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INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/61

10:00 a.m., April 15, 1983

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

Executive Directors	Alternate Executive Directors
A. Alfidja	
	C. Taylor
J. de Groote	
B. de Maulde	A. Le Lorier
A. Donoso	
R. D. Erb	
	T. Alhaimus
	J. Reddy, Temporary
T. Hirao	
R. K. Joyce	
A. Kafka	
G. Laske	G. Grosche
G. Lovato	
	A. S. Jayawardena
Y. A. Nimatallah	
	T. de Vries
A. R. G. Prowse	K. G. Morrell
G. Salehkhou	O. Kabbaj
	J. M. Jones, Temporary
M. Senior	
J. Tvedt	A. Lindå
	Jiang H., Temporary

L. Van Houtven, Secretary
R. S. Franklin, Assistant

Also Present

Administration Department: R. Tenconi, Director; T. Cole, A. Coune, L. Garamfalvi, A. D. Goltz, G. E. Gondwe, J. D. Huddleston, H. Wiesner. African Department: J. B. Zulu, Director; R. J. Bhatia, Deputy Director; O. B. Makalou, Deputy Director; A. B. Diao. European Department: L. A. Whittome, Counsellor and Director; B. Rose, Deputy Director; B. de Schaetzen, M. Ishihari, A. Knobl, A. Leipold, L. J. Lipschitz, V. Marie, S. Mitra, P. J. F. Nyberg, E. Spitaeller, T. Ter-Minassian, H. Ungerer, M. Xafa. Exchange and Trade Relations Department: P. J. Quirk. Legal Department: J. G. Evans, Jr., Deputy General Counsel. Research Department: R. R. Rhomberg, Deputy Director; J. Artus, M. D. Knight. Personal Assistant to the Managing Director: N. Carter. Advisors to Executive Directors: S. R. Abiad, C. J. Batliwalla, J. Delgadillo, S. El-Khouri, L. Ionescu, P. Kohnert, P. D. Péroz, P. Péterfalvy. Assistants to Executive Directors: E. M. Ainley, H. Alaoui-Abdallaoui, H. Arias, L. Barbone, J. Bulloch, L. E. J. Coene, T. A. Connors, M. K. Diallo, G. Ercel, I. Fridriksson, G. Gomel, M. Hull, M. J. Kooymans, P. Leeahtam, W. Moerke, Y. Okubo, J. G. Pedersen, G. W. K. Pickering, E. Portas, J. Schuijer, D. I. S. Shaw, H. Suzuki, M. Toro.

1. EUROPEAN MONETARY SYSTEM (EMS) - REALIGNMENT OF EXCHANGE RATES

The Executive Directors considered a staff paper on the recent realignment of exchange rates within the European Monetary System (SM/83/57, 4/1/83; Cor. 1, 4/14/83; and Sup. 1, 4/14/83).

The Director of the European Department noted, first, that there was a typographical error in the second line of the final paragraph on page 1 of the main paper. The word "appreciate" should read "depreciate." Second, the tables in Correction 1 to SM/83/57 that had been circulated to Executive Directors gave some indication of the possible need for exchange rate changes within the EMS; what they could not reflect, however, was the stance of domestic policies, the effects of which should be borne in mind. For example, anyone examining the current position of the French franc should take into account the effects of the recent measures taken by the French Government.

The table in SM/83/57, Supplement 1 should help to clarify the effects of exchange rate changes in the European Monetary System by presenting the rates of each EMS currency both in terms of the U.S. dollar and in terms of an effective rate, the Director considered. Nonetheless, the table was potentially misleading because, after an EMS realignment, it was normal--as capital flows reversed--for currencies that had been strong before the realignment to become weak for a time. Furthermore, nominal interest rates tended to play their full part during such a period, so that the positions shown in the supplement might represent only a transitory phase.

Mr. de Maulde remarked that his authorities attached great importance to exchange rate surveillance by the Fund and felt themselves fully committed by the Versailles summit statement "to strengthen cooperation with the IMF in its work of surveillance, and to develop this on a multilateral basis taking into account particularly the currencies constituting the SDR." Thus far, surveillance had mainly taken the form of a rather cursory examination of exchange rate policies of member countries on the occasion of discussions of Article IV consultation reports. The only exception to that practice, to his knowledge, had been the discussion of the devaluation of the Swedish krona. Executive Directors had on a number of occasions expressed a desire for the Fund to play a more active role in surveillance beyond the Article IV consultation process, and for it to look more closely at the interdependence of exchange rate and economic policies in a way that would allow the Executive Board to assess the consequences of exchange rate decisions by individual countries on the rest of the world. The discussion of the recent realignment of exchange rates in the European Monetary System met that desire to some extent. However, by its nature, the EMS was fully consistent with the purposes of the Articles of Agreement and thus did not require much surveillance; it was a system of fixed but adjustable exchange rates operated within a multilateral framework, which meant that decisions to adjust those rates were taken in common by all members of the EMS.

In future, it should be possible to exercise surveillance over exchange rate changes of a much greater magnitude than those that had taken place within the EMS, Mr. de Maulde continued. The decision recently taken by the Executive Board to implement a new procedure for dealing with effective changes in exchange rates exceeding certain given limits should be helpful in improving the surveillance function of the Fund.

The purpose of the discussion on the realignment of exchange rates within the European Monetary System was mainly to ascertain whether the countries involved in that realignment--which had in due course notified the Fund of their new exchange rates--had met their obligations under Article IV, Section 1 of the Articles, Mr. de Maulde considered. That section demanded the avoidance of erratic exchange rate fluctuations, the avoidance of unfair competitive advantage over other members, and the pursuit of economic and financial policies conducive to the stability of their exchange rates. The objective of bringing about a better "convergence" of economic policies among EMS members--which was central to the arrangement--was in fact very close to the concept of "adjustment" used by the Fund. Essentially, the objective was to pursue greater stability in economic relations between member countries of the EMS through the implementation of policies conducive to the maintenance of the mutual openness of EMS economies.

The principles and the practical working of the EMS appeared to meet the three fundamental obligations of Article IV, Section 1 in full, Mr. de Maulde considered. On March 23, EMS members had come to the conclusion that the grid of bilateral central rates had become inconsistent with the evolution of relative prices and costs. The decision to readjust the rates collectively had been preceeded by active and coordinated interventions, which had ceased once the adjustment had become effective. Hence, the flexibility demonstrated by the system had been fully consistent with the first objective in Article IV, Section 1 of countering erratic disruptions of the exchange markets. With respect to the objective of avoiding competitive devaluations, the moderate size of the adjustment within the EMS and vis-à-vis third countries showed that the EMS partners had decided not to go beyond the strict correction of the past divergence. Finally, with respect to the requirement that domestic policies be implemented that were consistent with the stability of the new exchange rates, he considered that the measures decided upon by France constituted a good illustration of the will of EMS countries to strengthen the convergence of economic policies within the framework of the new grid of bilateral central rates.

