

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 83/160

3:00 p.m., November 22, 1983

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

Executive Directors

Alternate Executive Directors

J. de Groote  
B. de Maulde  
A. Donoso  
R. D. Erb  
M. Finaish  
  
J. E. Ismael  
R. K. Joyce  
A. Kafka  
G. Laske  
G. Lovato  
R. N. Malhotra  
Y. A. Nimatallah  
J. J. Polak  
A. R. G. Prowse  
  
M. A. Senior  
J. Tvedt  
N. Wicks  
Zhang Z.

J. K. Orleans-Lindsay, Temporary  
H. G. Schneider  
X. Blandin  
M. Teijeiro  
J. C. Williams, Temporary  
T. Alhaimus  
T. Yamashita  
Jaafar A.  
L. Leonard  
C. Robalino  
G. Grosche  
C. P. Caranicas  
  
T. de Vries  
K. G. Morrell  
O. Kabbaj  
E. I. M. Mtei  
J. L. Feito  
  
T. A. Clark

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

- 1. Brazil - Consultation Under Extended Arrangement - Waiver and Modification of Performance Criteria; and Purchase Transaction - Buffer Stock Financing Facility - International Sugar Agreement . . . . . Page 3

Also Present

Administration Department: H. O. Struckmeyer, Deputy Director. European Department: L. A. Whittome, Counsellor and Director; J. J. Hauvonen. Exchange and Trade Relations Department: C. D. Finch, Director; W. A. Beveridge, Deputy Director; S. J. Anjaria, P. J. Quirk. Legal Department: G. P. Nicoletopoulos, Director; J. G. Evans Jr., Deputy General Counsel; A. O. Liuksila. Research Department: W. C. Hood, Economic Counsellor and Director; N. M. Kaibni. Western Hemisphere Department: S. T. Beza, Associate Director; S. C. de Sosa, J. Ferràn, H. Ghesquiere, A. M. Jul, C. Ramaciotti, T. M. Reichmann. Advisor to the Managing Director: E. W. Robichek. Personal Assistant to the Managing Director: S. P. Collins. Advisors to Executive Directors: A. A. Agah, J. R. N. Almeida, C. J. Batliwalla, S. El-Khoury, K. A. Hansen, L. Ionescu, H.-S. Lee, Y. Okubo, I. R. Panday, P. D. Pérez., D. I. S. Shaw. Assistants to Executive Directors: R. Bernardo, M. Camara, L. E. J. Coene, C. Flamant, I. Fridriksson, V. Govindarajan, D. Hammann, M. C. Hull, H. Kobayashi, G. W. K. Pickering, J. Reddy, M. Rasyid, A. A. Scholten, S. Sornyanontr.

1. BRAZIL - CONSULTATION UNDER EXTENDED ARRANGEMENT - WAIVER AND MODIFICATION OF PERFORMANCE CRITERIA; AND PURCHASE TRANSACTION - BUFFER STOCK FINANCING FACILITY - INTERNATIONAL SUGAR AGREEMENT

The Executive Directors, meeting in restricted session, continued from EBM/83/159 (11/22/83) their consideration of a staff paper on a consultation under the extended arrangement for Brazil and Brazil's request for a waiver and modification of performance criteria (EBS/83/227, 10/19/83; Cor. 1, 11/21/83; Sup. 1, 11/15/83; Sup. 2, 11/17/83; and Sup. 3, 11/21/83), together with a paper on a request expected to be received from Brazil for a purchase of SDR 64.47 million under the buffer stock financing facility (EBS/83/228, 10/20/83; and Sup. 1, 11/16/83).

The Executive Board adopted the following decisions:

The decisions were:

I. A. Extended Arrangement

1. Brazil has consulted with the Fund in accordance with paragraph 29 of the letter dated January 6, 1983 from the Minister of Finance and the President of the Central Bank of Brazil and paragraph 4 of the extended arrangement for Brazil (EBS/83/33, Sup. 4, 3/3/83), in order to review progress made by Brazil in implementing its program, reach understandings with the Fund regarding the circumstances in which purchases may be resumed by Brazil under the arrangement, and reach understandings with the Fund regarding policies, measures and performance clauses for the first calendar quarter of the second year of the arrangement.

2. The letter dated September 15, together with the annexed memorandum, and the letter dated November 14, 1983 from the Minister of Planning, the Minister of Finance, and the President of the Central Bank of Brazil, and the letter dated September 5, 1983 from the Minister of Planning and the Minister of Finance shall be attached to the extended arrangement for Brazil; and the letter with the attached memorandum dated January 6, 1983, together with the communication dated February 24, 1983, shall be read as modified and supplemented by these communications.

