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OFFICIAL MESSAGE

INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

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MR. N. EREMIA, DIRECTOR

EXCHANGE AND FOREIGN FINANCIAL RELATIONS DEPARTMENT

MINISTRY OF FINANCE

BUCHAREST, ROMANIA

Special Instructions

ACKNOWLEDGE WITH THANKS YOUR CABLE NOVEMBER 30. REGRET
DATA FOR IFS PAGE COULD NOT BE PREPARED IN TIME FOR
JANUARY 1980 ISSUE. OUR SCHEDULE FOR FEBRUARY 1980 IFS
WILL REQUIRE DATA TO ARRIVE WASHINGTON NO LATER THAN
CLOSE OF DAY JANUARY 7, 1980. WE CAN AGAIN OFFER HELP
BY PROPOSING FEW DAYS VISIT TO BUCHAREST BY MR. NOSE
BEGINNING JANUARY 3. WOULD APPRECIATE YOUR EARLIEST
REPLY ON WHETHER DATA WILL BE READY IN TIME FOR FEBRUARY
IFS. BEST REGARDS.

DANNEMANN

INTERFUND

Distribution

Mr. Ruding.
EUR

Mr. Dannemann

Cleared by EUR.

MESSAGE MUST END HERE

Drafted by: A.P.Nose/gr
Department: Bureau of Statistics
Date: December 5, 1979

A. P. Nose
NAME (TYPE)

SIGNATURE

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MEMORANDUM FOR THE FILES

Subject: Romania--IFS Page

November 30, 1979

Following the telex from Mr. Dannemann to Mr. Bituleanu of November 29, 1979, the Bureau was informed today that Romania is not able to provide data for an IFS page for the January 1980 issue. I have informed Mr. Ruding. His view is that Mr. Dannemann might send another telex proposing that dates be set for the mission, to ensure that the deadline for February will not be missed. Mr. Ruding would like to be kept informed on this subject.

In planning the dates for the mission, it may be noted that Christmas Day is not a public holiday in Romania, but that both the 1st and 2nd of January are public holidays.



A. Mountford

cc: Mr. Dannemann
Mr. Rose ✓
Mr. Nose
Ms. Williams

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OFFICIAL MESSAGE

INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

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I. BITULEANU

DEPUTY MINISTER OF FINANCE

MINISTRY OF FINANCE

BUCHAREST, ROMANIA

20 PM 2:46

Special Instructions

IN VIEW OF SHORT TIME REMAINING BEFORE DECEMBER 5
DEADLINE FOR IFS PAGE ON ROMANIA, WE PROPOSE THAT
BUREAU STAFF ARRIVE ON SATURDAY DECEMBER 1 TO WORK
ON SUNDAY AND MONDAY AND TUESDAY, LEAVING ON DECEMBER 5.
WE THINK THIS IS THE LAST POSSIBILITY IF THE ROMANIA
PAGE IS TO BE INCLUDED IN JANUARY ISSUE OF IFS. WE
HAVE MADE TENTATIVE BOOKINGS FOR MR. NOSE OF BUREAU
TO ARRIVE IN BUCHAREST ON SATURDAY AT 3:30 PM ON
RO 216. PLEASE TELEX IF THIS WOULD BE SATISFACTORY
TO YOU, AND ARRANGE ROOM AT INTERCONTINENTAL FOR
DECEMBER 1 THROUGH 4 INCLUSIVE.

REGARDS.

DANNEMANN

INTERFUND

Distribution

Mr. Ruding

EUR~~WHS~~

Mr. Nose

Mr. Swaminathan

MESSAGE MUST END HERE

Drafted by: AMountford
Department: European
Date: 11/29/79

Werner Dannemann
NAME (TYPE)

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NAME (TYPE)

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ORIG: MR. DANNEMANN

CC: EURO

I.M.F. UR WASHINGTON D.C.

248331 IMF

ROMANIA

MR.W. DANNEMANN

DIRECTOR OF THE BUREAU OF STATISTICS

RE: YOUR TELEX OD NOVEMBER 8, 1979

WE CONSIDER YOUR PROPOSAL CONCERNING THE BUREAU STAFF
VISIT VERY USEFUL AND WE THANK YOU. PLEASE WAIT FOR OUR TELEX
AS TO THE MOST CONVENIENT DATE WHEN THE VISIT COULD TAKE
PLACE.-

REGARDS,

N. EREMIA

MINISTRY F OF FINANCE

112391GFSMF R0

248331 IMF UR

Reply via RCA: call 212-248-7000

Reply via RCA: call 212-248-7000

November 6, 1979

MEMORANDUM FOR FILES

Mr. Ruding telephoned this morning. He wanted to discuss the following points:

1. Yugoslav nationals. He referred to the letter from Mr. Popovic and asked where I stood. I spoke to him in terms of our discussion yesterday saying that I thought the figure of 6-10 nationals being taken on the staff in the next four years would be unlikely to be achieved. As regards Mr. Gudac I said that we intended to explore the possibility of a four year term appointment two years of which might be spent here and two years in another department. I gave him a frank assessment of Gudac. Ruding in no way disagreed but said that from his own point of view he would try directly with the Administration to push the issue of more Yugoslav nationals on the staff but he of course fully realized that there was first a need for good candidates to be forthcoming. As to Gudac he thought that from the Yugoslav point of view the matter of rank was important and he would himself intend to explore the possibility of Gudac being given a higher rank in another department.

2. Israel. Ruding said that he would leave Jerusalem on Wednesday but that he hoped to see the new Minister before he left. He said that he had met him previously and found him determined but a difficult man and he had also found that communications were difficult partly because Horowitz does not speak English. I told him that I also hoped to see Horowitz if this fitted in with the Israeli's plans and we agreed to keep in touch.

3. He raised the question of Romania in the context of the board discussion last Friday on Sierra Leone. He said that he had instanced the fact that Romania was being treated more harshly and had obtained considerable sympathy from some LDC Executive Directors on this point. He agreed that if the matter was not raised again by the Romanians he would himself remain quiet but he stressed that if they themselves came back to the attack and pushed the possibility of a further drawing in the credit tranches in 1980 he would feel obliged to support them. I said I understood.

L.A. Whittome

Seen by PRN Mr. Whitton
EE

4

Mr. Laske

October 25, 1979

Rolf Evensen

Romania--Foreign Trade Procedures

On receipt of your memorandum of September 19, 1979, concerning counter-trade requirements in Romania, I informed your office that we would discuss the matter with the Romanian representatives in Belgrade. The staff met with Mr. Eremia, Director in the Ministry of Finance, who denied categorically that there were any Government regulations obliging the foreign trade enterprises to insist on any degree of matching between Romanian imports and Romanian exports. He also stated that he knew of no proposal to introduce new legislation or regulation concerning this matter.

Mr. Eremia added that it was quite possible that foreign trade enterprises engaged in both exports and imports might try to arrange two-way transactions with foreign partners, but that such arrangements would result from commercial considerations and not because of official intervention.

During the last consultation discussions in Bucharest, in June 1979, the staff inquired about countertrade requirements because in a speech in April President Ceaucescu had stated that there should not only be equilibrium in the bilateral trade balance between Romania and other countries, but also that exports and imports should be balanced with respect to the range of products traded, in terms of both volume and value added. The Romanian representative explained that as a general practice when concluding import contracts, Romanian enterprises would encourage foreign buyers to buy Romanian goods, but whatever countertrade took place would be under the direction of the respective foreign trade enterprises and no evidence of such contracts was kept in the Ministries.

While it seems clear that Romanian policies encourage the development of countertrade, in the absence of Government legislation or regulations on the subject the staff cannot carry the issue further at this stage. Counter-trade requirements have not been considered by the Fund to be exchange restrictions subject to Fund jurisdiction. Clearly, however, they should be discussed in the context of Article IV. I think all that the staff can do is to continue to raise questions about them in future discussions with the Romanian authorities.

cc: Ms. Lachman
Mrs. Mitchell
Mr. Tyler

Mr. Whittome
2

Mr. Nose

October 18, 1979

Geoffrey Tyler

Romania--IFS

I spoke to Mr. Stoenescu this morning along the lines that we discussed yesterday. I explained to him that the December timetable for the preparation of the January IFS was complicated by the Christmas and New Year holidays. As a result, it would be necessary to have all the information for the Romanian page in Washington by December 5. I further explained to him that there were two areas that needed to be cleared up. The first related to the notes, and I said that you would be sending them a revised draft as soon as possible. With respect to the figures themselves, I pointed out to Mr. Stoenescu that we would need to check them and to clear up any problems that might arise after we had seen them. In this respect, I said that we would probably find it helpful to be able to have someone from the Bureau visit Bucharest toward the end of November so that any problems could be cleared up. Mr. Stoenescu said that he would discuss the matter with Mr. Eremia and possibly Mr. Bituleanu, the Deputy Minister of Finance. He said that he would be in touch with me as soon as the position in Bucharest was clear.

cc: Mr. Whittome ✓



INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL MONETARY FUND

Press Release No. 29

October 3, 1979

HOLD FOR RELEASE
UNTIL DELIVERY

Statement by the Hon. PAUL NICULESCU-MIZIL, Vice Prime Minister,
Minister of Finance and Governor of the Bank and Fund for
ROMANIA, at the Joint Annual Discussion

I should like to briefly present Romania's observations on the international financial and monetary situation.

The analysis of the state of the international economy contained in the reports that have been presented to us points out, along with some gains, the constant presence and the worsening of certain adverse factors in the economic, financial and monetary spheres. In many countries--including the developed nations--slow rates of economic growth and even some contraction have continued to be experienced, together with high unemployment, unsatisfactory development of international trade, and an increase in protectionism. The steady rise in inflation is having an especially harmful impact, as are the abnormal and unjustified increases in world prices, particularly that of oil, severe disequilibria in balances of payments, and the extreme instability of exchange rates.

Present instability and disequilibria in the monetary and financial spheres are a reflection of certain, deeper economic and social phenomena--mainly the manifestations of economic crisis, the energy and raw materials crisis, changes in the balance of power, accentuated divergences in the interests of different countries and different groups of States, intensification of the struggle to divide the world into new zones and spheres of influence and domination, and not only the persistence but also the widening of the gaps between developed and developing, rich and poor countries.

The burden of these phenomena weighs heaviest on the non-oil developing countries, whose economic growth rates, export revenues and exchange reserves have diminished at the same time their current account deficits and external debt have risen. In varying degrees, these same phenomena also affect the developed countries, and indeed all nations of the world; they fuel the sources of tension and conflict and represent a serious threat to global peace and security.

In such circumstances, we regard with all the more satisfaction the increasingly firm determination of the different peoples to be masters of their own national resources and their own destiny, to follow a new policy of cooperation among States and to introduce a new international economic order founded on absolute equality of rights, respect for national independence and sovereignty, non-interference in the internal affairs of others and reciprocity of advantage.

The principal conclusion to be drawn from analysis of the serious problems affecting international economic development is that of the need for wide-based collaboration and economic cooperation among all States, whatever their size, economic power or type of social system, so that the combined force of all may be brought to bear on present-day adverse phenomena. Given the nature of the existing state of world affairs, it is the view of Romania that efforts should be directed toward:

1. Sustained growth in national economies, the creation of new production capacities in the developing countries, the full utilization of existing capacities in the developed countries and the utilization of all means for the effective increase of export and import activities within a framework of equitable international economic relations.

2. A concerted effort by all countries--developed or developing--to establish a rational long-term policy in the energy sphere, based primarily on the elimination of fuel wastage, particularly hydrocarbons, on the increased utilization of substitute energy sources, and on the development of new types of energy--nuclear, wind, geothermal and bio-energy.

3. As far as priorities are concerned, a frontline place should be allotted to halting the inflationary spiral and to the implementation of an equitable policy on the prices of oil, raw materials and industrial products--a policy designed to stimulate the efforts of all countries, and especially the developing nations, to ensure their economic progress, improve the exploitation of their national resources and respond to the need to strengthen international economic stability.

4. Steps must be taken as early as possible to eliminate protectionist policies, artificial barriers and discriminations of the sort which, far from facilitating the solution of present problems, only reduce that free exchange and cooperation among nations which is based on equality. What is of greatest importance is increased access for developing country exports--particularly of manufactured products--to the markets of the developed nations.

5. It is necessary that member countries take steps to promote greater exchange rate stability, especially for the currencies most utilized in international payments, to reduce current account deficits and to make use of available capital market liquidity for economic, but

not speculative, ends. As has already been stated in this forum, it is the view of Romania that the international monetary system must be set on new and equitable foundations, and that this is an integral part of the new international economic order.

6. An imperative, indeed absolute, necessity at this time, is the elimination of underdevelopment.

In the opinion of Romania, the decisive factors in development are clearly the work of each people, the focusing of all human energy and all material and financial resources toward the rapid increase of production forces, the expansion of economic exchanges with the exterior, the extension of means of communication and the formation of national skilled staff. This obviously requires, among other essentials, the allocation of a substantial proportion of national revenue to development.

At the same time, Romania wishes to emphasize that the individual effort of each country should have the broad support of a program of international actions. The most important element would be increased economic aid from the developed countries.

While expanding its collaboration and cooperation with the developing countries, Romania continues to encourage the introduction of the type of practical measure that will allow implementation of the programs formulated at the meetings of UNCTAD and the Group of 77 as a means of ensuring more rapid closing of the gaps between developed and developing countries. In this regard, President Nicolae Ceausescu put forward a series of constructive proposals in his address to the Fifth United Nations Conference on Trade and Development in Manila.

We wish to see a common development fund set up as soon as possible, with the participation of the industrial countries and with the savings effected by all States, which would reduce their military expenditure by some 10 to 15 per cent and allocate half of such reduction as aid to developing countries, in particular to those whose per capita national income is lower and to those who themselves allocate a significant percentage of their national income to their own development and do not spend excessive amounts on armaments.

We are also in favor of specific measures leading to acceleration of the development of the less advanced countries, through the financing on favorable terms of investments in industry, agriculture and other economic sectors, with a view to increasing economic efficiency and access to modern technology.

I am particularly pleased to inform this meeting that, thanks to the sustained work of its people, thanks to its socialist organization, Romania has all these years steadfastly pursued its march toward economic and social progress; and that it has achieved remarkable success in developing the forces of production, in the area of industry and

agriculture, and in all other sectors, insofar as raising the standard of living is concerned. The high rates of growth of the national economy, reflected in the course of the first four years of the current Five-Year Plan by an annual average of 9 per cent for national income and 11 per cent for industrial production, are first and foremost the result of our own national efforts, for we allocate more than one third of our national income to development. However, Romania still has much to do to ensure its own economic development and to match the developed countries in per capita national income, labor productivity, proportion of the population employed in non-agricultural sectors, as well as in other fields. While struggling to avoid the adverse impact of the phenomena now upsetting international economic and financial life, we must also combat our own weaknesses in order to maintain the rate of economic growth, balance of payments equilibrium, the stability of our currency, and ensure the country's progress and prosperity.

That is why the efforts of the Romanian people continue to focus on intensive development and the creation of a modern, competitive economy capable of high technical and economic performance and able to guarantee ongoing growth in the country's material and spiritual welfare. It was with this in mind that the directives on economic and social development for the five-year period 1981-85 were formulated and published, as well as the country's guidelines for the period up to 1990, its long-term energy program of measures designed to make Romania self-sufficient in energy in the course of the next decade, its long-term program for scientific research and technological development, and its program for raising the standard of living.

The Romanian Government views collaboration with the International Monetary Fund and the World Bank as positive, and hopes it will continue with equally satisfactory results in the years to come.

Romania has always taken a stand in favor of more active steps and measures by these institutions, as specialized UN organizations to restructure international exchange relations, ensure financial and monetary stability, enlarge and improve the sources of financing for the development of less advanced countries, and balance current accounts.

Romania, which firmly supports the process of democratization of international relations, pronounces itself in favor of the participation of all countries in solving financial and monetary problems, and of enlarging the role of developing countries in directing international financial and exchange organizations, that is to say in consultation, negotiation, and decision-making procedures.

In conclusion I should like to thank our hosts--our Yugoslav neighbors and friends--for the excellent setting they have provided for this meeting and for the hospitality accorded us.

I also wish to thank the Managing Director of the International Monetary Fund, Mr. Jacques de Larosière, and the President of the World Bank, Mr. Robert McNamara, as well as the Executive Directors and staff of these two organizations, for the dedicated work that is being done.

At the same time I should like to welcome the Republics of Cape Verde, Dominica, Djibouti, and the Solomon Islands, as new member countries.

Mr Whitome

m

October 3, 1979

MEMORANDUM FOR FILES

Subject: Romania--IFS

On October 2, 1979 there was a meeting with Mr. Eremia and Mr. Stoenescu, of the Romanian delegation, and Messrs. Dannemann and Nose, of the Bureau of Statistics, with Messrs. Evensen and Tyler also present.

The Romanians said that they had full agreement for publication of an IFS page beginning with the January 1980 issue. Because of the problems faced by the various supplying organizations in Romania, it would take a little time for them to obtain all the back data for the various series. Therefore they proposed that the January issue should contain monthly data for 1979, quarterly data from 1976 and annual data from 1972. At a later stage earlier data for these various series would be supplied.

There was a discussion about when the first set of data would be available in Washington. The Romanians said that they should be able to get the information to the Bureau by mid-December. Mr. Dannemann pointed out that this would be a very tight schedule for the Bureau, especially given that it would be the first page for Romania. It was suggested that the Romanians try to send the material by special air delivery to Washington, it being noted that the Fund would be willing to pay the cost.

The Romanians said that it would, of course, be necessary to publish the data in Romania before it appeared in IFS. Inside the Administration they were still discussing the methods that would be used to publish in Bucharest. Mr. Eremia did not think that this aspect of the exercise would hold up publication of the January IFS page.

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Geoffrey Tyler

cc: ✓ Mr. Whittome
Mr. Evensen

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YUGOSLAVIA

Telex Address:

12015
BELGRADE

October 3, 1979

To: Mr. L.A. Whittome *mw*
From: Geoffrey Tyler *GT*
Subject: Romania--Possible Transactions

In an "off the record" discussion Mr. Eremia said that he thought there was a reasonable chance that his Minister would be satisfied with a CFF purchase but no stand-by in 1980. He said, however, that the balance of payments need in 1980 would not be slight.

cc: Mr. Evensen

Mr. Whittome
2

October 3, 1979

MEMORANDUM FOR THE FILES

Subject: Romania--Trade Arrangements

I met with Messrs. Eremia and Stoenescu, of the Romanian delegation, to discuss allegations that Romanian enterprises were insisting on 100 per cent counter-trade arrangements and legislation would be introduced shortly to formalize such arrangements.

Mr. Eremia said categorically that there were no regulations currently existing or instructions given informally by Ministries obliging trade enterprises to insist on any degree of counter-trade. He said further that he knew of no proposal to introduce new legislation or regulations.

He said that the deficit on foreign trade with industrial countries made it clear that the only limitation on imports from these countries was the ability to finance the resulting payments deficit. He agreed that it was quite possible, indeed probable, that enterprises engaged in both export and import might try to arrange two-way transactions with foreign partners but that such arrangements would result from commercial considerations within the enterprises, not because of official intervention.

57

Geoffrey Tyler

cc: Mr. Whittome ✓
Mr. Evensen

Mr Whittome ✓
2
October 3, 1979

MEMORANDUM FOR FILES

Subject: Meeting with the Romanian Delegation

Messrs. Niculescu-Mizil, Minister of Finance, Rauta, Governor of the National Bank, Eremia and Stoenescu attended on the Romanian side. Messrs. Whittome, Evensen and Tyler were present for the staff. Mr. Ruding also attended.

Mr. Whittome began by referring to the discussion held with the Managing Director, especially with respect to the balance of payments. He fully understood that the balance of payments was more than an economic problem and assured the Minister that the Fund was very familiar with Romanian economic and social priorities. He then went directly to the question of possible Fund transactions. He said that the staff assumed that economic targets for 1980 would be internally consistent. However, he also assumed that projections on the external side were likely to look optimistic in the light of domestic targets on technical grounds. On this basis it might be difficult or impossible to recommend use of the credit tranches because both the staff and Executive Directors would not be convinced that the balance of payments projections would be achievable.

Despite the fact that it appeared difficult to justify use of the credit tranches in 1980, Mr. Whittome thought that the Fund could still offer Romania considerable assistance in that year. First, there was the allocation of SDRs, which was already agreed to. Second, it appeared that Romania would probably be entitled to a CFF purchase. He said that the maximum amount available would be SDR 121.5 million provided the purchase was made after February 1980. He emphasized that the precise amount that would be available would depend upon the actual data for 1979 and projections for subsequent years. Third, he thought that it should be possible to agree on rescheduling of purchases in 1980 totaling SDR 72.5 million. Therefore, overall assistance from the Fund in that year would aggregate to something of the order of SDR 200 million.

Continued/...

With regard to the credit tranches, he was not in a position to make any promises, but it seemed to him that 1981 offered more prospect of reaching an agreement on a stand-by arrangement. The targets for the 1981-85 Plan would probably be less optimistic than the annual Plan for 1980 and the prospect for negotiating a second and a third tranche stand-by would be more promising. He also noted that by that time there was an expectation that the quota increases would have come into operation.

Mr. Niculescu-Mizil said that he was more optimistic than Mr. Whittome on the export side. He said that the 1981-85 Plan had not yet been decided, only Plan directives had been given. Similarly, the final Plan for 1980 had not been determined. Both Plans in their final form would depend on actual achievements in earlier years. He hoped that it would be possible to consider a tranche transaction in 1980 if the Plans were in the event adjusted from present proposals. Mr. Whittome said that the Fund would, of course, be willing to reconsider the position in the light of events and projections in 1980.

At this stage the main meeting concluded but Messrs. Eremia and Stoenescu remained with Mr. Tyler to discuss technical matters. With respect to the supply of quarterly data, Mr. Eremia said that the June 1979 figures were now available in Washington. There was a discussion on alleged export-import linkage. This is described in a separate memorandum.

47
Geoffrey Tyler

cc: ✓ Mr. Whittome
Mr. Evensen

Mr. Whittome

4

October 1, 1979

MEMORANDUM FOR THE FILES

Subject: Romania---IFS

The Romanians have spoken to Mr. Nose and they will have a meeting during the week to discuss the arrangements needed to finalize the IFS page. Mr. Nose will let me know the time of the meeting so that someone from the Department can attend.

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Geoffrey Tyler

cc: Mr. Whittome ✓
Mr. Evensen

THE WORLD BANK INTERNATIONAL MONETARY FUND

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October 1, 1979

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BELGRADE
YUGOSLAVIA

Telex Address

12015
BELGRADE

To: Mr. Tyler
From: Mr. Goreux
Subject: Possible CFF requests

From our discussion this morning, three countries might be interested in CFF purchases on account of shortfalls experienced in calendar year 1979. Since the requests will probably be based on actual export earnings, they might be considered by the Board around April 1980.

<u>Country</u>	<u>Coverage</u>	<u>Maximum</u>	<u>purchase</u>
		<u>% of quota</u>	<u>million of SDR</u>
Yugoslavia	M+T+R	50	138,5
Romania	M	25(50)	61,3(122,6)
Greece	M+T+R	69	127

The summary table for the European department and the relevant country tables are attached.

Copy:

cc: Mr. Polak

Mr. Whitton

Commodity division

Table 1. European Department: Eligibility of Members
Under the CFF ^{1/}

	Maximum eligibility		Shortfalls based on exports of				Evidence of cooperation
	SDR millions	Per cent of quota	Merchandise	Merchandise + travel	Merchandise + remittances	Merchandise + travel + remittances	
----- (In millions of SDRs) -----							
<u>A. Members with export shortfalls</u>							
A-1. BOP need: Yes							
Australia	-543.1	68.8	34.3	37.7	--	--	No program; cooperation good
Greece	127.0	68.6	25.0	48.3	56.9	84.1	No program; cooperation good
Israel	67.6	33.0	1.2	4.7	--	--	No program; " doubtful
Portugal ^{2/}	90.8	52.8	20.9	-3.0	13.5	-10.7	No program; cooperation good
Romania	61.3	25.0	127.9	114.8	--	--	Cooperation probably good
Turkey	54.9	27.4	64.0	57.3	-52.7	-59.9	Upper credit tranche stand- by in effect through 7/19/80
Yugoslavia	138.5	50.0	71.9	134.7	93.4	157.0	First credit tranche stand- by in effect through 5/23/80
A-2 BOP need: Uncertain							
Cyprus	14.8	43.4	1.3	-1.5	0	-2.5	No program: cooperation good
Iceland	17.5	60.3	11.6	12.0	--	--	No program: cooperation good
<u>B. Members with export excesses</u>							
Ireland	155.0	100.0	-123.1	-120.1	--	--	No program: cooperation good
New Zealand	105.0	45.3	-63.6	-61.9	--	--	No program: cooperation good
Portugal	90.8	52.8	-13.9	-42.2	-21.7	-50.2	No program: cooperation good
South Africa	264.0	62.3	-769.6	-757.9	--	--	No program: cooperation good
Spain	458.3	82.3	-178.7	-417.2	-170.4	-407.9	No program: cooperation good

^{1/} Unless otherwise indicated, shortfalls are based on partially estimated data for calendar year 1979, and on projections for 1980-81 provided by the European Department. (--) indicates that no data on travel and/or remittances are available.

^{2/} Years ending June.

TABLE 2.

ROMANIA : POSITION UNDER CFF

QUOTA: SDR 245.0 MILLION
 OUTSTANDING UNDER CFF: SDR 183.8 MILLION (75.0 PER CENT OF QUOTA)
 MAXIMUM ENTITLEMENT: SDR 61.3 MILLION (25.0 PER CENT OF QUOTA)

IN MILLIONS OF SDRS					IN PER CENT PER YEAR					
CALENDAR YEARS					ANNUAL AVERAGE GROWTH RATES FROM SHORTFALL YEAR TO 1980-1981					
	1977	1978	1979	JUDGMENTAL FORECASTS OF POST- SHORTFALL EARNINGS		GEOMETRIC SHORTFALL	IN ORDER TO BREAK EVEN	IMPLIED BY JUDGMENTAL FORECASTS	IN ORDER TO PURCHASE MAXIMUM ENTITLEMENT	IMPLIED BY THE EXTRAPOLATION FORMULA
				1980	1981					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
MERCHANDISE	5894	6435	7100	8050	9100	127.9	10	13	12	15
MERCHANDISE + TRAVEL	6032	6632	7310	8270	9330	114.8	10	13	12	16

THE WORLD BANK
INTERNATIONAL MONETARY FUND

Boards of Governors • 1979 Annual Meetings • Belgrade, Yugoslavia

Prior to August 27, 1979

Mail Address:

JOINT SECRETARIAT —
ANNUAL MEETINGS
IMF — WORLD BANK
WASHINGTON, D.C. 20431
U.S.A.

Cable Address:

INTERMEET
WASHINGTONDC (USA)

Telex Addresses:

(RCA) 248331 IMF UR
(ITT) 440040 FUND UI
(WUI) 641111 INTERFUND
(TRT) 197677 FUND UT

After August 27, 1979

Mail Address:

JOINT SECRETARIAT —
ANNUAL MEETINGS
IMF — WORLD BANK
SAVA CENTAR
P.O. BOX 1
11070 BELGRADE 58
YUGOSLAVIA

Cable Address:

INTERMEET
BELGRADE
YUGOSLAVIA

Telex Address:

12016
BELGRADE

September 29, 1979

MEMORANDUM FOR THE FILES

Subject: Managing Director's Meeting with the
Romanian Minister

The Romanian Minister, with others, called on the Managing Director this morning. He first pressingly invited the Managing Director to visit Romania. The Managing Director said that he would do so--no dates were set.

There then followed a description of their present policies and their preliminary views for the 1981-85 Five-Year Plan (nothing new). The Minister went out of his way to stress that they were working to a long-term strategic concept designed to make Romania a developed country in economic terms. The Minister said that he did not understand the recent criticism in the Board which seemed to query the fundamental Romanian line. Of course there were problems as regards the balance of payments but many of these were of a temporary nature, for instance, oil and the world recession, and others were also temporary and due to domestic events. He himself was not pessimistic as regards the external position. They had every intention of making Romania again self-sufficient in energy by developing hydro-electric power, coal, nuclear energy, and also further oil exploration. They would probably need temporary assistance from the Fund, but they could not enter into such discussions if the result was to bring into question Romania's rate of development.

On the publication of information the Minister said that a decision in principle had been made and there now only remained technical problems. He also added that the question of gold and the Fund was very much alive but that on balance Romania was positive as regards the Fund.

The Managing Director went out of his way to stress recent changes in the decision regarding conditionality and said that he fully respected the economic objectives of Romania. However, he said that one needed to look at the effects of domestic expenditures on the balance of payments.

He was encouraged by the determination to deal with the energy problem and he hoped for early publication of an IFS page. As regards assistance, he mentioned the possibility of the CFF (and I added some comments on this).

It was left that further discussions would take place this week with the Romanians. The Managing Director stressed that he had no desire to question planning methods in Romania. The Minister finally said that the balance of payments was Romania's main problem and it was more than an economic problem.



L. A. Whittome

cc: EED

SECRET

Telex ☒
Night Letter ☐
Full Rate ☐
Code ☐

OFFICIAL MESSAGE
INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

DISPATCHED
IMF

SEP 27 PM 2:55

TIME RECEIVED

ADDRESS

MR. L. A. WHITTOME

BELGRADE

- SENT THRU TIELINE -

Special Instructions

↓
18 QUARTERLY DATA FOR ROMANIA FOR JUNE HAVE NOT BEEN
17 RECEIVED BY THE EMBASSY. MINISTRY HAD PROMISED IN CABLE
16 TO RUDING TO SEND THEM TO THE FUND IN THE WEEK STARTING
15 SEPTEMBER 17.

14 REGARDS.

13 ROLF

12 INTERFUND

Distribution

MESSAGE MUST END HERE

Drafted by: Mr. R. Evensen

Department: European

Date: September 27, 1979

R. Evensen

(TYPE)

SIGNATURE

NAME

(TYPE)

SIGNATURE

FOR CABLE ROOM USE ONLY

No. of words:

Log:

Route:

Operator:

RECEIVED
I.M.F.

1979 SEP 27 AM 9:37

390920

CABLE
ROOMCC: EED
✓ Mr. Engstrom

248331 IMF UR
RCA SEP 27 09290
248331 IMF UR
112391GFSMF R
NO.1231/27/09/1979

QIT
↓

I presume all
is in order?
M

ORIG: TRE
CC: MD
DMD
MR. RUDING
~~EUR~~
LEG
RES
ETR
SEC

Reply via RCA: call 212-248-7000

Reply via RCA: call 212-248-7000

Reply via

I M F UR 248331
WASHINGTON D.C.
TREASURER'S DEPARTMENT

ROMANIAN EMBASSY IN WASHINGTON SENT US THE DRAFT PAPER CONCERNING THE LOAN ROMANIA HAS AGREES TO EXTEND TO THE FUND FOR THE PURCHASES OF THE TRUST FUND, EQUIVALENT TO 10 PER CENT OF ROMANIA'S SHARE IN THE PROFITS FROM GOLD SALES.

