

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/14

3:00 p.m., January 14, 1983

J. de Larosière, Chairman
W. B. Dale, Deputy Managing Director

Executive Directors

A. Donoso
M. Finaish
R. K. Joyce
G. Laske.
G. Lovato
R. N. Malhotra
J. J. Polak
G. Salehkhov
F. Sangare
M. A. Senior
Zhang Z.

Alternate Executive Directors

w. B. Tshishimbi
E. M. Ainley, Temporary
H. G. Schneider
A. Le Lorier
C. Dallara
T. Alhaimus
Jaafar A.
T. Yamashita
C. Robalino
G. Grosche
C. P. Caranicas
A. S. Jayawardena
J. E. Suraisry
T. de Vries
K. G. Morrell
O. Kabbaj
L. Vidvei

L. Van Houtven, Secretary
J. C. Corr, Assistant

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Also Present

Exchange and Trade Relations Department: D. K. Palmer, Deputy Director.
External Relations Department: H. O. Hartmann, H. P. G. Handy. Legal
Department: G. P. Nicoletopoulos, Director; J. G. Evans, Jr., Deputy
General Counsel. Research Department: W. C. Hood, Economic Counsellor
and Director; C. F. Schwartz, Associate Director and Director of Adjust-
ment Studies; A. D. Crockett. Secretary's Department: J. W. Lang, Jr.,
Deputy Secretary; A. P. Bhagwat. Treasurer's Department: D. Williams,
Deputy Treasurer; M. N. Bhuiyan, O. Roncesvalles, M. A. Tareen. Advisors
to Executive Directors: S. R. Abiad, H.-S. Lee, I. R. Panday, P. D. Péroz.
Assistants to Executive Directors: H. Alaoui-Abdallaoui, H. Arias,
R. Bernardo, M. Camara, L. E. J. Coene, T. A. Connors, I. Fridriksson,
A. Halevi, M. K. Kooymans, P. Leehtam, W. Moerke, V. K. S. Nair, Y. Okubo,
E. Portas, J. Reddy, J. Schuijjer, D. I. S. Shaw, H. Suzuki, A. Yasserli,
A. A. Yousef, Zhang X.

1. EIGHTH GENERAL REVIEW OF QUOTAS - REPORT TO INTERIM COMMITTEE

The Executive Directors considered the report of the Executive Board to the Interim Committee on the Eighth General Review of Quotas (SM/82/249, Rev. 2, 1/14/83).

Mr. Laske commented that, in paragraph 6, the phrase "most Directors" in subparagraph (i) was inconsistent with the "most Directors" referred to in subparagraph (iii).

The Chairman suggested that in subparagraph (iii) the text could read "almost all Directors."

Mr. Vidvei remarked that, in his recollection, Directors had agreed to delete the phrase "the overall increase" from the first line of paragraph 8.

The Deputy Treasurer said that the section dealt with that portion of the Interim Committee communiqué concerning the enlargement of the Fund, i.e., the overall increase in quotas.

Mr. Zhang noted that deleting the phrase would require further amendments elsewhere in the paragraph. It would be preferable to leave the sentence as drafted.

Mr. Suraisry stated that he had been informed by his authorities that, while they could support an equiproportional increase of between 50 per cent and 75 per cent, they would like to be in the middle because they wanted to help to achieve a consensus to ensure a successful outcome of the Interim Committee meeting.

The Chairman commented that the clause "which would argue for special adjustments in their quotas" in the middle of paragraph 13 was unclear.

The Deputy Treasurer suggested that the clause could be dropped from the sentence without loss of meaning.

Mr. Dallara said that that was acceptable.

Mr. Ainley agreed with Mr. Dallara.

Mr. Finaish asked whether the phrase "inter alia" in the addendum paragraph dealing with the General Arrangements to Borrow (GAB) was meant to imply that the Executive Board had discussed proposals other than the enlargement of the GAB.

The Chairman observed that some Directors had felt that it would be worthwhile to note that the Executive Board's discussions had covered issues other than the extension of the GAB in the context of assessing the adequacy of existing arrangements to deal with strains in the international monetary system. The phrase "inter alia" was intended to cover that point while avoiding extensive reference to the discussion.

The Executive Board approved the report to the Interim Committee on the Eighth General Review of Quotas and its transmittal to the members and associates of the Interim Committee.