3. (a) Purchases under the extended arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 2,743.125 million, provided that purchases shall not exceed the equivalent of SDR 1,246.875 million until February 20, 1984, the equivalent of SDR 1,620.875 million until May 20, 1984, the equivalent of SDR 1,994.875 million until August 20, 1984, and the equivalent of SDR 2,368.875 million until November 20, 1984;

(b) Paragraph 4 of the extended arrangement shall be amended to read as follows:

Brazil will not make purchases under this arrangement:

(a) (i) during any period in which the data at the end of the preceding period indicate that the target for the net international reserves of the Brazilian Monetary Authorities, as specified in paragraph 1 of the Technical Memorandum of Understanding dated September 15, 1983 and in paragraph 7, third sentence, of the letter dated November 14, 1983, is not observed; or

(ii) during any period in which the limit on the public sector borrowing requirement, as specified in paragraph 2 of the Technical Memorandum of Understanding dated September 15, 1983 and in paragraph 6, third sentence, of the letter dated November 14, 1983, is not observed; or

(iii) during any period in which the limit on the operational deficit of the public sector, as specified in paragraph 6, fourth sentence, of the letter dated November 14, 1983, is not observed; or

(iv) during any period in which the limit on the net domestic assets of the Brazilian Monetary Authorities, as specified in paragraph 4 of the Technical Memorandum of Understanding dated September 15, 1983 and paragraph 3, fifth sentence, of the letter dated November 14, 1983, is not observed; or

(v) during any period in which the data at the end of the preceding period indicate that the limit on the use of external credit, as specified in paragraph 5 of the Technical Memorandum of Understanding dated September 15, 1983 and in paragraph 7, third sentence, of the letter dated November 14, 1983, is not observed; or

(vi) during any period in which the cumulative quarterly target on the depreciation of the cruzeiro, as specified in paragraph 6 of the Technical Memorandum of Understanding dated September 15, 1983 and paragraph 7, second sentence, of the letter dated November 14, 1983, is not observed; or

(vii) if the intentions to eliminate certain exchange restrictions, including bilateral payments arrangements and payments arrears, and multiple currency practices that are specified in paragraph 15, third sentence, of the letter dated September 15, 1983, paragraphs 7 and 8 of the Technical Memorandum of Understanding dated September 15, 1983 and paragraph 7, fifth sentence, of the letter of November 14, 1983, are not carried out before December 31, 1983; or

(viii) if the intensifications of exchange restrictions that took place on September 14, 1983 and arose from reduced limits on foreign exchange allotments for travel abroad, as specified on page 24 of EBS/83/227 (10/19/83), are not eliminated by December 31, 1984; or

(b) if the reviews with the Fund contemplated in paragraph 2 of the letter dated November 14, 1983 have not been completed in accordance with the following schedule:

(i) The "February" review, including the specification of performance clauses for calendar quarters ending June and September 1984, shall be completed before May 20, 1984;

(ii) The "August" review, including the specification of performance clauses for calendar quarter ending December 1984, shall be completed before November 20, 1984;

(iii) The "November" review shall be completed before February 28, 1985; or

(c) for the third year of this arrangement, if before February 28, 1985 suitable performance clauses have not been established in consultation with the Fund, or if any such clauses, having been established, are not observed; or

(d) if Brazil

(i) imposes new or intensifies existing restrictions on payments and transfers for current international transactions; or

(ii) introduces or modifies multiple currency practices; or

(iii) concludes bilateral payments agreements which are inconsistent with Article VIII; or

(iv) imposes new or intensifies existing restrictions on imports for balance of payments reasons.

When Brazil is prevented from purchases under this extended arrangement because of this paragraph 4, purchases will be resumed only after consultation has taken place between the Fund and Brazil and understandings have been reached regarding the circumstances in which such purchases can be resumed.

4. The Fund finds that no other understandings are necessary regarding the circumstances in which Brazil can resume purchases under the extended arrangement.

Decision No. 7562-(83/160), adopted  
November 22, 1983

## B. Exchange Measures

In view of the circumstances of Brazil, the Fund grants approval of the multiple currency practices and exchange restrictions that are described under points (1), (3)(a), (3)(b), (3)(d), and (5) on page 25 in EBS/83/227; until December 31, 1983; and of those that are described under points (2), (3)(c), (3)(e), (3)(f), (4), and (6) on page 25 in EBS/83/227, until May 20, 1984 or the conclusion of the 1983 Article IV consultation with Brazil, whichever is earlier. The Fund urges Brazil to eliminate at the earliest possible date the discriminatory aspects of its exchange system that are described under points (7) and (8) on page 25 in EBS/83/227 and paragraph 7 of letter dated November 14, 1983 and contained in EBS/83/227, Supplement 1.

Decision No. 7563-(83/160), adopted  
November 22, 1983

## II. Buffer Stock Financing Facility

1. The Fund has received a request by the Government of Brazil for a purchase of SDR 64.47 million under the Decision on Buffer Stock Financing Facility: The Problem of Stabilization of Prices of Primary Products (Decision No. 2772-(69/47), adopted June 25, 1969, as amended by Decision No. 4913-(75/207), adopted December 24, 1975), and the Decision on Buffer Stock Financing Facility: 1977 International Sugar Agreement (Decision No. 5597-(77/171), adopted December 16, 1977).

2. The Fund notes the representations of Brazil and approves the purchase in accordance with the request.

3. The Fund waives the limitation in Article V, Section 3(b)(iii).

Decision No. 7564-(83/160), adopted  
November 22, 1983

APPROVED: March 28, 1984

LEO VAN HOUTVEN  
Secretary