ROMANIAN AUTHORITIES HAVE AGREED TO THE TERMS AND CONDITIONS STIPULATED IN THE TWO DRAFT LETTERS TO BE EXCHANGED BETWEEN THE MANAGING DIRECTOR, MR. DE LOROSIERE, AND ROMANIAN MINISTER OF FINANCE, MR. PAUL NICULESCU-MIZIL.

FOLLOWING THESE, WE ARE WAITING FOR THE LETTER OF MR. DE LAROSIERE AND FOR OTHER DETAILS YOU CONSIDER USEFUL REGARDING THE LOAN AGREEMENT.

MINISTRY OF FINANCE

~~TEST NUMBER: 504~~

112391GFSMF RQ
248331 IMF UR LOAN ... EEE Y LOANN....
TKS.-

112391GFSMF RQ
248331 IMF UR

TEST NUMBER:	
<input checked="" type="checkbox"/>	CHECKS
<input type="checkbox"/>	DOES NOT CHECK, IT HAS BEEN SERVICED.
CABLE ROOM	

Yes. Ro has long agreed to lend 10% of gold profits to the Trust Fund but the actual finalisation of the agreement has been slow. All's well that ends well

57

September 20, 1979

MEMORANDUM

To: Mrs. Lachman
Mr. Hughes
Mrs. Mitchell

From: Brian Rose

Subject: Romania--Foreign Trade Procedures

Mr. Evensen, who is on annual leave today, has told me that he would like to discuss the attached memorandum from Mr. Laske with you on Monday.

cc: EED



Office Memorandum

CC: GFD.
also Richardson
also Hughes
also Mitchell
seen by R.R.

TO : European Department 9/19
FROM : G. Laske
SUBJECT : Romania - Foreign Trade Procedures

DATE: September 19, 1979

German Exporters have drawn the attention of my authorities to new practices of the Romanian import corporations. The practices involve the requirement of a full match for Romanian imports from Germany by Romanian exports to Germany. In the past Romanian imports from Germany occasionally had to be matched by Romanian exports to Germany to the extent of 30 - 40 per cent. My authorities have been told that from now on the 100 per cent compensation will have to occur also within the same group of merchandise.

My authorities understand that the Romanian authorities are preparing legislation intended to legalize the "barter-trade" practice that so far has been exercised as an administrative measure.

My authorities have asked me to inquire whether a) the Fund has been informed about these new practices and b) they would be compatible with Article XIV of the Articles of Agreement.

9/24/79
Note. Mr. Evensen called Laske's office and told them that we do not have a copy of the regulation. He will discuss this with the Romanians in Belgrade and get back to Mr. Laske.

sd.
S.



Office Memorandum

cc: EED

Mrs. Lachman
Mr. Hughes
Mrs. Mitchell

TO : European Department 9.1.19
FROM : G. Laske
SUBJECT : Romania - Foreign Trade Procedures

DATE: September 19, 1979

German Exporters have drawn the attention of my authorities to new practices of the Romanian import corporations. The practices involve the requirement of a full match for Romanian imports from Germany by Romanian exports to Germany. In the past Romanian imports from Germany occasionally had to be matched by Romanian exports to Germany to the extent of 30 - 40 per cent. My authorities have been told that from now on the 100 per cent compensation will have to occur also within the same group of merchandise.

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My authorities have asked me to inquire whether a) the Fund has been informed about these new practices and b) they would be compatible with Article XIV of the Articles of Agreement.

Brief for the Thirty-Fourth Annual Meeting

Exchange rate: The noncommercial rate for the leu, which is the representative rate, is pegged to the U.S. dollar and has been lei 12 per US\$1 since October 1974. The basic rate for trade and most capital transactions was appreciated in March 1978 from lei 20 to lei 18 per US\$1; an equalization system leads to a multiplicity of exchange rates for exports and imports in addition to this basic rate.

Quota: SDR 245 million.

SDRs: As of August 31, 1979, holdings were SDR 4.5 million, equal to 17.6 per cent of allocations.

Relations with the Fund: Romania has made frequent use of Fund resources, the most recent being in April 1979, when there was a CFF purchase of SDR 41.25 million. A one-year stand-by arrangement (SDR 64.13 million) ended in September 1978. As of August 31, 1979, the Fund's holdings of Romanian lei amounted to 217 per cent of quota, or 142 per cent of quota including CFF purchases. The 1979 Article IV consultation was in September.

Profits of gold sales: Romania has received US\$17.7 million in the distribution of profits and has agreed to make a ten-year loan to the Trust Fund of 10 per cent of its share.

Domestic developments: Real national income grew by 7.6 per cent in 1978, compared with 8.6 per cent in 1977. Problems continued in the chronically inefficient agricultural sector, though industrial production increased by 9 per cent. An explosion in a major petrochemical plant also caused disruptions. Growth of national income in 1979 has been put officially at an unrealistic 17 per cent, in part because of the carry over of underfulfillments of 1978 targets, but growth seems likely to be less than half this rate, in part because of balance of payments constraints. Domestic crude oil production seems to have peaked, posing problems for the balance of payments and domestic growth. Sharp increases have been made in energy prices.

Balance of payments and reserve position: The current account worsened sharply in the second half of 1978 largely because of poor agricultural conditions, the petrochemical plant explosion, and the high rate of domestic growth. The current account deficit was US\$759 million in all currencies (US\$304 million in 1977) and US\$779 million in convertible currencies (US\$273 million in 1977). It was mostly covered by short-term market borrowing.

The outlook for 1979 is for a further large current account deficit, which is officially forecast to be US\$700 million, but which could be US\$200-300 million greater, because of increased oil prices and because the export forecast (for an increase of 25 per cent) seems too optimistic. Convertible international reserves, at US\$312 million (end-1978) equal to less than three weeks' imports in convertible currencies and substantial

compensatory borrowing will again be necessary. External debt is not an immediate problem with debt service ratio for medium- and long-term debt in convertible currencies at 19 per cent in 1978, but the situation will worsen in 1979-80.

Political developments: Mr. Paul Niculescu-Mizil, is Minister of Finance and Governor of the Fund. Mr. Vasile Rauta is Governor of the National Bank and Alternate Governor. Mr. Niculescu-Mizil, who is also a Deputy Prime Minister, is the more important and is well connected with President Ceaucescu.

October 1979

ROMANIA

Special Brief for the Managing Director's Meeting
With Minister Niculescu-Mizil

1. The Minister is interested in using Fund resources. Romania may be eligible for a further CFF purchase, and we would be willing to examine the case. A stand-by arrangement would be more difficult unless the authorities can indicate that a more fundamental effort will be made to reduce the external imbalance. Such an effort may need to include some moderation in the rate of growth.
2. Romania has repurchases totaling SDR 154 million in 1980, of which SDR 72.5 million could be rescheduled without difficulty.
3. The supply of information continues to be a problem. We should stress that it is important to continue and expand the data flow, including increasing the supply of quarterly data.

Fund permission for publication of an IFS page has not yet been given. Executive Directors feel strongly about this question.

4. The Romanians may raise the question of placing Romanians on the Fund staff. If the subject is raised you might remind the Minister that we now have another Romanian in the European Department and we remain willing to consider any candidates provided they are fully qualified.
5. Mr. Paul Niculescu-Mizil (called Niculescu) Minister of Finance and a Deputy Prime Minister. He is politically important and a confident of the President. Mr. Vasile Rauta (pronounced Ra-oo-tsa) is Governor of the National Bank and less important than the Minister.

September 1979

Romania--Departmental Brief1. Use of Fund resources

The Romanians will probably wish to discuss prospects for further use of Fund resources. If they do, we might suggest that the possibility of a CFF purchase be explored in preference to the use of regular resources. This would leave the latter available to support a major stabilization program, including perhaps a reform of the exchange system, and also avoid the problem of reconciling expected high growth targets in 1980 with an improved balance of payments.

2. Rescheduling of repurchases

Romania is now scheduled to repurchase SDR 72.5 million in 1980 which may, in principle, be rescheduled. (An additional SDR 81 million also is due for repurchase in 1980 under previous reschedulings.) Romania's balance of payments need would seem to be clear and a sympathetic view toward rescheduling the SDR 72.5 million seems indicated. Treasurer's would not object.

3. IFS page

We should stress that, in view of the continued pressure from Executive Directors for an IFS page for Romania, it is highly desirable that permission for publication of such a page be obtained as soon as possible.

4. Romanian staff member

If the question of Romanian staff members is raised, we can point out that it has been possible to place a Romanian national on term assignment with the Department.

5. Quarterly data

The need to provide this on a timely basis might be stressed.

October 1979



Office Memorandum

Fu Rdegnado Jr
G. LAW

TO : Mr. Whitcombe
FROM : Geoffrey Tyler 97
SUBJECT : Romania--Information

DATE: September 12, 1979

Article VIII

Of the kinds of data listed in Section 5(a), Romania supplies the normal amount of figures except that they are available less frequently than average and cannot be published.

After discussions with Mr. Evans, my understanding is that Article VIII in a very strict reading does not specifically require publication or a given degree of frequency. However, the way in which the Fund has, over the years, developed its practices on data has given rise to an expectation that all members will act in a similar fashion, implying that there is an underlying obligation to provide data for publication in IFS and to provide data with reasonable frequency and dispatch.

Comparisons with other members

IFS includes country pages for 120 of the 138 members. Of the 18 missing pages, 3 are expected to begin shortly. Romania is the only member where an IFS page awaits solely/a ^{on} non-technical consideration.

With respect to the data included in REDs, the Romanian information is broadly similar to that in other developing-country reports. There are some gaps in fiscal and monetary data and in prices but they are not so great as to make the Romanian RED obviously grossly deficient. There is, however, a big gap in that most data are available only on an annual basis. In terms of frequency, there is therefore a problem. Without going individually through a large number of REDs, it is not possible (and it would in any case be partly a subjective judgment) to rank the quality of the data in the Romanian RED. My own guess is that for purposes of analysis, it is reasonably adequate but there are clear areas for improvement.

Romania does supply data for publication in GFS. Here the Romanian entry stands up reasonably well. There are in fact 22 members without a page in GFS and 6 with pages that describe institutional arrangements but contain no figures. The reasons for nonappearance or lack of data are technical for some countries but political for others.

Lists are attached of members not in IFS or GFS.

Attachments

cc: Mr. Evensen



INTERNATIONAL MONETARY FUND

WASHINGTON, D. C. 20431

CABLE ADDRESS
INTERFUND

August 21, 1979

MEMORANDUM FOR FILES

Subject: Status of *IFS* Pages on Member Countries

IFS includes country pages for 120 of the 138 Fund members. The 18 members for which *IFS* does not have a page are listed below:

Botswana	Guinea	Romania
Cape Verde	Guinea-Bissau	Sao Tome & Principe
Comoros	Kampuchea, Dem.	Seychelles
Djibouti	Lao, P.D.R.	Solomon Islands
Dominica	Lesotho	Swaziland
Equatorial Guinea	Maldives	Viet Nam

Of the 18, one country, Botswana, will have a page in the October 1979 issue of *IFS* and two others, Lesotho and Swaziland will have pages soon thereafter.

Romania is the only member with a developed statistical base for which Bureau scheduling of an *IFS* page awaits decisions unrelated to data availability.

The other 14 countries will require large inputs of statistical assistance before basic data can be assembled for a country page.

A handwritten signature in dark ink, appearing to read "A. P. Nose".

A. P. Nose

cc: Mr. Dannemann

August 17, 1979

Countries not appearing in the 1979 GFS Yearbook

Afghanistan	Maldives
Algeria	Qatar
Cambodia	Sao Tome et principe
Cape Verde	Saudi Arabia
Comoros	Solomon Islands
Djibouti	Trinidad
Dominica	Viet Nam
Eq. Guinea	
Guinea Bissau	
Guinea, Rep.	
Guyana	
Iraq	
Lao, P.D.R.	
Lebanon	
Libya	

Countries with only institutional tables

Central Afr. Empire
Ivory Coast
Uganda
United Arab Emirates
Western Samoa

Yemen, P.D.R.



Office Memorandum

cc: LAW

For Belgrade

TO : Mr. Whittome

DATE: September 11, 1979

FROM : Geoffrey Tyler

SUBJECT : Romania--IFS

The position, as I understand it after discussions with Messrs. Ruding, Dannemann, and Evensen, is as follows:

In principle the Romanians have agreed to an IFS page and have had technical discussions with the Bureau. The latter has sent a dummy page to Romania. Subsequent to that Mr. Evensen was told that the approval of one more person was needed (Mr. Ceaucescu?).

The cable to Mr. Ruding has the following paragraph:

"2. Following the discussions with representative of the Bureau of Statistics of the Fund, Romanian authorities have agreed to the publication of a page for Romania, starting with January 1979, and to this end necessary measures are being taken for preparation and transmittal of respective data."

Mr. Dannemann says the Bureau could not start a page with January 1979 data as the earliest, so that we must hope the date is a misprint for January 1980. It is not clear to anyone whether the paragraph means that the final "signature" has been obtained and none of us is willing to assume that the paragraph alters the earlier position.

On this basis, we shall need to find out in Belgrade whether complete approval has been obtained. If it has been, then the Bureau will need to receive the necessary data forms that have been sent. I told Mr. Dannemann that we would ask about the position in Belgrade and arrange a meeting with the Romanians as appropriate.

At the Board, I suppose we can say the principle is settled and that we hope that the discussions to finalize the page are about to enter the final stage.

cc: Mr. Evensen



Office Memorandum

201 LMS
1. To G.T. for gary
at all
2. To Annual Meeting
H.

TO : Mr. Whittome ✓
FROM : Geoffrey Tyler 47
SUBJECT : Romania--Discussion at Annual Meeting

DATE: September 11, 1979

Rescheduling of repurchases due in 1980

There is a repurchase of SDR 47.5 million due on September 13, 1980, three years after a CFF purchase. SDR 25 million is due for repurchase on October 4, 1980, three years after a stand-by purchase. Both could easily be rescheduled over a convenient two-year period and we would be in principle willing to discuss this in 1980.

CFF purchase

A shortfall for calendar 1979 could probably be justified (see the attached note by Mr. Wein). The negotiations would presumably take place in February or March 1980, when data would be available. The maximum amount theoretically possible would be SDR 121.25 million, but the shortfall might not be this big.

Use of normal credit tranches

As Attachment II of EBS/79/126 (attached) shows, the Fund's holdings of lei, excluding CFF purchases, will be equal to 137.4 per cent at the end of the year. Thus there is ample scope for a further stand-by arrangement. To go to the top of the third credit tranche would allow SDR 92 million.

There is a real question as to whether we could agree with the Romanians on conditionality. They will no doubt have balance of payments projections that appear reasonably good. The growth of expenditure may well suggest, however, that the import forecast is too low. It would be simple if the Romanians could be persuaded to avoid a possible confrontation on this point by refraining from requesting a stand-by arrangement. If they insist they should be informed quite clearly that we doubt at this stage that we can very easily reconcile a stabilization program that does not include some reduction in growth rates.

Quarterly confidential data

The Romanians should be encouraged to speed up the delivery of these. Almost invariably we have to push them and when there is no need for them to inform us of performance criteria data (as is now the case) the time lag is much greater than when there is a stand-by arrangement.

Also, they could be encouraged to discuss with us a wider coverage than that now existing.

IFS page

I would hope that this matter be raised quite strongly. Introducing the page in 1980 would be a fair target. (See attached memorandum).

Attachments

↑ The Romanians have told Rueding that they have agreed with the Bureau. What is the position H.

Mr. Tyler

August 2, 1979

J. Wein

Romania--CFF

of quota,

Romania's purchases outstanding under the CFF are now 75 per cent, i.e., a further purchase of SDR 61.25 million would bring them to 100 per cent. However, repurchases attributable to the previous CFF purchases are scheduled for October 1979, and February and August, 1980. Each of these is for SDR 30 million. A further repurchase attributable to a previous CFF purchase is due to be made in September 1980, but this can be rescheduled and, I assume, will be. For working purposes, I have assumed that a CFF purchase request from Romania would come to the Board after February 15, 1980 but before August 15, so that the maximum amount which potentially could be purchased is SDR 121.25 million.

Using a shortfall year of 1979, I have calculated the compound annual growth rates necessary in the post-shortfall years for Romania to have a shortfall of this amount. I have also calculated the growth rates for a shortfall of SDR 61.25 million to illustrate the sensitivity of the required post-shortfall growth rates to the size of shortfall. For the range involved here, the sensitivity is not great. The "break-even" points, above which there would be some shortfall are at growth rates about 1 1/2 percentage points less than those needed for a shortfall of SDR 61.25 million. The assumptions for 1979 exports are:

1. No growth from 1978
2. 10 per cent growth
3. 15 per cent growth (this is consistent with the convertible export figure for 1979 used in our recent forecasts following the oil price rise and the official forecast for nonconvertible exports).
4. The official forecast of 20 per cent export growth (25 per cent in dollars).

I haven't included tourism receipts, but this would make little difference as they are relatively small.

The results are:

<u>Annual 1979 growth</u>	<u>Annual 1980-81 growth needed for shortfall of</u>	
	<u>SDR 61.25 million</u>	<u>SDR 121.25 million</u>
	<u>(In per cent)</u>	
0	5	6
10	11	13
15	15	16
20	18	20

If we consider that 10-15 per cent growth of exports in 1979 is a realistic range, then the question is, are similar rates of growth achievable in the post-shortfall years? Part of the answer depends on exports to the nonconvertible area, where it is difficult for us to dispute the official forecast. In the convertible area, I would guess that 10 per cent annual growth in the post-shortfall period is a better estimate than 15 per cent. In any case, however, the post-shortfall growth rates required for a further CFF purchase by Romania are not likely to be so improbably high we can dismiss them out of hand, although they might not be able to make a case for as much as SDR 120 million. By waiting until August 1980, the Romanians would in theory be eligible for up to SDR 151.25 million, but I doubt they will wish to wait a half-year for the marginal SDR 30 million; if they did, a different shortfall year would need to be used.

The other questions are balance of payments need and cooperation with the Fund. The first does not seem an obstacle. The second, I think, ought not to be one since in my opinion the wider issues of information, etc., should not stand in the way of the CFF drawing, provided the case for the CFF purchase itself is sufficiently documented.

cc: Mr. Evensen
Ms. Williams

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

**IMMEDIATE
ATTENTION**

EBS/79/126

CONFIDENTIAL

March 2, 1979

To: Members of the Executive Board

From: The Secretary

Subject: Romania - Schedule of Repurchases and Postponement
of Repurchases

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by the close of business on Tuesday, March 6, 1979. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and recorded in the minutes of the next meeting thereafter.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

Romania - Schedule of Repurchases and Postponement of Repurchases

Prepared by the Treasurer's and the European Departments

(In consultation with the Legal Department)

Approved by W.O. Habermeier and L.A. Whittome

March 1, 1979

Romania made a purchase equivalent to SDR 95 million on April 28, 1976 under the Decision on Compensatory Financing of Export Fluctuations (Executive Board Decision No. 5052-(76/67), adopted April 26, 1976). In the request for the purchase, the Romanian authorities stated that they will comply with the principles set forth in paragraph 2 of Executive Board Decision No. 102-(52/11), adopted February 13, 1952. Romania also purchased the equivalents of SDR 20 million, SDR 17.5 million and SDR 17.5 million on May 13, June 22 and September 16, 1976, respectively, under the stand-by arrangement of October 3, 1975 (Executive Board Decision No. 4825-(75/161), adopted October 3, 1975). The terms of the stand-by arrangement provided for repurchase to be completed not later than three years from the date of each purchase. Schedule B, paragraph 4(i) applies to the Fund's holdings of Romanian lei resulting from the above purchases.

As indicated in Attachment I, the Romanian authorities propose that repurchase of the above-mentioned amounts totaling the equivalent of SDR 150 million be made in four installments equivalent to SDR 30 million each not later than October 15, 1979, February 15, 1980, August 15, 1980 and February 15, 1981, and two installments equivalent to SDR 15 million each not later than May 15, 1981 and August 15, 1981.

The proposed schedule provides for repurchase within five years from the date of each purchase.

A list of Romania's outstanding repurchases totaling the equivalent of SDR 303,047,822, including those under consideration, is shown in Attachment II.

The Fund's holdings of Romanian lei are now at 204.3 per cent of the quota of SDR 245 million; excluding holdings resulting from purchases under the Compensatory Financing Decision and from the third gold distribution, they would stand at 145.6 per cent of quota.

Romania's balance of payments position for 1976-77, including the balance of payments in convertible currencies, is described in the staff report for the 1978 consultation (SM/78/231, 8/29/78) and the outturn for the first half of 1978 is given in Recent Economic Data (EBS/78/517, 9/15/78). From the second half of 1977, the balance of payments gradually recovered from the effects of the earthquake of March 1977. In the final quarter of 1978, however, there was a sharp deterioration in the current account caused primarily by the effect of severe weather on agriculture, transportation, and power supplies, and by an explosion in a large petrochemical complex. The current account deficit for 1978 as a whole exceeded SDR 500 million. As a result, it was necessary to markedly increase net short-term borrowing and the overall deficit amounted to about SDR 50 million.

The balance of payments in convertible currencies is of particular interest, since it determines the level of convertible reserves and thereby affects Romania's ability to repurchase from the Fund. The poor agricultural year, energy shortages, and the refinery explosion had by far their greatest effect in the convertible area, reducing the supply of exports and necessitating additional imports. The convertible current account deficit in 1978 was nearly SDR 520 million, compared with SDR 234 million in 1977. On capital account, there was a net medium- and long-term inflow of almost SDR 200 million, and, in addition, it was necessary to undertake net short-term borrowing of some SDR 300 million. Of the overall convertible surplus of SDR 32 million, half was used in 1978 for net repurchases from the Fund. Gross convertible reserves at the end of 1978 amounted to the equivalent of SDR 231 million, covering only three weeks of convertible imports.

After the unexpected setback of 1978, the 1979 current account deficit (in all currencies) is expected to show considerable improvement. A small current account surplus is projected for the nonconvertible area, while in convertible currencies the current account deficit is expected to decline to about SDR 200 million. Net long- and medium-term borrowing in convertible currencies is forecast at over SDR 380 million, about the same as in 1977; however, net credits extended are expected to reduce the convertible net long- and medium-term inflow to about SDR 210 million. At the same time, the authorities hope that after the increase of short-term debt in 1978, it will be possible to refrain from substantial net short-term borrowing in 1979. Under these conditions, it would be difficult for the Romanian authorities, who repurchased the equivalent of SDR 55 million from the Fund in 1978, to make further repurchases amounting to the equivalent of SDR 170 million in 1979, without either considerably running down already very low reserves, or incurring additional external debt. The proposed rescheduling would reduce repurchases with the Fund to SDR 50 million in 1979, and distri-

bute Romania's repurchase obligations more evenly in 1979 and subsequent years. The largest repurchase for 1979 would be scheduled for October, since in this quarter, for seasonal reasons, export receipts are greatest. Even with the proposed schedule of repurchases, and allowing for the 1979 SDR allocation, Romania's gross convertible reserves will remain very low relative to convertible area imports.

It is recommended that the proposal of Romania be accepted. Accordingly, the following draft decision is proposed for adoption by the Executive Board:

Romania has proposed that repurchase in respect of the purchase equivalent to SDR 95 million on April 28, 1976 under the Decision on Compensatory Financing of Export Fluctuations and the purchases equivalent to SDR 20 million, SDR 17.5 million and SDR 17.5 million on May 13, June 22 and September 16, 1976, respectively, under the stand-by arrangement of October 3, 1975 be made in four installments equivalent to SDR 30 million each not later than October 15, 1979, February 15, 1980, August 15, 1980 and February 15, 1981, and two installments equivalent to SDR 15 million each not later than May 15, 1981 and August 15, 1981. The Fund agrees to the proposal of Romania.

REPUBLICA SOCIALISTA ROMANIA

MINISTERUL FINANTELOR

VICEPRIM-MINISTRU AL GUVERNULUI
MINISTRUL FINANTELOR
CABINET

January 30, 1979

Dear Mr. de Larosiere:

Reference: Repurchases Falling Due in 1979

In the second half of 1977 and for most of 1978 the Romanian balance of payments gradually recovered from the damaging effects of the earthquake of March 1977. In this period Romania welcomed the assistance received from the Fund. Unfortunately, the outcome in the final quarter of 1978 was less favorable than earlier in the year. There was prolonged dry weather in the summer and autumn followed by severe winter frosts and snowfall, which adversely affected agriculture and more recently transportation and power supplies. In addition, an explosion in a large petrochemical complex severely disrupted output, including that for export. As a result of all these factors, the external accounts are being affected by reduced export supplies and some unexpected need for imports. The balance of payments should recover during 1979-80 but in the meantime, because of the low level of international reserves, it has been necessary to increase foreign borrowing.

No later than April 27, 1979, a repurchase falls due as a result ¹⁹ of a purchase equivalent to SDR 95.00 million on April 28, 1976 under the compensatory financing facility and there are repurchases equivalent to SDR 20.00 million, SDR 17.50 million, and SDR 17.50 million to be made not later than May 12, June 21, and September 15, 1979, respectively, as a result of corresponding purchases three years earlier under the stand-by arrangement of October 3, 1975. Despite the large additional foreign borrowings already undertaken, the level of convertible international reserves remains low and still represents less than one month's imports paid for in convertible currency.

We therefore propose that the repurchase of the above mentioned purchases be made in four installments equivalent to SDR 30 million each not later than October 15, 1979, February 15, 1980, August 15, 1980, and February 15, 1981, and two further installments equivalent to SDR 15 million each not later than May 15, 1981 and August 15, 1981, and that these repurchases be attributed to the purchases in the order they were made.

Sincerely yours

/ S /

Paul Niculescu Mizil

Mr. J. de Larosiere
Managing Director
International Monetary Fund
700 - 19th Street, N.W.
Washington, D.C. 20431

Received in Fund: February 2, 1979

Romania - Schedule of Repurchases

			Fund's Holdings of Romanian Lei as Per Cent of Quota	
			Actual	Excluding C.F. purchases and third gold distribution
Amount (In SDR equivalents)				
1979:	April 15	10,000,000 <u>1/</u>	200.2	141.5
	October 15	30,000,000	188.0	141.5
	October 15	10,000,000 <u>1/</u>	183.9	137.4
1980:	February 15	30,000,000	171.7	137.4
	April 15	10,000,000 <u>1/</u>	167.6	133.3
	August 15	30,000,000	155.3	133.3
	September 13	47,500,000 <u>2/</u>	135.9	133.3
	October 4	25,000,000 <u>3/</u>	125.7	123.1
	October 15	10,000,000 <u>1/</u>	121.7	119.0
	December 25	1,422,822 <u>4/</u>	121.1	119.0
1981:	February 15	30,000,000	108.8	108.8
	May 15	15,000,000	102.7	102.7
	August 15	15,000,000	96.6	96.6
	August 15	13,125,000 <u>5/</u>	91.2	91.2
	September 18	13,000,000 <u>5/</u>	85.9	85.9
	December 14	13,000,000 <u>5/</u>	80.6	80.6
303,047,822				

1/ Schedule adopted November 9, 1978

2/ Purchase under Compensatory Financing Decision: expiration of three year period.

3/ Purchase under stand-by arrangement: expiration of three-year period.

4/ Holdings resulting from third gold distribution.

5/ Purchase under stand-by arrangement: repurchase to be made in 8 equal quarterly installments beginning on the date shown.



Office Memorandum

*Original sent
Sl. To G.T. for gary
et al
2. To Annual Meeting late
H. ...*

TO : Mr. Whittome ✓
FROM : Geoffrey Tyler 47
SUBJECT : Romania--Discussion at Annual Meeting

DATE: September 11, 1979

Rescheduling of repurchases due in 1980

There is a repurchase of SDR 47.5 million due on September 13, 1980, three years after a CFF purchase. SDR 25 million is due for repurchase on October 4, 1980, three years after a stand-by purchase. Both could easily be rescheduled over a convenient two-year period and we would be in principle willing to discuss this in 1980.

CFF purchase

A shortfall for calendar 1979 could probably be justified (see the attached note by Mr. Wein). The negotiations would presumably take place in February or March 1980, when data would be available. The maximum amount theoretically possible would be SDR 121.25 million, but the shortfall might not be this big.

Use of normal credit tranches

As Attachment II of EBS/79/126 (attached) shows, the Fund's holdings of lei, excluding CFF purchases, will be equal to 137.4 per cent at the end of the year. Thus there is ample scope for a further stand-by arrangement. To go to the top of the third credit tranche would allow SDR 92 million.

There is a real question as to whether we could agree with the Romanians on conditionality. They will no doubt have balance of payments projections that appear reasonably good. The growth of expenditure may well suggest, however, that the import forecast is too low. It would be simple if the Romanians could be persuaded to avoid a possible confrontation on this point by refraining from requesting a stand-by arrangement. If they insist they should be informed quite clearly that we doubt at this stage that we can very easily reconcile a stabilization program that does not include some reduction in growth rates.

Quarterly confidential data

The Romanians should be encouraged to speed up the delivery of these. Almost invariably we have to push them and when there is no need for them to inform us of performance criteria data (as is now the case) the time lag is much greater than when there is a stand-by arrangement.

Also, they could be encouraged to discuss with us a wider coverage than that now existing.

IFS page

I would hope that this matter be raised quite strongly. Introducing the page in 1980 would be a fair target.

Attachments

✓ The Romanians have told Rudez that they have agreed with the Bureau. Is that the factor?

Mr. Tyler

August 2, 1979

J. Wein

Romania—CFF

of quota,

Romania's purchases outstanding under the CFF are now 75 per cent, i.e., a further purchase of SDR 61.25 million would bring them to 100 per cent. However, repurchases attributable to the previous CFF purchases are scheduled for October 1979, and February and August, 1980. Each of these is for SDR 30 million. A further repurchase attributable to a previous CFF purchase is due to be made in September 1980, but this can be rescheduled and, I assume, will be. For working purposes, I have assumed that a CFF purchase request from Romania would come to the Board after February 15, 1980 but before August 15, so that the maximum amount which potentially could be purchased is SDR 121.25 million.

