Drafted by: JMcLenaghan:jg  
Department: ETR  
Date: May 12, 1978

Donald K. Palmer  
NAME (TYPE) SIGNATURE  
NAME (TYPE) SIGNATURE

FOR CABLE ROOM USE ONLY

No. of words: TLX 3min. Log: 403443 Route: ITT Operator: HS



FROM ORCHID RS21382 28.4.78 SERIAL 295

MR ERNEST STURC  
DIRECTOR  
EXCHANGE AND TRADE RELATIONS DEPARTMENT  
INTERFUND  
WASHINGTON DC  
USA

RECEIVED  
I.M.F.

1978 APR 28 AM 9:14

CABLE  
ROOM

338281

ORIG: ETR  
CC: MR. KHARMAWAN  
ASD  
MR. McLENAGHAN

*Cabled 5/2*



I REFER TO YOUR LETTER OF MARCH 3, 1978 REGARDING  
ARTICLE IV, SECTION 2(A). THE EXCHANGE ARRANGEMENTS  
WHICH WE INTEND TO APPLY IS AS FOLLOWS:

QUOTE

-----  
THE CURRENCY OF SINGAPORE IS THE SINGAPORE DOLLAR.  
EXCHANGE RATES ARE COMPUTED FROM THE VALUE OF THE  
SINGAPORE DOLLAR WHICH IS DETERMINED ON THE BASIS  
OF THE FIXED RELATIONSHIP OF THE SINGAPORE DOLLAR  
TO A TRADE-WEIGHTED BASKET OF CURRENCIES REPRESENTING  
SINGAPORE'S MAJOR TRADING PARTNERS. THE EXCHANGE  
RATE OF THE SINGAPORE DOLLAR IN TERMS OF THE U.S.  
DOLLAR, THE INTERVENTION CURRENCY, IS DETERMINED IN  
THE FOREIGN EXCHANGE MARKET. THE MONETARY AUTHORITY  
OF SINGAPORE INTERVENES TO MAINTAIN AN ORDERLY  
MARKET. THE BUYING AND SELLING RATES FOR THE U.S.  
DOLLAR ON APRIL 28<sup>th</sup>, 1978 WERE ~~S\$2.3300~~ <sup>S\$2.3025</sup> AND ~~S\$2.3310~~ <sup>S\$2.3035</sup>  
RESPECTIVELY, PER US&1. RATES FOR OTHER CURRENCIES  
ARE ESTABLISHED ON THE BASIS OF THE DAILY RATES FOR  
THE U.S. DOLLAR AND THEIR CROSS RATES IN INTERNATIONAL  
MARKETS. AUTHORISED BANKS ARE FREE TO DEAL SPOT  
AND FORWARD IN ALL CURRENCIES. SINGAPORE AND BRUNEI  
CURRENCY NOTES AND COINS ARE FREELY INTERCHANGEABLE,  
AT PAR AND WITHOUT CHARGE, IN SINGAPORE AND BRUNEI.  
THERE ARE NO TAXES OR SUBSIDIES ON PURCHASES OR SALES  
OF FOREIGN EXCHANGE.

UNQUOTE

-----

MICHAEL WONG PAKSHONG  
MANAGING DIRECTOR

Honorable Michael Wong Pakshong  
Governor of the International  
Monetary Fund for Singapore  
The Monetary Authority of  
Singapore

P O Box 52  
Singapore 1  
Republic of Singapore

786 21382

+



-2-

of May 1, it would be appreciated if you could deal with this matter urgently. A copy of this cabèè has been sent to the member address for your country.

Regards

Witteveen, Managing Director

Interfund

(F) The Monetary Authority  
of Singapore  
P O Box 52  
Singapore 1  
Republic of Singapore

SECRET

Telex   
 Night Letter   
 Full Rate   
 Code

OFFICIAL MESSAGE

INTERNATIONAL MONETARY FUND

Washington, D C 20431

TIME RECEIVED 1 50 PM

ADDRESS

Sr. Evaristo Evangelista  
 Gerente de Exterior, Banco Central de  
 la Republica Argentina  
 Buenos Aires, Argentina

Special Instructions

Repeat to attached list

ccs To Governors as attached

18 As you know, with the entry into force of the Second  
 17 Amendment of the Articles of Agreement on April 1, 1978,  
 16 members became obliged under Article IV, Section 2(a) to  
 15 inform the Fund, within 30 days after that date, of the  
 14 exchange arrangements they intend to maintain. To assist  
 13 members in meeting this obligation, a letter was forwarded  
 12 to each member early in March, accompanied by a description  
 11 of its exchange arrangement as understood by the Fund staff.  
 10 Subsequently, on April 1, 1978 cables were forwarded to  
 9 all members by the Fund Secretary, Mr. Van Houtven, de  
 8 describing fully the formal obligations of members, under  
 7 Article IV, Section 2(a), to notify the Fund of their  
 6 exchange arrangements within the period of 30 days, i.e.,  
 5 by May 1, 1978.

Distribution

- cc: Mr. Simone
- Mr. Kafka
- Mr. Wasi
- Mr. Amuzegar
- Mr. Dini
- Mr. Mang'omba
- Mr. Al-Atrash
- Mr. Kharmawan
- ASD
- WHD
- EUR
- AFR
- MED

4 I would like to bring to your notice that, according to  
 3 our records the Fund has not received a notification from  
 2 you of the exchange arrangements that your country intends  
 1 to maintain. In view of the proximity of the deadline c/  
 MESSAGE MUST END HERE

Drafted by JPMclenahan:jn  
 Department ETR  
 Date April 26, 1978

H. Johannes Witteveen  
 NAME (TYPE) SIGNATURE  
 NAME (TYPE) SIGNATURE

FOR CABLE ROOM USE ONLY

No of words 5 min. 199 Log 402563-578 Route ITT/WJI Operator FJ

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# OFFICIAL MESSAGE

## INTERNATIONAL MONETARY FUND

Washington, D C 20431

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A  
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Special Instructions

42-

18 ~~04~~ May 1, it would be appreciated if you could deal with  
 17 this matter urgently. A copy of this cable has been sent  
 16 to your Fund Governor.  
 15 Regards  
 14 Witteveen, Managing Director  
 13 Interfund

Distribution

MESSAGE MUST END HERE

Drafted by \_\_\_\_\_

Department \_\_\_\_\_

Date \_\_\_\_\_

NAME (TYPE)

SIGNATURE

NAME (TYPE)

SIGNATURE

FOR CABLE ROOM USE ONLY

No of words \_\_\_\_\_

Log \_\_\_\_\_

Route \_\_\_\_\_

Operator \_\_\_\_\_

SINGAPORE

67 1 4 The Monetary Authority  
of Singapore  
P O Box 52  
Singapore 1  
Republic of Singapore

OFFICIAL MESSAGE

INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

SECRET

Telex   
Night Letter   
Full Rate   
Code

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ADDRESSES

Special Instructions

Repeat to attached list

1. As you were notified, Second Amendment entered into force for all members on April 1, 1978. Under Article IV, Section 2(a) of the amended Articles of the Fund, each member is required to notify the Fund, by May 1, 1978, of the exchange arrangements it intends to apply in fulfillment of its obligations under Article IV, Section 1. The Executive Board of the Fund, in Decision No. 5712-(78/41), 3/23/78 has approved the procedures set forth in Section 2 of SM/78/81 for the initial notification of exchange arrangements.