The objective of the French measures was to bring the current account of the balance of payments into full equilibrium by end-1984, with at least half the projected improvement taking place before the end of 1983, Mr. de Maulde observed. The measures were geared to improving the situation of the external sector through a transfer of resources from domestic demand equivalent to F 65 billion, or about 2 per cent of GDP. The authorities were implementing a policy with three main elements: a reduction in the borrowing needs of the public sector, a continuation of the incomes policy initiated in 1982, and a firmly restrictive monetary policy. Those consistent adjustment measures should place the French economy in a position to be fully open to Europe and the rest of the world. Greater clarification of those measures and their potential effects would be possible during the forthcoming Article IV consultation with France.

Mr. Laske stated that, since the European Monetary System was an exchange arrangement among a number of European countries that, together, accounted for a significant part of world trade and that, among themselves, exchanged a substantial amount of goods, services, and capital, it was only natural that any change or adjustment in the arrangement should be subject to the Fund's surveillance under Article IV. He could associate himself with Mr. de Maulde's remarks on the objectives and general aspects of surveillance as they related to the European Monetary System.

Taking up the staff paper, Mr. Laske said that he could accept the staff's analysis of the developments that had required a realignment of the exchange rates of the currencies in the EMS. Widely different movements in costs and prices had occurred among the EMS countries, and those differences had brought about shifts in the international competitiveness of those countries, which had in turn led to divergences in their current account balances. The data showing those shifts had been appropriately presented in the tables attached to the staff papers, although it might have been helpful if the staff had provided a table showing developments in the unit values of exports of the EMS countries, since such data might have more clearly underlined the need for an adjustment in exchange rates. The staff had rightly pointed out that the diverging movements among EMS countries were a reflection of economic policies with different objectives. Thus, while some of the EMS countries had continued to feel a need for fiscal and monetary restraint in order to consolidate the gains that had been made in combating inflation and in correcting external imbalances, others had, for reasons of their own, adopted a more expansionary stance.

The recent realignment in the central rates of the EMS currencies, and the changes in effective exchange rates resulting from them, should help to smooth out the differences in competitiveness that had developed and bring about greater compatibility in the current account positions of the EMS countries than had existed in the recent past, Mr. Laske said. The realignment and the benefits flowing from it should also help to diminish the regrettable tendencies to resort to protective measures as a remedy for balance of payments difficulties. As experience immediately following the realignment had shown, the cooperative action by EMS countries had in addition served to dampen the sometimes erratic movements in the exchange markets.

It was agreed by all that exchange rate adjustments should be supported by additional policy actions if the desired economic objectives were to be achieved, Mr. Laske observed. Hence, his authorities welcomed the decision by the EMS countries--which had been facing a pronounced deterioration in their external competitiveness and balance of payments--to adopt supporting measures immediately following the realignment. He was confident that those actions would lead to a better convergence of economic policies and developments in the EMS countries. Still, he endorsed the staff view that the implementation of those measures would need to be monitored closely to ascertain whether they were sufficient to achieve the improved cost and price performance that was essential for regaining a better-balanced external position.

As for the impact of the realignment on the German economy, Mr. Laske commented that his authorities expected a favorable effect on price developments, an effect supporting their efforts to reduce the rate of inflation further. Finally, with regard to the likely effects of the realignment on the relationship between EMS currencies and third currencies, he noted that the relationship was influenced primarily by the stance of financial policies in the third countries, mainly the United States.

Mr. Lovato stated that he was basically in agreement with the staff's interpretation of recent events surrounding the realignment of exchange rates within the EMS. Nonetheless, he was somewhat concerned about the measurement of competitiveness employed by the staff and about the assessment of the impact of changes in competitiveness on exchange rates. The staff had provided figures for unit labor cost-based indices only, neglecting other crucial indicators such as GDP deflators, wholesale prices, and export unit values. Hence, the resulting picture of competitive movements was certainly incomplete and might be inaccurate. Even accepting the limited set of data supplied by the staff, he found it difficult to understand why the analysis had focused on bilateral changes in competitive positions--for example, between France and Germany--rather than on global ones. In the circumstances, judgments about the necessity and the degree of exchange rate corrections to offset the price-cost differentials should be carefully weighed. Observed trade and current account deficits might be related to structural factors and differential growth rates of domestic demand across countries rather than to an alleged competitive disadvantage.

Three general conclusions could perhaps be drawn from the EMS experience, Mr. Lovato considered. First, one of the reasons for establishing the EMS had been to bring about greater exchange rate stability. The System had in fact helped to reduce the variability of exchange rates between EMS currencies, compared with both a number of non-EMS currencies and widely divergent exchange rate movements recorded within the European Community in the period 1973-78; the results had been that the wide fluctuations in exchange rates internationally had not affected trade flows between EMS countries. Second, structural rigidities and other constraints--such as the public sector deficit in his own country--had thus far made it difficult to achieve the primary objective of the EMS, namely, a greater convergence of economic policies and inflation rates. Still, membership in the EMS had helped to impose more self-discipline on EMS countries and had helped some of them to resist pressures to diverge further. Third, the most recent realignment, like previous ones, had proved that the EMS was a flexible exchange rate system, capable of accommodating changes in policies and in the external economic environment.

Finally, Mr. Lovato observed, jolts and strains in the EMS in the past had been mainly due to movements in the dollar exchange rate. On the most recent occasion, the dollar had, despite some fluctuations, remained remarkably strong; strains in the EMS had developed from within, owing to different economic developments in the countries concerned. Still, the relationship between the EMS and the U.S. dollar area remained a fundamental and unresolved issue that undercut and impaired the smooth functioning of stable exchange rates.

Mr. de Groote remarked that, generally speaking, it was difficult to evaluate exchange rates within the European Community because internal EC adjustment requirements were not always consistent with the adjustment requirements of third countries. Moreover, relative competitive positions tended to be viewed at levels occupied during the base period, and those positions did not necessarily correspond in all countries to equilibrium levels.