Using a shortfall year of 1979, I have calculated the compound annual growth rates necessary in the post-shortfall years for Romania to have a shortfall of this amount. I have also calculated the growth rates for a shortfall of SDR 61.25 million to illustrate the sensitivity of the required post-shortfall growth rates to the size of shortfall. For the range involved here, the sensitivity is not great. The "break-even" points, above which there would be some shortfall are at growth rates about 1 1/2 percentage points less than those needed for a shortfall of SDR 61.25 million. The assumptions for 1979 exports are:

1. No growth from 1978
2. 10 per cent growth
3. 15 per cent growth (this is consistent with the convertible export figure for 1979 used in our recent forecasts following the oil price rise and the official forecast for nonconvertible exports).
4. The official forecast of 20 per cent export growth (25 per cent in dollars).

I haven't included tourism receipts, but this would make little difference as they are relatively small.

The results are:

<u>Annual 1979 growth</u>	<u>Annual 1980-81 growth needed for shortfall of</u>	
	<u>SDR 61.25 million</u>	<u>SDR 121.25 million</u>
<u>(In per cent)</u>		
0	5	6
10	11	13
15	15	16
20	18	20

If we consider that 10-15 per cent growth of exports in 1979 is a realistic range, then the question is, are similar rates of growth achievable in the post-shortfall years? Part of the answer depends on exports to the nonconvertible area, where it is difficult for us to dispute the official forecast. In the convertible area, I would guess that 10 per cent annual growth in the post-shortfall period is a better estimate than 15 per cent. In any case, however, the post-shortfall growth rates required for a further CFF purchase by Romania are not likely to be so improbably high we can dismiss them out of hand, although they might not be able to make a case for as much as SDR 120 million. By waiting until August 1980, the Romanians would in theory be eligible for up to SDR 151.25 million, but I doubt they will wish to wait a half-year for the marginal SDR 30 million; if they did, a different shortfall year would need to be used.

The other questions are balance of payments need and cooperation with the Fund. The first does not seem an obstacle. The second, I think, ought not to be one since in my opinion the wider issues of information, etc., should not stand in the way of the CFF drawing, provided the case for the CFF purchase itself is sufficiently documented.

cc: Mr. Evensen
Ms. Williams

IMMEDIATE
ATTENTION

EBS/79/126

CONFIDENTIAL

March 2, 1979

To: Members of the Executive Board

From: The Secretary

Subject: Romania - Schedule of Repurchases and Postponement
of Repurchases

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by the close of business on Tuesday, March 6, 1979. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and recorded in the minutes of the next meeting thereafter.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

Romania - Schedule of Repurchases and Postponement of Repurchases

Prepared by the Treasurer's and the European Departments

(In consultation with the Legal Department)

Approved by W.O. Habermeier and L.A. Whittome

March 1, 1979

Romania made a purchase equivalent to SDR 95 million on April 28, 1976 under the Decision on Compensatory Financing of Export Fluctuations (Executive Board Decision No. 5052-(76/67), adopted April 26, 1976). In the request for the purchase, the Romanian authorities stated that they will comply with the principles set forth in paragraph 2 of Executive Board Decision No. 102-(52/11), adopted February 13, 1952. Romania also purchased the equivalents of SDR 20 million, SDR 17.5 million and SDR 17.5 million on May 13, June 22 and September 16, 1976, respectively, under the stand-by arrangement of October 3, 1975 (Executive Board Decision No. 4825-(75/161), adopted October 3, 1975). The terms of the stand-by arrangement provided for repurchase to be completed not later than three years from the date of each purchase. Schedule B, paragraph 4(i) applies to the Fund's holdings of Romanian lei resulting from the above purchases.

As indicated in Attachment I, the Romanian authorities propose that repurchase of the above-mentioned amounts totaling the equivalent of SDR 150 million be made in four installments equivalent to SDR 30 million each not later than October 15, 1979, February 15, 1980, August 15, 1980 and February 15, 1981, and two installments equivalent to SDR 15 million each not later than May 15, 1981 and August 15, 1981.

The proposed schedule provides for repurchase within five years from the date of each purchase.

A list of Romania's outstanding repurchases totaling the equivalent of SDR 303,047,822, including those under consideration, is shown in Attachment II.

The Fund's holdings of Romanian lei are now at 204.3 per cent of the quota of SDR 245 million; excluding holdings resulting from purchases under the Compensatory Financing Decision and from the third gold distribution, they would stand at 145.6 per cent of quota.

Romania's balance of payments position for 1976-77, including the balance of payments in convertible currencies, is described in the staff report for the 1978 consultation (SM/78/231, 8/29/78) and the outturn for the first half of 1978 is given in Recent Economic Data (EBS/78/517, 9/15/78). From the second half of 1977, the balance of payments gradually recovered from the effects of the earthquake of March 1977. In the final quarter of 1978, however, there was a sharp deterioration in the current account caused primarily by the effect of severe weather on agriculture, transportation, and power supplies, and by an explosion in a large petrochemical complex. The current account deficit for 1978 as a whole exceeded SDR 500 million. As a result, it was necessary to markedly increase net short-term borrowing and the overall deficit amounted to about SDR 50 million.

The balance of payments in convertible currencies is of particular interest, since it determines the level of convertible reserves and thereby affects Romania's ability to repurchase from the Fund. The poor agricultural year, energy shortages, and the refinery explosion had by far their greatest effect in the convertible area, reducing the supply of exports and necessitating additional imports. The convertible current account deficit in 1978 was nearly SDR 520 million, compared with SDR 234 million in 1977. On capital account, there was a net medium- and long-term inflow of almost SDR 200 million, and, in addition, it was necessary to undertake net short-term borrowing of some SDR 300 million. Of the overall convertible surplus of SDR 32 million, half was used in 1978 for net repurchases from the Fund. Gross convertible reserves at the end of 1978 amounted to the equivalent of SDR 231 million, covering only three weeks of convertible imports.

After the unexpected setback of 1978, the 1979 current account deficit (in all currencies) is expected to show considerable improvement. A small current account surplus is projected for the nonconvertible area, while in convertible currencies the current account deficit is expected to decline to about SDR 200 million. Net long- and medium-term borrowing in convertible currencies is forecast at over SDR 380 million, about the same as in 1977; however, net credits extended are expected to reduce the convertible net long- and medium-term inflow to about SDR 210 million. At the same time, the authorities hope that after the increase of short-term debt in 1978, it will be possible to refrain from substantial net short-term borrowing in 1979. Under these conditions, it would be difficult for the Romanian authorities, who repurchased the equivalent of SDR 55 million from the Fund in 1978, to make further repurchases amounting to the equivalent of SDR 170 million in 1979, without either considerably running down already very low reserves, or incurring additional external debt. The proposed rescheduling would reduce repurchases with the Fund to SDR 50 million in 1979, and distri-

bute Romania's repurchase obligations more evenly in 1979 and subsequent years. The largest repurchase for 1979 would be scheduled for October, since in this quarter, for seasonal reasons, export receipts are greatest. Even with the proposed schedule of repurchases, and allowing for the 1979 SDR allocation, Romania's gross convertible reserves will remain very low relative to convertible area imports.

It is recommended that the proposal of Romania be accepted. Accordingly, the following draft decision is proposed for adoption by the Executive Board:

Romania has proposed that repurchase in respect of the purchase equivalent to SDR 95 million on April 28, 1976 under the Decision on Compensatory Financing of Export Fluctuations and the purchases equivalent to SDR 20 million, SDR 17.5 million and SDR 17.5 million on May 13, June 22 and September 16, 1976, respectively, under the stand-by arrangement of October 3, 1975 be made in four installments equivalent to SDR 30 million each not later than October 15, 1979, February 15, 1980, August 15, 1980 and February 15, 1981, and two installments equivalent to SDR 15 million each not later than May 15, 1981 and August 15, 1981. The Fund agrees to the proposal of Romania.

REPUBLICA SOCIALISTA ROMANIA

MINISTERUL FINANTELOR

VICEPRIM-MINISTRU AL GUVERNULUI
MINISTRUL FINANTELOR
CABINET

January 30, 1979

Dear Mr. de Larosiere:

Reference: Repurchases Falling Due in 1979

In the second half of 1977 and for most of 1978 the Romanian balance of payments gradually recovered from the damaging effects of the earthquake of March 1977. In this period Romania welcomed the assistance received from the Fund. Unfortunately, the outcome in the final quarter of 1978 was less favorable than earlier in the year. There was prolonged dry weather in the summer and autumn followed by severe winter frosts and snowfall, which adversely affected agriculture and more recently transportation and power supplies. In addition, an explosion in a large petrochemical complex severely disrupted output, including that for export. As a result of all these factors, the external accounts are being affected by reduced export supplies and some unexpected need for imports. The balance of payments should recover during 1979-80 but in the meantime, because of the low level of international reserves, it has been necessary to increase foreign borrowing.

No later than April 27, 1979, a repurchase falls due as a result ¹⁹ of a purchase equivalent to SDR 95.00 million on April 28, 1976 under the compensatory financing facility and there are repurchases equivalent to SDR 20.00 million, SDR 17.50 million, and SDR 17.50 million to be made not later than May 12, June 21, and September 15, 1979, respectively, as a result of corresponding purchases three years earlier under the stand-by arrangement of October 3, 1975. Despite the large additional foreign borrowings already undertaken, the level of convertible international reserves remains low and still represents less than one month's imports paid for in convertible currency.

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Sincerely yours

/ S /

Paul Niculescu Mizil

Mr. J. de Larosiere
Managing Director
International Monetary Fund
700 - 19th Street, N.W.
Washington, D.C. 20431

Received in Fund: February 2, 1979

Romania - Schedule of Repurchases

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303,047,822				

1/ Schedule adopted November 9, 1978

2/ Purchase under Compensatory Financing Decision: expiration of three year period.

3/ Purchase under stand-by arrangement: expiration of three-year period.

4/ Holdings resulting from third gold distribution.

5/ Purchase under stand-by arrangement: repurchase to be made in 8 equal quarterly installments beginning on the date shown.



Office Memorandum

TO : Mr. Whittome *[initials]*
FROM : Geoffrey Tyler *[initials]*
SUBJECT : Romania--Discussion with American Officials

DATE: September 7, 1979

On September 7, 1979, I attended a discussion in Mr. Syvrud's office, with the American representatives being Mr. Primosch, Department of State, Mr. McCarthy, U.S. Treasury, and Mr. Milam, Department of State. I do not think it would be helpful to go through all the details of the things we discussed. Basically, they were interested in the Fund's experience with Romania as a member in its widest sense. They asked questions about particular matters such as the supply of information and the way in which the Fund had worked with Romania in terms of lending. However, these were matters of detail rather than the prime purpose for the meeting. I think it would be fair to say that they came with no preconceived opinions but rather to gain information. Mr. Syvrud was on the whole sympathetic to the Romanian case and on a number of occasions intervened to soften some of my more critical remarks rather than to re-enforce them. None of them made any overt remarks on possible membership by other socialist countries.

*cc -> Mr. Syvrud said that
the State had found this
a useful talk & he confirmed that
it was part of the background
for a position paper on possible
membership of others
10/9*

CC EED

Telegram

Global Telegram

Global

RECEIVED
I.M.F.

1979 SEP -3 AM 8:45

388013

✓

248331 IMF UR
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NR.1126/3.09.1979

CABLE
ROOM

ORIG: TRE
CC : MR. RUDING
EURO

I M F UR WASHINGTON D.C.- 504
ROMANIA

TREASURERS INTERFUND

RE YOUR TELEX OF AUGUST 23, 1979

WE LET YOU KNOW THAT WE DO NOT INTEND TO USE SDRS
IN REPURCHASES FALLING DUE DURING THREE MONTHS PERIOD
ENDING NOVEMBER 30, 1979.

~~SECRET~~

MINISTRY OF FINANCE

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TEST NUMBER:	
<input checked="" type="checkbox"/>	CHECKS
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CABLE ROOM	

Reply via RCA, call 212-248-7000

Reply via RCA, call 212-248-7000



Office Memorandum

2

TO : The Secretary
FROM : T. de Vries *de Vries*
SUBJECT : Reclassification of Executive Board Specials

DATE: August 9, 1979

In relation to your request of August 6, 1979 may I refer you to Mr. Rudings note of January 30, 1979, which reads as follows and continues to apply until further notice:

"In line with the standing policy of my Romanian authorities I can not accept reclassification of any Fund papers that have been provided by the Romanian authorities for the confidential use of the Executive Board only. Consequently EBS-papers in the series "Romania-Recent Economic Data" should not be reclassified."

August 1, 1979

MEMORANDUM FOR FILESSubject: Managing Director's Lunches with Executive Directors

At the lunches held last week I spoke in the following terms:

Turkey

1. Reference to the rapid rise in central bank money in late June and early July but with some reassuring noises based on Woodward's messages.

2. Summary of results of most recent debt rescheduling meeting.

3. Summary of political timetable.

4. Reference to "precondition" element in November review.

Portugal

1. Summary of Mr. de Fontenay's visit and its outcome.

2. Reminder of political timetable.

3. Reasonable prospect that external financing adequate through the 1980 election.

Israel

1. Inflation accelerating--may reach 100 per cent.

2. Current account's rapid deterioration -\$3.8 billion in 1979 and perhaps -\$5.0 billion in 1980 representing 43 per cent and 55 per cent of GDP respectively.

3. External financing presently assured through the United States.

4. Summary of political situation

Romania

1. Deterioration of current account since end 1978 due to terms of trade and very high rates of growth.

2. Estimates of current account deficit with convertible area being \$1 billion in 1979 and \$1 1/4 billion in 1980.

3. Reminder that Romania is now a net oil importer and several important new projects are based on oil.

Yugoslavia

1. Deteriorating current account -\$1 1/2 billion in 1979 and -\$1 3/4 billion in prospect for 1980.

2. Fear of unemployment.

The only other country on which a direct question was put was Spain, to which I gave a generally reassuring reply.



L. A. Whittome



Office Memorandum

TO : Mr. Whittome ✓
FROM : Geoffrey Tyler 57
SUBJECT : Romania and Yugoslavia

DATE: July 30, 1979

You may find it useful to have some brief comments on potential problems with respect to requests by these countries for further use of Fund resources.

Romania

It is difficult to know why the Romanian balance of payments deteriorated so sharply in the final quarter of 1978. It would be possible to argue that special factors, namely the agricultural situation and the large explosion in the petrochemical works, led to the large increase in imports. However, I agree with you that it is much more logical to suppose that the basic reasons came into existence earlier. It may well be that the Romanians deliberately ensured that performance criteria in the area of convertible trade were met while the stand-by arrangement was in effect. In this regard, it may be significant that the trade balance targets were only reached by a miniscule margin. It is quite possible that imports were delayed and exports expedited.

The basic problem with the Romanian balance of payments seems to be that the rate of growth has been a little higher than could be sustained. The staff view has been that it is not possible in the long run to continue to reduce the ratio of convertible imports to GNP. We have accepted that in a particular year it may be possible to lower the ratio below its medium-term average but we have suggested quite strongly that the limits for reducing the ratio must have been reached or soon will be. The Romanians have argued that they can reduce the ratio by increasing the efficiency of investment and production and also, in the short run, by issuing instructions to enterprises to change the source of their inputs from the convertible area to CMEA or domestic sources and by temporarily delaying some investment expenditures.

I do not believe that these methods are other than short-term expedients and I expect that the supply of possible such expedients is close to exhaustion. If the trade account is now in a basic deficit there seem to be only two possible courses of action. First, the rate of growth of consumption can be reduced. A recent Ceausescu speech indicates a slower growth of personal consumption is in fact planned. Second, the rate of growth of investment can be reduced and this presumably implies a lower growth of GNP. Some steps to reduce investment have already been taken for the 1980/84 Plan; 30 per cent of national income is to be invested compared with around 33 per cent in the current five-year plan. In consequence the rate of growth of GNP is planned to be lower. However, it is at least questionable if the above reductions are sufficient. It might also be possible to shift foreign trade to CMEA countries. This could be done in so far as the problem is the slow growth of exports to convertible markets with a resultant additional supply of exports to CMEA countries. It would, however, be necessary for imports from CMEA countries to replace those from the convertible area. In many cases this is not feasible. Moreover, in so far as the resource problem results from the deterioration in the terms of trade and the consequently smaller proportion of total output available for domestic use, shifting from one set of foreign markets to another does not help.

With respect to appropriate performance criteria, we have in the past used domestic credit ceilings and targets for aggregates of the convertible balance of payments--trade account, short-term foreign borrowing, and convertible international reserves, which together implicitly specify the whole of the convertible balance of payments. The credit ceilings have never been a major problem to us. The Romanians do not have any difficulty in setting conservative credit targets that are consistent with developments in nominal output and expenditure and with the balance of payments projections. Our biggest problem has been in deciding whether the balance of payments forecast is itself reasonable. In particular, it has not been easy to decide whether the import forecast is consistent with projected domestic expenditure. This is partly because of the difficulty of knowing whether the short-term deviation of the import-GNP ratio from its medium-term average is reasonable. Without delving deeply into the commodity details of the import projection and their consistency with the expenditure projections for the various sectors of the economy, it is logically hard to know whether the forecast trade is plausible or not. The Romanians have not been able to be particularly helpful in explaining the basis of their import forecasts.

Turning to the practical side of any negotiations with Romania, I would make the following suggestions. We should argue strongly against claims for further reductions in the import-GNP ratio and maintain that a moderation of growth rates is needed. Beyond that, perhaps the safest way is to find a procedure that will allow us to disperse as little money as possible until we have seen what is actually happening to the balance of payments. The implication of this may be that we should not have a one-year stand-by arrangement that covers a calendar year. It is only too easy for the authorities to arrange leads and lags in foreign trade and to time foreign borrowing so that the balance of payments targets are met for the first nine months, but not for the year as a whole. In the process they have obtained the whole of the stand-by money. If, therefore, the stand-by were to start at the beginning of 1980, it should continue for at least 18 months and it should not be heavily front-loaded. This would enable us to see what was happening for the whole of 1980 without giving away all of the money. A problem with this approach is that a stand-by for more than one year may imply more than one tranche, but perhaps it is worth facing up to that.

Yugoslavia

I think that Yugoslavia is a somewhat simpler proposition. First, in answer to your question as to whether the present decentralized system can agree on a credit ceiling, I think the answer to this is "theoretically yes." Certainly the Federal Government has a legal right to establish a monetary program and the normal procedure is for the National Bank of Yugoslavia to propose such a program to the Federation. However, in practice Federal decisions can be reached only with a consensus among the Republics. My personal guess is that the consensus could be reached if the need is great enough. As a practical matter, the consensus among Republics is normally arrived at toward the end of the calendar year and early in the beginning of the next. Because of this, it would probably be very desirable for any negotiations with Yugoslavia to be made during the fourth quarter while it would still be possible to engineer a consensus acceptable to us. If we wait until a consensus is reached, it could be very difficult for us to get it changed if it were unacceptable.

Mr. Tyler

July 27, 1979

L. A. Whittome

Romania and Yugoslavia

Mr. Ruding tells me that in his opinion it is highly likely that both Romania and Yugoslavia will approach the Fund for stand-by agreements some time in the last quarter of this year. I would like, some time next week, to meet with you and your colleagues as well as with Mr. Narvekar, on the modalities. It seems to me that for Yugoslavia the main question is whether or not in the present decentralized system there is an effective ability to agree to a credit ceiling.

For Romania the questions go deeper. If one just takes the figures as they come out it looks as though the last stand-by held a position which suddenly deteriorated after the end of the stand-by. I presume this is too naive a view and that in fact the position must have been deteriorating before the end of the stand-by. If this is so, in what ways can we make a stand-by arrangement more watertight?

cc: Mr. Narvekar

July 23, 1979

MEMORANDUM FOR FILES

Subject: Romania

Mr. Bogdan, presently Director General in the Romanian Foreign Ministry for North American Affairs and formerly Ambassador in Washington, called this afternoon. He seemed intent on obtaining our views on the present Romanian economic position. I spoke to him in terms of the final statement; he did not appear unduly surprised. We then went on to talk on the wider problems.



L. A. Whittome

cc: EED

Mrs. Djeddaoui

July 23, 1979

L.A. Whittome

Romania--Recent Economic Data

This EBS, which follows EBS/79/193 (3/30/79), should have a more limited circulation than a normal EBS. It should go to Executive Directors and to Department Heads only and not all senior staff.


Attachment

July 17, 1979

MEMORANDUM FOR FILES

Subject: Romania

Mr. Voloseniuc accompanied by Mr. Contineanu called on me this afternoon. Mr. Voloseniuc said he had been chairing an American/Romanian committee which discusses mutual trade problems and prospects. I took the opportunity to suggest that the strains becoming increasingly evident in the economy and particularly on the external side would force the Government to reconsider its planned growth targets. He attempted a defense of present policy seemingly without great conviction. He did, however, say that Romania always had the fallback position of trading more with the Eastern bloc and especially with China. The Romanians seem to believe that the Chinese market is wide open to them should they wish to direct their efforts in that direction. He maintained that the important imports that they could obtain from China were above all coal and oil.


L. A. Whittome

cc: EED

Review of Stand-by

The reason for requesting a discussion of the stand-by at this time is that the Executive Board of the Fund has decided that all Staff Reports for countries using Fund resources should include a review and assessment of any ^{stand-by} program completed since the previous consultation. This is in keeping with the Executive Board's desire to keep a more careful watch on the use of Fund resources.

The purpose of a stand-by arrangement ^{and all Fund resources} is to provide temporary balance of payments support to give a member time to adjust its policies, both domestic and external, in such a way that the underlying balance of payments position will be improved. An improvement in the balance of payments means essentially for Romania that there is a better relationship between imports and exports. This improvement is to be achieved without "resorting to measures destructive to national or international prosperity" (Article I). That means without threatening the stability of the domestic economy, and without unduly harming the trade of other countries.

The stand-by arrangement approved for Romania in September 1977 was similar in outline to programs in other countries. The performance criteria, short-term credit, short-term foreign borrowing, the trade balance and the level of international reserves, are objective criteria similar to those used in other countries. They were chosen because we believed that if these criteria were met over the stand-by period, they would indicate that the underlying balance of payments position was being strengthened. We discussed with you the reasons for

choosing these criteria and the policies you intended to follow to be able to meet them. But we left it to the Romanian authorities to decide the details of how the 1977 and 1978 plans would be adjusted to achieve the objectives of the program.

Romania met all the performance criteria established in the program although in some cases by narrow margins. Unfortunately, however, there seems to have been a very sharp deterioration in the balance of payments immediately following the end of the stand-by period. In fact, the deterioration started during the last three months of the stand-by period. For 1978 as a whole, which is the framework in which you plan your economic policies and in which we discussed your program, the current account of the balance of payments showed a deficit of US\$760 million, compared to US\$36 million originally planned for the year (a deterioration of US\$725 million). Gross short-term external borrowing for the year was US\$774 million, more than twice the amount planned. The stand-by was justified on the grounds that the current account deficit would decline substantially in 1978 from the level of 1977 (US\$546 million). But, in fact, the deficit in 1978 was larger than in 1977. In addition there was a substantial increase in short-term borrowing.

In fact, it seems to us that Romania's balance of payments situation is more serious now than at any time since Romania joined the Fund in 1972.

The Executive Board has approved the temporary use of Fund resources by Romania in almost every year since Romania became a member. We think that on this occasion the Executive Directors are likely to be concerned that the improvement during the recent stand-by period was so quickly lost, and that there seems to

have been no real underlying improvement in the balance of payments situation. They are likely to ask the staff what went wrong in the second half of 1978: to what extent external difficulties were responsible, were the policies which the stand-by was supposed to support appropriate, and how well were these policies implemented.

What did go wrong in 1978? We are not sure we completely understand the problems. On the external side the export forecast was ^{achieved} in spite of production and marketing difficulties and we have the impression that some goods were sold abroad instead of at home to improve the export situation. We are told that the effects of the earthquake were not an important problem for exports in 1978. We are aware of the accident at Pitești. On the import side, the forecast was plainly too low. We have been told that supplementary imports of fodder and raw materials were needed, and that the plan for imports of plant and equipment was not fulfilled. It seems likely that the forecast understated increases in world prices, although we do not have any information on unit values in Romania's foreign trade. The need for fodder was partly explained by the fact that the plan for agriculture was far from fulfilled. This has been the situation in most recent years. While we recognize that agricultural conditions vary from year to year in every country, it is hard to believe that they are so much more difficult to predict in Romania than elsewhere.

What policies have been adopted by Romania which would help in balance of payments adjustment? We believe the basic thrust of the new economic mechanism and the agricultural reorganization are in the right direction, but these are long-

term policies and it is not yet possible to see any beneficial results. Fiscal and monetary policies have continued to be conservative. One policy change was the appreciation of the exchange rate in March 1978. We explained this to the Executive Board as a measure designed primarily to safeguard domestic price stability, but whatever the effects on the balance of payments, it probably did not promote adjustment. At the same time there has been virtually no progress in simplifying the structure of rates, a policy we continue to believe would clarify the relationship between domestic and foreign prices and greatly facilitate Romanian planning and strengthen the balance of payments.

The major policy decision we are aware of in the recent period was the decision not to reduce the plan targets for 1977 in spite of the serious difficulties caused by the earthquake. Although the plan was fulfilled in 1977, this was accomplished by enormous efforts, and by running down stocks which had been built up after the good harvest of 1976. This appears to have left the economy in a somewhat weakened and stretched condition in 1978. Plan targets for 1978 were again ambitious, however, and were in some cases revised upwards during the stand-by period. The targets for domestic growth inevitably put pressure on the balance of payments. With hindsight, we are inclined to believe that during the stand-by period the growth target probably should have been reduced in order to achieve the objective of the stand-by, namely the desired adjustment of the balance of payments. In the future, we are inclined to believe that real progress in improving the balance of payments can probably be achieved only by reducing domestic growth rates, as well as by redirecting growth to foster saleable exports.

We feel that our understanding of the events and policies of 1977-78 is incomplete and in view of the Executive Board's interest in what happened and why, we would welcome any comments and explanations you can offer.



Office Memorandum

file: - 1) USSR
2) Romania ✓

TO : Mr. Whitton ✓
FROM : Geoffrey Tyler 57
SUBJECT : U.S.S.R., Romania, and the Supply of Information

DATE: June 14, 1979

Mr. E. Bernstein rang me today, after speaking to Mr. Gold. Mr. Bernstein was recently in Moscow taking part in a conference at the Academy of Science. He said that he had been asked about what information the U.S.S.R. would need to supply the Fund if it became a member and it had been pointed out to him that we did not publish any data on Romanian IFS.

I told him that the fact that Romania was a member in good standing, which had borrowed extensively from the Fund, implies that the current situation as regards information was acceptable at present to the organization. I pointed out that there were other countries which did not have an IFS page, although for different reasons than Romania.

Mr. Bernstein said that the economists at the conference had appeared very interested in and attracted toward Fund membership. He had been asked to write to them on the question of the supply of information but in the circumstances he said he probably would not.

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sj
cc: EED

Distribution

Fund Communications

INTERFUND
INTER-AMERICAN DEVELOPMENT BANK
WASHINGTON D.C. 440098

ATT. MR. ARTURO CALVENTI
DEPUTY SECRETARY

Original sent to Mr. A. Calventi
of the IADB

CC: MR. RUDING
EURO

REF . YOUR CABLE OF MAY 16, 1979 -
ROMANIA WILL BE REPRESENTED TO THE ANNUAL MEETING OF THE
BOARD OF GOVERNORS OF THE INTER-AMERICAN DEVELOPMENT
BANK - MONTEGO BAY (JAMAICA 28 - 30 MAY 1979) BY MR. IOAN PETRE
MADA, SENIOR ECONOMIST MINISTRY OF FINANCE.-

SINCERELY YOURS,
IULIAN BITULEANU
DEPUTY MINISTER OF FINANCE

✠

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Office Memorandum

TO : Mr. Van Houtven

DATE: May 9, 1979

FROM : A. Pfeifer *AP*

SUBJECT : Romania--Request from IDB

The two documents that the Secretary of the Inter-American Development Bank requested in his letter of May 3, 1979 contain quarterly data on a number of unpublished Romanian series. The data have been made available by the Romanian authorities on the strict understanding that their circulation will be limited to Executive Directors and the limited number of staff needing access to them.

In these circumstances, they could not be made available to the staff of the IDB without breaching our agreement with the authorities. Although it is not strictly relevant to the present request, you might note that at the request of Romania, staff reports on Romania have not been made available to the staff of the GATT.

cc: Mr. Tyler

CC: EED

BANCO INTERAMERICANO DE DESARROLLO
BANCO INTERAMERICANO DE DESENVOLVIMENTO



INTER-AMERICAN DEVELOPMENT BANK
BANQUE INTERAMERICAINE DE DEVELOPPEMENT

158903

WASHINGTON, D.C. 20577
CABLE: INTAMBANC

May 3, 1979

Orig: SEC
cc: EUR

Mr. Leo Van Houtven
Secretary
International Monetary Fund
Washington, D. C. 20431

Dear Mr. Van Houtven:

I should like to request that the International Monetary Fund make available to the Inter-American Development Bank two copies of the Fund Staff Memoranda on Recent Economic Developments in:

Rumania - EBS-78-360
EBS-79-193

For your information, Rumania has expressed interest in becoming a member of the Bank.

These documents will be for the exclusive use of our professional staff in the discharge of its functions. They will be treated as confidential and will not be quoted.

Sincerely,

Jorge Hazera
Secretary

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INTERNATIONAL MONETARY FUND

LAW.

In case you missed
it, the article on
Ceausescu is attached.

57

Geoffrey Tyler

All the president's men and women

Membership of the Ceausescu clan, it seems, has become an essential prerequisite for getting on in Rumanian politics and business. The clan's chief (and the country's ruler since 1966), **Nicolae Ceausescu**, combines the offices of state president, general secretary (leader) of the party and commander-in-chief of the armed forces. His ambitious and able wife **Elena**, a chemist by training, sits with her husband on both the top bodies—the party's permanent bureau and the political executive committee, which also includes top ministers. She also runs the chemistry institute of the Rumanian Academy of Sciences in Bucharest. One of their sons, **Nicu**, has been secretary of the party's youth organisation, the Union of Communist Youth, since December, 1976. Their other son, **Valentin**, a nuclear physicist, is a "leading member" of the Maghurele Nuclear Centre. Their daughter, **Zoe**, a mathematician by training, heads what used to be the mathematics section of the Henri Coanda Institute of Inventions (now attached to a ministry).

President Ceausescu's brother **Ilie** is a lecturer in history at the Rumanian military academy, where since 1977 he has held the rank of major-general. Brother **Ion**, an engineer by training, has since 1972 been deputy minister of agriculture. Brother **Florea** is a senior correspondent of the party daily *Scinteia*. Brother **Marin** runs the Rumanian economic agency in Vienna. Brother **Nicolae** (confusingly, same name as the president, but different man) is Rumania's consul general in Kiev in the Ukraine.

