

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/125

3:00 p.m., August 29, 1983

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

Executive Directors

A. Alfidja

A. Donoso
R. D. Erb

T. Hirao

R. K. Joyce

G. Lovato

Y. A. Nimatallah
J. J. Polak

G. Salehkhoul

J. Tvedt
N. Wicks
Zhang Z.

Alternate Executive Directors

w. B. Tshishimbi
H. G. Schneider
A. Le Lorier

T. Alhaimus
T. Yamashita
P. Leeahtam, Temporary
M. Casey
C. Robalino
G. Grosche

V. K. S. Nair, Temporary
J. E. Suraisry

K. G. Morrell

E. I. M. Mtei
M. Toro, Temporary

Wang E.

A. Wright, Acting Secretary
J. A. Kay, Assistant

Also Present

African Department: J. B. Zulu, Director. Exchange and Trade Relations Department: C. D. Finch, Director; D. K. Palmer, Associate Director. External Relations Department: G. P. Newman. Legal Department: G. P. Nicoletopoulos, Director; J. G. Evans, Jr., Deputy General Counsel. Research Department: W. C. Hood, Economic Counsellor and Director; N. M. Kaibni. Secretary's Department: A. P. Bhagwat. Treasurer's Department: W. O. Habermeier, Counsellor and Treasurer; T. M. Tran. Bureau of Language Services: J. E. Merry. Personal Assistant to the Managing Director: N. Carter. Advisors to Executive Directors: S. R. Abiad, T. A. Connors, Y. Okubo, P. D. Pérez. Assistants to Executive Directors: H. Arias, J. Bulloch, M. B. Chatah, R. J. J. Costa, M. Eran, A. K. Juusela, M. J. Kooymans, G. W. K. Pickering, D. I. S. Shaw.

1. INTERIM COMMITTEE - AGENDA

The Executive Directors considered the proposed agenda for the twenty-first meeting of the Interim Committee (EBD/83/214, 8/18/83).

Mr. Erb stated that he had no problem in accepting the proposed agenda. He would however be interested to know whether the Managing Director would be asking the Ministers to make a single statement on all items of the agenda together, or to make separate statements on each item. Whichever course was chosen, it would be useful to make the position clear on the agenda itself. His own choice would be for a single statement by each participant.

Mr. Nimatallah said that he too could go along with the agenda and that, like Mr. Erb, he thought that a single intervention would be best because of the shortage of time. Nevertheless, he wondered whether the Managing Director would not prefer to present the topic of Fund liquidity as a separate item. While he understood that it could be handled in connection with the topic of access to the Fund's resources, on the present occasion the Fund was facing future liquidity problems, and it might be better to handle the topic as a separate item. His purpose was to enable the Managing Director to explain to members of the Interim Committee his views on how to face the Fund's liquidity problems.

Mr. Lovato stated that he had no objection to the proposed agenda. Like Mr. Erb, he would favor participants' making only a single statement.

Mr. Wicks commented that he agreed with the proposed agenda and with Mr. Erb on the question of a single statement. As to the matter of liquidity, he wondered whether, if the topic were placed on the agenda as a separate item, it might not lead to a discussion of the sorts of matters that were being handled by the Managing Director in other fora. Although there could certainly be discussions of the Fund's liquidity at the time of the meeting, he wondered whether the Interim Committee itself would be a suitable forum. Naturally, it would be useful if the Managing Director provided a report on the Fund's liquidity as background to a discussion of Item 4.

Mr. Erb remarked that he too thought it would be useful if the Managing Director would at some stage near the beginning of the meeting outline the liquidity position of the Fund and stress the importance of completing the subscriptions to the Eighth Quota Review, without creating a presumption that there would be a discussion on Fund borrowing in 1983 or thereafter.

Mr. Grosche stated that he agreed with the proposed agenda, with Mr. Erb on the matter of single statements, and with Mr. Wicks on liquidity.