Also difficult to evaluate was the relationship between competitiveness within the EMS and in countries outside it, like the United States and Japan, Mr. de Groote continued. Tables 8 and 9 provided a clear illustration of that difficulty. The net effect on each country within the EMS depended to a great extent on how the major currencies outside the EMS adjusted to the new parity grids. Since the EMS bloc was taken as a whole, the currencies in it floated with respect to the dominant currency in the system, a fact confirmed by SM/83/57, Supplement 1. The implication was that the other EMS currencies, by adjusting to the dominant currency, in fact adjusted to outside currencies as well.

Another important aspect of EC monetary arrangements that came to light on the occasion of exchange rate movements within the EMS was that, unless the EC countries decided to have a common currency, it would never be possible to establish intervention target policies in relation to other important monetary areas such as the United States and Japan, Mr. de Groote remarked. In economic terms, there could be no certainty about what the exchange rate effect would be on other EMS currencies if intervention took place in one currency. The matter should be reflected upon, since the situation had some implications for the general preoccupations about intervention targets, particularly if one of the partners in such policy objectives was the EMS system.

On a more technical matter, Mr. de Groote said that he was uneasy about the choice of the base period as the time when the European Monetary System had been established, because that choice might convey the impression that exchange rates at the time had been more or less in equilibrium, which had clearly not been the case. In fact, no adjustment in exchange rates had been made at the moment of the transition from the common margin arrangements to the European Monetary System, which explained the apparent improvement in competitiveness over the period when the Belgian franc had been at its weakest. Hence, he agreed with the staff that the data should be interpreted with some caution. Finally, since Luxembourg was also a member of the European Monetary System, it should perhaps be included in future comparisons of competitiveness.

Mr. Erb observed that the EMS members were making an effort, through a particular kind of exchange rate regime, to achieve the objectives of closer monetary cooperation leading to a zone of monetary stability in Europe and enhancing the convergence of economic policies toward greater stability. In reviewing both the current paper and the earlier paper (SM/83/16) on the experience of the EMS from 1979 to 1982, he noted that EMS members had some way to go to achieve the sought-for convergence, and agreed with the statement in SM/83/16 that "the size and frequency of central rate realignments have increased significantly during the three years of the system's existence [,a trend which] suggests that the drive for greater economic convergence in order to generate exchange rate stability has been successful only to a very limited extent." He also agreed that "the increasing size and frequency of realignments... indicate that the disciplinary effect of fixed exchange rates is not itself sufficient but that, additionally, determined and sustained domestic adjustment efforts are required." In noting the continued wide divergence of economic policy among the EMS members, he wondered whether there were any weaknesses in the mechanisms of collaboration and communication among the member countries. Despite the fact that France had recently taken appropriate supporting policy measures that moved in the right direction, it seemed that the policies in a number of countries in the EMS remained out of line with the underlying economic policies in, say, Germany. It was somewhat paradoxical that there had been a greater convergence of underlying economic conditions outside the EMS among some of the major-currency countries--for example, the United States, Japan, Germany, and the United Kingdom--than within the EMS. That convergence led him to question whether the existence of a fixed exchange rate regime and the efforts made to maintain it might not enable those countries that were pursuing inflationary policies to feel more confident that they could continue to do so and could perhaps delay the adjustments necessary to reduce rates of inflation to levels more closely akin to those in Germany and some other major-currency countries.

He had found Table 7 in SM/83/57 to be interesting, Mr. Erb continued, particularly in light of the recent discussion on surveillance and the search for appropriate measures of competitiveness. It seemed to show that, in France, the exchange rate changes had essentially offset movements in relative prices while, in Ireland, there had been an effective appreciation of the exchange rate of 1 per cent since the inception of the EMS, and an effective appreciation of 24.9 per cent if one took into account underlying costs. The same could be said with respect to Italy, a point that raised questions about whether the intra-EMS exchange rate arrangements adequately took into account the relative competitiveness of the members of the EMS. Of course, as Mr. Lovato had noted, there were other measures of competitiveness that might be more appropriate than those used in the staff paper.

He would appreciate hearing from the staff more details about the use of intervention, exchange controls, and direct and indirect capital controls during the period prior to and immediately following the recent realignment, Mr. Erb said. What he was looking for was some sense of the magnitudes of intervention in the period prior to the recent devaluation and the extent to which that intervention had been complemented by the use of exchange controls. In that connection, he noted that interest rates on the franc in the Eurofranc market had been driven to high levels, and he was curious about what method had been used to bring about that development. He also wondered whether the staff at some point would be able to draw conclusions about the economic effect of the use of exchange restrictions or implicit or explicit capital controls on general economic developments within the EMS currencies. Finally, regarding the frequency of adjustments within the EMS, he wondered whether there were timing problems inherent in the system that resulted in a buildup of strong pressures in certain periods of time. Perhaps those pressures could be diffused or spread out over time if there were more frequent adjustments in the EMS rates, taking into account the significant differences in relative inflation rates.

The point had been raised by a number of European officials that some of the intra-EMS pressures had been related in part to the behavior of the U.S. dollar, Mr. Erb recalled. It seemed to him that, at least in the context of the recent realignment, the firmness of the dollar prior to the realignment might have in fact enabled EMS members to postpone the parity changes for longer than necessary. He was assuming that the strength of the dollar in relation to the deutsche mark and other EMS currencies had suppressed some of the demand for the deutsche mark as an alternative reserve asset; and, without that demand for the dollar away from the deutsche mark, the deutsche mark might have been even stronger and might have put pressure on the EMS structure even earlier.

Mr. Kafka observed that the recent EMS realignment seemed to make sense within the European Community; whether it would have only minor effects on third currencies--as had been suggested in the staff paper--could not be determined on the basis of the data supplied. It might have been helpful if the staff had offered some analysis of the effects on other major countries or country groups of the relative exchange rate changes that had taken place among the seven countries in the EMS. A system like the EMS--which had survived seven realignments--could not be all bad and might even point the way toward what former French President Giscard d'Estaing had once called a more "viscous" exchange rate system of the sort that the world at large desperately needed.

Mr. Nimatallah, in welcoming the discussion on the realignment of exchange rates in the European Monetary System, said that it was useful to be given an opportunity to learn more about how the EMS worked, particularly as the currencies of EMS participants played a key role in the international financial system. It was also important, if Fund surveillance was to become more effective, for the Board to examine on a regular basis exchange rate changes within the EMS and in other major countries. He hoped that developments in the EMS would be monitored and that any changes would be reported to the Executive Board.

He could accept the main conclusions and policy recommendations in the staff paper, Mr. Nimatallah continued. It was clear that the recent realignment had been necessary, if not inevitable, because of continuing differences in external and domestic developments among the EMS participants. The new central rates, particularly those for the deutsche mark and the French franc, appeared more accurately to reflect the competitive positions of the individual participants.