One of President Ceausescu's sisters, **Maria**, is married to **Mr Manea Manescu**, member of the top party bodies and, until his resignation on March 29th for health reasons, Rumania's prime minister. Another sister, **Regina**, is married to the new prime minister, Mr

Ilie Verdet.

One circle farther out, one of President Ceausescu's nephews, **Mr Cornel Burtica**, is minister of foreign trade and a deputy prime minister. Another nephew, **Mr Ion Ionita**, used to be minister of defence and is now a deputy prime minister. Mrs Ceausescu's brother, the president's brother-in-law, **Mr George Petrescu**, is state secretary in the machine-building ministry. And the father-in-law of the president's son Valentin, **Mr Janos Fazekas**, is a deputy prime minister, minister of domestic trade and a member of top party bodies. Quite a family business.



Chief of the Ceausescu clan

Indeed, Mr Bettino Craxi, the Socialist leader, flatly turns down the idea of an alliance with the Communists: "The conditions have not emerged for a common programme of the left". The three conditions that must be met, he insists, are that the Communists "develop greater autonomy in their international relations"; that the party revise its ideology further; and that there be a more even balance between the Socialists and the Communists. Mr Craxi claims that instead, for the past year, "so-called Eurocommunism in Italy has been in full retreat."

But Mr Berlinguer's sudden lurch into opposition in February deprived his more hardline opponents within the party of a stick with which to attack his revisionist policies. At the congress the party's com-

mitment to democracy and pluralism was reaffirmed. Its statute, rigidly committing it to the principles of Marxism-Leninism, was amended, so that Lenin is now only one of a number of Communist demigods to whom the party looks for inspiration.

Still, a price had to be paid. After briefly sniffing the air outside, the party has retreated back into a Russian view of the world. Mr Giancarlo Pajetta, the party's foreign policy chief, last week told your correspondent that although national sovereignty should be respected, he "understood" Vietnam's invasion of Cambodia, in view of the "chilling" nature of the regime there; he deplored the Chinese invasion of Vietnam; and he considered the upheaval in Iran "positive", and the excesses there "inevitable

under revolutionary conditions".

Mr Craxi's conditions for a united left may be a long way off yet. In his closing address, Mr Berlinguer insisted that

it is absurd to require us to renounce the roots that hold us to the October Revolution, to the thought and achievement of Lenin.

He seemed to be siding with the hardliners who have started to replace the moderates around him. Mr Armando Cossutta, who has a reputation as Mr Brezhnev's best friend in the Italian Communist party, is expected to be promoted to the party secretariat along with two other hardliners. At the congress, Mr Cossutta extolled the party's "fraternal" ties with Russia. Mr Giorgio Napolitano, until now the Communists' well-groomed economic overlord, may be demoted for holding views just to the left of Mr Roy Jenkins.

France

Thou shalt not riot

FROM A CORRESPONDENT IN PARIS

Running an "advanced liberal society" has turned out less easy than President Giscard d'Estaing thought after his election five years ago. The government's response to the violent clashes between the police and a small group of demonstrators during last month's march through Paris of steelworkers faced with closures has been heavy-handed. Prefects, the state's regional representatives, have been instructed to ban demonstrations in city centres unless "absolute guarantees of security" can be given. That could mean almost anything.

The government had come under heavy pressure to take action, from both the traditional law-and-order lobby and the powerful small businessmen's organisation, representing the café owners and shopkeepers whose windows and property were smashed during the march. The shopkeepers suggested that demonstrations should in future be farmed out to the Bois de Vincennes, a large park on the eastern outskirts of Paris.

Mr Jacques Chirac, the Gaullist leader, ever ready to pull the rug from under Mr Giscard d'Estaing, thundered that he was not prepared to accept that the authorities should turn a blind eye to violence. Typically, he had said only the day before that the freedom to demonstrate was "a republican and democratic right."

The left-wing trade unions and the opposition Socialists and Communists were outraged by the president's directive, and unimpressed by the invocation

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Washington, D.C. 20431

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MIN
~~MIN~~ISTERUL FINANTELOR
STR. DOAMNEI NR. 8
BUCHAREST, ROMANIA

Special Instructions

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PSI

18 NO. 5
17 YOUR CABLE NO. 295 REQUESTING PURCHASE.
16 PRIMO. EXECUTIVE BOARD TOOK FODLOWING DECISION ON
15 APRIL 6, 1979.
14 QUOTE
13 1. THE FUND HAS RECEIVED A REQUEST BY THE GOVERNMENT
12 OF ROMANIA FOR A PURCHASE OF THE EQUIVALENT OF
11 SDR 41.25 MILLION UNDER PARAGRAPHS 2, 3, AND 4 OF THE
10 DECISION ON COMPENSATORY FINANCING OF EXPORT
9 FLUCTUATIONS (EXECUTIVE BOARD DECISION NO. 4912-(75/207),
8 ADOPTED DECEMBER 24, 1975 AS AMENDED BY EXECUTIVE BOARD
7 DECISION NO. 5348-(77/33) ADOPTED MARCH 11, 1977).
6 THE FUND AGREES TO THE REQUESTED PURCHASE AND WAIVES
5 THE LIMITATION IN ARTICLE V, SECTION 3(B)(III).
4 2. THE FUND NOTES THE REPRESENTATION OF ROMANIA AND
3 APPROVES THE PURCHASE IN ACCORDANCE WITH THE REQUEST.
2 UNQUOTE /C
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Distribution

CC: TRE
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MR. RUDING
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Drafted by: PGGyor/kel
Department: TRE
Date: April 6, 1979

Anna Watkins

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INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

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MINISTERUL FINANTELOR

ROMANIA

- 2 -

Special Instructions

18 SECUNDO. 1. ROMANIA'S SDR ACCOUNT WILL BE CREDITED
17 WITH SDR 41.25 MILLION VALUE APRIL 11, 1979.
16 2. PLEASE ARRANGE CREDIT OF ROMANIAN LEI 606,915,749.79
15 TO FUND'S NO. 1 ACCOUNT WITH BANCA NATIONALA A
14 REPUBLICII SOCIALISTE ROMANIA, BUCHAREST VALUE
13 APRIL 11, 1979 AND REQUEST THIS INSTITUTION TO
12 CONFIRM CREDIT BY CABLE TO FUND.
11 3. ROMANIA'S SDR ACCOUNT WILL BE DEBITED WITH
10 SDR 206,250 VALUE APRIL 11, 1979 IN PAYMENT OF
9 SERVICE CHARGE.

Distribution

IO
8 TERTIO. 1. DESIGNATION INSTRUCTIONS HAVE BEEN
7 ISSUED FOR U.S. DOLLARS 52,836,114.54 TO BE
6 CREDITED TO ACCOUNT OF ROMANIAN BANK FOR FOREIGN TRADE,
5 BUCHAREST WITH MANUFACTURER'S HANOVER TRUST COMPANY,
4 NEW YORK, VALUE APRIL 11, 1979.
3 2. ROMANIA'S SDR ACCOUNT WILL BE DEBITED WITH
2 SDR 41.25 MILLION ON DATE U.S. DOLLARS PROVIDED.

1 TEST NO. TREASURER'S INTERFUND

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Drafted by: PGGyor/kel

Department: TRE

Date: April 6, 1979

Anna Watkins

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MR. RUDING
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WER WE REPEAT OUR CABLE NO.295/5.04.1979 TO TREASURER'S:
NR.295/5.04.1979

I.M.F. UR 248331 - 440040
WASHINGTON D.C.

TREASURER'S DEPARTMENT

- 1.-AS FISCAL AGENCY FOR THE GOVERNMENT OF ROMANIA, WE DESIRE TO PURCHASE FROM THE INTERNATIONAL MONETARY FUND SDR 41.25 MILLION, IN ACCORDANCE WITH TERMS OF ARTICLE V, SECTIONS 3 AND 4.
- 2.-WE DO HEREBY REPRESENT THAT THIS PURCHASE IS NEEDED IN ACCORDANCE WITH THE PROVISIONS OF FUND AGREEMENT.
- 3.-PLEASE CREDIT ROMANIA'S SDR ACCOUNT WITH SDR 41.25 MILLION ON VALUE DATE OF PURCHASE.
- 4.-THE EQUIVALENT OF DESIRED PURCHASE NAMELY ROMANIAN LEI 606,915.79, EEE 606,915,749.79, WILL BE CREDITED TO FUND'S NO.1 ACCOUNT WITH
BANCA NATIONALA A REPUBLICII SOCIALISTE ROMANIA, BUCHAREST, ON THE VALUE DATE OF PURCHASE.
- 5.THIS REQUEST IS MADE IN ACCORDANCE WITH PARAGRAPHS 2,3 AND 4 OF EXECUTIVE BOARD DECISION NO.4912 - (75/207), ADOPTED DECEMBER 24, 1975, AS AMENDED. IN THIS CONNECTION WE STATE THAT WE WILL COOPERATE WITH THE INTERNATIONAL MONETARY FUND IN AN EFFORT TO FIND APPROPRIATE SOLUTIONS FOR THE PURCHASE OF

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INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

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ADDRESSES

MINISTERUL FINANTELOR
ROMANIA
- 2 -

Special Instructions

SECUNDO. 1. ROMANIA'S SDR ACCOUNT WILL BE CREDITED
WITH SDR 41.25 MILLION VALUE APRIL 11, 1979.
2. PLEASE ARRANGE CREDIT OF ROMANIAN LEI 606,915,749.79
TO FUND'S NO. 1 ACCOUNT WITH BANCA NATIONALA A
REPUBLICII SOCIALISTE ROMANIA, BUCHAREST VALUE
APRIL 11, 1979 AND REQUEST THIS INSTITUTION TO
CONFIRM CREDIT BY CABLE TO FUND.
3. ROMANIA'S SDR ACCOUNT WILL BE DEBITED WITH
SDR 206,250 VALUE APRIL 11, 1979 IN PAYMENT OF
SERVICE CHARGE.

Distribution

IO
TERTIO. 1. DESIGNATION INSTRUCTIONS HAVE BEEN
ISSUED FOR U.S. DOLLARS 52,836,114.54 TO BE
CREDITED TO ACCOUNT OF ROMANIAN BANK FOR FOREIGN TRADE,
HANOVER TRUST COMPANY,
BUCHAREST WITH MANUFACTURER'S ~~XXXXXXXXXXXXXXXXXXXX~~
NEW YORK, VALUE APRIL 11, 1979.
2. ROMANIA'S SDR ACCOUNT WILL BE DEBITED WITH
SDR 41.25 MILLION ON DATE U.S. DOLLARS PROVIDED.

TEST NO. TREASURER'S INTERFUND

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Drafted by: PGGyor/kel
Department: TRE
Date: April 6, 1979

Anna Watkins

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CONFIDENTIAL

April 18, 1979

To: Members of the Executive Board

From: The Secretary

Subject: Romania - Repurchase Transaction

This is to advise the Executive Board that Romania used SDRs in a repurchase equivalent to SDR 10 million, value April 15, 1979.

The repurchase was made in accordance with the schedule of repurchases (Executive Board Decision No. 5950-(78/177), adopted November 9, 1978) and reduced the Fund's holdings of Romanian lei from 204.3 per cent to 200.2 per cent of the quota of SDR 245 million.

INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

Mr. L.A. Whitton

Item 9-120

#11

PRESS RELEASE NO. 79/26

FOR IMMEDIATE RELEASE

April 6, 1979

The International Monetary Fund has agreed to a purchase by the Government of Romania equivalent to SDR 41.25 million. The purchase is being made under the Fund's compensatory financing facility, because of an export shortfall experienced by Romania during 1978.

After showing a gradual recovery from the effects of a major earthquake in 1977, Romania's balance of payments deteriorated in the latter part of 1978. This deterioration was caused primarily by the effects of bad weather on agriculture, transportation, and power supplies, and by an explosion in a large petrochemical complex. Nearly three quarters of the 1978 export shortfall was accounted for by agricultural exports, mainly wheat, maize, and vegetable oils, which declined by 30 per cent. The remainder of the shortfall was accounted for by lower petrochemical exports.

Romania's quota in the Fund is SDR 245 million. Its repayment obligations to the Fund resulting from past transactions currently total the equivalent of SDR 303 million.

MEMORANDUM FOR THE FILES

Subject: Romania--IFS Page

March 6, 1979

I attended a meeting between Mr. Stoenescu of the Romanian Ministry of Finance and Mr. Nose of the Bureau of Statistics. Mr. Nose said that the IFS page mock-up had been posted to Romania toward the end of February. Mr. Stoenescu said that, on this assumption, it should have arrived in Bucharest by now and would be under consideration by the Romanian authorities. He requested that Mr. Nose cable Minister Niculescu-Mizil in about three weeks to elicit a Romanian response. He hoped that it might be possible to secure final approval for publication of a page this summer, perhaps at about the time of the next consultation.

James Wein

cc: Mr. Whittome ✓
Mr. Tyler

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INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

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MINISTERUL FINANTELOR

ROMANIA

- 2 -

Special Instructions

3. PLEASE CREDIT ROMANIA'S SDR ACCOUNT WITH ~~RM~~
SDR 41.25 MILLION ON VALUE DATE OF PURCHASE.
4. THE EQUIVALENT OF DESIRED PURCHASE NAMELY
ROMANIAN LEI 606,915,749.79, WILL BE CREDITED TO
FUND'S NO. 1 ACCOUNT WITH BANCA NATIONALE A
REPUBLICII SOCIALISTE ROMANIA, BUCHAREST, ON THE
VALUE DATE OF PURCHASE.
5. THIS REQUEST IS MADE IN ACCORDANCE WITH
PARAGRAPHS 2, 3 AND 4 OF EXECUTIVE BOARD DECISION
NO. 4912-(75/207), ADOPTED DECEMBER 24, 1975, AS
AMENDED. IN THIS CONNECTION WE STATE THAT WE WILL
COOPERATE WITH THE INTERNATIONAL MONETARY FUND IN
AN EFFORT TO FIND APPROPRIATE SOLUTIONS FOR THE
BALANCE OF PAYMENTS DIFFICULTIES.
6. WE STATE THAT REPURCHASE IN RESPECT OF THIS PURCHASE
SHALL BE MADE IN ACCORDANCE WITH ARTICLE V, SECTION 7
AND THE FUND'S POLICIES AND PRACTICES AT THE TIME /C

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Drafted by: PGGyor/kel

Department: TRE

Date: March 30, 1979

Anna Watkins

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INTERNATIONAL MONETARY FUND

Washington, D.C. 20431

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MINISTERUL FINANTELOR

ROMANIA

- 3 -

Special Instructions

OF REPURCHASE.

7. REGARDING SERVICE CHARGE, PLEASE DEBIT ROMANIA'S
SDR ACCOUNT WITH SDR 206,250 ON VALUE DATE OF PURCHASE.

UNQUOTE

IF YOU WISH TO USE IMMEDIATELY PART OR ALL ABOVE

SDR 41.25 MILLION TO OBTAIN U.S. DOLLARS IN A

TRANSACTION WITH DESIGNATION, PLEASE ADD PARAGRAPH 8

AS FOLLOWS:

QUOTE

PLEASE ARRANGE TO CREDIT ACCOUNT OF ROMANIAN BANK FOR
WITH HANOVER
FOREIGN TRADE, BUCHAREST WITH MANUFACTURER'S HANOVER

TRUST COMPANY, NEW YORK, WITH U.S. DOLLAR EQUIVALENT
THIS
OF SDR (INSERT AMOUNT). WE STATE THAT THIS INTENDED

USE OF SDRS IS IN ACCORDANCE WITH ARTICLE XIX,

SECTIONS 2(A) AND 3(A). ROMANIA WILL CONFIRM

BY
IMMEDIATELY BY CABLE RECEIPT OF THESE U.S. DOLLARS.

UNQUOTE

TEST NO. TREASURER'S INTERFUND

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Drafted by: PGGyor/kel

Department: TRE

Date: March 30, 1979

Anna Watkins

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3
February 26, 1979

MEMORANDUM FOR FILES

Subject: Romania--Rule 0-4

After almost 12 months of prodding, Romania has informed Treasurer's Department about the procedures for the exchange of its currency under Rule 0-4. Treasurer's Department spoke to me about it because the Romanians have included in their reply the reference to the fact that their currency could be used only with the prior agreement and only when the balance of payments and the reserve position are sufficiently strong.

I suggested to Treasurer's Department that for the moment it might be tactically sensible not to argue about the proviso. For practical purposes it is likely to be many years before the Fund wants to use the leu in purchase transactions by other members. It seems to me that it is better to accept the transmitted proposal rather than enter into a possibly acrimonious debate about the matter.

One reason for my feelings is that the relevant officials in the Ministry of Finance have found it extremely difficult to explain the implications of Rule 0-4 to the Minister and to the members of the Council of State, who had to approve the dispatched message. There is a good chance that further discussion could mean another long delay before we received an answer.

97
Geoffrey Tyler

cc: Mr. Whittome ✓
Mr. Tyler

The Managing Director

February 15, 1979

L. A. Whittome

South Africa; and Romania

1. You queried a press report which spoke of the sale of gold by South Africa to Saudi Arabia in exchange for oil. The South Africans tell me that they have officially denied this report and so have the Saudis. When I pressed them further it became obvious that the people to whom I spoke (from the Treasury and the Reserve Bank) did not know whether or not such a deal had been discussed, but as far as they personally know no such agreement existed. It would make considerable sense from a South African point of view so long as the Saudis are really interested. Despite the success of their efforts to extract oil from coal they are still dependent on imported oil (around 14 million tons in 1977) and are obviously reluctant to run down their large strategic stocks. Presumably the Saudis would be a firm holder of gold in which case if the quantities involved were large there would be a dramatic effect on the world gold market. Moreover, South Africa would surely benefit from being able to find a reliable supplier to replace Iran. At present the South Africans are buying in the spot market at prices ranging around \$18 per barrel.

2. On another aspect of the oil problem the Romanians told me today that 3 million tons of their total annual oil imports of 16 million are obtained from Iran. Their Washington embassy has been instructed to contact the representatives of other middle east countries to find an alternative supply. They have received an offer of part of the amount required at \$17 a barrel and an offer for the balance at \$20 a barrel. The first offer they have forwarded to Bucharest. They are awaiting an answer to this before summoning up the courage to forward the second offer.

cc: The Deputy Managing Director
Mr. Ware

group of countries, it added.
IRDAALAN NAMED IRANIAN FINANCE MINISTER. AFP reported today from Teheran that a highly-reliable source said Ali Ardalan will assume the post of Minister of the Economy and Finance in the new Iranian Government of Mehdi Bazargan. The new Government held its first cabinet meeting today, to discuss in particular the resumption of work in all sectors of the economy scheduled to begin on Saturday. AFP/Reuters reported that armed crowds attacked the U.S. Embassy and held the Ambassador and other staff prisoner for a time. The Ayatollah Khomeini condemned the attack, which observers said demonstrated the dissensions existing between the religious and marxist movements in Iran.

IRANIAN OFFICIAL HINTS AT RESUMPTION OF OIL SHIPMENTS TO U.S. WSJ, p. 4, reported from Teheran that a spokesman for Karim Sanjabi, Iran's new Foreign Minister, broadly hinted that the U.S. could look forward to resumed oil shipments from the new Government installed by the Ayatollah Ruhullah Khomeini. The spokesman, Massoud Amini, said that since "we need all the money we can get," it is "logical" to assume that Iran will continue exporting crude oil to the U.S. But he said it remained to be seen how oil would be exported and when exports would be resumed. Mr. Amini added that Mr. Sanjabi hopes that the U.S. and Iran could enjoy "good and friendly relations."

DOLLAR WEAKENS FROM EARLY ADVANCE. Reuters reported today from Asia/Europe that the U.S. dollar weakened in active foreign exchange markets, after an early advance. Dealers said the announcement yesterday that the U.S. Treasury will offer a further 2.5B D-mark denominated notes in Germany helped the dollar, while the D-mark was under slight selling pressure reflecting concern over the impact of cancellation of Iranian orders for German capital goods. The dollar closed in Tokyo at 200.75 yen against 199.15 yen yesterday. The Bank of Japan reported sold \$40M to curb the dollar's rise. In Frankfurt, the dollar was fixed at 1.8565 D-marks against 1.8605 yesterday, with the Bundesbank purchasing \$13M at the fixing. The dollar eased to 1.6760 Swiss francs in Zurich, to 4.2800 French francs in Paris, and to 2.0085 guilders in Amsterdam, but rose slightly in Brussels to 29.40 Belgian francs and in Milan to 840.10 lire. The pound sterling was narrowly lower in London at \$2.0035, while the Canadian dollar was unchanged at 83.84¢. Gold fell \$3 at the first London fixing to \$237.60. The second fixing was \$240.65.

"A BLUNDER TORPEDOES THE DOLLAR". Business Week, February 19, p. 85, said: "The major tremor shaking the international financial markets - sending the dollar down to its lowest levels in months and gold soaring an amazing \$21 in a single week to a record of \$251.60 - has its roots in an incredible blunder made recently by the world's central bankers. Just when the dollar was showing unexpected strength abroad, German, Japanese and even U.S. central bankers began selling dollars on the ...foreign exchange markets. While the U.S. FR sold \$1B for Japanese yen in one week, the Germans also sold \$700M. These heavy dollar sales followed a decision bySwitzerland and Japan to relax emergency capital controls imposed last year when the dollar was falling like a rock. But the central bankers' overestimated the dollar's strength and ability to withstand the tremendous shocks it is now receiving from the turmoil in Iran and from the soaring price of oil, which has hit \$20 a barrel for light crude on the spot market. The dollar may be especially hit by a loss of confidence from the Saudi Arabians who are currently negotiating through Germany's Deutsche Bank with the South Africans in an oil-for-gold swap....If the talks are successful, it would be the first time that the Saudis were willing to accept payment for their oil in anything but dollars. It would also add one more source of support for gold, which recently got a boost from the Europeans when they decided to value their gold contributions to the nascent European Monetary System (EMS) at world market levels...."

*Mr. White
Do we know anything
on this matter?*

Feb. 14 blue sheet

Mr. Cross

February 14, 1979

L. A. Whittome

Romania

I attach a note which summarizes the history and the present position as regards the provision of information by Romania.

If I can add anything to this please give me a ring.

Attachment



Office Memorandum

→ Mr. Whittome

Jr
Feb. 13

TO : The Managing Director
The Deputy Managing Director

DATE: February 12, 1979

FROM : L.A. Whittome

SUBJECT : Romania--Information

Refert and to Mr. Long
10/14/79

Attached is a note intended as a basis for the briefing to be given Undersecretary Solomon before he departs for China. As requested, it concentrates on the issue of the supply of information.

As to the question of the publication in IFS of a page on Romania, it now seems that the political obstacles to such a page have been overcome. On the technical side, there have been two missions to discuss the content of such a page, the latter of which (by staff from the Bureau of Statistics) was in November 1978. The Bureau is now preparing a mock-up IFS page for transmittal to the Romanians at an early date.

Attachment

cc: Mr. Ware

Romania--Information

From the day when possible Romanian membership of the Fund was first discussed, the question of information has been an important element in Romanian-Fund relations. The main questions have related to: (1) the minimum information required; (2) additional information requested; (3) the confidentiality and frequency of information supplied; and (4) the difficulties of verifying and presenting information objectively.

1. Minimum required information

In September 1954, Czechoslovakia was compelled to withdraw from the Fund because of failure to provide information required under Article VIII of the Articles of Agreements. With this in mind, the staff entered into prolonged discussions with the Romanians prior to their membership (in December 1972) determined to ensure that information required under Article VIII, Section 5(a) should, as a minimum, be supplied. Initial resistance was encountered particularly over supplying figures for international reserves, including gold holdings, but these figures were eventually provided and published in the membership paper. From the beginning, it was also made clear that if a financial transaction were in prospect, it would be essential that the data be provided with a greater frequency than once per year.

It was also continually emphasized that over the years Romania would be expected to provide such additional information as was provided by other economies of its size and importance. The Romanians were initially reluctant to supply information on foreign debt, but finally agreed to do so at the time of the first (May 1973) consultation. Data on external debt was given on condition that it be communicated to the Board orally by the staff and not incorporated in the consultation reports, and certain other data were supplied for use within the staff only. At the time of the Board discussion for the first credit tranche drawing, revised trade statistics and reserves were communicated orally to the Board, rather than being included in the paper. However, tables for international reserves and external debt appeared in the report for the 1974 consultation, and subsequently.

Article VIII, Section 5(a) of the Articles of Agreement lists 12 "minimum" items of information. From the start section (iv), namely information on "gold exports and imports according to countries of destination and origin," was not required since the staff was not obtaining this item from all other members. In addition, Romania has never provided indices of foreign trade prices, on the grounds that these did not exist, and could not easily be assembled. (Recently, the staff has been informed that such indices have begun to be compiled on a limited and experimental basis.)

2. Other information

Romania has always been willing to supply a considerable amount of data about production and national income, using Romanian methodology. In general, this has meant that the staff has had to be satisfied to use Romanian indicators, e.g., retail sales, as proxies for some of the main national accounts

aggregates. The Romanians have been helpful and cooperative in explaining the differences between their national income methodology and that used in market economies. In recent years, they have supplied some GNP data, and have helped the Fund staff to produce national accounts for Romania. As against this, the staff has had little exposure to the actual planning process, although it has been informed of the sequence of events actually involved.

Some gaps in monetary and fiscal data still remain. Monetary data in the early years of membership was largely confined to percentage growth rates of the main aggregates. In recent years, absolute numbers have been supplied, and the staff now has quarterly data for these series, which it has included in recent reports. During the last consultation with Romania, the staff also obtained the balance sheets of the five banks comprising the Romanian banking system, but only the balance sheet of the National Bank has thus far been included in a Fund report. The major problem with fiscal data is that most expenditure is lumped together as "financing the national economy," an item which includes budgetary funds for enterprise investment and much else. The staff has not yet been successful in obtaining a breakdown of this item.

In general the Fund has received quite complete information on the Romanian balance of payments, and a breakdown has always been provided allowing the balance of payments in convertible currencies to be separately distinguished. In addition, the exchange system has been described in considerable detail.

3. Confidentiality and frequency of information

Because any economic data not published within Romania are secret, officials are understandably reluctant to give the staff information which has not been approved for transmittal to a Fund mission. This has made it imperative for the mission to indicate to the Romanian authorities the full range of data needed, well in advance of discussions, since officials do not wish to make repeated requests for approval. Approval in a number of cases can only be given at the highest level. In practice, the need to obtain approval has often delayed the transmission of data, and reduced the flexibility of discussions. However, this problem has grown less over time, and the staff has now begun to receive some data on an unofficial basis; in addition, as the range of data sought and the use which the Fund staff makes of the data has become better understood by the Romanian side, the gaining of approval has seemed to proceed more rapidly. In large measure, this is because the staff has gradually earned the trust of the Romanians, and has always been able to respect the confidentiality of the information provided. From 1977, the Executive Board and a few staff members have received some data quarterly on a confidential basis. Moreover, in the last year, the political obstacles to a Romanian page in International Financial Statistics seem to have been overcome.

4. Verification and interpretation of information

Since in Romania there is only one official view on any subject, and since the staff has no way of checking on the validity of other views, the problem of presenting balanced and objective reports is real and constant.

On occasion, Romanian officials have informally given the staff information which provides some insight apart from the official line. This may help the staff inject the proper tone in its report, but of necessity such shading must be subtle so as to protect sources. For balance of payments forecasts, where the staff can most easily develop an independent view, the Romanians have shown an increasing willingness to accept revisions based on staff suggestions, and this has also been true, though to a lesser extent, in other areas.

Finally, there is the problem of interpreting the information received. In a country where, for example, the budget outturn and development of the money supply have entirely different implications than in a market economy, there is a certain amount of mental wrestling to be done to reach an understanding of the implications of policy measures. This is obviously not the Romanians' problem, but it means the process of selecting and interpreting data must be approached cautiously.

In summary, I think that one can say that considerable progress has been made in securing an adequate supply of information, and that the progress which has been made was in good part the result of not demanding too much in the beginning. It is hard to say if the process of gradually acquiring more information could have been significantly speeded without an adverse effect on Fund-Romanian relations. One constant difficulty has been the reluctance of the Romanians to provide the Fund with information which is not provided to their CMEA partners or indeed to responsible Ministers. Very gradually a degree of trust has been established that has allowed these frontiers to be breached but a necessary condition has been great care in the information made available in papers submitted to Executive Directors, which presumably in one way or another are available to the U.S.S.R. These reservations should not be interpreted as meaning that the flow of information for formal papers has not also increased. Indeed, enough progress has been made to have allowed discussion on the publication of a range of Romanian statistics in International Financial Statistics.

This will
be published
soon.

RECEIVED
T.I.F.

1979 FEB 14 AM 9:12

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ORIG: TRE
CC: MR. RUDING
EURO

I N F UR WASHINGTON D C
TREASURER'S DEPARTMENT
MR. W. O. HABERMEIER
TREASURER

REFERENCE PROCEDURE FOR EXCHANGE OF MEMBERS' CURRENCY UNDER
RULE D-4 (A).

1. THIS IS TO INFORM YOU THAT ROMANIA 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, TO BE APPLIED ONLY WITH THE PREVIOUS ROMANIAN
AUTHORITIES AGREEMENT AND ONLY WHEN THE BALANCE OF PAYMENTS
AND RESERVE POSITION OF ROMANIA/73 WILL BE SUFFICIENTLY STRONG.

2. WHEN ROMANIA'S CURRENCY IS SOLD BY THE FUND OR IS TO BE
USED IN A REPURCHASE ROMANIA WILL EXCHANGE THE BALANCE OF ITS
CURRENCY SOLD BY THE FUND, OR WILL MAKE AVAILABLE THE NECESSARY
BALANCE OF ITS CURRENCY, FOR U.S. DOLLARS. IN A REPURCHASE
TRANSACTION THE U.S. DOLLARS SHOULD BE PAID TO THE ACCOUNT OF
ROMANIAN BANK FOR FOREIGN TRADE MAINTAINED WITH MANUFACTURER'S
HANOVER TRUST COMPANY, NEW YORK, NEW YORK.

Global Telegram

Global Telegram

Ref: 212-249-7000
3. IN ACCORDANCE WITH RULE 0-6 (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 AGAINST THE SDR ON THE DATE OF DISPATCH OF THE FUND'S INSTRUCTIONS FOR THE TRANSACTION. IN ACCORDANCE WITH RULE 0-6 (C) THE VALUE DATE FOR AN EXCHANGE OF CURRENCY WILL BE THE THIRD BUSINESS DAY AFTER THE DATE OF DISPATCH OF THE FUND'S INSTRUCTIONS OR AS CLOSE THERETO AS IS PRACTICABLE.