Mr. Alhaimus said that he had no problem with the agenda but that it might be better to have two statements, one on the world economic outlook, the other on items pertaining to the Fund's finances, including the SDR, liquidity, and access to the Fund's resources.

Mr. Polak commented that the Managing Director would certainly make an oral presentation on the world economic outlook. If he were to make a separate one on the allocation of SDRs, it might be difficult to persuade participants to make a single statement on all topics. He would prefer to have one discussion on Item 3--World Economic Outlook--and another on Items 4 and 5 together.

Mr. Joyce inquired at what point the Managing Director intended to make his statement, in view of the way in which the agenda was laid out.

The Chairman replied that he had intended to make a rather short statement dealing with all the topics together, thus enabling participants to make a single statement. If the agenda were arranged in such a way as to enable participants to make two statements, it seemed likely that the discussion of the world economic outlook might not be completed by the end of the morning. That would be unfortunate because it was essential to have some idea of the views of participants on at least the topics of access to the Fund's resources and the allocation of SDRs before lunch, when the participants would have to agree on a draft of the communiqué, that would be finalized in the Committee during the afternoon. That procedure had been used on another occasion, and he would prefer to adopt it in September purely on grounds of lack of time. If the meeting had been scheduled for one-and-a-half days, he would have been greatly tempted by Mr. Polak's proposal. Some Ministers or Governors would have to make their statements in the morning and some in the afternoon, even if the communiqué were worked out at lunchtime.

Mr. Joyce said that he agreed with the Chairman's remarks. If the communiqué were to be tackled at lunchtime, each participant could only be allowed to make a single statement. In those circumstances, he still wondered whether the report by the Managing Director on allocations of SDRs in the fourth basic period, shown on the agenda for discussion as Item 5, would be a purely verbal report, or whether participants would have a written document.

The Chairman recalled that the Executive Board was to discuss the topic of the allocation of SDRs on September 12, 1983. His summing up on that occasion could be made available to participants.

Mr. Joyce suggested that the Managing Director could make a verbal report on the allocation of SDRs; the only document that need be circulated would be his summing up of the discussion by Executive Directors on September 12, if only because there might be changes in the situation between September 12 and the meeting of the Interim Committee.

The Chairman commented that he would certainly not make a favorable report if there were no basis for a proposal on an allocation following the discussion on September 12.

Mr. Nimatallah considered that if there was to be a written report on the allocation of SDRs in the fourth basic period--Item 5--the position of the Fund's liquidity was so unusual at the present time that it too deserved a written report to put it on the same level with access to the Fund's resources and the allocation of SDRs. He could perfectly well agree that in normal circumstances the Managing Director would refer to it in his oral remarks; however, because of the pressing nature of the situation, he would like it to be treated as equal to access to the Fund's resources and the SDRs.

Mr. Lovato stated that while he agreed with Mr. Nimatallah that the Fund's liquidity was an important topic for the present year, as it was related closely to the other two, he would prefer to have all three discussed at one time.

Mr. Hirao said that he could accept the proposed agenda and the Chairman's proposal for a single statement on all topics by each participant. As to liquidity, he shared Mr. Wicks's view.

Miss Le Lorier remarked that she could accept the proposed agenda and the suggestion that there should be a single statement on all items. As to liquidity, she wondered whether, in preparing their report to the members of the Committee on the subject of access to the Fund's resources, Executive Directors could not put some emphasis on the Fund's liquidity so as to underscore the need to pay attention to it. On the other hand, she would not wish to have it singled out as a separate item, for the reasons put forward by Mr. Wicks.

Mr. Zhang stated that he could accept the agenda and the proposed procedure.

Mr. Erb suggested that the Managing Director could make a report covering Fund policies and access to Fund resources, an allocation of SDRs during the fourth basic period, and liquidity.