The realignment raised fundamental issues concerning the EMS and the search for more orderly exchange arrangements in the international monetary system as a whole, Mr. Nimatallah noted. The essential question was whether a system of fixed, but periodically adjustable, exchange rates was preferable to the alternatives of a Bretton Woods-style system, on the one hand, and floating exchange rates, on the other. In his view, the EMS had advantages over both alternatives: it was working efficiently at the operational level; it had managed--albeit with occasional difficulty--to avoid major disruptions; and it provided an agreed mechanism for exchange rate adjustments when warranted. The seven realignments of exchange rates within the system had taken place without anything like the crisis atmosphere or consequences that had characterized exchange rate changes by major countries under the Bretton Woods system.

The EMS also provided participants with an important measure of stability, Mr. Nimatallah considered. According to the background paper on developments in the EMS (SM/83/16), the exchange rate variability of the EMS currencies had diminished since the system had been introduced, at a time when the exchange rate variability of other major currencies had increased. Such a development showed that the EMS tended to reduce the uncertainty surrounding economic policy making and gave participants a more secure basis on which to plan, because their currencies were protected from the temporary, random influences that caused erratic swings and overshooting in a floating system. Hence, the EMS avoided the excessive rigidity inherent in the Bretton Woods system and the excessive volatility inherent in a floating system. Both the Bretton Woods system and the floating system could lead to costly distortions, even when there was full cooperation among members in those systems; by contrast, the EMS was a workable system, as long as there was adequate cooperation among participants. In practice, the cooperation was not easy to achieve; what was required if the EMS was to be successful was greater convergence in economic developments among the participants, which, in turn, required closer coordination of fiscal, monetary, and trade policies. It was clear, for example, that if the newly agreed central rates were to be maintained, they would have to be supported by firm domestic measures in those countries in relatively weak external positions. In that regard, he had been interested in the remarks by Mr. de Maulde concerning the stabilization policies adopted by France, and he looked forward to the forthcoming Article IV consultation discussion of the French economy.

If the EMS should develop over time into a zone of stability--as its founders had intended--consideration might be given to expanding the system, perhaps in stages, to cover other major currencies or groups of currencies, Mr. Nimatallah commented. The Versailles intervention study was clearly of considerable interest in that context. As he had noted on other occasions, the Fund should also undertake a study comparing the costs and benefits of a more managed exchange rate system with the costs and benefits of the present floating system. In passing, he was disappointed that a study of that sort had not been prepared for the recent conference on International Money, Credit, and the SDR. The possibility of moving toward a more managed exchange rate system had not been addressed in any depth in that conference, although it had clearly been relevant to the issues at hand. The Fund should be a leader in the search for more orderly exchange arrangements, and the experience of the EMS might provide valuable guidance in that regard.

Mr. Tvedt stated that his Danish authorities, while generally in agreement with the analysis in the staff paper, considered that the staff had not provided an accurate picture of the effects of the realignment on the Danish krone, because the comments on the exchange rate realignment were related exclusively to the change in the central rate against the écu. His Danish authorities did not regard the exchange rate decision as one entailing a revaluation of the Danish krone. Since Denmark's trade with the Federal Republic of Germany was substantially larger than its trade with France and Italy combined, the realignment within the EMS had had a fairly neutral effect. As pointed out by the staff, the exchange rate movements for the dollar, the pound sterling, and other Scandanavian currencies were of great importance for Danish foreign trade; to the extent that the exchange rates of those currencies followed the deutsche mark rather than the other EMS currencies, the exchange rate decision would entail a modest devaluation of the Danish krone, as shown by Table 14 in the staff paper. The rise in the effective exchange rate of the krone in the period immediately following the realignment should primarily be viewed as a consequence of the krone's having moved from a low position to a high position within the agreed band. That movement had already been explained in part by the Director of the European Department as a normal short-term effect of an exchange rate realignment within the EMS. Finally, while his Danish authorities agreed with the staff that there was an urgent need for reducing the large deficit in the public sector, they did not feel that the need for improvement in that area had become any greater or smaller as a result of the recent decision with regard to the future exchange rate of the Danish krone.

Mr. Taylor said that, like others, he was broadly in agreement with the staff appraisal and the comments regarding the various policy stances and measures that had been taken or needed to be taken by the individual EMS members. In particular, he welcomed the package of financial measures announced by the French authorities on March 25, and he agreed that there was probably a need for a further fiscal strengthening in Belgium and Denmark and for a concerted general tightening of financial policies in Italy.

The staff had by implication approved of the direction of all the adjustments in the individual parities within the system, Mr. Taylor noted, but the staff's assessment of the size of the various adjustments was less clear. His impression was that the staff was broadly content with the magnitude of the various changes that had taken place, and he would welcome comment on the matter. The staff had also been less than perfectly clear about the implications of the realignment for the level of external competitiveness of individual EMS countries. Table 9 showed that the competitiveness of most EMS members as measured by relative unit labor costs and manufacturing, and adjusted for exchange rate changes in relation to the Group of 14 industrial partner countries, had improved considerably since the inception of the EMS, although competitiveness had worsened in Ireland and Italy. It was possible that the general improvement reflected mainly the strength of the U.S. dollar during the period, but it was clear that the competitiveness of some of the EMS members had improved far more than that of others. The recent realignment seemed to have resulted in an additional competitive edge for France and an appreciable mitigation in the loss of competitiveness experienced by Italy and Ireland. In the circumstances, the detailed adjustments seemed to have been appropriate.

The staff had argued that the net effect of the realignment on the relative position of EMS currencies taken as a whole as against third currencies would probably be rather small, Mr. Taylor observed. The stronger EMS currencies should appreciate somewhat against third currencies, while the reverse should be true for the weaker EMS currencies. He could go along with the staff's conclusions but would have welcomed a little more supporting analysis. For example, the staff might have recorded what had happened to the écu/U.S. dollar rates since the realignment. If his understanding was correct, there had been little change in that relationship, which seemed to confirm the expectation that the weighted average of the EMS currencies against the major third currency had changed little. It was of course less easy to judge what the implications were for the competitiveness of the group of EMS countries taken as a whole vis-à-vis other major industrial countries. It might have been useful in that regard if the staff had provided a trade-weighted average of the individual effective exchange rates set forth in the second column of Table 14 on page 20 of SM/83/57. His guess was that the figures would show a small improvement in the collective competitiveness for EMS countries, at least in the short run.

