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To: Members of the Executive Board
From: The Secretary
Subject: Communiqué of the Ministerial Meeting of the Group of Ten

The attached copy of the communiqué of the Group of Ten ministerial meeting issued in Rome on Saturday, May 19, 1984 is circulated for the information of Executive Directors.

Att: (1)

Other Distribution:
Department Heads

**Communiqué of the Ministerial Meeting
of the Group of Ten**

Rome, May 19, 1984

1. The Ministers and Central Bank Governors of the countries participating in the General Arrangement to Borrow (GAB) met in Rome on May 19, 1984, under the Chairmanship of Mr. Giovanni Gorla, Minister of the Treasury of the Italian Republic. The Managing Director of the International Monetary Fund, Mr. J. de Larosière, took part in the meeting, which was also attended by Mr. E. van Lennep, Secretary-General of the Organisation for Economic Co-operation and Development, Mr. A. Lamfalussy, Assistant General Manager of the Bank for International Settlements, and Mr. F.-X. Ortoli, Vice-President of the Commission of the European Communities.

2. The Ministers and Governors heard a report by the Chairman of their Deputies, Mr. Lamberto Dini, on the progress of the Deputies' work devoted to an examination of the conditions necessary to improve the functioning of the international monetary system. As agreed by the Ministers and Governors, that work has focused on four themes: (1) the functioning of floating exchange rates; causes of volatility and trend movements in exchange rates; (2) ways to strengthen multilateral surveillance, with a view to promoting greater policy coordination and exchange rate stability; (3) the management of international liquidity; and (4) the future role

of the IMF. The Ministers and Governors expressed satisfaction with the progress made to date and instructed their Deputies to continue their work in an urgent and thorough manner, with a view to submitting a final report during the first half of 1985.

3. With respect to the functioning of the floating exchange rate system, the Ministers and Governors noted that it had made a positive contribution to the maintenance of international trade and payments and to the adjustment process in a difficult global environment. They were of the view that a return to a generalised system of fixed parities was unrealistic at the present time. They expressed varying degrees of dissatisfaction with some aspects of the working of the system and they were convinced that it should be improved. The Ministers and Governors agreed that greater convergence of economic performances and compatibility of sound non-inflationary policies would make an essential contribution to growth and exchange rate stability. They also recognized the useful role that can be played by coordinated intervention in counter-ing disorderly exchange market conditions.

4. The Ministers and Governors affirmed the need to strengthen multilateral surveillance over countries' policies, particularly within the context of the IMF, and make its mechanisms and procedures more effective. A number of suggestions to that effect have been made, and it will be necessary

to examine them in more detail before agreeing on specific measures and actions.

5. The Ministers and Governors noted that the area of international liquidity has received only preliminary consideration, and that a number of important questions remained to be addressed. Among these were the process of creation, control, and distribution of international liquidity, the role of the international financial markets, and that of the SDR. As regards allocations of SDRs, they recalled that at the recent IMF Interim Committee meeting they had agreed to consider the matter again in September.

6. The Ministers and Governors noted that the work of their Deputies on the future role of the IMF was also at a preliminary stage. They agreed that it was essential to maintain and safeguard the monetary character of the IMF, and they attached particular importance to the revolving nature of its financing. They emphasized the principle that Fund financing was available with appropriate conditionality to support balance of payments adjustment in member countries. They also stressed the need for closer cooperation between the IMF and the IERD, and noted the valuable contribution that the latter institution can make in fostering structural adjustment.

7. The Ministers and Governors expressed their gratitude to the Italian authorities for their most cordial hospitality and for the excellent meeting arrangements.