2. With reference to letter of March 3, 1978 from Ernest Sturc and the accompanying description of your exchange arrangements, please: (1)(a) confirm that the description contained therein represents your exchange arrangements on April 1, 1978, and which you intend to apply; or (b) provide a corrected version or, if you prefer, alternative description of your exchange arrangements; (2) provide relevant information and data as indicated in

Distribution

cc: Executive Directors Area Departments

MESSAGE MUST END HERE

Drafted by: JBMcLenaghan:jg  
Department: ETR  
Date: March 30, 1978

van Houtven  
NAME (TYPE) SIGNATURE  
NAME (TYPE) SIGNATURE

FOR CABLE ROOM USE ONLY

No. of words: Log: Route: Operator:

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# OFFICIAL MESSAGE

## INTERNATIONAL MONETARY FUND

Washington, D C 20431

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Special Instructions

18 the description as of the date of the Second Amendment  
 17 (April 1, 1978), and (3) dispatch in time so that your  
 16 communication reaches the Fund before May 1, 1978  
 15 3 Please note that your reply to this communication  
 14 in accordance with paragraph 2 above will serve  
 13 formally to fulfill the obligation under Article IV,  
 12 Section 2(a) to notify the Fund as referred to in  
 11 paragraph 1 above.  
 10 4 Further, Executive Board has approved procedures in  
 9 Section IV of SM/77/277 for notification of subsequent  
 8 changes and asked that members be guided by the  
 7 considerations in that Section IV The decision on  
 6 these procedures is subject to review by the Executive  
 5 Board not later than March 23, 1979  
 4 Regards  
 3 van Houtven  
 2 Interfund

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MR H J WITTEVEEN  
MANAGING DIRECTOR  
INTERFUND  
WASHINGTON DC 20431  
USA



OUR EXECUTIVE DIRECTOR, MR BYANTI KHARMAWAN HAS CONVEYED TO US THE FAVOURABLE OUTCOME OF THE EXECUTIVE BOARD DISCUSSION ON MARCH 23, ON SINGAPORE'S REQUEST FOR A RECONSIDERATION OF IMF DECISION OF JULY 25, 1977. WE IN SINGAPORE REJOICED AT THE GOOD NEWS.

ON BEHALF OF THE SINGAPORE GOVERNMENT, MAY I EXPRESS OUR DEEPEST APPRECIATION FOR THE KEEN INTEREST YOU HAVE SHOWN IN OUR CASE AND FOR YOUR WARM SUPPORT. MY GOVERNMENT IS PLEASED WITH THE RECLASSIFICATION OF SINGAPORE AS A DEVELOPING COUNTRY.



MICHAEL WONG PAKSONG  
MONETARY SINGAPORE

INTERFUND WSH

*To Sturc*



# Office Memorandum

TO The Managing Director  
The Deputy Managing Director

DATE March 9, 1978

FROM Tun Thin *ST*

SUBJECT Singapore--Direct Transfer of Gold Profits from the Trust Fund

Mr Ng has informed me that the authorities will alter the wording of the final paragraph of the letter of transmittal Attached are his memorandum and the corrected annex to the draft staff report

attachments

cc Messrs Gold  
Polak  
Habermeyer  
Sturc  
Ware



# Office Memorandum

TO Mr. Tun Thin

DATE March 8, 1978

FROM Kiat Chong Ng

SUBJECT Singapore - Direct Transfer of Gold Profits from the Trust Fund

Further to our telephone conversation yesterday, I have received a telex from my Singapore authorities indicating an amendment to the last paragraph of the letter from Singapore's Minister of Finance and the Managing Director, Monetary Authority of Singapore, to Mr Witteveen on the above subject.

Paragraph 6 will read as before, but ending with the second sentence, i e ,

".....referred to in paragraph 1 "

There will be a new paragraph, i e., paragraph 7, as follows

"7. In the light of the above and Singapore's position as a resource poor developing member country of the Group of 77, the Government of Singapore requests that the Executive Board reconsider its decision of July 25, 1977, and include Singapore in the list of countries eligible to receive direct transfers of profits from the Trust Fund."

I should be grateful if you would amend accordingly the copy of the letter which Mr. Weiss brought back from Singapore for the purpose of reproducing it for the staff paper to be issued soon. I also attach a copy of the first page of the letter typed on the official letterhead, as you have requested for the same purpose

Thank you.

Attachment:

Singapore, March , 1978

Dear Mr Witteveen

1 The Executive Board decided on a list of countries eligible to receive direct transfers of profits from the Trust Fund on July 25, 1977. One criterion used for this purpose, a per capita GNP not exceeding SDR 1,400 and SDR 1,600 in 1973 and 1974, respectively, was not met by Singapore. As a consequence, Singapore was not included in this list.

2 The Government had pointed out that because of the large share of foreigners in the work force and foreign capital in investment, per capita GNP, as conventionally defined, was not an adequate income measure in the case of Singapore, and that adjusted data would be prepared following the approach used for the Bahamas. Our approach involved the calculation of income accruing to foreign workers and foreign-owned enterprises which are residents of Singapore, and the exclusion of this amount from GDP. Work on these adjustments has now been completed, and on the basis of the data for adjusted GNP in 1973 and 1974, the Government submits a request for a reappraisal of Singapore's eligibility to receive direct transfers of profits from the Trust Fund.

3. The development of the Singapore economy depends heavily on foreign capital, foreign technology, and foreign workers. The extent of such dependence is illustrated by the fact that during 1973-74, foreign workers, on average, constituted about 14 per cent of the total labor force, and foreigners owned about one third of the equity of firms in manufacturing, trade, and services. Consequently, a large share of the compensation of employees and of the operating surplus as well as the consumption of fixed capital of establishments, as recorded in the national accounts, accrues to foreigners and foreign-owned enterprises.

4. The number of foreign workers in Singapore was 115,066 in 1973 and 114,907 in 1974. This estimate is based on records of the Immigration Department (for employment pass holders) and of the Ministry of Labor (for work permit holders). The compensation of these workers, as defined in the national accounts, amounted to S\$836 million in 1973 and S\$1,088 million in 1974. This calculation is based on the annual income tax returns to the Inland Revenue Department (for employment pass holders) and on a survey of average weekly earnings by sectors of activities by the Ministry of Labor (for work permit holders), verified by records of the Central Provident Fund Board. Details are given in Appendix I.

5 The total share of foreign-owned equity in manufacturing, trade, and services amounted to 32 per cent in 1973-74 but was as high as 55 per cent in manufacturing. These data are based on the censuses of the Department of Statistics on industrial production, on wholesale and retail trades, restaurants and hotels, and on services. The operating surplus and the allowance for the consumption of fixed capital, as defined in the national accounts, attributable to the foreign-owned part of these sectors amounted to S\$1,254 million in 1973 and S\$1,902 million in 1974. This calculation is based on census returns of individual establishments. In the case of

joint ventures, the operating surplus and capital consumption of each establishment were separated into foreign and Singaporean parts according to the ownership of equity. Details are given in Appendix II.

6 The adjustments described in paragraphs 4 and 5 result in figures for Singaporean GNP of S\$8,409 million in 1973 and S\$9,966 million in 1974. (Calculation of net factor income of Singaporeans from abroad is given in Appendix III) Singaporean per capita GNP amounts to SDR 1,288 in 1973 and SDR 1,402 in 1974, considerably lower in each year than the level of the income criterion referred to in paragraph 1

7. In the light of the above and Singapore's position as a resource poor developing member country of the Group of 77, the Government of Singapore requests that the Executive Board reconsider its decision of July 25, 1977, and include Singapore in the list of countries eligible to receive direct transfers of profits from the Trust Fund

Sincerely yours,

Hon Sui Sen  
Minister for Finance  
For the Government of Singapore

Michael Wong Pakshong  
Managing Director  
Monetary Authority of Singapore  
For the Government of Singapore

Attachments

Mr H. Johannes Witteveen  
Managing Director  
International Monetary Fund  
Washington, D. C. 20431



# Office Memorandum

*Mr. Sturc*  
*Mr. Palmer*

TO : The Managing Director  
The Deputy Managing Director

DATE: March 3, 1978

FROM : Tun Thin *vs*

SUBJECT: Singapore--Direct Transfer of Gold Profits from the Trust Fund

Attached is the draft staff report on the above subject. It has been cleared with Messrs. Gold (LEG), Polak (RES), and Habermeier (TRE). However, Mr. Sturc strongly believed that Bahamas calculations should not be described in the paper since this could open up a way for other countries to make requests based on relative price adjustments.

For your consideration.