The discussion of the realignment of exchange rates in the EMS was a useful addition to the Fund's surveillance activities, Mr. Taylor continued. The functioning of the EMS could with advantage be monitored more regularly, as indeed could a number of other currency arrangements, such as currency unions. Generally speaking, there should be more frequent Board discussions of exchange rate developments arising in the EMS and elsewhere; such discussions need not be confined to the occasions of major realignments. Coverage of EMS issues in Article IV papers tended to be rather brief, and in any case it was difficult to see the subject in its proper perspective when dealing with one country at a time. There should be more discussions of issues affecting groups of countries, without going so far as the full WEO treatment.

Like others, he welcomed the publication of the useful study of the EMS system in the January background paper (SM/83/16), Mr. Taylor said. The history and experience of the EMS had a bearing on the more general questions of policy coordination to which the Fund had been encouraged to pay more attention. In reviewing the history of the EMS since its establishment in March 1979, he was impressed by how well the machinery of cooperation had worked; however, it was not so easy to assess the extent to which that machinery had contributed to the economic welfare of the participants in the intervention arrangements. The staff maintained in SM/83/16 that variability of members' exchange rates had been reduced somewhat since the formation of the EMS. If that argument was valid, the EMS could be credited with a useful if fairly modest achievement. However, it should be remembered that there had been seven realignments since the beginning of the EMS, so that, whatever the system had or had not achieved, it had certainly not produced stable exchange rates over the medium term.

The lesson to be drawn was that the machinery itself would not accomplish exchange rate stability in the medium term if developments in the participating economies were not such as to bring it about, Mr. Taylor concluded. In that context, he had noted Mr. Erb's comments that economic divergence might be remedied if there were closer communication among the members of the EMS. He could at least assure Mr. Erb that communication was taking place between the United Kingdom and EMS members; what was missing was perhaps a meeting of minds on policy objectives, not least in the area of the trade-off between inflation and unemployment, insofar as such a trade-off could be said to exist. That did not necessarily mean policy convergence in most key respects, which could come about only if the socioeconomic attitudes of the individual participants were closely similar. As was well known, some EMS countries were more prone to inflation or to an expanding public sector than others. Perhaps the most that could be said was that participants could not long pursue significantly dissimilar demand management policies, whether or not their structures were similar. The conclusion to be drawn in that respect was that there was probably scope for more coordination of national policies than had been achieved in the past. The most recent measures taken by France to complement the realignment perhaps represented an instance of such coordination beginning to occur.

Mr. Joyce observed that his Irish authorities welcomed the discussion of the EMS rate realignment as an example of appropriate surveillance by the international community. The changes made in the EMS had been suitable and justified for the reasons set out by Mr. Laske. Moreover, they had not been excessive and had not given an undue competitive advantage to the countries of the EMS either collectively or individually; rather, they had tended to restore the competitive balance within the Community.

He agreed with Mr. de Groote that, in assessing the appropriate rate for individual members, it was important to look not only at the competitive relations between members but also at the competitive position of individual countries vis-à-vis their other major partners, Mr. Joyce continued. In that connection, his Irish authorities had in mind the importance of the relationship between the Irish pound and sterling, which clearly had a significant bearing on the overall competitiveness of the Irish economy under any given constellation of EMS exchange rates.

On the issue of adjustment policies, his Irish authorities recognized that important adjustments were required, Mr. Joyce said. They were currently discussing with a Fund mission, in the context of an Article IV consultation, the outlook for the Irish economy and the measures that the authorities had taken or intended to take.

His Canadian authorities viewed the EMS realignment somewhat differently and from another perspective, Mr. Joyce continued. They considered that the current EMS system had not resulted in the hoped-for exchange rate stability. The latest realignment was, as noted by others, the seventh since the EMS had been established in March 1979; they therefore questioned whether the present system might provide too great a degree of exchange rate flexibility and whether exchange rate changes might be undertaken too frequently as a substitute for stronger domestic adjustment measures. His Canadian authorities felt that there was a danger that the EMS could become merely a complicated system of crawling pegs, which would run counter to its main objective of providing "a zone of monetary stability in Europe."

They also found disappointing the lack of convergence of economic policies among EMS members over the past four years, Mr. Joyce commented. The differences in domestic and external developments, including the persistence of considerable discrepancies in cost-price performance, largely explained the exchange rate pressures that had surfaced in recent months. In that regard, he noted Mr. Taylor's view that there seemed to be a growing recognition in Europe that individual countries could not pursue vastly divergent demand restraint policies if the EMS system was to work effectively. While his Canadian authorities agreed that the recent realignment should ease exchange market tensions and promote better external adjustment within the EMS, they wished to emphasize the importance of some EMS members' undertaking accompanying measures. If they were not undertaken, or if their implementation were delayed, the expected balance of payments improvement could be short lived.

Few matters relating to the European Community were purely technical; in a real sense, most involved political decisions, Mr. Joyce observed. Perhaps for that reason, it was not surprising that discussions surrounding the recent realignment had been difficult. Furthermore, the timing of elections in several EMS member countries seemed to have exacerbated and, to some extent, delayed required exchange rate changes. There might thus be some merit in EMS participants' developing clearer guidelines on procedures to be taken if and when further central rate realignments were required. Such guidelines, if they resulted in a more automatic adjustment of economic policies or exchange rates, might defuse the political sensitivity of future EMS discussions. Finally, he could agree with Mr. Kafka that the impact of the new EMS rates on the rest of the world was not yet clear. He hoped the staff would keep that matter under review and not hesitate to bring adverse changes in developments to the attention of the Executive Board. That was a point, particularly because of the trade implications of such developments, to which his Canadian and Caribbean authorities attached great importance.

Mr. Jayawardena observed that information gathered from journals and in various financial quarters suggested that, although the EMS realignment had been appropriate, it had been inadequate, a judgment arising from a perception that the countries in the EMS might not be able to pursue the domestic policies necessary to maintain the current relationship. He would appreciate any response the staff might be able to make to that judgment.

The staff had said in its paper that the impact of the realignment on third currencies was expected to be minimal on average, Mr. Jayawardena continued, and he wondered precisely what had been meant by that remark. He would appreciate some more detailed assessment of the impact--perhaps in future when developments became clearer--on individual third currencies. On a related matter, he recalled that it had often been mentioned in the Executive Board that the existence of import duties or heavy protection and exchange controls tended to indicate that currencies were seriously out of line; that was especially true in discussions of countries approaching the Fund for resources. It might be worthwhile examining whether the prevalence of a number of protective and control measures within a currency region did not cast doubt on the appropriateness of the exchange rates of the group vis-à-vis the rest of the world. Finally, he could endorse Mr. Taylor's suggestion that there should be more frequent papers focusing on the relationship among other currencies or groups of currencies, especially those of the major countries, so that the Executive Board could perform its surveillance function more effectively.

