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ROOM C-110

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EBD/84/207

July 27, 1984

To: Members of the Executive Board
From: The Acting Secretary
Subject: Western Samoa - Exchange Arrangements

Attached for the information of the Executive Directors is a paper on a recent change in the exchange rate of the Western Samoa tala.

Att: (1)

Other Distribution:
Department Heads



INTERNATIONAL MONETARY FUND

Western Samoa--Exchange Arrangements

Prepared by the Asian Department and the Exchange and
Trade Relations Department

(In consultation with the Legal Department)

Approved by Tun Thin and Eduard Brau

July 26, 1984

In the attached communication dated July 18, 1984 the Western Samoa authorities notified the Fund that effective July 19, 1984 the midpoint exchange rate of the tala against the New Zealand dollar was changed from WS\$1.152 = \$NZ 1 to WS\$1.04 = \$NZ 1. This adjustment represents a 10.8 percent appreciation of the tala against the New Zealand dollar.

The above measure, which was taken in response to the recent depreciation of the New Zealand dollar, has entailed an effective depreciation of the Western Samoa tala of 4 percent against the currencies of Western Samoa's major trading partners. The staff believes that this action is consistent with the exchange rate policy intentions of Western Samoa's authorities under the current stand-by, as described in EBS/84/130 (6/7/84).

The staff will review exchange rate developments and policy during the Article IV consultation and midterm review tentatively scheduled during October 1984.

Attachment

INTERFUND,
WASHINGTON, DC

JULY 18, 1984

AT ITS MEETING TODAY CABINET EXAMINED OPTIONS PROPOSED BY THE CENTRAL BANK ON THE EXCHANGE RATE FOLLOWING THE TWENTY PERCENT DEVALUATION BY NEW ZEALAND. CABINET DECIDED NOT TO ACCEPT THE FULL EFFECTIVE DEVALUATION OF THE TALA WHICH WOULD RESULT IF THE MID-RATE OF WS\$1.152 = NZ\$1 REMAINED UNCHANGED. EFFECTIVE 19 JULY THE MIDPOINT EXCHANGE RATE OF THE TALA AGAINST THE NZ DOLLAR WILL BE ADJUSTED TO NZ\$1 = WS\$1.04. THIS REPRESENTS A FURTHER EFFECTIVE DEVALUATION OF APPROXIMATELY 4 PERCENT.

CONSIDERATIONS INCLUDED THE RECENT REALIGNMENT OF THE EXCHANGE RATE IN MAY 1984 AND SOME FURTHER DEVALUATION IN EFFECTIVE TERMS BECAUSE OF THE STRENGTHENING OF THE U.S. DOLLAR IN RECENT WEEKS.

THIS GOVERNMENT IS STILL FULLY COMMITTED TO THE PACKAGE OF POLICIES OUTLINED IN MY LETTER OF INTENT FOR THE CURRENT STANDBY ARRANGEMENT AND WILL BE CLOSELY REVIEWING DEVELOPMENTS TO ENSURE THAT CORRECTIVE MEASURES ARE IMPLEMENTED BUT WITH APPROPRIATE EVEN HANDEDNESS TO THE COMMUNITY WHO HAVE HAD TO ENDURE CONTINUOUSLY THE GOVERNMENT'S AUSTERITY PROGRAMME OVER THE LAST EIGHTEEN MONTHS.

THE TIMING OF THE NEW ZEALAND MEASURES HAS PRESENTED THE GOVERNMENT WITH THE MOST DIFFICULT DECISION AND WOULD APPRECIATE YOUR FULL CONSIDERATION OF ALL THE ISSUES CONCERNING THE STANDBY FACILITY.

SINCERELY YOURS

TUILAEPA SAILELE MALIELEGAOI
MINISTER OF FINANCE
TREASURY

Received in Cable Room: July 19, 1984