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

5. WE REQUEST THE CURRENCIES ACQUIRED BY ROMANIA FROM THE FUND BE EXCHANGED FOR U.S. DOLLARS TO BE PAID TO THE ACCOUNT OF ROMANIAN BANK FOR FOREIGN TRADE MAINTAINED WITH MANUFACTURER'S HANOVER TRUST COMPANY, NEW YORK, NEW YORK. IF WE NEED TO OBTAIN CURRENCIES TO MAKE PAYMENTS TO THE FUND, WE WISH TO ACQUIRE THEM AGAINST THE SAME 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.

TEST NUMBER 709.-

MINISTRY OF FINANCE BUCHAREST, ROMANIA

112391GFSMF R

REPEAT ...

RESERVE POSITION OF ROMANIA WILL BE SUFFICIENTLY STRONG.-

TKS.-

112391GFSMF R

243331 1MF UR

TKS.

112391GFSMF R

Mr. Whittome
✓
2

Mfi. Berthet

February 13, 1979

James Wein

Romania--Rescheduling of Repurchases

Following our telephone conversation, I am sending you a draft of the European Department's portion of this paper. It has been approved by Mr. Whittome.

When ready, please send the draft of the paper to me in the first instance.

Attachment

cc: Mr. Whittome ✓
Mr. Tyler (on return)
Mr. Mountford



Office Memorandum

TO : The Managing Director
The Deputy Managing Director

FROM : L.A. Whittome *LAW*

SUBJECT : Romania--Information

DATE: February 12, 1979

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Office Memorandum

L.H. said "O.K."
SPD notified

TO : Mr. Whittome *W*
FROM : James Wein *JW*
Leigh Alexander *LA*
SUBJECT : Romania--Rescheduling of Repurchases

DATE: February 8, 1979

Attached for your consideration is a draft of this Department's portion. We have tentatively agreed with Mr. Berthet, who is drafting the sections done by Treasurers', that we will have a draft for him toward the first part of next week.

The attached balance of payments tables are for reference.

Attachment

cc: Mr. Tyler (on return)
Mr. Mountford

DRAFT
JWein
2/7/79

Romania's balance of payments position for 1976-77, including the balance of payments in convertible currencies, is described in the staff report for the 1978 consultation (SM/78/231, 8/29/78) and the outturn for the first half of 1978 is given in Recent Economic Data (EBS/78/517, 9/15/78). From the second half of 1977, the balance of payments gradually recovered from the effects of the earthquake of March 1977. In the final quarter of 1978, however, there was a sharp deterioration in the current account caused primarily by the effect of severe weather on agriculture, transportation, and power supplies, and by an explosion in a large petrochemical complex. The current account deficit for 1978 as a whole exceeded SDR 500 million. As a result, it was necessary to markedly increase net short-term borrowing and the overall deficit amounted to about SDR 50 million.

The balance of payments in convertible currencies is of particular interest, since it determines the level of convertible reserves and thereby affects Romania's ability to repurchase from the Fund. The poor agricultural year, energy shortages, and the refinery explosion had by far their greatest effect in the convertible area, reducing the supply of exports and necessitating additional imports. The convertible current account deficit in 1978 was nearly SDR 520 million, compared with SDR 234 million in 1977. On capital account, there was a net medium- and long-term inflow of almost SDR 200 million, and, in addition, it was necessary to undertake net short-term borrowing of some SDR 300 million. Of the overall convertible surplus of SDR 32 million, half was used in 1978 for net repurchases from the Fund. Gross convertible reserves at the end of 1978 amounted to the equivalent of SDR 231 million, covering only three weeks of convertible imports.

After the unexpected setback of 1978, the 1979 current account deficit (in all currencies) is expected to show considerable improvement. A small current account surplus is projected for the nonconvertible area, while in convertible currencies the current account deficit is expected to decline to about SDR 200 million. Net long- and medium-term borrowing in convertible currencies is forecast at over SDR 380 million, about the same as in 1977; however, net credits extended are expected to reduce the convertible net long- and medium-term inflow to about SDR 210 million. At the same time, it is hoped that after the increase of short-term debt in 1978, it will be possible to refrain from substantial net short-term borrowing in 1979. Under these conditions, it would be difficult for the Romanian authorities, who repurchased the equivalent of SDR 55 million from the Fund in 1978, to make further repurchases amounting to the equivalent of SDR 170 million in 1979, without either considerably running down already very low reserves, or incurring additional external debt. The proposed rescheduling would reduce repurchases with the Fund to SDR 50 million in 1979, and distribute Romania's repurchase obligations more evenly in 1979 and subsequent years. The largest repurchase for 1979 would be scheduled for October, since in this quarter, for seasonal reasons, export receipts are greatest. Even with the proposed schedule of repurchases, and allowing for the 1979 SDR allocation, Romania's gross convertible reserves will remain very low relative to convertible area imports.

Table 1. Romania: Balance of Payments, 1978-79

(In millions of SDRs)^{1/}

	1978 ^{2/}			1979 ^{3/}		
	Receipts	Payments	Balance	Receipts	Payments	Balance
A. Goods and services						
Commodity trade						
Exports, f.o.b.	6,435	--	--	7,196	--	--
Imports, f.o.b.	--	6,801	--	--	7,224	--
Trade balance	6,435	6,801	-367	7,196	7,224	-27
Services						
Tourism	198	50	148	215	55	160
Transportation and communications	272	380	-109	303	442	-139
Interest on debt)	127	307	-180	150	336	-186
Other)						
Total services	597	737	-141	668	833	-164
Balance on goods and services	7,032	7,538	-507	7,864	8,057	-192
Capital						
B. Medium- and long-term capital	...	...	90	...	...	59
Credits received	...	...	387	...	...	393
Credits extended	...	...	-296	...	...	-334
C. Short-term capital	...	...	378	...	...	-19
Credits received	...	...	304	...	...	-33
Credits extended	...	...	74	...	...	14
Total capital	...	...	468	...	...	40
D. Net errors and omissions	...	...	-12	...	...	...
E. Overall balance	...	...	-51	...	...	-152
F. SDR allocation	...	...	--	...	...	25
G. Monetary movements (net) ^{4/}	...	...	51	...	...	127
Monetary gold	-4	-9
SDR holdings	7	-10
Reserve position in the Fund	--	--
Foreign exchange	-19	-20

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	Monetary gold	-4	-9
	SDR holdings	7	-10
	Reserve position in the Fund	--	--
	Foreign exchange	-19	-20
	Payments agreements, net	83	175
	Use of Fund credit	39	55	-16	41	50	-9

Source: Data supplied by the Romanian authorities.

^{1/} Figures may not add because of rounding; items A to D converted from U.S. dollars at SDR 1 = (a) 1978: \$1.252; (b) 1979: \$1.284.

^{2/} Provisional.

^{3/} Forecast.

^{4/} Increase in assets (-); stock figure converted using end-period exchange rates.

Table 2. Romania: Balance of Payments, Convertible Area, 1978-79

(In millions of SDRs) 1/

	1978 2/			1979 3/		
	Receipts	Payments	Balance	Receipts	Payments	Balance
A. Goods and services						
Commodity trade						
Exports, f.o.b.	3,244	--	--	3,621	--	--
Imports, f.o.b.	--	3,585	--	--	3,630	--
Trade balance	3,244	3,585	-341	3,621	3,630	-8
Services						
Tourism	110	21	89	126	22	104
Transportation and telecommunications	200	290	-90	222	325	-103
Interest on debt)	101	278	-177	125	322	-197
Other)						
Total services	411	589	-178	473	669	-195
Balance on goods and services	3,655	4,174	-519	4,094	4,299	-204
Capital						
B. Medium- and long-term capital	...	...	198	...	...	211
Credits received	...	...	386	...	...	382
Credits extended	...	...	-188	...	...	-171
C. Short-term capital	...	...	351	...	...	16
Credits received	...	...	305	...	...	28
Credits extended	...	...	46	...	...	-12
Total capital	...	...	549	...	...	227
D. Net errors and omissions	...	...	2	...	...	...
E. Overall balance	...	...	32	...	...	23
F. SDR allocation	...	...	...	...	...	25
G. Monetary movements (net) 4/	...	...	-32	...	...	-48
Monetary gold	...	...	-4	...	...	-9
SDR holdings	...	...	7	...	...	-10
Reserve position in the Fund	...	...	--	...	...	--
Foreign exchange	...	...	-19	...	...	-20
Use of Fund credit	39	55	-16	41	50	-9

Source: Data supplied by the Romanian authorities.

Total services	411	589	-178	473	669	-195
Balance on goods and services	3,655	4,174	-519	4,094	4,299	-204
Capital						
B. Medium- and long-term capital	...	...	198	...	...	211
Credits received	...	...	386	...	...	382
Credits extended	...	...	-188	...	...	-171
C. Short-term capital	...	...	351	...	...	16
Credits received	...	...	305	...	...	28
Credits extended	...	...	46	...	...	-12
Total capital	549	227
D. Net errors and omissions	2
E. Overall balance	32	23
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Reserve position in the Fund	--	--
Foreign exchange	-19	-20
Use of Fund credit	39	55	-16	41	50	-9

Source: Data supplied by the Romanian authorities.

^{1/} Figures may not add because of rounding. Items A to D converted from U.S. dollars at SDR 1 = (a) 1978: \$1.25200; (b) 1979: \$1.284.

^{2/} Provisional.

^{3/} Forecast.

^{4/} Increase in assets (-); stock figure corrected using end-period exchange rates.

INTERNATIONAL MONETARY FUND

2/2/79

~~LAW~~:

I have informed Mr. Ruding of main
achievements of mission.

Albin Pfeifer



Office Memorandum

Mr. Willett
2

TO : The Acting Managing Director

FROM : Geoffrey Tyler ⁵⁷

SUBJECT : Romania--Discussions Regarding Use of Compensatory
Financing Facility and Schedule of Repurchases

DATE: February 2, 1979

A mission consisting of Messrs. Wein and Alexander (both EUR), Miss Palazzo (ETR) as secretary, and myself was in Bucharest from January 20-31, 1979 to discuss the above subjects. Miss Palazzo and I continued to Yugoslavia for a mission there.

Schedule of repurchases

Repurchases totaling SDR 150 million fall due on four dates this year resulting from one purchase of SDR 95 million under the CFF and three purchases under a stand-by arrangement, all made three years earlier in 1976. A schedule of repurchases agreed between Treasurer's Department and Exchange and Trade Relations Department is acceptable to the Romanian authorities, and a draft letter requesting the schedule was agreed with the Romanians. The usual Board request will be drafted shortly for your approval.

Compensatory financing facility

The mission discussed past and future developments for exports and, subject to the views of Research Department, we believe there is ample evidence of a shortfall in calendar 1978. The main causes were bad weather conditions (a long dry summer and autumn, followed by many frosts in the last months of the year and then the severe snowfalls that have affected much of Europe), together with serious damage by an explosion in a large petrochemical complex. These events reduced export supplies and also required additional imports. We obtained past data and forecasts for 1979-80 for some 40 different commodities covering about two-thirds of total exports, with an annual average growth rate of the latter in the two post-shortfall years of around 12.5 per cent, which is by no means high in recent Romanian experience. The formula shortfall is very large and our estimate of the judgmental shortfall is about SDR 170 million, compared with the maximum possible CFF purchase of SDR 41.25 million. The maximum deduction for double compensation is about SDR 10 million.

As for the balance of payments need, the deterioration in the trade and hence the current account in 1978 and that expected in 1979 before exports recover has necessitated substantial short-term compensatory financial borrowing by the Romanian Bank for Foreign Trade, both in convertible currency and via bilateral transactions in the International Bank for Economic Cooperation (IBEC) with other CMEA countries. This has been necessary since the international reserves are minimum working balances (equal to about only three weeks' convertible imports for the convertible reserves). Total convertible short-term compensatory financial borrowings in 1978-79 will be around US\$500-600 million, excluding the requested CFF purchase. There seems, therefore, to be ample justification of need.

Domestically, the authorities are reacting to the external problem by reducing somewhat planned growth rates of national income and investment, but it may well be that they will have to be even more restrained in the 1981-85 Five-Year Plan. (It is not yet possible to give precise planned growth data since the absolute 1979 Plan figures are available but not yet the absolute 1978 outcomes, and the 1981-85 Plan is still being discussed.) Monetary policy is to be tightened very much (3 per cent expansion of the main credit category in 1979) in an endeavor to force more financial discipline on enterprises but I doubt that this low figure can be adhered to.

As for the CFF Board paper, the data and their background will be transmitted to Research Department and a draft paper will be prepared for your consideration.

Supply of information and IFS page

The officials we worked with were more open than on previous occasions and, in particular, supplied us with useful new data on transactions with IBEC. Also, they were for the first time willing to give us data in advance of receiving official approval. In my meeting with the Minister of Finance, he reiterated his aim of having an IFS page and the Governor of the National Bank indicated that monetary data would perhaps be published in Romania for the first time during this year. The prospects for an IFS page thus appear improved.

Other matters

The Minister of Finance raised the traditional subjects of a relative increase in Romania's quota and the desirability of having Romanians on the Fund staff.

cc: The Managing Director (on return)
Mr. Gold
Mr. Polak
Mr. Sturc
Mr. Whittome ✓
Mr. Ware

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 1
held at the Ministry of Finance, at 11:00 a. m.
on Monday, January 22, 1979

PRESENT:

Romanian representatives

Mr. Eremia
Mr. Ionescu-Lungu
Mr. Stoenescu
Mr. Munteanu
Mr. Demian
Mr. Ionescu

IMF representatives

Mr. Tyler
Mr. Alexander
Mr. Wein

Mr. Eremia welcomed the mission and was thanked by Mr. Tyler who then outlined the main topics which the staff team needed to discuss. Mr. Tyler also explained that the time available for discussions was limited by the fact that it was necessary for him to begin another mission at the end of the month, and that therefore the morning of January 31 was the latest date on which he could be in Romania.

Compensatory finance

The most important task was discussions relating to possible request for a purchase under the compensatory financing facility, the maximum amount of which was SDR 41.25 million. For this, the data in a similar format to that provided for the last CFF purchase would be needed, including both price and volume data for the detailed commodity breakdown. A full discussion will be needed of past export developments as well as those in the two post shortfall years. A discussion of stocks would be required and would also be necessary to discuss the balance of payments for 1978 and 1979 to establish balance of payments need.

Because a further purchase under the CFF would for Romania be in excess of 50 per cent of quota under this facility, the question of cooperation with the Fund would also be particularly important. It would therefore be necessary to discuss policies for 1978 and 1979, although not in as much detail as in a consultation. In particular, the staff team would like to discuss monetary policy

in 1978 and 1979 with representatives of the National Bank. Regarding the budget, some discussion would be necessary but it need not be particularly detailed although the budget figures would be necessary. Moreover, the staff team would wish to discuss any new policy measures taken since last year, perhaps with Mr. Lazaride if he were available.

Mr. Tyler further noted that it would be necessary to examine the question of double compensation; there were two methods of calculating this, one of which had already been employed by the staff in Washington. For the other, it would be necessary to have the total of exports in the 36 months preceding each of Romania's purchases from the Fund in calendar 1978, i.e. in the shortfall year. Specifically, it would be necessary to have the total of exports in the periods: (a) May 1975 through April 1978; (b) June 1975 through May 1978; and (c) September 1975 through August 1978. In addition, it would be necessary to provide sufficient information about the distribution of these totals over time so that the correct rates can be used to convert them from dollars into SDRs.

A final consideration relating to the CFF, Mr. Tyler continued, was an Executive Board review of this facility, which may be discussed by Executive Directors as early as February 7, 1979. The paper for this discussion has probably already been circulated, although Mr. Tyler noted that he had one only in draft form. In a number of respects the review may result in conditions which could make it more difficult for Romania to make purchases under the CFF. Some of the proposals being mooted in the draft paper are: (a) to make distinctions based on per capita income (where Romania would not fall in the lowest income per capita group); (b) to change the shortfall formula from the use of an arithmetic average to the use of a geometric average. (This would impose a harder test for countries with rapid rates of export growth such as Romania.); and (c) to provide special amounts of money for those who can show shortfalls in particular primary commodities (which again is not likely to help Romania). In summary, Mr. Tyler said, the new CFF provisions seemed to direct use of the facility toward less developed primary-producing countries.

Mr. Eremia then offered some general comments in the context of a possible CFF request as well as in the context of general economic developments in 1978. He noted that this had been the hardest winter in some years and had produced problems concerning the transportation of industrial supplies, fuel for power stations, foodstuffs for livestock, as well as various goods for the population. All of these problems were being solved but there were still some difficulties. There had been heavy snowfalls following a hard frost in November and this had come in addition to shortages of hydropower resulting from a prolonged drought in the summer and autumn. The combination of these circumstances had forced energy conservation measures relating to domestic heating and rather more severe energy conservation measures in industry. Regarding the balance of payments,

Mr. Eremia continued, the 1978 outturn was less favorable than had been expected. In particular, the agricultural outturn was one of substantial under-fulfillment and this had, of course, affected exports, including meat, sugar, cereals, foodstuffs, and vegetable oils; in addition, supplemental imports had been needed, especially for livestock fodder. A further factor was major damage in the petrochemical industry resulting from an explosion at Pitesti. The capacity which had been destroyed is still nonproductive and this naturally has also had an effect on exports.

Regarding the other points on which Mr. Tyler had touched, Mr. Eremia noted with thanks the information given the Board concerning the CFF. He recalled that on the occasion of the previous CFF discussions by Romania with the staff, some changes from an earlier Executive Board review had also been expected. Of course, Romania needed to make a case for balance of payments need and demonstrate the required shortfall; the conditions of access to the CFF in this regard might become more difficult.

Tomorrow, Mr. Eremia said, the balance of payments figures for 1978 and 1979 would be available, as well as the detailed commodity export figures which had been requested, although the 1978 figures were still provisional. Discussions on the balance of payments could therefore start tomorrow morning. In addition, as part of the more general discussion of policies, he hoped that Mr. Petrescu would be available to discuss monetary policy, and that Mr. Lazaride would be available to discuss general domestic developments; he would also consult with colleagues and the Directorate of Statistics in order to provide the requested information.

Use of ordinary resources

Mr. Eremia then inquired whether there was the possibility of using regular Fund resources; this was a question about which he needed to be clear in reporting to his superiors. Mr. Tyler replied that the staff team's brief did not allow for discussions concerning the use of ordinary resources. He felt, however, that Management would take the view that a CFF purchase as well as an estimated schedule of repurchases (see below) constituted considerable support for Romania. If during the discussions the staff team found a very persuasive case for the use of ordinary resources, it might be possible to discuss this subject further, but his personal opinion was that it would be very difficult to proceed along these lines at this time.

Rescheduling of repurchases

Mr. Tyler said that besides the CFF request, the other main topic for negotiation was a rescheduling of repurchases to be made by Romania. Mr. Tyler then told the Romanian representatives of the schedule of suggested repurchases which had been agreed by the European and Treasurer's Departments. This

proposed schedule conformed to the rule that each purchase must be repurchased within five years and, in addition, evened out the Romanian repurchases over the next few years. Mr. Tyler said that there was also possibility of rescheduling in 1979 those eligible purchases (amounting to SDR 72.5 million) falling due for repurchase in that year. Mr. Eremia noted the staff team's proposal and said that a response would be forthcoming in due course. Mr. Tyler said that later in the discussions the mission would propose a draft communication to the Fund regarding the 1979 rescheduling.

Quarterly data and IFS page

Mr. Tyler said that it was somewhat disturbing that the quarterly data for September still had not been received. This created a difficult situation and made it harder to convince the Board that progress in the information field was continuing. Mr. Eremia said that the September data had been sent via the Romanian Embassy in Washington some ten days ago and that a copy would be available before the end of the meeting (this was subsequently provided). Mr. Tyler thanked Mr. Eremia but emphasized that prompt receipt of the data was necessary to give the Executive Board a picture of recent developments in Romania; he hoped that the lag in providing quarterly data (which had lengthened somewhat compared with previous quarters) could be shortened.

Mr. Tyler also wondered what progress had been made regarding an IFS page since the recent discussions with staff from the Bureau of Statistics. Mr. Eremia said that he would arrange to have a discussion on this subject.

Exchange rate system

In response to inquiries by Mr. Tyler, Mr. Eremia said that there had not been any changes in the exchange rate system since last September and that the leu remained pegged to the dollar. The exchange rate of other quoted currencies was changed so as to maintain consistent cross rates. New lists of noncommercial exchange rates were issued from time to time, but in fact more frequent changes were made in order to maintain consistent cross rates, and these changes were distributed to and acted on at all bank branches, at airports, etc. A list of these changes made since September would be made available to the staff team. Mr. Eremia noted that the management of the Ministry of Finance had under continuous consideration the question of whether it was better to maintain the link with the dollar or if the exchange rate system should be changed; however, the experts seemed to reach contradictory conclusions. But in a centrally-planned economy the frequent changes in the rate of individual currencies (other than the dollar) was causing many difficulties.

The official exchange rate, Mr. Eremia continued, had not been abolished on January 1, 1979 as had been originally intended, but in fact the official rate was used only in the Plan and certain balance of payments presentations. Foreign

trade organizations used the commercial rate of 18 lei per U.S. dollar. One problem involved in changing or doing away with the present set of official rates was the implications for the structure of East-West trade. This arose because there is at present a broken cross rate between the official exchange rate for the dollar as compared with that for the transferable ruble. Unifying the transferable ruble/dollar cross rate might influence the direction of trade, but on the other hand maintaining two rates was not in accord with the unification sought by the authorities.

In the context of exchange rate changes, Mr. Eremia said that the March 1978 change from lei 4.97 per US\$ to lei 4.47 per US\$ had caused massive internal bookkeeping problems since the balance sheets of the banks and foreign trade organizations had to be substantially revised. This work had only been completed in the last days of 1978.

Rule O-4

Mr. Tyler reminded the Romanian representatives that for some time now the Fund had been seeking to agree with Romania the conditions under which Romanian lei could be used in Fund operations and transactions if and when this might be appropriate. This was a requirement for all member countries, and Romania was virtually the only country with which agreement had not yet been reached. Mr. Eremia said that this problem was a difficult one for many persons in the Ministry of Finance to understand. The Executive Bureau of the Ministry of Finance had many questions on this topic, although a proposal had been nearly agreed between the Ministry of Finance and the National Bank; to complete agreement, the consent of Minister Niculescu-Mizil, who has not yet seen the document, will be required. Mr. Eremia said that he was convinced that during this week a proposal could be submitted to the Government. Progress on this would be reported to the Fund mission.

With this outline of the topics to be discussed, it was agreed that a detailed consideration of the balance of payments based on figures for 1978 and 1979 would begin tomorrow at 10:00 a. m. The meeting adjourned at 12:45 p. m.

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance and Repurchase Rescheduling

Minutes of Meeting No. 2
held at the Ministry of Finance, at 10:00 a. m.
on Tuesday, January 23, 1979

PRESENT:

Romanian representatives

Mr. Eremia, Ministry of Finance
Mr. Ionescu-Lungu, Ministry of Finance
Mr. Tocitu, Ministry of Finance
Mr. Stoenescu, Ministry of Finance
Mr. Vierita
Mr. Munteanu, Ministry of Finance
Mr. Ionescu, Ministry of Finance
Mr. Demian, Ministry of Finance

IMF representatives

Mr. Tyler
Mr. Alexander
Mr. Wein

Mr. Tyler, after thanking the Romanian representatives for the September 1978 data received at the previous meeting, observed that the export performance was satisfactory during the first three quarters of 1978 but that imports were higher than expected. It further appeared that the growth of exports had slowed over the next three quarters due partly to the refinery explosion, severe weather, and a poor harvest. If the shortfall year were taken to be calendar 1978, it might be difficult to justify an adequate growth rate of exports in 1979 because of the impact of the aforementioned factors in the first half of the year. Moreover, although Romanian exports had grown rapidly in the past under normal circumstances, such growth had always been interrupted. Thus, it would also be difficult to justify a very high rate of growth of exports (say, 20 per cent) in 1980. In fact, an export shortfall could probably be proven more easily for a shortfall year ending March or June 1979; however, for Romania there were special reasons for hoping a shortfall in 1978 could be proven.

The Fund representatives were then presented with a paper showing the export shortfall (in US\$) based on calendar 1978. They observed that the compound rate of growth of exports forecast over 1979-80 exceeded 22 per cent (25 per cent in 1979 alone) and asked how this could be justified in a period when the world economy was not strong, and when perhaps two quarters of sluggish Romanian exports could be expected in 1979. The Romanian representatives suggested that their forecast was partly based on the recent rise in the price of crude oil which would be translated into a general rise in export prices of some 8-10 per cent in 1979.

In response, Mr. Tyler pointed out that the Fund had estimated the volume growth of Romania's export markets in 1979 to be less than 6 per cent. The Fund's export price forecast (in dollar terms) was roughly the same as that of the Romanian authorities; thus, there was no way that a rise in export value of some 25 per cent could be justified. Mr. Tyler also observed that although Romanian export prices may generally follow the developments in crude oil prices, the price rises for refined products--constituting the bulk of Romanian petroleum-based exports--could be expected to be smaller due to greater competition. All in all, the Executive Board would be most unlikely to accept these forecasts as a justification for a drawing under the compensatory financing facility.

Mr. Eremia said that the forecasts provided to the Fund representatives were the target figures contained in the official Plan. However, they should perhaps be revised downward. New forecasts would therefore be presented at a future meeting.

The meeting turned to a discussion of the 1978 balance of payments outturn. The Romanian representatives said that information on gross flows in the capital account were unavailable at present, as were net data on the nonconvertible area capital and services accounts. These data would be provided at a later date since, as the Fund representatives had pointed out, the overall BOP outturn was required for a compensatory drawing. Mr. Tocitu verbally presented the convertible area balance of payments and nonconvertible area trade account as shown in the attached Tables 1 and 2, respectively.

With respect to the convertible area, the Romanian representatives commented that in relation to the forecast given at the time of the last consultation, merchandise exports in 1978 were \$245 million less and commodity imports \$343 million more. The export shortfall occurred primarily in the last quarter of 1978, since the shortfall during the first three quarters was only \$30 million. In the final quarter, the loss of production at the Pitesti refinery and low agricultural production were responsible for the shortfall. The excess of imports had arisen because of lower than expected coal and crude oil production, additional needs for technological equipment, and a shortage of animal fodder due to drought. An extra 800,000 tons of crude oil were imported--mainly between January and July and prior to the refinery explosion--but stocks of crude oil had not been built up significantly by year-end. The Romanian representatives also regarded the underfulfillment of crude oil production as being unlikely to occur again in future years, although no reasons for the 1978 shortfall were provided.

With respect to nonconvertible trade, both imports and exports were higher than expected because of additional needs for raw material imports, which had been paid for by exports of light industrial goods and chemicals. There were also higher than expected exports of machinery and equipment to developing countries.

In reply to a question from Mr. Tyler, the Romanian representatives stated that only those exports which could not be sold in the convertible area were diverted to the nonconvertible area. Romanian exports faced many restrictions in the convertible area, particularly for light industrial products and chemicals.

In discussing the capital account, Mr. Tyler pointed out the distinction between "normal" capital inflows related to trade and "special" capital inflows connected with official borrowing to prevent a fall in the level of international reserves. He suggested that for Romania, where there had been an overall BOP surplus in 1978 and where international reserves were extremely low, an adjustment of the overall balance to take account of such "special" borrowing could facilitate the presentation of the case for BOP need in a request for a drawing under the compensatory financing facility.^{1/} The Romanian representatives were therefore asked if any borrowings of convertible currency or any borrowings from IBEC fell into this "special" category. They replied that a \$300 million Eurodollar loan arranged through Barclays Bank had been undertaken primarily to lengthen the overall structure of external indebtedness, and only secondarily to maintain the level of international reserves. On the other hand, short-term financial credits arranged by the Romanian Bank for Foreign Trade (RBFT), which were obtained mainly in the fourth quarter, could reasonably be described as being purely of a financial nature. The Fund representatives asked to be supplied with the gross borrowings of this "special" nature by the RBFT in 1978 (and also repayments, if possible), as well as any medium- and long-term borrowings which fell into this "special" category between 1975 and 1978. Similar transactions with IBEC should also be supplied to the Fund representatives; these, however, would not be separately identified in the Fund report.

The Romanian representatives said that there had been no other Eurodollar borrowings other than the \$300 million arranged by Barclays Bank.

Exchange arrangements

Mr. Vierita showed the Fund representatives the exchange rate lists reflecting changes in foreign exchange rates since September 1978. The main list had been published fairly regularly and minor changes had been communicated to the financial institutions quite frequently, often on a daily basis. The Romanian representatives explained that the exchange rates were changed in order to prevent any divergence in cross rates beyond 2 per cent, and that the commercial rates were changed in a corresponding manner to the noncommercial rates.

Mr. Tyler asked that the exchange rate quotations be communicated more frequently to the Fund, preferably each Wednesday. The Fund representatives undertook to put a proposal in writing to the Romanian representatives, whereby the transmittal of exchange rates to the Fund could be expedited.

^{1/} The Romanian representatives were shown the adjusted overall balance in the BOP of Cyprus as an example.

Mr. Vierita stated that there had been no other changes in the exchange system since the last Fund consultation, i.e. since September 1978.

The meeting ended at 12:55 p.m.

Atts.

Table 1. Balance of Payments,
In Convertible Currencies

(In millions of US\$)

	1978 ^{1/}		
	Receipts	Payments	Net
Goods and services			
Commodity trade			
Exports, f.o.b.	4,061	--	--
Imports, f.o.b.	--	4,488	--
Trade balance	4,061	4,488	-427
Services			
Tourism	138	26	112
Transportation and Communications	250	363	-113
Interest on debt	42	225	-183
Other services	84	123	-39
Total services	514	737	-223
Balance on goods and services	4,575	5,225	-650
Capital			
Medium- and long-term capital			247
Credits received			(483)
Credits extended			(-236)
Short-term capital			459
Credits received			(401)
Credits extended			58
Total capital			706
Net errors and omissions			--
Monetary movements (net)	...	...	-56
Monetary gold			-12
SDR holdings			9
Reserve position in the Fund			--
Foreign exchange			-35
Use of Fund credit			-18

^{1/} Provisional.

Table 2. Balance of Trade

(In millions of US\$)

	1978 ^{1/}		
	Convertible Area	Nonconvertible Area	Total
Exports, f. o. b.	4,061	3,995	8,056
Imports, f. o. b.	<u>-4,488</u>	<u>-4,027</u>	<u>8,515</u>
Trade balance	-427	-32	-459

^{1/} Provisional.