Mr. Hirao stated that he could broadly endorse the staff appraisal. The recent realignment had been necessitated by the continued differences in the underlying strength of EMS countries' external positions, which had led to uncertainties. Those uncertainties had been cleared up to a great extent by the latest realignment, which he hoped would further promote the stability of the international monetary system. In order for the realignment to exert the expected effects, however, accompanying measures would be needed.

The continuation of the commendable cost/price performance of the German economy had played a stabilizing role in an unsustainable environment, Mr. Hirao observed. However, in some of the other economies, inflation remained at a high level, and the differences in rates of inflation among EMS members were not expected to be narrowed substantially by the realignment. According to the staff projections, greater restraint on credit expansion and a marked reduction in public sector deficits in some participating countries would be essential for inflation rates to begin to converge. The financial policies recently adopted by the French authorities were welcome, and it was to be hoped that the realignment, supported by accompanying measures, would promote better external adjustment. He looked forward to a full discussion of Article IV consultation reports on countries participating in the EMS.

Mr. Prowse said that he too could accept the staff's appraisal, although he took an agnostic approach to the final paragraph. The staff had not sufficiently explored the effects of the recent realignment on third countries, so that the argument that the effects would be minimal was not well established. In that regard, he agreed with the comments by both Mr. Kafka and Mr. Taylor, and he hoped that, on the occasion of the next realignment of exchange rates in the EMS, the staff would explore in greater detail the effect of the realignment on others.

Like other Directors, Mr. Prowse continued, he had found the staff paper entitled "The European Monetary System: The Experience" (SM/83/16) to be enlightening. That paper had pointed out that the EMS had initially been established for political purposes, and that any assessment of the system had to take account of political goals. While he could accept the statement, he was not convinced that political objectives should be given any dominant position in discussions of the exchange rate policies of member countries. Indeed, it seemed odd for the staff to advise Directors to view an economic mechanism against political objectives.

He welcomed the discussion of the recent realignment of exchange rates within the EMS, in part because of the implications of the system for the surveillance functions of the Fund, Mr. Prowse remarked. The Fund was not a partner in the decision-making process of the EMS, and the obligations of the EMS countries were sovereign ones. The Fund had of course been fully and promptly notified of the changes that had been taking place, but he felt that the existence of the system had weakened rather than strengthened the Fund's ability to influence changes in the system. Certainly the Fund had more influence in reviewing and passing advice on changes in individual currencies determined by individual sovereign countries.

With regard to the details of the realignment, Mr. Prowse noted that the adjustment of the guilder, in particular, had been interesting. It might be said that the guilder had gained a competitive edge against, say, the deutsche mark. Like the staff, he welcomed the thrust of the recently announced French measures aimed at bringing price and cost developments more into line with those of other EMS members. In that regard, prospects for the current alignment of currencies seemed likely to depend critically on the effective implementation of the French package of measures.

The presentation of information on the realignment seemed to suggest that there were limits to the use of exchange rates as a substitute for better convergence of economic policies and performance, Mr. Prowse observed. It was clear that agreement on parity changes had hinged on agreements on certain domestic policy adjustments, so that the avoidance of future tensions in the EMS would depend significantly on achieving greater policy convergence.

Taking a broader view, it would be interesting to see the effect of participation in the EMS on individual countries' policy making, Mr. Prowse remarked. The staff paper suggested that participation in the EMS seemed to have exacerbated the adverse impact on Ireland's competitiveness of movements in relative unit labor costs measured in local currency. In that regard, he presumed that a continued link of the Irish pound to sterling would not have produced any better results; it might be interesting to look into that matter in greater detail, perhaps in the context of the next Article IV consultation with Ireland and against the background of the Irish external debt situation.

It was evident from the staff paper that harmonization of underlying inflation rates and economic policies in the European Community was far from being achieved, Mr. Prowse noted. It was clear for example, that convergence of monetary policy had been lacking; the result had been instability of exchange rates that had led to the need for large interventions and, inevitably, a realignment. Unless more convergence could be achieved, it would not be unreasonable to doubt whether the system of fixed but adjustable rates--which the EMS represented--could be sustained. The system could in fact move increasingly toward a crawling peg system, which would imply acceptance of greater instability and continued policy divergence and a retreat from the fundamental objectives of the EMS arrangement. In sum, the hopes that the EMS would promote a greater convergence of policy and development and eventually facilitate economic integration had not been fulfilled. Convergence of policy, particularly monetary policy, had evidently been insufficient to maintain exchange rate stability. The lack of harmonization in policy was reflected in a lack of convergence of performance, particularly in cost and price developments, and thus in an instability in the relative exchange rates. Perhaps the best one could say was that the existence of the EMS and the constraints imposed by it had helped to prevent a greater divergence of economic performance and policy in the participating countries than would otherwise have been the case.

He wondered whether there were any changes in prospect with regard to the institutional arrangements affecting the EMS, Mr. Prowse said; in particular, he wondered whether any progress was evident in the expansion of the functions of the European Monetary Fund. Finally, he would welcome an indication from the Chairman of what procedures would be followed at the conclusion of the discussion. For example, would the views of the Executive Board be formally conveyed to the members of the EMS?

The Director of the European Department, recalling the suggestion made by a number of speakers that additional comparative tables should be provided that would focus on GDP deflators, wholesale prices, export prices, and so on, said that he was not wholly convinced that a plethora of tables would necessarily lead to better understanding. The staff had attempted to simplify matters by choosing a single table based on unit labor costs, a move he felt was defensible, although additional tables could be provided for similar papers in future if Executive Directors desired.

The question why the paper concentrated on the bilateral relationships between EMS members rather than global positions had perhaps best been answered by Mr. de Groote, the Director commented. Smaller countries that had little weight in the EMS could not through their performance pull down the entire system against other currencies, and the only way such countries could change their effective exchange rates was to move within the EMS. Larger countries with weak balance of payments positions could perhaps pull the EMS down against other currencies, but for any change to be significant, those countries would also need to change their central rate vis-à-vis EMS partners. It was that sort of constraint that had led the staff to concentrate on the bilateral rather than the global position of countries in the EMS.