2. INTERIM COMMITTEE - AGENDA

The Executive Directors considered the proposed agenda for the Twentieth Meeting of the Interim Committee (EBD/83/14, 1/12/83).

The Chairman stated that he had consulted closely with Sir Geoffrey Howe, Chairman of the Interim Committee, on the proposed agenda. They had agreed that the meeting of the Interim Committee had to focus on a number of important decisions. Sir Geoffrey had therefore suggested that the discussion of the World Economic Outlook and of the increase in the Fund's resources be taken together in a single intervention.

Mr. Malhotra, Mr. Lovato, and Mr. Laske said that they agreed with the suggestion of taking the two items together.

Mr. Finaish asked what documentation would be provided under Item 4(b), entitled Enlargement and Revision of the General Arrangements to Borrow.

The Chairman explained that the G-10 Deputies would be meeting in Paris on January 17 and 18, 1983. There would also be a meeting of G-10 Ministers on January 18. Those meetings would cover a range of issues relating to the GAB, including its enlargement, the distribution of contributions among participants, and possible parallel arrangements with other countries. The documents to be discussed by the Interim Committee would depend on the outcome of those meetings.

The Director of the Legal Department said that, in light of the outcome of the G-10 Ministerial Meeting, the staff would revise the papers that it had produced earlier on the GAB. In addition, the Chairman's introductory remarks to the Interim Committee could include a section that would set the basis for the discussion of the GAB in the Committee.

Mr. Vidvei asked how agenda Items 3 and 4 would be introduced. In addition, when would Directors be able to see and discuss the World Economic Outlook?

The Chairman replied that, following Sir Geoffrey Howe's introduction of the agenda as a whole, he would give a short presentation covering some aspects of the international financial situation as it affected the Fund. He had just received the draft World Economic Outlook and had requested the Secretary to circulate the tables accompanying the WEO that day. The WEO paper itself would be circulated on January 17, with Board discussions scheduled for January 31 and February 2.

Mr. Dallara said that he supported the proposed agenda as drafted, including the suggestion to take Items 3 and 4 in a single intervention.

Mr. Zhang inquired about the scope and length of the new World Economic Outlook.

The Director of Adjustment Studies said that a "full-scale" revision of the estimates and projections in the World Economic Outlook had been undertaken, including the medium-term scenarios. In addition, a considerable amount of new statistical information would be provided on capital flows, short-term debt, and the distribution of external indebtedness among the non-oil developing countries.

Mr. Malhotra suggested that Item 4(a), Increase in Quotas under the Eighth General Review, and Item 4(b), Enlargement and Revision of the General Arrangements to Borrow, might better be considered as separate items. However, even if presented in that way, they should be covered under one intervention.

Mr. Ainley said that he preferred the agenda as drafted because the GAB provided resources to the Fund, and it was therefore reasonable to include discussion of that issue under the general heading "Fund Resources."

Mr. Salehkhov commented that it was difficult to include the question of the GAB on the proposed agenda without knowing what the outcome of the discussion of the Group of 10 would be.

The Chairman remarked that, no matter what the outcome of the G-10 meeting would be, the size of the GAB would have implications for the liquidity of the Fund. It would, therefore, be necessary to discuss the issue at the meeting of the Interim Committee.

Mr. Finaish and Mr. Zhang said that they supported Mr. Malhotra's proposal regarding the presentation of Items 4(a) and 4(b) as separate items.

Mr. Laske, Mr. Joyce, Mr. Yamashita, Mr. Lovato, Mr. Schneider, and Miss Le Lorier remarked that they supported the agenda as drafted, for the reasons given by Mr. Ainley.

Mr. Malhotra said that his object in proposing the amendment had been to underscore the difference between Fund quotas and GAB resources; however, he would not insist on the amendment.

The Executive Directors approved the agenda for the Interim Committee meeting and its transmittal to the members and observers of the Committee.

DECISION TAKEN SINCE PREVIOUS BOARD MEETING

The following decision was adopted by the Executive Board without meeting in the period between EBM/83/13 (1/13/83) and EBM/83/14 (1/14/83).

3. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/83/15 (1/12/83) and EBAP/83/16 (1/12/83) is approved.

APPROVED: June 22, 1983

JOSEPH W. LANG, JR.
Acting Secretary