The Chairman recalled that the Executive Directors were to discuss the subject of the Fund's liquidity on Friday, September 2, and that there would be a summing up of the outcome of that discussion. The summing up could be made available to the Interim Committee, but he was wary of putting liquidity on the agenda as a separate item for the reasons put forward by Mr. Wicks. Once the topic was placed on the agenda, it was bound to be a matter for discussion, and he would not wish to endanger the ongoing negotiations for loans totaling some SDR 6 billion. On the other hand, the Fund's liquidity position was certainly one of the most important topics of the moment, and at its previous meeting the Interim Committee had invited the Managing Director to report on the position in September 1983.

Mr. Erb suggested that the Managing Director could perhaps report on the Eighth Quota Review and the Fund's liquidity.

Mr. Wicks commented that the subject of the Fund's liquidity was already covered in Item 4, dealing with access to the Fund's resources. He did not see how the Executive Board could write a report dealing with policies on access to the Fund's resources without dealing with its liquidity. There would thus be ample opportunity for any participants in the Interim Committee meeting to discuss the matter.

Mr. Nimatallah explained that all he had wished to do was to draw the attention of participants in the Interim Committee meeting to the fact that the Fund was entering an era in which it would have less liquidity than formerly. The situation in 1983 was different from what it had been in earlier years, and the point needed highlighting.

Mr. Morrell observed that it might not be wise to invite the Interim Committee to discuss the Fund's liquidity before taking up the topic of access to its resources. Equally, it would probably be unwise to put the topic on the agenda as a separate item as the outcome might be a wide-ranging debate about such matters as market borrowing. One solution might be to call the Managing Director's report a status report on the increase in quotas under the Eighth General Review and on the borrowing initiatives of the Fund.

Miss Le Lorier suggested that the matter could be dealt with by calling Item 4 "Report of the Executive Board on Access to the Fund's Resources: Financing Needs, Liquidity, and Access Limits" as a means of mentioning liquidity without making it a separate item.

Mr. Erb stated that he would prefer to leave the agenda as it stood.

Mr. Nair said that he could accept the agenda and the proposal that each participant should make a single statement on all issues. On the point raised by Mr. Nimatallah, the Managing Director ought to be able to find some way of informing the Interim Committee of the success of his efforts to increase the Fund's resources, if only to give some indication whether there would be any justifiable hope that the needs of developing countries could be met by providing access at a satisfactory level.

The Chairman reminded Executive Directors that at its previous meeting the Interim Committee had invited the Executive Board to take note of the views expressed on access in the Committee by those favoring maintenance of the currently large limits in terms of multiples of quotas and also by those suggesting the need to have regard to developments in the Fund's liquidity. The Committee had invited the Managing Director to report on both liquidity and access at the next meeting. In the circumstances, it might be as well to leave the agenda as it stood.

Mr. Joyce remarked that he could certainly live with the present formulation if that was the wish of the majority. The agenda not only informed participants of the items to be discussed; it also provided the sequence

of events. As it was customary for the Managing Director to make a statement, he could perhaps make an introductory statement to Item 3, and use the opportunity to describe the Fund's liquidity position.

After further discussion, it was agreed to leave the provisional agenda unchanged but to add a note saying:

It is expected that the Managing Director will make an introductory statement at the beginning of the discussion of Items 3, 4, and 5 and that this statement will cover all three of these items, including the status of the Eighth Quota Review and the liquidity of the Fund. It is suggested that members of the Committee make a single intervention on all substantive matters on the agenda.

The Executive Board took the following decision:

The Executive Board approves the proposed agenda for the twenty-first meeting of the Interim Committee as set out in EBD/83/124 (8/18/83) for transmittal to the members of the Committee. The proposed agenda shall have a notation reading:

It is expected that the Managing Director will make an introductory statement at the beginning of the discussion of Items 3, 4, and 5 and that this statement will cover all three of these items, including the status of the Eighth Quota Review and the liquidity of the Fund. It is suggested that members of the Committee make a single intervention on all substantive matters on the agenda.

Adopted August 29, 1983

APPROVED: February 29, 1984

LEO VAN HOUTVEN
Secretary