In response to a point by Mr. Prowse and others, the Director said that it was difficult for him to accept the argument that the EMS had aided divergence. It could be argued that, for certain countries having a very small weight in the EMS, a measure of protection was provided by the institutional arrangements of the system, because exchange markets tended to concentrate on the more important currencies in the system. At most, such currencies had somewhat greater room to diverge within the EMS than they would have had, for example, if they had been freely floating or linked to one other currency only. His own feeling was that, at the very least, the EMS could not be said to have led to a greater degree of divergence; even that conclusion was somewhat harsh. In many ways, as Mr. Taylor and others had emphasized, the EMS could be seen to have led to some greater degree of convergence, even if the process was perceived to be slower and less complete than had once been hoped.

The question whether the EMS system might benefit from a greater frequency of realignments could be argued both ways, the Director considered. If the basic purposes of the system were to be served, it might be useful to minimize or reduce the degree of fluctuation during the period between realignments, which would lead to the conclusion that the longer realignments could be reasonably postponed--without incurring other offsetting costs--the better. Conversely, one could argue in favor of smaller and more frequent realignments within the existing margins of the EMS, a point to which much attention had been paid in the past both by members of the EMS and by the Commission when emphazing that realignments should be small enough to be offset, if necessary, by market forces within the 4.5 per cent margins.

Regarding the effect of the recent realignment on third currencies, the Director noted that, insofar as the EMS currencies were dominated by, say, one main currency within the system, the effect would be minimal unless something occurred that altered the relationship of that currency with a dominant third currency. The situation was somewhat less clear with respect to specific currencies having a smaller weight in international transactions. For example, it was not merely a coincidence that the realignment of the EMS had been followed by a number of small adjustments by countries near to those in the EMS. Portugal, Hungary, Turkey, and Greece had all made small adjustments, as had the CFA countries in

Africa. Of course, those countries that had tied themselves to a basket that gave heavy weight to the EMS currencies might also find that their exchange rates needed to be adjusted somewhat. In suggesting that the effect of the realignment on third currencies would be minimal "on average," the staff had not intended to be coy; it would be necessary to await the results, although the staff at present stood by its judgment. There was certainly no intention of implying that, for certain currencies, there could be a noticeable effect that would be lost in the reference to "average."

It was virtually impossible to respond to those Directors who wanted the staff's view on whether the realignment had been adequate, the Director continued. Certainly it had proved to be adequate to contain and even reverse the massive exchange market flows that had been occurring up to the eve of the realignment. If a reversal of exchange flows were the criterion, it would continue to prove to be adequate so long as domestic policies moved in a way that validated the realignment.

With regard to comments on the fact that many of the tables in the staff paper depended heavily on the base date chosen, the Director of the European Department replied that it was difficult to find a base date that was appropriate to all currencies. The staff had chosen to adopt the beginning of the EMS as the base date as a matter of convenience, and not necessarily because it felt that all exchange rates had been in equilibrium at that time. Finally, as a partial response to a question by Mr. Prowse, he noted that changes in institutional arrangements were being considered, but there was no indication that any changes of importance would be agreed soon.

Mr. de Vries, recalling the implication in a comment by Mr. Erb that divergence might have increased under the EMS system, observed that the comment was not so remarkable, given the events of recent years. It was well known that, two years previously, a government had been elected in France with the conviction that the policies pursued until that moment by EC governments had been wrong and that the opposite policies should be pursued. The Government proceeded to follow the policies implicit in the platform on which it had been elected. It was remarkable in the those circumstances that divergence had not increased even further, and that the EMS system had continued to operate. Given the dramatic political stresses put on the system, the EMS had proved far stronger than might have been expected.

Both Mr. Nimatallah and Mr. Erb had wondered what the EMS exchange rate system amounted to, given that there were periodic realignments, Mr. de Vries continued. In fact, EMS members took a public view on what the exchange rate should be and they backed that view up with market interventions to maintain the exchange rate at the chosen level. That attitude was somewhat different from the one adopted by countries with floating currencies who considered that market effects could not be improved upon. Mr. Nimatallah had noted that the EMS had reduced variability, and he was inclined to agree that it might help to avoid overshooting of exchange rates to some extent. What the system did not do was force convergence on governments that had been elected to pursue different and perhaps divergent economic policies. So long as EMS members had national elections and elected different governments, there were likely to be some divergences that would require exchange rate realignments. For the system to operate smoothly, it was important for governments to accomplish those realignments with as little trauma as possible.

It had been suggested by Mr. Taylor that the EMS, as a system, made it difficult for member countries to pursue radically different economic policies from those of their main trading partners, Mr. de Vries continued. While it was clear that the EMS created pressures toward convergence, it was as easy to argue the opposite case. For example, it had been argued at the time of fixed exchange rates that the pound sterling could not be allowed to float because the tendency would be for it to sink. If a country's exchange rate was very much out of line, a rapid movement in the rate could place even greater pressures on a government to adopt quite different policy attitudes. The only conclusion that could be reached was that it was highly uncertain whether a decision to abandon the EMS would in any measurable degree increase the freedom of action by governments, especially given the trauma that such a decision might entail.

With regard to the suggestion by Mr. Prowse that the Dutch guilder should have followed the deutsche mark more closely, Mr. de Vries observed that, by law, the Netherlands Bank was required to give an opinion on exchange rate realignments, but it was the Government that took a decision. The opinion of the Netherlands Bank--which had been published--was precisely in line with Mr. Prowse's views. The argument was that any action not to completely follow the deutsche mark would be quickly offset by higher price increases while completely matching the movement of the mark would be followed by lower price increases. In the event, the Cabinet had decided not to follow the deutsche mark completely during the most recent realignment. However, in a letter to Parliament, the Minister of Finance had indicated that the decision had been exceptional and, if there were another realignment, the Dutch guilder would follow the deutsche mark.

On the matter of capital restrictions, Mr. de Vries noted that the Fund tended to give precedence to freedom of capital movements, even if so doing led to some restrictions in goods markets. Unfortunately, that emphasis was the reverse of the basic philosophy of the EMS charter, which said that goods markets were more important than capital markets and that, if difficulties arose, action should be taken in the capital markets, leaving the goods markets free. It would perhaps be worth reviewing that fundamental policy difference.

Mr. Erb reiterated an earlier question on the relative appreciation of the Italian lira and the Irish pound within the EMS. The issue was whether, given the domestic inflation rates in those countries and the course of fiscal and monetary policies, adequate adjustments had been or were taking place in those two exchange rates and whether the deterioration in their competitive positions--measured either within or outside the EMS--lay behind some of the movement in their current account and trade positions in recent years.