Attachment

cc: Mr. Ware

INTERNATIONAL MONETARY FUND

Singapore--Direct Transfer of Gold Profits from the Trust Fund

Prepared by the Asian Department

(In consultation with the Legal, Research, Exchange and Trade Relations, and Treasurer's Departments)

Approved by Tun Thin *DT*

March , 1978

*DT*  
*DT*  
*DT*

I. Introduction

In the attached letter dated March , 1978, from the Minister of Finance and the Managing Director of the Monetary Authority of Singapore, the Government of Singapore requests a reconsideration of Executive Board Decision No. 5479-(77/110)TR, July 25, 1977, which established a list of countries eligible to receive direct transfers of profits from the sale of gold by the Fund in accordance with the second sentence of paragraph 6.3 of the Communiqué of the Interim Committee of August 31, 1975. Singapore was not included in this list since its per capita GNP in 1973 and 1974, based on the most recent World Bank Atlas data, was in excess of the Managing Director's criterion of SDR 1,400 in 1973 and SDR 1,600 in 1974. Singapore's request is based on adjustments to its per capita GNP, consisting of the exclusion of compensation paid to resident foreigners and of a portion of the operating surplus and depreciation attributed to the foreign owners of resident enterprises <sup>1/</sup>. The level of the adjusted per capita GNP in 1973 and 1974 is below the Managing Director's criterion. If eligible, Singapore's share of profits for the first period would amount to about SDR 1 million, or 0.127 per cent of total profits available to the eligible members.

II. Adjusted GNP

The calculation of the share of resident foreigners in the compensation of employees, and of resident foreign-owned companies in the operating surplus and the consumption of fixed capital is presented in Appendices

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<sup>1/</sup> The per capita GNP figures for the Bahamas were adjusted, by an alternative method, to exclude the income of resident foreigners, as well as to take account of the high price of consumer goods in Nassau. These adjustments are summarized in footnote 2 of the "Statement of the Managing Director on List of Countries for the Direct Distribution of Profits from the Trust Fund" (EBS/77/246, July 5, 1977). A description of the calculations is given in Appendix I to the staff paper.

I and II of the annexed letter of the Singaporean authorities. The deduction of these amounts 1/ from total GDP yield an adjusted GDP attributable to Singaporeans. To obtain an adjusted GNP, net factor receipts of Singaporeans from the rest of the world are added. The calculation of these is presented in Appendix III of the annexed letter. As a result, adjusted GNP for 1973 and 1974 amounted to S\$8,409 million and S\$9,966 million, compared to total GNP of S\$9,837 million and S\$12,110 million, respectively. On a per capita basis, adjusted GNP of Singaporeans amounted to SDR 1,288 in 1973 and SDR 1,402 in 1974, well below the Managing Director's criterion mentioned in Section I. A summary of the adjustments is given in Table 1.

As part of the statistical work undertaken by the authorities, factor payments to and from abroad were also recalculated from 1972 onward 2/. The new data show that factor payments to abroad were considerably higher than the previous estimates, and corresponding downward revisions have been made for the official data for total GNP. These revised data will be published in the forthcoming Annual Economic Survey of Singapore, 1977, they will also be submitted to the UN and the IBRD for publication. The revisions do not substantially affect the results for adjusted GNP shown above.

### III. Staff Appraisal and Proposed Decision

The Singapore economy depends heavily on foreign resources, its growth strategy—centered on the rapid expansion of manufacturing exports—and its role as a financial center of the region require the use of a large number of skilled foreign workers and managers and a large inflow of foreign investment and technology. GNP refers, however, to the value of production, which in concept cannot actually be attributed to any particular segment of the population, in the way that, say, national income could be. Any approach to calculating the GNP of "residents" is thus not easy to appraise from the theoretical standpoint. This difficulty aside, the method of allocation applied in practice by the Singapore authorities to exclude the share of foreigners in GNP does not appear unreasonable to the staff. Moreover, the adjustments rest on a broad and detailed statistical base. Since these adjustments reduce per capita GNP below the Managing Director's criterion in both years, 1973 and 1974, the authorities did not make further adjustments for differences in relative price levels.

The adjustments made by the authorities to obtain per capita GNP of Singaporeans yield similar results to those obtained from alternative, more simple approaches, which are given in Appendix II of the staff paper. In all cases, per capita GNP in 1973 and 1974 is below the Managing Director's criterion.

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1/ For lack of adequate statistical data, no deductions for other income (rent, interest, and entrepreneurial income) accruing to resident foreigners have been made.

2/ The figures are presented in Appendix III to the annexed letter

In view of this, the following draft decision is submitted for the consideration of the Executive Board

1 The Government of Singapore has requested the Fund to amend Decision No 5479-(77/110)TR, to include Singapore in the list of countries eligible to receive direct transfers of gold profits from the sale of gold by the Fund, in accordance with the second sentence of paragraph 6 3 of the Communique of the Interim Committee on August 31, 1975. This request is based on new data on adjusted per capita GNP

2. The Fund has taken note of the adjustments to Singapore's per capita GNP submitted by the authorities, and approves the inclusion of Singapore in the table attached to Decision No. 5479-(77/110)TR, of July 25, 1977 Singapore's share in total Fund quotas is 0 127 per cent.

Table 1 Singapore. Adjusted GNP Per Capita, 1973-74

(In millions of Singapore dollars)

	1973	1974
GDP, total	10,205	12,543
Share of resident foreigners and resident foreign-owned companies		
Compensation of employees	-836	-1,088
Operating surplus	-1,072	-1,664
Consumption of fixed capital	-182	-238
GDP, adjusted	8,115	9,553
Net factor receipts of Singaporeans from the rest of the world	294	413
GNP, adjusted	8,409	9,966
Number of Singaporeans (1,000)	2,185	2,219
Adjusted GNP per capita (S\$)	3,849	4,491
(SDR) <sup>1/</sup>	1,288	1,402

Source: Appendices I, II, and III of the annexed letter of the Singapore authorities

<sup>1/</sup> Following the method used in the World Bank Atlas, GNP was first converted into U.S. dollars, using the average exchange rate for 1972-74, weighted by real GNP. Per capita GNP in U.S. dollars was then converted to SDR, using average annual exchange rates

Adjustments to Per Capita GNP of the Bahamas

The 1975 World Bank Atlas estimated per capita GNP of the Bahamas at US\$2,320 (SDR 1,946) in 1973 and US\$2,460 (SDR 2,046) in 1974. However, because a large number of foreigners (about 15 per cent of the total population) received a substantial share (about 30 per cent) of the country's personal disposable income,<sup>1/</sup> and--at an exchange rate of B\$1 = US\$1--the price of consumer goods was about 50 per cent higher in Nassau than in Washington, D.C.,<sup>2/</sup> (i.e., the purchasing power of B\$1 was US\$.66), a 1976 World Bank loan paper (Report and Recommendations of the President of the IBRD to the Executive Directors on a Proposed Loan to the Bahamas Water and Sewerage Corporation, Report No. P-1895-BM) used a figure of US\$1,200 (SDR 1,105) per capita in 1972. The adjusted per capita GNP in 1972 can be reconstructed as follows.

	Total (A)	Bahamians (B)	Foreigners (C)	$\frac{C}{B}$
(a) GNP (B\$ mn.)				
(b) Population (1,000)	414 5	290.15	124.35	0.30
(c) Per capita GNP (B\$)	184 0	156 40	27.6	0.15
(d) Per capita GNP, adjusted for price differences (56 per cent of d; B\$)	2,253.0	1,855.0	4,505.0	2.43
(e) Adjusted per capita GNP as given in IBRD Report (B\$ = US\$)		1,224.0		
		1,200.0		

On the basis of this adjusted 1972 figure, per capita GNP in 1973 and for 1974 can be derived by assuming that adjusted GNP increased during 1973-74 at the same rate as conventional GNP.

<sup>1/</sup> Based on a household income and expenditure survey (Labor Force and Income Distribution, 1973).