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance and Repurchase Rescheduling

Minutes of Meeting No. 3
held at the Ministry of Finance, at 10:00 a. m.
on Wednesday, January 24, 1979

PRESENT:

Romanian representatives

Mr. Eremia, Ministry of Finance
Mr. Ionescu-Lungu, Ministry of Finance
Mr. Petrescu, National Bank
Mr. Pirvu, Ministry of Finance
Mr. Patapievich, National Bank
Mr. Stoenescu, Ministry of Finance
Mr. Demian, Ministry of Finance

IMF representatives

Mr. Tyler
Mr. Alexander
Mr. Wein

The meeting was concerned with a brief discussion of money and credit, and the state budget for 1978 and 1979.

Money and credit

Mr. Petrescu gave the staff mission a table giving the main monetary aggregates quarterly for 1978 (these figures are provisional) and an annual forecast for 1979. Concerning short-term credit, he noted that the normal rate of growth was usually about 9 per cent annually. In 1976, growth had been greater because of price resetting, and at the same time resources from the state budget also increased, as could be seen from the money supply figures. In 1977, the situation was somewhat reversed, with enterprise assets down and a similar lessening of credits to enterprises. Both 1976 and 1977, then, had been influenced by the price resetting.

By comparison, 1978 was a normal year for short-term credit, with growth of 9.4 per cent, or very slightly more than planned. This was appropriate for the growth of major sectors of the economy. For example, comparing the first 11 months of 1978 with the same period of 1977 (the latest available data), industrial production was up 9 per cent, construction 13.1 per cent, exports 10.5 per cent, and retail sales 12.0 per cent.

There were, of course, some areas where short-term credits did not develop as planned. In machine building, the planned physical output was not achieved by all enterprises, necessitating additional financing of some stocks and intermediate goods. In addition, some extra stocks above plan were financed for distribution units, where it was thought these stocks would be necessary for use early in 1979. On the other hand, credits were less than planned to retail trade units in the socialist sector as a result of higher sales of goods resulting from the first stage of remuneration increases. In agriculture, also, short-term credits extended were less than planned, chiefly because of smaller cereal production and the generally poor agricultural year.

Mr. Petrescu said also that a breakdown of short-term credit extended by sector would be given the staff team before it departed.

Regarding the 1979 forecast, Mr. Petrescu observed that 1979 was the fourth year of the current Five-Year Plan. As was usual, this meant that 1979 targets were generally higher than in 1978. Despite this, the planned figures for money and credit in 1979 are very low. As a result of the measures to improve the economic mechanism, first announced in March 1978, income and expenditure budgets within enterprises are expected to be a more active instrument of enterprise management in 1979, and to make possible the achievement of production targets with smaller credits. In addition, enterprises are to be more concerned with obtaining firm sales contracts as a basis for production, and with lowering production costs. This will make possible higher remuneration for workers.

A further factor is the new law on profits, which entered into force on January 1, 1979, and which allows firms to keep an increased part of their profits; this will lower the demand for bank credit. At the same time, the increase in retained profits will have a depressing effect on budget revenues and thus result in a tendency toward a smaller growth in the money supply in 1979. Having said all this, Mr. Petrescu remarked that the low target growth of short-term credit in 1979 was nevertheless very tight, and actual growth could easily be greater. Regarding the greater use by enterprises of investment credits under the new economic mechanism, Mr. Petrescu said that he was unable to comment, as this was within the purview of the Investment Bank.

Cash in circulation

Mr. Patapieвич said that in 1975-77 cash in circulation had generally grown more quickly than the incomes of the population, and this was considered good in view of the increasing supply of retail goods available. In 1978, however, earnings of the population increased by more than 11 per cent, while that of cash in circulation grew by only 5 per cent. There was an abnormally large decline in cash in circulation in the fourth quarter of 1978. This could be explained by a structural adjustment to the pattern of demand by the fourth quarter, following strong growth in cash in

circulation earlier in the year, in part because of remuneration increases earlier in the year. The largest of these took place in June 1978, and added lei 2 billion to wage receipts. During the first three quarters of 1978, the annual rate of increase of cash in circulation was about 20 per cent, compared with much lower rates in previous years. The higher incomes of the population led to a shift in the structure of demand and, in particular, to an increase in demand for higher quality and higher priced goods. By the fourth quarter of 1978, however, the changes in demand structure "started to show their effect" resulting in a sharp fall-off in cash in circulation from previous quarters. The fourth quarter decline did not represent a flight from money, because savings deposits in the fourth quarter rose sharply.

For 1979, Mr. Patapievich continued, cash in circulation was expected to increase by 10.4 per cent, a rate of growth which could be considered normal and which conformed to the general trend over the last 20 years, i.e. that the growth rate of cash in circulation was less than that of earnings by the population. The idea was that earnings would be increasingly absorbed by the purchase of goods and services.

Mr. Tyler replied with some skepticism regarding the reason for the decline in cash in circulation in the fourth quarter of 1978. He wondered whether a shortage of goods for purchase might have been an important factor. However, the Romanians represented that the main feature in the first three quarters of 1978 was additional income of about lei 9 billion, resulting in a temporary imbalance between supply and demand which was worked out in a new demand structure in the fourth quarter. It was also observed, that cash in the hands of the population comprised 95 per cent of cash in circulation (with cash holdings of enterprises accounting for the rest), so that the effect of cash in the hands of enterprises, retail units, etc. was not likely to be an important factor.

Regarding interest rates, Mr. Petrescu said there had been no changes since September. Some reductions in rates in agriculture and investment were being considered. The more active use of interest rates was under study in the context of the new economic mechanism, as was the idea that part of interest payments accrue to centrals as an incentive to them to stimulate production. However, at present normal and penalty rates ranged between 5-12 per cent, and it was not envisaged to increase them.

The state budget

Mr. Pirvu then briefly reviewed the state budget for 1978 and 1979, and provided the staff mission with a budget table. Unfortunately, details of the 1978 outturn are not yet available. This also affects the percentage changes for 1979 given in the table, since these are based on 1978 planned rather than outturn figures. In general, the 1979 percentage changes will need to be revised upward.

The broad features of the budgetary outturn for 1978 were, however, known based on provisional figures: The surplus was about lei 1.5 billion, with revenues of about lei 301 billion and expenditures of about lei 299 billion. Revenues were below those planned (even after a downward revision made in the course of 1978), mostly as the result of the problems in the last quarter of the year, especially in agriculture. On the expenditure side investments were the principal area where planned expenditures were not achieved. Budget revisions during the year had been relatively minor (they were most significant during price resetting) and were related to changes in transport prices, etc. Budget revisions were decided by decrees of the Council of State after consultation with the Ministry of Finance, State Planning Committee, and other interested organs.

In response to a question from Mr. Tyler, Mr. Pirvu remarked that the large increases in 1979 in expenditures on financing the national economy partly resulted from a carry-over of underfulfilled investment expenditure from 1978. It was also true that, even with the new economic mechanism, most enterprise investment was financed by the state budget, and that such investment formed about half the item "investment in the national economy." Nevertheless, only about 55 per cent of investment was planned to be financed from the state budget in 1979, which was about 15 percentage points less than in 1978.

In answer to a question from Mr. Tyler, Mr. Pirvu said that the planned decline in expenditures on children's allowances in 1979 was because the 1978 figure was "too high."

Mr. Tyler then registered the usual complaint about not having a breakdown of "financing the national economy," and was informed as usual that approval was still being sought to make this information available. Mr. Pirvu said that he would try and make available the 1978 budget outturn before the mission departed.

It was agreed that Thursday's discussions would begin at 10:00 a. m. and would concern the 1978 and 1979 balance of payments. It might also be possible to discuss the real economy with Mr. Lazaride in the afternoon.

The meeting adjourned at 12:45 p. m.

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 4
held at the Ministry of Finance, at 10:00 a. m.
on Thursday, January 25, 1979

PRESENT:

Romanian representatives

Mr. Eremia, Ministry of Finance
Mr. Ionescu-Lungu, Ministry of Finance
Mr. Tocitu, Ministry of Finance
Mr. Stoenescu, Ministry of Finance
Mr. Munteanu, Ministry of Finance
Mr. Demian, Ministry of Finance

IMF representatives

Mr. Tyler
Mr. Alexander
Mr. Wein

Mr. Tyler provided the Romanian representatives with the draft of a letter requesting the rescheduling of repurchases, for their consideration.

The Fund representatives received a table showing the volume, price, and value in U.S. dollars of 43 export commodities comprising some 61 per cent of total exports. Actual data for 1976-78 and forecasts for 1979-80 were shown. The Fund representatives asked that similar data for 1973-75 also be supplied.

Mr. Tyler asked if there had been any unusual movements of stocks of exportable commodities during the proposed shortfall year of 1978. Mr. Ionescu-Lungu replied that because of the poor harvest there had been no unusual stockbuilding of agricultural products and that foreign trade enterprises had been advised not to request supplies from domestic producers unless they had firm export contracts. Hence, there probably had been smaller stockbuilding of exportable industrial goods. In fact, in his view, there had not been any significant movements in stocks.

The Fund representatives observed that the shortfall shown by the sum of the 43 commodities was larger than for total exports and that in consequence, the data appeared to be of adequate coverage to make a case for a shortfall.

Mr. Tyler suggested that a written analysis of the reasons underlying the price and volume forecasts for each of the major commodity exports would be most helpful to the mission. The Romanian representatives said that they would try to provide such a paper. The export table was then examined item by item.

1. Wheat - The Romanian representatives explained the downward trend in wheat exports over the period of inquiry. The reasonable performance in 1978 reflected the average harvest of 1977, while the negligible exports in 1979 would result from the poor harvest of 1978. Only one contract (with Czechoslovakia) had been signed. A normal harvest was expected in 1979, but the quantity of wheat available for export in 1980 would be smaller than in 1978 because of higher domestic consumption. There was no intention to import wheat. The price of wheat in 1979-80 was expected to stay the same as at the beginning of 1979, i. e. in the \$125-130 per ton range.

2. Maize - The same factors affecting wheat exports also affected maize except that a continuity of exports at a reasonable level in 1979 was to be made possible by the import of maize and soya beans from the United States for animal fodder. Romanian maize was to be used to satisfy contracts with the socialist countries. The price forecast for 1979-80 again reflected the price in effect at the turn of the year of \$122 per ton.

Mr. Tyler pointed out that the price forecasts for all exports might be modified by the Commodities Division of the Research Department if they had reason to believe that the assumption of continuity of current prices was inaccurate.

3. Meat and meat products - The reduction in the volume of meat exports in 1978 was to be explained by two factors. First, the harvest in 1977 was only average and followed the exceptional harvest in 1976. Hence, the fodder input to meat production declined in 1977 (and even more so in 1978) and this was reflected in a lower unit weight of meat exports in 1978. Secondly, the import of lower quality meat from Australia and New Zealand for processing declined in 1978, so that less Romanian fresh meat could be released for export. The turnaround in the volume of exports in 1979 would be due in part to a resumption of foreign imports, the switching of poultry production from eggs to broiler chickens, and in particular to the conversion of existing processing capacity to meet the sanitary requirements for the export of canned goods to the United States. Higher prices in 1979 would reflect both the upgrading of sheep quality through scientific breeding, and a shift in the structure of production toward higher priced canned pigmeats. The former development may also help capture market shares in the Middle Eastern countries.

4. Eggs - A decision to concentrate on exports of higher quality (larger) eggs could explain the price forecast for 1979-80; this price still lay below the current price for premium grade eggs. The loss of markets in Italy in 1978 due to price competition in the lower grade egg market was expected to be offset in subsequent years by gains in the higher quality Middle East markets.

With respect to the following commodities--sugar, edible oils, vegetables and potatoes, products of fruit (including grapes), and products of vegetables--Mr. Tyler observed that the price forecasts for 1979-80 seemed generally to be within reason, but that the volume forecasts appeared to be much too optimistic. In each case, the

volume of exports from 1979 was forecast to be well above the peak level of 1977 whereas, since the 1979 harvest was expected to be about average (as in 1977), since the 1976 harvest was exceptionally good, and since part of 1979 production would be adversely affected by the 1978 drought and severe weather at the turn of the year, one might expect the volume of exports in 1979 to be below that in 1977. Moreover, the Official Plan called for an increase in agricultural production of 5.1 per cent to 5.6 per cent in 1979, a more reasonable increase than the one implicit in the forecasts presented by the Romanian representatives. Mr. Tyler also emphasized that the expected outcome contained in the last request for compensatory financing had not been realized, and since the present optimism in respect of the above commodities accounted for a significant part of the 1978 shortfall, Executive Directors might well be skeptical of some of the forecasts.

The Romanian representatives said that they would consult the agricultural experts in the respective ministries, obtain their views, and if necessary make revisions in the forecasts. However, they presented arguments in support of their forecasts for certain commodities which are summarized below.

5. Sugar^{1/} - The price of sugar was expected to rise somewhat over the present level of \$200/ton although no reasons for this expectation were given. A special program of increased fertilizer application to raise crop yield had also been put into effect.
6. Edible oils - The Romanian representatives expected the productivity of oilseeds to rise rapidly in 1979 due to the restoration of adequate water supplies compared with 1978.
7. Vegetables and potatoes - New investments now being made in greenhouse production--the building of greenhouses close to power stations using the residual hot water from the latter--were expected to raise output substantially in 1980.
8. Products of fruit (including grapes) - Strawberry production--a significant proportion of total output of the commodity group--was expected to rise rapidly due to new investments. However, no explanation of how the two-year time lag between planting and fruit bearing could be overcome was provided.
9. Products of vegetables - The Romanian representatives said that the export of these commodities was generally undertaken in the same year as production. Thus, the better production year in 1979 partially explained the higher export volume forecast in comparison to 1978. However, no answer was provided as to why 1979 exports should be higher in volume terms than in 1977.

The meeting then turned to a discussion of the balance of payments for 1978 and 1979.

^{1/} Mr. Tyler questioned the zero level of sugar exports in 1976-77 which was at variance with the information contained in the last CFF paper. The Romanian representatives promised to supply the correct data.

Balance of payments

Mr. Eremia gave the staff team balance of payments tables for 1978 and 1979. He stressed that these had been revised in view of earlier comments and were not the official planned figures. Therefore, for the time being, they should be regarded as informal working documents. Mr. Tocitu then explained the tables.

Convertible area

The trade account for 1978 had been discussed earlier, so comments were directed at the 1979 forecast. In particular, Mr. Tyler found the import forecast to be very low, implying as it seemed to, negative growth in the volume of convertible imports. Even with various measures to increase productivity, this did not seem a realistic forecast.

Mr. Tocitu noted that in 1978, there had been various supplementary imports on a one-time-only basis. These included 200,000 tons of fodder, as well as additional unexpected imports of coal and crude oil. It was agreed that Mr. Tocitu would provide a breakdown of these imports, and would document why they could be considered as having a once-and-for-all nature. By removing these items from 1978 imports, the 1979 growth rate for convertible imports might seem more reasonable (i.e., higher). Mr. Tyler warned that in the absence of such information, considering the planned domestic growth rate (9 per cent) and the apparent continuation of trends from the last months of 1978 into the first months of 1979, the convertible import forecast might well be considered unrealistic by the Executive Board.

An additional factor, Mr. Tyler noted, was the trend of crude oil imports, which when coupled with price rises, could easily imply another \$100 million or so on the import bill in convertible currencies. The export forecasts provided for refined products (exceptional residual oil) in 1979 indicated that increases in crude oil imports would be needed. In summary, the convertible trade forecast for 1979 seemed rather optimistic on both the export and import sides.

Turning to the capital account in convertible currencies (no special comments were offered concerning the convertible services account), Mr. Tocitu noted that even with the trade account forecast provided, substantial borrowing would be necessary. On medium- and long-term capital account, net credits received (490 million) resulted from larger gross borrowings and larger repayments; both payments and receipts also increased for credits extended. On short-term capital account in convertible currencies, the net inflow of \$224 million for credits received comprise financial credits, i.e. compensatory borrowing by the RBFT for balance of payments purposes. Net credits extended short-term in 1979 are expected to be higher than in 1978, as the result of increased trade.

Regarding reserve items, Mr. Tocitu noted that he had not allowed for Romania's SDR allocation in 1979, or for the rescheduling of repurchase under discussion at present. He confirmed that allowance for these items could be made above the line in the short-term capital account (by reducing short-term borrowings).

Nonconvertible area

(The trade account was discussed earlier.)

Regarding the services account in 1978 the most significant development was in tourism, where the number of tourists from other socialist countries was greater than expected. (The forecast for each tourist season is made the previous December.) On nonconvertible capital account, medium- and long-term credits received in 1978 were negligible, while those extended were a bit less than forecast.

Mr. Tocitu noted that on nonconvertible short-term capital account, most of the IBEC credit carried above the line as a short-term credit received, had been moved below the line to bilateral payments balances. The amount involved was \$92 million out of \$103 million total gross short-term borrowing in nonconvertible currencies. In previous years, also, a part (but not the main part) of changes in bilateral balances had been with IBEC. Thus, compared with the forecast for 1978 in the nonconvertible area, the change in the short-term capital account was merely a presentational shift in the way some capital was recorded.

In response to some puzzlement by the staff team as to the principle involved in distinguishing IBEC from IBEC nonconvertible borrowing, in the bilateral payments line, Mr. Tocitu agreed to provide figures separating the two for the staff team's personal use only. When these figures are provided, the question will be discussed again.

Turning to the balance of payments forecast for 1979 in the nonconvertible area, Mr. Tyler said there were no particular problems with the visible trade account. On services account, tourism showed little change, the expectation being that the tourist gains of 1978 would be maintained in 1979. On transportation and telecommunication, payments in 1978 were \$113 million, and were forecast to be \$150 million in 1979; the corresponding deficits on this account were \$23 million in 1978 and \$47 million for 1979. Mr. Tyler considered that the 1979 forecast might be pessimistic, but Mr. Tocitu felt that it was justified by the larger volume of commodities expected to be traded with the nonconvertible area.

On medium- and long-term capital account, a very small amount of net credits are expected to be received, while net credits extended are also forecast to be moderate. Short-term, some net capital outflow for credits extended are expected in the nonconvertible area in connection with trade activity, but there is expected to be some net repayment of short-term credits received (\$37 million). In toto, a

nonconvertible capital account outflow of \$139 million is forecast, which, in addition to the forecast current account deficit of \$86 million, will necessitate bilateral payments financing of \$225 million in 1979.

Some discussion then ensued regarding the conditions governing payments agreements and other nonconvertible debt. Mr. Tyler noted that Romania had been in approximate balance in its payments agreements position with CMEA countries at the end of 1977 and was now going progressively into deficit. He understood that credit up to a certain percentage of planned trade with a given country was available automatically from IBEC each year. But could deficits be cumulated each year, or were there specific rules governing the conditions of repayment (assuming "automatic" repayment did not take place because of a trade surplus)? Mr. Tocitu said he thought that each year, the yearly amount provided for as a percentage of planned trade could normally be added to the previous stock of debt, if need be, but he was uncertain of the precise provisions for repayment. He promised to check further into this question and to inform the staff mission. He also agreed to provide the figure for international convertible reserves at the end of 1978.

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 5
held at the Ministry of Finance, at 10:00 a. m.
on Friday, January 26, 1979

PRESENT:

Romanian representatives

Mr. Eremia, Ministry of Finance
Mr. Lazaride, State Planning Office
Mr. Ionescu-Lungu, Ministry of Finance
Mr. Stoenescu, Ministry of Finance
Mr. Munteanu, Ministry of Finance
Mr. Demian, Ministry of Finance

IMF representatives

Mr. Tyler
Mr. Alexander
Mr. Wein

The meeting resumed the discussion of the detailed export data. Mr. Ionescu-Lungu said that revisions would be made to the Plan forecasts where it was evident that they could not be realized. The item-by-item examination continued.

10. Processed fruit - Mr. Tyler remarked that the forecasts appeared to be realistic. They implied reasonable long-term growth rate of export volume after taking into account the effects of drought and frost in 1978.

11. Tomato paste - Again, the Fund representatives regarded the forecasts as being reasonable. Mr. Ionescu-Lungu said that exports had been maintained in 1978 through the reduction of stocks.

12. Butter - The marked downward trend in forecast export volume was to be explained by the deteriorating outlook for the world market and the intention of the authorities to raise the butterfat content of milk for domestic consumption.

13. Wine - The steady rise forecast in export volume reflected mainly the export of bulk wine to the socialist countries based upon trade agreements. There was also some export of premium wines to Germany and Scandinavia expected.

14. Rolled steel - Mr. Tyler observed that this item was responsible for a large shortfall brought about by the large increase in export volume forecast for 1980. The Romanian representatives explained the downturn in volume in 1978 by weak market demand for the medium quality steel which Romania produces. However, in 1979-80, two new rolling mills would begin production and a completely new steel

plant would also come on line in 1980. Markets for this new output would be found in Western Europe; at present Romania imported specialized steel from France, Belgium and Luxembourg and in return exported common steel products to these countries. It was expected that the quality of such exports could be upgraded once new capacity provided the higher quality product. The Fund representatives noted that the steel export forecast in the last CFF paper had largely been realized, but that the existence of firm contracts would make the forecasts appear to be more reasonable. The Romanian representatives said that they would provide a written justification of their forecast.

15. Steel pipes - Here, a similar situation to rolled steel applied. New capacity would come on line but information on export contracts was unavailable. Mr. Ionescu-Lungu suggested that a reason for smaller exports in 1978 was higher domestic consumption following the earthquake of 1977.

16. Calcinated soda - The forecasts appeared to be reasonable to the Fund representatives since export volume varied according to the needs of the domestic economy.

17. Caustic soda - The Romanian representatives were unable to explain the downward movement of export volume in 1978 and promised to supply a written answer. However, the recovery of export prices in 1979-80 was partially explained by the intended shift in production from light to heavy caustic soda, the latter commanding prices some \$7-\$8 per ton higher.

18. Chemical fertilizers - Inverse price and volume developments between 1977 and 1978 were explained by a shift in production toward more highly concentrated fertilizers, and from phosphate fertilizers to the more expensive nitrogenous fertilizers. These shifts were expected to continue in 1979 and new capacity would also be available. In 1980, however, export volume was forecast to decline because of higher domestic demands. The Romanian representatives also said that the absence of contracts was not a problem as it had never been difficult to find buyers in the past.

19. Tires - Mr. Tyler asked for a justification of the large export volumes forecast for 1979 and especially for 1980. The Romanian representatives replied that up to the present, exports were concentrated in tires for small cars, bicycles, and garden equipment. However, the enlargement of existing plant and the opening of a new plant would enable truck and tractor tires to be produced. Car tires would, however, remain in the bulk of exports. Sales were expected in Germany and France, and a contract for 250-500,000 sets of tires over two years had been signed with the United States.

20. Benzine - The Romanian representatives regarded the volume forecast for 1979 as being not unreasonable since the observed rate of increase was augmented by a special factor, namely, a low export figure for 1978 due to the refinery explosion which resulted in reduced exports in the fourth quarter. Moreover, some

new refining capacity (35 million tons) had already begun production in 1979. Exports had been able to be maintained in 1978 despite the explosion because production had been kept up by the importation of better quality crude oil than in 1977.

21. Diesel fuel - The Romanian representatives were unable to explain the reduced export volume in 1979 other than in terms of lower market demand for heating oil due to the mild winter. A written answer was promised.

For both benzine and diesel fuel, the price forecast for 1979-80, based on December 1978 prices would probably be too low, as the forecast prices were now below current market prices.

22. Residual fuels - The reduction in export volume forecast in 1978-79 could be explained by variations in domestic usage.

23. P. V. C. products - The forecast volume growth of exports in 1979-80 was based upon new plant beginning the production of PVC pipes rather than the traditional granules. Sales to Germany and to the People's Republic of China were expected, but the existence of contracts could not be confirmed. A written justification would be provided.

24. Varnishes and paints - The Romanian representatives pointed out that the forecast export volume for 1979 did not reach that achieved in 1976; exports were quite variable depending on the requirements of socialist trading partners. Firm agreements had been reached for 1979 exports and clear indications for 1980 were already available.

25. Synthetic resins - As with the previous item the major markets were in socialist countries. Agreements had been reached for 1979, with the higher prices reflecting an improved product mix. Domestic consumption would take up the slack in 1979 but new plant would come on line in 1980 and export prospects to socialist countries appeared to be favorable.

26. Medicines - No inconsistencies in the forecasts were observed by the Fund representatives.

27. Paper - The reduced volume of exports in 1978 was to be partly explained by a changed product mix favoring specialized papers which commanded higher prices than newsprint and wrapping paper. However, there had been problems of quality control, caused by unsuitable imported pulp such that some output was unsuitable for export and had to be diverted to domestic production.

28. Glass - The lower export volume in 1977 and 1978 could be explained by the needs of the domestic economy resulting from the 1977 earthquake.

29. Knitwear - Similarly to certain other industrial products, the main markets were in socialist countries and agreements for 1979 exports were firm.

30. Ready-made textiles - The same explanation as for knitwear was provided by the Romanian representatives.

31. Leather footwear - The forecasts seemed reasonable to the Fund representatives.

32. Timber - Mr. Tyler observed that the intention of the authorities was to reduce exports of timber in favor of processed wood products, but also that in the past the planned reduction had not been achieved. The Romanian representatives agreed that in 1978 additional exports of timber had had to be allowed for BOP reasons and that this was likely to happen again in 1979-80. They would, in consequence, revise the 1979-80 forecasts in an upward direction.

33. Chipboard - The consensus of opinion was that the 1979-80 forecasts were not excessive and that the 1977-78 volume figures reflected higher domestic needs during reconstruction of earthquake damage.

34. Automobiles and spare parts - The rapid rates of export growth in 1979-80 could be explained by new capacity in automobile and four-wheel drive vehicle production, in particular the joint venture with Citroen. Sizable contracts for exports to the People's Republic of China, Nigeria, Congo, and Benin had been signed.

35. Tractors - As with automobiles, new capacity would come on line in 1979-80 producing an improved tractor which was expected to gain markets in Canada, the United States, and Iran. However, the Romanian representatives were uncertain if contracts existed and would provide this information at a later date.

Mr. Tyler then summarized his concerns over the justification of the shortfall for many commodities provided by the Romanian representatives. In a period of heavy competition and substantial excess capacity in the market economies, it was insufficient simply to have new capacity coming on line. Rather, firm contracts were required, and evidence to this effect should be provided, particularly for 1979.

INTERNATIONAL MONETARY FUND

Romania--Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 6
held at the Ministry of Finance, at 11:00 a.m.
on Saturday, January 27, 1979

PRESENT:

Romanian representatives

Mr. Ionescu-Lungu, Ministry of Finance
Mr. Tocitu, Ministry of Finance
Mr. Stoenescu, Ministry of Finance
Mr. Munteanu, Ministry of Finance

IMF representatives

Mr. Tyler
Mr. Alexander
Mr. Wein

General comments

The meeting was generally concerned with further discussion of commodities in relation to the proposed compensatory financing request. Mr. Tyler said that he found the export forecast for the balance of payments to be reasonable but that the growth rate projected for convertible exports seemed rather high. He mentioned also his previous comment that the import forecast seemed a bit low. Concerning items below the line, Mr. Tyler said that these would be adjusted by the Fund staff to reflect the SDR allocation of 1979, the proposed repurchase rescheduling, etc. Mr. Tocitu said that he would consider the trade forecasts further and discuss them with the staff team next week.

Mr. Ionescu-Lungu wondered if it would be possible to remove some items showing negative shortfalls of the table presented to the staff mission. Mr. Tyler said that this was in fact not a help because such items then would be reflected in the residual line "other." Regarding adjustments to individual commodities, Mr. Tyler said that on Monday the staff mission would present a list of those commodities that seemed to require adjustment. It was perhaps possible to leave the total export forecast unchanged by adjusting some items upward and others downward but there was obviously a limit to this. In any case, the forecasts for individual commodities, especially the prices of these commodities, might be adjusted by the experts in Washington. He noted that in this case the forecasts would be presented in a table with the source given as "staff estimates" as well as "data supplied by the Romanian authorities." Mr. Ionescu-Lungu said that on Monday he would present some revised figures in draft form which could then be discussed and would be prepared in typed final form for Wednesday. The figures to be presented would not be those of the Plan but would simply be forecasts.

Mr. Tyler enquired if the export forecasts for 1980 reflected firm commitments for trade with the socialist countries as was the case for 1979. Mr. Ionescu-Lungu explained that annual agreements were signed

within the framework of five-year trade agreements. The annual agreements were binding whereas the five-year trade agreements were indicative. At present, all of the contracts for trade with the socialist countries for 1979 had been signed. Each year trade with Romania's socialist partners tended to increase in the order of 15-30 per cent, although some of this increase was due to higher prices. An exception to the above description was with China, where only annual agreements were signed; with China prices also tended to be more strictly related to world prices. Romania was in a debtor position in its trade with China.

Individual commodities

(Numbers before commodity names refer to those in the commodity table provided by the Romanian representatives.)

34. Cement

Mr. Tyler observed there were no real problems with this item. He guessed that the increase in 1979 was because the domestic need for cement, which was very high following the earthquake, had declined as a share of total production. Mr. Ionescu-Lungu confirmed this. He added that there was a small rise in price reflecting an increase in the price of fuel used in manufacturing the cement.

35. Furniture

Mr. Tyler observed that the large projected increase for 1979 in the value of furniture exports seemed overly optimistic. He thought that a prudent course might be to reduce the projection for furniture exports somewhat while increasing the projected export of timber. Mr. Ionescu-Lungu said that there were some new furniture plants now in operation which, although small, produced high quality furniture solely for export. Furniture was exported half and half as between eastern and western markets. He would consider further whether realistic adjustments could be made to furniture and timber and would also establish to what extent the export forecasts were based on firm contracts.

36. Excavators

Mr. Tyler said that, as with a number of other commodities, the volume increase projected for 1979 seemed to be very large. Mr. Ionescu-Lungu remarked that the forecast for this item might well be reduced but pointed out that considerable sales took place with socialist countries, e.g., Czechoslovakia, GDR, and China where firm export commitments were known. Production of excavators was done under a Swedish license at a factory which was now being enlarged; the quality of production was also being upgraded. A further important factor for excavators was that after the earthquake a high share of production was needed for the home market; now, however, it was again possible to direct this production toward exports.

37. Diesel locomotives

Mr. Tyler said that the factors here seemed to be a sharp decline in volume in 1978 and a very large increase in price for the post short-fall period. Regarding the first point, Mr. Ionescu-Lungu said that these locomotives were usually sold in socialist countries, e.g., Poland, Bulgaria, and China. However, in 1978 the Chinese had been unhappy with the technical characteristics of the locomotives offered and had not purchased any. In addition, purchases by Poland were less than had been hoped. He promised to see if the 1979 volume projection was based on firm contracts and, in particular, if purchases by the Chinese were now firmly established.