The Director of the European Department replied that Table 9 of the staff paper suggested that there was a prima facie case for arguing that the Irish pound and the Italian lira were in a noticeably less competitive position than those of their main trading partners and other countries in the EMS. Indeed, the Irish pound could perhaps fit into his earlier example of how a currency with a relatively small weight in the EMS could be protected by the system. It was clear that the new Irish Government had taken a series of corrective measures and was in the process of assessing whether they were fully adequate. It was to be hoped that the change in economic policies recently introduced in Ireland would lead to a correction of the competitive position. In Italy, the 6 per cent margin accruing to the lira gave the country a flexibility not available to its EMS partners. Successive Italian Governments had attempted to correct the domestic disequilibria, with particular emphasis on the fiscal deficit. Some progress had been made, but it was difficult to judge at present whether the corrective measures had been adequate.

Mr. Joyce added that Table 5 of the staff paper showed that there had been considerable improvement in the price-cost performance in Ireland, which his authorities hoped would be the beginning of a trend.

Mr. Laske, recalling a question by Mr. Prowse about prospects for institutional changes in the European Monetary System, observed that, when the EMS had been established, the agreement had provided for a re-examination of the system after two years to see whether there was a possibility of moving into a second stage of the system involving a tightening of institutional arrangements. When the time had approached to examine the issue, a thorough and protracted analysis had been carried out. It was not surprising that there had been divergent views about whether changes would strengthen the ties among EMS members and enhance the convergence of economic developments and policies. The EMS members had concluded that the system had not yet sufficiently matured to allow for too rapid an advancement into a second stage with changed institutional arrangements; however, the issue remained under review, and he was confident that, once the desired intensification of convergence had been achieved, the authorities of the EMS countries would approach the question once again.

The Chairman made the following summing up in concluding the discussion:

Directors welcomed the opportunity for a review of the recent realignment of exchange rates within the EMS. They stressed the importance of multilateral surveillance by the Fund and expressed the hope that, in future, similar discussions would be held by the Board on major exchange rate developments or on monetary developments having a significant bearing on exchange rates. The paper submitted by the staff was seen as a useful tool to assess the exchange rate actions against economic developments in the countries concerned, and a number of Directors made reference to the helpful background information provided by the more general paper, SM/83/16, which was issued in January. Various suggestions for the kind of information to be provided in such papers were made, and these will carefully be taken into account by the staff in the future. Directors felt in particular that the impact of the EMS realignment on third countries had not been sufficiently analyzed in the present paper.

Directors considered the realignment in the EMS to be a necessary correction of changes in international competitiveness that have arisen between EMS countries. They noted that, with the realignment, calm had been restored to the exchange markets. Several Directors emphasized that the EMS had proved to be a workable system that gave the participating countries a protection against exchange rate fluctuations to which other countries, without such a system, could be more easily subject. It was also pointed out that the realignment may have averted recourse by EMS countries to protectionist measures that would have been harmful for both international economic relations and, in the medium term, the countries themselves. The adjustment measures taken by certain countries to bring their cost and price structure more into line with that of their partners in the EMS in connection with the realignment were welcomed as a necessary step toward greater convergence in economic developments within the EMS. Directors emphasized that, to ensure a better balance in current accounts and to establish a more lasting external balance of the countries concerned, the effect of these measures will need to be closely monitored and, if necessary, supplemented by additional action; in this connection, it was noted that the Board would discuss the Article IV consultation with France in early June.

Also raised in the course of the discussion were a number of broader questions and points.

- On the basis of the documentation provided to the Board, differing developments in competitive positions as between some EMS countries were noted. It was pointed out that, in connection with its responsibility for surveillance, the Fund should present its views on these differences, which do not seem to have been properly corrected by the recent realignment.

- Has the EMS contributed to a better convergence in basic economic policies and conditions among the EMS countries?

- Noting that seven realignments had taken place since the inception of the system in March 1979, several Directors felt that it was difficult to argue that the EMS had produced medium-term exchange rate stability. If it had not, they said, then it might also be difficult to argue that the EMS had produced a zone of monetary stability, which was the main objective behind the mechanics of the system.

- What has been the cost--in terms of intervention, level of reserves, monetary conditions, indebtedness, and exchange rate measures--of the working of the EMS system? Does this system lead to a certain bias in favor of freedom of capital movements rather than goods and services?

- Why have some non-EMS countries, such as the United Kingdom, the United States, and Japan, realized over the past two years a better convergence in inflationary conditions than have EMS countries?

- Would it be preferable in present circumstances for EMS countries to make use of smaller and more frequent exchange rate realignments?

- Has the working of the EMS system prevented a greater divergence than would otherwise have occurred?

- Given the reduced degree of exchange rate variability observed under the EMS system, should not the staff attempt to assess the potential offered by such a system for reducing exchange rate variability among other groups of countries?

The questions and points listed above are by no means a reflection of a consensus of the meeting; they are issues raised by different Directors. Nonetheless, they are part of the debate, and we should try to address them in our future work.

2. ADMINISTRATIVE BUDGET, FY 1984

The Executive Directors, meeting in restricted session, considered the proposed Administrative Budget for FY 1984 (EBAP/83/96, 3/31/83; and Sup. 1, 4/12/83). They also had before them a paper providing additional information about Executive Board and other meetings of Executive Directors during calendar year 1982 (Secretary's Circular No. 83/31, 3/29/83) and a nationality distribution list of the staff as of March 31, 1983 (EBAP/83/101, 4/8/83).

The Executive Directors agreed to continue their discussion in the afternoon.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/83/60 (4/8/83) and EBM/83/61 (4/15/83).

3. PHILIPPINES - TECHNICAL ASSISTANCE

In response to a request from the Philippines for technical assistance, the Executive Board approves the proposal set forth in EBD/83/104 (4/7/83).

Adopted April 12, 1983

4. THAILAND - TECHNICAL ASSISTANCE

In response to a request from Thailand for technical assistance, the Executive Board approves the proposal set forth in EBD/83/107 (4/8/83).

Adopted April 13, 1983

5. APPROVAL OF MINUTES

The minutes of Meetings 82/144 and 82/145 are approved. (EBD/83/102, 4/7/83)

Adopted April 13, 1983

6. EXECUTIVE BOARD TRAVEL

Travel by Executive Directors as set forth in EBAP/83/100 (4/8/83), EBAP/83/102 (4/11/83), and EBAP/83/103 (4/12/83) and by an Advisor to an Executive Director as set forth in EBAP/83/102 (4/11/83) is approved.

APPROVED: September 6, 1983

LEO VAN HOUTVEN
Secretary