<sup>2/</sup> The 1974 IBRD mission to the Bahamas conducted a comparative study of retail prices of 47 essential consumer goods items. On an unweighted basis, Bahamian prices were 47 per cent higher than in the United States

## Alternative Derivations of Adjusted GNP for Singapore

(In millions of Singapore dollars)

Alternative I	1973	1974
Compensation of employees, total	3,935	5,121
Compensation of resident foreigners	836	1,088
Compensation of resident foreigners as per cent of total	(21 3)	(21 3)
GNP, total	9,837	12,110
Minus share of resident foreigners <u>1/</u>	<u>2,095</u>	<u>2,579</u>
GNP, adjusted	7,742	9,531
Number of Singaporeans ('000)	2,185	2,219
Adjusted GNP per capita (S\$)	3,543	4,295
(SDRs)	1,186	1,339
Alternative II		
GNP, total	9,837	12,110
Minus compensation of resident foreigners	836	1,088
Minus factor income receipts from abroad <u>2/</u>	<u>294</u>	<u>413</u>
GNP, adjusted	8,707	10,609
Number of Singaporeans (1,000)	2,185	2,219
Adjusted GNP per capita (S\$)	3,985	4,781
(SDR)	1,333	1,491

Source of data Appendices I, II, and III of the annexed letter of the Singapore authorities

1/ Equivalent to 21 3 per cent of total GNP

2/ Consist mainly of interest earnings of the Government

Singapore, March , 1978

Dear Mr Witteveen

1. The Executive Board decided on a list of countries eligible to receive direct transfers of profits from the Trust Fund on July 25, 1977. One criterion used for this purpose, a per capita GNP not exceeding SDR 1,400 and SDR 1,600 in 1973 and 1974, respectively, was not met by Singapore. As a consequence, Singapore was not included in this list.
2. The Government had pointed out that because of the large share of foreigners in the work force and foreign capital in investment, per capita GNP, as conventionally defined, was not an adequate income measure in the case of Singapore, and that adjusted data would be prepared following the approach used for the Bahamas. Our approach involved the calculation of income accruing to foreign workers and foreign-owned enterprises which are residents of Singapore, and the exclusion of this amount from GDP. Work on these adjustments has now been completed, and on the basis of the data for adjusted GNP in 1973 and 1974, the Government submits a request for a reappraisal of Singapore's eligibility to receive direct transfers of profits from the Trust Fund.
3. The development of the Singapore economy depends heavily on foreign capital, foreign technology, and foreign workers. The extent of such dependence is illustrated by the fact that during 1973-74, foreign workers, on average, constituted about 14 per cent of the total labor force, and foreigners owned about one third of the equity of firms in manufacturing, trade, and services. Consequently, a large share of the compensation of employees and of the operating surplus as well as the consumption of fixed capital of establishments, as recorded in the national accounts, accrues to foreigners and foreign-owned enterprises.
4. The number of foreign workers in Singapore was 115,066 in 1973 and 114,907 in 1974. This estimate is based on records of the Immigration Department (for employment pass holders) and of the Ministry of Labor (for work permit holders). The compensation of these workers, as defined in the national accounts, amounted to S\$836 million in 1973 and S\$1,088 million in 1974. This calculation is based on the annual income tax returns to the Inland Revenue Department (for employment pass holders) and on a survey of average weekly earnings by sectors of activities by the Ministry of Labor (for work permit holders), verified by records of the Central Provident Fund Board. Details are given in Appendix I.
5. The total share of foreign-owned equity in manufacturing, trade, and services amounted to 32 per cent in 1973-74 but was as high as 55 per cent in manufacturing. These data are based on the censuses of the Department of Statistics on industrial production, on wholesale and retail trades, restaurants and hotels, and on services. The operating surplus and the allowance for the consumption of fixed capital, as defined in the national accounts, attributable to the foreign-owned part of these sectors amounted to S\$1,254 million in 1973 and S\$1,902 million in 1974. This calculation is based on census returns of individual establishments. In the case of

joint ventures, the operating surplus and capital consumption of each establishment were separated into foreign and Singaporean parts according to the ownership of equity. Details are given in Appendix II.

6. The adjustments described in paragraphs 4 and 5 result in figures for Singaporean GNP of S\$8,409 million in 1973 and S\$9,966 million in 1974. (Calculation of net factor income of Singaporeans from abroad is given in Appendix III). Singaporean per capita GNP amounts to SDR 1,288 in 1973 and SDR 1,402 in 1974, considerably lower in each year than the level of the income criterion referred to in paragraph 1.

7. In the light of the above and Singapore's position as a resource poor developing member country of the Group of 77, the Government of Singapore requests that the Executive Board reconsider its decision of July 25, 1977, and include Singapore in the list of countries eligible to receive direct transfers of profits from the Trust Fund.

Sincerely yours,

Hon Sui Sen  
Minister for Finance  
For the Government of Singapore

Michael Wong Pakshong  
Managing Director  
Monetary Authority of Singapore  
For the Government of Singapore

Attachments

Mr. H. Johannes Witteveen  
Managing Director  
International Monetary Fund  
Washington, D. C. 20431

Compensation of Employees

There are two categories of foreigners working in Singapore: employment pass holders and work permit holders. The former consist primarily of employees in middle and top management positions in manufacturing, banking, and other service industries, the latter are mostly migrant workers in lower paid positions. The total number of foreign workers in 1973-74 was, on average, 114,987 and constituted about 14 per cent of total employment, together with their dependents, they accounted for about 5.5 per cent of the total population of Singapore 1/

Table 1. Employment

(In thousands)

	1973	1974
Total employment <u>1/</u> (15-64 years)	<u>781</u>	<u>803</u>
1. Singaporeans	666	688
2. Foreigners	115	115
a. Employment pass holders <u>2/</u>	(14)	(14)
b. Work permit holders <u>3/</u>	(101)	(101)

1/ The Department of Statistics and Ministry of Labor.

2/ The Immigration Department.

3/ The Ministry of Labor.

The income of employment pass holders was calculated from their annual income tax returns, that of work permit holders from a survey of average weekly earnings of all employees by sectors of activities, conducted by the Ministry of Labor. After adding employers' contributions to social security (Central Provident Fund), bonuses and benefits in kind, compensation of employees (national accounts definition) accruing to resident foreigners amounted to about S\$960 million, on average, in 1973-74, or 21 per cent of the total compensation of employees 2/

1/ The total population is estimated at 2,309,000 in 1973 and 2,345,000 in 1974. It includes citizens (red card holder), noncitizens (blue card holder), foreign employees (employment pass holders and work permit holders) and their dependents.

2/ No precise comparison is possible because national income accounts calculated by the income approach are not available.

Table 2 Compensation of Employees Accruing to Resident Foreigners

(In millions of Singapore dollars)

	1973	1974
1. Employment pass holders		
a. Wages and salaries <u>1/</u>	376	495
b. Employers' contributions to CPF <u>2/</u>	18	27
c. Benefits in kind <u>3/</u>	26	35
2. Work permit holders		
a. Wages and salaries <u>4/</u>	317	403
b. Annual bonuses <u>5/</u>	26	34
c. Employers' contributions to CPF <u>2/</u>	51	66
d. Benefits in kind <u>3/</u>	<u>22</u>	<u>28</u>
3. Total	836	1,088

1/ The In- and Revenue Department

2/ The Central Provident Fund Board.

3/ The Census of Industrial Production, 1973 and 1974, Census of Wholesale and Retail Trades, Restaurants and Hotels, 1973, and Census of Services, 1974.

4/ The Ministry of Labor

5/ One-twelfth of wages and salaries.

Operating Surplus and Consumption of Fixed Capital

Foreign ownership is concentrated in manufacturing where it accounted for about 55 per cent of total equity in 1974. In the sectors covered by the censuses of the Department of Statistics--manufacturing, trade, restaurants, hotels, and services--about 32 per cent of total equity was owned by foreigners in 1973-74. The foreign-owned part of these sectors accounted for about 35 per cent of the total value added and for about 29 per cent of total employment. About 1,070 establishments were wholly foreign-owned and about 1,000 establishments were joint ventures.