As concerned the price increase for the post shortfall period, this simply reflected a doubling in the horsepower of the locomotives being produced from 1,000 horsepower to 2,000 horsepower engines.

39. Rolling stock (railways)

Mr. Tyler noted that in the shortfall year there was a decrease in volume coupled with an increase in price compared with 1977. Mr. Ionescu-Lungu said that this reflected the fact that a larger proportion of sales had been of rolling stock for goods rather than tankers, etc.; the unit price of this type of goods car was higher than for other types of cars.

41. Drilling equipment and spare parts

It was generally agreed that perhaps here the trends shown were unduly modest. Mr. Ionescu-Lungu said that he would check the 1978 figure which seemed to him to be somewhat large; moreover, he would consider increasing the forecast in the post shortfall years. This seemed justified in view of the high demand for drilling equipment and Romania's place as the third largest producer of such equipment in the world. Sales were usually to developing countries on credit, e.g., to Pakistan, Syria, and Bangladesh.

42. Machine tools

Mr. Tyler felt that the projected increases for the post shortfall period were unduly large and Mr. Ionescu-Lungu said that he would provide an explanation of the forecast later.

43. Radios

Mr. Tyler observed that in the last few years the value of radios exported has generally been going down but that for the post shortfall period a large increase was projected. Mr. Demian said that for 1979 firm commitments already existed for the export of 539,000 radios, 85 per cent of which would be sold in the West. As the Plan only called for the export of 500,000 radios, he felt that at least the 1979 projection was on firm ground.

Mr. Demian said that a list showing for automobiles and some other commodities both planned exports and firm export commitments in 1979 would be given informally to the staff team on Monday. Mr. Ionescu-Lungu said that this list would supplement written answers which would be given at the same time.

The meeting concluded at 12:45 p.m.

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 7
held at the Ministry of Finance, at 10:00 a.m.
on Monday, January 29, 1979

PRESENT:

Romanian representatives

Mr. Eremia, Ministry of Finance
Mr. Ionescu-Lungu, Ministry of Finance
Mr. Munteanu, Ministry of Finance
Mr. Demian, Ministry of Finance

IMF representatives

Mr. Tyler
Mr. Alexander
Mr. Wein

The Romanian representatives presented some modifications to the detailed export forecasts for 1979 and 1980.

After briefly examining the data, Mr. Tyler noted that the forecast volume of rolled steel exports for 1979 had been adjusted upwards. The reason for this, Mr. Ionescu-Lungu said, was that a new steel plant might begin production in 1979 rather than in 1980. Mr. Tyler replied that good evidence to this effect would have to be provided since in the past, new capacity had generally come on line later, rather than earlier than planned. Perhaps, therefore, the original forecast should be retained and the 1980 forecast adjusted downward.

Mr. Tyler also observed that the forecasts for sugar, for both 1979 and 1980, although modified downward, were still quite high in the light of the inability of Romania to export sugar during the past four years. Furthermore, it seemed to be very optimistic to forecast very good weather for two successive years when this had rarely occurred in the past.

The Fund representatives then pointed out that there was a fundamental inconsistency in the table. For the two-thirds of commodities in the detailed list, an export growth rate of some 30 per cent on average in 1979 had been assumed which, in conjunction with the overall growth rate of exports of nearly 15 per cent, implied a substantial fall in the value of exports of "other" commodities comprising approximately one-third of total exports. This seemed to be quite unlikely. For 1980, on the other hand, the growth rates forecast for the respective export subtotals was more reasonable. The growth rate of the listed commodities could

be expected to exceed that of total exports in 1979 because they were commodities for which special conditions existed in either 1978 or 1979, but not to the extent presently forecast.

The Romanian representatives said that they would review the table again and present revised forecasts at the next meeting. Mr. Tyler stressed the point that the table appearing in the CFF paper would not be an official Romanian forecast but would partly reflect Fund staff estimates.

Mr. Eremia asked if the letter requesting the rescheduling of repurchases could be taken back to Washington by the mission and if Minister Mizil's signature was necessary. Mr. Tyler said that the letter could be delivered by hand and that Minister Mizil's signature would be preferred.

Mr. Eremia asked Mr. Tyler if the Minister could raise some questions about the next Interim Committee meeting, in particular the agenda, during the meeting of the Minister and Mr. Tyler on January 30. Mr. Tyler replied in the affirmative and said that he would be raising the questions of Rule O-4 and an IFS page for Romania.

The meeting closed at 12:00 noon.

INTERNATIONAL MONETARY FUND

Romania--Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 8
held at the Ministry of Finance, at 11:00 a.m.
on Tuesday, January 30, 1979

PRESENT:

Romanian representatives

Mr. Eremia
Mr. Ionescu-Lungu
Mr. Tocitu
Mr. Ionescu-Liviu
Mr. Demian

IMF representatives

Mr. Tyler
Mr. Alexander
Mr. Wein

Mr. Tyler presented three items to Mr. Eremia: (1) a request that exchange rate quotations for certain currencies be cabled to the Fund each Wednesday; (2) a letter to be signed by Minister Mizil requesting the rescheduling; and (3) the office telephone numbers of himself and Mr. Wein.

Compensatory finance

Mr. Ionescu-Lungu presented a modified detailed export table to the staff representatives. After examining the table, Mr. Tyler said that although there were more price revisions, the changes were generally of the same order of magnitude as those which would have been considered by the staff mission.

With respect to sugar, the Romanian representatives said that in contrast to recent years, they intended to import sugar from Cuba in 1979 to even out the bilateral trade with that country and that this would release domestic supplies for export. For diesel locomotives, the Romanian representatives said that the original volume figure for 1978 had not included small engines for use in mining. This figure had now been revised upward. They also confirmed that there were firm contracts for sales to China in 1979.

The meeting then turned to a discussion of the balance of payments.

Convertible international reserves

Mr. Tocitu said that at the end of 1978 convertible international reserves were in millions of dollars:

Gold	\$143.2 (valued at \$42.22 per oz.)
Foreign exchange	158.1
SDRs	--
Reserve position in Fund	--
Total	\$301.3

Financial credits

Mr. Tocitu supplied the following:

Convertible Area Short-Term Financial Credits

Year	Receipts	Payments	Balance
(In millions of U.S. dollars)			
1975	118	275	-157
1976	103	158	-55
1977	235	74	161
1978	451	56	395

Mr. Tocitu noted that for 1978, the difference between \$401 million of net short-term borrowing and the \$395 million given above was represented by the balance of import documents.

Nonconvertible area short-term financing

Mr. Tocitu and Mr. Eremia stressed that the figures for nonconvertible area short-term financing were given on a strictly confidential basis, and on the understanding that they would not appear separately in a paper for the Board. Mr. Tyler gave assurances that in preparing any "compensatory financing" line for the balance of payments presentation, the figures for the convertible and nonconvertible areas would be combined. However, should he be asked at a Board meeting, Mr. Tyler said that it would be necessary to indicate in general terms the division of compensatory credits between the convertible and nonconvertible areas.

At the end of 1974, the stock position for technical credits with the nonconvertible area was: with IBEC, Romania had a net creditor position of \$175 million; with other partners, Romania had a net creditor position of \$98 million. Since then, the flows vis-à-vis the nonconvertible area had been:

Year	IBEC	Other partners	Balance
(In millions of U.S. dollars)			
1975	93	-44	49
1976	-135	-28	-163
1977	-123	22	-101
1978	-92	-11	-103

So at the end of 1978, Romania had a debtor position with IBEC of \$82 million and a creditor position with other partners of \$37 million.

The conditions of IBEC loans, Mr. Tocitu explained, were that technical (financial) credits were automatically available from IBEC up to 2 per cent of the value of trade turnover in the previous year. Moreover, it was possible, e.g., in the case that this swing limit was exceeded, to request IBEC loans with fixed maturities of from 1-3 years, which could normally be negotiated. Of course, trade plans were also adjusted so as to prevent serious imbalances.

1978 supplementary imports

Mr. Tocitu provided some figures for imports in 1978 which were supplementary to those planned, and which were not expected to occur in 1979. These comprised additional fodder imports of \$179.3 million, crude oil imports of \$83.0 million, coking coal imports of \$40.0 million, and imported stocks of cotton, hides and leather, and iron ore of \$102 million; so, in toto, exceptional imports totaling \$404 million had been made in 1978.

Regarding these, Mr. Tyler said that it seemed reasonable to hope for a more normal agricultural year in 1979, so that the additional fodder imports necessitated by bad weather in 1978 would not again be needed. It was also possible to accept that additional imported stocks would not again be needed. (In 1978, these had been undertaken in the last quarter in order to ensure a smooth flow of production in the first quarter of 1979.)

For crude oil, however, the situation was not so clear-cut. Mr. Eremia said that production in the third quarter of 1978 had dropped, necessitating additional crude oil imports. Romania's oil production was moving from the traditional fields in Ploesti, and the level of future production was less certain than hitherto. Mr. Tyler, therefore, hesitated to regard all of the additional crude oil imports in 1978 as of a once-for-all nature. The same was true of coking coal, where it was really not certain that the 1979 planned production level could be met.

Mr. Tyler suggested that a compromise might be to regard half the 1978 oil and coking coal imports as being of a once-for-all nature. When convertible imports in 1978 were adjusted for this, as well as the special imported stocks and fodder, the growth of convertible imports in 1979 was more than 12 per cent. Although this adjustment was only notional, it was useful to bear in mind in explaining the apparently low growth of convertible imports in 1979.

1979 balance of payments

Mr. Tocitu gave revised forecasts for the 1979 convertible area as follows: convertible exports for 1979, \$4,650 million; net long-term credits granted \$-220 million (these changes will not be reflected in the total balance of payments); short-term credits received: \$285 million.

It was further agreed that the Fund staff would make adjustments below the line for the 1979 SDR allocation to Romania, and for the effect of the rescheduling of repurchases from the Fund. Some SDRs from the allocation would be shown as being retained, but the total of these and the increase in foreign exchange would be \$38 million (the present projected increase in foreign exchange). The adjustments below the line would be reflected above the line in short-term credits received, with a corresponding adjustment in the short-term capital account for the total balance of payments. Mr. Tyler said that a quick calculation suggested that short-term convertible borrowing after these adjustments would be reduced to the order of about \$100 million.

Mr. Tyler thanked Mr. Tocitu for the help he had rendered regarding the balance of payments figures, and the meeting then adjourned at 12:30 p.m.

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 9
held at the Ministry of Finance, at 12:40 p. m.
on Tuesday, January 30, 1979

PRESENT:

Romanian representatives

Mr. Bituleanu, Deputy Minister of Finance
Mr. Eremia, Ministry of Finance
Mr. Tocitu, Ministry of Finance
Mr. Dan, National Bank

IMF representatives

Mr. Tyler
Mr. Wein

Mr. Tyler expressed his thanks for the cooperation and efficiency which had characterized the discussions which were now concluding. He was also grateful for the cooperation received in arranging to send exchange rate quotations to the Fund.

Rule O-4

There were only a few outstanding matters, the most important of which was the need for Romania to comply with Rule O-4 concerning the use of members' currencies in Fund operations and transactions. Mr. Tyler indicated that he would take this up with Minister Niculescu-Mizil, since it was becoming an important problem. Romania was virtually the only Fund member not to have met its obligation in this respect. It would be most regrettable if a formal letter from the Managing Director to the Romanian Government were needed.

Mr. Bituleanu said that he hoped a favorable decision would be made and communicated to the Fund in about two weeks, although the period was not precise.

Interim Committee

Mr. Tyler said that he had telephoned his superiors in Washington and would be able to discuss with Minister Niculescu-Mizil possible topics at the forthcoming Interim Committee meeting.

IFS page

Mr. Bituleanu said that the Bureau of Statistics was to send a proposal regarding this, following a visit by Bureau staff in November. Mr. Tyler said he had mentioned by telephone to Washington the need to provide the promised material to Romania.

Proposed Romanian member of Fund staff

Mr. Bituleanu rehearsed Romania's desire to have a Romanian national on the Fund staff, and proposed Mr. Ilie Simon as a suitable candidate. A letter to Mr. Whittome on this subject was being prepared.

Mr. Tyler said that he was certain Mr. Whittome would ensure that Romania's request received full consideration. In principle, an application from a Romanian applicant was completely appropriate, provided he was available, had the technical qualifications, and sufficient mastery of English. However, appropriate openings in the staff were few, and it was not possible to leave them unfilled. Mr. Tyler recalled that he thought Mr. Simon had been offered a staff position a few years ago but had not been made available to take up the post. It was now difficult to know whether another opportunity for him to join the Fund staff would arise. However, Mr. Wein would be happy to convey the letter of recommendation to Mr. Whittome.

The meeting ended at 1:00 p.m.

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 10
held at the Ministry of Finance, from 5:00-6:45 p. m.
on Monday, January 29, 1979

PRESENT:

Romanian representatives

Mr. Niculescu-Mizil, Minister of Finance
Mr. Bituleanu, Deputy Minister of Finance
Mr. Eremia, Ministry of Finance
Mr. Stoenescu, Ministry of Finance

IMF representatives

Mr. Tyler

Apart from a general discussion of medium-term prospects for the Romanian economy, where Mr. Mizil said that the authorities hoped to maintain past growth rates despite recent developments, for example, in oil prices, the main subjects discussed were ones specific to the Fund.

CFF

Mr. Tyler explained to the Minister that, although a final decision would need to be made in Washington, it appeared to the staff mission that there was sufficient evidence to justify a request for use of the facility. The mechanics of forwarding the formal request were explained.

Rule O-4

Mr. Tyler explained the fact that Romania was one of the few, perhaps the only, member that had not fulfilled its obligations under this Rule to make arrangements for possible use in Fund transactions of Romanian currency. The Minister said that he would look into the matter and would hope to send an answer relatively soon.

Rescheduling and repurchases

Mr. Tyler explained that he and Mr. Eremia had agreed on a rescheduling of repurchases falling due in 1979 as a result of purchases three years earlier. The necessary form of request had been drafted and should be signed and sent to the Fund. Regarding repurchases falling due in 1980 as a result of purchases in 1977, he said that, although the matter would depend on balance of payments developments, there probably would be a prima facie case for rescheduling of those repurchases. Mr. Mizil said that his authorities were grateful for the financial assistance being made available in 1979 in the ways described. He hoped, however, that the Fund would be able to give further assistance to Romania in its development efforts and mentioned that he had raised the subject with the Managing Director.

Supply of information

Mr. Tyler described the technical discussions that had taken place between the Fund staff and Romanian officials regarding an IFS page and said that his understanding was that there were not any technical difficulties. Mr. Mizil reaffirmed his strong desire to have an IFS page. Mr. Tyler promised to expedite if he could the transmittal of a dummy IFS page for examination by the authorities.

Romania's quota

Mr. Mizil reiterated past requests that Romania gain a larger quota. Mr. Tyler pointed out the difficulties that always have and always would exist for countries endeavoring to improve their relative position. He suggested that the authorities examine all the arguments they could find in favor of Romania's case and forward them to the staff as well as to their Executive Director.

Romanians on the Fund staff

Mr. Mizil explained again the desire of his Government to have such representation and it was pointed out that a particular candidate was to be recommended (Mr. Simon). Mr. Tyler said that there were three factors that would have to be fulfilled. First, any proposed candidate would need to be satisfactorily qualified. Second, a position would need to be vacant. Third, a suitable candidate would have to be able to fill such a free position reasonably quickly. He also said that it was inevitably easier to find a suitable candidate if there were a number put forward rather than just one, since any one candidate would not necessarily be the best one for a particular position on the staff available at a specific time.

Foreign debt

In the general discussion on Romania's growth prospects, Mr. Mizil said that his country was determined to avoid foreign debt problems. He also said that, despite some internal differences of opinion, the President had agreed with his proposition that it was strongly desirable to increase international foreign exchange reserves, and also stocks of commodity reserves that could be sold if and when the balance of payments came into a less good position.

The meeting ended 6:45 p.m.

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 11
held at the National Bank, from 6:50-7:40 p. m.
on Monday, January 29, 1979

PRESENT:

Romanian representatives

Mr. Rauta, Governor, National Bank
Mr. Dobrescu, Deputy Governor, Natl. Bank
Mr. Dan, National Bank

IMF representatives

Mr. Tyler

During the discussion with Mr. Rauta, Mr. Tyler commented that the 3 per cent rate of growth of short-term credit planned for 1979 seemed very low indeed and might be difficult to meet. Mr. Rauta said that one reason for the low target was that enterprises would be permitted to keep a larger proportion of their profits. Also, a low target had been set quite deliberately in order to encourage and put pressure upon enterprises to improve the efficiency in the use of circulating capital.

In the course of the discussion, Mr. Tyler asked Mr. Rauta if he could give any indication about when Romania might publish monetary data. Mr. Rauta said that the decision had been taken in principle and in his view there was a good chance of commencing publication in the course of 1979.

INTERNATIONAL MONETARY FUND

Romania

Compensatory Finance and Repurchase Rescheduling

Minutes of Meeting No. 12
held at the Ministry of Finance, at 12:00 p.m.
on Wednesday, January 31, 1979

PRESENT:

Romanian representatives

Mr. Eremia
Mr. Ionescu-Lunga
Mr. Stoenescu
Mr. Munteanu
Mr. Demian

IMF representatives

Mr. Tyler
Mr. Alexander
Mr. Wein

Mr. Tyler informed the Romanian representatives that additional copies of Fund documents might be obtained through their Executive Director. The Romanian representatives gave Mr. Wein a corrected version of Recent Economic Developments (SM/78/233, 8/31/78) and a letter requesting the rescheduling of repurchases to be delivered to the Managing Director. They then provided the Fund representatives with the revised detailed export table for 1976-80 and written comments on the developments and prospects for about half the export commodities for the CFF application. The remainder of the written comments and a letter to Mr. Whittome concerning the hiring by the Fund of a Romanian national would be given to Mr. Wein at the airport.

Mr. Eremia asked if Mr. Besteliu at the Embassy in Washington could telephone Mr. Wein to obtain a summary account of the past discussions. This was agreed to.

Mr. Tyler then summarized the accomplishments of the mission, mentioning the CFF request, the rescheduling of repurchases, Romanian obligations under Rule 0-4, and the question of Romania's quota. He re-emphasized that the restrictions on the release of confidential balance of payments information would be observed. In conclusion, he thanked the Romanian representatives for their assistance, noting that the required work had been accomplished more quickly than on any other occasion and with the same friendliness as in the past.

Mr. Eremia said that the Ministry of Finance would be in contact with the National Bank to ensure that the Wednesday exchange rate quotations would be cabled to the Fund each week as arranged. He then expressed his appreciation to Mr. Tyler for his efforts to understand Romania's problems and for the excellent spirit of friendship which had arisen during his long period of mission leadership. Finally, he conveyed the best wishes of Minister Niculescu-Mizil to Mr. Tyler.

Mr. Tyler responded in appropriate manner.

The meeting closed at 12.35 p.m.



Office Memorandum

TO : Mr. Whittome

FROM : Geoffrey Tyler ⁵⁷

SUBJECT : Romania--Supply of Information

DATE: February 2, 1979

The history of the supply of information by Romania to the Fund has been long and complex. At its root is the traditional secrecy of the communist countries, allied with a law making it a serious criminal offense to disclose state secrets to foreigners. By definition, any data not published are state secrets. Official permission must be obtained before handing over any such data, which has greatly inhibited some discussions and has added enormously to the time taken to conduct consultation and other discussions, since officials are reluctant to keep asking for permission to reveal new material.

At the beginning of Romanian membership, it was agreed that the staff would respect the confidentiality of all data supplied. The staff also agreed not to insist on the initial supply of some data, e.g., some aspects of monetary data, on the understanding that Romania would gradually supply more data until the Fund received all that normally provided. For the first consultation or two, for some especially confidential data, the staff was given the figures, but for use orally in the Board discussion and not to be printed.

In fairness to the Romanians, it must be admitted that the supply of data has been continually increased and now a Romanian Board paper contains basically the full normal range of data. Moreover, as officials have become familiar with Fund missions and have realized the staff can be trusted, they have discussed data more openly and have indirectly often provided data at meetings, for staff use, that they probably have not had permission to give. Moreover, on occasions recently they have provided whole tables in advance of obtaining official approval. This may sound a small thing but in practice it is a very big step forward.

In response to Board complaints about the frequency of receiving data, i.e., only at the time of consultations, SBA papers, mid-term reviews, etc., in 1977 the Romanians began to supply for the confidential use of Executive Directors only, and distributed to a more limited circle of recipients than the usual EBS's, quarterly and semi-annual data on the main domestic and external aggregates, including the balance of payments, international reserves, and foreign debt.

Thus, after six years of membership the supply of data is reasonably good, especially for an economy where many things are traditionally fairly stable, e.g., prices and the growth of monetary aggregates. The main problem now relates to the Romanian demand that most data remain quite confidential and for the use of the Executive Board and a limited number of staff. In particular, there is no Romanian page in IFS and Romanian data cannot normally be used explicitly for inter-country comparisons, for example in various research papers and studies proposed by the staff for DMs or other purposes.

Initially, Board criticism was muted on the whole question. Gradually, however, EDs, especially those of the large industrial countries, became more open in their complaints both of the extent of data and the frequency with which they were received, and of the lack of an IFS page. Over the last two years, the problem of extent and frequency has been much reduced and the major complaint now relates to IFS.

The Romanian authorities do not contest the problem and the current Minister of Finance, Mr. Niculescu-Mizil, maintains strongly that an IFS page is wanted also by Romania. (My own view is that a complete page would remove unwarranted doubts about the economy rather than cause problems with world bankers and the like.) A joint mission by the European Department and the Bureau of Statistics in November-December 1977 was followed by a further Bureau mission in November 1978. It is clear that with some modifications to allow for the different economic arrangements in a centrally planned economy an IFS page is technically feasible. It remains for the staff and Romanian officials to negotiate contents acceptable to both and for Romania to agree to publication. The latter would almost certainly involve the publication of the data in Romania since the authorities have consistently said that they could not agree to foreign but not domestic publication, an understandable position.

Personally, I continue to find it difficult to judge what Romania will do and how quickly. On the one hand, the change in internal publication procedures would be a revolution, changing Romania from the most secretive of the Eastern Europeans to by far the most open. (At present, only limited annual data are published by Romania.) On the other hand, the Minister has been very outspoken and privately his top officials tell me that he really wants an IFS page as soon as possible. Moreover, they infer that he probably already has the necessary support of the Central Committee of the Party and personally of the President. In a meeting on January 30, 1979, the Minister reaffirmed his desire for an IFS page and said he was waiting for a final concrete proposal from the Fund staff, including a dummy IFS page. Privately, the Governor of the National Bank said he expected monetary data would be published in Romania sometime this year.

In summary, the data problem has been long and difficult for Romania. In general, it has respected undertakings to increase the supply and now the difficulty relates mainly to IFS. Technical discussions on this between officials and the staff have gone ahead well, and shortly a concrete proposal will be put by the staff to the authorities. The main remaining block will then be in Romania and will require a political not an economic decision. However, prospects look reasonably good for such a solution.



Office Memorandum

TO : Mr. Whitton

DATE: February 2, 1979

FROM : James Wein *gw*

SUBJECT : Romania--Compensatory Financing Facility

I have spoken with Mr. Kaibni, Assistant Chief in the Commodities Division, regarding the timetable for the CFF paper on Romania. Based on the work schedule in his division, we have agreed to have a draft paper in two to two and a half weeks.

Hold for Mr. Whitcomb
3 M

Mr. Wein

February 2, 1979

Geoffrey Tyler

Romania--Quarterly Data

During the January mission, the Romanians gave us the September 1978 quarterly data for the confidential use of the Executive Directors. I pointed out that this was delayed and referred to our need to have the information promptly. Mr. Eremia said that the data had been sent earlier to the Washington Embassy and perhaps had been delayed there. He promised to be more prompt in the future.

Will you please have the usual limited circulation EBS prepared and distributed as a matter of urgency.

cc: Mr. Whittome ✓

Mr. Whittome
2

Mrs. Watkins

February 2, 1979

Geoffrey Tyler

Romania--Rule 0-4

I discussed your problem with the Minister of Finance, Mr. Niculescu-Mizil. He promised that the matter would be looked at and that an answer would be sent shortly. I would suggest that if one is not received by the time I return from Yugoslavia, we can discuss what next to do. However, I feel sure that now it is only a matter of a small amount of time before the Romanians complete the necessary formalities.

cc: Mr. Whittome ✓
Mr. Wein

Table 15. Production, Domestic Consumption, Export, and Import of Oil and Oil Products

	Crude oil			Total refined products				
	Production ^{1/}	Import	Domestic Consumption	Production	Export	Domestic Consumption	Export	Import
	(In thousands of tons)					(In thousands of SDRs)		
1970	13,759	2,291	16,050	15,835	5,370	10,465	123,083	24,000
1971	14,176	2,858	17,034	16,647	5,368	11,279	142,575	36,524
1972	14,483	2,873	17,356	17,059	5,096	11,963	126,932	44,137
1973	14,642	4,143	18,785	18,568	4,938	13,630	231,262	88,963
1974	14,839	4,538	19,377	18,866	6,502	12,364	445,080	361,428
1975	14,945	5,085	20,030	19,791	6,176	13,624	443,546	329,532
1976	15,052	8,475	23,527	23,039	7,842	15,197	636,758	621,126
1977	15,002	8,844 8,784	23,846 23,786	23,328	6,742 6,535	16,586 16,793	589,408	749,762
1978 ^{2/}	15,445	10,762	26,207	25,443	5,749	19,694	564,918	862,607

Source: Data provided by the Romanian authorities.

^{1/} Includes a small amount of by-products from natural gas wells.

^{2/} Planned; converted to SDRs at US\$1.22 = SDR 1.

Mr. W. W. W.
The Romanians have admitted to .8 m tons of "supplementary" crude oil imports in 1979. Even so, the increase to 16 m. tons, ^{in 1979?} seems rather high.

JW

Feb 15/79

Romania

The Acting Managing Director

February 2, 1979

A. Pfeifer

Romania---Economic Data

Each quarter the Romanian authorities supply a set of economic data that outline the main developments in the economy. The information is given on a strictly confidential basis for the use of Executive Directors. We therefore circulate the data in the form of an EBS, which is provided to Executive Directors and department heads only, a more limited circulation than the normal EBS. The attached paper is, of course, purely factual but being an EBS requires your approval before issuance.

Please return initialled paper to the European Department.

Attachment

cc: The Managing Director (on return)
Mr. Ware

Mrs. Djeddaoui

February 2, 1979

A. Pfeifer

Romania--Economic Data

This EBS, which follows EBS/78/517 (9/15/78), should have a more limited circulation than a normal EBS. It should go to Executive Directors and to Department Heads only and not to all senior staff.

Attachment

INTERNATIONAL MONETARY FUND

Mr. Klein,

You are taking care?

1/2
5/2

457461 457461
REPUBLICA SOCIALISTĂ ROMÂNIA



MINISTERUL FINANTELOR

VICEPRIM-MINISTRU AL GUVERNULUI
MINISTRUL FINANTELOR
Cabinet

Orig: EUR
cc: MD
DMD
Mr. Rudins
Mr. de Vries
LEG
RES

ETR
TRE
SEC

CC/EEED
Hofster
#5

January 30, 1979

Dear Mr. de Larosière:

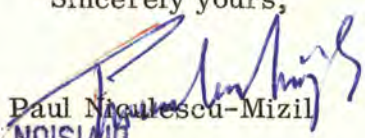
Reference: Repurchases Falling Due in 1979

In the second half of 1977 and for most of 1978 the Romanian balance of payments gradually recovered from the damaging effects of the earthquake of March 1977. In this period Romania welcomed the assistance received from the Fund. Unfortunately, the outcome in the final quarter of 1978 was less favorable than earlier in the year. There was prolonged dry weather in the summer and autumn followed by severe winter frosts and snowfall, which adversely affected agriculture and more recently transportation and power supplies. In addition, an explosion in a large petrochemical complex severely disrupted output, including that for export. As a result of all these factors, the external accounts are being affected by reduced export supplies and some unexpected need for imports. The balance of payments should recover during 1979-80 but in the meantime, because of the low level of international reserves, it has been necessary to increase foreign borrowing.

No later than April 27, 1979, a repurchase falls due as a result of a purchase equivalent to SDR 95.00 million on April 28, 1976 under the compensatory financing facility and there are repurchases equivalent to SDR 20.00 million, SDR 17.50 million, and SDR 17.50 million to be made not later than May 12, June 21, and September 15, 1979, respectively, as a result of corresponding purchases three years earlier under the stand-by arrangement of October 3, 1975. Despite the large additional foreign borrowings already undertaken, the level of convertible international reserves remains low and still represents less than one month's imports paid for in convertible currency.

We therefore propose that the repurchase of the above mentioned purchases be made in four installments equivalent to SDR 30 million each not later than October 15, 1979, February 15, 1980, August 15, 1980, and February 15, 1981, and two further installments equivalent to SDR 15 million each not later than May 15, 1981 and August 15, 1981, and that these repurchases be attributed to the purchases in the order they were made.

Sincerely yours,


Paul Niculescu-Mizil

COMMUNICATIONS

1979 FEB -2- AM 10:05

MONETARY FUND

Mr. J. de Larosière
Managing Director
International Monetary Fund
700 - 19th Street, N.W.
Washington, D.C. 20431

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Sincerely yours,


Paul Niculescu-Mizil

Mr. J. de Larosière
Managing Director
International Monetary Fund
700 - 19th Street, N.W.
Washington, D.C., 20431

COMMUNICATIONS

1979 FEB - 2 AM 10:05

RECEIVED
INTERNATIONAL
MONETARY FUND



Office Memorandum

TO : The Managing Director

DATE: January 31, 1979

FROM : Joseph Gold *JG*

SUBJECT : Romania - Furnishing of Information

I refer to your memorandum dated January 23, 1979, inquiring about the communication of information by members to the Fund and, in particular, about the Fund's relations with Romania in this respect.

The Articles of Agreement contain general provisions on the furnishing of information by members. Under the heading of "General Obligations of Members" in Article VIII, the basic principles are set forth in Section 5.

Article VIII, Section 5(a) provides that:

"The Fund may require members to furnish it with such information as it deems necessary for its activities, including, as the minimum necessary for the effective discharge of the Fund's duties, national data on the following matters..."

Twelve items are then listed.

The first sentence of Article VIII, Section 5(b) declares that:

"In requesting information the Fund shall take into consideration the varying ability of members to furnish the data requested."

The paragraph continues as follows:

"Members shall be under no obligation to furnish information in such detail that the affairs of individuals or corporations are disclosed. Members undertake, however, to furnish the desired information in as detailed and accurate a manner as is practicable and, so far as possible, to avoid mere estimates."