Table 1 Ownership of Establishments

	Year	Total	Singaporeans	Foreigners
<u>(In millions of Singapore dollars)</u>				
1	Equity			
	a. Manufacturing	1974	2,686	1,222
	b. Trade, restaurants, hotels	1973	1,733	1,297
	c. Other services	1974	<u>2,776</u>	<u>2,349</u>
				<u>427</u>
	Total		7,195	4,868
				2,327
2	Value added			
	a. Manufacturing	1974	2,641	952
	b. Trade, restaurants, hotels	1973	1,774	1,329
	c. Other services	1974	<u>3,000</u>	<u>2,538</u>
				<u>445</u>
				<u>462</u>
	Total		7,415	4,819
				2,596
<u>(In thousands)</u>				
3	Employment			
	a. Manufacturing	1974	210	92
	b. Trade, restaurants, hotels	1973	131	118
	c. Other services	1974	<u>170</u>	<u>152</u>
				<u>13</u>
				<u>18</u>
	Total		511	362
				149

Sources: Department of Statistics. Data have been compiled from reports of individual establishments for the following censuses: Census of Industrial Production, 1974, Census of Wholesale and Retail Trades, Restaurants and Hotels, 1973, Census of Services, 1974, covering real estate, business, social and personal services, transport, storage, communication, financing and insurance services, and nonprofit organizations.

The value of the operating surplus and the consumption of fixed capital (national accounts definition) was compiled from the census reports of individual establishments and the split into the Singaporean and foreign shares was made according to the equity ownership in each establishment. The combined operating surplus and consumption of fixed capital attributable to foreign-owned establishments was about S\$1,580 million in 1973-74, on average, and represented about 26 per cent of the amount for the total economy.<sup>1/</sup>

Table 2 Operating Surplus and Consumption of Fixed Capital  
Attributable to Resident Foreign-Owned Establishments

(In millions of Singapore dollars)

	1973	1974
1. Operating surplus		
a. Manufacturing <sup>1/</sup>	588	1,125
b. Trade, restaurants, hotels	193	204 <sup>2/</sup>
c. Other services	291 <sup>3/</sup>	335
2. Consumption of fixed capital		
a. Manufacturing <sup>1/</sup>	148	197
b. Trade, restaurants, hotels	12	15 <sup>2/</sup>
c. Other services	22 <sup>3/</sup>	26
3. Total	1,254	1,902

Sources: Department of Statistics. Data have been compiled from reports of individual establishments for the following censuses: Census of Industrial Production, 1973 and 1974, Census of Wholesale and Retail Trades, Restaurants and Hotels, 1973, Census of Services, 1974, covering real estate, business, social and personal services, transport, storage, communication, financing and insurance services, and nonprofit organizations.

<sup>1/</sup> Establishments with ten or more employees only.

<sup>2/</sup> Derived from 1973 Census results on the basis of national accounts data

<sup>3/</sup> Derived from 1974 Census results on the basis of national accounts data

<sup>1/</sup> No precise comparison is possible because national income accounts calculated by income approach are not available

Net Factor Income from the Rest of the World

Factor payments to the rest of the world have in the past been estimated by extrapolating 1972 survey results. This has led to considerable under-estimation. A recalculation was therefore made from 1972, based on the Survey of Companies with Foreign Investment conducted by the Department of Statistics 1/, the results of which became available in 1977.

Table 1. Net Factor Income from the Rest of the World

(In millions of Singapore dollars)

	1973			1974		
	Total	Foreign	Singaporean	Total	Foreign	Singaporean
<b>Payments</b>						
Dividends	-676	-676	--	-858	-858	--
Interest	-52	--	-52	-44	--	-44
Total	<u>-728</u>	<u>-676</u>	<u>-52</u>	<u>-902</u>	<u>-858</u>	<u>-44</u>
<b>Receipts</b>						
Dividends and interest						
Official	291	--	291	409	--	409
Private <u>1/</u>	45	14	31	33	11	22
Other <u>2/</u>	24	--	24	26	--	26
Total	<u>360</u>	<u>14</u>	<u>346</u>	<u>468</u>	<u>11</u>	<u>457</u>
<b>Total, net</b>	-368	-662	294	-434	-847	413

1/ The split between foreign and Singaporean was made according to equity ownership of resident companies.

2/ In connection with foreign military installations.

As a result of these recalculations, official data for total GNP have been revised downward accordingly. These data will be published in the forthcoming Annual Economic Survey of Singapore, 1977. They will also be submitted to the U.N. and the IBRD and we understand that the next World Bank Atlas will contain revised GNP estimates.

1/ This survey involves the extraction of data from financial statements lodged by companies with the Registrar of Companies, supplemented by direct mail questionnaires to companies whose records are not with the Registrar of Companies.

March 3, 1978

Sir

I write with reference to Article IV, Section 2(a) of the proposed Second Amendment of the Articles of Agreement, and in particular to the obligations of member countries under the provision to inform the Fund, within 30 days of the Second Amendment, of the exchange arrangements they intend to follow.

It appears that the Second Amendment may become effective in the near future. In order to assist members to comply with the provision referred to, and at the request of the Executive Board of the Fund, we are forwarding to each member, in advance of the expected adoption of the amendment, a description of its present exchange arrangements, as understood by the Fund's staff. It is hoped that this procedure will minimize any difficulties that might arise at the time that members give formal notice under Article IV, Section 2(a). We would be grateful, therefore, if you would review the attached statement of your exchange arrangements and advise the Fund as expeditiously as possible if the description is accurate or, if necessary, if you would provide a corrected description.

I would like to mention that these descriptive statements of exchange arrangements, especially for those members that maintain similar exchange arrangements, have been prepared along fairly uniform lines. If you would prefer to provide an alternative description that would fit more closely the exchange arrangements that you maintain, you would be most welcome to do so. In view of the likely adoption of the Second Amendment in the near future, we would be grateful if you would reply to this letter by cable.

Very truly yours,

Ernest Sture  
Director  
Exchange and Trade  
Relations Department

Attachment

Honorable Michael Wong Pakshong  
Governor of the International  
Monetary Fund for Singapore  
The Monetary Authority of Singapore  
P.O. Box 52  
Singapore 1, Republic of Singapore

CC MR KHARMAWAN  
ASD  
ETRD

## Singapore

The currency of Singapore is the Singapore Dollar. Exchange rates are computed from the value of the Singapore dollar which is determined on the basis of the fixed relationship of the Singapore dollar to a trade-weighted basket of currencies representing Singapore's 22 most important trading partners. Singapore intends to confine exchange rates for the Singapore dollar within margins of \_\_\_\_\_ per cent in respect of the exchange transactions based on the fixed relationship of the Singapore dollar and the basket of currencies, at present it applies margins of \_\_\_\_\_ per cent in respect of such transactions. The exchange rate of the Singapore dollar in terms of the U S dollar, the intervention currency, is determined in the foreign exchange market, and the Monetary Authority of Singapore intervenes to maintain that rate within the margins described above. The buying and selling rates for the U S dollar on \_\_\_\_\_, 1978 were S\$ \_\_\_\_\_ and S\$ \_\_\_\_\_, respectively, per US\$1. Rates for other currencies are established on the basis of the daily rates for the U S dollar and their cross rates in international markets. Authorized banks are free to deal spot and forward in all currencies. Singapore and Brunei currency notes and coins are freely interchangeable, at par and without charge, in Singapore and Brunei. There are no taxes or subsidies on purchases or sales of foreign exchange.

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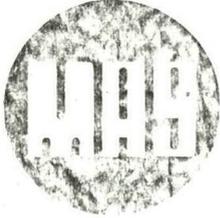
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INTERNATIONAL  
MONETARY FUND

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COMMUNICATIONS  
DIVISION

The Monetary Authority  
of Singapore

SIA Building  
Robinson Road  
Singapore  
Telephone: 2225511



MANAGING DIRECTOR

*Handwritten initials and notes:*  
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mb  
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March 1, 1978  
R  
WBT

Mr Tun Thin  
Director  
Asian Department  
International Monetary Fund  
Washington DC 20431  
U S A

Dear Mr Tun Thin

I am pleased to enclose our Letter of Transmittal on the gold profits issue, addressed to Mr Witteveen and signed by the Minister for Finance and myself. We have made a slight amendment to paragraph 6 of the original draft and have added an additional paragraph. As discussed at our meeting in Singapore on 16th February, 1978 please arrange for the letter to be delivered to the Managing Director.

Yours sincerely

*Handwritten signature: Pakshong*

MICHAEL WONG PAKSHONG

Orig & Encl.: ASD  
cc : MD  
DMD  
Mr. Kharmawan  
LEG  
RES  
TRE  
ETR  
SEC





March 1, 1978

Mr H Johannes Witteveen  
Managing Director  
International Monetary Fund  
Washington, DC 20431  
U S A



Dear Mr Witteveen

1 The Executive Board decided on a list of countries eligible to receive direct transfers of profits from the Trust Fund on July 25, 1977. One criterion used for this purpose, a per capita GNP not exceeding SDR 1,400 and SDR 1,600 in 1973 and 1974, respectively, was not met by Singapore. As a consequence, Singapore was not included in this list.

2 The Government had pointed out that because of the large share of foreigners in the work force and foreign capital in investment, per capita GNP, as conventionally defined, was not an adequate income measure in the case of Singapore, and that adjusted data would be prepared following the approach used for the Bahamas. Our approach involved the calculation of income accruing to foreign workers and foreign-owned enterprises which are residents of Singapore, and the exclusion of this amount from GDP. Work on these adjustments has now been completed, and on the basis of the data for adjusted GNP in 1973 and 1974, the Government submits a request for a reappraisal of Singapore's eligibility to receive direct transfers of profits from the Trust Fund.

3 The development of the Singapore economy depends heavily on foreign capital, foreign technology, and foreign workers. The extent of such dependence is illustrated by the fact that during 1973-74, foreign workers, on average, constituted about 14 per cent of the total labour force, and foreigners owned about one third of the equity of firms in manufacturing, trade and services. Consequently, a large share of the compensation of employees and of the operating surplus as well as the consumption of fixed capital of establishments, as recorded in the national accounts, accrues to foreigners and foreign-owned enterprises.

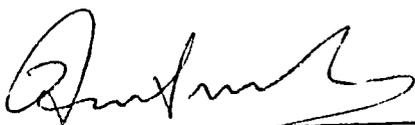
4 The number of foreign workers in Singapore was 115,066 in 1973 and 114,907 in 1974. This estimate is based on records of the Immigration Department (for employment pass holders) and of the Ministry of Labour (for work permit holders). The compensation of these workers, as defined in the national accounts, amounted to S\$836 million in 1973 and S\$1,088 million in 1974. This calculation is based on the annual income tax returns to the Inland Revenue Department (for employment pass holders) and on a survey of average weekly earnings by sectors of activities by the Ministry of Labour (for work permit holders), verified by records of the Central Provident Fund Board. Details are given in Appendix I.

5 The total share of foreign-owned equity in manufacturing, trade, and services amounted to 32 per cent in 1973-74 but was as high as 55 per cent in manufacturing. These data are based on the censuses of the Department of Statistics on industrial production, on wholesale and retail trades, restaurants and hotels, and on services. The operating surplus and the allowance for the consumption of fixed capital, as defined in the national accounts, attributable to the foreign owned part of these sectors amounted to S\$1,254 million in 1973 and S\$1,902 million in 1974. This calculation is based on census returns of individual establishments. In the case of joint ventures, the operating surplus and capital consumption of each establishment were separated into foreign and Singaporean parts according to the ownership of equity. Details are given in Appendix II.

6 The adjustments described in paragraphs 4 and 5 result in figures for Singaporean GNP of S\$8,409 million in 1973 and S\$9,966 million in 1974. (Calculation of net factor income of Singaporeans from abroad is given in Appendix III). Singaporean per capita GNP amounts to SDR 1,288 in 1973 and SDR 1,402 in 1974, considerably lower in each year than the level of the income criterion referred to in paragraph 1.

7 In the light of the above and Singapore's position as a resource-poor developing member country of the Group of 77, the Government of Singapore requests that the Executive Board reconsider its Decision of July 25, 1977 and include Singapore in the list of countries eligible to receive direct transfers of profits from the Trust Fund.

Yours sincerely



HON. SUI SEN  
Minister for Finance  
For the Government of Singapore



MICHAEL WONG PAKSHONG  
Managing Director  
The Monetary Authority of Singapore  
For the Government of Singapore



# Office Memorandum

*Ernest Sturc*

TO : Mr. Tun Thin  
FROM : Ernest Sturc  
SUBJECT : Singapore--Direct Transfer of Gold Profits from the Trust Fund

DATE: February 22, 1978

*CD*  
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We believe you should eliminate the first two sentences of the staff appraisal. The staff should avoid establishing a precedent in which a staff judgment is made that per capita GNP is not a reliable indicator. Such an undesirable precedent could be used by other countries seeking special treatment, either for the "transfer" list or for the eligible list for the second period of the Trust Fund.

We were glad to see the final sentence in the following paragraph which appears at the bottom of the table, "Net Factor Income from the Rest of the World."

As a result of these recalculations, official data for total GNP have been revised downward accordingly. These data will be published in the forthcoming Annual Economic Survey of Singapore, 1977. They will also be submitted to the UN and the IBRD and we understand that the next World Bank Atlas will contain revised GNP estimates.

Does this mean that the World Bank staff has now accepted the revised estimates for total GNP? If so, the draft paper would be strengthened by adding a sentence to this effect at the end of the first full paragraph on page 2.

cc: Messrs. Gold, Polak, Habermeier, and Whittome



# Office Memorandum

*cc Mr. Palmer  
in further*

TO : Messrs. Gold, Polak, Habermeier, Whittome,  
and Sturc ✓

FROM : Tun Thin ✓

SUBJECT : Singapore--Direct Transfer of Gold Profits from the Trust Fund

DATE: February 21, 1978

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*WBI*

Attached, please find a draft staff report on the above subject. I would appreciate receiving your comments by the close of business on Thursday.

*A SA*

attachment



INTERNATIONAL MONETARY FUND

Singapore--Direct Transfer of Gold Profits from the Trust Fund

Prepared by the Asian Department

(In consultation with the Legal, Research, Exchange and Trade  
Relations, and Treasurer's Departments)

Approved by

February 21, 1978

I. Introduction

In the attached letter dated February , 1978, from the Minister of Finance and the Managing Director of the Monetary Authority of Singapore, the Government of Singapore requests a reconsideration of Executive Board Decision No 5479-(77/110)TR, July 25, 1977, which established a list of countries eligible to receive direct transfers of profits from the sale of gold by the Fund in accordance with the second sentence of paragraph 6 3 of the Communique of the Interim Committee of August 31, 1975. Singapore was not included in this list since its per capita GNP in 1973 and 1974, based on the most recent World Bank Atlas data, was in excess of the Managing Director's criterion of SDR 1,400 in 1973 and SDR 1,600 in 1974. Singapore's request is based on adjustments to its per capita GNP similar to those made for the Bahamas.<sup>1/</sup> They consist of the exclusion of income of resident foreigners and resident foreign-owned enterprises. The level of the adjusted per capita GNP in 1973 and 1974 is below the Managing Director's criterion. If eligible, Singapore's share of profits for the first period would amount to about SDR 1 million, or 0.127 per cent of total profits available to the eligible members.

II Adjusted GNP

The calculation of the share of resident foreigners in the compensation of employees, and of resident foreign-owned companies in the operating surplus and the consumption of fixed capital is presented in Appendices I and II of the annexed letter of the Singaporean authorities. The deduction of these amounts <sup>2/</sup> from total GDP yield an adjusted GDP attributable to Singaporeans. To obtain an adjusted GNP, net factor receipts of Singaporeans from the rest of the world are added. The calculation of these is presented in Appendix III of the annexed letter. As a result,

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<sup>1/</sup> These adjustments are described in footnote 2 of the "Statement of the Managing Director on List of Countries for the Direct Distribution of Profits from the Trust Fund" (EBS/77/246, July 5, 1977)

<sup>2/</sup> For lack of adequate statistical data, no deductions for other income (rent, interest, and entrepreneurial income) accruing to resident foreigners have been made.

adjusted GNP for 1973 and 1974 amounted to S\$8,409 million and S\$9,966 million, compared to total GNP of S\$9,837 million and S\$12,110 million, respectively. On a per capita basis, adjusted GNP of Singaporeans amounted to SDR 1,288 in 1973 and SDR 1,402 in 1974, well below the Managing Director's criterion mentioned in Section I. A summary of the adjustments is given in Table 1.