Article VIII, Section 5(c) provides that:

"The Fund may arrange to obtain further information by agreement with members. It shall act as a centre for the collection and exchange of information on monetary and financial problems, thus facilitating the preparation of studies designed to assist members in developing policies which further the purposes of the Fund."

The language of these provisions bears the marks of compromise and is difficult to interpret. Two of the major issues at Bretton Woods were whether there should be a general provision enabling the Fund to call for information or whether there should be specific categories of information, and if the latter solution were adopted what the categories should be.

One problem of interpretation is that Section 5(a) talks of the furnishing of information which the Fund "may require" and not "shall require", even though the information is referred to as "necessary for its activities." Moreover, the concluding part of the sentence refers to data that the Fund may require "including, as the minimum necessary for the effective discharge of the Fund's duties." The two expressions that include the words "necessary" are difficult to reconcile with "may require." Similarly, Section 5(b) is difficult to reconcile with the word "require" in Section 5(a) because Section 5(b) refers to the Fund "requesting" information in the first sentence, and to the member's obligation to supply the "desired" information in the third sentence. A further element of confusion is that the second sentence of Section 5(b) declares that members "shall be under no obligation" to supply information in such detail that the affairs of private parties would be disclosed, which suggests that there is an obligation to supply information that does not have this effect. For an obligation, however, "may require", "requesting", and "desired" are not the happiest language.

These difficulties of language can be resolved by reference to the disputes at Bretton Woods. The intention seems to have been that the Fund shall have authority to call for information and is bound to call for the information it considers necessary for its activities. To put members on notice, the minimum that must be considered necessary is set forth in Section 5(a). Members have an obligation to supply the listed information and any other information deemed necessary by the Fund. An escape clause of a kind, however, is established. The Fund must not consider a failure to provide the information it is entitled to call for as necessarily a breach of obligation. Section 5(b) directs the Fund to take into account the ability of a member to supply any of the information called for by the Fund whether or not it is included in the list in Section 5(a). A refusal of the member to supply information that it has or that it can obtain is not within the escape clause. Finally, any information that is not "necessary" in the sense of Section 5(a) can be obtained by the Fund only by agreement with the member that is to supply it.

The understanding of the text as set forth above is supported by the following passage in the Report of the Special Committee on Furnishing Information of the Pre-Conference Agenda Committee (June 28, 1944) at the Bretton Woods Conference (Procs. and Docs., p. 142):

"It was decided to attempt a listing of information essential for the operations of the Fund with an escape clause which would permit a country to plead inability to supply certain information but not unavailability of information in its possession. Such a clause was considered necessary because some countries cannot now furnish some of the information which would be considered essential to the operations of the Fund.

It was recognized that a listing of required information would have the positive advantage of putting member countries on notice as to what was required and in this way of promoting the development of new statistical and other information."

I understand that in practice the Fund has had regard to the ability of particular members to furnish information, and that it has adopted a flexible approach. This stance has been adopted without sacrificing the Fund's entitlement to the fullest disclosure of relevant information.

The record with respect to the provision of information by Romania is summarized in the attachment to this memorandum.

Attachment

cc: The Deputy Managing Director
Mr. Sturc
Mr. Whittome ✓
Mr. Tun Thin

Romania - Furnishing of InformationMembership

During the negotiation of Romania's membership, questions arose concerning the extent of information which would have to be supplied to the Fund. One aspect was the extent to which the Fund would insist on viewing the position regarding surpluses or deficits for all countries individually with which Romania had bilateral payments agreements, whether or not these countries were members of the Fund. Fund staff concluded that the minimum necessary for satisfactorily carrying out the Fund's business was that the Fund should be informed of the position of Romania with non-member CMEA countries and the individual position of Romania with all member countries. It was suggested that such a line would leave open for the future the question as to whether particular circumstances might arise in which disclosure of individual balances with non-member CMEA countries might be regarded as necessary (Memorandum of Mr. Whittome to the Managing Director, July 18, 1968).

Secondly, there was an initial reluctance of Romania to disclose data on gold and foreign exchange reserves. It was pointed out to the Romanians, however, that the Fund would expect to receive this information prior to membership, and that it would be incorporated in the membership paper. Thereafter, information on reserves would be required periodically (Minute of Meeting of June 22, 1972). As anticipated, the paper on calculation of Romania's quota (EB/CM/Romania/72/1, October 10, 1972) included information on the distribution of Romania's gold and foreign reserves.

In briefing, the staff also raised the question of whether or not the legal system of Romania would permit the country to comply with its obligations under Article VIII, Section 5 (draft briefing paper for the Managing Director, June 13, 1972). In the membership process, however, the ability of Romania to provide the Fund with information did not become an issue.

1973 and 1974 Consultations

When the Board considered the 1973 Article XIV consultation with Romania, several Executive Directors commented on the availability of information (EBM/73/93 - 9/14/73). Mr. Rawlinson remarked on some gaps in the information provided, especially concerning the concentration of debt maturities in 1973 and 1974. More generally, he inquired whether the staff intended to include a page on Romania in IFS. The latter point was repeated by Mr. Caranicas. In response, the staff expressed the view that the provision of information by Romania would have to be a gradual process; the staff certainly expected that Romania would be included in the IFS, but the staff could not say when it might appear.

During the 1974 consultation with Romania, the staff recorded that there were still some problems in obtaining adequate economic information, although some progress was being made. It was noted, however, that there was sufficient information available to write an acceptable staff report (Memorandum from Mr. Evensen to the Managing Director, June 6, 1974).

In the Executive Board discussion, comments were made concerning the availability of information (EBM/74/132 - 10/23/74). Generally, Mr. Liefstinck referred to the confidential character of any background information that might be available to the Fund, and in particular, balance of payments and reserve positions, and debt data. Mr. Cross said that it was difficult to interpret the performance of the Romanian economy from the available data, and that if Romania and similar countries were to be integrated more fully into the world economy, reporting practices would have to change so as to enable the Fund to appraise performance. Mr. de Groote also referred to the difficulty of measuring the performance of the economy, and encouraged the staff to take a critical position on the statistics available.

In reacting to such comments,

"Mr. Liefstinck recalled that the Romanian authorities had stressed the need for confidentiality in the treatment of the information they had offered the Fund at the time they had joined, and that they had explained that they had a constitutional problem. Legislation was required to enable the authorities to publish certain information, and they had admitted that they had not yet adopted that openness in the discussion of their policies that existed in western countries. The matter should be handled by the Executive Directors with understanding and patience, and he was personally impressed by the progress the staff had made since the first consultations with the Romanian authorities. At the time when membership conditions had been discussed, it had been explained to the Romanian authorities that the Fund Articles required members to submit certain information, but it had been added that the Fund would show understanding of their particular situation and problems. As to Mr. de Groote's point on the desirability of being able to comment on the statistical methods of the Romanian authorities, it had to be said that it was difficult to penetrate the offices of the Planning Bureau, where in any event the officials were very cautious in disclosing information. In the course of time, he hoped, it might be possible for the staff to enter into such relations with the persons working in that Bureau that they would at least obtain a better understanding of the methods used."

Mr. Liefstinck also suggested an amendment to the proposed decision to protect the sensitivity of the Romanian authorities. The amendment was incorporated in the decision. However, in the course of the discussion, Mr. Bull expressed some uneasiness. In summary,

"Mr. Bull stated that he was disturbed at being asked to adopt practices toward one member country to meet the particular legislative difficulties of that country, while adopting different practices toward the rest of the Fund membership. He hoped that the sort of indications about future Romanian practices with

respect to the provision and publication of information which had been given to the Executive Directors when the membership resolution for Romania had been discussed would be realized in due course. He would not wish to continue deleting particular figures from a decision because they might not be published locally."

Consultations and Stand-bys - 1975 - 1978

During the negotiation of Romania's first stand-by arrangement during 1974 and 1975, it was again asked if Romania would be in a position to supply to the Fund all available data. In particular, in a report on the initial staff discussions, it was noted that the Romanian authorities were not prepared to provide the staff with data to make possible the construction of a monetary survey, and that the authorities did not want to give any information on effective rates for exports (Memorandum from Mr. Evensen to the Acting Managing Director, August 22, 1974).

In the eventual stand-by arrangement (EBS/75/306, Sup. 1, Sept. 3, 1975) Romania was required to consult with the Fund and, in particular, it was stated that "Romania will keep the Fund informed of developments in the exchange, trade, credit, and fiscal situation through reports at intervals or dates requested by the Fund during the period the stand-by arrangement is in effect." The Board discussion of the 1975 stand-by was in conjunction with the 1975 Article XIV consultation and at that time several Executive Directors commented on the sufficiency of information received from Romania (EBM/75/161 - 10/3/75). In particular, Mr. Laske noted that while the statistical data had increased since the 1974 consultation, nonetheless some gaps in the information made available to the Fund persisted. Mr. Cross expressed similar sentiments, and commented generally on the need for adequate data from member countries.

The staff's response was summarized as follows:

"On the question of the availability of data, the staff representative commented that it had been clearly recognized both by the Romanian authorities and by the staff that the availability of statistical material in Romania was different from that in other countries. What statistics were available were available only on an annual basis, and often with considerable delay. Many statistics, for example those on monetary data, were not published at all within the country. The staff had explained to the Romanian authorities that it was essential for it to have information if the Executive Directors were to be able to analyze economic developments in Romania; and it was fair to say that the amount of information provided had increased from year to year. Naturally the staff would like to receive more, but already the various Fund reports on Romania contained more information than was available from any other source."

In 1977, the question of availability of information again arose during consideration of the proposed stand-by. Mr. Tyler, in his report to the Managing Director (July 1, 1977), referred to the limited authority of the officials to provide the required information. "This effectively means", Mr. Tyler wrote, "that he [Mr. Dumitrescu] wants you to commit yourself to support the stand-by arrangement without the certainty that the Fund will receive quarterly data in addition to that needed to monitor the performance criteria." Mr. Tyler continued:

"I see only two possibilities. The first is to insist on full prior agreement regarding information before agreeing to support the stand-by arrangement. If we do this, Mr. Dumitrescu and the Government will probably be forced to give an undertaking rather than to withdraw the request for a stand-by arrangement. The risk would be that the request might not be proceeded with and thereby we could deny ourselves access to more information that would otherwise be obtained. I myself doubt that the request would be withdrawn. The second is to recognize the difficult situation of the Minister, approve the draft letter, and take our chance on his obtaining initial and subsequent approval. It is a difficult decision to make. Based on my own view of the people concerned and our past experience with the Romanians, I would favor the second possibility. However, it is far from an ideal situation and it cannot be denied that there are sound arguments in favor of the first alternative."

This summation stimulated a pointed comment from Mr. Cutler (July 6, 1977) to the effect that:

"A stand-by cannot be monitored in the normal manner without a regular flow of information pertaining to all main economic indicators and not just to those of importance for the performance clauses."

Mr. Tyler responded in some detail (July 7, 1977). He pointed out that:

"With respect to the stand-by arrangement, a complete set of data is available on a twice yearly basis - at the time of the request and at the time of the mid-term review. Executive Directors have not in any sense suggested that these are insufficient to analyze economic developments."

In the 1977 stand-by arrangement (EBS/77/309, Supp. 1, September 12, 1977), paragraph 3 requires Romania to consult with the Fund on exchange, trade, credit and fiscal developments.

During the Board discussion of the 1977 Article XIV consultation and the stand-by arrangement, questions were raised about Romania's communication of information (EBM/77/133 - 9/9/77). Mr. Laske again suggested that there was room for improvement. Mr. Myers asked whether more economic information could

be expected from Romania. He noted that there was no separate treatment for Romania in IFS, and that with Romania's reliance on the Fund it would be appropriate for it to provide the information as a matter of course like other Fund members. Mr. Simone mentioned the efforts by the authorities to supply more data, and hoped that this would continue. Mr. Hollenson noted the improvement in Romania's data, although evaluation of it required a knowledge of the methods underlying their calculation. Similarly, Mr. Drabble suggested that a country relying as heavily as Romania on the Fund's resources should be sensitive to the obligations of membership with regard to the provision of adequate and timely economic data.

The staff's response included the following points:

1. "The staff of course agreed that the Romanian authorities should supply whatever information was necessary for the Fund to analyze developments in their economy. It had initially been recognized that there was a genuine problem in the sense that Romanian statistics were regarded as state secrets by definition. Nevertheless, there had been an understanding with the Romanian authorities that the obligations of Romania were the same as those of other Fund members, and that there would be a continuous improvement in the amount of data provided to the staff and to the Executive Board. There had in fact been an enormous increase in the information contained in staff reports on Romania. Compared with reports on other member countries, there were still areas where improvement was possible, but, by and large, the statistics in the staff reports on Romania were not as unsatisfactory as had perhaps been suggested. The weakness was rather in the lack of information supplied between the issuance of staff reports, and the staff had urged the authorities to provide a more regular flow."
2. However, figures which might appear to be missing - for instance, those on national economic, or social products or agricultural production - were not available only because the Romanian authorities themselves did not prepare them.
3. On the publication of statistical data, the authorities still felt unable to reverse the long-held practice of not publishing most data; as a result, there was no page on Romania in IFS.

In his concluding statement, Mr. Ruding suggested that certain distinctions should be made:

"First, some of the economic statistics requested did not exist. Second, it was necessary to distinguish between data provided to the Fund--the staff and the Executive Board--on a confidential basis and figures published either in International Financial Statistics or elsewhere. The Fund no longer had cause to complain very greatly; in the five years since becoming a member of the Fund, Romania had made tremendous progress. The recent information provided confidentially in EBS/77/336 showed the determined willingness of the authorities to carry out their

intention to provide the Fund with all the information it sought as frequently as it wished. It was understandable that both the staff and the Executive Directors wished to receive information on a quarterly basis between annual consultations. As for the publication of a page on Romania in International Financial Statistics, he would continue to draw the attention of the Romanian authorities to the matter, and he felt sure that further, if gradual, progress would be made. The Romanian authorities would be as reluctant to have an IFS page that contained too little information as to have no page at all. The wisest course of action would therefore be to wait until the domestic and international treatment of statistics in that respect was more compatible."



MINISTERUL FINANTELOR

VICEPRIM-MINISTRU AL GUVERNULUI
MINISTRUL FINANTELOR
Cabinet

January 30, 1979

cc: EED

orig. with LHM

Dear Mr. de Larosière:

Reference: Repurchases Falling Due in 1979

In the second half of 1977 and for most of 1978 the Romanian balance of payments gradually recovered from the damaging effects of the earthquake of March 1977. In this period Romania welcomed the assistance received from the Fund. Unfortunately, the outcome in the final quarter of 1978 was less favorable than earlier in the year. There was prolonged dry weather in the summer and autumn followed by severe winter frosts and snowfall, which adversely affected agriculture and more recently transportation and power supplies. In addition, an explosion in a large petrochemical complex severely disrupted output, including that for export. As a result of all these factors, the external accounts are being affected by reduced export supplies and some unexpected need for imports. The balance of payments should recover during 1979-80 but in the meantime, because of the low level of international reserves, it has been necessary to increase foreign borrowing.

No later than April 27, 1979, a repurchase falls due as a result of a purchase equivalent to SDR 95.00 million on April 28, 1976 under the compensatory financing facility and there are repurchases equivalent to SDR 20.00 million, SDR 17.50 million, and SDR 17.50 million to be made not later than May 12, June 21, and September 15, 1979, respectively, as a result of corresponding purchases three years earlier under the stand-by arrangement of October 3, 1975. Despite the large additional foreign borrowings already undertaken, the level of convertible international reserves remains low and still represents less than one month's imports paid for in convertible currency.

We therefore propose that the repurchase of the above mentioned purchases be made in four installments equivalent to SDR 30 million each not later than October 15, 1979, February 15, 1980, August 15, 1980, and February 15, 1981, and two further installments equivalent to SDR 15 million each not later than May 15, 1981 and August 15, 1981, and that these repurchases be attributed to the purchases in the order they were made.

Sincerely yours,

[Signature]
Paul Negulescu-Mizil

Mr. J. de Larosière
Managing Director
International Monetary Fund
700 - 19th Street, N.W.
Washington, D.C., 20431

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 9
held at the Ministry of Finance, at 12:40 p. m.
on Tuesday, January 30, 1979

PRESENT:

Romanian representatives

Mr. Bituleanu, Deputy Minister of Finance
Mr. Eremia, Ministry of Finance
Mr. Tocitu, Ministry of Finance
Mr. Dan, National Bank

IMF representatives

Mr. Tyler
Mr. Wein

Mr. Tyler expressed his thanks for the cooperation and efficiency which had characterized the discussions which were now concluding. He was also grateful for the cooperation received in arranging to send exchange rate quotations to the Fund.

Rule O-4

There were only a few outstanding matters, the most important of which was the need for Romania to comply with Rule O-4 concerning the use of members' currencies in Fund operations and transactions. Mr. Tyler indicated that he would take this up with Minister Niculescu-Mizil, since it was becoming an important problem. Romania was virtually the only Fund member not to have met its obligation in this respect. It would be most regrettable if a formal letter from the Managing Director to the Romanian Government were needed.

Mr. Bituleanu said that he hoped a favorable decision would be made and communicated to the Fund in about two weeks, although the period was not precise.

Interim Committee

Mr. Tyler said that he had telephoned his superiors in Washington and would be able to discuss with Minister Niculescu-Mizil possible topics at the forthcoming Interim Committee meeting.

IFS page

Mr. Bituleanu said that the Bureau of Statistics was to send a proposal regarding this, following a visit by Bureau staff in November. Mr. Tyler said he had mentioned by telephone to Washington the need to provide the promised material to Romania.

Proposed Romanian member of Fund staff

Mr. Bituleanu rehearsed Romania's desire to have a Romanian national on the Fund staff, and proposed Mr. Ilie Simon as a suitable candidate. A letter to Mr. Whittome on this subject was being prepared.

Mr. Tyler said that he was certain Mr. Whittome would ensure that Romania's request received full consideration. In principle, an application from a Romanian applicant was completely appropriate, provided he was available, had the technical qualifications, and sufficient mastery of English. However, appropriate openings in the staff were few, and it was not possible to leave them unfilled. Mr. Tyler recalled that he thought Mr. Simon had been offered a staff position a few years ago but had not been made available to take up the post. It was now difficult to know whether another opportunity for him to join the Fund staff would arise. However, Mr. Wein would be happy to convey the letter of recommendation to Mr. Whittome.

The meeting ended at 1:00 p.m.

INTERNATIONAL MONETARY FUND

Romania - Compensatory Finance
and Repurchase Rescheduling

Minutes of Meeting No. 10
held at the Ministry of Finance, from 5:00-6:45 p. m.
on Monday, January 29, 1979

PRESENT:

Romanian representatives

Mr. Niculescu-Mizil, Minister of Finance
Mr. Bituleanu, Deputy Minister of Finance
Mr. Eremia, Ministry of Finance
Mr. Stoenescu, Ministry of Finance

IMF representatives

Mr. Tyler

Apart from a general discussion of medium-term prospects for the Romanian economy, where Mr. Mizil said that the authorities hoped to maintain past growth rates despite recent developments, for example, in oil prices, the main subjects discussed were ones specific to the Fund.

CFF

Mr. Tyler explained to the Minister that, although a final decision would need to be made in Washington, it appeared to the staff mission that there was sufficient evidence to justify a request for use of the facility. The mechanics of forwarding the formal request were explained.

Rule O-4

Mr. Tyler explained the fact that Romania was one of the few, perhaps the only, member that had not fulfilled its obligations under this Rule to make arrangements for possible use in Fund transactions of Romanian currency. The Minister said that he would look into the matter and would hope to send an answer relatively soon.

Rescheduling and repurchases

Mr. Tyler explained that he and Mr. Eremia had agreed on a rescheduling of repurchases falling due in 1979 as a result of purchases three years earlier. The necessary form of request had been drafted and should be signed and sent to the Fund. Regarding repurchases falling due in 1980 as a result of purchases in 1977, he said that, although the matter would depend on balance of payments developments, there probably would be a prima facie case for rescheduling of those repurchases. Mr. Mizil said that his authorities were grateful for the financial assistance being made available in 1979 in the ways described. He hoped, however, that the Fund would be able to give further assistance to Romania in its development efforts and mentioned that he had raised the subject with the Managing Director.

Supply of information

Mr. Tyler described the technical discussions that had taken place between the Fund staff and Romanian officials regarding an IFS page and said that his understanding was that there were not any technical difficulties. Mr. Mizil reaffirmed his strong desire to have an IFS page. Mr. Tyler promised to expedite if he could the transmittal of a dummy IFS page for examination by the authorities.

Romania's quota

Mr. Mizil reiterated past requests that Romania gain a larger quota. Mr. Tyler pointed out the difficulties that always have and always would exist for countries endeavoring to improve their relative position. He suggested that the authorities examine all the arguments they could find in favor of Romania's case and forward them to the staff as well as to their Executive Director.

Romanians on the Fund staff

Mr. Mizil explained again the desire of his Government to have such representation and it was pointed out that a particular candidate was to be recommended (Mr. Simon). Mr. Tyler said that there were three factors that would have to be fulfilled. First, any proposed candidate would need to be satisfactorily qualified. Second, a position would need to be vacant. Third, a suitable candidate would have to be able to fill such a free position reasonably quickly. He also said that it was inevitably easier to find a suitable candidate if there were a number put forward rather than just one, since any one candidate would not necessarily be the best one for a particular position on the staff available at a specific time.

Foreign debt

In the general discussion on Romania's growth prospects, Mr. Mizil said that his country was determined to avoid foreign debt problems. He also said that, despite some internal differences of opinion, the President had agreed with his proposition that it was strongly desirable to increase international foreign exchange reserves, and also stocks of commodity reserves that could be sold if and when the balance of payments came into a less good position.

The meeting ended 6:45 p.m.



Office Memorandum

To Whittome
cc: EED

TO : The Managing Director
FROM : Ernest Sturc *ES*
SUBJECT : Romania--Provision of Information

DATE: January 26, 1979

With reference to your request dated January 23, 1979 on the above-mentioned subject, we have reviewed the information currently provided by the Romanian authorities in the area of external restrictive policies, and the extent to which we have been able to increase our coverage of information relating to exchange rate matters and the exchange and trade system since Romania became a Fund member in late 1972. No doubt the European Department will report on the performance of the Romanians as regards information on the domestic economy and the balance of payments.

We have been able over time, admittedly with considerable probing and coaxing on the part of the staff, to improve our knowledge on Romania's complex exchange system.

Romania provided a detailed description of its exchange arrangements pursuant to its obligations under Article IV, Section 2(a). Given the special features of the Romanian system, we doubt that our information is as yet sufficient to permit a fully satisfactory appraisal of the rate and its impact in terms of domestic activity and Romania's international relations, even if the rate has less direct impact on the allocation of resources in that country than in others where market forces play a greater role.

It is fair to say that frequent contact with the Romanians in the context of regular consultations and through use of the Fund's resources has led to a considerable increase in the Fund's knowledge in our sphere of responsibility. This is reflected in the country surveys for Romania in the Annual Reports on Exchange Restrictions, which in terms of coverage is comparable to that available for many other members.

It is perhaps also worth noting that Romania has been a Contracting Party to the GATT since 1971 and in accordance with the Protocol of Accession, biennial consultations are held between Romania and the CONTRACTING PARTIES to review the fulfillment of Romania's commitments under the protocol, and to review the development of Romanian foreign trade. Such consultations were held in 1973 and 1977. Romania is a participant in the Multilateral Trade Negotiations.

(On an informal note concerning the PRC, I understand that Mr. Frank Coe, Secretary of the Fund at the time of his resignation in 1952, is now resident in Peking and is reportedly advising the Chinese authorities on Fund/Bank matters.)

cc: The Deputy Managing Director
Mr. Gold
✓ Mr. Whittome
Mr. Tun Thin
Mr. Ware

Mr. Wein (upon return)

4
January 23, 1979

A. Pfeifer

Romania

Mr. Dale called to say that Mr. Solomon, the Undersecretary of the U.S. Treasury, will accompany Secretary Blumenthal on a visit to China starting February 24 and would like to have a briefing on the problems the Fund has had with Romania on the question of supply of information. Mr. Dale asked that we prepare such a briefing.

I said that we would but that in the absence of those knowledgeable about Romanian affairs, it would be difficult for us to do so immediately. I promised that a short note (one page or at most two) reviewing our experience with Romania in the matter of supply of information and describing the progress made over the years would be prepared in our department by mid-February. Could you please take this matter in hand upon your return?

cc: Mr. Tyler
Mr. Mountford



MANAGING DIRECTOR

INTERNATIONAL MONETARY FUND
WASHINGTON, D. C. 20431

CABLE ADDRESS
INTERFUND

January 23, 1979

MEMORANDUM

To : Mr. Gold
Mr. Sturc
Mr. Whittome
Mr. Tun Thin

From: The Managing Director
Rawl R. W.

I would like to know how the Romanians are complying with the obligations regarding information provided to the Fund.

If China were to join, we should be careful not to build up with other Communist countries bad precedents. I notice that there is no Romanian page in the IFS. Is this going to be corrected?

We should perhaps be more active in this field.



Office Memorandum

TO : Mr. Whitton *✓*
FROM : James Wein *fw*
SUBJECT : Romania--Rescheduling of Repurchases

DATE: February 6, 1979

*OK as long as this rectifies
Treasury's records
Mi*

*original document
to Wein*

I propose to have a draft of this paper for your consideration by the end of the week. If necessary, this timetable could be advanced.

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Telex ☒
Night Letter ☐
Full Rate ☐
Code ☐

OFFICIAL MESSAGE

INTERNATIONAL MONETARY FUND

DISPATCHED
IMF

Washington, D.C. 20431

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Mr. Tyler

Intercontinental Hotel

Bucharest, Romania

Special Instructions

18 The change from August 15, 1979 to October 15, 1979

17 presents no problems to us or de Gyor.

16 Regards

15 Pfeifer

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Distribution

MESSAGE MUST END HERE

Drafted by: REvensen/pp
Department: European
Date: 1/16/79

Rolf Evensen
NAME (TYPE)

R. Evensen
SIGNATURE

NAME (TYPE)

SIGNATURE

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TO MR A PFEIFER

REGARDING RESCHEDULING AGREED WITH DE GYOR IN TREASURER'S
BEFORE DEPARTURE. HAVE BEEN ASKED TO CHANGE FIRST DATE
FROM AUGUST 15, 1979 TO OCTOBER 15, 1979 ALL OTHER DATES
TO REMAIN UNCHANGED. ARGUMENT ADVANCED IS QUITE REASONABLE.
WOULD BE GRATEFUL IF YOU COULD CLEAR WITH DE GYOR THAT
THIS PRESENTS NO PROBLEM AND CONFIRM TO ME.

REGARDS

TYLER

⊕

440040 FUND UI

**SPECIAL DELIVERY
CABLE**

Hold for LAW

cc: Mr. Tyler
(with comment
by LAW)



Office Memorandum

TO : Mr. Whittome *W*
FROM : Geoffrey Tyler *57*
SUBJECT : Romania--Requirement of Need

DATE: January 8, 1979

Although we have discussed this subject informally already, I would find it helpful to have a confirmation of our understanding before I leave for Romania.

Because Romania will be obliged to make net repurchases to the Fund during 1979, even after the proposed rescheduling, there is a potential problem regarding meeting the balance of payments need test for the compensatory financing purchase, assuming that a shortfall can be shown. The problem arises because the level of gross convertible international reserves is low and cannot easily be let fall. This has the result that Romania needs to aim for a balance of payments surplus to provide for net repurchases from the Fund and a stable or slight increase in gross foreign exchange holdings. A similar situation existed in 1978 when an overall surplus was forecast and yet the stand-by arrangement was kept in force.

There are two possible ways in which Romania can manage its balance of payments and satisfy the needs test. The first would be to allow the gross foreign exchange holdings to decline, permitting an overall balance of payments deficit despite net repurchases from the Fund. However, this would require a not insubstantial fall in gross foreign exchange holdings at a time when the import bill is increasing. This would mean lowering the reserves to import ratio, which is already equivalent to less than one month. In recent stand-by arrangements the Fund has taken the view that further decline is undesirable and because of this has put a performance criteria providing for an increase in reserves so that the reserves/import ratio remained basically stable. My own view is that we should not want to see a decline in the ratio.

I agree
12/1
An alternative policy would be for Romania to aim at an overall balance of payments surplus that would permit net repurchases from the Fund and a further modest increase in gross foreign exchange holdings. In such a situation, if pressed, we would presumably need to base our needs test on an argument of a very low level of international reserves. I believe that this is a perfectly justifiable stance to take. However, there have been some murmurings from other departments in the Fund on past occasions about the use of Fund resources at a time when the balance of payments was in overall surplus.

I believe that we should continue our past attitude and support a purchase even though the balance of payments might show a small overall surplus. Do you agree or do you think that the Romanians should be willing to allow their gross foreign exchange holdings to decline and so permit a small overall deficit in the balance of payments?



Office Memorandum

TO : The Deputy Managing Director

DATE: January 3, 1979

FROM : Albin Pfeifer *AP*

SUBJECT : Romania

Last month you approved a staff visit, requested by the Romanian Minister of Finance, to discuss a purchase under the compensatory financing facility and a rescheduling of various repurchases falling due during the course of this year. A copy of the relevant memorandum is attached.

We originally proposed that the mission consist of Messrs. Tyler and Wein (both EUR) with a secretary. On further consideration we would propose adding Mr. Alexander (EUR) to the mission. Mr. Tyler must go to Yugoslavia for the Article IV consultation discussions immediately after the Romanian visit. That mission plus a simultaneous one in Israel will mean that the Eastern European Division will consist of Mr. Wein only, on his return. Unfortunately his father is extremely ill and, while we can hope that his condition does not deteriorate, a second person able to assist in preparing the compensatory financing facility paper would be added insurance.

OK [Signature]

Attachment

cc: ADM (after approval)
Mr. Tyler



Office Memorandum

TO : The Deputy Managing Director

FROM : L.A. Whittome / *LA*

SUBJECT : Romania

DATE: December 18, 1978

The Romanian Minister of Finance, Mr. Niculescu, has requested a mission in January 1979, to discuss a purchase under the compensatory financing facility. The maximum amount available to them is SDR 41.25 million, which would bring outstanding purchases under the facility to 75 per cent of quota. The Romanians are also expected to request rescheduling of repurchases totaling SDR 150 million, falling due at various dates in 1979 following purchases of SDR 95 million in April 1976 (CFF), and SDR 20 million, SDR 17.5 million, and SFR 17.5 million in May, June, and September 1976, respectively (SBA).

If you agree, I would propose that Messrs. Tyler and Wein (both EUR), with a secretary yet to be selected, visit Bucharest from January 19, 1979. Mr. Ruding knows of the requested visit and supports it.

OK WBO

cc: ADM (after approval)
✓ Mr. Tyler

JS