As part of the statistical work undertaken by the authorities, factor payments to and from abroad were also recalculated from 1972 onward. The new data show that factor payments to abroad were considerably higher than the previous estimates, and corresponding downward revisions have been made for the official data for total GNP. These revised data will be published in the forthcoming Annual Economic Survey of Singapore, 1977; they will also be submitted to the UN and the IBRD for publication.

### III. Staff Appraisal and Proposed Decision

The Singapore economy depends heavily on foreign resources; its growth strategy--centered on the rapid expansion of manufacturing exports--and its role as a financial center of the region require the use of a large number of skilled foreign workers and managers and a large inflow of foreign investment and technology. Under these circumstances, the conventional definition of per capita GNP is not a reliable indicator of the relative income level of Singaporeans. The method of adjusting Singapore's per capita income, which is broadly in line with that used for the Bahamas, yields levels in 1973 and 1974 below the Managing Director's criterion. In view of this, the following draft decision is submitted for the consideration of the Executive Board:

1. The Government of Singapore has requested the Fund to amend Decision No. 5479-(77/110)TR, so as to include Singapore in the list of countries eligible to receive direct transfers of gold profits from the sale of gold by the Fund, in accordance with the second sentence of paragraph 6.3 of the Communique of the Interim Committee on August 31, 1975. This request is based on new data on adjusted per capita GNP.
2. The Fund has taken note of the adjustments to Singapore's per capita GNP submitted by the authorities, and approves the inclusion of Singapore in the table attached to Decision No. 5479-(77/110)TR, of July 25, 1977. Singapore's share in total Fund quotas is 0.127 per cent.



ATTACHMENT

Singapore, February , 1978

Dear Mr Witteveen:

1. The Executive Board decided on a list of countries eligible to receive direct transfers of profits from the Trust Fund on July 25, 1977. One criterion used for this purpose, a per capita GIP not exceeding SDR 1,400 and SDR 1,600 in 1973 and 1974, respectively, was not met by Singapore. As a consequence, Singapore was not included in this list.

2. The Government had pointed out that because of the large share of foreigners in the work force and foreign capital in investment, per capita GIP, as conventionally defined, was not an adequate income measure in the case of Singapore, and that adjusted data would be prepared following the approach used for the Bahamas. Our approach involved the calculation of income accruing to foreign workers and foreign-owned enterprises which are residents of Singapore, and the exclusion of this amount from GDP. Work on these adjustments has now been completed, and on the basis of the data for adjusted GIP in 1973 and 1974, the Government submits a request for a reappraisal of Singapore's eligibility to receive direct transfers of profits from the Trust Fund.

3. The development of the Singapore economy depends heavily on foreign capital, foreign technology, and foreign workers. The extent of such dependence is illustrated by the fact that during 1973-74, foreign workers, on average, constituted about 14 per cent of the total labour force, and foreigners owned about one third of the equity of firms in manufacturing, trade, and services. Consequently, a large share of the compensation of employees and of the operating surplus as well as the consumption of fixed

capital of establishments, as recorded in the national accounts, accrues to foreigners and foreign-owned enterprises.

4. The number of foreign workers in Singapore was 115,066 in 1973 and 114,907 in 1974. This estimate is based on records of the Immigration Department (for employment pass holders) and of the Ministry of Labour (for work permit holders). The compensation of these workers, as defined in the national accounts, amounted to S\$336 million in 1973 and S\$1,088 million in 1974. This calculation is based on the annual income tax returns to the Inland Revenue Department (for employment pass holders) and on a survey of average weekly earnings by sectors of activities by the Ministry of Labour (for work permit holders), verified by records of the Central Provident Fund Board. Details are given in Appendix I.

5. The total share of foreign-owned equity in manufacturing, trade, and services amounted to 32 per cent in 1973-74 but was as high as 55 per cent in manufacturing. These data are based on the censuses of the Department of Statistics on industrial production; on wholesale and retail trades, restaurants and hotels, and on services. The operating surplus and the allowance for the consumption of fixed capital, as defined in the national accounts, attributable to the foreign owned part of these sectors amounted to S\$1,254 million in 1973 and S\$1,902 million in 1974. This calculation is based on census returns of individual establishments. In the case of joint ventures, the operating surplus and capital consumption of each establishment were separated into foreign and Singaporean parts according to the ownership of equity. Details are given in Appendix II.

6. The adjustments described in paragraphs 4 and 5 result in figures for Singaporean GIP of S\$38,409 million in 1973 and S\$9,966 million in 1974. (Calculation of net factor income of Singaporeans from abroad is given in Appendix III). Singaporean per capita GIP amounts to SDR 1,288 in 1973 and SDR 1,402 in 1974, considerably lower in each year than the level of the

income criterion referred to in paragraph 1. The Government of Singapore therefore, requests that the Executive Board reconsider its Decision of July 25, 1977, and include Singapore in the list of countries eligible to receive direct transfers of profits from the Trust Fund.

Sincerely yours,

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Hon Sui Sen  
Minister for Finance  
For the Government of Singapore

Michael Ong Pakshong Managing Director Monetary Authority of Singapore For the Government of Singapore	1/
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Attachments

Mr. H. Johannes Witteveen  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

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1/ The letter may be signed by the Minister of Finance only

Compensation of Employees

There are two categories of foreigners working in Singapore - employment pass holders and work permit holders. The former consist primarily of employees in middle and top management positions in manufacturing, banking and other service industries, the latter are mostly migrant workers in lower paid positions. The total number of foreign workers in 1973-74 was, on average, 114,987 and constituted about 14 per cent of total employment, together with their dependents, they accounted for about 5.5 per cent of the total population of Singapore<sup>1/</sup>.

Table 1. Employment  
(in 1,000)

	<u>1973</u>	<u>1974</u>
Total Employment <sup>1/</sup> (15-64 years)	<u>781</u>	<u>803</u>
1. Singaporeans	666	688
2. Foreigners	115	115
a. Employment Pass Holders <sup>2/</sup>	(14)	(14)
b. Work Permit Holders <sup>3/</sup>	(101)	(101)

1/ Source: Department of Statistics and Ministry of Labour

2/ Source: Immigration Department

3/ Source: Ministry of Labour

The income of employment pass holders was calculated from their annual income tax returns, that of work permit holders from a survey of average weekly earnings of all employees by sectors of activities, conducted by the Ministry of Labour. After adding employers' contributions to social security (Central Provident Fund), bonuses and benefits in kind, compensation of employees (national accounts definition) accruing to resident foreigners amounted to about S\$960 million, on average, in 1973-74, or 21 per cent of the total compensation of employees<sup>2/</sup>.

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1/ The total population is estimated at 2,309,000 in 1973 and 2,345,000 in 1974. It includes citizens (red card holder), non-citizens (blue card holder), foreign employees (employment pass holders and work permit holders) and their dependents.

2/ No precise comparison is possible because national income accounts calculated by the income approach are not available.

Table 2. Compensation of Employees  
accruing to Resident Foreigners  
(Million S\$)

	<u>1973</u>	<u>1974</u>
<b>1</b> <u>Employment Pass Holders</u>		
a. Wages and salaries <sup>1/</sup>	376	495
b. Employers' contributions to CPF <sup>2/</sup>	18	27
c. Benefits in kind <sup>3/</sup>	26	35
<b>2</b> <u>Work Permit Holders</u>		
a. Wages and salaries <sup>4/</sup>	317	403
b. Annual bonuses <sup>5/</sup>	26	34
c. Employers' contributions to CPF <sup>2/</sup>	51	66
d. Benefits in kind <sup>3/</sup>	22	28
<b>3</b> Total	<u>836</u>	<u>1,088</u>
	====	=====

1/ Source. Inland Revenue Department

2/ Source. Central Provident Fund Board

3/ Source. Census of Industrial Production, 1973 and 1974,  
Census of Wholesale and Retail Trades, Restaurants  
and Hotels, 1973, Census of Services, 1974

4/ Source. Ministry of Labour

5/ One-twelfth of wages and salaries.

APPENDIX II

Operating Surplus and Consumption of Fixed Capital

Foreign ownership is concentrated in manufacturing where it accounted for about 55 per cent of total equity in 1974. In the sectors covered by the censuses of the Department of Statistics - manufacturing, trade, restaurants, hotels, and services - about 32 per cent of total equity was owned by foreigners in 1973-74. The foreign-owned part of these sectors accounted for about 35 per cent of the total value added and for about 29 per cent of total employment. About 1,070 establishments were wholly foreign owned and about 1,000 establishments were joint ventures.

Table 1 Ownership of Establishments

	<u>Year</u>	<u>Total</u>	<u>Singaporeans</u>	<u>Foreigners</u>
<b>1 <u>Equity</u> (million S\$)</b>				
a Manufacturing	1974	2,686	1,222	1,464
b Trade, Restaurants, Hotels	1973	1,733	1,297	436
c Other services	1974	2,776	2,349	427
<b>Total</b>		<u>7,195</u> =====	<u>4,868</u> =====	<u>2,327</u> =====
<b>2 <u>Value Added</u> (million S\$)</b>				
a Manufacturing	1974	2,641	952	1,689
b Trade, Restaurants, Hotels	1973	1,774	1,329	445
c Other services	1974	3,000	2,538	462
<b>Total</b>		<u>7,415</u> =====	<u>4,819</u> =====	<u>2,596</u> =====
<b>3 <u>Employment</u> (1,000)</b>				
a Manufacturing	1974	210	92	118
b Trade, Restaurants, Hotels	1973	131	118	13
c Other services	1974	170	152	18
<b>Total</b>		<u>511</u> =====	<u>362</u> =====	<u>149</u> =====

Source: Department of Statistics  
 Data have been compiled from reports of individual establishments for the following Censuses  
 Census of Industrial Production, 1974  
 Census of Wholesale and Retail Trades, Restaurants and Hotels, 1973,  
 Census of Services, 1974, covering real estate, business, social and personal services, transport, storage, communication, financing and insurance services, and non-profit organisations.

1/ No precise comparison is possible because national income accounts calculated by income approach are not available

The value of the operating surplus and the consumption of fixed capital (national accounts definition) was compiled from the census reports of individual establishments and the split into the Singaporean and foreign shares was made according to the equity ownership in each establishment. The combined operating surplus and consumption of fixed capital attributable to foreign-owned establishments was about S\$1,580 million in 1973-74, on average, and represented about 26 per cent of the amount for the total economy.<sup>1/</sup>

Table 2: Operating Surplus and Consumption of Fixed Capital Attributable to Resident Foreign-owned Establishments

(Million S\$)

	<u>1973</u>	<u>1974</u>
<b>1</b> <u>Operating surplus</u>		
a Manufacturing <sup>1/</sup>	588	1,125
b Trade, Restaurants, Hotels	193	204 <sup>2/</sup>
c Other Services	291 <sup>3/</sup>	335
<b>2</b> <u>Consumption of Fixed Capital</u>		
a Manufacturing <sup>1/</sup>	148	197
b Trade, Restaurants, Hotels	12	15 <sup>2/</sup>
c Other Services	22 <sup>3/</sup>	26
<b>3</b> Total	<u>1,254</u> =====	<u>1,902</u> =====

<sup>1/</sup> Establishments with 10 or more employees only.

<sup>2/</sup> Derived from 1973 Census results on the basis of national accounts data.

<sup>3/</sup> Derived from 1974 Census results on the basis of national accounts data.

Source: Department of Statistics

Data have been compiled from reports of individuals establishments for the following censuses:

Census of Industrial Production, 1973 and 1974.

Census of Wholesale and Retail Trades, Restaurants and Hotels, 1973.

Census of Services, 1974, covering real estate, business, social and personal services, transport, storage, communication, financing and insurance services and non-profit organisations.

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<sup>1/</sup> No precise comparison is possible because national income accounts calculated by income approach are not available.

Net Factor Income from the Rest of the World

Factor payments to the rest of the world have in the past been estimated by extrapolating 1972 survey results. This has led to considerable underestimation. A recalculation was therefore made from 1972, based on the Survey of Companies with Foreign Investment conducted by the Department of Statistics<sup>1/</sup>, the results of which became available in 1977.

Table 1: Net Factor Income from the Rest of the World

		(Million S\$)		
		<u>1973</u>		
		<u>Total</u>	<u>Foreign</u>	<u>Singaporean</u>
<b>Payments</b>				
Dividends		-676	-676	-
Interest		-52	-	-52
	<b>Total</b>	<u>-728</u>	<u>-676</u>	<u>-52</u>
<b>Receipts</b>				
Dividends and interest				
	Official <sup>1/</sup>	291	-	291
	Private <sup>1/</sup>	45	14	31
Other <sup>2/</sup>		24	-	24
	<b>Total</b>	<u>360</u>	<u>14</u>	<u>346</u>
<b>Total, net</b>		<u>-368</u>	<u>-662</u>	<u>294</u>
		=====	=====	=====
		<u>1974</u>		
		<u>Total</u>	<u>Foreign</u>	<u>Singaporean</u>
<b>Payments</b>				
Dividends		-858	-858	-
Interest		-44	-	-44
	<b>Total</b>	<u>-902</u>	<u>-858</u>	<u>-44</u>
<b>Receipts</b>				
Dividends and interest				
	Official <sup>1/</sup>	409	-	409
	Private <sup>1/</sup>	33	11	22
Other <sup>2/</sup>		26	-	26
	<b>Total</b>	<u>468</u>	<u>11</u>	<u>457</u>
<b>Total, net</b>		<u>-434</u>	<u>-847</u>	<u>413</u>
		=====	=====	=====

<sup>1/</sup> The split between foreign and Singaporean was made according to equity ownership of resident companies.

<sup>2/</sup> In connection with foreign military installations.

As a result of these recalculations, official data for total GNP have been revised downward accordingly. These data will be published in the forthcoming Annual Economic Survey of Singapore, 1977. They will also be submitted to the U.N. and the IBRD and we understand that the next World Bank Atlas will contain revised GNP estimates.

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<sup>1/</sup> This survey involves the extraction of data from financial statements lodged by companies with the Registrar of Companies, supplemented by direct mail questionnaires to companies whose records are not with the Registrar of Companies.



# Office Memorandum

*My store*

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TO : Mr. Woodley

FROM : Donald K. Palmer *DKP*

SUBJECT : Singapore--Briefing Paper for Special  
Discussion of Per Capita Income of Singaporeans

DATE: January 27, 1978

Because this is the first time I have been asked to comment on the general technical approach being pursued, I would like to offer the following comments. My principal reaction is that (perhaps inadvertently) it overlooks the essential role of the World Bank per capita income estimates which were the basis for all per capita income estimates submitted to the Executive Board in connection with consideration of the list of countries eligible to receive direct transfers from gold profits. At various times, Directors asked for tables summarizing the per capita income status in 1973 and 1974 of individual countries. In all cases, the staff provided information based on data appearing in the World Bank Atlas. The main paper to the Board (EBS/77/246) indicated in the footnotes that the per capita income data were based on the World Bank Atlas. Similarly, the footnote to that paper indicated that a World Bank 1976 loan paper had been taken as the basis for a judgment regarding the Bahamas.

As mentioned on the telephone yesterday, it could be helpful if any revisions by the authorities of Singapore of the national account data for 1973 and 1974 would be submitted by them to the staff of the World Bank, which would, of course, need to adjust them on the same basis (including price and exchange rate base) as is done for all other countries. [On the assumption that the Bank staff would use the revised estimates for 1973 and 1974 (paragraph 5 of the draft letter) the Singaporean case would be strengthened (and the management's task would be somewhat easier) if the authorities of Singapore could report that the revised data would be used in the future by the staff of the World Bank in preparing its annual and other publications of per capita income data.] Along the same lines, it would seem to be desirable to involve the staff of the World Bank in any adjustments that might be presented relating to income of foreigners (paragraph 4 of the draft letter).

cc: Messrs. Evans and Neiss